

NRLM
National Rural Livelihoods Mission

Programme Implementation Plan



Ministry of Rural Development
Government of India

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Abbreviations and Acronyms

AC	Advisory Committee
BMM	Block Mission Manager
BMMU	Block Mission Management Unit
CAPART	Council for Advancement of People's Action and Rural Technology
CB	Capacity Building
CC	Coordination Committee
CEO	Chief Executive Officer
CIF	Community Investment Fund
CLA	Community Learning Academies
CRP	Community Resource Person
CSO	Civil Society Organization
DMM	District Mission Manager
DMMU	District Mission Management Unit
DPIP	District Poverty Initiatives Project
DRDA	District Rural Development Agency
EC	Executive Committee
GDP	Gross Domestic Product
GOI	Government of India
HR	Human Resources
ICT	Information, Communications and Technology
ITI	Industrial Training Institute
M&E	Monitoring and Evaluation
M, L & E	Monitoring, Learning and Evaluation
MDG	Millennium Development Goals
MFI	Micro Financial Institutions
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme

MIP	Micro Investment Plan
MIS	Management Information System
MORD	Ministry of Rural Development
MOU	Memorandum of Understanding
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
NIRD	National Institute of Rural Development
NMMU	National Mission Management Unit
NREGA	National Rural Employment Guarantee Act
NRLM	National Rural Livelihoods Mission
NRLP	National Rural Livelihood Project
NSS	National Sample Survey
ORAF	Operational Risk Assessment Framework
PDS	Public Distribution System
PIP	Project Implementation Plan
PVTG	Particularly Vulnerable Tribal Groups
RD	Rural Development
RUDSETI	Rural Development and Self Employment Training Institute
SC	Scheduled Caste
SD	Social Development
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self Help Group
SMD	State Mission Director
SMMU	State Mission Management Unit
SPV	Special Purpose Vehicle
SRLM	State Rural Livelihoods Mission
ST	Scheduled Tribe
TA	Technical Assistance
ToT	Training of Trainers
TSC	Technical Support Cell
VO	Village Organization

Programme Implementation Plan

Chapter – 1

Towards NRLM

An Overview of Rural Poverty in India

1.1 Indian economy recorded a fairly high GDP growth rate of 7.2 percent during 1998-2008. Notwithstanding the relatively high growth rate, over 25 crore rural population (45 million households) in the country remain locked in poverty. Contrary to the earlier estimates of rural poverty, the *Tendulkar* Committee reported a rural poverty ratio of about 42 percent. While the number of rural people living on less than Rs.50/- (US\$1) a day decreased by 2.9 crores between 1981 and 2005, the number of rural people living on less than Rs.62.5 (\$1.25) a day grew by 3.5 crore during the same period. The key challenge before the Indian economy today is to ensure that its growth becomes inclusive and contributes to a significant reduction in rural poverty. It is in this context that XI Five Year Plan has adopted an inclusive growth strategy of expanding livelihood opportunities to the excluded social and occupational groups.

1.2 The rural poverty situation in India is highly complex and greatly differentiated by geography, demography and social class. Nearly 60 percent of the rural poor households are concentrated in the states of *Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan* and *Uttar Pradesh*. These states lag behind several others not only in terms of per capita income but also in human development outcomes. Some of these states have also been witnessing *Maoist* insurgency. In addition, certain social and occupational groups in these states have been bearing a disproportionate burden of rural poverty. The Scheduled Castes, the Scheduled Tribes, the Minorities, single women and households headed by women, persons with disability, the landless and the migrant labor suffer a disproportionate impact of poverty. Apart from deprivation, isolation and exclusion that these communities and groups are subjected to, their factor endowments are very limited and a significant proportion of them live in fragile ecological zones, experiencing rapid depletion of natural resources

Nature of Rural Poverty

1.3 Rural poverty in India is multi-dimensional. It is influenced by systemic factors as well as structural changes in the economy and exhibits geographic and social characteristics.

Multi-Dimensionality of Poverty

1.4 Most of the poor rural households are resource-poor. A vast majority of them belong to the socially marginalized groups of the SCs, the STs, the minorities and those engaged in low productivity occupations. A predominant proportion of these households are engaged in agricultural labor, even as agriculture sector has been experiencing a relative decline in Gross Domestic Product (GDP). In addition, the rural poor have a limited skill base that restricts their occupational mobility to benefit from the urban-

centric growth process. Poverty denies the poor households access to a wide range of markets and services, including credit. Lack of access to last-mile services further intensifies their poverty and affects their food security, health and nutritional status.

Agriculture Affords Limited Economic Opportunity

1.5 The structural changes taking place in the Indian economy have had an adverse impact on the rural poor. The share of primary sector in GDP declined from 26 percent to 17.5 percent between 1998 and 2008, even as the share of rural population dependent on this sector remained nearly stagnant. This has adversely impacted the livelihoods of the 98 million small and marginal farm households. Unlocking the potential of small holder agriculture would significantly impact poverty outcomes in India. As the economy undergoes structural transformation from agriculture to industry and service sectors, it is important to ensure that those who remain in agriculture are made as efficient and competitive as possible. It is equally important to promote occupational mobility of rural poor, dependent on agriculture and allied activities to more gainful non-farm enterprises or employment.

Marginalized Groups Receive Inadequate Support

1.6 Marginalized groups such as the Scheduled Castes, the Scheduled Tribes, poor minorities, women, and persons with disability continue to have very high levels of poverty as indicated in the recent poverty and social inclusion assessments carried out by the World Bank. The situation of the rural poor justifies the continued adoption of a comprehensive multi-sectorial approach to rural development but with added focus on inclusive approaches. The new focus should be on enabling the rural poor to participate more effectively in the mainstream growth process and partake in its benefits.

Key Challenges to the Development of Rural Poor

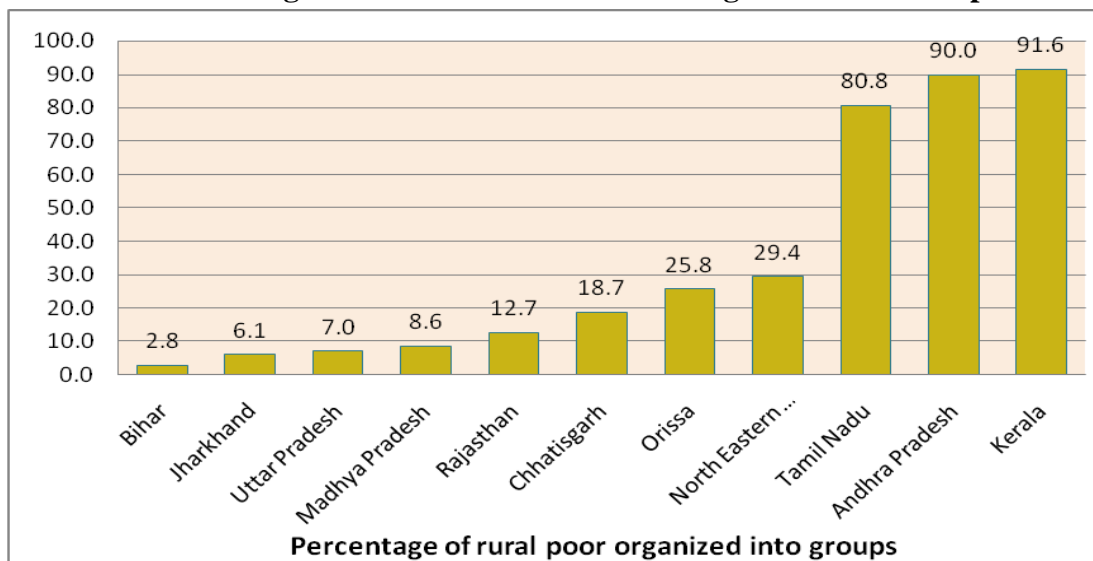
1.7 Over the past several decades, India has invested substantial amount of financial resources in rural development. Yet, several challenges remain. Some of these challenges are briefly indicated below:

Lack of Effective Institutional Platforms for the Poor

1.8 Most of the poor do not have an institutional platform of their own, which could facilitate their empowerment and development. Functionally effective institutions not only improve collective voice and bargaining power for the rural poor but would create an enabling environment for development. The most important challenge to reaching and delivering services to the rural poor is that they are not organized into functionally effective collectives. As a result, the rural poor continue to remain as scattered and fragmented producers and users of services, with the attendant disadvantages and diseconomies. It is estimated that only 38 percent of India's poor are organized into Self Help Groups (SHGs), producer groups and other forms of economic collectives.

Fig.:1

Percentage of Rural Poor Households Organized into Groups



1.9 The mobilization gap is considerably larger for states like *Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh, Rajasthan, Orissa* and *Chhattisgarh*, in respect of which only an average of 14 percent of the rural poor households are organized, compared to an average of 87.5 percent of the rural households being organized in *Andhra Pradesh, Kerala, and Tamil Nadu*. The experiences from dairy cooperatives in *Gujarat* and the self-help movement in *Andhra Pradesh* and *Kerala* show that community institutions create significant system-wide impacts, changing the rules of the game in favor of the poor. ***By co-producing the products/services for the poor, these institutional platforms create a base of risk and investment worthy clients at the bottom of the pyramid for the banking system, public service delivery institutions and the private sector.***

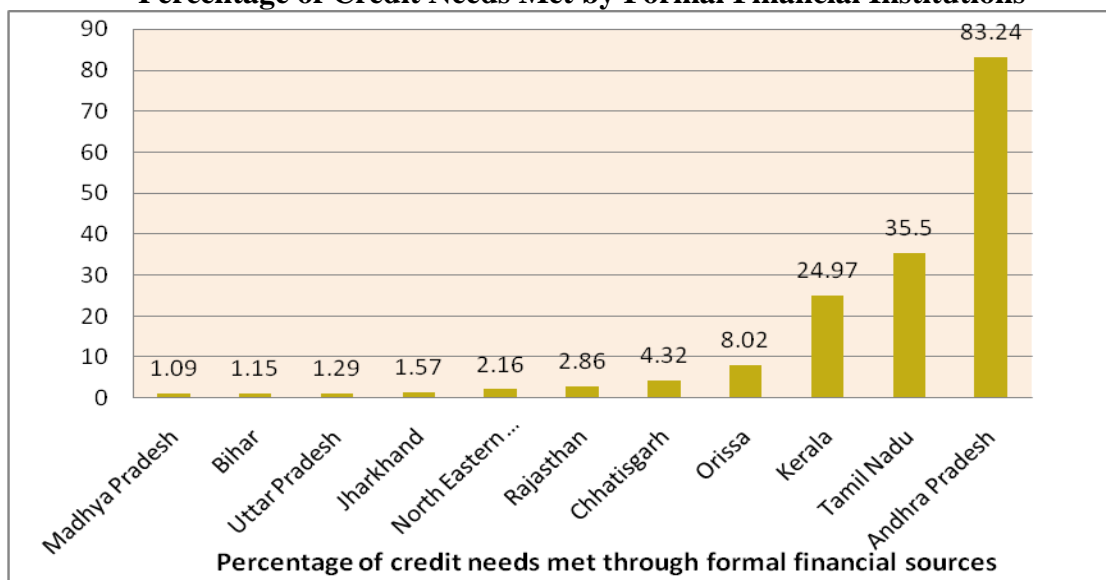
Partial Poverty Reduction Strategies

1.10 Conventional poverty reduction approaches stress upon incomes, assets, investments, skills and linkages to markets. While these are important to address issues of income poverty, consumption patterns of poor too have a bearing on the livelihoods as they influence well-being, productivity and risk taking ability of the poor. NSS Consumer Expenditure Survey (2004 - 59th round) indicates that the poor undertake 58 percent of their expenditure on food and 15 percent on health. Inefficiencies in PDS delivery, prevalence of non-monetary wage payment modes in certain areas and distortions in labor markets exacerbate the food insecurity for the landless poor and agriculture labor households. Further, high morbidity among the rural poor results in a loss of household income. About 80 per cent of the rural households depend on expensive private medical care. In order to access expensive private medical services, it is estimated that nearly 45 per cent of rural poor, either turn to high cost borrowing or sell their productive assets (NSSO, *Health Finance Report*, 2007). ***Poverty reduction initiatives, therefore, need to invest in the last-mile service delivery mechanisms that are reliable and affordable.***

Access to Institutional Finance - Crucial Driver of Poverty Reduction

1.11 Credit and other financial services are essential to help poor smoothen their consumption, minimize shocks and vulnerabilities and undertake investments for acquisition, renewal and expansion of productive assets. SHGs are emerging as a primary source of credit for the rural poor, including the small and marginal farmers. All the commercial banks in the country disbursed an amount of Rs.12,253.00 crore as credit to 16 lakh SHGs during 2008-09. This translates into a per capita credit access of Rs.6,300/- which is about 45 percent of the average expenditure of small and marginal farm households (Rs.14,300/-).¹ To bridge the resource gap, the rural poor depend on informal sources, particularly money lenders who charge exorbitant interest rates (sometimes in excess of 5 percent per month) to meet both unforeseen consumption expenditure and to invest in productive activities. *The high cost borrowing from informal sources pushes them into a debt trap and abject poverty. Therefore, there is a need for investing in institutional systems and processes that would enable the rural poor to organize themselves into functionally effective collectives and emerge as clients of the banking system and the micro-finance sector.* Here again, states like Andhra Pradesh, Kerala and Tamil Nadu which have made significant investments in the institutional architecture have shown remarkable progress in reducing the credit deficit of the rural poor.

Fig.: 2
Percentage of Credit Needs Met by Formal Financial Institutions



¹National Sample Survey Organization Report No. 497

Neglect of Small Holder Agriculture

1.12 Agriculture and allied activities sector is a prominent pro-poor sector as it provides direct employment to about 65 percent of total workforce in the relatively less developed states as against an all India average of 57 percent. The share of employment in agriculture and allied activities ranges from 68.9 percent in Bihar to 60.6 percent in Uttar Pradesh. Agriculture is predominantly small holder based in the states of *Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh, Rajasthan, Orissa and Chhattisgarh*. Notwithstanding the preponderance of small holder agriculture, the yields of most crops in these states are low compared to all-India average crop yields. For instance, the yield of rice in Madhya Pradesh at 1,130 kg per hectare is just 66 percent of average national yield of 1,716 kg per hectare. The low yields in these states are attributed to sub-optimal use of improved seeds, fertilizers and other inputs. The extension and agriculture support services too are not geared towards small holder agriculture.

1.13 Small holders also face several market disadvantages. The total marketed surplus of food grains in India is estimated to be 52 percent of the total production. Further, it is estimated that sale of 65 per cent of agricultural commodities are conducted within the villages. Most of these sales are credit-tied and are subject to exploitative trade practices. The share of direct sales by the producers to cooperative sector constitutes just about 3 percent of the total sales, while other organized procurement accounts for 9 percent of the total. ***Community managed institutional system that bundles farm productivity improvement using sustainable methods of cultivation, small holder oriented farm extension mechanism, aggregation of produce and local value addition would enable the poor to make significantly larger returns through participation in value chain investments.***

Low Participation of Poor in Organized Sector Jobs

1.14 The organized sector employed roughly 16 percent of the work force in the 12 NRLP states compared to the all India average of 32 percent during 2003-04. Given the nature of informal sector, a large proportion of workers being employed in this sector implies lack of income security, casualization and marginalization. The private sector accounts for only about 15 percent of the total formal sector employment. But in the low income states, the share of private sector in formal sector employment is still lower. (e.g., 6.3 percent in *Bihar*). Most of the less developed states are at a relatively lower state of market transition and therefore account for a relatively low formal sector employment. ***The manufacturing and new economy (trade and services) sectors have consistently shown high growth rates making it imperative for the states to adopt inclusive growth strategies which would prepare the poor for a higher participation in formal sector employment.***

Limited Access to Safety-Nets and Entitlements

1.15 The National Rural Employment Guarantee Scheme (NREGS) guarantees minimum of 100 days of wage employment for each rural household. Under the scheme, about 22.6 million households were reported to have benefited at an average rate of 37.2 days per household. However, only 3.5 percent of the registered households during 2008-09 were able to redeem the entitlement of 100 days of work. Lack of proper planning, labor budgeting, works identification, social audit and supervision coupled with delays in wage disbursements were some of the problems that continue affect the effective implementation of MGNREGS. ***Creative engagement with CBOs in the implementation of MGNREGS, however, has shown good results in states like Rajasthan and Andhra Pradesh.*** Similarly, the poor are not able to redeem the rights and entitlements guarantee to them for various reasons. Functionally effective community organizations are ideally suited to facilitate the redemption of the rights and entitlements of the poor.

Absence of Last Mile Service Delivery and the Supply Side Failure

1.16 The rural poor, especially those living in the more interior villages, do not have access to a variety of social and economic services provided by the state. These include free health services, free education, free supplementary nutrition, free agricultural extension services and such others. The reasons for the failure of the public service delivery system are multiple and range from inadequate budgetary provision to inefficiencies in the state run service delivery system. For the rural poor, the problem of access is also compounded by the fact that they do not have the wherewithal for accessing these services due to 'social distance', 'elite capture' of institutions and lack of capacity to access the services provided. The access related problems are much more compounded in some of the less developed states of India. In some of these states, public delivery systems do not reach out to all the eligible poor in the interior areas.

Weak Institutional Capacity

1.17 In some ways, the geographical distribution of poverty mirrors the geographical distribution of the capacity of public institutions to deliver rural development programmes. In the less developed states the institutional capacity of the public systems, especially at sub-district level, has weakened over the decades through a lack of strong governance structures, non-availability of quality human resources and poor system management skills. Often, the patronage system that typifies the rural society has crept into public institutions. These factors in turn contribute to an inefficient and ineffective public programme delivery system.

Emerging Opportunities for Poverty Alleviation

1.18 There have been rapid strides in a variety of fields such as technology and service delivery in the last decade. The technological innovations can be customized and

applied to improve service delivery and provide employment to the rural poor. Some of the potential technologies that could be applied include the following:

Application of ICT and Mobile Tele-Technology

1.19 The penetration of mobile technology into the interiors of the country at low usage costs, the spread of computer based internet services, the use of smart cards for a variety of transactions and the availability of world class quality service providers in these areas are a reality. ICT has been successfully adopted to improve service delivery and transparency in *Indira Kranthi Patham (IKP)*, a livelihood programme in *Andhra Pradesh* and the NREGS in many states. There are also a host of social entrepreneurs and commercial banks that are piloting and experimenting with mobile-technology based banking services in rural areas. Some of these approaches can be customized and adopted in rural development programmes to improve the quality of services for the poor besides promoting transparency and accountability.

Tested Models of Change

1.20 Several large scale state level projects have been implemented successfully using a comprehensive approach to rural development for the poor. Many of these include the first generation Bank assisted projects implemented in *Andhra Pradesh, Tamil Nadu* and *Bihar*, as well as the state financed projects of *Kudumbashree* in *Kerala*. These projects have adopted approaches different from the conventional rural development programmes and in the process created several best practices and learning which could be adopted by other states. Some of these projects, implemented at a fairly large scale by creating special purpose vehicles, afford scope for replication at the national level.

Financial Sector Growth and Financial Inclusion Policy Push

1.21 The financial sector in India has seen a robust growth in the last two decades. The commercial banking sector, together with NABARD, has proactively come forward to finance the poor through a variety of approaches, primary of which is the SHG-Bank linkage programme. An environment conducive for the Banks to promote SHG credit linkage has been created in these states. Further, as one of the drivers of inclusive growth, the Ministry of Finance, Government of India has been adopting financial inclusion as a major policy intervention. In pursuance of the financial inclusion policy, the public sector banks are coming forward to formulating innovative projects to take the SHG credit linkage forward. The present environment presents an ideal opportunity for the rural development programmes to facilitate access of the poor to bank credit.

Growth of Social Entrepreneurship

1.22 While the broad Indian growth story is explicitly credited to dynamic business entrepreneurship, the rural poor do express their entrepreneurship, given the right business opportunity. Even in the interior rural areas of several states, a micro-entrepreneurial class is emerging and undertaking several innovative activities. Some of them are providing services in education, livestock, dairying, health and financial services. This expanding entrepreneurial class presents a vast, hidden reservoir of talent to supplement formal systems of programme delivery. However, the micro-entrepreneurs

need to be trained, handheld and supported to exploit their full potential. The CBOs are eminently suited to provide such support to the emerging micro-entrepreneurs.

Inclusive Rural Development Strategy

1.23 The Eleventh Five-year Plan (2007-2012) seeks to ". . . build on [India's] strengths to trigger a development process which ensures broad based improvement in the quality of life of the people, especially the poor, Scheduled Castes and Scheduled Tribes, Other Backward Classes, minorities and women." The Plan indicates poverty reduction, social inclusion and the expansion of economic opportunities for all sections of the population as central to its strategy. A key challenge before the country is to ensure that economic growth is inclusive and leads to significant rural poverty reduction over the next decade.

1.24 The GoI and the state governments have invested substantial amount of resources in rural development and poverty alleviation programmes during the last 60 years. However, the results have been mixed. The GoI has recognized that supply-driven and top-down programmes are limited in their ability to address the multi-dimensional nature of rural poverty.² Despite efforts to promote social and economic mobilization, only 23 percent of the poor households are organized into any form of institution, limiting their voice and access to public resources and markets. Similarly, only 18 percent of poor households have access to credit from formal sources, thus limiting the access of the poor to livelihood investments.

1.25 In 2009, the Ministry of Rural Development (MoRD),GOI proposed a more comprehensive approach to rural poverty reduction in its strategic framework paper entitled 'Poverty Eradication in India by 2015: Rural Household Centered Strategy'. The framework draws on the lessons from Bank-financed rural livelihood projects³ in several states as well as *Kerala's Kudumbashree* initiative. These projects have shown that investing in the development of a representative and self-managed institutional platform of the poor yields impressive returns in terms of poverty reduction. Through these platforms, the poor can organize their demand, leverage resource and support from the public and private sectors and increase their capacity to manage and undertake productive investments. The platform creates a climate that would attract pro-poor investment from banks and private sector, resulting in the asset base of the poor. In fact, impact studies show that every Rs.100/- in support from the World Bank helped rural poor households leverage up to Rs.1,000/- from commercial banks and other programmes⁴. These investments also help achieve key human development outcomes related to education, health and nutrition for rural poor households and particularly for women

³ The World Bank-GOI collaboration on rural livelihoods began in 2000 with three District Poverty Initiative Projects in Andhra Pradesh, Madhya Pradesh, and Rajasthan. The approach as evolved through additional financing and subsequent projects in Tamil Nadu (2005), Bihar (2007) and Orissa (2008). Similar projects in Sri Lanka and Bangladesh have also contributed to lessons from rural livelihoods investment.

⁴ IDA at Work brief based on M&E data and impact evaluation studies.

Establishment of NRLM

1.26 The GoI established the National Rural Livelihoods Mission (NRLM) in June 2010 to implement the new strategy of poverty alleviation woven around community based institutions. The Mission's primary objective is to reduce poverty by promoting diversified and gainful self-employment and wage employment opportunities for sustainable increase in incomes. The Mission would work in conjunction with the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) of MORD and would primarily focus on creating self-employment and wage/job employment opportunities for the rural poor who would enable them to cross the threshold of poverty and become productive agents. NRLM would provide a combination of financial resource and technical assistance to states such that they could use the comprehensive livelihoods approach encompassing four inter-related tasks viz.,:

- mobilizing all rural, poor households into effective self-help groups (SHGs) and their federations;
- enhancing access of the rural poor to credit and other financial, technical and marketing services;
- building capacities and skills of the poor for gainful and sustainable livelihoods; and
- Improving the delivery of social and economic support services to the poor.

1.27 GOI has indicated that suitable budgetary allocations would be made to implement the Mission during the ongoing Eleventh and subsequent Five Year Plans.

The NRLM – A New Approach to Livelihoods Promotion

1.28 The National Rural Livelihood Mission constitutes a paradigm shift in the implementation of poverty alleviation programmes in the country. It is built on the lessons from different ongoing programmes of the GOI and the states. The lessons distilled from various past experiences and incorporated in the design of NRLM include the following:

Investing in Effective Institutional Structures at all Levels

1.29 The existing rural poverty reduction programmes operate through a multitude of mainstream government agencies with the burden of organization, technical support, and monitoring often placed on the DRDAs. The skill sets of existing thinly spread DRDA staff is at variance with the requirements of poverty alleviation programmes. On the other hand, experience of several state level projects has shown that, creation of special purpose vehicles in the form of autonomous Societies is a pre-condition for bringing a significant reduction in poverty. Such societies attract high quality human resources and have a dedicated Mission that would allow them to identify, mobilize and work with the rural poor. The Mission, therefore, lays primary emphasis on promotion of

‘professionally competent and dedicated implementation structures’ at the national, state, district and sub-district levels for managing and supporting all the Mission activities.

Need for Technical Assistance to States

1.30 Weak delivery mechanisms characterize public service systems of most states with high incidence of rural poverty. While there is a certain realization of this issue, the States tend to seek a range of services from recruitment of professionals to design of programmes, often without much success. To meet these needs of the states, NRLM would provide *‘high quality technical assistance (TA) and hand-holding support’* to develop necessary institutional capacities at the state, district and sub-district levels, particularly, in high priority regions, for effective implementation of poverty reduction and livelihood programmes. The TA is expected to catalyze mobilization and institution building, promote capacity building and skill development, enable access of the poor to financial services, and institute a strong ICT based monitoring system. Further, institution of a ***competitive recruitment system and merit-based human resource development strategy would ensure high quality performance and commitment on the part of project staff.*** This would require selection of staff from both the open market and the government system.

Participatory Identification of the Poor

1.31 Participatory wealth ranking has proved an effective tool to identify the poor and improve the quality of the Below Poverty Line (BPL) list. Similarly, a public review and approval of the wealth ranking-based list by the *Gram Sabha* would minimize controversies. Such a methodology is being used in Madhya Pradesh and Orissa in some form to ensure that the poorest of the poor are not excluded from livelihood projects.

Building Robust Institutional Platforms

1.32 Mobilization of the poor households to form their own institutions is an important investment for an effective poverty reduction program. NRLM envisages universal mobilization of poor households into thrift and credit based Self Help Groups and their federations. The thrift based groups serve as support system for the poorest to meet their financial and social needs. These groups have been found to be particularly useful to the asset less and landless poor to reduce the exploitative influence of money lenders over them. These crucial investments would optimize the impact of other livelihood programmes such as MGNREGS by ensuring that the wage payments are made in a transparent manner and works useful to the poor communities are identified and executed. The Mission would adopt different strategies to mobilize all poor households into functionally effective and self-managed institutions. The Mission would lay particular emphasis on mobilizing the vulnerable sections like the SCs, the STs, the poor minorities, single women, women headed households, persons with disability, the landless and the migrant labor. Investing in poverty alleviation programmes without making suitable investments in social mobilization and institution building would not result in desired poverty reduction outcomes.

Community Institutions for Livelihood Promotion

1.33 Direct and intensive support to the institutions of the poor would be more effective in livelihoods promotion than working through existing village level institutions. The village institutions primarily deal with larger public issues such as local governance, provision of public goods and merit goods such as education, health, roads and sanitation. The village institutions do not focus on livelihoods-oriented interventions such as promotion of training, household assets and income. Further, the village institutions could also impede the poor from gaining voice in the public arena. Therefore, a new set of community based organizations devoted exclusively to a livelihoods promotion is required. Thus, building and federating SHGs is central to design of NRLM. Further, in the past, some livelihood projects CBOs which were not found to be gender sensitive and sustainable in the long run. Therefore, NRLM would focus on building gender sensitive women centered CBOs.

Intensive Facilitation Support

1.34 Building cohesive and sustainable groups of the rural poor would require intensive and continuous facilitation support .NRLM would therefore follow the successful models of facilitation adopted in Andhra Pradesh and other states in which specially trained facilitators, including resource persons drawn from the community, provide high quality facilitation support to the CBOs over a long period to make them functionally effective.

Federations to Overcome Market Constraints

1.35 Lack of access of the poor to different kinds of markets is a major factor perpetuating the poverty of the rural poor. Federation of SHGs could enable the poor to overcome the market constraints and scale related problems they face. The federations could undertake collective procurement and marketing activities on behalf of the poor. The members can access multiple types of other services from the federations (seed and fertilizer). There are live examples from Andhra Pradesh (village and mandala level federations), Madhya Pradesh (Producer Companies), and Rajasthan (women dairy cooperatives). These institutions also improve access of the poor to safety nets and entitlements. Appropriately designed CBOs also address demand side governance issues by engaging primary stakeholders through social and development audits.

Pro-Poor Financial Services and Leveraging

1.36 The impact of leveraging commercial bank credit is clearly visible in the IKP project of AP where Re.1/- invested led to aRs.10/- investment made by the banks. This not only provides funds to the poor for their livelihood needs, but also makes the entire programme sustainable on a continuing basis, since the banks now see the poor as safe clients. There is also a need to unlock the constraints of the retail side of rural finance by exploring and investing in various business models including expansion of the agency

banking concept, where federations of SHG are appointed as banking facilitators and correspondents. There are several successful examples of SHGs and their federations being appointed as franchisees of insurance providers and bankers. Appointing financially literate members from within the community to act as ‘*LokSevaks*’, ‘*Bank Mitras*’ and ‘*BimaMitras*’ to address both the human resource constraint and to reduce the transaction costs, has found favor with the banks and insurance providers. NRLM would also work on the demand side of the credit delivery to the poor by organizing financial literacy and counseling services for the poor.

NRLM :Mission, Guiding Principles and Values

1.37 The mission of NRLM is *“to reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable increase in their incomes, on a sustainable basis through building strong grassroots institutions of the poor. These institutions enable and empower the poor households to build-up their human, social, financial and other resources, solidarity, voice and bargaining power. They, in turn, enable them to access their rights, entitlements and opportunities.”*

Guiding Principles

1.38 The following principles shall inform all the activities of the Mission:

- poor have a strong desire to come out of poverty, and have innate capabilities to realize the same;
- social mobilization and building strong institutions of the poor are critical for unleashing the innate capabilities of the poor; and
- A dedicated and sensitive support mechanism is required to induce the social mobilization, institution building and the empowerment process. and facilitating knowledge dissemination, skill building, access to credit, access to marketing and access to other livelihoods services would facilitate the upward mobility of the poor.

NRLM Values

1.39 The following core values shall guide all the activities under NRLM:

- strong belief in the capacities and skills of the poor;
- providing a meaningful role for the poor in all project processes – planning, implementation and monitoring;
- promotion of transparency and accountability in CBOs; and
- Reducing their dependence on external support agencies.

NRLP

1.40 It would be difficult to bring about a fundamental systemic reform simultaneously in all the 28 States and 5 Union Territories in India, unless a '*proof of concept*' is established and the states are prepared to transit from SGSY to NRLM. Apart from creating an enabling environment in the states, the institutional capacities of the Central and State governments need to be developed to understand, adopt and implement the NRLM to produce significantly higher outcomes. Further, not all the states have similar community institutional environment which is central to NRLM. Therefore, NRLP has been designed to create '*proof of concept*', build capacities of the center and states and create an enabling environment to facilitate all States and Union Territories to transit to the NRLM. Furthermore, NRLP will make investments in developing a wide range of partnerships with private sectors, civil society and other development institutions for bringing in new ideas, innovations, services and delivery mechanisms.

Chapter – 2

Key Strategies of NRLM

An Overview of the Mission Agenda

2.1 The NRLM has been designed for implementation in a Mission mode. Introduction of NRLM in the place of SGSY would result in a radical transformation of the role of the MORD. Apart from the reform of the centrally sponsored program of SGSY, the NRLM seeks to bring about fundamental changes in the support structures and institutions at the central, state, district and sub-district levels and introduce process oriented reforms that would improve the quality of rural poverty outcomes. As part of the Mission, the following structural changes and reforms would be facilitated.

- ***Institutional Reform:*** creation of special institutional support structures run by professionals and partly managed by special service providers through a wide range of partnerships;
- ***Demand Driven Strategy:*** shift from the allocation based strategy to a demand driven strategy enabling the states to formulate their own poverty reduction action plans;
- ***Results Orientation:*** focus on targets, outcomes and time bound delivery of services;
- ***Capacity and Skill Building:*** continuous capacity and skill building of the poor for improved livelihood outcomes;
- ***Innovations:*** introduction of innovations and new state of art good practices through different financing mechanisms; and
- ***Close Monitoring:*** close monitoring against targeted poverty outcomes.

Institutional Reform

2.2 The NRLM would result in a radical transformation of the role of the **Ministry of Rural Development, GOI, from** that of an allocation, disbursement and monitoring agency to one of providing quality technical assistance to the states for implementing participatory livelihood development programmes for the poor. The proposed role transformation of the MORD is summarized in *Table-1*.

Table-1
Role Transformation of MORD:NRLM

S. No.	Pre-NRLM	NRLM
1.	Allocation of resources, disbursement of funds and monitoring	<ul style="list-style-type: none"> Provision of high-quality technical assistance to states and partners in the areas of program design, HRD, MIS and community institutions building
2.	Financing restricted to resources allocated by GOI thinly distributed under SGSY	<ul style="list-style-type: none"> Emphasis on a leveraging model through financing of poor by commercial banks, allowing for both additional finance and deepening of Mission interventions
3.	Implemented as a scheme through the state system – DRDAs/district panchayats	<ul style="list-style-type: none"> Promoter of innovations and incubator of social and private sectors working for rural development
4.	Entitlement-based fund allocation	<ul style="list-style-type: none"> Program-based financing subject to overall ceiling
5.	Input and activity monitoring	<ul style="list-style-type: none"> Evidence based participatory monitoring and policy impact analysis

2.3 The Mission would bring about structural reforms at the state level too. Institutional support structure would be created for planning and implementation of NRLM. In order to transit successfully to NRLM, each state would be required to set up an autonomous State Level Rural Livelihood Mission as a Society that would act as a special purpose vehicle for NRLM planning and implementation and position trained staff at state, district and sub-district level for taking up NRLM activities. Thus, establishment of a state institutional support structure is a key pre-condition for implementing the NRLM.

Process Reform

2.4 The NRLM would also involve a transformation in the methodology of program planning. As NRLM follows a demand driven strategy, the states would have the flexibility to develop their perspective plans and detailed annual action plans for poverty reduction. The overall size of NRLM would be within the allocation indicated for each state, based on *interse* poverty ratios. In due course of time, as the institutions of the poor emerge and mature, they would drive the agenda through bottom-up planning processes. The program planning and resource allocation process would follow a specific sequence, where the states would first carry out a detailed diagnostic study of the poverty situation in the state involving an assessment of geographical distribution of poverty, presence of special groups of the poor and vulnerable and situation analysis of the poor in terms of social, financial and economic exclusion. Based on the diagnostic study, a perspective plan would be prepared for poverty alleviation. NRLM funds states against the appraised and agreed 7-year state perspective and implementation plan and a one year operational

plan by entering into a memorandum of understanding that would clearly outline the results and the processes to be adopted to achieve these results. NRLM would undertake a review of the performance against these plans on a half-yearly basis and funds flow to the states based on the revised annual plans whenever necessary. Further, on its part, NRLM/NMMU would support the state agencies based on their requirements.

Programme Reform

2.5 The progress of the SGSY scheme launched in 1999, with objectives similar to the NRLM, has been uneven, slow and in many cases distorted. The design and implementation mechanism of SGSY suffer from several weaknesses. The one-off assetization program focusing on single livelihood activity has not met multiple livelihood requirements of the poor. Often, the capital investment was provided up-front as a subsidy without adequate investment in social mobilization and group formation. Uneven geographical spread of SHGs, high attrition rates among members of SHGs and lack of adequate banking sector response, has impeded the program performance. Furthermore, several states have not been able to fully invest the funds received under SGSY, indicating a lack of appropriate delivery systems and dedicated efforts for skill training and building resource absorption capacity among the rural poor. There was considerable mismatch between the capacity of implementing structures and the requirements of the program. Absence of collective institutions in the form of SHG federations precluded the poor from accessing higher order support services for productivity enhancement, marketing linkages and risk management.

2.6 It is in this context that the Ministry of Rural Development (MoRD), Government of India (GoI) constituted a Committee on Credit Related Issues under SGSY (*under the Chairmanship of Prof. Radhakrishna*) to look into various aspects of scheme implementation. The Committee recommended adoption of a 'livelihoods approach' to eliminate rural poverty encompassing the four inter-related tasks of:

- mobilizing all the poor households into functionally effective SHGs and their federations;
- enhancing their access to bank credit and other financial, technical and marketing services;
- building their capacities and skills for gainful and sustainable livelihoods development; and
- converging various schemes for efficient delivery of social and economic support services to poor with optimal results.

2.7 The government has accepted the recommendation of the Committee and accordingly, Swarnajayanti Gram Swarozgar Yojana (SGSY) is being restructured as National Rural Livelihoods Mission (NRLM) to provide greater focus and momentum for poverty reduction and to achieve the Millennium Development Goals (MDG) by 2015. An ambitious target of mobilizing and building the skills and capacities of nearly 28 lakh SHGs has been set towards this end. The basic reforms brought about through the NRLM *vis-à-vis* the SGSY scheme are furnished in *Table-2*.

Table-2
Key Features of SGSY and NRLM

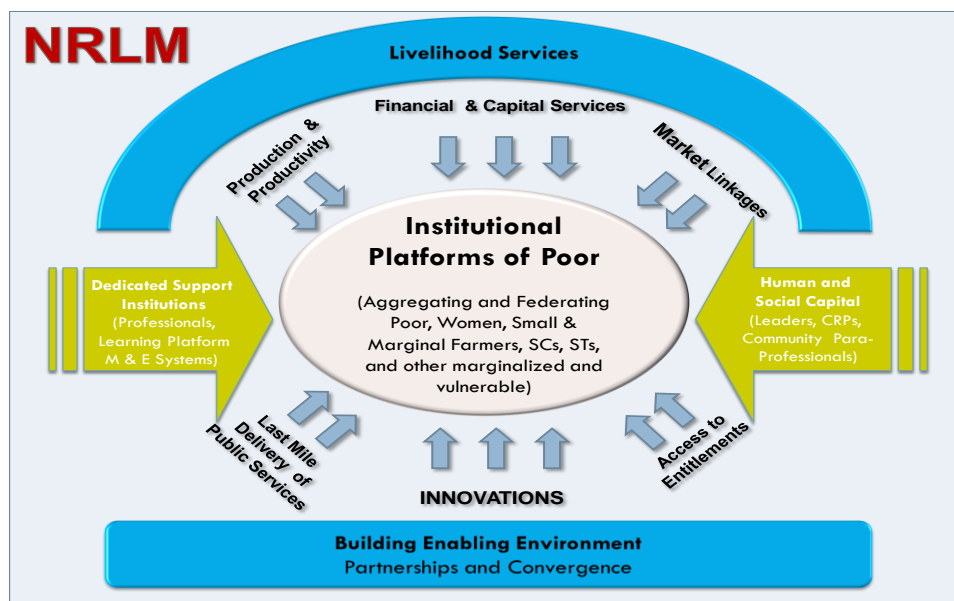
S. No.	Key Feature	SGSY	NRLM
1.	Fund allocation	District wise allocation based on BPL list/rural poverty estimate	Overall state allocation based on estimated poverty population-sub state poverty level based on State Perspective Plan
2.	Fund flow	To the districts	To the state
3.	Delivery mechanism and program management	Through DRDAs	Through state Mission structure, a special purpose organization established for NRLM
4.	Program priority	Capital subsidy	Mobilization of poor into groups
5.	Capital subsidy flow	Through banks as subsidy for economic activities	Direct to groups as demand based seed capital
6.	Role of banks	As disbursers of capital subsidy	As providers of credit

2.8 The focus of the state would shift from being just a provider of capital subsidy in the erstwhile program to building and strengthening institutional platforms of the poor in the NRLM approach. These platforms, which primarily include SHGs and their federations, with the support of their built-up human and social capital, offer a variety of livelihood services to their members across the value-chains of key products and services. These services would include financial and capital services, production and productivity enhancement services and market linkages. These platforms also offer space for convergence and partnerships with a variety of stakeholders, by building an enabling environment for the poor to access their rights and entitlements, public services and innovations. The aggregation of the poor, through their institutions, reduces transaction costs to the individual members, makes their livelihoods viable and accelerates their journey out of poverty.

NRLM : Conceptual Framework

2.9 *Figure-3* depicts the conceptual framework of NRLM. Through establishing support structures and human capital at all levels, the NRLM seeks to mobilize the rural poor to build institutional platforms that are self-managed. These institutional platforms in the form of groups, federations and producer collectives access a variety of financial and technical services including NRLM resources and resources from other government programmes such as NREGS and more importantly credit from the commercial banks. This capitalizes and enables the poor to access markets and ensure the last mile service delivery through empowerment and aggregation.

Fig.:3
Conceptual Framework of NRLM



Specific Strategies for NRLM Implementation at Block and Village

2.10 There is a certain sequence of activity sets within which the NRLM approach depicted in Fig.-3 above needs to be rolled out for each group of poor households participating in the program. A paradigm shift is required for these strategies to be successful. Investing in these strategies is to be seen as investments in building a sustainable community based ecosystem for poverty alleviation in the medium term and not as program costs or expenditure. The sequencing of these activity sets is critical to the success of the NRLM approach to rural development because it focuses on the poor and how they graduate in their needs over time. The sequence begins with proper targeting of the poor that ensures social inclusion and moves on to their own institutions leveraging resources from the banking system and ensuring last mile service delivery through convergence. The sequence in which the NRLM would be rolled out at the village and block levels are briefly described in the following.

Social Inclusion and Universal Social Mobilization

2.11 In order to ensure that no poor household is excluded, the NRLM would adopt an inclusive approach to social mobilization. The Mission would employ different strategies for mobilization of all identified BPL households into functionally effective, self-managed institutions. Particular emphasis would be laid on mobilizing vulnerable sections such as the Scheduled Castes, the Scheduled Tribes including particularly vulnerable tribal groups, religious minorities, single women and households headed by women, persons living with disabilities, the landless, migrant laborers, isolated communities and those living in disturbed areas. Facilitating peer support and social mobilization campaigns by community resource persons (CRPs)⁵ have proved to be

⁵ Community Resource Persons are best practitioners and role models, who are the members of SHGs and have successfully, come out of poverty through this paradigmatic approach.

successful in achieving high levels of social inclusion across the states. A similar approach would be adopted in achieving social inclusion under NRLM.

Building Institution Platforms of the Poor

2.12 Successful poverty reduction experiences in India and elsewhere have shown that mobilization of poor to form their ‘own institutions’ is the most important investment for large scale poverty reduction. NRLM would also work towards universal mobilization of poor households into affinity-based thrift and credit groups of women. Organizing all poor households would allow formation of aggregate institutions of the poor that provide them with voice, space and resources. *Creating such an institutional platform for social and economic empowerment is a critical pre-requisite for the poor to effectively participate over time in any program addressing their development needs.* A self-help group, of 10-20 persons in general (5-20 persons in difficult areas) is the primary building block of the NRLM institutional design. Some of the key elements of a successful SHG strategy include:

- self-determined/voluntary group membership;
- promoting homogeneity in group membership⁶ (usually comes by default through self-selecting process);
- exclusive membership to women will be encouraged⁷;
- group determined savings and intra-lending norms;
- initial intra-lending from own savings is used for smoothing consumption⁸;
- developing social capital for providing support services (like training, book keeping, etc.); and
- emphasis on creating federated higher order structures⁹.

2.13 Systematic handholding support and guidance would be provided to SHGs both through the external support structures and their own federated structures.

Capitalizing the Poor-Investing in Seed Capital

⁶ Non-homogenous groups (e.g. where better off families are combined with very poor ones) tend to be prone to elite capture.

⁷ International experience from almost every region of the world suggests that thrift groups are better managed when they are composed entirely of women. They also lead to much better social and human development outcomes in the long run due to the empowerment effect the groups have on women.

⁸ So as to promote good use of finance (for productive purposes) on the one hand as well as to reduce vulnerability to household and community level shocks/risks (like food, health, floods, natural disasters, etc.) that could wipe out accumulated asset bases of the poor and in the process threaten the viability of the group.

⁹ Without which the true power of aggregation cannot be harnessed and higher order needs cannot be addressed.

2.14 The primary source of financial assistance for the institutions of the poor is bank credit. NRLM would provide revolving fund assistance and capital subsidy fund in the form of seed capital to the institutions of the poor which would strengthen their institutional and financial management capacity and build good track record to attract the mainstream banks to finance SHGs. The details of quantum, purpose and use of NRLM funds that would flow to the poor through the state and districts are furnished in the NRLM Framework for Implementation’

Financial Inclusion

2.15 Access to required finance at affordable interest rate and at convenient terms of repayment is critical for poverty reduction. Repeated doses of credit are essential to help the poor to ease consumption and support investments in livelihood assets (acquisition, renewal and expansion). The poorest and vulnerable in several parts of the country still depend upon wages in kind to some extent. In times of seasonal food shortage, health and other shocks, they borrow from informal sources at exploitative interest rates which are repayable in kind, labor and produce. The poor, therefore, need to break free of this debt trap as the first step out of poverty. Financial inclusion, as defined by the Reserve Bank of India, is providing access to appropriate financial products and services to the most vulnerable group of the society in a fair, transparent and cost-effective manner by the mainstream financial institutions. *Making poor the preferred clients of the banking system is core to the NRLM financial inclusion strategy.* Mobilizing bank credit is crucial for accomplishing investment goals under NRLM. The **role of banks** commences right from the inception of the program. The banks shall open savings accounts for all program beneficiaries, SHGs and their federations (unregistered/registered) and facilitate a full range of banking services including savings, credit and remittances. State Level Bankers’ Committee (SLBC) in each State would facilitate consensus on the Know Your Customer (KYC) norms and procedures to be adopted by the banks for smooth opening of bank accounts.

Economic Inclusion- Building Sustainable Livelihoods for the Poor

2.16 Besides promoting social inclusion and financial inclusion NRLM would make intensive efforts to stabilize and promote existing livelihoods portfolio of the poor in farm and non-farm sectors. As part of promoting livelihoods, NRLM would develop activity/trade clusters of farm and non-farm enterprises. The clusters would focus on productivity improvement, quality promotion and cost competitiveness and support pro-poor market systems through aggregation of rural producers and facilitate engagement with market players. There is growing evidence that productive partnerships between peoples’ institutions, public and private enterprises are very effective in co-producing and delivering services for the poor in the last mile such as:

- banking and financial correspondents for commercial banks and insurance companies;
- farm extension services, agro-input supply, procurement, grading, and processing franchises for agri-business enterprises;
- courier services for logistic providers; and
- service delivery channels for social safety net programmes *etc.*

2.17 NRLM would make dedicated efforts to pilot, learn and scale-up such productive partnerships for various value chain development activities for key livelihoods of the poor including agriculture, dairying/livestock, fisheries, forestry and non-farm sector.

2.18 The current livelihood strategies normally focus on economic activities, productive assets, skills and linkage to markets. While these are important to address issues of income poverty, consumption patterns of the poor also have a bearing on livelihoods as they influence well-being, productivity and risk taking ability of the poor. Similarly, vulnerability reduction has significant bearing on promoting livelihood security and focusing on ‘*vulnerability vectors*’ would have a greater poverty impact. The business and life cycle risks expose the poor to extreme vulnerability. The strategy options for the NRLM are proposed around a simple triad reflecting interplay of three forces *viz.*, incomes, costs and risks, affecting the livelihoods of the poor households.

2.19 These options would be exercised in NRLM, largely depending upon the current situation and opportunities available in the local area, as indicated in **Table-3**.

Table-3
NRLM :Strategy Options

	Livelihood Security	Livelihood Protection	Livelihood Promotion
Objective	<ul style="list-style-type: none"> ▪ Increasing accessibility and affordability of basic services 	<ul style="list-style-type: none"> ▪ Reducing vulnerability and enhancing reliability of coping mechanisms 	<ul style="list-style-type: none"> ▪ Increasing incomes, assets and well being
Livelihood Strategies	<ul style="list-style-type: none"> ▪ Safety nets ▪ Food security ▪ Health security ▪ Literacy and life skills ▪ Shelter 	<ul style="list-style-type: none"> ▪ Access to entitlements ▪ Debt restructuring ▪ Insurance and pensions ▪ Skills transferability ▪ Managing climate risks 	<ul style="list-style-type: none"> ▪ Market access ▪ Support services ▪ Productivity ▪ Cost efficiency ▪ Technology and skills

2.20 The proposed strategic options are neither independent nor mutually exclusive. The community institutional architecture provides unique opportunity to create synergies and to provide bundled services to the poor and vulnerable.

2.21 The strategy that would be adopted for livelihood promotion within NRLM in terms of livelihood sub-sectors are indicated below:

- ***Sustainable Agriculture:*** Given the proven success of the sustainable agriculture model in AP, and the fact that a large percentage of the poor are involved in agriculture, and that sustainable practices in agriculture need to be scaled up to ensure environmental protection of land, water and other natural resources; environment-friendly sustainable agriculture practices on small landholdings and leased lands would be promoted as part of NRLM.
- ***Livestock and Dairying:*** Livestock, both cattle and small animals, is the second sector in which NRLM would invest its resources. In this sector, the poor are involved, particularly where agriculture affords limited scope for income, and where, if organized systematically, the value chains benefit the poor through partnering with public dairy federations and large private chains.
- ***Partnerships:*** In all other large employment sectors which have growth potential, a strategy of partnerships with sub-sector players would be pursued.
- ***Micro Entrepreneurs:*** Self-employment is one of the main avenues of generating livelihoods for those amongst the poor with entrepreneurial capabilities. For this purpose NRLM would invest in a package of linked activities around skill development, business training and credit linkage for small businesses by expanding the existing Rural Self-Employment Training Institutes (RSETIs) scheme implemented by different banks and other agencies. The strategy would assist individuals to establish micro-enterprises, which would in turn employ members of poor households.

Skill Trainings and Placement Linked New Economy Jobs

2.22 NRLM would take steps to make skill development as an entitlement of the poor. This calls for overhaul of skill development and training systems for improving existing occupations of the poor. Strategically leveraging the indigenous knowledge and local talent of master craftsmen, community resource persons and other best practitioners would remove barriers of access to training systems and provide freedom of choice to the poor in terms of content, costs, timing and place of trainings. It would also promote a network of RSETIs in collaboration with commercial banks and leveraging technology infrastructures of Industrial Training Institutes (ITIs) and community polytechnics.

Last Mile Service Delivery (Through Para-Professionals and Social Entrepreneurs)

2.23 One of the challenges of rural development is that the poor are often not reachable by the existing delivery system for a wide variety of services. To address this problem, NRLM would adopt a tested strategy of creating a system whereby the clients of such services themselves are able to take over the delivery of such services. The strategy would involve a systematic investment in human capital and skill enhancement that allows a cadre of Para-professionals to emerge from within the community. Such Para-professionals can gradually become social entrepreneurs who would charge for such services. This has been extensively tried successfully in the case of cattle breeding and

dairying and agriculture. In cases where groups such as village federations exist, these bodies can house services such as childcare centers and nutrition centers. The inter-linked strategy that needs to be followed for this is to have a strong referral linked system to the mainstream institutions that are expected to provide such services to the clients. This has also been tried successfully in the case of insurance and health services in AP and other states. NRLM would invest in both types of systems of skill enhancement for social entrepreneurs who become service providers and partners which would bridge the demand supply gap at the last mile.

Leveraging through Convergence

2.24 As in the case of bank finance, convergence with different rural development programmes would allow the poor to reduce vulnerability and risk. The poor have multiple livelihoods and need bundled service delivery from one-stop-shop, helping them reduce transaction costs and livelihood risks. Franchisee models have emerged in the rural scene delivering a diverse range of services such as community managed nutrition and day care centers, mid-day meal schemes in local schools, girl-child education and PDS shops. The different groups of the poor, particularly at the SHG federation level, can be drawn into such franchise arrangements. Further, the poor continually fall below and rise above poverty line due to volatility in income flows. Convergence of social protection schemes like NREGS, food security, PDS, social insurance and pensions with livelihood promotion initiatives under NRLM would be necessary to insulate poor from vulnerabilities. The cash flows generated through NREGS at the household level can trigger savings and credit habit among poor helping them accumulate assets, dramatically altering the credit standing of poor. In the same vein, the poor can influence NREGS implementation by encouraging pro-poor investments that impact livelihoods of the poor. Investments in developing private lands and common property resources (land, water and forests) and measures for enhancing farm productivity directly contribute to favorable rural production systems for poor. Further, NREGS has enabled poor leverage higher wage rates. The approach of building peoples' institutions under NRLM can therefore, create conditions wherein the programmes targeting the rural poor can converge in terms of content and capital flows.

Support Strategies at the National Level for NRLM Implementation

2.25 There are three key sets of strategies to be pursued at the national level which would be provided to the states in the form of Technical Assistance for NRLM implementation. These are:

- training and capacity building of all program staff;
- application of IC technology for both monitoring and MIS and for specific financial services; and
- partnerships of different kinds that strengthen the NRLM.

Training and Capacity Building

2.26 NRLM lays primary emphasis on promotion of ‘professionally competent and dedicated implementation structures’ at the national, state, district, and sub-district level for managing and supporting all the program activities. It would seek partnerships with reputed research and academic institutes for training and developing professionals for rural livelihood programmes and where necessary provide technical assistance for faculty development (re-skill building and re-tooling), besides supporting curriculum design, training, pedagogy and development of course curriculum. Training programmes would be designed as standardized open enrollment programmes with certification. Such training would allow for mobility of people within and outside of the Mission and across states. The state Missions can choose to pick-up certified trainees through placement, or sponsor them for the program.

2.27 The Mission would facilitate training of three broad categories of professionals viz., community organizers, professionals working with the state livelihoods Mission at middle and junior level and professionals working with the State Missions at the senior level. The three categories would be trained in attitudes, skills and themes. As there is no ready to use training material suitable to NRLM, the Mission would invest in developing core training material. It would also identify and train a pool of trainers drawn from various institutions. Training would also be provided to all stakeholders and partners of the program such as civil society organizations and bankers.

Application of IC Technology for Decision Support

2.28 The Mission would employ *state of the art* ICT for national and state level MIS and service delivery at community level. The fully computerized MIS would facilitate capturing all data right at the source for maximum transparency and accuracy, process/analyze the data to produce information relevant to stakeholders, structure and route the information, in the format and with the periodicity, for informed decision-making at different levels. Investments would be made in both development of a software design customized to the needs of NRLM at the central level and a series of call down contracts for rolling out this system in the states and lower levels, right up to the community. This would ensure that progress monitoring at all levels. Hardware investments would also be made to ensure that this system functions at various levels. Wherever necessary, mobile telephone and hand-held devices would be used at the community level to support the system.

2.29 For the purposes of service delivery at the community level, NRLM would invest in first piloting and then rolling out in a phased manner an ICT based platform that would include the following:

- platform to deliver field level service for social, financial and economic inclusion and facilitate disbursement of entitlements and social development services;

- system to act as a gateway to all external institutions *e.g.*, banks, government departments, healthcare institutions *etc.*;
- all intelligence, applications, work flows and related tools to reside in back end;
- applications to be accessible over web;
- field level devices to function both online (web based) and offline (application agent and screens) for synch up;
- access to the system to be secure using smart cards and biometric authenticating; and
- system to be virtual front-end to external organizations to facilitate agent use and intervention.

Partnerships and Outsourcing - Building a Multi-Stakeholder System

2.30 Given the scale and diversity of the Mission, implementation would require a large number of partners, support agencies and consultants. Therefore, NRLM would invest in a variety of partnerships to facilitate implementation of activities. This includes partnerships with banks for financial inclusion, partnerships with private sector for various kind of market linkages, partnerships with civil society institutions for NRLM implementation in difficult and conflict prone regions and partnerships with knowledge and specialist functional institutions for providing thematic know-how in different areas. Also certain functions would need to be outsourced, for, it is not possible for a single structure to do all functions in-house. Such partnerships would be required in all the components of the program. However, establishing partnerships would require adoption of transparent, fair and competitive procedures and guidelines.

Chapter – 3

NRLP – Objectives, Scope and Phasing

The Objective

3.1 NRLM is designed to bring about a sustainable improvement in the livelihoods of the rural poor. The Mission has set out an agenda to reach out to and support 70 million BPL households across 600 districts of the country, to come out of poverty. The central objective of the Mission is to “***establish efficient and effective institutional platforms of the rural poor that enable them to increase household incomes through livelihood enhancements and improved access to financial and public services***”. Thus, the focus of the Mission is on building community institutions of the poor which would enable them to leverage financial resources, livelihood support, public services and to redeem their entitlements. While doing so, the Mission intends to bring about a systemic reform and transform the role of MORD, from focusing on allocation, disbursement and monitoring of central government resources, to one of providing quality technical assistance to states in implementing the NRLM.

3.2 However, it would be difficult to bring about a fundamental systemic reform simultaneously in all the 28 States and 7 Union Territories in India, unless a ‘***proof of concept***’ is established and the states are prepared to transit from SGSY to NRLM. Apart from creating an enabling environment in the states, the institutional capacities of the Central and State governments need to be developed to understand, adopt and implement the NRLM to produce significantly higher outcomes. Further, not all the states have similar community institutional environment which is central to NRLM. Therefore, NRLP has been designed to create ‘***proof of concept***’, build capacities of the center and states and create an enabling environment to facilitate all States and Union Territories to transit to the NRLM. Furthermore, NRLP will make investments in developing a wide range of partnerships with private sectors, civil society and other development institutions for bringing in new ideas, innovations, services and delivery mechanisms.

Key Results Expected

3.3 The key results expected of the NR L Pare:

- establishment of a sensitive and effective autonomous implementation structures in participating states to facilitate creation of the rural institutional platform;
- increased membership of the rural poor in inclusive, community-managed institutions;
- increase in access to savings, affordable credit and financial services to the rural poor;
- increased amount of resources and services leveraged by the poor from financial institutions, private sector and public agencies; and
- sustainable increase in productive assets and income from various livelihoods among the rural poor.

Project Area and Scope

3.4 There are 28 States and 7 Union Territories in India. NRLM would be implemented in all States and Union Territories except *Delhi* and *Chandigarh*. In addition to NRLM, intensive investments would be made as part of World Bank supported NRLP in 12 high poverty states accounting for 85 percent of the rural poor in the country. Even among these 12 states, the intensive livelihood investments would be restricted to 100 districts and 400 blocks¹⁰. Intensive investments would also be made as part of NRLM (GOI funds) in a few districts/blocks. Thus, the intensive blocks are expected to provide the '**proof of concept**' for the rest of the country to adopt similar approaches to poverty alleviation (in terms of staff structures, community investment support and other types of support to the poor). The broad criteria for the selection of districts and blocks for intensive livelihood investment support would include:

- districts/blocks with high incidence of rural poverty;
- districts/blocks located in different socio-economic, agro-climatic and historical regions of the state;
- districts/blocks with low pre-Mission status of social mobilization of vulnerable and marginalized communities;
- areas affected by left-wing extremism ; and
- Presence of social capital generated by successful pre-NRLP mobilization efforts, implementation of livelihood programmes, implementation of externally funded programmes in the districts/blocks.

3.5 The distribution of the districts and blocks would be identified by the states in consultation with MoRD and presented in their respective project implementation plans. The states would be advised to select districts from all regions/zones in the states. Each states would select not more than 25% of the total districts, and 50% of them on the incidence of rural BPL population ratio. The other 50% of the districts would be selected on basis of presence of social capital as indicated by the extent of social mobilization completed, number of SHGs, extent of credit linkage of SHGs, presence of NGOs, activist, CRP (community resource person). Thus, in each of the 12 states, not more than 25% of the districts, 10% of the blocks and 4 blocks per district would be selected. However, in respect of Tamil Nadu, Rajasthan and Madhya Pradesh, suitable adjustment would be made to the number to the districts and blocks to be selected, taking into account the coverage of the ongoing livelihood programmes. The interstate distribution of project funds would be based on the relative share of rural BPL population in the total states.

¹⁰ Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka, Tamil Nadu

Table-4
Coverage of NRLP: Target

S. No.	Particulars	NRLP
1.	States covered	12
2.	Districts covered	100
3.	Blocks covered under NRLP	400
4.	Number of poor HH mobilized (million)	4.8
5.	Number of poor covered (million)	24

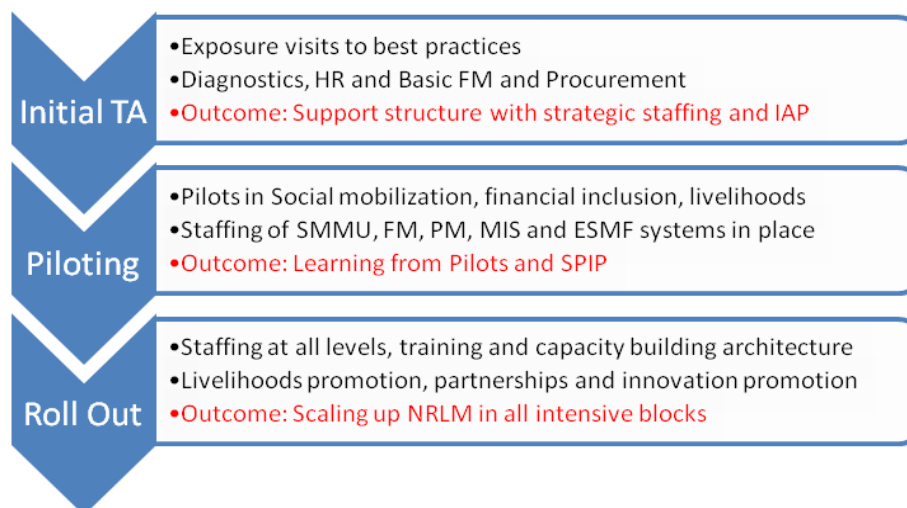
Project Phasing

3.6 In the first year, the project would strengthen the professional team at NMMU and build its capacities for providing high quality technical support to all States. During this period, it would also institutionalize mechanisms and standardize use operating procedures for appraisal and approval of state plans and establish a nation-wide system of monitoring and learning, financial management and procurement management.

3.7 The phasing of the project at the state level is largely contingent on the readiness of the states viewed in terms of having in place professionally managed implementation structures and formulating high quality state perspective and implementation plan (SPIP). Six of these states have developed this capacity as they are implementing the large scale state level livelihood programmes, with World Bank support. The NRLP would help them to align with the NRLM and expand their coverage to new areas. In the remaining eight new states, NMMU would extend technical assistance in the first year to help them develop and implement Initial Action Plan (IAP) which would enable them to:

- set up State Rural Livelihood Missions (SRLM) and fully staffed State Mission Management Units (SMMU)
- undertake poverty diagnostics and launch field pilots; and
- formulate state perspective and implementation plans (SPIP) for poverty reduction.

Fig.: 4
NRLP Roll-Out Plan



3.8 It is anticipated that all the seven states that would receive technical assistance and have launched field pilots in the first year would roll out the project activities from second year onwards. The year-wise phasing and coverage of the districts and blocks is indicated below:

Table-5
National Rural Livelihoods Project : Phasing

S. No.	Units to be Covered	Year 1	Year 2	Year 3	Year 4	Year 5
	NRLP					
1.	States	7	12	12	12	12
2.	Districts	45	80	100	100	100
3.	Blocks	180	320	400	400	400

Chapter – 4

NRLP Components

Introduction

4.1 NRLM seeks to bring about a fundamental systemic reform in rural development in general and poverty alleviation through self-employment programmes in particular, by mainstreaming the role of community institutions. However, it would be difficult to bring about a fundamental systemic reform simultaneously in all the States in India, unless a '*proof of concept*' is established and the states are prepared to transit from SGSY to NRLM. Apart from creating an enabling environment in the states, the institutional capacities of the Central and State governments suitably augmented to understand, adopt and implement the NRLM to produce significantly higher outcomes. Further, not all the states have similar community institutional environment which is central to NRLM. Therefore, NRLP has been designed to create '*proof of concept*', build capacities of the center and states and create an enabling environment to facilitate all States and Union Territories to transit to the NRLM. Furthermore, NRLP would make investments in developing a wide-range of partnerships with private sectors, civil society and other development institutions for bringing in new ideas, innovations, services and delivery mechanisms.

4.2 In order to achieve the project development objective of sustained livelihood improvement for the rural poor, the NRLP would invest in institution and human capacity development, innovation and partnership and project implementation support systems. In addition, NRLP would undertake additional investments in livelihoods promotion in 400 blocks across 12 states in four components to create '*proof of concept*' and demonstrate the feasibility and outcomes of community-institution centered livelihoods outcomes. The four inter-dependent components would be implemented as per the strategy outlined in *Chapter-2*. This Chapter briefly describes the sub-component under each of the four components of the project.

Component1: Institution and Human Capacity Development

4.3 The objective of this component is to transform the role of MORD into a provider of high quality technical assistance in the field of livelihoods promotion and to create a national pool of livelihood professionals to support implementation of poverty alleviation programmes, particularly NRLM. The component consists of the following sub-components.

Sub-Component 1.1: Technical Assistance

4.4 The objective of this sub-component is to provide *timely* and *good quality* technical assistance to all states in the country for rolling-out and implementing NRLM. This would be achieved by establishing a team of high quality professionals and institutionalizing partnerships with resource agencies, public and private sectors

considering their domain expertise, for providing technical assistance to the states in various thematic areas such as human resource management, rural livelihoods, social inclusion, environment management, financial inclusion and fiduciary management. There would be a Resident Representative in each of the NRLP supported states. Task and theme based teams called Spear Head Teams (SHTs) will be created to meet specific TA needs of the state. These mobile teams would be made out of a pool of resource persons drawn from NMMU, SMMU, CSOs, resource agencies, consultants *etc.*, hired on retainer basis and made available to a state or a group of states.

4.5 In the initial phase of implementation, dedicated technical assistance to states would be provided to facilitate their compliance with NRLM framework. This would include support for setting-up SRLM, staffing with good quality livelihood and program management professionals and developing efficient institutional systems like HR, MIS, financial management, procurement, social management and environment management. TA would also be provided to the states to undertake comprehensive situational analysis to capture various dimensions of rural poverty in the state. This would help states to prioritize interventions and resources while formulating the SPIPs. Specific TA products in each of programmatic themes would be offered to provide implementation support to the states for achieving NRLM outcomes. The detailed set of activities to be taken up under this sub component is given in *Chapter-7*.

Sub-Component 1.2 : Human Resource Development

4.6 The objective of this sub-component is to create a large pool of good quality professionals through development of partnerships with well-established training and research institutions in the field of rural development and livelihoods promotion throughout India who would be capable of delivering focused training programmes for successful implementation of the NRLM. National level partnerships would be made with reputed universities, rural management institutes and specialized training institutions for offering professional courses for aspiring and serving livelihood managers, including offering of courses through technology mediated (e-learning) and distance education options.

4.7 This sub-component would also support systematic building of capacities and managerial skills of the NRLM staff through accredited training programmes, developed and rolled-out in partnership with national and regional institutes. For this, a repertoire of case studies and innovation briefs would be developed covering various livelihood initiatives across the country.

4.8 A consortium of training institutions and resource agencies would be engaged for developing high quality training materials and practitioner toolkits for social inclusion, institution building, financial inclusion, and livelihoods that are made available to states after suitable customization. National level centers of excellence and resource centers would be developed as knowledge and training hubs on specific themes like social mobilization, financial, inclusion and farm and non-farm based livelihoods. The feasibility of establishing a National Center for Rural Livelihoods would also be explored. A detailed set of activities to be taken up under this sub component is given in *Chapter-8*

Component2: State Livelihood Support

4.9 The objective of this component is to support state governments in the establishment of necessary institutional architecture for the implementation of NRLM activities from the state to the block level, including support for the formation of institutions of the poor. To achieve the objective of the component, the following activities would be taken up.

Sub-Component 2.1 : State Rural Livelihood Missions

4.10 This objective of this sub-component is to assist identified states to set-up autonomous and professionally managed missions for implementation of the NRLM comprising multi-disciplinary team of trained development professionals with expertise in diverse themes like social mobilization, institution building, capacity building, microfinance, banking, farm and non-farm livelihoods, market-linked jobs, food security and health and nutrition at the State level. In addition, the SRLM would establish implementing entities at the district levels to facilitate field implementation of NRLM financed activities. It would also facilitate promotion of state and regional/district level (within the state) resource centers as training hubs for NRLP, with district community learning academies for capacity building of project staff, community leaders and community professionals. This sub-component would also develop cadres of professional trainers, master trainers and community resource persons. The project would strengthen the institutional capacities of State Institutes of Rural Development for supporting the training needs of government staff, bankers and Panchayat Raj functionaries. The details of the structure at the national, state, district and sub district are given in *Chapter-5* and the details of the promotion of state and district level resource centers and community learning academies are provided in *Chapter-8*.

Sub- Component 2.2: Institution and Capacity Building

4.11 This sub-component would support identification, selection, and mobilization of poor rural households into self-managed institutions, such as Self Help Groups (SHGs) and their federations. This would also include providing capacity building and training activities for SHG members and federations in group management, e-bookkeeping, financial literacy, livelihood activities, and business education, among others. Community managed service provisioning in the last mile like credit counselors, case managers at Primary Health Centers (PHCs) *etc.*, would also be supported. Teams of livelihood professionals trained in participatory methodologies and community facilitation would be set up at the block/sub-block level. The detailed set of activities to be taken up and the processes to be followed as part of community institution building is given in *Chapter-9*.

Sub- Component 2.3 : Community Investment Support

4.12 The objective of this sub-component is to provide livelihood grants to the institutions of the poor to enable them to undertake productive livelihood enhancing initiatives or vulnerability reducing initiatives for the poorest. SHGs/federations would be trained in preparation of micro plans and aggregating the household level livelihood plans to set investment priorities and raise financial and technical resources for implementing them. The project would support linkages with service providers and market institutions in key pro-poor value chains. The project would also invest in community managed food security and health risk funds for mitigating food and health shocks of the poorest households. The SHGs/federations would be facilitated access to entitlement programmes like Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), old age and disability pensions, social insurance and health insurance. Small grants would also be provided, on a limited basis, to the destitute, the old, the infirm and the disabled to meet emergency food and health purchase to help them graduate out of extreme poverty. The detailed set of activities to be taken up and processes to be follows as part of community investment support is given in *Chapter-10*.

Sub-Component 2.4: Special Programmes

4.13 The objective of this sub-component is to support pilot activities that have potential for scaling-up and replication such as last mile delivery of public services, livelihoods interventions in high-conflict areas in partnership with civil society organizations, value-chain development, using new technologies for financial inclusion, green initiatives etc. The project would invest in large scale pilots for addressing higher order livelihood and human development agenda like MDGs related to health, nutrition and education. The project would finance the cost of pilots including capacity building expenditures and setting up of supporting infrastructure. This component would incubate institutional innovations by helping states set up special purpose vehicles like foundation, societies, etc. to consolidate scaled-up livelihood programmes like sustainable agriculture; community managed dairy; market-linked jobs and placement; etc. These institutional forms would have flexibility to develop range of partnerships and leverage resources from public and private sources. Activities under special programmes would cover all States.

4.14 The key outcome of this component is demonstrating project benefits at significant scale that would have significant bearing on full scale implementation of the NRLM using Government's own resources. The detailed set of activities to be taken up under this sub component is given in *Chapter-11*.

Component 3: Innovation and Partnership

4.15 The objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor; promote social entrepreneurs and social enterprises which have potential for replication and scaling-up; and implement scaled up access to services and markets in key livelihood sectors such as financial services, agriculture, dairying,

fisheries and the non-farm sector through public-private–people partnerships benefitting the rural poor. The sub-components in which the project would invest include:

Sub-Component 3.1 : Innovation Forums and Action Pilots

4.16 This subcomponent would support selected innovations identified through development marketplace-type forums that have the potential to be scaled-up in a viable manner in partnership with development foundations. The Innovation Forums organized at national, regional and state level under the project would also create a platform for bringing together the innovators, civil society organizations, the business sector, the government, development agencies and academia for improving livelihood opportunities to the poor. Action pilots to test innovative ideas identified at the forum would be financed through a transparent award system.

Sub-Component 3.2 : Social Entrepreneurship Development

4.17 This sub-component would support the following activities:

- invest in developing a network of grassroots innovators and social entrepreneurs identified through a competitive process including developing a dedicated website;
- provide start-up funds for Social Entrepreneurs/Social Enterprises with scalable and replicable models in pre-identified areas, primarily those that address service delivery challenges and livelihood needs of the rural poor. The funding would be limited to scaling up business models that have already been tried in other locations, in the chosen NRLM districts and states; and
- capacity building of social entrepreneurs on setting up systems and processes for better governance, transparency and accounting/ book-keeping.

Sub-Component 3.3 : Public, Private and Community Partnership

4.18 This sub-component would develop a framework for scaled up Partnership Development with private sector, public corporations, and civil society institutions in the areas of scaling-up financial inclusion, value chain and technology extension in areas such as agri-business, dairying, fisheries and other sectors where the poor are employed. The sub-component would finance the following activities

- develop PPCP guidelines to assist National and State level units to implement PPCP; and
- provide financial assistance to partners identified through a competitive process.

4.19 The outcome of this component would result in continuous integration of innovations from different fields into the NRLM for the benefit of a large number. It would focus on co-opting private sector by providing incentives and encouraging it to invest in the poor and also leverage their strengths in developing viable business models at scaled-up levels.

4.20 Process and procedures for identification, and partnering with NGOs and Social Entrepreneurs under this component would follow the Innovation and Partnership Development Guidelines agreed with the Project. The detailed set of activities to be taken up and the processes to be followed for innovations and partnerships are given in *Chapter-12*.

Component 4: Project Implementation Support

4.21 The objective of component is to establish an effective project management unit at the national level that develops key systems and processes for coordination and management of the proposed project and the NRLM. Given that the NRLP, and more importantly the NRLM, would be implemented across India, there are substantial managerial requirements which are critical to ensure the satisfactory implementation of both the NRLP and NRLM. In this regard, a dedicated National Mission Management Unit (NMMU) has been established under the MoRD. To achieve the objective of this component, the proposed project intends to support the following activities:

Sub-Component 4.1 : National Mission Management Unit (NMMU)

4.22 A National Mission Management Unit (NMMU) established at the national level within the MoRD would be strengthened. The NMMU would provide leadership to the whole program implementation and create a facilitating environment for the performance of state level rural livelihoods mission. An appropriate governance and coordination structure to supervise and support this unit has been established as part of an integrated governance structure. This would include an Advisory Committee with a multi-stakeholder group as a policy making body, and a Coordination Committee to oversee implementation. The main role NMMU is to establish and oversee structures and processes for:

- policy formulation;
- project/operations and financial management;
- planning and appraisal;
- knowledge management and communication;
- capacity building and training;
- monitoring, learning, evaluation and information management; and
- Technical assistance (TA) to states in rolling-out the program.

4.23 The detailed support structures at the national level including the structure of NMMU is provided in *Chapter-5*.

Sub-Component 4.2 : Monitoring and Evaluation

4.24 Given the geographic scale and magnitude of the resources and activities to be supported by the NRLP/NRLM, a comprehensive and robust monitoring and evaluation system would be established to not only track implementation progress but also to provide meaningful reports on household level impacts and implementation experiences so as to enable MoRD and state governments to take corrective actions, if necessary. The details of the M, L & E systems to be put in place are given in *Chapter-13*.

Sub-Component 4.3:Electronic National Rural Livelihoods Management System (e NRLMS) and ICT

4.25 The objective of this sub-component is to design, develop and roll-out electronic National Rural Livelihoods Management System (*e-NRLMS*) using state of the art IT platform for hosting and delivering variety of project services like management information system (MIS), decision support systems (DSS) and financial management system (FMS). This digital grid connecting village to the national level would be Aadhar (UID) compliant and would be leveraged to deliver ICT based services to rural poor households in the last mile. The details of the M, L & E systems to be put in place are given in *Chapter-13*.

Governance and Accountability Framework

4.26 The NRLP would support the development and roll-out of a user friendly and highly responsive governance and accountability mechanism by which to ensure that all aspects of the proposed project are being implemented in accordance with agreed principles and procedures. The detailed set of activities to be taken up as part of governance and accountability are given in *Chapter-19*.

Knowledge Management and Communication

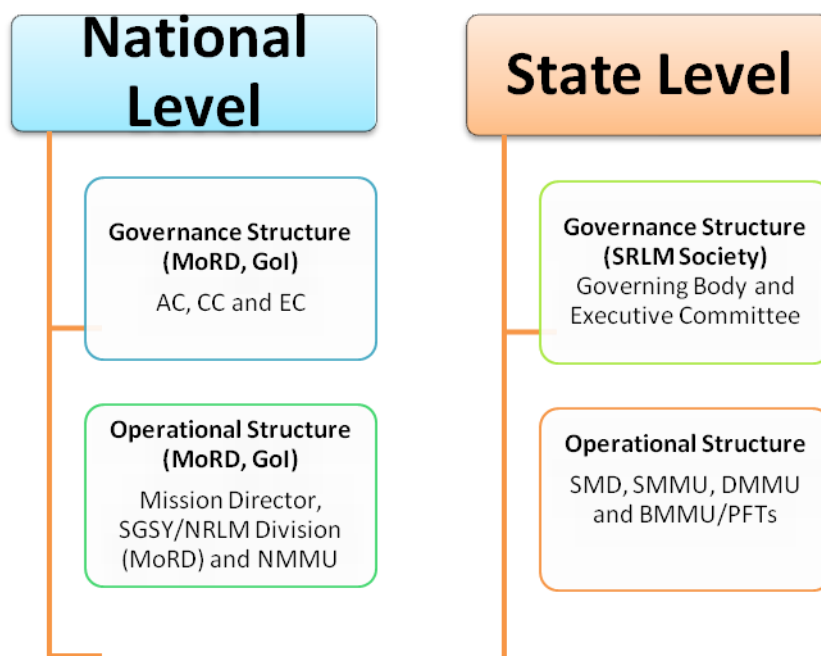
4.27 Knowledge management and communication incorporating lessons from experience and communicating consistent and significant messages at both a policy and operational level, is critical for the overall success of the NRLP/NRLM. In this regard, the project would invest in a variety of products and services to enhance the generation and use of knowledge and communications as a key tool for enhancing the quality of the program. The detailed set of activities to be taken up under Knowledge Management and Communication is given in *Chapter-14*.

Chapter – 5

Implementation Support Structures

5.1 Creation of appropriate institutional support structures to facilitate implementation of activities is central to the success of the Mission. As part of NRLP-NRLM, a dedicated National Mission Management Unit (NMMU) has been set-up. In addition, NRLP-NRLM would facilitate setting-up of dedicated sensitive support units at the state, district and sub-district levels, to catalyse social mobilization, build community institutions, capacities and skills, facilitate financial inclusion and access to financial services, support livelihoods and promote convergence and partnerships with various programmes and stakeholders. These units would be staffed with professionally competent and dedicated human resources.

Fig.:5
Implementation Structure



Support Structure at National Level

5.2 NRLM is embedded in MoRD. The programme strategies formulated by NRLM envisages creation of dedicated support structure serving as backbone for delivering programme benefits and pulling together all other poverty reduction efforts by Government departments, Panchayat Raj Institutions, CSOs, formal financial institutions, public and private sectors under one umbrella. This calls for autonomous and dynamic learning organizations with qualified personnel and multi-stakeholder governance structure comprising representatives from Government, banking, training and academic

institutions, civil society, rural development and poverty experts and practitioners, particularly from community institutions. Accordingly, the MoRD has set up dedicated governance and coordination structures to supervise the Mission activities and separate National Mission Management Unit with multi-disciplinary team of professionals.

Governance Structure at National Level

5.3 The governance structure of NRLM includes an Advisory Committee as a policy making body, and an Empowered Committee (NRLM-EC), established at the MoRD, to review and approve the State Perspective and Implementation Plans and Annual Action Plans for release of funds to the SRLMs. A Coordination Committee would also be there to oversee implementation of the Mission. The membership and key functions of these committees are described in table given below.

Table - 6
NRLM : Composition and Functions of Governance Structures

Advisory Committee	Empowered Committee	Coordination Committee
Composition		
<ul style="list-style-type: none"> ▪ Union Minister for Rural Development, Government of India - Chairperson ▪ Other ministers ▪ Secretaries ▪ Representatives of RBI, NABARD ▪ Director Generals - NIRD, CAPART etc. ▪ Representatives from State Governments ▪ Representatives from Training/Academic Institutions ▪ Representatives from Corporate Sector/Industry Associations ▪ Three Experts (RD)/NGOs ▪ Member Representative of SHGs/federations ▪ Secretary, Rural 	<ul style="list-style-type: none"> ▪ Secretary, Rural Development, Government of India - Chairperson ▪ Additional Secretary & FA, MoRD ▪ Principal Secretaries, RD from States ▪ Poverty and RD Experts/Bankers ▪ Mission Director, NRLM – Convener 	<ul style="list-style-type: none"> ▪ Secretary, Rural Development, MoRD Chairperson ▪ Adviser (Rural Development), Planning Commission Member ▪ Additional Secretary and Financial Advisor, MoRD Member ▪ Director General – NIRD Member ▪ Principal Secretaries, RD from States (3) Members ▪ Poverty and Rural Development Experts/Bankers Members ▪ Mission Director (NRLM) Member-Convener

Advisory Committee	Empowered Committee	Coordination Committee
Development, Government of India – Convener <ul style="list-style-type: none"> ▪ Mission Director, NRLM - Co-convener 		
Functions		
<ul style="list-style-type: none"> ▪ Providing overall vision for NRLM ▪ Providing direction and setting priorities for NRLM ▪ Policy guidance on poverty reduction and livelihoods enhancement of the poor ▪ Advocacy 	<ul style="list-style-type: none"> ▪ Review progress of activities and provide strategic support for programme implementation 	<ul style="list-style-type: none"> ▪ Approve the State Perspective and Implementation Plans ▪ Approve the Annual Action Plans prepared by the States and review the progress of their implementation ▪ Approve release of funds to SRLMs

Operational Structure at National Level

5.4 A National Mission Management Unit (NMMU), equipped with a pool of professional staff for management and co-ordination of activities and processes at the national level, has been put in place to create architecture for providing technical assistance to the States. The Joint Secretary, NRLM, MoRD, as Mission Director, assisted by a Chief Operating Officer, heads the NMMU, comprising a multi-disciplinary team of professionals.

5.5 The NMMU has been established at Delhi as an effective project management unit, with key systems for coordination and management. The NMMU would provide leadership to the whole programme implementation and would create a facilitating environment for the performance of state level rural livelihoods mission. The main role of NMMU would be to establish and oversee structures and processes for:

- policy formulation;
- project/operations and financial management;
- planning and appraisal;
- knowledge management and communication;
- capacity building and training;
- monitoring, learning, evaluation and information management and most importantly

- Technical assistance (TA) to states in rolling out the programme.

5.6 The focus of the NMMU is to provide technical assistance to the states to ensure their understanding and compliance with the NRLM and NRLP guidelines. The NMMU comprises of a combination of technical specialists, staff and consultants to perform different functions such as project management, provision of technical services, M&E, planning, appraisal and monitoring of the project in participating states. The strategy is to retain a lean structure at NMMU with a defined number of core and support staff and engage short-term consultants as and when required to provide support to states or to undertake certain specialized functions.

National Mission Management Unit Structure

5.7 The NMMU consists of four functional units *viz.*,

- Thematic Support Unit;
- Technical Assistance Unit;
- Programme Management Unit;
- MORD Team.

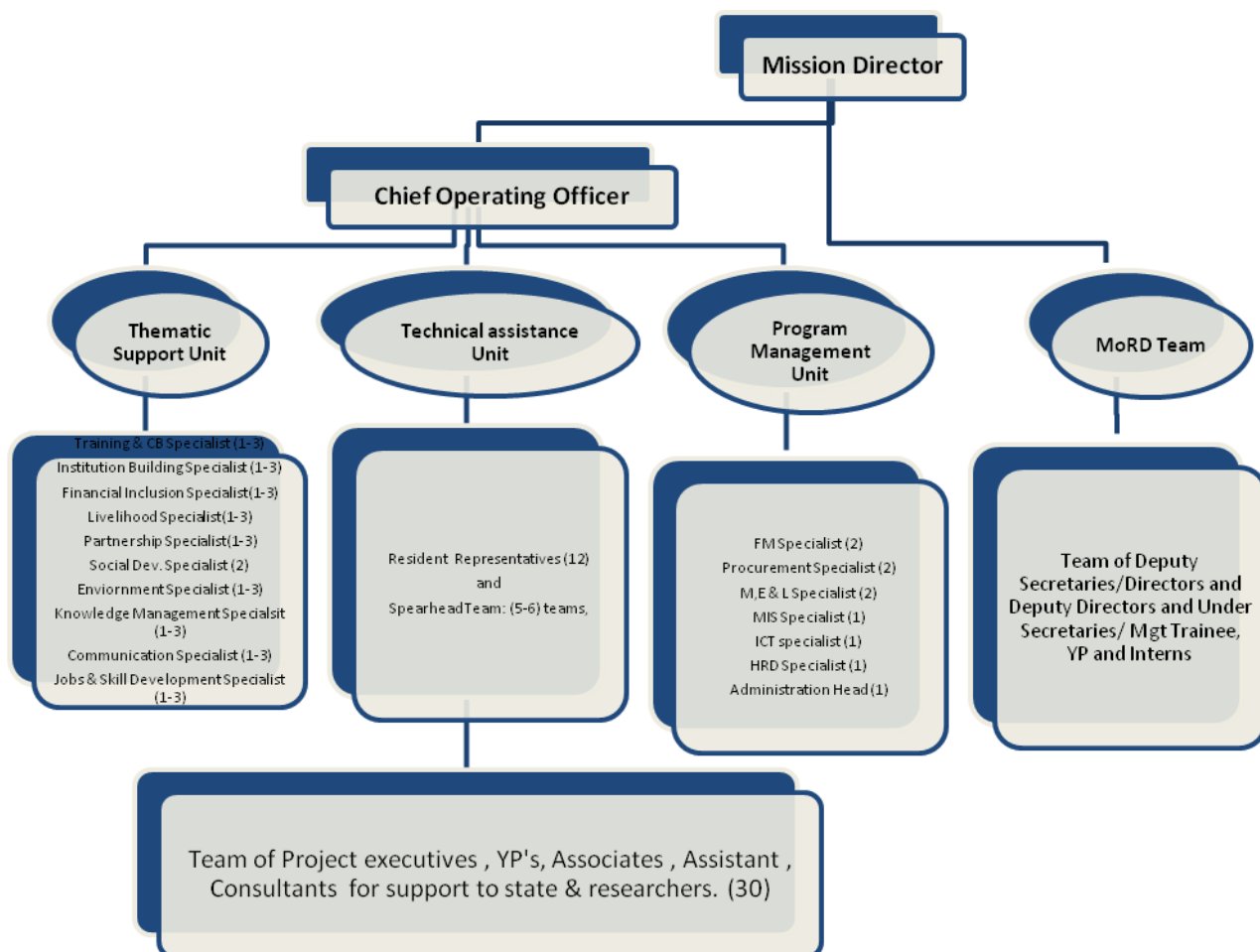
5.8 The organization structure and staffing of the NMMU is shown below. The thematic support unit would largely be responsible for idea incubation, policy framing and formulating implementation strategies for core programme implementation at both national and state level. A key innovation in the structure is the establishment of a Technical Assistance unit that would have state level resident representatives and spearhead teams which would support states for program implementation at the ground level. This would reduce the risk of uneven implementation of the NRLP in weaker states. The Project Management Unit would look after the operational dimensions of the NRLM such as fiduciary functions of finance and procurement, administration, state funding appraisal process, monitoring and evaluation and human resource development.

5.9 The SGSY/NRLM division of MoRD would work closely with NMMU and be responsible for:

- taking-up promoting convergence issues in coordination with various ministries and departments;
- facilitating NMMU's coordination with SRLM units;
- technical assistance to states;
- appraisal of state plans;
- monitoring of SRLM activities;
- consultations with states; and
- Fund-flow management.

Fig.: 6

Structure of NMMU



HR Management at NMMU

5.10 A Comprehensive HR Management policy would be adopted by the NMMU to have the services of professionally competent human resources to take up multiple responsibilities. A comprehensive HR manual would be developed to guide recruitment, HR development, staff governance, performance assessment and determining compensation packages. The HR management system envisaged for NRLM is presented in Attachment -1 to this chapter.

Support Structures at State Level

5.11 NRLM realizes that its success is critically linked to the quality and professional competence of dedicated sensitive support structures at various levels and their staff. States would be required to create separate autonomous implementation structures as State Rural Livelihood Missions (SRLMs) with multi-stakeholder governance mechanism. The state unit would further create implementation units at district and sub district/block levels.

Table - 7

Composition and Functions of Governance Structures of SRLM

Governing Body	Executive Committee
Composition	
<ul style="list-style-type: none"> ▪ Chief Minister or Chief Secretary – Chair-person, Ministers/Secretaries of Agriculture, Panchayati Raj, Animal Husbandry, Industry, Labour, Education, Health, Women and Child, Social Welfare (SC/ST) and Institutional Finance Departments ▪ Representative from MoRD, GOI ▪ Representative from training institutions and corporate sector ▪ Academic institutions ▪ State level representative(s) of RBI, NABARD and Convener of SLBC ▪ Three experts in rural development/ NGOs ▪ Representatives of SHGs/federations ▪ Principal Secretary (RD) -Convener ▪ State Mission Director - Co-Convener 	<ul style="list-style-type: none"> ▪ Chief Secretary or Development Commissioner – Chairperson ▪ Principal Secretary (Rural Development) - Vice-chairperson ▪ Commissioner/Directors - Agriculture, Rural Development, Panchayati Raj, Animal Husbandry, Industry, Labour, Education, Health, Women and Child Development, Social Welfare, Tribal Welfare etc. ▪ State Level Representative(s) of NABARD/RBI/SLBC convener ▪ Industries Associations ▪ Representatives of SHGs/Federation ▪ State Mission Director (SRLM) Convener
Functions	
<ul style="list-style-type: none"> ▪ Providing overall vision for SRLM ▪ Providing direction and setting priorities for SRLM ▪ Policy guidance on poverty reduction and livelihoods enhancement of the poor ▪ Review progress of activities and provide strategic support for programme implementation ▪ Undertake advocacy for pro-poor policies 	<ul style="list-style-type: none"> ▪ Providing overall policy guidance and direction to the project ▪ Approving all annual plans ▪ Approving overall human resource policies ▪ Providing strategic support and guidance to program implementation ▪ Monitoring program implementation and achievement of performance ▪ Redefining and reformulating project strategies based on emergent experience from project implementation ▪ Coordinating with different government departments and agencies ▪ Representing the project at the state government level

5.12 As part of learning and adaptation from experiences in rural livelihoods projects currently underway in various states, NRLM would enter into partnership agreements and MoUs with on-going livelihoods projects supported by the Bank in the states of *Andhra Pradesh, Bihar, Tamil Nadu, Orissa, Madhya Pradesh and Rajasthan*. A detailed process

for seeking support from any of the state projects would require approval from the national level.

Governance Structure of State Rural Livelihoods Mission

State Mission Management Unit

5.13 The State Mission Management Unit (SMMU) of the State Rural Livelihoods Missions (SRLM) would be constituted by state governments for the implementation of Mission activities. SRLM society would implement the NRLM activities in the state through a SMMU, at the state level, headed by a full-time State Mission Director (SMD). The major responsibilities of the SMMU include:

- leading all NRLM activities in the state;
- preparation of policies and implementation guidelines of the Mission at the state level;
- provision of handholding support to district and sub-district implementation/support structures;
- ensuring quality implementation of different components/thematic interventions; and
- Managing convergence and partnerships.

5.14 Apart from the SMD, SMMU would comprise of multi-disciplinary team of experts in social inclusion, financial inclusion, livelihoods, programme management, programme support *etc.*, and support staff. These experts, with adequate experience in the relevant thematic areas, would be drawn either from the market on contractual basis or from the government organizations on deputation basis with specific terms of reference.

5.15 The exact staffing pattern(s) at various levels would be based on geography, number of blocks, population spread, implementation strategy and phasing of the project. Each state would prepare and revise plans accordingly and would have its own HR Policy and Manual, to be revised periodically. The key elements in the HR Policy prepared for NRLM include staffing, job profiles/competencies, recruitment and selection, transparency, immersion and induction, remunerations, performance management, appraisals and incentives, grievance redress, staff learning and capacity building, space for HR in various formats and tenures - full-time, part-time, home-based, short-term/long-term, internship, sabbatical *etc.*, as well as flexibility in deployment.

District Mission Management Unit (DMMU)

5.16 The DMMU of the SRLM would be responsible for meeting NRLM objectives and implementing NRLM activities in the district. DMMU, linked suitably with DRDA, would be a facilitating and support unit for field structures. It would interface and forge convergence with District Administration and line departments, banks, NGOs and corporate agencies. A broad-based District Advisory Group/Review and Coordination Committee, chaired by District Collector, that includes representatives of the institutions of the poor and NGOs that work with them in a significant way, would review NRLM activities and provide inputs for improving and developing subsequent plans.

5.17 A multi-disciplinary DMMU, led by District Mission Manager (DMM), hired from open market on contract or on deputation from Government, includes functional specialists in social inclusion, financial inclusion, livelihoods, capacity building, programme management, programme support *etc.*, and support staff, as required. These specialists and staff would be hired in a phased manner, as required either on contract or on deputation basis from the government.

5.18 A Capacity Building cell (CB cell), within DMMU, would be responsible for imparting training to the field implementation units and nurturing the community resource persons from the poor and developing them as trainers. Initially, DMMU staff themselves may act as the trainers. As the programme expands, the CB cell would empanel external resource persons.

Sub-District/Block Mission Management Unit

5.19 The states would have the autonomy to design appropriate sub-district level support structures. The sub-district level structure is either:

- a Block Mission Management Unit (BMMU) led by a Block Mission Manager (BMM) and consisting of 3-5 spearhead teams; or
- a Project Facilitation Team at cluster (sub-block) level; or
- a combination of both.

5.20 The members of sub-district structure(s), including the BMMs would be recruited from the open market or on deputation from the government. The principal responsibilities of these sub-district field teams/structure(s) would include:

- mobilizing all poor households into SHG fold;
- strengthening existing and new SHGs;
- building SHG federations and other institutions of the poor at various levels; and
- Building capacities of the poor, their institutions, CRPs and other social activists.

5.21 These institutions of the poor, over a period of 2-3 years, would assume the responsibility for sustaining all interventions. These sub-district teams would give way for this and shoulder emerging new responsibilities, after necessary re-training. The sub-district units would take into account the social mobilization and institution building that has already been achieved in the block with the efforts of NGOs or CSOs or the government organizations. The action plan for the block would be based on a systematic diagnosis of the ground situation. The action plan would focus on strengthening the pre-existing institutions and plan for covering the uncovered areas.

5.22 These teams would promote mechanisms for active collaboration between the block administration and the institutions of the poor. As capacities increase, gradually, institutions of the poor - SHG federations - interface and converge with the block

administration on their own. A Block Review and Coordination Committee, that includes representatives of the institutions of the poor and NGOs with a significant presence, would review NRLM activities in the block and provide inputs for improving subsequent plans.

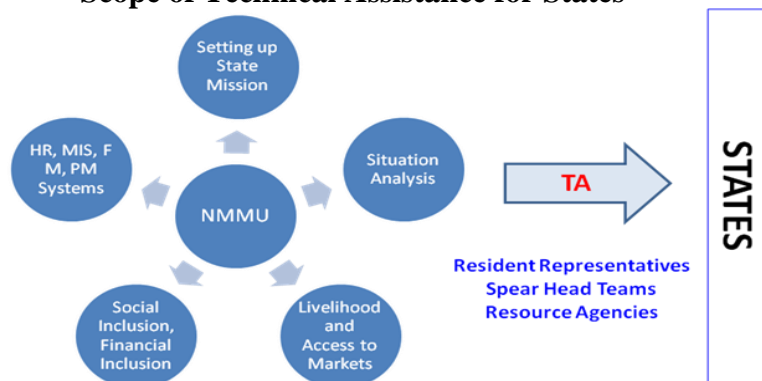
HR Governance at SMMU Level

The NRLM outcomes would also critically depend on the quality and professional competence of staff appointed at various levels of SRLM. The SRLMs would adopt a comprehensive HR policy to recruit competent multi-disciplinary staff to undertake Mission activities. Each SRLM would prepare its own HR Manual consistent with the NRLM/NRLP principles and values. Each state would also institute a performance management system to improve staff performance and retain them through the project. Training and capacity building of staff would be an integral part of professionalizing HR system. The approach of the SRLMs to human resource management is furnished in Attachment-1 to this chapter.

Operationalizing Support Structure for Technical Assistance for States

5.23 One of the key role transformations envisaged through support under NRLP to NRLM is to provide high quality technical assistance to the States. Technical assistance would be provided by establishing a team of high quality professionals and institutionalizing partnerships with resource agencies, professional service firms, public and private sectors considering on the basis of their domain expertise. Technical assistance would be provided to the states in various thematic areas such as human resource management, rural livelihoods, environment management, financial inclusion and fiduciary management. There would be a Resident Representative in each of the project supported states. Task and theme based teams called Spear Head Teams (SHTs) would be created to meet specific TA needs of the state. These mobile teams would be formed from out of a pool of resource persons drawn from NMMU, SMMU, CSOs, resource agencies, and consultants and hired on retainer basis and made available to a state or a group of states. These arrangements would provide continuous and year-round support to the states in effective implementation of NRLM and related activities.

Fig.: 7
Scope of Technical Assistance for States



5.24 The project would create institutional structures managed by multi-disciplinary team of professionals backed by strategic outsourcing of professional service firms and resource agencies. These agencies would help set up:

- national systems for ICT enabled MIS and service delivery ,undertake/support monitoring and evaluation;
- financial management and audit; and
- Procurement management.

5.25 NMMU would also facilitate partnerships with public, private and social enterprise sectors for delivery of program related services in the last mile. This strategic outsourcing and partnership strategies would also help NRLP to deliver high quality TA to states taking advantage of advancements in knowledge, technologies and management practices in the outside environment. Finally, the Mission would provide TA to partner agencies to create a large pool of service providers, particularly at the community level to ensure continuity and sustainability of service delivery in the last mile.

Key Activities to be Taken-up in the First 12 Months

NRLM Level

5.26 The following activities would be taken up at the NRLM level during the next 12 months.

- constitution of the Advisory Committee and the Coordination Committee of the NRLM;
- preparation of TORs for hiring HR agency and management agency through a process of competitive bidding and contracting the services of competent agencies;
- finalization of operational manuals and service standards in HR, finance, procurement and administration for National Mission Management Unit;
- facilitating establishment of support structures for NRLM implementation in all 12 states and setting up of new structure in 6 new states;
- facilitating appointment of CEO for each new SRLM unit and SMMU; and
- Development of operational manuals and service standards in HR, finance, procurement and administration for SRLM units as part of technical assistance.

5.27 The other key activities to be undertaken during the first year of the Mission are listed in *Annex-15* (Annual Action Plan).

SRLM Level

5.28 The key set of activities to be taken up as part of SRLM, especially during the next 18 months in terms of setting up support structures at the state, district and sub-district levels would include the following:

- creation of suitable statutory institution/society for implementing SRLM;
- creation of suitable governance structure in the SRLM and constitution of governing bodies with clear functional responsibilities;
- developing ToRs for hiring the services of HR/recruitment agency;
- contracting the services of HR agency following quality based competitive selection process;
- Recruitment of SMMU, DMMU and block level staff through the HR/recruitment agency, with core professionals being recruited in the first lot, followed-up by others in a phased manner. States with no ongoing Bank funded livelihood project need to be strategic in the initial recruitment process of the DMMU and block level staff. The strategy would be to recruit the core staff at the DMMU of the districts where the pilot is planned and all the block level staff in pilot blocks;
- organization of training and exposure visits to SMMU staff;
- learning exposure and village immersion of executive body of the society;
- developing ToR for hiring services of training institutions;
- contracting services of training institutions following quality based selection process;
- supporting training institutions/agencies to develop the MDP module in tandem with the mission objective helping staff to have an overall understanding of the management principles; and
- Rolling out of MDP in the states for the junior and mid-managerial level staff.

Attachment-1 to Chapter 5

Approach to Human Resource Management

Introduction

5A.1 NRLP aims at strengthening the National and State Mission Management Units for effective project management that would involve development of key systems and processes for coordination and management of the project as well as the NRLM. One of the key premises of the Mission is that outcomes are critically linked to the quality and professional competence of dedicated sensitive support structures at National as well as State Level and their staff. Further, an exclusive HR management system would be critical for improving performance of professionals engaged in the Mission.

5A.2 a comprehensive HR manual would be the primary requirement for both NMMU and SRLM units. The manual would be the guiding document for recruitment, HR development, staff governance and for determining benefits and compensation packages for staff. The HR manual being in place would be one of the primary readiness criteria to be complied with by the SRLM to access funds from the NRLP.

HR Guidelines

5A.3 The NMMU would undertake development of a comprehensive HR manual on the basis of the following guidelines. The manual would clearly detail:

- organisational structure, roles and responsibilities of different structures and inter-relationship among them;
- process of recruitment, selection and induction of key team members;
- contract policy for staff including contract management guidelines and service terms;
- profile and job descriptions for each level of staff and their reporting mechanism;
- process to be adopted for hiring staff and consultants;
- process to be adopted for engaging young professionals, management trainees and interns;
- staff compensation package, incentives, entitlements and benefits;
- staff transfer, travel and leave governance policy;
- grievance redress mechanism;
- staff mentoring and counselling system;
- disciplinary control, reward and penalty system; and
- Any other specific requirement.

HR Manual

5A.4 The HR policy and manual would be a live document and should not be treated as a static blue print. It would be reviewed periodically, preferably annually and modified on the basis of the evolving experience. At the end of two years, it shall be reviewed thoroughly by an experienced external consultant and improved upon on the basis of his recommendations.

5A.5 NMMU/SRLM would have their detailed HR manuals approved within 3 months of NRLP roll out. Critical HR processes such as recruitment of initial core team and development of basic management system for them would however be required at the beginning itself. As an interim arrangement, the recruitment and other functional management of staff would follow certain guidelines which would later become part of the detailed HR manual of NMMU.

Appointments

5A.6 all appointments to NMMU would be made either on contract basis or by means of deputation from the government. All contract appointments would be initially made for a period of three years, but year-to-year extension being subject to annual performance review. Salaries and benefits would be the best among the existing packages across the rural development sector, including packages obtaining in the comparable national level projects. Profile of the members of national teams in terms of education and experience and skill set would be comparable to the best among the professionals across the rural development sector. The minimum education, experience and skill set required for them manuals are as follows.

- **Education:** Post-Graduate Degree/Diploma in Management, or a Professional Post Graduate degree (Engineering, Agro, Social Work, Economics);
- **Experience:** At least 10 years of experience in relevant domain in similar livelihoods projects of a fairly large scale; and
- **Skill Set:** Thorough knowledge of the thematic area, understanding of public policies, programme design skills, strong communication skills (written oral and presentation), ability to work in/with teams and ability to build capacities/mentor other team members/state functionaries.

5A.7 the project would identify suitable professionals on the basis of an intensive search process which would include notification, advertisement and referencing. The search process would also explore deputation of suitable professionals from Government/ NABARD/ Public Sector Banks, drawing upon state projects and senior professionals from the private sector, secondment from large, established NGOs, recruitment from open market through headhunting or advertisement and outsourcing. Selection process would use multiple tests for selection of sensitive staff, with desired attributes, skill sets and experience in relevant domain. The central purpose is to identify the best quality professionals.

External HR Agency

5A.8 the services of an external agency/consultant would be used for developing detailed HR manual and conducting recruitment for NMMU. Such an agency/consultant should have prior experience in similar development projects at National/State level. The SRLMs would also hire the services of a professional agency/consultant to prepare HR manual. The services of same agency could be used by the SRLMs for recruiting project staff.

Performance Management System

5A.9 The NMMU would develop and institute a performance management system to motivate staff to improve their performance and retain high quality staff by minimizing attrition. The system would be completely transparent and all staff would be oriented to the system of performance appraisal. Areas of assessment would be jointly developed in consultation with the staff concerned. Performance assessment would provide an opportunity to the person being appraised to express his opinion but also bring the views and assessments of the peers as well as the community and the people he/she guides or supports. The results of the performance appraisal would also be used to identify the strengths and the professional requirements of the members. Each member would be provided feedback on the assessment undertaken. There would be a clear correlation between performance assessment and incentive/disincentive system including promotion and opportunity for capacity building.

5A.10 Professional development opportunities would be made available to all team members. Counseling and other forms of support would be given to members unable to get high grades in the assessment system to help them discover their potential, and help them overcome their limitations.

Non-Discriminatory Treatment

5A.11 The NRLM would be an equal opportunity employer and would adopt non-discriminatory policies in matters of human resource management. It would, however, adhere to all the statutory provisions governing recruitment of staff. The project would not tolerate discrimination of any member on grounds of gender, disability or social background. Every grievance would be heard and resolved in a reasonable time and as delayed response to grievance redress would amount to denial of justice. A transparent and fair (unbiased) mechanism is proposed therefore to address grievances at all levels speedily. Grievance redress committees would be formed at various levels to address the grievances.

Training of Staff

5A.12 Further, HR Management process of NRLM would have an exclusive induction design for all staff coming on board. A system would be instituted to identify the training needs of each level of staff, and accordingly roll out annual capacity building programme

with defined modules and timeframe. Partnerships with NGOs and CSOs should be taken into account while proposing HR processes for NMMU. The Mission would make an adequate budget provision for staff training and capacity building. A structured system for the purpose would be in place across all levels for integrating learning even as the Mission is under progress. A comprehensive HR MIS would also be developed for task review and performance management of staff.

Administrative Rules

5A.13 The Mission would develop and implement administrative and financial rules that facilitate smooth implementation of process-intensive NRLM with flexibility for responding diligently to the needs of the skilled professionals and, for nurturing and retaining them too. For a smooth process, the services of an external management agency would be hired on behalf of NRLP to provide a range of administrative and office support services to NMMU.

5A.14 The HR division of NMMU would also provide technical assistance to SRLM units for developing HR policies consistent with NRLM. States would be facilitated to strengthen and introduce HR processes in line with the framework developed for NRLM.

Professionalizing HR Management Processes at NMMU

5A.15 The NMMU has to essentially implement NRLM in a Mission mode. Therefore, it would be necessary to bring on board a team at NMMU with results orientation and one that has potential to lead thematic units and sub-teams therein. Such a team should be focused on targets, outcomes and time bound delivery, and would monitor poverty outcome targets and not inputs. The approach of the team would facilitate a shift from an allocation based strategy to a demand driven strategy, enabling the states to formulate their own poverty reduction action plans. The NMMU management must choose a staff selection process that assesses the competence level of candidates to perform in a Mission mode. Prior experience, expertise in the subject and leadership quality would be the key. Such a selection process would also be transparent so as to substantially eliminate biases and unethical practices. Post selection, the NMMU should engage the new team in shared vision exercises, enabling everyone to see a common goal and build an environment establishing a fair process for promotion and recognition linking salary with performance. Creating work processes based on principles of accountability, participatory decision making, transparency, providing equal opportunities and encouraging excellence would be important components of HR management practices for NRLP. Appropriate delegation of authority and decentralized functioning would be specific requirements of HR function in NRLP that would develop leadership and ensure accountability for deliverables expected of the team.

Chapter – 6

NRLM Roll-Out in States

Mission Approach

6.1 NRLM would be the pivot on which all rural poverty reduction efforts in the country would be mounted gradually. In a significant departure from the conventional programme management process, the NRLM would:

- provide high quality technical assistance to the states to enhance their programme implementation capacities to achieve Mission goals;
- support for shifting from entitlement and allocation based strategies to a demand driven strategy that would enable the states to determine poverty reduction priorities and formulate their own plans;
- bring about a time bound results perspective to programme planning with focus on targets and outcomes as opposed to the current year-on-year planning effort driven by expenditure targets;
- continuous capacity building and skill-development support for the poor to access emerging livelihood opportunities including those emerging in the organized sector;
- introducing innovations and incubating alternate models for programme delivery in the last mile; and
- Creating knowledge and learning platforms that would bring together good practices and facilitate cross-learning.

6.2 In order to access funds under NRLM, each state would be required to comply with the following three conditions:

- dedicated program implementation structure in the form of SRLM is set up;
- trained professionals to manage NRLM activities are in place; and
- State has prepared its own poverty reduction plan reflecting the local context.

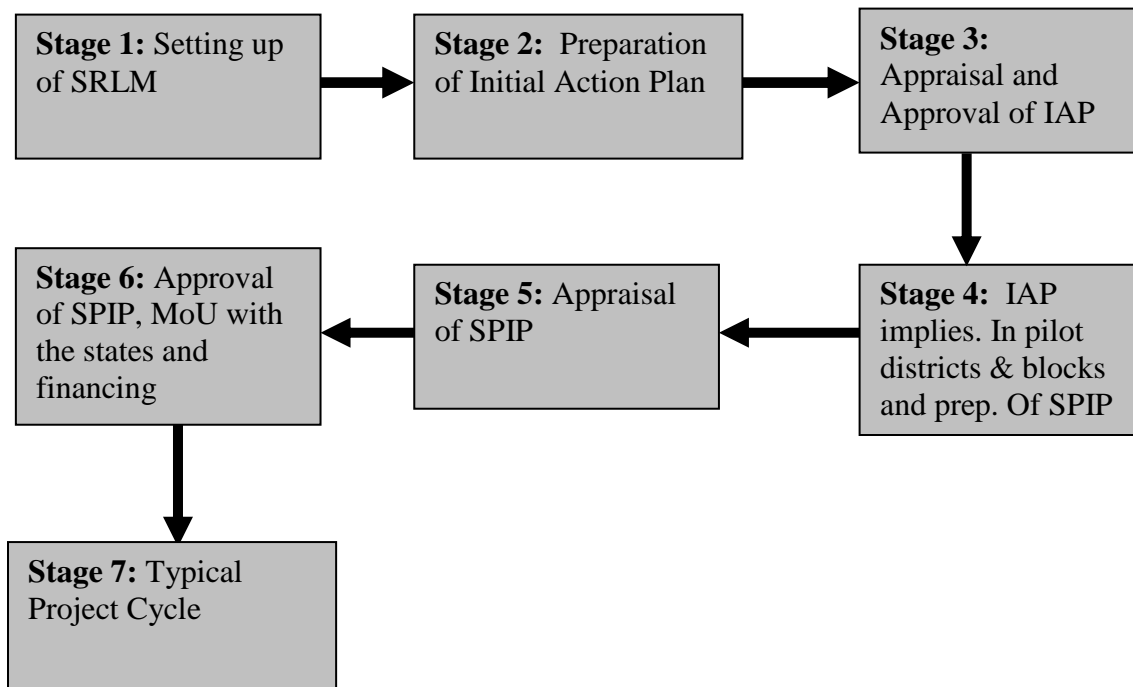
6.3 NRLP would facilitate the transformational process of MORD and strengthen the NRLM and SRLMs to suitably adopt best practices for achieving significantly better outcomes. The project would create institutional structures managed by multi-disciplinary teams of professionals backed by strategic outsource to professional service firms and resource agencies. These agencies would help set up national systems for ICT enabled MIS and service delivery, monitoring and evaluation, financial management and audit and procurement management. NMMU would also facilitate partnerships with public, private and social enterprise sectors to delivery of program related services in the last mile. This strategic outsourcing and partnership strategies would also help NRLP to deliver high quality TA to states taking advantage of advancements in knowledge, technologies and management practices in the outside environment. Finally, the proposed project would also provide TA to partner agencies to create a large pool of service

providers, particularly at the community level to ensure continuity and sustainability of service delivery in the last mile.

NRLM: Roll-Out Stages

6.4 The resources from NRLM to the states would be transferred in a demand driven manner following an agreed protocol as described below.

Fig.: 8
NRLM: Roll-Out Stages



Setting-up of SRLMs

6.5 The first step would be setting up of SRLMs in the states. The NMMU would provide comprehensive technical support to the states for setting up SRLM. This would involve:

- establishing SRLM as an autonomous body under appropriate statute;
- appointing State Mission Director/CEO on deputation from state government; and
- Establishing SMMU and deploying core staff into it.

6.6 The details of the TA are provided in the *Chapter-8* on Technical Assistance.

IAP Preparation

6.7 The SMMU would take up the IAP preparation as an initial project activity. As a prelude to this, the NMMU would facilitate exposure visits for the core staff of the support structures. The staff of SMMU would then start preparing for an Initial Action Plan and NMMU would provide technical assistance for this purpose. The IAP would include:

- a situation analysis of the poverty, in the state, bringing out the extent of pre-project social mobilization, financial inclusion and livelihood context;
- details of pilots proposed on social mobilization, financial inclusion and livelihood promotion;
- the number of the blocks to be taken up under the pilot phase and the rationale for selection of the blocks;
- the basic support structure to be put in place during piloting; and
- The basic MIS, financial management and Procurement systems to be put in place.

6.8 The detailed template for IAP is given in Annexure-4 (Part I and Part II)

IAP Appraisal and Approval

6.9 The IAPs would then be appraised by NMMU based on the following criteria:

- expected Results from the pilots proposed;
- program strategies and program cycle proposed;
- phasing of the pilot;
- implementation capacity (structures, staff, systems and partners) of the SRLM and SMMU;
- compliance of the pilot proposal to social and environmental safeguards;
- administrative and fiduciary arrangements made; and
- Cost effectiveness of the IAP.

6.10 If the IAP meets the appraisal criteria, it would be approved and the funds for the initial year would be released. If the IAP does not meet the criteria laid by the NRLM for accessing funds, the states would need to revisit their plans and come up with revised plans for fresh appraisal.

IAP Implementation and SPIP Development

6.11 Upon the approval of IAP, the SRLM would begin the implementation of IAP in the selected pilot districts and blocks. The duration of the IAP shall not exceed one year. Simultaneously, the SRLM would be involved in the development of SPIP. The key elements of the SPIP would be as follows:

- a detailed situation analysis of the state covering
 - poverty scenario in the state;
 - context of social exclusion and extent/quality of social mobilization efforts made thus far in the state;
 - context and the status of financial inclusion in the state;

- value chain analysis for key livelihood activities pursued by the poor such as crop cultivation, livestock and dairy; and
- Stock taking of the livelihood initiatives taken up thus far in the state.
- detailed strategies to be adopted for social inclusion and mobilization, financial inclusion and livelihood promotion as part of the SPIP;
- details of the support structures created at state, district and sub-district levels including the HR policy;
- training and capacity building strategy to be adopted for both the staff and the communities;
- detailed M&E plan, financial and procurement management systems in the place for the roll out of NRLM;
- social and environmental safeguards plan; and
- The governance and accountability plan for NRLM implementation.

6.12 The detailed SPIP template is attached in the *Annexure-10*.

Appraisal of SPIP

6.13 On receipt of SPIP, from each state, NMMU would undertake a desk-appraisal of the plan for compliance with the checklist and readiness conditions. State plans meeting the initial screening criteria would then be appraised by Joint Appraisal Mission, constituted by the NRLM.

6.14 Appraisal Mission would use a range of methodologies including visits to field locations, participatory assessments, high level meetings and discussions with key officials and organization of state level multi-stakeholder workshop(s) to review and refine SPIP. It would specifically assess and agree with SRLM, phasing, strategies and results; staffing, implementation capacity of units at various levels and timeline; and partnership arrangements with government departments, banks, NGOs, people's institutions *etc.*, and administrative and fiduciary arrangements.

6.15 Based on the agreed actions with the Appraisal Mission, SRLM would submit a revised SPIP and Annual Action Plan. The Appraisal Mission would review the revised SPIP and annual plans and prepare an appraisal document for approval of SPIP. For the subsequent years, the Technical Support Cell (TSC) would appraise the Annual Action Plans in the context of SPIP and on the basis of feedback provided by supervision missions, concurrent evaluation studies and the minimum quantitative/ qualitative performance criteria laid down from time to time.

6.16 The readiness conditions and the criteria for appraisal of both IAP and SPIP are given in the *Table-8* below.

Table - 8
Readiness Conditions and Criteria for Appraisal for Accessing NRLP Funds

Plan	Readiness Conditions	Broad Criteria for Appraisal
Initial Action Plan		
The states without dedicated implementation structures would prepare a one year plan for incubating SRLM, programme pilots and preparation of SPIP. The IAP would be backed by TA from NMMU	<ul style="list-style-type: none"> ▪ Action for setting up SLRM initiated ▪ Action initiated for appointment of CEO ▪ Separate bank account opened in the name of SLRM ▪ Rapid poverty diagnostics undertaken 	<ul style="list-style-type: none"> ▪ Specific outcomes projected ▪ Appropriateness of programme strategies for the pilots ▪ Timeline of targets ▪ Implementation capacity of SRLM ▪ Strategic staffing done ▪ Partnership arrangements made ▪ Administrative and fiduciary arrangements made ▪ Cost effectiveness established
State Perspective and Implementation Plan		
The states that have set up dedicated implementation structures	<ul style="list-style-type: none"> ▪ CEO appointed and in position ▪ Fully inducted state team ▪ Operational manual in place ▪ HR policy and manual in place ▪ Administrative and financial rules formulated ▪ Partnerships identified 	<ul style="list-style-type: none"> ▪ Projected results ▪ Appropriateness of program strategies and implementation cycle ▪ Phasing of activities and coverage ▪ Implementation capacity created (structures, staff, systems and partners) ▪ Measures indicated to ensure SMF and EMF compliance ▪ Administrative and fiduciary arrangements made ▪ Cost effectiveness established

Approval of SPIP

6.17 NRLM Empowered Committee constituted by MoRD would consider the final revised plan after appraisal, together with appraisal document, for approval. State Mission Director, SRLM and/or State Secretary, RD would make the presentation in this process. Considering all aspects, including allocation of resources indicated to the state as per the allocation formula, the Committee would accord final approval, with appropriate modifications and allocate resources as per the finally approved SPIP and agreed results. NRLM/NMMU and SRLM/SMMU would then enter into a MoU or sign an addendum to MoU, to include SPIP into it. As part of the approval process, NRLM/NMMU would seek SRLM's implementation readiness in terms of the following criteria:

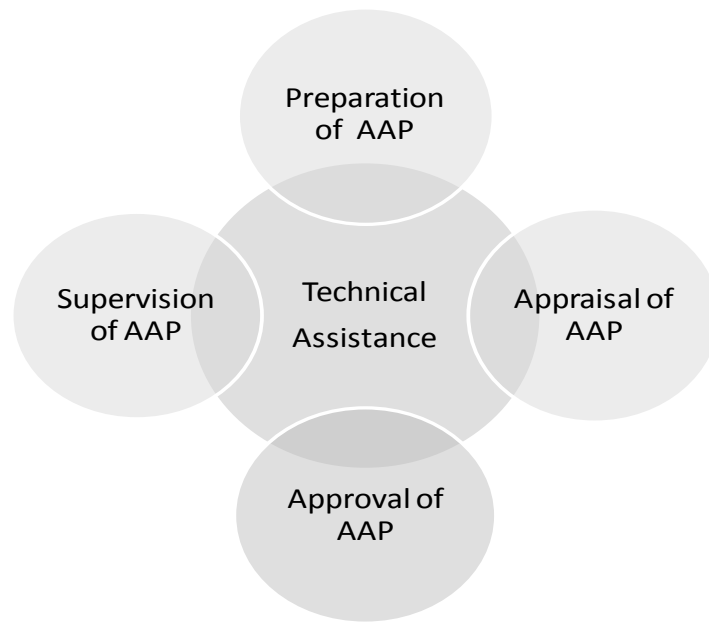
- Fully inducted team being in place;
- HR policy and manual being in place;
- administrative and financial rules having been formulated;
- partners identified and framework(s) for partnerships finalized; and
- Operational manual being in place.

6.18 Once satisfied with SRLM's readiness, NRLM/NMMU would release the first of the two tranches in a year (*i.e.*, 50% of the annual allocation) into the SRLM special bank account and SRLM would formally launch the SPIP. Subsequently, the SRLM would get into an annual project cycle mode.

SPIP: A Typical Project Cycle

6.19 Once the SPIP is approved, every year the typical project cycle that would be followed is depicted in *Fig: 9*.

Fig.: 9
NRLP: A Typical Project Cycle



Preparation of AAP

6.20 Based on the broad indication of resource availability to the state in a particular year, SRLM would undertake a prioritization exercise and prepare Annual Action Plan dovetailing from SPIP. The action plan preparation would start at the sub district level and be consolidated at the district level and subsequently at the state level and sent to the NMMU. The state-approved Annual Action Plan and the rolling plan for the coming three years shall reach NRLM/NMMU on or before 15 December every year. At the end of every financial year, the SRLM would submit fresh proposals for the subsequent year along with progress report for the previous year (both physical and financial progress), which would be subject to appraisal, before according the necessary sanction.

Appraisal of AAP

6.21 An Annual Review and Planning Mission would undertake review these plans for the coming year and for the subsequent three years. The Review and Planning Mission would be guided by the feedback of the previous missions and other studies, its own review of the performance achieved thus far, and the funds available as per agreed allocation parameters or otherwise and prioritization.

Approval

6.22 On the basis of the recommendation of the Mission, Empowered Committee would consider the plans (revised, if suggested by the Review and Planning Mission), and accord necessary approval. The funds would be released as per the approved sanction.

Technical Assistance/Supervision

6.23 As SPIP implementation progresses, subsequent tranches would be released subject to the half-yearly reviews, annual reviews and plans, and utilization of the

previous tranche(s) released and the balance funds available. Half Yearly Review Missions would undertake review of implementation against the plan (Annual Plan and SPIP) and the minimum quantitative/qualitative performance criteria that have been laid down by NRLM, from time-to-time.

Readiness Status of States

6.24 The roll out of NRLP at the state level is largely contingent upon the readiness of the states viewed in terms of having in place professionally managed implementation structures and formulating high quality state perspective and implementation plan (SPIP). About six of these states have developed this capacity as they are implementing the large scale state level livelihood programs. The project would help them to align with the NRLM and expand their coverage to new areas. In the remaining six new states, NMMU would extend technical assistance in the first year to help them develop and implement Initial Action Plan (IAP). The details of the technical assistance to be provided to these states are furnished in the chapter on Technical Assistance to states.

Chapter – 7

Technical Assistance to States

Objective of Technical Assistance to States

7.1 As NRLM constitutes a radical departure from the existing programmes in terms of planning, implementation and financing, the states would require technical support for transiting from the present mode and implement the Mission activities. The Mission provides for wide ranging technical assistance to the states to prepare themselves for the demand driven approach and meet the compliance conditions laid down for accessing funds and implement the SPIPs. Thus, the objective of Technical Assistance component is to prepare and build the capacities of the states to implement NRLM. Broadly, the states would be provided three types of technical assistance *viz.*,

- assistance for establishing SRLMs and preparation of IAP;
- assistance for preparation of the SPIP; and
- Assistance for NRLP implementation.

7.2 However, six states which are implementing large scale livelihood programmes including five states implementing Bank supported programmes may not require assistance for establishing SRLMs and for IAPs. These states would however require support for scaling up NRLP approaches to other uncovered areas of the states. All other states would require the three types of technical assistance to implement NRLM.

Key Activities

7.3 The NMMU would be the key driver of the technical assistance from the center. The NMMU would take up the following key activities as part of the Technical Assistance to the states:

- **SRLMs:** assistance for establishing SRLMs in the following areas:
 - setting up of SRLM as an autonomous society;
 - putting in place the SMMU; and
 - Organizing/facilitating exposure visits to best practice states for the key staff of SMMU.
- **IAPs:** preparation of IAPs;
- appraisal of IAPs and sanction of funds for pilots;
- **SPIPs:** assistance for preparation of the SPIP involving support for:
 - conduct of situational analysis/poverty diagnosis;
 - holding of stakeholder consultations and strategy workshops;
 - designing of strategies for social mobilization and institution building, financial inclusion and livelihoods;
 - putting in place HR and administration policies;
 - selection of districts and blocks and *inter se* phasing among them;
 - institution of MIS system, dovetailed with the national system;
 - developing financial management framework and the related manuals;
 - developing procurement management framework and the related manuals;
 - developing social management framework consistent with the national framework; and
 - Developing environment management framework.
- **Implementation Support:** assistance for NRLP implementation in the states in terms of support for:
 - developing operations manuals including community operation manual for programme implementation;
 - fine-tuning of program strategies for social mobilization and institution building, financial inclusion and livelihoods based on learning from pilots;
 - updating the HR plan and facilitating recruitment in tune with the project expansion strategy;
 - developing guidelines for implementation of specific interventions as and when they are being introduced and scaled-up;
 - support for operationalization of MIS and learning systems including process monitoring, CBO self-monitoring, development audit and reviews; and
 - Support for troubleshooting during implementation.

Details of TA Activities

7.4 Details of specific activities to be taken-up as part of technical assistance to the states at different stages of the project cycle are summarized in **Table-9**. The states could access technical assistance from the NMMU in respect of other component sub-component areas as well. The NMMU would furnish a list of areas/activities in respect of which the states could access technical assistance from the Centre.

Table- 9
Technical Assistance to States under NRLM

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
Stage-1 : Setting-up of SRLM	
<ul style="list-style-type: none"> ▪ Establishing SRLM as an autonomous body with 'rural livelihood promotion through women groups' as the core objective ▪ Appointment of State Mission Director/CEO on deputation from State Government ▪ Setting up of SMMU and recruiting/hiring key functional team members with relevant implementation experience ▪ Setting up of an independent office with all infrastructure facilities, preferably disjoined from State RD office, with dedicated administrative staff, back office staff and finance personnel 	<ul style="list-style-type: none"> ▪ Appointment of a resident representative (RR) of NRLM at state level who would facilitate establishment of SRLM by coordinating with the state rural development department ▪ RR shares experiences of other states in establishing autonomous bodies for rural livelihood programs, provides model memorandum of association, rules and regulations and facilitates registration of autonomous body under appropriate state laws and facilitates opening of separate bank account for SRLM. ▪ MoRD/NMMU would facilitate appointment of a senior officer with relevant experience from the state government as full time CEO without any additional responsibilities in the government for a minimum period of at least two years ▪ MoRD/NMMU team would support SRLM in finalizing and getting the HR Plan approved by the competent authority for the first year that would include recruitment of the key state level functional staff ▪ MoRD/ NMMU team would facilitate training of key staff by an accredited training agency in core areas of the project using approved common modules ▪ NMMU would facilitate identification of a suitable HR agency by the state government from the list of agencies empanelled by NRLM to facilitate the recruitment of key functional staff with required experience and qualifications
Stage-2 : IAP Preparation	
<ul style="list-style-type: none"> ▪ Conduct situation analysis of poverty, social mobilization, financial inclusion and livelihoods context in the state, using secondary data ▪ Finalize details of pilots on social mobilization, financial inclusion and livelihood promotion, 	<ul style="list-style-type: none"> ▪ NRLM would organize induction programmes and cross-learning visits to best practice states for the key functional staff recruited by the SRLM through the HR agency ▪ RR/NMMU team would facilitate conduct of situational assessment of the state by providing necessary guidance on the methodology, data analysis and IAP preparation (using the IAP template provided by NRLP) ▪ RR/NMMU would facilitate identification of core problem issues under social mobilization, inclusion,

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
along with the number of the blocks to be taken up for each pilot and the rationale behind the selection of such blocks	<p>institution building, financial inclusion, vulnerabilities and livelihoods</p> <ul style="list-style-type: none"> ▪ RR/NMMU team would provide support to the SMMU team to identify pilot blocks ▪ RR/NMMU team would support the SMMU team in finalizing a theme wise action plan for the pilot phase, detailing the activities to be taken up under the pilot
<ul style="list-style-type: none"> ▪ The key staff including the frontline staff would be positioned during the pilot phase at the district and block levels 	<ul style="list-style-type: none"> ▪ NRLM/NMMU would share the best practices in designing project human resource structures with the SMMU to help them come up with a suitable HR plan - structure, rules and regulations to implement the pilots ▪ NRLM/NMMU would facilitate selection of key staff for pilot implementation
<ul style="list-style-type: none"> ▪ The MIS (initially paper based), financial management and procurement systems to be put in place during the pilot phase 	<ul style="list-style-type: none"> ▪ NRLM/NMMU would support institution of a paper based MIS system for the pilot phase including the reporting arrangements, drawing from the experience of good practice states ▪ NRLM/NMMU would support the development of the basic financial and procurement management systems to be put in place as required in the IAP template (<i>Annexure 4</i>)
Stage-3 : Appraisal of IAPs and Sanction of Funds for Pilots	
<ul style="list-style-type: none"> ▪ IAPs would be appraised based on appraisal criteria 	<ul style="list-style-type: none"> ▪ The RR/NMMU would support the SMMU in the revision of IAP which is not approved in the first instance
Stage-4 : IAP Implementation and SPIP Development	
<ul style="list-style-type: none"> ▪ Implementation of IAP 	<ul style="list-style-type: none"> ▪ NMMU would undertake visits to the pilot field sites at monthly intervals to provide implementation support. During the visits, the team would interact with communities and the block level staff clarifies conceptual issues, help in troubleshooting and gather feedback. ▪ Based on the field visits, the NMMU team would provide feedback to the SMMU for strengthening the implementation of the pilots. ▪ NMMU fields multi-disciplinary teams to undertake end of pilot assessments.
<ul style="list-style-type: none"> ▪ Preparation of SPIPs 	<ul style="list-style-type: none"> ▪ NMMU team would facilitate conduct of situational assessment to be undertaken as part of preparation of SPIP. The team would provide advice on methodology,

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
	<p>sample, data analysis and template of report (other than IAP preparation).</p> <ul style="list-style-type: none"> ▪ NMMU team would empanel resource agencies at national level and further, support SMMU to identify and hire individual and institutional consultants and agencies to undertake studies as part of SPIP preparation (See <i>Annexure-5</i> for the list of studies to be undertaken as part of SPIP). ▪ NMMU team would support preparation of SPIP by SMMU by facilitating: <ul style="list-style-type: none"> - selection of a suitable consultant/ resource agency; - pre-screening of the proposal; - development of phasing plan; and - Formulation of state specific thematic strategies on the basis of learning from the pilot, situational analysis and best practices from other states. ▪ NMMU would share best practices in HR policies and structures for possible adoption (sharing the HR policies, organizational structures and compensation packages of existing livelihood programs) and would help the SRLM to finalize the HR manual ▪ NMMU would facilitate the development of a financial management framework and manual consistent with the NRLP finance manual and with the state government systems ▪ NMMU would facilitate development of a procurement management framework and manual consistent with the NRLP procurement manual and with the state government systems ▪ NMMU would facilitate development of social management framework in line with the NRLP SMF by identifying agencies for preparation of the framework and for conducting stakeholder consultation ▪ NMMU would facilitate identification of agencies for preparation of EMF (consistent with national EMF) and to conduct stakeholder consultations
Stage-5 : SPIP Appraisal	
<ul style="list-style-type: none"> ▪ Submit SPIPs in prescribed template along with all documents for 	<ul style="list-style-type: none"> ▪ NMMU would undertake appraisal of the SPIP on the basis of the following criteria (indicative checklist)

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
appraisal	<ul style="list-style-type: none"> - completeness of the SPIP; - consistency and integrity of data furnished in situation analysis; - robustness of program strategies, activities and implementation structures proposed on the basis of the situation analysis; - logic of phasing plan proposed; - project cycles at various levels; - support sought for the community and the institutions - convergence mechanisms built-in - partnerships envisaged - leveraging plans proposed - inclusion and exclusion dimensions - social safeguard plans – gender; environment and other vulnerable groups - cost effectiveness of the proposals - socio-economic cost-benefit analysis - funds from other sources - potential risks and risk mitigation measures proposed - contingency plans - exit strategies - community demand-drivenness of the proposal - piloting and scaling-up of strategies - staffing/ verifying existence of adequate staffing and training received in the areas of operations management (like FM, HR and Procurement) - administrative and fiduciary arrangements made - readiness features – staff in position, manuals in place, induction proposed/completed, MIS, M&L systems instituted
Stage-6 : SPIP Approval/Revision	
<ul style="list-style-type: none"> ▪ Revision of SPIP, if necessary 	<ul style="list-style-type: none"> ▪ The NMMU would help the SMMU revise the SPIP on the basis of the suggestions made by NMMU.
Stage-7 : Regular Annual Project Cycle	
<ul style="list-style-type: none"> ▪ States Implement Approved SPIP 	<ul style="list-style-type: none"> ▪ The NRLP/NMMU would support the states in preparation of core operational manuals, guidelines and

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
	<p>toolkits for the following areas:</p> <ul style="list-style-type: none"> - IEC material; - IB and CB manual; - CRP strategy and CP guidelines including strategy for training CRPs; - Financial management guidelines for SHG and federation level; - Micro planning manual/guidelines; - Training module on CIS and micro-planning/ livelihood planning/ intervention specific guidelines; - CIS guidelines and business process for implementing CIS to SHGs/Federations; and - Operational guidelines for running food security, health risk fund, sustainable agriculture, dairy, jobs and other interventions. <ul style="list-style-type: none"> ▪ Supports the finalization of partnerships with regional centers/state agencies for training of key project personnel ▪ Support for operationalization of MIS; mobile telephone-based technology, EFMS (e-bookkeeping, e-training, m-banking; training modules, ToTs and software) ▪ NMMU team would undertake visits to field sites to provide implementation support – clarification of concepts, troubleshooting and gather feedback. ▪ NRLM would empanel agencies for providing different types of services to the states in the areas of: <ul style="list-style-type: none"> - HR (recruitment, reviews); - M&E(MIS, process monitoring , baseline studies, impact assessment); - Financial management; - ICT pilots; - Capacity Building; - Innovation forums; and - Knowledge Management and communication ▪ Based on the field visits, the NMMU team would provide feedback to the SMMU and help it in fine-tuning implementation strategies and strengthening the implementation structures ▪ NMMU would field multi-disciplinary expert teams as review missions twice a year to provide implementation

Activity to be Performed by State	Technical Assistance to be Provided by NRLM
	<p>support. The protocol specifying the size and composition of the team and the methodology to be adopted in the appraisal and review mission is given in Annexure 6</p> <ul style="list-style-type: none"> ▪ NRLP would provide services of experts in different functional areas (IB, CB, financial inclusion, livelihood promotion and M&E) to strengthen the project implementation ▪ NMMU would undertake orientation of identified capacity building institutions at national level to NRLP

Chapter – 8

Human Resource Development

Objective of Human Resource Development

8.1 The NRLM constitutes a significant paradigm shift in the approach to the promotion of livelihoods of the rural poor. The focus of NRLM is on organizing the rural poor into effective self-managed institutions which can leverage financial and livelihood resources and contributes to their sustainable development. The progress of the Mission in promoting functionally effective institutions as well as the livelihoods critically depends on the skills and capacities of the project staff at various levels, which are expected to promote, nurture and build the capacities of the institutions. Both the NMMU and the SMMUs would undertake the responsibility for building the skills and capacities of the staff. The approach for training and capacity building of the personnel involved in the NRLM would be fully dovetailed with the strategy of engaging people in the mission, both at the grassroots level as well as at the level of administration. This would therefore encompass the strategy for material development, pedagogy, infrastructure for training and finally the actual delivery. The strategy for building capacity building of staff involves:

- Development of training material;
- Partnership with 5-6 training and capacity building institutions at a regional level;
- Partnership with Resource agencies and Centers of excellence;
- Partnership with SIRDs in the state for training of trainers;
- Training of NMMU, SPMU, district and block level staff;
- Partnerships with national level institutions for conducting courses that are accredited ; and
- Training of Community professionals and establishment of Community learning academy.

8.2 While the responsibility of the NMMU is to provide technical assistance, the SMMUs would be primarily responsible for rolling out the capacity building strategy. Given the federal structure of the project, the NMMU would facilitate (i) development of core training modules; and (ii) partnership with training institutions and resource agencies, while the SMMUs would access the services of institutions for training the staff at different levels. The SRLMs would also undertake establishment of community learning academies and utilize the services of SIRDs and other institutions for training a staff, resource persons, Para-professionals and staff of community institutions. In pursuance of the strategy indicated above, the NMMU and SMMUs would undertake the following activities.

Key Activities

NMMU Level

8.3 As part of HRD (training and capacity building) strategy of NRLP staff, the NMMU would undertake the following key activities:

- development of strategic training framework;
- promotion of partnerships;
- identification, empanelment and orientation of institutions;
- identification of core curriculum;
- support for collation of training material;
- TA for development of training material;
- training of key functionaries of NMMU;
- support for accredited courses;
- partnership with resource agencies and centers of excellence;
- support for development of repertoire of best practices; and
- monitoring and assessment of training.

SMMU Level

8.4 The SMMUs would undertake the following key activities to roll out the training and capacity building strategy:

- training needs assessment;
- preparation of training calendar;
- customization/ preparation of modules ;
- partnership with agencies at state/regional/local level;
- partnership with NIRD/ SIRDs for training of trainers;
- institutional structure of the state resource Centre;
- role of state resource centers/;
- training of SMMU, district and block level staff; and
- community learning academies.

Details of NMMU Activities

Strategic CB Framework

8.5 NMMU would develop a strategic framework/guidelines for training and capacity building of NRLM staff at different levels. This would include listing of the core training inputs to be provided to staff at different levels, the suggested content, duration and methodology of training to be provided and the potential trainers. The framework/guidelines would also suggest range of options including bridge courses and apprentice programmes for entry level positions, professional courses for students interested in evolving as livelihood managers, mid-career programmes for managers of NMMU and SMMU and continuing professional development through technology

mediated open and distance education programmes. The framework would also include partnership guidelines including a generic MoU for collaborating with reputed management and training institutions, which would guide both the NMMU and the SMMUs in contracting specific services. The SMMUs would actually contract the services of the institutions for preparing training material and providing trainings.

Promotion of Partnerships

8.6 As part of Technical Assistance, the NMMU would promote wide-ranging partnerships with institutions of national repute such as IIMs, IRMA, TISS, XISS, NIRD, and national universities for undertaking (i) Preparation of training material, tool kits, best practices, innovation briefs and case studies; (ii) Conduct of training programmes for key professionals in customized MDP and all thematic areas of NRLM adopting Tot and other modes; (iii) Organization of special professional courses for aspiring and serving livelihood professionals through normal, technology mediated e-learning and distance education modes; (iv) Provide orientation/technical assistance to partner institutions and undertake monitoring, assessment and quality control of programmes. The NMMU would undertake the following activities to partner with reputed institutions:

Identification, Empanelment and Orientation of Institutions

8.7 NMMU would identify and empanel suitable institutions which can provide the three types of services indicated above to both NMMU and SMMUs. NMMU would also identify and empanel suitable consultants, the services of who could be contracted by the states for *developing the training material and undertake related activities*. The states could also undertake the preparation of modules on the basis of modules used by other states, after necessary customization. The states have full autonomy to utilize the services of any other institution that they deem fit and appropriate.

8.8 Similarly, SMMUs could also request for technical assistance from the NMMU for identifying suitable organizations and consultants. The NMMU could organize for necessary orientation before the institutions/consultants take up preparation of modules or training of staff of states. NMMU could also provide technical assistance to partner institutions in design of curriculum, pedagogy and development of course materials/tool kits.

8.9 The institutions would be selected on the basis of the following criteria:

- institutions of national repute, preferably oriented to rural livelihoods;
- institutions which have experience in conducting similar programmes for World Bank supported livelihood projects or for central/state government staff during the last five years;
- institution with required infrastructure and residential arrangements to host the training on campus;
- institution with good library and digital resources;
- new institutions with potential but which would agree to mainstream NRLM related research and training; and

- institutions with potential trainers/faculty familiar with CBOs and livelihoods sector and understand the relative roles of state, market and the household sector.

Partnership with NIRD/SIRDs for Training of Trainers

8.10 NRLP would be operational in few selected blocks of the 12 states, while the NRLM would cover all the remaining blocks and the remaining states. Thus, a lot of learning from NRLP experience would definitely flow to streamline and fine-tune the operations of the NRLM. The experience of NRLP on the processes of targeting of poor and the vulnerable groups, mobilizing community and nurturing peoples' institutions, the planning at the individual household level, identification and grooming of CRPs, the livelihood value chain intervention *etc.*, would be of high value for the effective implementation of NRLM in the rest of the country. Thus, there would be need for development of resource centers at state level which would assimilate the learning, draw in learning from outside the state and disseminate consolidated learning to the state teams. For this purpose, the SRLMs would partner with NIRD and SIRDs. However, NIRD/SIRD is ideally suited to provide Tot support, a network of state resource centers would be required to provide training and capacity building inputs.

Identification of Core Curriculum

8.11 NMMU would identify core curriculum for training Mission staff at different levels, including its own staff. The curriculum would include relevant management concepts, apart from all thematic areas listed in *Attachment-1*. The assessment would also suggest appropriate mode of training, pedagogy, training aids, and illustrative best-practice sites. Before identifying the core curriculum, the NMMU would examine the training modules and tool kits prepared and used by livelihood projects in other states. If necessary, the NMMU would hire the services of a consultant to support it the identification of core curriculum.

Support for Collation of Training Material

8.12 As a part of the preparing the states to undertake capacity building of its staff and community institutions, the NMMU would list all training material developed and used by the livelihood projects in other states, including manuals, best practices, case studies, video films and such other material and the KMC unit/cell would build a repository of the same which can be accessed by the states. The states would also be encouraged and guided to building such repositories. Thus, the NMMU would act as a knowledge hub for capacity building of staff and CBOs, to which states would not only contribute but also access required information. Some of the best practices would be hosted on the knowledge portal to be developed by NMMU-KMC cell.

8.13 As part of creating the knowledge hub, NMMU and SMMUs would undertake collection of case studies from different states for wider dissemination and replication. The case studies would cover all relevant core themes including collective livelihood activities undertaken by community institutions such as procurement and marketing of NTFP, promotion of food security, community managed health and nutrition initiatives,

agro-commodity procurement and marketing and community based sustainable agriculture. The potential list of themes for case studies to be collected / developed from different states is presented in *Attachment-2* to this Chapter.

TA for Development of Training Material

8.14 NMMU would provide technical assistance for states to undertake preparation of core training materials/manuals. The SMMUs could undertake the task in-house or outsource the activity to empanelled institutions/consultants following the procurement procedures laid down for this purpose. As a good deal of training material is available in the states implementing livelihood projects, SMMUs could review the material available before undertaking/contracting out preparation of new material. While doing so, the core NRLM model and business processes would be kept in mind. The states would undertake transcription/translation of the training modules into local language, besides their printing and distribution as per requirements.

8.15 Broadly, the training modules would comprise two parts. The first part would cover key themes of social mobilization, SHG promotion, democratic functioning, micro-finance including leverage of credit, bookkeeping, financial management, capacity building, promotion and management of federations, inter-relationship between SHGs and federations. The second part would include modules on micro-investment planning, livelihoods, financial inclusion, marketing, promotion of producer collectives, promotion of common procurement, marketing and other livelihood activities, social development activities, monitoring and learning and other related areas. The modules would be used for training the professionals engaged in these thematic areas.

8.16 While the first set of training constitute the core skills required for the creation of self-managed, self-reliant and vibrant CBOs of the poor, the second set of training would complement the core skills aid in the creation of sustainable rural livelihoods for the poor under NRLM. The suggested core content of the first set of modules is presented in *Attachment-1* to this Chapter.

Training of Key Functionaries of NMMU

8.17 The NMMU would provide necessary induction and training to its core team members, for which the services of empanelled institutions or consultants or senior professionals from the ongoing livelihood projects in other states would be used. The core team would also undergo exposure visits to best practice sites in the country. Apart from inputs on roles and responsibilities, the team would be provided in depth training in all thematic areas including IB, CB, MF, Livelihoods, Project Management and Monitoring and learning. In addition, additional in depth training would be provided to Core Team members in different thematic areas. There would be frequent refreshers and short duration trainings, besides on-the-job support.

Support for Accredited Courses

8.18 The NRLM would also partner with training institutions at the national level for distance learning and for offering specific accredited courses such as the one being

developed with IGNOU for procurement management. There would be a systematic process of accreditation of such courses which would allow NRLM staff to enhance their existing skill sets and which could also be used for their performance evaluation.

8.19 Because of the scale and the emerging innovations, there is a need for development of e-learning modules; web based accredited programmes and an array of distance learning education programmes focusing both on the thematic issues as well as on project management. On the basis of this need, the NMMU would identify and partner with institutions that can provide support in fulfilling the requirements of NRLM indicated above.

Partnership with Resource Agencies and Centers of Excellence

8.20 The NMMU would also identify centers of excellence and resource agencies which could provide multiple types of support to SRLMs. All across the country, various initiatives have been implemented by state governments, NGOs, resource agencies to bring about positive changes in the livelihoods of the rural poor. These initiatives range from innovative ways of promoting social inclusion, helping the poor to redeem their rights and entitlements, new livelihood initiatives and innovative ways of financial inclusion either through banks or other mainstream financial institutions or through community based financial intermediation. Some of these also include institutions of the poor functioning effectively and efficiently, those are financially viable and governed with great expertise.

8.21 These initiatives need to be identified and be developed as best practice sites and can be an immersion location for the community as well as for the SMMU staff.

8.22 The need is to develop a pool of trainers from these sites, who have expertise in the domain area and could be accredited and empanelled as trainers for the entire duration of the NRLM project. These initiatives could be developed as centers of excellence. These centers of excellence could provide technical assistance to SRLMs and the CBOs. Moreover, turnkey projects can also be handed over to these resource agencies. However, partnering with such institutions would require the following steps:

- develop a framework for partnership with these resource institutions;
- strengthen technical assistance-providing capabilities of these resource agencies as many of them may be smaller entities and do not have the capacity to reach out and spread the learning and experience to other players;
- develop a ToR and enter into an MoU with these institutions; and
- provide necessary funding provision for such programmes and partnership.

Support for development of repertoire of Best Practices

8.23 NMMU-KMC Cell with the support of IB-CB and LH units would facilitate development of a repertoire of at least 100 best practice case studies and innovation briefs covering various livelihood initiatives across the country, with the support of experts.

For this purpose, NMMU would utilize the services of consultants to organize a workshop for disseminating broad guidelines for case study writing and lay down ground rules for ensuring quality of case studies and written materials.

Monitoring Training and Capacity Building

8.24 NMMU would also monitor the progress of training programmes in the states as part of its MIS input-output monitoring and undertake periodic assessment of their impact. On the basis of the assessments, NMMU would provide feedback to the states for fine-tuning their training programmes.

SMMU Activities

Training Needs Assessment

8.25 The SMMU would undertake the training needs assessment of the staff at SMMU, DMMU and BMMU on the basis of the Job chart of each key staff member and his/her educational background and experience. The experience of other states implementing similar livelihood programmes could also form the basis for the needs assessment. The project phasing and the cycle of project activities would also be taken into account in identifying the training needs of the staff. The core team member responsible for CB/IB would undertake training needs assessment in a participatory mode, preferably in a specially organized workshop, attended among others by a representative of NMMU.

Preparation of Training Calendar

8.26 On the basis of the training needs assessed and taking into account the Mission activity plan, a training calendar would be prepared initially for the first year. The calendar would identify specific activities such as:

- the number of each cadre of staff to be trained;
- the themes and phases/ timelines of training;
- the level of training (SMMU, DMMU, BMMU);
- the training resources to be used (institutions and resource persons); and
- training modules to be covered.

Customization/ Preparation of Modules

8.27 The SRLMs would adopt and customize the training modules suggested by NMMU. The states could also adopt modules of other states implementing livelihood programmes. The states could also develop additional modules to suit local requirements, but without compromising on core NRLM values, vision and mission. While developing the training material, the states would be advised to undertake a desk review of the available training materials prepared by management training institutions, World Bank supported livelihood projects and NGOs/CSOs. The states would also stand to benefit from a scan of the best practices and innovations documented.

Institutional Structure of the State Resource Centre

8.28 Each SRLM would establish a state resource Centre to support the massive capacity building program that would be undertaken in a cascading mode. Though initially established as part of the SRLM, eventually the Centre would establish its own identity. To begin with, the Centre would require 2 to 3 experienced development professionals, having experience in training.

8.29 The team would work in close collaboration with the SMMU and would report directly to the State Project Director/CEO. The resource center would empanel resource persons and agencies from the state, district and block levels to facilitate delivery of training services. The group of external resource persons would be supported by a dedicated group of internal resource persons from state project.

8.30 There would be also an option to work with the existing SIRD in the state, as these are dedicated institutions developed for similar purposes and have the required resources and infrastructure.

8.31 The following activities would be required to operationalize the resource centers:

- clear articulation of the choice between SIRD and independent state level resource agencies as implementing agency in the SPIP;
- clear articulation of the training priorities of the SRLM; and
- capacity assessment of SIRD in case the state decides to choose the organization to host the resource center.

Role of State Resource Centers

8.32 The state resource centers would undertake the following activities:

- develop capacity building tool kit/manuals, and design courses, modules, methodology and program content based on the requirements of SMMU;
- develop as a state level knowledge hub on social development, livelihoods, micro finance, vulnerability reduction, etc.;
- link up with stakeholders like NGOs, government agencies, banks and other financial institutions and draw from their experience and help SRLM to develop and pilot initiatives;
- establish a state information resource Centre to facilitate access to development related information and to create a database in respect of the same for preparing reports, developing information tools for research and training and promoting exchange of information among the participating organization and establish an interactive website for the same;
- bring out publications including books, journals, reports, occasional papers, study reports, newsletters etc.

Training of SMMU, District and Block Level Staff

8.33 Designing appropriate training delivery architecture is integral to the capacity building strategy of NRLM. As indicated earlier, there would be two levels of training for the staff viz., management training (MDP mode) and the thematic training on core areas of SM, IB, financial inclusion, livelihoods and social development under NRLM.

8.34 For training of the staff on thematic areas, the SMMU could take the support of the district level resource center's or the SIRD. Alternatively, they could use the services of centers of excellence/resource agency to conduct specific thematic trainings. The state could also employ a pool of consultants/ trainers from the state/ district and block levels to impart such training. The choice of the agency for the thematic component would depend on the specific thematic area.

8.35 The SMMU would undertake the following key activities for providing training to the Mission staff at various levels:

- identify the agencies engaged in preparation of training materials and engage in a process of consultation from the initial stages;
- draw out a matrix of various thematic training needs and the potential resource agency for conducting such trainings;
- develop a ToR and enter into an agreement with these agencies for training of the staff;
- develop own training material or customize the training material already prepared by the NMMU unit, keeping in view the local needs and the local context and share the modules developed with other states;
- conduct an institutional capacity assessment of the resource agencies and provide technical assistance to such institutions for building their capacities;
- orient the resource agencies identified to NRLM strategy, objectives and principles; and
- identify consultants/ professionals having thematic expertise, and orient them to NRLM and hire their services for training the staff.

Community Learning Academies

8.36 In the NRLM framework, the cluster coordinators/PLFs, the community resource persons and the community service providers play a critical role not only in the formation and nurturing of community institutions and facilitating their access to finance but also in the promotion of individual household and collective livelihood activities. As the project expands, the need for capacity building of the front line functionaries would be greater. Further, it would be necessary to ensure that the training content is continuously updated to be in tune with the changing requirements of the Mission. More importantly, there should be a certain amount of uniformity exists in the content, methodology, duration and impact of training organised at multiple locations using a wide array of resource persons. Therefore, the NRLM provides for setting of community learning academies to ensure provision of continuous capacity building inputs of a uniform quality, managed by

community institutions themselves. Apart from the key trainers, the academies could draw and use the services of community resource persons and professionals who have distinguished themselves in implementing project activities and benefitting from them.

8.37 The learning academies would be able to deliver a wide variety of services such as the following effectively:

- **Dissemination of NRLM Strategies:** Easy dissemination of NRLM strategies through habitation/ hamlet wise meetings with the help of SHGs and federations, (e.g., PIP process).
- **Social Mobilization:** Quick training of the PIP teams, relatively easy mobilization of left over poor and reactivating defunct SHGs.
- **Promotion of Self Help Groups:** Training of SHG members in SHG modules including bookkeeping and accounting procedures.
- **Federation Building:** Training of federation members on democratic and financial norms, bookkeeping, preparation of MIPs, preparation of federation level operational plans.
- **Promotion of Livelihoods:** Training on livelihood resource mapping, assessment of resources, value chain gaps and identification of potential activities in agriculture, livestock, dairy etc.
- **Promotion of Special SHGs:** Creation of awareness among the public about disability and help promote special SHGs for the disabled.
- **Insurance:** Provision of information on various insurance services to the poor.

8.38 The Community Learning Academies could be launched by the time the identification of CRPs, Para-professionals and other community service providers is completed. The SRLMs would undertake the following activities leading to the establishment of community learning academies:

- develop and nurture a strong cadre of community professionals;
- streamline the services provided by the community professionals (with special emphasis on cost recovery);
- conduct an exposure visit to states like Andhra Pradesh and Tamil Nadu, where such initiative is already in progress;
- conduct a vision building workshop for the leaders among the community professionals;
- enhance the capacity of the State resource Centre to take the initiative forward;
- develop a vision on Community Learning Academy among the frontline professionals as well as among the consultants/ trainers attached with the program; and
- Support the community professionals to develop byelaws to facilitate the registration of the academies as statutory bodies.

Attachment -2

Suggested Training Themes and Content in Institutional Building

Theme-1 : Mission Background, Core Values, Management Concepts and Skills
<ul style="list-style-type: none"> ▪ Dynamics of rural poverty ▪ Issues of women subjugation – empowerment ▪ Human Behavior ▪ Managerial Communication ▪ Stakeholder Analysis ▪ Financial Management ▪ Procurement Management ▪ Social Management Framework ▪ Environment Management Framework ▪ Financial Access and Women Empowerment ▪ Market Access ▪ Using MIS for Decision Support ▪ Human Resource Management – Team Building and Leadership ▪ Data Analysis, Planning and Monitoring ▪ Development Project Management
Theme-2 : Social Mobilization
<ul style="list-style-type: none"> ▪ Social mobilization - philosophy and approach ▪ Core values and principles of NRLM and its implementation model ▪ Why poor are left out? ▪ Graduation process of ultra-poor ▪ Household transition steps ▪ Process of social analysis at community level ▪ Participatory identification of poor and the vulnerable ▪ Mobilization of the poor and <i>left out</i> into SHGs ▪ Supporting vulnerable groups to link up with mainstream
Theme-3 : Institution Building
<ul style="list-style-type: none"> ▪ Poverty analysis (concept, causes and consequences) ▪ Social mobilization approach to poverty elimination ▪ NRLM core values and principles ▪ Women empowerment ▪ Need for importance of being organized into groups ▪ Broader understanding of different institutions and their comparative analysis ▪ Different institutional models and the grooming processes ▪ Management of SHGs, federations, and Producers' collectives ▪ Meeting processes at SHG and federation and their management norms ▪ Leadership development ▪ Financial management ▪ Conflict resolution ▪ Monitoring mechanism ▪ Social audit ▪ Legal framework and statutory provisions of the Co-operative Act/ Societies Registration Act ▪ Facilitation skills
Theme-4 : Micro-Finance
<ul style="list-style-type: none"> ▪ Social mobilization approach

- NRLM - core values and principles
- Need for financial services for the poor
- Financial service access related issues for the poor
- Crisis in MF sector and the need for innovations
- Different models of MF systems adopted across states and across organizations
- Books of accounts
- MIP preparation
- Linking with financial institutions
- Financial literacy and financial counseling
- Saving products, remittances and insurance
- Social audit

Theme-5 : Livelihoods

- Local area economy study
- Value chain analysis
- MIP preparation
- Thematic training on agriculture sub-sectors like paddy, wheat, vegetables, pulses and agro-allied subsectors like dairy management, goat rearing, poultry, fishery, etc.
- Various services related to the livelihood initiatives
- Handholding support to beneficiaries
- Social audit
- Power of collectives
- Collective procurement and marketing
- Food security interventions
- Community managed sustainable agriculture

Attachment -3
Potential Themes for Case Studies

S. No.	Theme	Case Studies
1.	Mobilization of the poor	<ul style="list-style-type: none"> ▪ Identification of the poor through PRA and wealth ranking exercise ▪ Poverty assessment through key indicators
2.	Group building through affinity and neighborhood concepts	<ul style="list-style-type: none"> ▪ Initiating group formation on affinity and neighborhood concepts ▪ Conducting group meetings with pre-determined agenda
3.	Self Help Group and leadership concepts	<ul style="list-style-type: none"> ▪ Norm setting ▪ Rotation of leadership ▪ Inter-lending ▪ Micro-planning ▪ Progress of a mature SHG, Village and Block federation ▪ Development of livelihoods and asset base ▪ How poor HHs were able to address their poverty issues through the support of SHG/federation ▪ Establishment of sustainable linkages with line departments and external financial institutions for securing their rights and entitlements ▪ Best practices in strengthening/ securing existing livelihoods
4.	Concept of federation	<ul style="list-style-type: none"> ▪ Need for and importance of federation ▪ Roles and responsibilities of federations ▪ Federation meeting process and meeting norms
5.	Village organization	<ul style="list-style-type: none"> ▪ Formation ▪ Structure ▪ Task management through task/sub-committees ▪ Program management – the MFI ▪ Program management-Food Security ▪ Program management - Health & Nutrition
6.	Formation of human capital	<ul style="list-style-type: none"> ▪ Development of Para-professionals-dairy, agriculture and health ▪ CRPs
7.	Financial inclusion	<ul style="list-style-type: none"> ▪ Bank Linkage ▪ Bank Mitra ▪ Mobilizing Bankers ▪ Monitoring System
8.	Financial inclusion	<ul style="list-style-type: none"> ▪ Insurance management ▪ Preparation of MoU with Insurance provider
9.	Livelihoods	<ul style="list-style-type: none"> ▪ Benefits of collectives – economies to scale in purchase and sales ▪ Livelihood group formation ▪ Promotion of sustainable agriculture

S. No.	Theme	Case Studies
		<ul style="list-style-type: none"> ▪ Promotion of food security ▪ Development of Common property ▪ Procurement Centre of federation ▪ Managing SRI method of cultivation ▪ Producer company
10.	Value chain management by producer organization / market partners	<ul style="list-style-type: none"> ▪ Producer Company ▪ Dairy federation and linkages ▪ Poultry cooperatives
11.	HRD team building	<ul style="list-style-type: none"> ▪ The Block Team/PFT ▪ The District Team ▪ The State Team
12.	Organization structures and design	<ul style="list-style-type: none"> ▪ Specialization ▪ Role Transformation- Role Change/ Communalization ▪ Learning process and forums
13.	Project management	<ul style="list-style-type: none"> ▪ Annual Planning, Activity Planning and Budgeting, Financial management, Business process management, Role of MIS systems and Process monitoring

Chapter – 9

Community Institution Building

Objective of Institution Building

9.1 Building functionally effective institutions of the poor is a necessary pre-condition for promoting sustainable livelihoods of the poor. The NRLP seeks to invest in building such functionally effective institutions in select districts/ blocks which would emerge as '*models*' and '*demonstration sites*' for adoption and replication by NRLM in the rest of the country. Thus, the objective of this sub-component is not only to provide '*proof of concept*' for the states joining NRLM by creating good quality community institutions and social capital but also to mainstream the institutional model in the entire country. This component would support identification, selection and mobilization of poor rural households into self-managed institutions of SHGs and their federations. This would also include capacity building and training activities for SHG members and federations in group management, e-bookkeeping, financial literacy, livelihood activities and business education, among others. Community managed service provisioning in the last mile such as credit counseling and case management support for the poor at public health facilities would also be supported. Teams of livelihood professionals trained in participatory methodology and community facilitation would be set up at the block/sub-block level to catalyze institution building and promote the functional effectiveness of the institutions. The key activities to be taken up under the component are briefly discussed in this chapter.

Key Activities

9.2 In order to accomplish the objective of building robust and functionally effective institutional platforms of the poor, the NMMU and SRLMs would undertake the following key activities:

NMMU Activities

9.3 The NMMU would provide the following technical support to the SRLMs to undertake community institution building:

- guidelines for setting up Mission units at district and sub-district levels;
- guidelines for identification and mobilization of the poor;
- framework of community institutions including specialized institutions;
- support for preparation of Community Operations Manual;
- strategy of capacity building of community institutions;
- design of NGO/CSO partnership guidelines;
- liaison and national level advocacy for bank linkage and convergence;

SMMU Activities

- development of Community Operations Manual (COM);
- preparation of IEC material and capacity building manuals;
- training of staff in COM;
- design of CRP Strategy and guidelines; and
- preparation of SHG and federation books.
- design of basic MIS registers and formats for SHGs, federations, BMMUs and DMMUs;
- identifying model institutions as ‘proof of concept’ and documentation of best practices; and
- facilitating exposure visits of key stakeholders from non-NRLP areas to model community institutions in NRLP areas.

DMMU/ BMMU Activities

- identification and mobilization of poor households into SHGs;
- promotion of new SHGs;
- use of Community Resource Persons (CRPs)
- inclusion of pre-existing SHGs;
- institution of democratic and financial norms in SHGs;
- capacity building and nurturing of SHGs;
- financial literacy and credit counseling services;
- Micro Planning /livelihood planning;
- promotion of bank linkages;
- primary federation formation and nurturing;
- building capacity of the community;
- building and nurturing community leadership;
- promoting institutions with distinct focus, purpose and functionality;
- promotion of good governance practices;
- institute operational systems;
- institute cost recovery mechanisms;
- formation and strengthening of livelihood groups;
- building accountability and transparency systems;
- creation of pool of CRPs and Community volunteers; and
- building community professionals.

Detailed NMMU Activities

Guidelines for Setting-up Mission Units at District and Sub-District Levels

9.4 The NMMU would provide detailed guidelines to the SRLMs for setting up Mission Units at all levels including the district and block levels. The guidelines would include the suggested size and composition of the Units, the relative roles and responsibilities of key staff at district and block levels. The key staff dedicated for IB and CB would be principally responsible for promoting and strengthening the community institution, under the overall guidance of the persons in-charge of the Units. Positioning

IB/CB specialists at the district and block levels is an important pre-requisite for community institution building.

Guidelines for Identification and Mobilization of the Poor

9.5 The NMMU would provide necessary guidelines for identifying and mobilizing the poor into SHGs. This would include guidelines on eligible social, occupational, geographic and vulnerable groups, as well as the manner of identification of such groups using participatory approaches. These guidelines would be adopted by the SRLMs and incorporated into the COMs.

Framework of Community Institutions

9.6 The NMMU would prepare guidelines for promotion of community institutions for adoption/customization by the states. The guidelines would include information on the ideal size and composition of SHGs and their federations, the inter-relationship between SHGs and their federations, their governance structures (general body, executive committee, office bearers, sub-committees and their roles and responsibilities), the democratic and financial norms to be instituted in them, the core books to be maintained by them, the nature of activities that could be undertaken by each of them, and the transparency and accountability systems to be instituted in them. The NMMU would also provide information on the relevant statutes under which the federations could be registered and the associated statutory obligations. Model byelaws and rules and regulations would also be provided to the states.

Support for Preparation of Community Operations Manual

9.7 The Community Operations Manual constitutes the core document that would govern key operations related to the Mission at the community level, including institution and capacity building. While the SRLMs would be responsible for the preparation of COM, the NMMU would provide necessary support. The NMMU would create a repository of successful livelihood program manuals and documents, from which the states could access and choose and customize to suit their specific requirements. The NMMU could also provide an outline of the COM.

Strategy of Capacity Building of Community Institutions

9.8 The NMMU is also ideally placed to provide inputs for the states to design their capacity building strategies. Apart from enabling access to capacity building manuals and material prepared by it, NMMU could also provide unlimited access to the states to its repository of livelihood project documents including capacity building manuals and tool kits. The key IB and CB specialists at NMMU would guide the states in the adoption / customization / design of manuals as well as strategy of capacity building that could be adopted by the states.

Design of NGO/CSO Partnership Guidelines

9.9 The NMMU would also provide guidelines on partnership between the Mission units and the NGOs/CSOs. The guidelines would indicate the areas of potential partnership, the forms of partnership, the criteria for selection of NGOs/CSOs and the accountability systems that should be instituted.

National Level Advocacy for Bank Linkage and Convergence

9.10 The Mission is expected to promote leverage of credit funds, livelihood services and other support from other national agencies. In order to a conducive macro environment to facilitate the leverages, the NMMU would undertake advocacy with the NABARD, MGNREGS and other national programmes through the good offices of the MORD.

Detailed SMMU Activities

Preparation of Community Operations Manual (COM)

9.11 Each SMMU, as a first step towards IB and CB, would prepare comprehensive community operations manual detailing the methodology to be adopted at every stage of institution and capacity building. The states could entrust the responsibility of preparing COM to a specially constituted team of in-house specialists drawn from both SMMU and district and block Mission units. The teams could also include experts drawn from states with ongoing livelihood programmes. A multi-stakeholder workshop could precede the actual preparation of COM. A similar workshop could be held to validate the draft COM before adopting the same by the blocks. The states could also customize the COMs available with the states implementing livelihood programmes. The COM would have modules prepared in easy to understand, functional vernacular medium on:

- NRLM – Goal, Objectives, Strategy and Components and the role of CBOs;
- key characteristics of the rural poor;
- methods and tools for participatory identification of the poor;
- identification and classification of the poor, poorest and the most vulnerable;
- organizing the poor into SHGs and federations;
- integration of pre-existing SHGs into NRLM;
- strengthening SHGs and federations through capacity building and nurturing support;
- promoting financial linkage of SHGs;
- promoting livelihoods of the poor – preparation of micro investment and business plans;
- community investment support to SHGs through federations;
- implementation of collective social development and economic activities;
- community level partnerships and arrangements for convergence;
- support for pilots and social entrepreneurs;
- social and environmental safeguard at community level;

- procurement and financial management arrangements at community level;
- tools for community monitoring and social audit;
- community monitoring and social audit of project activities;

Preparation of IEC Material and Practitioner's Toolkits

9.12 Use of specially prepared and culturally sensitive IEC material is a critical element of the IB component. The SMMUs would undertake preparation/customization of the IEC material upon finalization of the COM and the training modules. A good deal of IEC material available with the states currently implementing livelihood programmes could be adopted after necessary customization. The states could access the relevant IEC material from the knowledge hub to be created by the NMMU. As part of IEC/communication strategy for the Mission, the states would identify, train and use the services of cultural teams to sensitize the communities and mobilize them into SHGs. The teams trained in specially prepared skits/dance/drama sequences could be deployed in interior and difficult-to-mobilize areas. The states could hire the services of suitable agencies/consultants to prepare the themes and train the teams. The team members are ideally chosen from the community. The SMMU would also undertake preparation of Practitioner's toolkits that can be used for training the CBOs. The toolkit would have two modules viz.,

- training of staff on COM (IB & CB); and
- CRP Strategy and guidelines for external and internal CRPs.

Training of Staff on COM (IB & CB)

9.13 The key staff, particularly, the block level staff would be trained in the COM using the toolkit and training modules developed for this purpose. Apart from SMMU team, the states can hire the services of consultants to train the staff in COM. The services of regional/local resource agencies empanelled could also be used to train the block level staff on COM. As the number of block level staff to be trained would be large, a TOT could precede the actual training to be organized at multiple locations. After each module of training, the field staff would go to their allotted cluster/blocks and undertake the first few key steps and share their experiences in a workshop to be facilitated by the senior trainers. Thus, training of block staff in COM would take place in a phased manner aligned with the phasing of Mission activities. In addition to theoretical inputs and experience sharing sessions, the block staff would be provided on the job support particularly during the first year. To enable the block staff to gain thorough understanding of the key processes, they may be required to document the activities undertaken, processes adopted and the intermediate results as perceived by them. The SMMU could introduce templates for documenting the process of implementation of the key activities. The process documents could be shared and discussed at the review meetings or experience sharing sessions. The SMMU would coordinate and monitor the progress of the training program.

Preparation of CRP Strategy and CRP Guidelines

9.14 SMMU would undertake preparation of the CRP strategy, initially for the external CRPs drawn from other states and later for the internal CRPs. While designing the CRP strategy, the SRLMs would consider the critical mass to be achieved in terms of coverage of villages and SHGs/federations with the support of external CRP teams. It would also be important to ensure that the community support staff and project staff are equipped with requisite professional skills in social mobilization in order for them to replicate the CRP type strategy in the uncovered villages of the blocks. As part of the strategy, the policy for recruitment, training and compensation for the initial set of community professionals (like those who would facilitate the SHG meetings and write the books) would also be finalized.

9.15 It may be noted that SMMUs would get technical assistance from the NMMU for the entire set of preparatory activities viz., preparation of COM, training modules and toolkits, IEC material and initial training of the staff.

Design of Model SHG and Federation Books and MIS Registers

9.16 The SMMU would undertake design of core set of books to be maintained by the SHGs and their federations at village, and cluster / block levels. The books would also include registers to be maintained for financial accounting as well as for general purposes. The states would however have the autonomy to modify and customize the books to suit their requirements. In addition, the SMMU would prescribe the basic paper based MIS registers – report formats for adoption by the states till a fully ICT based systems is instituted at the SHG, federation, block and district levels.

Identifying Model Institutions as ‘Proof of Concept’ and Support for Documentation of Best Practices

9.17 The SMMU would identify functionally effective institutions promoted in NRLP blocks as ‘Proof of Concept’ and potential demonstration sites for stakeholders from non-NRLP districts/blocks to undertake learning visits. In addition, the SMMU would also guide the NRLP districts and blocks in documenting best practices. As part of the support, SMMU would design a format for the districts to document the best practices for wider learning and replication.

Facilitating Exposure Visits of Key Stake Holders from Non-NRLP Areas to Model Community Institutions in NRLP Areas

9.18 Having identified best practice sites as live examples of functionally effective and robust community institutions, the SMMU would facilitate visit of key stakeholders from non-NRLP districts/blocks.

DMMU/BMMU Activities

Identification and Mobilization of Poor Households into SHGs

9.19 The core element of the NRLP strategy is to bring every eligible poor household into the institutional platforms. This would call for a comprehensive identification of the rural poor households outside the SHGs. Therefore, as a first step, the block level staff, following the guidelines prepared by the SMMU/DMMU, would undertake participatory identification of the poor. The staff however, would be trained initially in participatory identification of the poor, before constituting the teams for participatory identification of poor in each Gram Panchayat. An action plan for conduct of Participatory Identification of Poor would be prepared for each block/cluster. The plan would indicate the schedule and the teams for the conduct of PIP. Apart from the block staff, representatives of NGOs/CSOs, would be included in the teams constituted for PIP. The draft PIP lists would be validated and consented by the gram Sabah before being adopted by the Mission as a reference record against which social mobilization would be taken up.

Promotion of New SHGs

9.20 Using the concepts of ‘affinity’ and ‘neighborhood’, and making use of culturally sensitive IEC strategies developed for NRLP, SHGs of the poor would be promoted by the frontline project staff. As the task of mobilizing the poor into SHGs is a massive one, the services of multiple stakeholders including NGOs/CSOs would be used for this purpose. While mobilizing the identified poor into the SHGs, priority would be given to the vulnerable sections like the SCs, the STs, the landless, migrant labor, isolated communities and households led by single women, people with disabilities and people living with HIV/AIDS (PLHIVs) and their caregivers.

Use of Community Resource Persons

9.21 Community members who have experienced the process of coming out of poverty in their own lives as a result of similar interventions would be of immense benefit to triggering the process of social mobilization in new villages. Such persons willing to share their experiences and learning with others would be identified as community resource persons and would be involved in motivating new members to join SHGs. Experience of states adopting a similar strategy reveals that the community resource persons are effective in sharing their live experiences and break the mindset of the poor, can convince them easily and are able to create a very positive environment for promoting and building new SHGs in new villages/blocks. In addition, active members and leaders of older groups could also be involved in forming new groups within the same hamlet or in the neighboring villages.

Inclusion of Pre-Existing SHGs

9.22 As part of social mobilization, the project would also undertake a comprehensive scanning of the pre-existing SHGs promoted by line departments and NGOs. On the basis of the COM, eligible SHGs would be identified for inclusion into the project. If necessary, MoUs would be entered into with the NGOs/CSOs for this purpose. However, a cardinal principle to be followed in this regard would be to include only SHGs dominated by (at least 70% of members from poor HHs) the poor into the project fold. Further, only functional SHGs would be brought into the project fold.

Institution of Democratic and Financial Norms in SHGs

9.23 Having established new SHGs, it is imperative that democratic and micro-finance norms are instituted and adhered to by the groups, following the guidelines furnished in the COM. The project frontline staff and along with the CRPs would undertake the process of instituting these norms. The democratic norms to be promoted include conduct of regular meetings at frequency indicated in the COM, election of leaders by consensus for a fixed period, regular attendance of members at meeting, member participation in discussions conducted according to an agenda, opening of bank accounts, institution of a saving and inter-lending norms, member adherence to saving and inter-lending norms including repayment, maintenance of prescribed books of accounts by a hired book keeper or member etc.

Capacity Building of SHGs

9.24 Systematic training input and facilitation by the CRPs, community professionals and the project staff as prescribed in the COM would be undertaken. Once the SHGs meet certain graduation indicators detailed in COM, the micro investment planning process would be initiated as part of which financial literacy and counseling would be provided to the members. On the basis of the guidance and nurturing, the SHGs would come up with micro plans for leveraging external funds to meet varied livelihood needs including discharge of high cost debt.

Financial Literacy and Credit Counseling Services

9.25 The project would support financial literacy and business education programmes for all project clients by making them part of core SHG capacity building curriculum. Context specific training modules, learning and IEC materials on financial literacy and credit counseling would be prepared in vernacular language and a cadre of trainers and community based wealth management professionals would be developed to provide face-to-face counseling services for helping the poor households choose appropriate financial products, decide investment priorities, educate them on responsible borrowing and offer advisory on debt restructuring plans for those in financial distress.

Micro Planning /Livelihood Planning

9.26 MIP is a highly participatory process of planning and appraisal. It is iterative. SHGs would go through MIP process periodically. MIP would involve:

- preparation of household plans in consultation with the household members;
- appraisal of the household plans by the SHGs;
- prioritisation of members on the basis of relative vulnerability; and
- prioritisation on the basis of urgency and/or seasonality of the need.

9.27 As the size of internal loans increases, the group planning and execution processes would get strengthened and become rigorous. Gradually, groups would develop their own norms for loans for productive and consumption purposes and undertake audit of loan usage and monitoring of repayments as well as recycling of recovered funds. The capacity building plan of the SHGs would therefore, take into account, the financial literacy and business education needs of the members, besides providing for training on MIP.

Promote Bank Linkages

9.28 The Project staff would facilitate the credit linkage of the SHGs, based on the micro plans prepared by the SHGs. This would enable the SHGs to be financially strong and resilient to meet the needs of members.

Primary Federation Formation and Nurturing

9.29 Once a minimum number of functional SHGs is established in the village/ gram panchayat and micro plans prepared, the project staff would undertake promotion of primary federation of SHGs. The CRPs and the community professionals would play a catalytic role in establishing the federations. The CRPs would seed the federation concept among the SHGs, usually about 6 months after the SHG formation. This would be followed by the formation of the federations, building its capacities for self-management as per the standardized operating procedures. This would be followed by the efforts to facilitate the access of the federation to financial services and other livelihood support interventions.

Project Staff to Demonstrate and Build the Capacity of the Community

9.30 The project staff at block and sub-block levels play a very important role in building and nurturing community institutions. The staff would focus on building the capacities of the leaders and members for transparent self-management. The staff and the CRPs would provide intensive hand holding and capacity building support. The staff would conduct regular reviews to monitor the progress of the federations. After instituting self-management practices, the project staff would hand over the responsibility to the federations/internal CRPs, before moving to other areas for a similar task. However,

till such time, the project staff would be primarily responsible for the community institutions.

Building and Nurturing Community Leadership

9.31 The process of promoting and nurturing leadership among the poor in large numbers is critical to sustaining the community institutions rather than creating a few good leaders. In order to address the issue of equity and also provide a learning opportunity to a large number of women, it would be essential to institute the practice of rotation of leadership at regular intervals. Further, in order to ensure that the same persons are not overloaded with multiple responsibilities and to encourage growth of leadership, the concept of graduation could be introduced, . For example, only experienced SHG leaders with proven track record could be made eligible to become leaders of federations. Similarly, a sub-committee system could be introduced in SHGs/ federations to distribute responsibilities among members, thus incubating leadership. Further, the principle of one person-one role could also be introduced.

Promoting Institutions with Distinct Focus, Purpose and Functionality

9.32 Self-help Groups and their federations at different levels would evolve their distinct role and functionality to address poverty, and become contextually relevant. The SHGs and their federations would be expected to discharge multiple functions under NRLP as briefly summarized in *Table-12*.

Table- 10
Purpose and Functions of SHGs and Federations: NRLM

Purpose	Functions (Indicative)
Self Help Group	
<ul style="list-style-type: none"> ▪ Promote self-help and mutual cooperation ▪ Regulate household level cash flows ▪ Leverage resources from bank /Government ▪ Arrest leakage of income and facilitate the poor to come out of usurious credit ▪ Facilitate delivery of financial services at the door step of member households. 	<ul style="list-style-type: none"> ▪ Institute democratic norms and practices – regular meetings, member attendance and participatory decision-making ▪ Institute saving practices and use the proceeds for internal loans ▪ Manage savings and credit operations and systems including bookkeeping ▪ Build and sustain linkages with Banks and federation ▪ Identify, articulate/ resolve individual/common issues affecting the members ▪ Undertake livelihood promotion activities with own and leveraged funds
Primary/Secondary Federations	
<ul style="list-style-type: none"> ▪ Facilitate social mobilization ▪ Co-learning and sharing leadership ▪ Manage and sustain leveraged resources ▪ Conflict resolution and collective action ▪ Building capacity and quality of groups ▪ Sustain linkages with Bank/Government/ panchayat ▪ Provide space for leadership development ▪ Exploit scale advantage- sharing of resources, services, collective bargaining strength and negotiation skills ▪ Eventually take over management of CBOs and Mission activities taken up by them 	<ul style="list-style-type: none"> ▪ Coverage of leftover Poorest of the poor and poor households in the village/block ▪ Saturate mobilization of all eligible households into SHG fold ▪ Monitor quality of functioning of SHGs ▪ Provide support for maintenance of accounts and auditing of SHGs ▪ Revive and strengthen dormant and defunct groups ▪ Review and monitor the community staff ▪ Support and monitor SHG bank linkage ▪ support and monitor convergence with government programmes ▪ Manage Revolving/CIF funds with proper systems for food and health security ▪ Promote access to entitlements and civic needs ▪ Facilitate provision of services and collection of user charges

Facilitate Regular Meetings and Interaction Among Members to Build Good Governance Practices

9.33 Institutional sustainability can be achieved only by instituting democratic processes and mechanisms to build ownership among the members and nurture quality leadership. Ensuring regular conduct of meetings along with regular savings and inter loaning practices would promote the relevance of SHGs and their federations to the members. Conduct of regular annual general body meetings at federation level as per the statute would promote statutory compliance and downward accountability. Governance systems need to be well defined at each level with clearly articulated roles and responsibilities for functionaries, providing space for leadership rotation and responsibility sharing.

Evolve Operational Systems, Policies and Practices

9.34 The SHGs and their federations are primarily involved in managing savings and credit operations. Managing savings and credit operations in SHGs require discipline and rigor and guided by principles of peer pressure and prudence. Long-term sustainability of SHGs and their federations would depend on peer pressure, equity in distribution of loans, appropriate savings and lending policies, practices and products and lending and recovery of loans. In order to ensure quality and performance, the operational systems and practices need to be evolved based on the local context and ethos of the community, defined and internalized by members. Developing suitable systems and practices for self-management are an integral part of achieving the institutional sustainability. While following the overall guiding principles, each state could develop flexibility in operational systems/practices in promoting SHGs and federations to suit the state specific conditions. The COM should provide for these policies and practices.

Coverage of Cost of Services by the Community

9.35 While the project would meet the initial costs of promoting the institutions of the poor, the community should eventually to meet the costs. Meeting the cost of operations by the community would build greater ownership, accountability and sustainability of operations. The services provided at each level need to be well defined and the community needs to meet the costs of engaging community staff/service providers so that such support would continue beyond the Mission support.

Formation and Strengthening of Livelihood Groups/Clusters

9.36 The project would also facilitate development of livelihood groups (Producer Groups) and their federations (Producer Cooperatives/Companies). The producer groups and their federations would derive membership from the base CBO unit viz., SHG. The livelihood groups would be provided support through customized training for village and block level management of enterprises, productivity enhancement, franchise management, quality enhancement and value addition skills. Linkage of these groups to the commercial sector would also be facilitated. Given the delicate social condition and the poor economic status of even the “non-poor”, an effort would be made to make these

federations inclusive of the non-poor as well to encourage social cohesion and to reap scale economies.

Building Accountability and Transparency Systems

9.37 Building accountability and transparency of operations is vital to the community institutions in view of the multiple stakeholders involved. The stakeholders include community members, project staff, NGOs, banks and the government agencies. Preparation of annual statement of accounts and their audit by qualified external auditors would ensure transparency and accountability, besides meeting the statutory requirements. Approval of the annual reports and audited statements of accounts by the annual general body meeting of the community organizations would promote downward accountability. Further, quality maintenance of financial and other records of CBOs also assumes importance in view of the need to promote transparent and equitable use of funds. Good record keeping would also support MIS and process and performance monitoring.

Creation of a Pool of Community Resource Persons and Community Volunteers

9.38 Creating a pool of community resource persons and volunteers is critical to trigger the process of social mobilization and capacity building. Community resource persons or volunteers are inspiring and experienced individuals who would be willing to spend their time and ready to share their learning, knowledge, skills and build capacities of other members. The community volunteers or resource persons is an effective but one time strategy to initiate a new process or program in a new community or a location/block but not a substitute for the role played by either the project staff or the community staff. The CRPs need to work closely with the community staff and project staff with clearly defined and demarcated roles and responsibilities.

Building Community Professional through Systematic Human Resource Processes

9.39 In order to manage the CBO activities, a cadre of community professionals accountable entirely to the institutions would be required. The services of the professionals would be hired and paid for by the institutions. However, the professionals would be trained and groomed by the project staff initially before they take over the responsibilities assigned by the institutions. The CBOs would also be trained to review the performance of the professionals. On the basis of the livelihood projects implemented in some states, such professionals could be used to promote financial leverage of the CBOs (Bank Mitras), agriculture extension services (Para-agriculture workers), veterinary services (Paravets), health services (Community Health Workers) and such other services. However, selection, training and grooming of these professionals should be based on objective criteria. The roles and responsibilities of these professionals should be clearly defined and their performance monitored at regular intervals. The honorarium paid to them should be linked to their performance. **The detailed life cycle of SHGs and their federations is provided in Annexure-7**

Chapter – 10

Community Investment Support

Objective of Community Investment Support

10.1 The objective of the community investment support sub-component is to provide livelihood investment support to SHGs/federations when they reach at a certain level of maturity. The support is intended to act as an incentive to SHGs/federations undertaking productive livelihood activities. The livelihood grants are expected to enable SHGs to leverage funds from the banking system and other government programmes like RKVY, NFSM and NSDC. More specifically, the CIS would be provided to SHGs/ federations for:

- undertaking productive livelihood enhancing activities in agriculture, fisheries, forestry (NTFP), livestock and household dairy, micro-enterprises and for building skills for the job market;
- activities contributing to reduction of vulnerability of the poorest such as community managed food and health security interventions;
- improving access to social safety nets and other entitlements for vulnerability reduction of the poorest households such as MGNREGS, old age and disability pensions, social insurance and health insurance;
- promoting access to formal financial services for the poor, through a wide range of activities such as promotion of savings, inter-lending, bank credit linkage and insurance; and
- providing small grants, on a limited scale to the destitute, the old and the infirm and the disabled in extreme poverty for meeting emergency food and medical expenses.

10.2 However, CIS grants for vulnerability reduction, livelihoods enhancement and social safety net activities would be provided primarily in the intensive blocks. Support for skill development and jobs would be provided in both intensive and non-intensive blocks.

Key Activities

10.3 Community investment support to the institutions of the poor is largely demand-driven and provided to SHGs/federations attaining certain level of maturity and reaching certain milestones in terms of internal savings, inter-lending and leverage of funds. The state level support structures would provide continuous support to the community institutions to access and utilize the CIS productively. The following key activities would be undertaken by SMMU and other sub-state structures to facilitate CIS to the community institutions:

- **CIS Guidelines:** preparation of CIS guidelines and business processes for implementing CIS to SHGs/Federations:
 - determination of appraisal criteria for sanction of CIS; and
 - preparation of Micro plan formats for SHGs/Federations.
- **Intervention Specific Guidelines:** development of intervention specific guidelines for supporting livelihood activities in agriculture, livestock, non-farm activities, jobs, food security, health security and promotion of access to entitlements *etc.*;
- **Training Module:** development of training module on operationalization of CIS and training of field staff on CIS guidelines (including micro planning/livelihood planning) and intervention specific guidelines;
- **Micro-Planning:** micro-planning/livelihood planning;
- **Credit Leverage:** support for credit linkage of SHGs:
 - building partnerships with banks and other financial institutions setting-up community based recovery mechanism;
 - sensitization training for bankers; and
 - positioning of *Bank Mitras*.
- **Livelihood Services:** facilitating livelihood support services:
 - partnerships with livelihood support agencies; and
 - community managed extension workers.
- **Monitoring:** establishing community monitoring and recovery mechanisms.

Though implementation of CIS is the principle responsibility of the states, the SMMUs could access technical support from the NMMU as part of Technical Assistance package.

Details of Key Activities and Processes

Preparation of CIS Guidelines for Household Level Activities

10.4 In order to ensure uniformity in the provision of CIS to the community institutions, the SMMU would undertake preparation of guidelines. These guidelines could be prepared by the CIS team at SMMU with the support of a consultant or professionals from states implementing Bank funded livelihood projects. On the basis of the guidelines, the states would be expected to prepare CIS manual to guide the district and block level Mission units and the federations and SHGs. The guidelines would include the following elements:

- purpose of CIS to community institutions (SHGs/federations);
- level of maturity and milestones to be achieved by SHGs/federations to access CIS;
- type of activities eligible for CIS;
- micro-planning methodology and formats to be adopted for individual household level activities;
- appraisal criteria and procedures to be adopted for evaluating micro-plans;
- design of MOU between BMMU and federation and federation and SHG clearly indicating the terms and conditions of repayment by SHGs to federations and for recycling of funds at federation level;

- building implementation support and monitoring systems; and
- sanction and release of funds as per agreed milestones.

Development of Intervention Specific Guidelines (For Food Security, Health Security, Access to Entitlements, Sustainable Agriculture, Jobs etc.,)

10.5 The SMMU would also prepare comprehensive guidelines for select generic categories of specific community managed interventions such as food security, health security, promotion of access to entitlements, sustainable agriculture, skill development for jobs and procurement and marketing *etc.* The guidelines would include the following elements:

- purpose of CIS to specific interventions (vulnerability reduction and community level activities such as sustainable agriculture, skill development, health and nutrition security, NTFP procurement and marketing *etc.*);
- level of maturity and milestones to be achieved by federations to access CIS for specific interventions;
- type of specific interventions eligible for CIS;
- methodology and formats to be adopted for preparing proposals;
- appraisal criteria and procedures to be adopted for evaluating proposals;
- design of MOU between BMMU and federation;
- building implementation support and monitoring systems;
- cost recovery mechanisms to be instituted;
- O&M arrangements to be made;
- provision of Para-professional support; and
- sanction and release of funds as per agreed milestones.

Training on CIS Guidelines (Including Micro Planning/Livelihood Planning and the Intervention Specific Guidelines)

10.6 The SMMU would organize a workshop on CIS guidelines at the state for disseminating the CIS strategy and guidelines. The states would be expected to prepare operations manuals on CIS (or as part of COM) on the basis of the guidelines, if any, suggested by NMMU. The states would conduct training of frontline staff involved in implementing/facilitating CIS activities. The SMMUs would receive technical assistance from the NMMU for the entire set of preparatory activities, if they so require.

Facilitation Support for Credit Linkages of SHGs

Support by MORD/NMMU for Credit Linkage

10.7 The MORD/NMMU would undertake national level advocacy with NABARD and other major banks to promote SHG bank linkage, particularly, in the states/districts with low SHG credit linkage performance. The MORD/NMMU would also facilitate MOU between SRLMs and major banks to promote credit linkage.

Support by SRLMs for Credit Linkage

10.8 At the state level, the SRLMs would undertake a review of the progress of SHG bank linkage in each district and identify areas with low performance. The SRLMs would undertake advocacy with the banks to promote SHG credit linkage. The SRLMs would organize sensitization workshops to the bankers, besides conducting exposure visits to best practice sites. The SLBC would be requested to constitute an exclusive sub-committee for SHG bank linkage and financial inclusion. The functions of the sub-committee could include planning, coordination, monitoring and review of financial inclusion and credit linkages. The sub-committee could meet at least once every quarter to monitor the progress of SHG bank linkage and ensure proper follow-up. At the district level, District Level (Credit Review) Coordination Committee (DLRC/DLCC), chaired by the District Collector, could review the implementation of NRLM activities and remove any impediments to the flow of bank credit to SHGs, SHG federations and livelihoods collectives. At the sub-district level, the joint block level consultation committees would review the progress of SHG-bank linkage. The district and sub-district mission unit members, other block level development officials, bank branch managers, SHG representatives, select members of SHG-bank linkage committee(s) and/or SHG federation office-bearers and the representatives of livelihoods organizations, within the block, would attend the meetings of these committees.

10.9 In addition, the SMMUs would sensitize the local branch managers by facilitating exposure visits of bankers to places where the bank linkage has been successfully scaled-up. Further, community institutions would set up help desks manned by locally trained educated youth to function as Client Relationship Managers (*Bank Mithras*) to help SHG members in opening of savings bank accounts, facilitating bank transactions, updating of passbooks, supporting loan documentation, providing product information and financial counseling.

Support for Livelihood Services

10.10 The NMMU would identify and list national livelihood support agencies which could partner with SRLMs. The NMMU would also facilitate partnership between the national agencies and individual SRLMs in specific areas. The SMMUs too would undertake promotion of sector-specific (agriculture, dairy, jobs *etc.*) partnerships with livelihood support agencies that would provide handholding support to the project staff and the institutions in the roll out of specific interventions. Community professionals, particularly in agriculture, health and dairy would play a key role in ensuring access to various livelihood services. The livelihood support agencies with which partnerships are established would typically provide technical backstopping to these community professionals in the provision of livelihood services.

Establishing Community Monitoring and Recovery Mechanisms

10.11 The NRLM would ensure creation of appropriate structures within the governance

framework of the community institutions to ensure regular repayment of internal and external loans. The Mission would also facilitate institution of appropriate system for monitoring implementation of various livelihood activities. This would involve constitution of several SHG federation level sub-committees to undertake performance monitoring in several areas. The committees are expected to be provided training in conducting performance assessment in such areas as community managed agriculture, food security, health security, insurance and marketing. Central to the sub-committee system is the sharing of findings of sub committees with the appropriate governance structures to facilitate initiation of corrective action.

Eligible Activities for CIS: Vulnerability Reduction

Promotion of Access to Services, Safety Nets and Entitlements

10.12 The SRLMs could use CIS to support the community institutions to devise innovative ways of promoting the access of the poor to public services, besides enabling them to redeem their entitlements and rights. The institutions of the poor with better accountability systems would provide an effective platform for reliable and efficient delivery of such services and entitlements. The community institutions could promote the access of the poor to services provided by the government such as health and education by addressing the factors affecting access. Similarly, the institutions could ensure that the poor lift their entitlement of food grains from the PDS. The institutions could also facilitate redemption of employment guaranteed under MGNREGS.

CIS for Need based Models of Food and Health Security

10.13 Distress borrowing by the poor to finance emergency food and health expenditures often leads to heavy debt burden on the poor, often leading to dispossession of productive assets and the consequent loss of livelihoods. Therefore, NRLM would provide CIS to primary SHG federations to undertake food and health security interventions. A certain proportion of the CIS is dedicated for financing food and health interventions. The CIS, however, would be contingent upon SHGs coming together to prepare micro-plans to undertake health and food security interventions. In respect of health intervention, the poor households would be encouraged to subscribe in the form of additional savings to a separate 'Health Risk Fund' from which loans for meeting health emergencies could be advanced at nominal rates of interest and payable in relatively easy installments. CIS could be used for undertaking collective food security activities such as bulk purchase of food grains in the market for distribution among the poor at relatively lower prices and on credit basis.

Debt Restructuring

10.14 CIS could also be used by the SHG federations to reduce the burden of high cost debt contracted by the poor, which is often linked to commodity sale. The CIS could be used to provide consumption loans for SHGs and for financing micro-investment plans

for redemption of high cost debt. The bank loans could be appropriately combined with the CIS for reducing the burden of high cost debt on the poor.

Livelihoods Enhancement

10.15 A significant portion of CIS would be used for promoting existing livelihoods. NRLP would provide livelihoods knowledge, skills, technology, market intelligence, risk management products along with credit support to the poor through their SHGs and federations. The CIS supported interventions under this category could include activities which could diversify and improve their household incomes and employment, minimize expenditures and mitigate risk. The support could take the form of dissemination of improved knowledge and skills, acquisition of new assets or additional assets. CIS under this category would also support collective procurement/purchase and sale activities, group value added activities and collective marketing activities (agri. commodities and NTFPs).

10.16 NRLP would support the institutions of the poor so as to enable the poor producers to move up in the value chain with the ultimate objective of integrating the poor producers with national and international value chains. This would ensure a larger share of consumer price going to the producers. The institutions of the poor would work towards leveraging for the poor by enhancing their negotiation strength.

Collectives for Sustainable Livelihoods of the Poor (CSLP)

10.17 Based on participatory livelihoods mapping and detailed livelihoods analysis and identification of gaps (in the value chains) and opportunities (from market) for intervention and collectivization, SHGs and federations would evolve and implement the intervention plan through livelihoods, sub-committees in federations. After adequate experience with running them and members experiencing significant benefits, these sub-committees would be transformed into separate livelihoods organizations like producers' companies.

10.18 In addition, on achieving universal mobilization of poor into SHGs and their federations, NRLM would promote specialized livelihoods institutions/collectives around key livelihoods of the poor:

- for reliable, cost-effective and affordable service delivery to members in terms of providing knowledge, skills, technology, tools, assets and investments;
- for aggregating produce and/or demand/supply and achieving economies of scale, backward and forward linkages and access to market - collective procurement, value-addition and marketing; and
- for bundled productivity enhancement services such as access to information, credit, technology, inputs and facilitation services – extension, technology transfer and quality control.

10.19 These livelihood collectives would pass on immediate benefit of productivity improvement, market information and market facilitation to members. They would also

benefit the members by helping them realize fair price for their produce through linkages forged with the formal sector.

Sectorial and Sub-Sectorial Value Chains (Farm, Off-farm and Non-farm Based)

10.20 NRLP would encourage value chain approach, such that the livelihood collectives focus on a critical part of the value-chain and seek linkages with market and through partnerships with other business entities where appropriate. Value chain development would be taken up around the predominant activities in the area such as food grains, dairy, fresh vegetables *etc.*, and/or around a significant market opportunity for the collectives. These mutually beneficial partnerships would reduce the perceived costs and risks of aggregation for the business partners and risks of market fluctuations and costs of holding for the poor and their collectives. Recognizing that more than 75% of the rural poor are dependent on land and livestock as important sources of livelihood, NRLM visualizes the evolution of collectives in the areas of sustainable agriculture and household dairy.

Sustainable Agriculture for the Small Producers (SASP)

10.21 NRLP visualizes a scenario under which a significant portion of the land owned by the poor coming under sustainable organic agriculture. The endeavor of the Mission would be to increase land under cultivation, reduce cost of cultivation, enhance household food and nutritional security and increase farm-incomes, without compromising on productivity. Community Managed Sustainable Agriculture (CMSA) has a distinctive pro-poor bias because of the lower costs, lower risk and greater labor intensity.

10.22 The key focus activities that would be promoted by NRLM in a phased manner over 6 to 7 years include:

- reducing the cost of cultivation by promoting sustainable agricultural practices such as non-pesticide management, soil management, water productivity enhancing farming (like System of Rice Intensification – SRI, System of Wheat Intensification) and ecological cultivation;
- using multi-crop and multi-tier models for bio-diversity planned for each household;
- organizing farmers and building CMSA sub-committees in SHG federations at various levels and all the related staff remaining accountable to them; and
- decentralized extension system with extension workers drawn from within the community and best practitioners and peer learning groups *a la* farmers' field schools being used extensively.

Livestock and Dairying

10.23 A significant portion of CIS would be used by the SRLM for promoting livestock and household dairy activities. The potential range of activities could include:

- promotion of producer collectives;

- increasing availability of good quality animals through breed improvement services such as supply of good progeny breeding bulls and supplementing artificial insemination services of the government;
- livestock extension system to promote good animal management;
- provision of reliable animal health care services by developing network of Para-vets, conduct of animal health and vaccination camps and supply of medicine kits;
- enhancing feed supply through distribution of fodder seed, support for community fodder cultivation and establishing feed plants, feed shops *etc.*;
- organizing collective marketing and community managed value chain infrastructure in the last mile like milk collection centers, bulk milk cooling units (BMCUs) and promotion of agro-processing units for value added dairy products such as cottage cheese, kova *etc.*

Skill Development and Placement Support

10.24 Creating one job per poor household, in the formal sector, is the surest way to bring the whole family out of poverty in a short span of time. Formal sector employment brings in stable and higher levels of income. Therefore, NRLM would attempt to bridge the skill gap and entry level barriers for the rural BPL youth and facilitate their entry into relatively high wage employment in the growing sectors of the economy. It would offer complete ‘jobs’ solution - identifying the unemployed, skilling and re-skilling them, placing them in jobs, providing post placement support, counseling and mentoring and promoting an alumni network. These skill development programmes would be demand driven and placement-linked. NRLM/SRLMs would support a network of academies delivering job related courses and build networks with the private sector to explore employment opportunities. These programmes would also enable the poor to migrate to growth centers for jobs in organized sector on better terms, with better skills, higher wages and a sensitive support network instead of distressed migration as in the past. Various models of partnership with different skill development organizations in general and the private sector in particular would be developed and pursued. Industry associations, sector specific employers’ associations and banks would be involved. National Skill Development Corporation (NSDC) would be one of the leading partners. NRLM would partner with NSDC and the Ministry of Labor & Employment, GOI to facilitate establishment of a high profile Skill Development Council with various stakeholders drawn from the industry and training institutions as members to guide the entire effort.

10.25 The key activities for SRLMs under this component would include:

- identifying eligible youth from the poor households in need of employment;
- planning and organizing supply side conditions to deliver customized job solutions such as partnerships with placement agencies and accreditation agencies and franchisee arrangements with training academies, technical training and development institutes;
- assessing skills in demand, surveying employers and engagement with companies and hiring agencies for building pro-poor demand side systems in the jobs market;

- innovating creative ways to ensure placement and diligent post-placement support including mechanisms for safe migration, childcare, occupational health support and remittances; and
- institution of a web-enabled tracking systems.

Micro-Enterprise Development

10.26 Sub-sector or cluster based approaches for promotion of arts, handicrafts, traditional village industries and other non-farm and service enterprises would be adopted. The CIS would cover:

- skill enhancement programmes and training of/by master craftsmen;
- rural enterprise development programmes through Rural Self Employment Training Institutes (RSETIs);
- design/product development support;
- organizing artisan guilds for bulk procurement of raw materials;
- provision of common facilities for value addition/quality control/packaging and collective marketing;
- ancillary services, sub-contracting and franchisee arrangements with local industries and trade facilitation and appropriate technology incubation services in partnership with CSIR (like CFTRI etc.); and
- NGOs and trade associations of small entrepreneurs.

Non-farm Clusters

10.27 Based on the local context and resource situation, NRLM/SRLM would also identify a few activity/trade clusters of non-farm enterprises for comprehensive support. The collective(s) and the members together would work on the substantial part of the value-chain so that they realize substantial proportion of the value. The support would include skill enhancement, design/product development, credit access, bulk procurement of raw materials, collective marketing and provision of common facilities for value addition/quality control/packaging and supply contracts with downstream firms. This would be done in partnership mode with NGOs and private sector players.

10.28 Further, infrastructure and marketing support funds available would be used for building these farm and non-farm collectives and supporting related interventions - value-addition, market research, market intelligence, marketing support, pooling and marketing *etc.*

10.29 NRLM would also augment the technology and grassroots innovations and disseminate them after pre-testing and technology audit. It would also network with the research and technical institutions for solutions to the problems of the poor on ground.

Chapter – 11

Special Programmes

11.1 NRLP would support pilot activities that have potential for scaling-up and replication such as the last mile delivery of public services, implementing activities in high-conflict areas in partnership with civil society organizations, value-chain development, using new technologies for financial inclusion, among others. The project would invest in large scale pilots for addressing higher order livelihoods and human development agenda (MDGs related to health, nutrition and education). The project would finance the cost of pilots including capacity building expenditure, setting-up community based health and nutrition centers and early child education centers under the auspices of the community institutions of the poor. This component would also incubate institutional innovations by helping states set up special purpose vehicles like foundations and autonomous societies to consolidate gains from scaled-up livelihood interventions such as sustainable agriculture, community managed dairy, promotion of market-linked jobs and placement support. These institutional forms would have the flexibility to develop a range of partnerships and leverage resources from public and private sources. Activities under special programmes would cover all states including the states that are not directly participating in the NRLP. About 50% of the funds available under this component would be used to scale up best practices in community based health and nutrition support activities, community based agriculture projects successfully implemented in Andhra Pradesh and some other states and the entrepreneurship model of Kerala. The remaining funds under this component would be used in promoting partnerships with NGOs in remote and interior areas prone to extremist violence and other problem areas.

11.2 The key outcome of this component is demonstrated project benefits of significant scale that would have a bearing on full scale implementation of the NRLM using GOI resources. This component, when implemented in a sequential manner, would ensure that all key outcome indicators of the project such as improved and diversified livelihood opportunities for the poor and improved food and nutrition security are achieved.

Chapter – 12

Innovations and Partnerships

Objective of Innovations and Partnerships

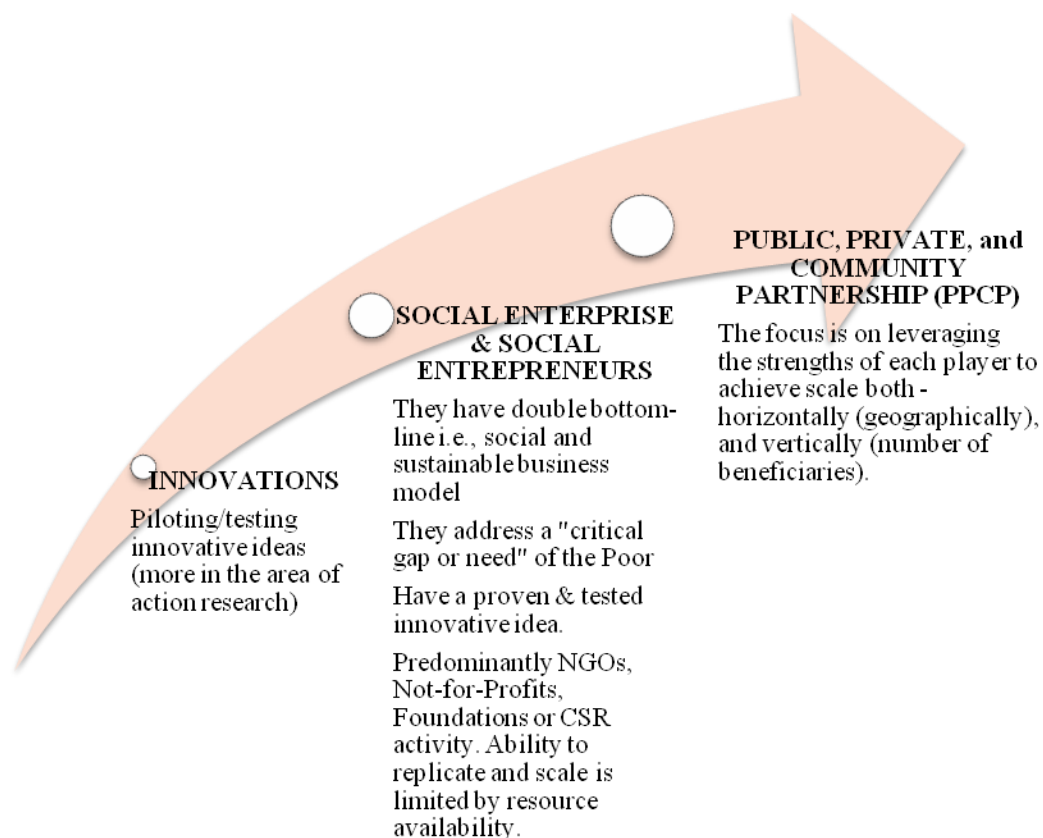
12.1 The rural poor lack adequate access to financial services, commodity and goods markets, forcing them to be dependent on unorganized/informal commodity, goods and financial markets. Even the informal commodity and financial markets do not meet all the needs of the poor. This results in the poor undertaking sub-optimal investments and high cost activities yielding very low rates of return. Further, the poor sell their produce at lower prices and spends a disproportionate part of their income on consumption goods and services of relatively lower quality but paying higher prices. This is particularly true in respect of consumption of food and health services which account for more than 60% of the household expenditure of the poor. On top of it, public services that target the poor do not reach them all for various reasons including those relating to '*last mile service delivery*' problems. Further, research and development effort for developing appropriate products of the poor is very weak. The private sector is shy of making such investments in view of the long gestation period involved, besides uncertain returns. Therefore, the NRLP would invest in promoting innovations, social enterprises and partnerships which could eventually improve the access of the poor to market and services and improve yields from their investments and activities. Thus, the objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. Support under this component would be available for all the states. These innovative projects do not form part of the annual action plans of the states. They are appraised and sanctioned at NMMU separately. 5% of the total NRLM central allocation has been set apart for supporting livelihoods innovations.

Key Activities

12.2 The objective of the component is promotion of innovation, social enterprise/ social entrepreneur and public, private and community partnership (PPCP), which is a continuum in terms of developing products and services of the poor. Innovation involves development of a new product or new model of service delivery to address challenges faced by the rural poor. Social entrepreneurs and innovators are two sides of the same coin. Social entrepreneurs start off as innovators trying to develop new products or service delivery models. Successful innovative ideas are then scaled-up using an enterprise approach *i.e.*, social enterprise. Innovative forum provides a platform for innovators to exhibit their creative for the project ideas. Ideas with potential would then be selected for pilot testing the '*proof of concept*'. The social entrepreneurs will then convert successful pilot test ideas into enterprises/ projects for replication and scaling-up in the Mission districts and blocks. The PPCP, on the other hand will leverage the technical, human and financial resources of each partner *i.e.*, public sector, private sector

and community organizations in scaling-up the services. The central point of the PPCP will be scale, efficiency and effectiveness *i.e.*, using public sector resources to achieve scales, private sector resources to achieve efficiency and community institutions to ensure effectiveness. In order to accomplish the objective, the NRLP would invest in the following key activities under this component:

- **Partnership Cell:** establish innovation and partnership cell;
- **Innovation Forum:** organize innovation forums and pilot innovative ideas;
- **Social Entrepreneurship:** social entrepreneurship development and seed funding; and
- **PPCP:** promotion of public-private and community partnerships.



12.3 The underlying objective under each of activities under this component will be to facilitate innovative models, which have community-wide large scale impact. The community/ potential poor beneficiaries will be involved in evaluation of projects by judging utility and applicability of models in their livelihoods. The NMMU/ SMMU team will focus on linking innovators/ social entrepreneurs to grass root community institutions, thereby, facilitating involvement of poor. This way innovators/ social entrepreneurs will be more accountable to the poor.

It is envisaged that such innovations should be managed by community institutions in future involving community based monitoring, review and evaluation (including systems

for social audit). Moreover, from scalability perspective, support will preferably be given only to innovations/ social enterprises which have potential of providing direct incremental cash flows to poor community. This may take the form of either increase in productivity in poor's livelihoods or savings through reduction in costs in poor's livelihoods.

Details of Key Activities

Setting-up of NRLM Innovation and Partnership Cell

12.4 As part of the component, an Innovation and Partnership Cell would be set up at NMMU. The cell would comprise one senior professional and 5-10 young professionals. The cell would initiate and anchor all activities related to Innovations and Partnerships such as hiring services of: (i) management and scouting agencies to identify potential partners and innovators; (ii) a communication agency to publicize the activities and invite innovative ideas and proposals; and (iii) transaction advisors and consultants to support innovators and social entrepreneurs in preparing proposals, besides preparing PPCP guidelines, MOUs and appraisal of proposals. The cell would organize a national consultation with the SRLMs to share the guidelines, relative roles of NMMU and SMMU and the technical assistance available to SRLMs from the NMMU. The key activities involved in setting-up the partnership cell are summarized in ***Attachment-1*** to this chapter.

Organization of Innovation Forums

12.5 Innovations are largely localized in India, due to lack of infrastructure, mentoring, handholding, finance, business development services *etc.*, and exposure to interested institutions. "Innovation forum" would be organized to enable innovators to overcome the constraints and demonstrate their innovative ideas and concepts. The forum would be organized at national, state, regional and district levels to scout for talent and ideas in an inclusive manner. Further, certain promising innovative ideas, which have potential for replication and scaling-up, would be promoted by the NMMU to demonstrate proof of concept.

12.6 The focus of innovations, which are promoted, will be on creating large scale impact on poor. The focus will be to promote such innovations, which can be managed by poor communities themselves and which have community-wide impact. The community members, themselves, will be involved in evaluating/ diagnosing the utility of innovation to their poor community. Innovators, as part of showcasing innovation at Innovation Forums, will also make a road show to poor communities to judge acceptability of idea by potential poor beneficiaries themselves. The role of NMMU/ SMMU will be to link the innovators with poor communities, so that innovators take voice/ judgment of poor into priority.

12.7 The innovative ideas could include the following:

- grass root level interventions such as introduction of improved seeds, new farming practices and technologies, improved service delivery in livestock sector (incl. artificial insemination, animal health and nutrition), poultry and sericulture considered to have positive impacts in terms of increasing productivity and production;
- innovative attempts at higher value chain or value addition involving private sector;
- increased access to financial services including savings, insurance, remittances *etc.*;
- application of eco-friendly agricultural practices such as organic farming;
- green livelihoods project (like use of solar energy for women development *etc.*);
- addressing social safety net issues including food and nutrition security and health service delivery;
- use of ICT including mobile applications for addressing issues in financial and non-financial service delivery;
- addressing education needs of rural youth for better employment prospects and capacity development of micro-entrepreneurs; and
- those impacting difficult areas and those targeting vulnerable communities.

12.8 Innovation forum could also be organized around thematic areas such as financial inclusion, rural energy, marketing and agri-business, potable water for rural poor, public service delivery and access to entitlements. The Mission would also explore partnering with likeminded organizations such as the National Innovation Foundation (NiF), Ashoka, Jubilant Bhartia Foundation and Incubators & STEPs, NGOs, CSOs and various private sector foundations in organizing innovation forums. This would help in leveraging both resources and ideas in searching for talent and also subsequently assisting innovators with piloting and promoting their ideas. The key activities involved in organizing innovation forum and piloting innovative ideas is summarized in ***Attachment-2*** to this *Chapter*.

Social Entrepreneurship Development and Seed Funding

12.9 The innovators who have successfully implemented action pilots and other grassroots innovations would be identified and evaluated for providing seed funding to convert the viable pilots into enterprises. This may also involve picking up innovative ideas from World Bank's development marketplace and winners/runners-up of innovation contests and innovation forums. The Mission would fund the following activities of the social entrepreneurs which:

- have double bottom-line i.e., social and sustainable business model;
- address a "critical gap or need" of the poor and have a proven & tested model i.e. poor communities have found the model/ product/ service useful with a community-wide large scale impact; and
- have ability and potential to replicate and scale-up but are currently limited by resource availability.

- have potential of providing direct incremental cash flows to poor community. This may take the form of either increase in productivity in poor's livelihoods or savings through reduction in costs in poor's livelihoods.

12.10 Promotion of social enterprises will be achieved by –

- linking social enterprises with community institutions in refining product/service or business model - NMMU/ SMMU's role should be to enable social entrepreneurs reach out to community and 'sell their innovation' and go through iterative process of refining their product until community is willing to adopt the product by itself. NMMU/ SMMU should then focus on proven models, which have community-wide impact, for scale up
- involving community institutions in evaluating/ diagnosing the utility of the social enterprise model (social enterprise should give high priority to concerns raised by poor communities)
- business development facility which would assist social entrepreneurs in developing "fundable" and "bankable" proposals;
- developing knowledge dissemination mechanism for sharing of innovative models of social entrepreneurs across academia, rural innovation experts, community organizations, NGOs and CSOs;
- organizing a workshop or forum or event for showcasing prototypes of social entrepreneurs and for recognizing and rewarding best social entrepreneurs/ social enterprises working in the space of "rural livelihoods";
- mentoring social entrepreneurs by linking them to their role models/dream mentors;
- capacity building of social entrepreneurs on setting up systems and processes for better governance, transparency and accounting/ book-keeping;
- building up scale-up strategies, along with social enterprise or innovator, and providing necessary infrastructure, human resource and implementation support for scaling up; and
- setting-up spearhead implementation teams from NMMU, exclusively for scaling-up support.

12.11 The project would identify, through a competitive process held nationally or internationally, successful social enterprises which are ready for scaling-up and replication in other states implementing NRLP. The funding will be for a limited time period and the social entrepreneur/enterprise should demonstrate the viability and sustainability of the business model beyond the initial grant funding for it to be supported under this sub-component. The key activities involved in promoting social entrepreneurs are summarized in *Attachment-3*.

Promotion of Public-Private and Community Partnerships

12.12 There are a lot of private sector services which do not reach the poor either because of negative rate of return (i.e., returns do not justify the investments in the first place) or else it takes longer-time to recoup the initial investments. When there are

competing demands for investments in growing market, like India, the BOP market often gets neglected and/or pushed down the pecking order. The proposed PPCP will look at “crowding-in” private sector in delivering a range of products and services which addresses a critical need/gap for the rural poor including financial services, access to markets for trading farm and non-farm products, and access to various Social Sector services. The prime focus of PPCP will be to create community-wide large scale impact on poor.

12.13 The Mission would invest in promoting effective partnerships between the community institutions and the private sector, public sector and civil society organizations for improving the livelihoods of the rural poor. The partnership is intended to leverage technical, human and financial resources of each partner *i.e.*, public sector, private sector and community organizations in improving the livelihood services for the poor. The partnership would cover such areas as ICT, agri. business, financial inclusion, skill development and placement support for youth. In order to accomplish the objective, the NRLP would invest in the following key activities under this component:

- design of PPCP guidelines;
- identification of potential service areas for partnership on the basis of specially commissioned research studies to identify viability gaps
- private and public sector partners;
- capacity development of PPCP cell;
- empanel resource persons for preparation and appraisal of proposals;
- sensitize and orient public and private partners to the functioning of community institution and the NRLM;
- provide viability gap funding/capital subsidy and promote partnerships in such priority areas as financial services, market access, establishment of new social facilities, management of government service facilities *etc.*; and
- institute monitoring and accountability systems in partnerships.

Attachment - 4
Innovation and Partnerships Cell : Key Activities

Step	Activity	Responsibility
1	<ul style="list-style-type: none"> ▪ Setting-up the Innovation and Partnership Cell at NMMU. NMMU will consist of (to start with): <ul style="list-style-type: none"> - Head of the cell - 2 to 3 Young Professionals 	NMMU
	<ul style="list-style-type: none"> ▪ Hold a 'Consultation Workshop' to receive feedback from various rural innovation experts on 'draft' implementation plan 	
2	<ul style="list-style-type: none"> ▪ Develop ToRs for <i>Resource Agencies</i> – <ul style="list-style-type: none"> ○ <i>Event Management</i> (for organizing innovation forums and network event for SEs) ○ <i>Scouting agency</i> (for scouting & identifying innovations and social enterprises, followed by preparation of concept notes/project proposals of innovators and helping Social Enterprises prepare “bankable & fundable” project proposals; this agency also assist in evaluation/ scoring of proposals based on appraisal parameters) ○ <i>Communication agency</i> (for social media, website, blog, newsletter, quarterly magazine, annual report) - <i>Transaction Advisor</i> – to assist NMMU/SPMU in drafting PPCP Guidelines, drafting contracts/MoUs for PPCP, , 	NMMU
3	<ul style="list-style-type: none"> ▪ Develop database of ‘potential partners’– <ul style="list-style-type: none"> - Foundations like Ashoka, Jubilant Bhartia, National Innovation Foundation (NiF), Development Marketplace (of the World Bank) - Incubators & STEPs - NGOs and CSOs - Industry Associations 	NMMU
4	<ul style="list-style-type: none"> ▪ Enter into partnership and finalise MoU with one or two foundations such as Ashoka, Jubilant Bhartia, National Innovation Foundation, Schwab Foundation, incubators, NGOs, industry association etc., 	NMMU
5	<ul style="list-style-type: none"> ▪ Prepare brochures and other marketing material detailing each component and sub-component (incl. context, rationale, objective, illustrative list of innovation verticals and value chain, average ticket size, target beneficiary, evaluation parameters and indicative template for proposal submission) 	NMMU/ Resource Agency
6	<ul style="list-style-type: none"> ▪ Develop a WEBSITE for Innovations and Partnership Development 	NMMU/ Comm. Agency
7	<ul style="list-style-type: none"> ▪ Draft: <ul style="list-style-type: none"> - PPCP Guidelines - MoU template 	NMMU/ Transaction Advisor
8	<ul style="list-style-type: none"> ▪ Organize a National Level Consultation Workshop inviting the first set of 14 States. The objective will be – <ul style="list-style-type: none"> - share the “draft” guidelines which will form the basis for funding activities under the component 	NMMU

Step	Activity	Responsibility
	<ul style="list-style-type: none"> - detail the roles and responsibilities of NMMU/SMMU and also the partner organization(s) - details about tapping into the resource agency and consultants /transaction advisors (“draw-down” approach) 	

Attachment - 5

Organizing Innovative Forums and Piloting Innovative Ideas : Key Activities

Step	Activities	Primary Responsibility
1	Develop a protocol for inclusion of ‘organization of innovation forum’ in the Annual Action Plan of NMMU	NMMU
2	Develop a draft MOU between NMMU and potential innovators for action pilots	NMMU/SMMU
3	Planning and scheduling for organizing innovation forums	NMMU
4	Finalize the proposal and estimated budget	NMMU/SPMU
5	Call for innovative ideas through mass media, social, snowball technique and partnership networks (support from scouting agency and communications agency)	SPMU/Resource Agency
6	“Draft” protocol for setting up expert committee or jury for reviewing the proposals and short-listing the innovative ideas	NMMU/SPMU
7	Finalize the rating tool for evaluating the proposals (refer Annexure 8)	NMMU
8	Finalize the check-list for organizing innovation forum- refer Annexure 8 – Flowchart for organizing innovation forum	NMMU
9	Awarding or funding innovations/action pilots: <ul style="list-style-type: none"> ▪ Winners receive funding after undergoing financial, legal and accounting due diligence and signing MoU with the NMMU ▪ Winners undergo business clinics – training on development of robust systems and processes for book-keeping, cash flow projections, accounting, corporate governance. 	SPMU/Resource Agency
10	Develop Protocol for: <ul style="list-style-type: none"> ▪ MIS (regular reporting by innovators) ▪ Monitoring and Evaluation ▪ Auditing (social or community) of Innovations/Innovators 	NMMU/SPMU

Attachment - 6
Promoting Social Entrepreneurs: Key Activities

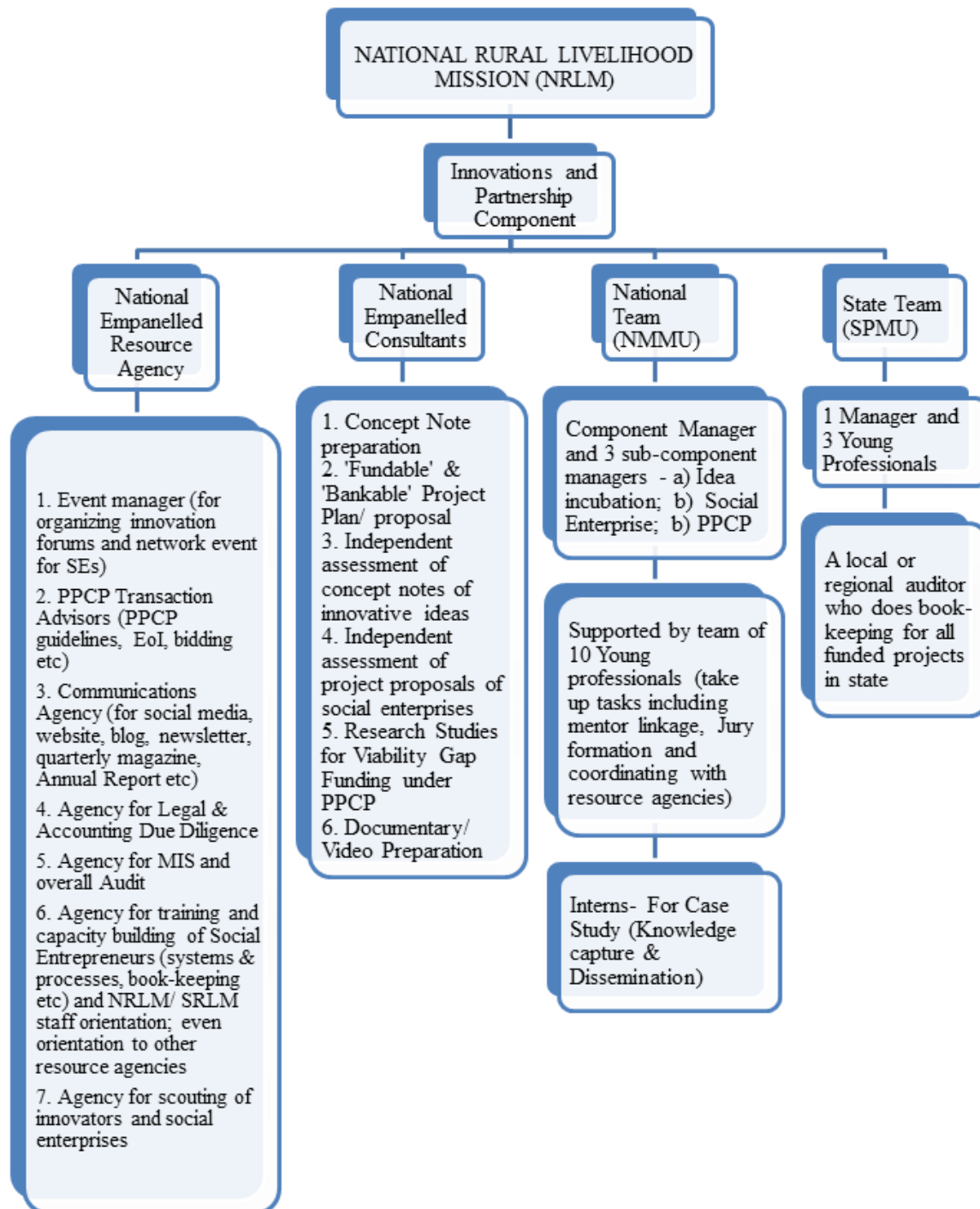
Step	Activity	Responsibility
1	▪ Develop a draft MoU between NMMU and potential social enterprises	NMMU
2	▪ Finalize the proposal and estimated budget	NMMU
3	▪ Call for proposals from social enterprises/ entrepreneurs through mass media, social, snowball technique and partnership networks with the support of scouting agency and communications agency	Resource Agencies
4	▪ “Draft” protocol for setting up expert committee or jury for reviewing the proposals and short-listing the social enterprises	NMMU
5	▪ Finalize the rating tool for evaluating the proposals (<i>Refer Annexure 8</i>)	NMMU
6	<ul style="list-style-type: none"> ▪ Provide funding support to selected social enterprises after exercising due financial, legal and accounting diligence and sign MoU with the NMMU ▪ Provide orientation/training in bookkeeping, cash flow projections, accounting and corporate governance 	Resource Agencies
7	Develop protocol for accounting, auditing and MIS reporting by enterprises	NMMU

Attachment - 7
Public, Private and Community Partnerships : Key Activities

Step	Activity	Responsibility
1	▪ Design PPCP guidelines	NMMU/Consultant/ Resource Agency
2	▪ Conduct scoping study to identify areas for PPCP which can become viable with gap funding/ subsidy and non-monetary support	NMMU/ Consultant/ Resource Agency
3	<ul style="list-style-type: none"> ▪ Appoint transaction advisors to hold consultative meetings with private parties, community organizations and government organizations for potential PPCP in one or more areas of intervention ▪ Transaction advisors assess viability gap funding and other non-monetary support required through PPCP ▪ NMMU appraises PPCP for funding support 	NMMU
4	<ul style="list-style-type: none"> ▪ Finalize MoU for PPCP with potential partners in the fields of: <ul style="list-style-type: none"> - Social sector service delivery (health, education, clean drinking water etc.) - Financial services (savings, credit, insurance, remittances, pensions etc.) - market linkages and value addition (horticulture, agriculture, dairying <i>etc.</i>,) ▪ Sanction funds and enter into MOU with partners. 	NMMU/SPMU/Transact ion Advisor

5	<ul style="list-style-type: none"> ▪ Finalize the protocols for: <ul style="list-style-type: none"> - Implementation - Monitoring and community oversight - Reporting process - Financial accounting and accountability standards - Documentation and learning 	NMMU
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Fig.: 10
NRLM : Innovations and Partnerships



Chapter – 13

Mission Results Monitoring and Evaluation

Objective of Results Monitoring and Evaluation

13.1 The objective of the Mission's monitoring, learning and evaluation system (ML&E) is to reinforce the culture of result-based management and provide the basis for evidence-based decision-making processes, of both strategic and operational nature, at all levels including community institutions. The ML&E is expected to play the role of a social observatory, using different methods and tools to provide continuous feedback to the project management and other stakeholders on the progress and quality of implementation of Mission activities and facilitate strategic and operational decisions, mid-course corrections and adaptations. The system is also required to assess the intermediate results, outcomes and impact of the Mission *vis-à-vis* its core objectives.

13.2 However, livelihood projects are far more difficult to monitor and evaluate than standard interventions because of the high degree of heterogeneity in their interventions and the difficulties involved in measuring non-economic outcomes. For a national level Mission, that is geographically dispersed and institutionally decentralized, it becomes even more difficult to have an integrated and functionally effective ML&E system that not only serves the needs of the NRLM and SRLMs but also facilitates the participation of the CBOs in planning and implementation of project activities. Given the scale, diversity and innovative nature of the Mission, a comprehensive ML&E system that would function both as a decision support system and a social observatory is envisaged. The system would not only assess the intermediate results, but also captures the critical processes of implementation and the livelihood outcomes. More specifically, the objectives of the ML&E system are to:

- provide a periodic measure of inputs, activities and outputs in different project components;
- assess the process of implementation (conversion of inputs into outputs) and identify factors critical for that conversion;
- verify the project related assumptions particularly in the early stages of the project;
- provide an assessment of the pre-project situation in different states;
- assess the achievement of the project objectives at different points of time and make the primary stakeholders (the CBOs of the poor) an integral part of the ML&E system;
- facilitate regular management review and adaptation; and
- to assess the livelihood outcomes and the impact of the project on different social groups in different states.

13.3 Two key principles would guide the design of the ML&E system. First, the system would focus more on intermediate results and outcomes rather than limiting itself to inputs and activities. Second, the system would create a dynamic bilateral flow of

information between ML&E and knowledge management systems envisaged under the project.

Key Components/Activities of ML&E System

13.4 The Mission would institute a comprehensive ML&E system comprising the following components:

- MIS based input-output monitoring anchored on specially developed ICT platform (*e NRLMs*);
- Process monitoring;
- CBO self-monitoring and learning;
- Internal reviews and learning;
- Impact evaluation involving baseline survey, follow-up survey and end of project survey;
- Longitudinal studies based on panel sample and stand-alone studies; and
- Social/development audit.

MIS Based Input-Output Monitoring

Purpose

13.5 The central purpose of the web-enabled MIS based input-output monitoring is to track the performance of the Mission, using mainly quantitative information (quantitative indicators). The MIS input-output monitoring system would be designed to track information in a dynamic mode on:

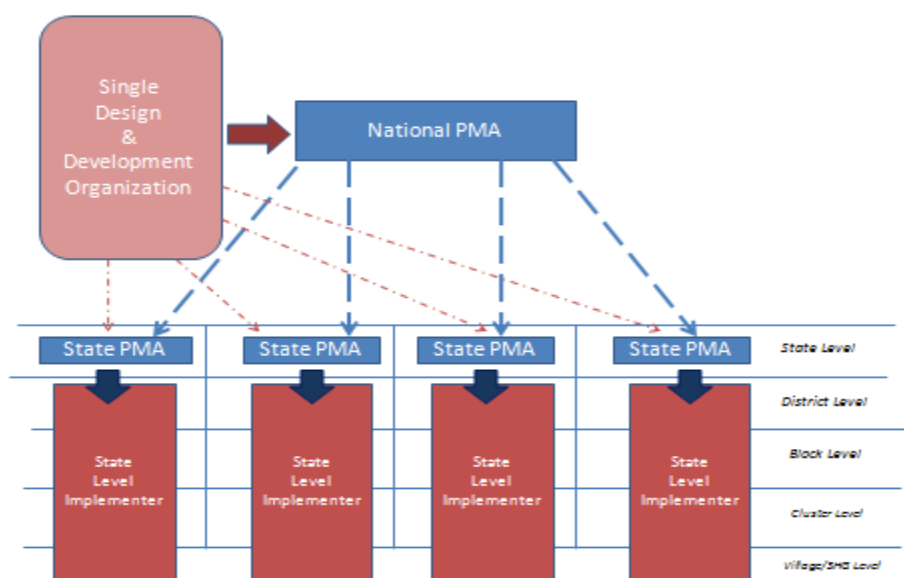
- delivery of project inputs for different components to different geographic units – institution and human capacity building, IHCB, livelihood support, innovation and partnership fund etc.;
- progress in IHCB, measured in terms of indicators:
 - teams established;
 - partnerships concluded;
 - state support structures created;
 - training and capacity building provided;
 - number of left out Poorest of the Poor HHs organized into SHGs,
 - number of SHGs practicing Panchasutras;
 - number of poor HHs accessed external credit support;
 - number of social capital (active leaders from SHGs, bookkeepers, community activists, CRPs and Para-professionals etc.,) made available in the community for supporting poverty initiatives);
- progress in state livelihood support component
 - progress of social mobilization;
 - institutional platforms or CBOs created;
 - access facilitated to financial; and
 - livelihood and support services.

- number of HHs accessed multiple doses of credit,
- number of HHs achieved food security,
- number of HHs (category wise) created sustainable livelihoods,
- number of HHs established sustainable income sources through diversification of assets/income sources;
- number of HHs enhanced their monthly income up to Rs.2000 and above,
- progress in innovation and partnership fund component (e.g., Innovations, pilots, social enterprises, partnerships etc.);
- progress in project management and M&L (establishment of NMLU and SMNUs, establishment of MIS, communication architecture, governance and accountability systems etc.);
- progress in terms of livelihood opportunities created etc.

Structure

13.6 Given the federal (Central-State) relationship involved in the implementation of the Mission, an integrated web enabled MIS system anchored on ICT platform, that would meet the information requirements of both the MORD-NMMU and the SRLMs would be built. Thus, the objective of the component is to design, develop and institute a centralized, web-based MIS that would track information from all Mission support structures including SRLMs, DMMUs, BMMUs and community institutions (federations and SHGs). However, while adopting the centralized MIS, the SRLMs would have certain amount of flexibility to add additional modules to suit the state specific requirements. The centralized MIS would also provide for addition of such modules. Besides, the states with on-going livelihood projects would be given flexibility to retrofit the existing systems to be compatible with the centralized MIS. Further, the centralized MIS would be compatible with the UIDAI.

Fig. : 11
NRLM : MIS Flow



13.7 The system would facilitate generation of *ad hoc* and pre-designed query based reports on the progress of various Mission components, sub-components and activities at national, state and sub-state levels. The system should provide an effective mechanism to track Mission outputs including performance levels of Mission units at frequent intervals. The design of MIS would therefore take into account the results framework, financial and procurement processes of the Mission. The system should address the data requirement and feedback needs of all concerned stakeholders. In addition to the data collection and documentation processes, the MIS should also be designed to handle the analytical and reporting requirements of the program. The institution of MIS based input-output monitoring would involve the following key steps:

ICT Taskforce

13.8 The important first step is to create an ICT task force at the centre, which would include MIS, IT and M&E experts drawn from the NMMU, SRLMs, nic, UIDAI and other relevant agencies. The task force would also include consultants and advisors to guide the institutions of ICT platform.

TOR for DDO

13.9 Prepare TOR for contracting the services of an external agency as Design and Development Organization (DDO) which would provide technical support for design and development of three components of the ICT platform viz., central level MIS, the state level MIS and the ICT infrastructure for delivering community based services.

Contract DDO

13.10 Contract the services of a DDO following the procurement and finance guidelines (*i.e.*, EOI, RFP, selection and contract agreement).

Requirements Assessment

13.11 DDO would undertake information and other requirements assessment in consultation with MORD, other ministries, NIC, UIDAI, Planning Commission, CAGI, RBI, NABARD, NMMU, SRLMs, the World Bank, potential solution providers and other partners. As part of requirements assessment, DDO would undertake an assessment of pre-existing ICT and MIS system including hardware, software applications, process work flows, service levels, technical details, interface points.

URS Document

13.12 DDO would prepare user requirements specification document based on the business requirements of central NRLM team, SRLMs and all other stakeholders, specifying necessary reports at every level – terms of each report, information contained, purpose-wise use of each report.

System Architecture and SRS Document

13.13 After the finalization of URS, the DDO would define system architecture and the corresponding hardware and software requirements. The design would include detailed MIS design incorporating sources and destination of data, performance areas and indicators, collection, recording, aggregation and transmission procedures, data formats and reports, periodicity *etc.* On the basis of the system architecture and design, a comprehensive Software Requirement Specifications (SRS) would be prepared for approval by the NRLM. The SRS would incorporate deployment plan, support plan, training plan and test management plan.

Design of Software

13.14 On the basis of the SRS, the DDO would undertake development of application software preferably on its own or through another external agency in close coordination with the NRLM, SRLMs and other stakeholders. The software application would be tested, trial-run, pilot tested and installed in a phased manner in tune with the installation of hardware at different levels.

Training

13.15 The DDO/external software development agency would also develop a detailed operations manual and train key persons in installation and management of software. Final version of the application software would also be delivered to the NRLM along with the source code. The DDO would also provide training of key staff in the use of application software at various levels.

Hosting and Maintenance

13.16 The DDO would undertake hosting of the web based system by clearly defining the data centre requirements at the NMMU and state level and provide handholding and maintenance support to the key staff for the duration of the Mission/period requested by the NRLM.

Reporting

13.17 The DDO would also design templates of analysis reports for decision support and facilitate generation of reports at different levels. Apart from the standard and query based reports, the DDO would provide for generation of *ad hoc* reports.

Handover and Transition

13.18 The DDO would be responsible for effective handing over of relevant materials to the NMMU and SMMUs. The DDO would also define change management procedures associated with the enhancement or modifications of system components that have been developed.

Adoption of MIS System by SRLMs

13.19 The SRLMs would adopt the relevant modules of the centrally designed MIS and institute the same at the state, district, block and cluster/federation levels. As the system is web-enabled, information is sourced directly from different levels and held at the central database. All Mission units would have varying levels of access to the data. The units would be able to generate standard and *ad hoc* reports on the progress of Mission activities and intermediate results in different component areas.

13.20 To facilitate the adoption of centralized MIS and its customization, the states would contract the services of external agencies from the draw-down list prepared by the NMMU. The NMMU would empanel such agencies on the basis of technical evaluation, while the states would have the flexibility to identify one of the agencies on the basis of the cost criteria in line with the procurement guidelines.

13.21 The consulting agency will undertake customization of the centrally provided software to suit the requirements of state, without altering the basic structure and core systemic elements. The consulting agency will retrofit the system with the pre-existing MIS, if any, within the framework of the NRLM prescribed system. More specifically, the state level MIS agency would undertake the following activities:

- guide the state Mission authorities in the procurement of hardware as specified by NRLM;
- support installation of hardware at state, district , block and sub-block levels;
- customize the centrally provided software by selecting the appropriate options to match local requirements;
- undertake trial run of the system;
- facilitate sample standard and ad-hoc report generation;

- identify the training needs of key MIS staff;
- provide training of staff using operations manual;
- select appropriate options available to develop additional modules to facilitate delivery of community level services by other stakeholders;
- undertake design of paper based sub-system at the cluster/community level to facilitate data recording and reporting;
- promote interface between project frontline staff / resource persons / activists using mobile / handheld devices for data transmission with the MIS hardware at the cluster/block levels;
- provide continuous technical assistance in post-implementation and maintenance after commissioning the system; and
- provide continuous maintenance support during the life of the project.

Process Monitoring

13.22 NRLP is envisaged as a process intensive project. The culmination outcomes of the project would depend mainly on the strength of the processes adopted in implementation of key activities. Process monitoring is expected to provide information to the project management and other stakeholders to understand how and through what process inputs get converted into outputs, what issues are critical in that conversion process and what action is necessary to increase effectiveness. More specifically, the objectives of process monitoring are:

- to understand how project inputs result in project outputs and identify issues critical to such conversion;
- to provide information necessary to the management to increase the effectiveness of the project;
 - inclusiveness;
 - sensitivity of the project staff to the needs of the poor;
 - internal and external functioning of the CVOs;
 - identification, financing and implementation of livelihood activities;
 - convergence efforts made and succeeded etc.
- to verify the process related assumptions of the project;
- to assess whether activities are carried out as planned;
- to generate a learning and feedback mechanism, which would enhance prospects for adaptation especially at the early stages of the project.

Key Elements of Process Monitoring

13.23 Process monitoring is:

- a continuous process of observation of project activities;
- takes into account perceptions/views of all stakeholders;
- looks at processes internal and external to the project;
- takes into account interactions between stakeholders at different levels (*e.g.*, individual households, community groups, Mission staff, line departments, local governments, higher level governments *etc.*);

- based on learning from the community;
- adopts a participatory approach; and
- addresses underlying causes of problems/issues.

Advantages of Process Monitoring

13.24 Apart from facilitating management to become more innovative, flexible adaptive and responsive to the community needs, process monitoring:

- facilitates verification of Mission related assumptions;
- identifies good practices worth replicating;
- improves the key Mission processes by fine-tuning the strategies;
- develops a sense of accountability on the part of the Mission staff to the community;
- facilitates changes within the Mission, local institutions and government agencies;
- improves planning and monitoring skills of all stakeholders;
- improves Mission effectiveness and sustainability; and
- empowers communities by linking the project to the community needs and demands.

Guiding Principles of Process Monitoring

13.25 The five important principles that should guide process monitoring are that:

- processes must be observed at all levels of the project;
- processes must be observed at different stages of the project cycle;
- processes must be observed at different points in time so that inter-temporal changes become evident;
- process observations made by different persons at different locations must adopt the same methodology; and
- observations must be made on the assumption that results which emerge are useful for decision-making.

13.26 The specific activities under this component would include:

Technical Support Agency

13.27 The SMMU would contract the services of a technical support agency to provide necessary methodology support to the state level process monitoring agencies. The agency would develop a process monitoring manual for the guidance of the state level agencies. The manual would contain detailed methodology, key *ex ante* process areas, indicators and reporting templates and undertake field testing. The agency would also identify relevant themes for process monitoring for each round and determine reporting templates. The agency would also facilitate dissemination of key process monitoring findings during the first few rounds. As part of the methodology, the agency would also develop a rating system that would allow inter-state and inter-district comparison across different states and districts by the apex agency.

Process Monitoring Agencies

13.28 The NMMU would identify and empanel process monitoring agencies, the services of which would be contracted by the states for undertaking actual process monitoring, following the guidelines, methodology and protocol developed by the technical support agency.

Process Monitoring and Learning

13.29 Following the methodology suggested by the technical support agency, the state level agencies would undertake process monitoring and shares the key findings with the Mission management units at block, district and state level as per the agreed protocol. Ideally, the findings are disseminated in specially conducted meetings of the project staff at different levels. Such meetings should also include community representatives. At the end of each round of process monitoring, the Mission units would agree to undertake certain actions, the progress on which would be monitored by the process monitoring teams in the subsequent rounds.

CBO Self-Monitoring and Learning

13.30 The central objective of a CBO self-monitoring system is to make the stakeholders an integral part of the overall ML&E system. The self-assessment by CBOs would involve use of specially developed learning tools by the CBOs to assess their own organizational capacity as well as progress towards sustainable livelihoods. Each CBO would be guided to periodically undertake self-assessment against certain targets. The assessment would then form the basis for discussion in the meetings of the community institutions. Ideally, the findings of self-assessment are discussed at the higher level CBOs. For this purpose, learning forums could be promoted at each level facilitated by the front-end Mission/ community staff or facilitators. The learning groups could be convened at quarterly intervals and it is important to ensure that the meetings of learning forum identify reasons for the problems and provide support to the CBOs to overcome the problems. The learning forum meeting should be attended by key frontline staff and facilitate documentation of the proceedings.

13.31 Developing appropriate self-monitoring and learning tools is a critical step in the introduction of the system. Simple tools, if necessary using both pictorial and non-pictorial scales, would be designed to facilitate self-assessment of the CBOs. However, it is important to ensure that self-assessment is independent of the project support to the CBOs. If project support is linked to self-assessment scores, then it could result in a situation where CBOs resort to over rating of their performance. To enable the CBOs to undertake self-assessment, appropriate capacity building by the Mission frontline resource persons would be necessary. However, the development of learning and assessment tools would be contracted at an external agency/consultant.

13.32 The following **activities** would be undertaken by SMMU to institute CBO self-assessment:

- development of TOR for services of an external agency/consultant for designing CBO self-assessment tools in English and Hindi/other languages, training of key staff in Tot mode, determination of size and composition of learning forums and the frequency of their meetings;
- contracting the services of the agency;
- field testing and refining the tools;
- supply of tools to CBOs and institution of self-assessment; and
- provision of initial handholding support for conduct of self-assessment.

Internal Reviews and Learning

13.33 Regular conduct of internal reviews jointly by CBOs and project staff would facilitate resolution of several community level as well as project related problems. Therefore, it is proposed to institute an internal review system at SHG federation, block and district levels. In fact, these review meetings could be held as part of the learning forum meetings in which the issues brought out by CBO self-assessment could also be discussed. However, it may not always be possible to hold joint meetings. In such cases, review meetings could be held separately. The internal reviews are ideally held at least once in a month on the basis of a pre-determined agenda. The monthly progress report generated through the MIS, the findings of the process monitoring as well as CBO self-assessment could be discussed as part of internal reviews. Documenting the proceedings for follow up, however assumes importance. The following activities would be required to be undertaken under the component:

- institution of a review format at all levels of the project – frequency, areas for discussion, documentation, reporting and follow up formats; and
- orientation of staff at district and block level for conduct of meetings.

Impact Evaluation

13.34 The objective of impact evaluation is to establish the “net” contribution of the project to the livelihoods of the poor. Measuring the impact would then involve comparing the livelihood situation of the poor “before” and “after” the project and between the project and control areas. Since the livelihood outcomes would depend on a number of factors, some within the control of the project and several outside, an effective impact evaluation should try to estimate a “net” effect, after controlling for the non-NRLP/NRLM interventions to the extent possible. While assessing the “net” impact on livelihoods, it would be important to bring out the changes in all forms of livelihoods *viz.*, natural, social, human physical and social capital. The evaluation should also capture the change in the vulnerability status of the poor to different risks, both covariant and idiosyncratic, and their ability to cope with such risks. In addition to capturing household level outcomes, impact evaluation would also assess the group level and community level changes brought about by NRLP/NRLM. Given the duration of NRLM, impact evaluation would be carried out in three stages through interrelated surveys namely:

- Baseline survey;
- Mid-term survey; and
- Project-end evaluation.

13.35 Thus, in the first year, apart from the initial poverty diagnostic envisaged as a precursor to social mobilization and preparation of SPIP, a baseline rural livelihood survey would be commissioned, covering both project and control areas. The baseline survey would capture the pre-project livelihood situation of the potential target community vis-à-vis the control group in all its dimensions. The subsequent mid-term and end-term evaluations would also be expected to cover the project and control groups studied as part of the baseline. However, if the project expands to cover all the control groups as well in later years, the evaluation designed would be revisited and suitable changes made to the sample design. In addition, the project would explore the possibility of engaging the services of NSSO to assess, if necessary in the form of an additional module to their regular surveys, the impact of the project.

Longitudinal Study

13.36 In addition to the standard impact evaluation format, the project would also commission a longitudinal study of a select subset of a cross-section of households using a panel system of sampling. The empanelled households drawn from the baseline sample would be revisited at yearly/ biannual frequency to track the full range of changes taking place in the quality of life (QOL) and wellbeing of the households measured in terms of QOL, HDI, deprivation index, empowerment index and poverty index.

Stand Alone Studies

13.37 A few stand-alone studies/ thematic studies would also be commissioned as part of the evaluation component to assess the impact of specific innovations and interventions that transcend the CBOs such as promotion of organic cultivation (e.g. SRI), health insurance and nutrition programmes. Further, *art factual* experiments would be used to test certain ideas for interventions on a scientific basis, albeit on a small scale and using inexpensive methods.

13.38 Finally, small subsamples of communities would be tracked for in-depth qualitative data collection and analysis with frequent revisits by trained qualitative field investigators. Tools such as open ended Focus Group Discussions (FGDs) would be used to assess the integrated impact that the project has had overall on jobs in the village, the average rate of interest charged and softer indicators such as women's empowerment as measured by their physical mobility. Such qualitative exploration would be undertaken in particular to understand changes in marginal, excluded and vulnerable communities.

Social/Development Audit

13.39 In addition to the external evaluation and stand-alone studies, the states would make efforts to institute social/ development audit systems to assess community perceptions on the impact of the project. Methods like users' satisfaction rating, beneficiary/citizen report card and community scorecards would be introduced after the first year of the project. Ideally, these methods are used on an annual basis. However, during the last phase of the project, assessments can be sought from the community at

half yearly frequency. However, the services of an external agency would be required to design the social/development audit systems and mainstream them.

13.40 Development audit is conceived as a series of steps that would culminate in a scored assessment of project effectiveness in a broader social and economic context of NRLM. Since the development audit is a relatively new tool, the services of an external agency/consultant would be contracted by the NRLM to prepare the guidelines indicating scope of audit, key groups identified, stakeholder objectives, expectations and priorities from NRLM, measurable indicators and methods to generate information and specific targets or benchmarked against which to measure change and conduct sample development audit in two or three locations. The audit would be undertaken twice during NRLP/NRLM. The sample audit would also undertake compilation of effectiveness scores, assess results for different stakeholders on different development parameters and develop a format for analyzing and communicating audit results.

Results Framework

The results framework for the NRLP is presented in Attachment 8

Attachment 8: Results Framework

Project Development Objective (PDO): <i>to establish efficient and effective institutional platforms of the rural poor that enables them to increase household income through livelihood enhancements¹¹ and improved access to financial and selected public services.</i>												
PDO Level Results Indicators*	Core	Unit of Measure	Base-line ¹²	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Indicator One: Twelve State Rural Livelihood Missions formed and providing good quality technical assistance to institutions of the rural poor	<input type="checkbox"/>	Percent-age	4	6	11	12			Yearly	MIS and evaluations	NMMU & SMMU M&E Unit	Based on AP, TN, Orissa and Bihar experiences
Indicator Two: At least 70% of the excluded SC, ST and Minorities households directly access Community Investment Support or formal financial institutions through SHGs/Federations.	<input type="checkbox"/>	Percent-age	0%	5 %	20%	40%	60%	80%	Yearly	MIS and evaluations	NMMU & SMMU M&E Unit	Based on AP, TN and Bihar experiences
Indicator Three: At least 45% increase in the number of identified poor households who have accessed services from formal financial institutions	<input type="checkbox"/>	Percent-age	9% ¹³	14%	24%	35%	45%	54%	Yearly	MIS and evaluations, NABARD	NMMU & SMMU M&E Unit	- as above
Indicator Four: Identified poor households have saved cumulatively US\$2 billion through thrift and financial inclusion	<input type="checkbox"/>	USD millions	5	6	30	75	130	200	Yearly	MIS and FMS	NMMU & SMMU M&E Unit	- as above
Indicator Five: Average income for identified poor households in project villages has increased by 50%	<input type="checkbox"/>	Percent-age	0	0%		20%		50%	Baseline, mid-term and end of project	Evaluations	External evaluation	Based on AP, Sri Lanka livelihoods Projects ICRs

¹¹ Sustainable livelihood enhancements include investments in agriculture, livestock and non-farm sector through assets, productivity, technology and access to markets.

¹² While the Bank has ongoing livelihood projects in several states, their baseline numbers can only be approximated/scaled up for NRLP which will reach 12 states. Further, the context in states with existing livelihood projects such as Andhra Pradesh or Tamil Nadu is entirely different from that of newer states under the Project like Uttar Pradesh. Hence proxy baseline values have been indicated using best possible secondary data.

¹³ Only around 9% of marginal farmer households (landholding <1 ha, a proxy for poverty) access credit from formal financial institutions (Report of the Committee on Financial inclusion using NSS 2003 data)

INTERMEDIATE RESULTS												
Intermediate Result (Component 1): Delivery of good quality TA to the States for implementation of NRLM.												
<i>Intermediate Result indicator One:</i> 70 Percentage of SRLMs have received timely and quality TA as per agreed service standards, on a regular basis.	<input type="checkbox"/>	Percent- age for Service Standard (no.)	0%	15% (5)	40% (12)	70% (21)	70% (21)	70% (21)	Yearly	Service standard assessment	Joint NMMU and SMMU	Service Standard will be mutually agreed
<i>Intermediate Result indicator Two:</i> Twelve participating SRLMs have prepared State Perspective Plan and accessed dedicated resources as per agreed service standards.	<input type="checkbox"/>	Number of States	2	10	12	12	12	12	Half- yearly	MIS and FMS, and Service Standard Assessment	NMMU and SMMU	Does not include NCR. Some States may not do intense blocks.
<i>Intermediate Result indicator Three:</i> 80 Percent of NRLM staff are accredited professionals	<input type="checkbox"/>	Percent- age	0%	40%	60%	80%	80%	80%	Yearly	HR Data	NMMU and SMMU HR Units	6000 core staff positions
Intermediate Result (Component 2): Establishment of institutional platforms of the poor for improved access to financial, livelihood and public services for participating households.												
<i>Intermediate Result indicator One:</i> All Project SLRMs delivering implementation to service standards and user satisfaction	<input type="checkbox"/>	Number of States	0	4	8	12	12	12	Yearly	Service Standard Assessment, Satisfaction survey	SMMUs and NMMU	Service Standard will be agreed with NRLM and partners
<i>Intermediate Result indicator Two:</i> At least 70 percent of the identified poor mobilized into Self Help Groups (SHGs)	<input type="checkbox"/>	Percent- age of poor house- holds	8% ¹⁴	15%	40%	55%	70%	70%	Yearly	MIS, NSS, NABARD	SMMU M&E units	Based on mobilization among BPL, Tendulkar. Baseline and targets do not include AP, TN, Mah. and Karn.
<i>Intermediate Result indicator Three:</i> At least 70 percent of SHGs have achieved quality and sustainable parameters as per agreed standards/rating systems.	<input type="checkbox"/>	Percent of SHGs	0%	30%	40%	60%	70%	70%	Yearly	MIS	SMMU M&E units	Applies to new SHGs under project
<i>Intermediate Result indicator Four:</i> 30% of SHG members using financial services report	<input type="checkbox"/>	Percent of members	0%	10%	25%	30%	30%	30%	Yearly	Financial services	SMMU and NMMU	Applies to new SHGs under project

¹⁴ Using NSS poverty estimates for 2004-05 and SHG membership data from NABARD for 10 states, only 22.3% of rural poor were mobilized into groups in these states. The states included Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Kerala, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh. Since mobilization will not be carried out as intensively in Andhra Pradesh, and Tamil Nadu and Kerala are not among the 12 Project states, the average mobilization among the remaining states is about 8%.

higher level of satisfaction as a result of new service delivery mechanism.										satisfaction survey	Microfinance Units	
<i>Intermediate Result indicator Five:</i> At least 50% of poor households have made productive investments through SHGs	<input type="checkbox"/>	Percent of Project village poor HH	0%	0%	10%	20%	35%	50%	Yearly	MIS	SMMU	Investments in agric., lives. and NFRE
<i>Intermediate Result indicator Six:</i> One Million new jobs for the poor are created	<input type="checkbox"/>	Number of jobs	000	50,	200	500	750	1000	Yearly	MIS	SMMU	Under youth employment linkage
Intermediate Result (Component 3): Establishment of a platform for PPP and innovations for rural livelihoods and integration into NRLM												
<i>Intermediate Result One:</i> 5 pilot innovation replicated, adopted	<input type="checkbox"/>	Number of pilots scaled up	0	0	0	1	2	5	Yearly	Annual Progress Report	NMMU Innovation and Partner Unit	Adoption at State level at significant scale
<i>Intermediate Result two:</i> At least 20 PPP financed and launched	<input type="checkbox"/>	Number of PPPs	0	2	5	10	15	20	Yearly	Annual Progress Report	NMMU Innovation and Partner Unit	PPP for viability gap funding
Intermediate Result (Component 4): Establishment of effective project management unit at the national level and establishment of key systems for coordination and management												
<i>Intermediate Result One:</i> NMMU receives satisfactory management scorecard from at least 70% of participating NRLM States on a regular basis (covers procurement, decision making, FM, M&E / ICT support, grievance handling, etc., but not TA – which is component 2 indicator)	<input type="checkbox"/>	Percentage of participating States.	n/a	50%	60%	70%	70%	70%	Yearly	Satisfaction Survey based on scorecard	SMMUs and SRLMs	Participating States: NRLP States and States implementing NRLM with NMMU support
<i>Intermediate Result Two:</i> Policies and procedures developed from NRLP experiences implemented in ten other NRLM States Policies and procedures developed from non NRLP states implemented in NRLP states	<input type="checkbox"/>	Number of non-NRLP States	0	0	1	3	6	10	Yearly	Annual Progress Report	NMMU	Minimum set of policies and procedures will be defined

Chapter – 14

Knowledge Management and Communication

Objective of Knowledge Management and Communication

14.1 The sub-components of Knowledge Management and Communication are inter-linked, but both aim at creating and managing systems that would provide project staff and the communities with relevant and timely information. The sub-components are also intended to facilitate exchange of knowledge throughout the project system. The communication strategy is designed to shape the perceptions and promote the awareness of the community institutions, Mission staff and the participating states to the NRLM strategies, components and key activities. The strategy also aims at promoting the awareness of the potential partners, other stakeholders and the general public. This chapter covers the Mission strategy designed to promote knowledge management, operational communications and strategic communications activities by the NMMU, the SRLMs and the community institutions.

Key Activities

14.2 The key activities under the three categories of knowledge management, strategic communication and operational communication would involve:

- **Priorities** - identification of priorities under the three areas for the NMMU, SRLMs and the community institutions;
- **Channels** - identification of channels of communication;
- **Content/Message** - determining the content of communication are the message; and
- **Implementing Strategy** - the manner of implementation of KMC strategy.

Detailed Activities : Priorities

14.3 Knowledge Management involves collection, analysis, synthesis and dissemination of information on key Mission issues, success stories, innovations and best practices. The NMMU, SRLMs and the community institutions would identify the priorities for knowledge management. Strategic Communication on the other hand, involves mainstreaming the Mission agenda within the broader development context, advocacy for the rural poor and promotion of linkages with public and private partners for livelihood development. Operational Communication involves communication activities that would promote implementation of the Mission including process and thematic communication within the project (Rules and regulations, responsibilities, finance, management, technical and livelihood information). The priority activities for knowledge management, strategic communication and operational communication are furnished in *Tables – 18, 19 & 20*.

Table - 11
Knowledge Management : Priorities

National	State	Community
<ul style="list-style-type: none"> ▪ National NRLM website and knowledge catalogue serving all state missions and stakeholders ▪ Consolidation, synthesis, packaging, and dissemination of knowledge across states ▪ Creation of an online knowledge repository at national level with all important knowledge elements concerning to NRLM in the form of policy guidelines, reports, best practices in IB, CB, Livelihoods, Linkages, ML&E, and Social initiatives, etc. through the participation of states and other interested stakeholders. All the contents available in the proposed knowledge repository are open to access by all on 24X7 basis. The possibilities of multilingual support to view the contents in the repository would be worked out by NMMU based on the demand from the states. ▪ Creation audio-visual concepts and case studies on the core thematic areas of NRLM for knowledge dissemination through popular channels of communication to be bring awareness and education to the stakeholders ▪ Creation of suitable position at NMMU level to handle the above component efficiently. ▪ NMMU has to empanel a team of consultants/expert to review and suggest the worthiness of the content to be placed in knowledge repository. Suitable fund has to be created at NMMU level to meet this purpose. ▪ The NMMU hires the services of a suitable agency to provide the end to end solution. ▪ Creation of a fund at NMMU level to provide cash incentives to the contributors of good content. 	<ul style="list-style-type: none"> ▪ Creating good practice case studies, flagging implementation challenges ▪ Establishing State Society Web sites - -Separate from national, owned by states, but linked (web ring) ▪ Setting up a dedicated team of professionals with suitable experience. ▪ Institutionalizing a regular documentation process by capturing information in the form of case studies, video films, etc. ▪ Sharing of the contents with NMMU for showcasing on the proposed knowledge repository. ▪ Initiate the process of providing incentives to the contributors of case studies, best practices, etc. (either community or staff) 	<p>The organizations comprising the institutional platform from community upward will be involved in:</p> <ul style="list-style-type: none"> ▪ Collecting and sharing information within and across communities about good practices ▪ Developing, documenting, and sharing innovations ▪ Identifying community professionals for additional training ▪ Creating and maintaining community managed newsletters, etc. ▪ Contributing case studies, success stories that are of inspirational in nature to the NMMU knowledge repository

Table – 12
Operational Communication : Priorities

National	State	Community
<ul style="list-style-type: none"> ▪ Guidance and TA to State Societies 	<ul style="list-style-type: none"> ▪ Creating and disseminating clear, repeating waves of 	<ul style="list-style-type: none"> ▪ Piloting the use of ICT for mobilization and

<ul style="list-style-type: none"> ▪ Templates and guidelines for communications by State Societies ▪ E-learning modules cover basic areas of NRLM operations ▪ Encouraging and reinforcing a knowledge sharing culture throughout the NRLM system 	<p>messaging ---project information, rules of the game, operations manuals, good practice, technical information for livelihoods</p> <ul style="list-style-type: none"> ▪ Creating or adapting training modules for staff and communities 	<p>livelihoods support, including—SMS, community radio (or narrow casting), etc.</p> <ul style="list-style-type: none"> ▪ Raising awareness of project benefits, rules, roles, responsibilities within the community
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Table – 13
Strategic Communication : Priorities

National	State
<ul style="list-style-type: none"> ▪ Creating “brand NRLM” ▪ Stakeholder analysis: states, other ministries, banks, politicians, private companies, NGOs, etc. ▪ Forging partnerships, promoting innovation ▪ Program promotional documents , films, meetings, workshops, etc. 	<ul style="list-style-type: none"> ▪ Keeping stakeholders---state and district officials, panchayat presidents, local banks (esp. managers), etc. ---informed and supportive the project ▪ Forging partnerships at the state level for livelihoods support, skills development, employment linkages, etc. ▪ Partner with organizations like SEWA and Drishti who have extensive experience with community knowledge management and communications.

Channels of Communication

14.4 There are six primary channels for communication that could be adopted by the NRLM to disseminate the message. While television reaches 38% of rural population of the country, radio reaches 18% of rural population. The print media, on the other hand reaches 15% of rural population. While internet is growing (7.7 million rural users), mobile telephony has been growing at a very rapid phase. Inter-personal communication continues to be an important mode of information dissemination in the remote areas. NRLM would use an appropriate mix of the channels to facilitate operational and strategic communication. However, the choice of communication medium has cost implications. The NMMU would provide information about the costs and benefits of each technology and case studies illustrating their use. The SRLMs would select an optimal mix of technologies to reach communities and other stakeholders based on local conditions.

Content/Message

Branding NRLM

14.5 Effective branding of NRLM would make the Mission “live and breathe” for the target audience and stakeholders. The key issues to define NRLM’s value proposition - listing the features and benefits from the Mission, differentiating it from SGSY and other

programmes. The primary takeaway message would be “NRLM is not “business as usual”. The elements of a branding strategy are briefly depicted in *Fig.10*.

Fig.: 12
Elements of Brand Identity : NRLM



14.6 The NRLM brand would be established by a combination of its visual identity (logo, fonts, color schemes *etc.*) and by the actions of NRLM staff and management at the national level and in the SRLMs. It would be critical to create an organizational culture that promotes the belief that NRLM stands for empathy and compassion for the poor, mutual respect, professionalism, determination, and innovativeness *etc.*. The branding strategy should promote a sense of ownership of the Mission by the primary and secondary stakeholders. Social media can be very effective in promoting such a sense of ownership such that every friend of NRLM becomes its brand ambassador.

NRLM’s Audio-Visual Identity

14.7 With the growing coverage of electronic media, NRLM’s audio-visual identity assumes importance. The identity begins with its name and logo. The NMMU would be required to determine the names of the National and States Mission *vis-à-vis* the identity of existing state projects that have brand identity (*e.g.*, IKP, Jeevika, and Tripti). There is a trade-off between allowing local branding and promoting only national NRLM brand. Local branding can promote ownership but dilute the NRLM brand and vice-versa.

14.8 The logo should be used consistently on all materials produced by the NRLM- publications, website *etc.* Visual images should be strong - like the smiling lady in the first NRLM film. They should focus on images of confident women and other impacts, drawing from state societies. NRLM should also draw on the State Societies to build on the songs collected by existing State Societies (*e.g.*, AP and Tamil Nadu).

Implementing the KMC Strategy

14.9 The specific KMC activities would vary according to the stage of the project and the level of activity (national, state, community). However, most activities would follow general series of goals.

Fig. : 13
Steps in Implementing the KMC Strategy



14.10 The relationship between the national and state levels is clear - national level facilitates, funds and tracks while the states own and implement. At the national level, what can be done is to identify and create information about different communication practices, based on experience of communications industry and of existing state societies. States will have to take these elements and customize them to suit their conditions, as for example, what works for *Andhra Pradesh* may not work for *Jharkhand*.

14.11 Also, since the projects are trying to target women and youth in particular, it would be important to target such places frequented by women, such as health centers, play grounds, tea shops, temples, banks, market centers *etc.*

Technical Assistance to States

14.12 The NMMU would provide the following types of technical assistance to the states in furtherance of KMC activities:

- services of a web design consultant for NRLM and SRLMs (TOR complete);
- identify vendor requirements for empanelled communication agencies/consultants;
- map existing knowledge repository to collect, catalogue and store knowledge products;
- develop case studies in communications with existing state societies (*Andhra Pradesh, Bihar, Jharkhand and Tamil Nadu*) and professional institutes;
- develop training program for communication staff and state management teams; and
- help states prepare a communications strategy.

Communication Modules for Training

14.13 NRLM would develop a series of training modules to build capacity within state societies. The modules would *inter alia* comprise:

- NRLM-KM system: website, knowledge base *etc.*;
- NRLM brand and how to work with it;
- media training;
- stakeholder identification and analysis;
- designing and implementing targeted communication campaigns;
- report/case study development;
- dissemination strategies and best practices;
- best practices in communications for mobilization (messages & channels); and
- best practices in communications for livelihoods (messages & channels).

14.14 The modules are ideally developed in partnership with communication institutes, building on the communications modules available with the existing state societies (See *Attachment-2* for a list of institutes).

Promoting a Knowledge Culture

14.15 NMMU would take the lead to create an organizational culture for knowledge sharing by everyone. The HR system would provide for suitable incentives in the form of recognition and awards for staff undertaking innovation in knowledge sharing, knowledge management and communications, documenting case studies, participation in learning forums, exposure visits and training, as part of performance appraisal of staff.

14.16 The KM system should include channels for staff with a challenge to be matched quickly to someone with a solution.

Table - 14
Responsibility for Key Activities: NMMU and SMMUs

National	State
Phase-1	
<ul style="list-style-type: none">▪ Select a firm to develop the NRLM Web site and a communications specialist to oversee stakeholder analysis, strategy development, and product development▪ Identify service and empanel service providers▪ Create initial knowledge website▪ Build brand and program identity▪ Clarify primary messages of NRLM for KM website and brochures▪ Best practice documentation, learning notes,	<ul style="list-style-type: none">▪ Assemble and catalogue existing communication materials▪ Existing state societies that do not have dedicated communications staff would develop terms of reference and have the recruitment process underway

National	State
<p>innovation briefs</p> <ul style="list-style-type: none"> ▪ Establish library of knowledge products, documents, films <i>etc.</i>, ▪ Establish knowledge hubs, community of practice and knowledge partnerships ▪ Collaborative platforms like common workshops, wikis, blogs, solution exchange ▪ Case study competitions 	
Phase-2	
<ul style="list-style-type: none"> ▪ Catalog the knowledge base from existing state societies, create an electronic database accessible via the website ▪ Develop introductory films to explain the key concepts, activities and impacts of the livelihoods approach ▪ Stakeholder analysis: states, other ministries, banks, politicians, private companies, NGOs <i>etc.</i>, ▪ Develop case studies and e-learning modules on basic communications techniques, good practice, and technologies; ▪ Develop training courses for communication professionals in collaboration with professional institutes like Indian Institute of Mass Communication, Mudra Institute; and CSOs with extensive experience in community knowledge management and communications: SEWA, Drishtee, <i>etc.</i> <ul style="list-style-type: none"> - Stakeholder analysis - Strategy development - Case study development - How to work with the KM system ▪ Build database of contacts for KMC system --- names, position, affiliation/organization, mobile numbers, email address, mailing address --- for use in dissemination efforts. 	<ul style="list-style-type: none"> ▪ Human resources: Hire communications specialist, MIS/Web specialist ▪ Perform communications stakeholder analysis: states, other ministries, banks, politicians, private companies, NGOs, <i>etc.</i> drawing on original analysis and results of social and poverty assessments. ▪ Map communication channels within State by outreach and effectiveness <i>e.g.</i>, local/regional radio, television, internet, mobile and newspapers ▪ Hold beneficiary workshops to identify concerns, questions, and trusted communication channels
Phase-3	
<ul style="list-style-type: none"> ▪ Provide TA to State Societies ▪ Provide templates and guidelines on communications by State Societies ▪ Deploy e-learning modules covering basic areas of NRLM operations, how to use the NRLM KM/Web system ▪ Forging partnerships, promoting innovation ▪ Program promotional documents, films, meetings, workshops, <i>etc.</i> ▪ Communicate NRLM mission, vision, and guiding principles 	<ul style="list-style-type: none"> ▪ Establish state society websites -- separate from national, owned by states but inter-linked (web ring) ▪ Create and disseminate clear, repeating waves of messaging -project information, rules of the game, operations manuals, good practice and technical information for livelihoods ▪ Create and adapt training modules for staff and communities ▪ Keep stakeholders-state and district officials, panchayat presidents, local

National	State
	<p>banks (esp. managers) <i>etc.</i>, - informed and supportive the project</p> <ul style="list-style-type: none"> ▪ Forge partnerships at the state level for livelihoods support, skills development, employment linkages <i>etc.</i>

Measuring Results

14.17 Knowledge management and communication activities are particularly difficult to track because they are targeted primarily to behavior and attitude changes. There are some proxy indicators that can help NRLM management gauge whether systems are being used and messages are getting through:

- web analytics – unique visitors, length of stay, click through rate *etc.*,
- number of new knowledge products (videos, case studies, etc.) cleared by review panel and disseminated to critical audience;
- positive coverage of NRLM and state societies in the press; and
- related to process monitoring, reduction in repetitive problems emerging during implementation.

Chapter – 15

Financial Management Framework

Introduction

15.1 The financial management arrangements for NRLP have been designed on the basis of two essential guiding principles: (i) use of country fiduciary systems, to the extent feasible and considered satisfactory and meeting the essential fiduciary requirements; and (ii) build upon successful models developed and tested in the IDA funded rural livelihood projects implemented across various states in India. These arrangements are documented in the Financial Management Manual and assessed as adequate to account for and report on sources and uses of project funds and meet Bank's fiduciary requirements.

15.2 The NMMU responsible for implementing the NRLP will be responsible for establishing and maintaining satisfactory financial management arrangements, both at the national level and across 12 selected states of India. At the state level, newly established or existing SRLMs anchored to the State Rural Development Departments will be the key implementing agencies. These institutions are typically set up as registered autonomous societies and have pre-existing financial management systems which vary in terms of quality and content.

15.3 On the overall, the financial management framework is based on established GoI procedures for Central Sponsored Schemes (CSS) and General Financial Rules 2005 at the national level. At the state level, the adequacy of the financial management arrangements in states with established institutions will be assessed against agreed benchmarks and action plans agreed to ensure that these meet with the NRLP requirements. The plan will seek to improve governance, accountability and financial management arrangements and implement measures to ensure minimum quality standards. In states where new institutions are sought to be set-up for the implementation of NRLM (and NRLP), the financial management arrangements will be developed to replicate the successful models.

15.4 Planning and Budgeting

- Each state will prepare a five-year State Perspective and Implementation Plan (SPIP) and Initial Annual Action Plan for NRLM. These plans will be appraised and approved by MoRD and MoUs will be signed between MoRD and each state. The approved plan and budget for the state for NRLM will separately identify activities/line items which are to be funded by the World Bank under NRLP.
- National Mission Management Unit (NMMU) of MoRD will prepare annual estimates of the project by consolidating state level and NMMU level estimates. The project will be budgeted at the Union level, under an identifiable budget head item of the MoRD. At the detailed head level, the budget coding system followed

by GoI will allow for project specific activities to be incorporated in a manner that will facilitate the accounting and reporting of expenditures from the PAO's consolidated 'Monthly Accounts' itself. As for all special schemes of MoRD, the Project Approval Committee (PAC), chaired by the Secretary, MoRD and Financial Adviser will be responsible for approving the work plans and proposal for activities under the project.

15.5 Fund Flow Arrangements

- The NMMU will operate within the existing financial management systems of MoRD, which operates through the centralized Pay and Accounts Office. No separate bank accounts will be established for the project and the authorization to honor project related payments will be derived from the appropriated budget.
- MoRD will release funds to states against agreed annual work plans and as per FM provisions of MoU which will be signed between MoRD and each participating state. Funds will be released in two tranches each year through direct transfers into SRLM bank accounts. For all subsequent fund releases, the states will be required to submit utilization certificates, as per established GoI procedures.
- To the extent feasible, funds flow from SRLMs to districts/sub-districts will not entail physical transfer of funds, and instead an Electronic Fund Transfer system will be established. Under this system, annual budgetary allocations will be approved by state office for each cost-center against specific budget lines. The cost-center will generate sanctions and draw down from a centralized state level bank account using the online banking systems up to the budgetary limits and within the agreed delegation of financial powers.
- Fund releases from the state to SHG federation/s and other institutions (producer companies, NGOs *etc.*,) will be made through electronic transfer systems, to the extent feasible and be based on the terms and conditions for fund releases as documented in the MoU or financing agreements, as the case may be.

Accounting Policies, Procedures and Systems

15.6 Project expenditure at national level will be as per standard government systems of Pay and Accounts Office (PAO) and subject to controls as per General Financial Rules of Government of India. All fund releases (Grant-in-Aid) to SRLMs to finance approved state Annual Work Plans will be recorded as expenditure in accordance with existing GoI rules. For the purpose of the program, however, NMMU will need to keep track of actual expenditures reported against the grants by the States on an 'off-line' basis, as these are essentially in the nature of advances and incorporate them in six monthly interim consolidated financial reports of the project.

15.7 While the accounting policies, procedures and systems may vary across the states, the following general principles will apply:

- SRLM and its constituent district and block units and SHG Federations will maintain its books of accounts on a cash basis following the double entry principle of accounting;
- a common set of 'back office' rules on financial management, including accounting and financial rules at the State, SHG federation and SHG level will apply uniformly across all activities and all sources of funds, including NRLP;
- SRLMs will put in place acceptable internal audit arrangements, commensurate with the size of the operation;
- all funds released to the district and block level units will be treated as inter unit transfers until expenditures are incurred at these levels;
- financial controls including delegation of financial powers and financial rules will be documented in the Financial Management Manual;
- all fund releases to SHG Federations against Community Investment Support which are in the nature of grants to be used for on-lending purposes will be accounted for as grants (expenditures) in the books of accounts of SRLM;
- SHG federation will maintain books of accounts for the receipts and loans provided to SHGs and will prepare regular financial statements. SHGs will in turn, provide loans to their constituent members to fund economic activities to enhance livelihoods or other consumption needs as described in the Community Operational Manual, but excluding on the items listed in the negative list. In the initial years of the project when the SHG Federations are yet to be formed, the funds may be transferred directly to the SHGs and the related databases will be handed over to the federations when these are established;
- the actual end use of the loans at the house hold level will not be tracked, however, the project will obtain fiduciary assurance from a combination of the following two processes: (a) periodic assessment of robustness of the loan portfolio at the federation level and monitored through rigorous processes and use of eligibility indicators of profitability, capital and portfolio quality, acceptable levels of loan collections, appropriate capacity for appraisals and supervision *etc.*, and (b) assessment of the fiduciary oversight arrangements established at the federation level to monitor and verify the use of funds for intended purposes, including verification mechanisms for assets and other uses of funds as applicable;
- the project will invest in (a) developing detailed assessment criteria for grading of SHGs and Federations; and (b) providing handholding accounting technical assistance (bookkeepers, accounting hubs *etc.*,) to the federations to help maintain accounting records and prepare monthly/annual financial statements for the loan portfolio. The federation annual accounts will be subject to statutory audits as required by the state laws;
- the accounting for fund releases to other institutions, including Producer Companies, NGOs and service providers will be guided by the terms and conditions of respective the contractual arrangements or financing agreements; and

- over the medium and long term, a separate platform will be developed for accounting and financial reporting for SHG federations (and SHGs). This will ensure standardization and consistency in the quality of accounting. This will also provide online access to financial information for community level at the aggregate as well as standalone basis. The accounting system at the SHG/federation level will be automated through E-book keeping using different front-end devices, including net books and handheld devices like I-pads, mobile phones *etc.*

Financial Reporting

15.8 NMMU will be responsible for compiling and preparing consolidated project financial progress reports on a quarterly basis. These Interim Unaudited Financial Reports (IUFRs) will aggregate the financial reports for the following: (a) NMMU level expenditures as obtained from Pay & Accounts Officer (PAO) reports; (b) fund releases to SRLMs by MORD, as obtained from PAO reports; (c) SRLM level financial reports, as obtained from their financial management systems. The SRLM financial reports will reflect all sources (GoI and State) and uses of funds (NRLM, NRLP and ongoing Bank financed State Livelihood Project, where applicable) with detailed statement of NRLP related expenditures. The quarterly consolidated project IUFRs will be submitted to the Bank within 45 days of end of each quarter. The reporting formats (IUFRs) will be agreed upon and included in the NRLP Financial Manual.

Staffing of Finance Function

15.9 A dedicated financial management team will be established within NMMU. The team will be headed by a Finance Controller, a senior officer from Central Accounts Service with commensurate experience and suitably qualified finance professionals engaged on term contracts. Each of the spearhead teams of states will include a financial management specialist who will be the nodal point for the state for coordinating FM technical assistance to state, fund releases to states, monitoring of financial management performance *etc.* The job responsibilities and detailed descriptions have been documented in the Financial Management Manual. The SRLMs will have qualified finance staff. The composition of FM team at SRLMs for state/district/block level and ToRs of FM positions will be included in state FM Manual.

Financial Management (FM) Manual

15.10 A Financial Management Manual has been developed for the project and documents the key financial management arrangements for the project (Annexure 10). The manual provides an overview of the financial management arrangements for NRLP and includes a toolkit for the assessment of the adequacy of the financial management arrangements at the state level. Each state will in turn, have a separate Financial Management manual and Community Operational Manual detailing the financial management arrangement for the State and community level institutions.

Assessment of Financial Management Readiness of State

15.11 As an entry level requirement, MoRD and the Bank will undertake joint assessment of the readiness of the financial management arrangements for each state. This assessment may be undertaken in two stages, initially at the point of time when TA funds are to be released to the state and subsequently after the state perspective plans are approved. A checklist has been developed for the assessment and documented in the Financial Management Manual for the purpose.

Disbursement Arrangements

15.12 An initial advance with a fixed ceiling (to be determined by appraisal) would be deposited into the segregated designated account maintained in US dollars at Reserve Bank of India, Mumbai by CAA&A, GOI. Withdrawals from the Designated Account will be on receipt of quarterly withdrawal applications from NMMU and to the extent of reported expenditures during the period. As per the standard Centre-State mechanism for Central Sponsored Schemes, GoI funds to the States will be on a grant basis with 25% counterpart funding by the States (10% in the case of North East and hilly states). Fresh advances into the designated account would be based on actual expenditures reported as per the IUFs, thus replenishing the Designated Account to the fixed ceiling and would be processed by CAA&A. The fund releases to the States and accounted for at MoRD level as 'Grants-in-Aid' will not be considered as eligible expenditures for purposes of disbursement under the project.

External Audit

15.13 The annual statutory audit of NMMU (MORD) will be conducted by the Comptroller and Auditor General (C&AG) of India as per standard terms of reference agreed with the World Bank. Audit of SRLMs will be conducted by Chartered Accountant firms acceptable to the Bank, as per terms of reference agreed with the World Bank. These CA firms will be empanelled by MORD. The audit reports of NMMU and each of the SRLMs will submit annual project financial statements to the Bank by 30th of September every year for previous financial year. The annual audit report shall be submitted to the Bank within six months of the closure of the financial year; and will consist of (i) audit opinion;(ii) annual financial statements; and (iii) management letter highlighting significant issues to be reported to the management. NMMU will implement a regular system of review of audit process, including quality of audit at state level, audit observations and monitoring compliance of the observations by implementing units. Bank remedies for delays or non-submission of acceptable audit reports will be applied on MoRD and each defaulting state, separately. SHG federation audit reports to be monitored at state level and will not be considered a part of project audit requirements. The following audit reports will be tracked through Audit Reports Compliance System (ARCS).

Table – 15
Audit Arrangements and Timelines

Implementing Agency	Audit	Auditors	Due Date
Ministry of Rural Development, Government of India	Annual Project Financial Statements	C&AG	30 September
State Rural Livelihood Missions (by whatever name called)	Annual Project Financial Statements	CA firms	30 September
DEA/GOI	Designated Account	C&AG	30 September

Public Disclosure

15.14 In compliance with the Bank's new Access to Information Policy, the following information will be disclosed on the MoRD and State websites:

Table- 16
Information to be Disclosed

National Level	State Level
<ul style="list-style-type: none"> ▪ Project Implementation Plan (PIP) ▪ Financial Management Manual (FMM) ▪ Circulars issued by NMMU regarding FM issues ▪ Any amendments to FMM ▪ Minutes of FM Meetings with States ▪ FM Training Material ▪ Other Information related to FM Training ▪ Annual Budget for Project ▪ Release of Funds to: SMMUs, Other Implementing Agencies ▪ Consolidated IUFR for the project ▪ Consolidated Annual Audit Report of project ▪ Individual Audit reports of NMMU And SMMUs ▪ Status of Compliance of Audit Observations by NMMU and SMMUs ▪ FM Indicators: Summary for Project, Summary for NMMU 	<ul style="list-style-type: none"> ▪ Financial Management Manual (FMM) of the state ▪ Circulars issued by SRLM regarding FM issues ▪ Any amendments to FMM of state ▪ FM guidelines ▪ FM training material and other information about FM training ▪ Annual approved estimates for project in the state: <ul style="list-style-type: none"> - Original estimates - Revised estimates ▪ Releases to SLRM by MORD <ul style="list-style-type: none"> - Releases of funds by State to SHG Federations and their partner institutions ▪ Consolidated IUFR for the state ▪ Annual statutory audit report for the state ▪ FM indicators summary for state

Chapter – 16

Procurement Procedures

Introduction

16.1 Procurement for the NRLP would be carried out in accordance with the Procurement Manual (*See Annexure 11*) prepared by GOI in consultation with the Bank. The procurement arrangements and methods detailed for procurement of Goods, Works and Services in NRLP Procurement Manual was reviewed and found to be in accordance with World Bank guidelines for procurement of Goods and Works (January 2011) and ‘Guidelines for Selection and Employment of Consultants by the World Bank Borrowers’ (January 2011).

The Procurement Framework

16.2 The procurement framework designed for the project takes into consideration various aspects of the project such as:

- relatively low value procurement in a livelihood operation that remains within the upper thresholds of methods used within country like shopping and NCB;
- the wide geographical and regional spread of the Mission activities which necessitate procurement across national, state, district and sub-district levels;
- relative lack of capacities at the state, district and sub-district level to undertake procurement;
- lack of uniformity in processes and procedures; and
- multiple sources of funding for similar activities *i.e.*, Bank funded NRLP, MORD funded NRLM, Bank funded standalone projects, projects funded by DFID and IFAD.

16.3 Taking these complexities into account a separate manual has been designed incorporating procurement guidelines and strategy. The Procurement manual was reviewed and found to be compatible with the methods Bank uses in similar projects, with special conditions for local shopping and national competitive bidding.

16.4 For developing the Manual, in addition to Bank Procurement and Consultancy Guidelines, other relevant sources like Financial Management Rules, GoI (2005), FM and Procurement Manual of similar centrally sponsored scheme such as SSA, MHRD, GoI Stores Purchase Rules and Methods adopted in various states and the World Bank “Guidance Note For Management of Procurement Responsibilities in Community Driven Development Projects” (*Dec. '09*), were also consulted. Model bidding documents were also developed and agreed with the GOI.

Procurement of Goods and Works

16.5 The NRLP procurement manual provides for different delegated financial limits for various levels of implementing entities at community level (SHGs/CBOs/POs), block level, district level, state level and national level for goods, works and services. Different methods, conversant with the country systems, are also defined for procurement of goods, works and services with its applicability based on value thresholds for various levels of implementing entities. Prior and post review arrangements are also built in at state and national level for ensuring appropriate quality and oversight over the procurement process. The highest levels of value thresholds for various methods applicable to the national level are detailed in Table-17.

Table - 17
Procurement Thresholds for Goods and Works

In Rest.

Method as per NRLM Procurement Manual	Goods	Works
Petty Purchase	≤5,000 (≤ \$ 100)	NA
Local Shopping	≤5,00,000 (≤ \$ 10,000)	NA
Limited Tendering	≤25,00,000 (≤ \$ 50,000)	≤1,00,00,000 (≤ \$ 200,000)
Open Tendering	≤2,50,00,000 (≤ \$ 500,000)	≤25,00,00,000 (≤ \$ 5,000,000)
Force Account	NA	≤5,00,000 (≤ \$ 10,000)
Direct Purchase	As per conditions	NA
DGS &D Rate Contract	≤25,00,000 (≤ \$ 50,000)	NA

Note: \$1 = Rs.50/-

16.6 In NRLP, high value contracts that require international competitive bidding is not anticipated in the event of the Project requiring procurement valued above INR 2.5 crore (\$500,000), using the proceeds from the Bank support, the same shall be discussed and agreed with the Bank. Model bidding documents, acceptable to the Bank are agreed with NRLP for various methods mentioned above.

Selection of Consultants

16.7 For selection of institutional and individual Consultants for providing services, the project will use QCBS, Selection based on Consultants' Qualification, Fixed Budget Selection, Least Cost Selection, Single Source Selection and Selection of Individual Consultants as appropriate. For service contracts, Model Bidding Documents, acceptable to Bank are agreed with NRLP for various methods mentioned above.

Table - 18
Procurement Thresholds for Services (in Rs.)

Method	Value Limits
Individuals SSS	Subject to acceptable justifications
Individuals Competitive	≤25,00,000 (≤ \$ 50,000)
Institutions selected through CQS, FBS, LCS	≤50,00,000 (≤ \$100,000)
Institutions selected through QCBS	>50,00,000 (> \$ 100,000) No upper limit. All selections >INR 1 crore (US\$ 200,000) from NRLP shall be prior reviewed by Bank and advertised in UNDB. Short list of consultants from within the country are acceptable for value up to INR 2.5 crore (US\$500,000)

Note: \$1 = Rs.50/-

16.8 In NRLP, federated structures of Self Help Groups (SHGs) will be formed at different levels (village, block, district) for undertaking value chain linked economic and livelihoods activities in dairy, agri-business and similar enterprises for better production, storage, marketing, etc. of the produce of the members of the SHGs. These groups would undertake procurement of goods, works and services in line with the selected value added activity. The methods of procurement used will be Community Force Account, Local Shopping and Petty Purchase as detailed in the NRLM Procurement Manual.

Table - 19
Thresholds for Community Procurement of Goods and Works (in Rs.)

Method	Goods	Works
Petty Purchase	≤10,000 (≤ \$ 200)	NA
Local Shopping	≤50,000 (≤ \$ 1,000)	NA
Limited Tendering	≤7,50,000 (≤ \$ 15,000)	≤10,00,000 (≤\$ 20,000)
Open Tendering	≤25,00,000 (≤\$ 50,000)	≤1,00,00,000 (≤\$ 200,000)
Force Account	NA	≤25,00,000 (≤ \$ 50,000)

Note: \$1 = Rs.50/-

Table - 20
Thresholds for Community Procurement of Services (in Rs.)

Method	Limits in Value
Individuals	≤1,00,000 (< \$ 2,000)
Institutions selected through CQS, FBS, LCS	≤10,00,000 (<\$ 20,000)

Note: \$1 = Rs.50/-

Prior and Post Review Arrangements

16.9 As per the provisions of the Procurement Guidelines *Appendix-1, Para-5*, prior and post review arrangements are defined and in-built at state and national level structures for ensuring appropriate quality of procurement and oversight. It is agreed that at national level, NMMU will hire a third party independent post review consultant for conducting annual post review of 10% contracts issued at state and district levels. Bank will depend on the third party post review for its fiduciary supervision. Bank will, however, continue to retain a right to carry out direct post review of the states where proceeds from the credit for NRLP will be used. Bank will carry out annual supervision of procurement carried out at NMMU level from the proceeds of the credit of NRLP.

Mitigation Measures to build implementation capacity

16.10 NRLP will be building on pre-existing Bank supported livelihood projects in 7 of the selected 12 states wherein the capacity and systems are in place and post procurement assessments have rated the risk as low to moderate. Some of the residual risks identified in the NRLP implementing States are:

- lack of dedicated procurement staff and/or appropriate training and capacity building for other technical and administration staff on procurement requirements;
- varied and inconsistent levels of procurement administration, openness, clear and transparent evaluation, selection and award process;
- limited participation in competition by bidding community;
- non-availability of procurement data in an organized, comprehensive and uniform format; and
- non-availability of dispute resolution mechanism or similar accountability measures.

16.11 Based on experience and discussions with varied stakeholders, the mitigation measures agreed are the following:

- training of key procurement staff in procurement methods as a pre-condition for fund release;
- accreditation of such training as a pre-mandate for implementation (being developed as a Diploma Program in Public Procurement with special reference to NRLP Procurement through Indira Gandhi National Open University for accreditation of about 1,000 staff across the country);
- development of NRLP procurement manual along with community procurement guidelines and formats to guide procurement at the community and project implementation level;
- fixation of upper threshold levels for procurement of goods, works and services;
- clearly laid down financial delegation;
- clearly laid down protocols and formats to be used in different types of procurement;
- clear guidelines for documentation and record keeping formats;
- review of manual to ensure that transparency, fairness, economy and efficiency conditions are met;
- putting in place prior and post review arrangements with enhanced monitoring arrangements including establishment of a Procurement MIS; and
- instituting complaints and dispute resolution mechanism.

Capacity Building

16.12 One of the key strategies that will be undertaken under the capacity building component is establishing good governance systems at the community level. These systems include establishing horizontal fiduciary assurance mechanisms like social audit, procurement committees and score cards that will ensure effective and transparent procurement at the community level through community participation in procurement implementation and monitoring. At each CBO level, a procurement committee will be

constituted to monitor all procurement activities undertaken at community level. Display of contracting process, progress of work and payments made will be made in public notices and a system of certification by community will be ensured for contract completion.

Staffing

16.13 As part of procurement arrangements, a dedicated procurement management team at the national level shall be established. The team shall comprise 6 core staff - Head of procurement (1), Procurement Consultants (2), Procurement Associate Consultants for State focus (2) and Procurement Associate Consultant (1) for NMMU focus. Overall responsibility for developing, implementing and managing the procurement administrative functions will rest with this core team. Similar teams, consisting of a Head of Procurement Cell (1) and Procurement Consultant (1) would be set up at the State Mission Management Units, adequately supported by at least 1 support staff.

Procurement Plan

16.14 The NRLP Procurement Manual requires all implementing entities at district, state and national level to prepare and publish their procurement plans as part of the preparation of annual work plan and to publish the same on the NRLM website. Procurement plan for the TA component (*i.e.*, component 1, 3 and 4) of the project will be prepared by the NMMU and reviewed and agreed by the Bank. The procurement plan will be updated annually to reflect the latest circumstances. As the project rolls out as per the implementation framework, wherein the initial period of one year would be used for building institutional capacities at state and district levels and for developing a Perspective Plan for each state, there would be no state-wise Procurement Plans available at this stage. It has been made a mandatory condition to include a Procurement Plan as part of the Implementation Action Plan and State Perspective Plan.

Frequency of Procurement Supervision

16.15 In addition to the prior review supervision to be carried out from Bank offices, two supervision missions will visit the field to carry out review of procurement actions.

Chapter – 17

Social Management Framework

Objective of SMF

17.1 The SMF is designed to support the objectives of the NRLP in reducing poverty, improving livelihoods and promoting socio-economic empowerment of the rural poor, particularly the marginalized and vulnerable social groups including the Scheduled Tribes, the Scheduled Castes, minorities and others. The SMF seeks to integrate strategies of *social* inclusion, cohesion, accountability, safeguards, risk management and sustainability into the NRLP structures, institutions and interventions. More significantly, the SMF is designed to ensure that the NRLP does not support any activity likely to cause significant adverse social impacts and to ensure that all activities comply with the policies, laws, rules and regulations of the Government of India and state governments and the social safeguard policies of the World Bank.

Application and Coverage

17.2 This Social Management Framework (SMF) applies to all interventions supported by the National Rural Livelihoods Project. Given the scale, spread and multi-sectorial nature of interventions envisaged under the NRLP, the SMF has been designed as a guidance tool for implementation, monitoring and supervision of interventions that address social issues and risks, including social safeguard risks. The framework therefore bases itself upon Operational Policy (O.P. 4.10) (on ‘Indigenous Peoples’) which applies to the Scheduled Tribes in India. In addition, the framework identifies the procedures to be followed for implementing community projects involving land.

Disclosure

17.3 The SMF has been disclosed on the websites of the NRLM and the state Departments of Rural Development and *Panchayati Raj*, and the Bank’s Info Shop. A summary of the SMF in the local language shall be circulated in project areas. Disclosure of the SMF at the community level shall take place as a village entry point activity, i.e., the framework and its implementation explained to all adults in a village assembly, and leaflets printed in the local language and distributed. In addition, the state Poverty Assessments, State Perspective and Implementation Plans (SPIPs), and Annual Action Plans, all of which have social analyses and/or actions embedded in them, and state-specific Social Inclusion Plans (SIP) which are to be specifically developed to address social issues shall also be disclosed on the state website.

Audit and Amendment

17.4 The SMF will be reviewed for its responsiveness and effectiveness as part of the NRLM’s annual audit by an independent agency. Attention will be paid specifically to consultations with vulnerable groups such as tribal people, their mobilization into community institutions, their access to community investment support, and their access to and utilization of services related to savings, finance, entitlements and livelihoods. The SMF should be revised on the basis of the audit recommendations, and all revised SMFs should be re-disclosed on the above websites.

The National Rural Livelihoods Mission

Core Values and Strategies

17.5 The NRLM/NRLP and this SMF support the following:

- ***Including the Poorest First:*** Reaching out and mobilizing the poorest, including the poor in leadership positions in community institutions, and ensuring that at least 70 percent of community investment flows to the poorest households are key priorities of the NRLP¹⁵.
- ***Equity:*** The NRLM/NRLP will implement strategies and processes that promote equal opportunity and equitable outcomes for women and vulnerable groups such as the SCs, the STs, the poor minorities and the disabled.
- ***Informed Consultation and Meaningful Participation:*** The project will ensure dissemination of full information to and promote meaningful participation of all stakeholders, particularly the poor and the most vulnerable in project planning and implementation. Decision-making should be based on participatory processes, without imposition at any level.
- ***Facilitation:*** Project staff will play a catalytic role in handing over responsibilities to the beneficiary communities to the maximum extent possible. The project staff will have strong belief in the capacity of the poor to plan, implement and monitor the activities of the project.
- ***Transparency:*** All project activities and community processes will be transparent and accessible to all stakeholders, especially to members of community institutions.
- ***Accountability:*** Project staff as well as community institutions will be accountable for funds and interventions.

Primary Beneficiaries and Benefits

17.6 The NRLP targets an estimated 4.8 million rural poor households in 12 project states (about 24 million people), while NRLM as a whole has set out with an agenda to mobilize 70 million BPL households across 600 districts of the country. In the process of mobilization of the poor households, priority would be given to the Scheduled Tribes (STs), the Scheduled Castes (SC), the Other Backward Classes (OBC), religious minorities, and other vulnerable social groups such as people with disability, the landless, marginal farmers, migrant/agricultural labor, women-headed households, households with child labor and forest-dwellers. At least 70 percent of the identified poor households are expected to access and utilize project-supported services related to savings, entitlements and livelihoods through their SHGs/Federations, and receive the following benefits:

- increases in household livelihood investments and assets;
- improved access to credit to expand/diversify livelihood investments;
- better market linkages to scale up livelihood activities;

¹⁵ Cross reference from results chapter

- improved access to health and food security funds and community health, education and nutrition center's; and
- enhanced skills and employment opportunities (for rural youth).

17.7 The average income of the identified poor households in the project villages is expected to increase by 50 percent over the Mission period.

Project Investments

17.8 The NRLM would cover all states in the country. In addition, the NRLM would make intensive investments in 400 selected blocks in the 12 states, including the five states that are implementing Bank-assisted livelihood projects viz. *Bihar, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu*. The others are *Uttar Pradesh* that has a very large number of rural poor, *Jharkhand* and *Chhattisgarh* with significant tribal populations and *Karnataka, Maharashtra, West Bengal* and *Gujarat* that have 'deep pockets of poverty'. The NRLM/ NRLP would invest in:

- engaging professional human resources, training and capacity building and technical assistance to national, state and district management units;
- formation, facilitation and capacity building of SHGs, their Federations and resource persons at village, cluster, block and district levels;
- livelihood micro plans of SHG members/Federations (such as agriculture, purchase of livestock, dairy, trading, etc.), producer-to -market value chains, food security and health risk funds for the poorest, assistance to ultra-poor and vulnerable households;
- special pilot programmes for 'last mile' service delivery, use of technology for financial inclusion, community-established health, education and nutrition centers, and interventions in conflict-affected areas; and
- 'Development marketplace' type forums and pilots, setting-up a social entrepreneurship network and website, start-up funds and capacity-building to expand social enterprises.

Social Safeguards and Risks

The SC and ST Population

17.9 Several of the project states have significant ST populations, particularly in *Madhya Pradesh, Orissa, Jharkhand and Chhattisgarh*. Many project districts and blocks are declared V Schedule Areas (Constitutionally-designated tribal areas with special governance and development provisions). As the Scheduled Tribes (STs) are among the poorest groups and the states and districts inhabited by them in large numbers are among the poorest regions in the country, both tribal areas and people would be targeted for special efforts. In all these states, there are also significant numbers of the Scheduled Castes who are often as poor as the tribal poor. Although the SCs and the STs constitute only 16.2 and 8.1 percent, respectively, of India's total population, they accounted for 80 percent of the rural poor in 2005. States with large proportions of the SCs and the STs in

their populations have lower human development attainments and higher rural poverty. The SCs and the ST have higher levels of illiteracy and poorer health indicators when compared with the non-SC/ST people. Women in the SC and the ST households are ‘doubly deprived’ as they have worse health and education levels than men. *Annex 1* provides some state level data on rural poverty and SC and ST groups.

17.10 To respond to the World Bank’s O.P.4.10, the project should ensure informed consultations with the Scheduled Tribe communities, their consent to and broad community support of its activities. It should aim to provide equitable and culturally compatible benefits to the tribes and the other socially disadvantaged groups identified. Social development staff in the SMMUs, DMMUs and BMMUs/PFTs should be trained in socially and culturally sensitive ways of working with tribal people and others.

OP4.12 Involuntary Resettlement

17.11 Involuntary Resettlement is not applicable to the project as involuntary land acquisition and land purchase will not be done for any project activity. Land acquisition and purchase are included in the project’s negative list. Enforcement of this negative list is the responsibility of the DMMUs and SMMUs.

17.12 Any community project that involves *voluntary* land donation should follow consultative and transparent procedures that substantiate the voluntariness of the donation and informed consent of the donor. The steps to be followed are:

- identify the land to be donated and check that it is free from encumbrances (meaning structures, assets, residents/squatters, and use for livelihoods);
- Identify and consult the land donor, check that s/he is the legal owner of the land, and ensure that the land being donated is not more than 10 percent of her/his land-holding. Document her/his socio-economic status to establish that s/he is not vulnerable and that the donation would not result in impoverishment of the donor household;
- Post a notice at a central point in the village, the *gram panchayat* and block offices about the proposed land donation including a clear map of the site being donated. The notice should give at least 30 days for any objections to be raised and specify that any objection should be raised with the *Gram Panchayat* and BMMU/PFT or DMMU;
- if no objections are raised, develop an MOU between the land donor and the SHG/Federation including the site map and the period for which the land is being donated; and have the MOU signed by the land donor and the President and Secretary of the SHG/Federation in the presence of two witnesses from the PFT/BMMU; and
- record the land donation in the minutes of the next meeting of the SHG/Federation.

17.13 Adoption of this procedure should be facilitated and overseen by the PFT/BMMUs. Any grievance regarding the land donation (before or after it) should be

addressed to and resolved by the head of the DMMU. Information about each grievance is to be shared with the relevant SHG and Federation and reported to the SMMU.

17.14 All special programmes, innovation pilots, start-up schemes, value chains, social and rural enterprise should be screened by the BMMUs/PFTs for any adverse social impacts using the criteria given in *Annex 2*. The BMMUs/PFTs should be trained to use this checklist and to understand and detect the potential adverse social impacts of sub-projects. The screening should be enforced by the DMMUs and monitored by the state Social Coordinator.

Non-Safeguard Social Risks

17.15 The NRLP may face other social risks including: (i) exclusion of the poorest areas (especially remote rural habitations) and groups; (ii) elite capture of project processes and benefits; (iii) social and political conflicts or violence; and (iv) caste or religion-based discrimination. These risks should be reduced significantly through the following processes:

- identification and mapping of pockets of poverty and vulnerability during the state poverty assessment;
- consultations with the rural poor and key stakeholders from government and civil society;
- prioritization of the poorest areas in State Perspective and Implementation Plans and Annual Work Plans at state and district levels;
- engagement, rapport building, and consultations with leaders from all key social and occupational groups and PRI members during village entry;
- participatory identification of ALL poor households and consent to the list by *Gram Sabah's*;
- mobilization of ALL poor households and their organization into SHGs;
- promotion of social capital formation and cohesion in each village by the PFTs and Community Resource Persons (CRPs); and
- social sensitization of project staff, CRPs and community institutions and building their capacity to resolve local conflicts.

17.16 The project will engage with research and training institutions working on social inclusion to help reduce caste-based exclusion. Pilots will be undertaken to reduce social discrimination and to develop legal literacy.

Social Preparedness at the State Level

Social Readiness Criteria

17.17 The Project has established minimum 'readiness criteria' for each of the 12 states to receive any project funds. The ***social*** criteria that should be met are:

- completion of a State Poverty Assessment (SPA) report that includes a full social assessment including identification of social issues in the proposed project areas,

- especially issues of the disadvantaged groups (STs, SCs, minorities, landless, vulnerable occupation groups *etc.*), women and youth;
- consultations held with the rural poor (including tribal communities) in representative geographies of the state, and summarized in the social assessment report with dates, places and lists of attendees;
- state-specific Social Inclusion Plan (SIP) prepared giving the key strategies and mechanisms and a time line for identifying, mobilizing and assisting the most deprived in the project areas and reviewed by NMMU for responsiveness to and compliance with this SMF ,and revised as needed; and
- Availability of social development staff in the SMMU, DMMUs and BMMUs/PFTs who have completed the core social development training module.

17.18 Further details of these requirements are given below.

Readiness Criterion 1: State Poverty Assessments

17.19 Each state would conduct a Poverty Assessment including a Social Assessment, based on which a Social Inclusion Plan would be prepared. The social assessment would include:

- a situation analysis to identify areas and social groups with high poverty and vulnerability, their specific social (including gender) issues and possible responses; and
- field consultations with the different social groups in representative geographies, NGOs, research agencies, government departments and specialized agencies relevant to the NRLM/NRLP.

17.20 The situation analysis should

- ***Identify pockets of high poverty and vulnerability*** such as areas that are geographically isolated, chronically drought-prone or flood-affected, prone to conflict, have poor infrastructure and institutions, rank poorly on human development indicators and Scheduled/ predominantly tribal areas;
- ***Identify the most deprived groups*** based on social, economic, occupational and regional disaggregation of data on poverty, health, education, access to water and sanitation, land holdings, natural resources, finance, migration, disability, conflict etc.;
- ***Identify social, financial and economic exclusion*** among the SCs and STs, poor minorities, women (including women-headed households, widows, etc.), migrant and agricultural labour, landless people, people working in hazardous occupations, people with disabilities, forest-dwellers, etc.;
- ***Carry out a gender analysis***, including gender relations at the household and community levels, and identifying the specific vulnerabilities of women, their livelihoods, constraints, coping mechanisms, and solutions;
- ***Examine institutional aspects*** including the functioning of the key relevant institutions of the state government, including PRIs, development offices, health

- and education centers, forest department, and programmes and policies relevant to the poor such as PDS, NREGA, tribal development/welfare programmes, women and child development programmes, and social justice. It should also assess existing community institutions;
- ***Identify situations accentuating exclusion*** or worsening the situation of vulnerable groups, including conflicts, climate change, development-induced displacement and natural disasters. The differential impacts of these situations on the poor and on women need to be identified.

Readiness Criterion 2: Consultations

17.21 The following consultations with a focus on social aspects of rural livelihoods should be done as part of the social assessment for the State Poverty Assessment and summarized in the social assessment report with dates, places and lists of attendees.

- ***Community-level consultations*** with the rural poor (including tribal communities) and community institutions in representative geographies of the state;
- ***District and state level consultations*** with DRDAs, government departments of forests, tribal development/welfare/social justice, women and child development, NGOs, PRIs, training and resource agencies.

17.22 Further consultations should be held during project implementation as follows:

- ***Community-level consultations*** during (i) village entry and ‘participatory identification of the poor’ processes; (ii) social mobilization and institution-building processes; (iii) preparation of plans for microcredit, livelihoods and rural enterprises; (iv) establishment of community-managed health and food security centers and Funds; and (v) design and implementation of innovative and special programmes;
- ***Block and District level consultations*** during the regular reviews of implementation;
- ***State-level consultations*** during the Annual Action Plan preparation, six-monthly project reviews, learning events and other stakeholder interactions;
- ***National level consultations*** with members of NRLM Committees, SMMUs, independent social development experts, and NGO/community representatives during six-monthly project reviews, national workshops and learning events.

Readiness Criterion 3: Social Inclusion Plans (SIPs)

17.23 Social Inclusion Plans (SIPs) should be prepared by the SMMUs following the social assessment process. The SMMU (or NMMU on behalf of the state/s) should engage technical assistance agencies to prepare the SIPs. The SIPs should include state-specific and differentiated strategies for tribal communities as well as for the other socially disadvantaged groups of poor. The introduction to the SIP should contain: (a) details of the poor and socially excluded groups identified through the social assessment, and (b) findings from the consultations with tribal and other groups, their community

institutions, government departments, research agencies, NGOs, etc. Thereafter, the Social Inclusion Plan should cover:

- information and communication activities, including mechanisms for continuous consultations with tribal and non-tribal people, community institutions, women, government staff, etc., and community disclosure of the SMF;
- specific strategies to mobilize and empower women, STs, SCs, other vulnerable social and occupational groups and youth;
- the key social development issues in the project villages and how they would be addressed (e.g., through Social Action Committees, thematic CRPs, empowerment-focused training programmes);
- group formation and representation of the poor and socially excluded in community institutions (SHGs, Federations, Livelihood Collectives *etc.*), committees and executive positions;
- locally-adapted project norms and mechanisms to ensure inclusion and equity in social, financial and economic processes and livelihood assistance;
- how gender barriers are being addressed in village cycle activities such as social mobilization, institution and capacity building, livelihood planning, etc.;
- capacity building of SHGs/Federations to address social issues and empowerment;
- social screening process and mechanisms;
- participatory monitoring and community feedback, and other social accountability efforts;
- grievance redress mechanisms (including traditional mechanisms being supported by the project);
- sequencing and scale of interventions;
- institutional arrangements; and
- budget.

17.24 A few more details of the efforts necessary for some of the above items are given below, and further information will be provided in the SMF Guide. *Annex 3* provides some examples of projects that have good practices in various social interventions.

Readiness Criterion 4: Social Development Staff

17.25 The NMMU and SMMUs should have a Social Coordinator with the qualifications and experience to oversee the scope and scale of implementation of social activities assigned to her/him, and to supervise, implement and monitor the SMF. Sample TORs for engaging these and other project staff and their job responsibilities would be given in the SMF Guide. These social development professionals should have knowledge and expertise in social inclusion, tribal and vulnerable groups/areas, gender, participatory techniques and community mobilization. They should also be willing and able to travel extensively in their assigned area.

Other Social Development Staff

17.26 The DMMUs and BMMUs/PFTs should also have similar Social Coordinators. At the village level, the states should develop and train a cadre of community resource persons (CRPs) who can work on gender and youth issues, tribal development, special vulnerable groups (e.g., disabled, migrants) and where relevant in conflict-affected areas.

17.27 The NMMU, SMMUs, DMMUs, and BMMUs/PFTs can also utilize the expertise of partners, adopt the innovative models of NGOs, the private sector and specialized agencies, and engage experts to assist in developing and implementing the responses to social issues. They can also be engaged in monitoring the social aspects of the project. The Key Actions table in Annex 4 provides a synopsis of the actions needed for Social Readiness (above) as well as the rest of this SMF (below).

Social Inclusion in the Village Development Cycle

Village Entry Activities

17.28 Implementation at the village level would follow the process laid out in the Social Inclusion Plan (SIP). Social inclusion should start with village entry activities, such as ensuring that all households are contacted, provided information, assessed and listed among the poor and disadvantaged groups if eligible, and consulted (and the consultations documented). Participatory identification of poor beneficiary households would be a key activity during the village entry process, and should also identify key local social issues to be addressed by the project. Following the village entry activities, the process of social mobilization, institution and capacity building should begin.

Identification of Tribal Households

17.29 The village entry and participatory assessments should include recording of all ST households in the project villages. The village consultations and participatory assessments at village entry, and the social mobilization process should confirm the presence of ST households in the village or the collective attachment of tribal peoples to the area. This could be done by the PFTs and CRPs. The information should be recorded in the village profile prepared during the assessment.

Free, Prior and Informed Consent of the Tribal Groups

17.30 Consultations with tribal groups, their intermediary organizations, *Gram sabhas*, NGOs, tribal development/welfare departments, research institutions and other agencies are a key part of the State Poverty Assessment. Such a consultation with the tribal communities living in the Scheduled Areas before launching any development project is mandatory under the Constitution. The SMMU should hold these consultations, with advance notification through the DMMUs, NGOs working with tribal communities, tribal development departments and, most importantly, through tribal representatives. The consent of the tribal people to the project and specific findings of the consultations should be documented in the social assessment report. During the social mobilization process at the community level, the PFTs should hold hamlet-level consultations with tribal groups and active participation of tribal representatives, and document the free, prior and

informed consent of the tribal groups. This should continue as a core activity during the other stages of the village project cycle (institution building, livelihood planning, community investment support *etc.*).

Social Mobilization and Group Formation

17.31 All identified poor households should be mobilized and formed into self-help groups of their choosing in order to participate in the project's processes and interventions. Among other important dimension, the SHGs thus formed should be based on affinity among members, or agreed common objectives, and should include a social and economic cross-section of members. Where there are sufficient numbers of SCs, STs, or other social or economic groups, they may form their own groups, but they too could be encouraged to include others. SHGs are expected to function in democratic ways, and they would be trained in group management, preparing livelihood plans, helping the poorest members, negotiating their rights and entitlements, social accountability *etc.* SHGs are to be supported by CRPs and PFTs as well as local agencies hired for special purposes.

Community Investment Support

17.32 The BMMUs/PFTs should provide training, facilitation and support to identified poor households (especially the STs and SCs) in preparing household livelihood plans. They should screen the SHG Livelihood Plans, pro-poor value chains, large rural enterprises and community projects involving land, using the criteria set out in Annex 2. Targeted individual assistance would be provided to extremely poor and vulnerable households identified in participatory assessments. Poverty, food insecurity and other vulnerability criteria should be applied to identify villages or groups for (i) community food, health and nutrition centers; (ii) community-managed food credit and distribution systems; (iii) health risk mitigation funds; and (iv) small grants for destitute, old, infirm and disabled households for emergency food and health purchases. Block and district level reviews of project interventions should be undertaken with the participation of NGOs and community institutions, especially in tribal areas.

Screening and Evaluation of Subprojects

17.33 The NRLM/NRLP would support livelihood plans that are based on the priority needs, demands and capacities of poor households. All households should prepare their own plans with the support of CRPs, and these should be aggregated at the SHG and Federation levels. The livelihood plans should be screened by the CRPs and evaluated by the Federations/Village Organizations with the assistance of the BMMU/PFTs. Large scale programmes for livelihoods or public services, interventions in conflict areas, and innovative pilots should be based on consultations with the targeted beneficiaries, particularly women, tribal groups and youth. Large projects or pilots, especially those for rural enterprises/value chain should be screened and evaluated by the DMMU and SMMU for adverse social impacts using the checklist provided in Annex 2.

Social Accountability

17.34 The SIPs should identify the social accountability mechanism(s) that would be implemented in the state. These could be: social audits, performance reports/scorecards, and so on (examples are provided in the SMF Guide). NGOs and resource agencies should be engaged to develop the social accountability activities at the village level and they should ensure that capacities are transferred to the communities within a year (rather than continuously conduct social audits *etc.*, themselves). Dissemination of findings should be done at the community level first to allow for feedback to be included.

Grievance Redress

17.35 The Governance and Accountability Framework of the project calls for grievance redress mechanisms at the national, state and community levels. At the community level, the grievance redress system should include:

- information provision to all people on the mechanism for grievance redress - who should be contacted, what the process is, what the service standards are, etc. (see SMF Guide);
- community notice displays for transparency;
- recording by federations of the grievances raised by individuals or SHGs to track the grievances and ensure they are addressed; and recording of the support received from BMMU/PFTs (or higher levels when required) to resolve the grievances; and
- Periodic discussion between the BMMU/PFT and the federations/SHGs on the subjects of grievances in order to prevent further grievances as well as to improve the redress system. Social coordinators in the management units should monitor grievances in their assigned areas through CRPs, project staff and/or NGOs. Training on grievance handling should be part of the core curriculum for staff.

Special Project Areas

Conflict-affected Areas

17.36 The Government of India has identified about 60 districts in seven states of India that are affected by left-wing extremism. These districts have high concentrations of ST and/or SC people, high poverty and vulnerability, poor infrastructure, poorly performing public services, weak governance and overall economic backwardness, problems that underlie the conflict and violence. The GOI is supporting preparation of Integrated Action Plans (IAPs) for such districts to address critical gaps in development and governance.

17.37 The NRLM/NRLP would be implemented in some conflict-affected blocks of Chhattisgarh, Jharkhand, Bihar, Orissa and other states. The NMMU (and SMMUs) would consult with the central and district committees that will formulate and monitor the Integrated Action Plans (IAPs), state governments, district administrations, local government departments, elected local representatives, civil society groups that have

local credibility, and communities to develop and adopt a suitable strategy for the NRLM/ NRLP to work in conflict areas. Some options are:

- savings and credit groups among the STs and the SCs;
- special programmes for access to land, forest rights, access, value addition and marketing of forest produce, watershed development, and common property resource development;
- community-managed food procurement and/or distribution services in food insecure areas;
- community-managed interventions in health, education and nutrition;
- producer-to-market linkages and programmes for tribal cooperatives (as in AP, Orissa);
- improving access to most needed/wanted and relevant public programmes such as PDS, NREGA;
- legal literacy and empowerment programmes related to forest rights, *panchayats*, land, etc.; and
- undertake steps to promote redemption of rights of the tribal communities under Forest Rights Act 2006.

Capacity Development and Monitoring for Social Development

Technical Assistance, Training and Capacity Building

17.38 Development of social development capacity to implement the SMF at the NMMU, SMMU, DMMUs and BMMUs/PFTs, and in the community institutions (SHGs/Federations) is an integral part of the NRLP. The NMMU will provide technical assistance (TA) to the states to support conduct of the State Poverty Assessments, and many other areas which will be identified continuously through project discussions, workshops, etc. The knowledge management and communication unit at NMMU would provide inputs for information, education and communication (IEC) strategies and materials that have to be implemented by the states.

17.39 Capacity building is an ongoing process in the project and takes place at different levels from the community to the NMMU. The SMF requires social development capacity to be built in the Mission Management Units, community institutions and CRPs. Some key areas and methods for capacity building at different levels are summarized in the table below. The SMF Guide will include other levels, topics and approaches. The SMMUs should develop training plans for all levels (except the NMMU) and finalize them in consultation with the NMMU. Training modules and materials prepared by these agencies should be made available on the state and national project websites for use by other states, as appropriate.

17.40 The SMMUs and NMMU would implement most of the capacity-building activities through national and state-level partnerships with suitably experienced training or technical resource agencies. The NMMU will prepare a roster of experienced and well-reputed training agencies in consultation with the states, and the states should select agencies from the roster and engage them to design, develop and deliver training modules,

guidelines and practical resource books. Within the states, establishment of resource centers, community learning academies, and capacity-building of institutes such as the SIRDs (e.g., on social inclusion and community mobilization) would be facilitated to support project staff, community professionals and trainers.

Table - 21
‘Social’ Areas for Capacity Building

Level	Social Areas for Capacity Building	Methods
SHGs	<ul style="list-style-type: none"> ▪ Pro-poor and socially inclusive functioning ▪ Social action and empowerment (including legal) ▪ Gender sensitization ▪ Schemes and entitlements for the poor ▪ Planning of productive investments for the poorest families ▪ Social accountability 	<ul style="list-style-type: none"> ▪ Training sessions with audio-visual aids ▪ Handholding to prepare Livelihood Plans, for social accountability and other areas ▪ Handholding ▪ Dissemination of information ▪ Exposure trips to other SHGs
CRPs	<ul style="list-style-type: none"> ▪ Social mobilization and community facilitation ▪ Holding and documenting informed consultations ▪ Participatory assessments such as wealth ranking, social mapping, transect walks ▪ Preparation and social screening of livelihood plans and ensuring mitigation measures ▪ Schemes and entitlements for the poor ▪ Working with migrant labor, disability, landless and tribal people (and highly vulnerable others) ▪ Social action and empowerment (including legal) ▪ Social accountability ▪ Voluntary donation of land 	<ul style="list-style-type: none"> ▪ Training sessions with audio-visual aids, role plays, etc. ▪ Regular dissemination of information ▪ Exposure trips to field areas and projects, banks, government departments, etc.
Federations and Livelihood Collectives	<ul style="list-style-type: none"> ▪ Holding informed consultations ▪ Planning productive investments for the poorest ▪ Pro-poor and socially-inclusive functioning ▪ Accountability and empowerment ▪ Gender sensitization ▪ Schemes and entitlements for the poor ▪ Social action, accountability and empowerment 	<ul style="list-style-type: none"> ▪ Training sessions with audio-visual aids, role plays, etc. ▪ Handholding e.g., for social accountability ▪ Regular dissemination of information ▪ Exposure trips to other federations, field projects, banks, Govt departments, etc.
PFTs/	<ul style="list-style-type: none"> ▪ Pro-poor attitudes and behaviors 	<ul style="list-style-type: none"> ▪ Training sessions with audio-

Level	Social Areas for Capacity Building	Methods
BMMUs DMMUs SMMUs NMMU	<ul style="list-style-type: none"> ▪ Holding and documenting free, prior and informed consultations ▪ Community mobilization and facilitation skills ▪ Social inclusion mechanisms and strategies ▪ Participatory teaching-learning methods ▪ Government and World Bank policies for social inclusion, social justice, rights, empowerment ▪ How to carry out (or facilitate) a Social Assessment (in the State Poverty Assessment) including special modules on gender and tribal issues and social analysis ▪ Preparation and implementation of SIPs ▪ Working with vulnerable groups ▪ Working in conflict-affected areas ▪ Social screening of livelihoods plans, rural and social enterprise subprojects ▪ Monitoring and reporting 	<ul style="list-style-type: none"> ▪ visual aids, tests, etc. ▪ Field exposure visits, hands-on training, and immersions ▪ Special topic and team-building workshops

Innovation and Partnership

17.41 All Innovation Pilots, Social Enterprises and Community Partnerships should be evaluated and selected only if they directly target and address the livelihood or social service needs of large numbers of the poorest households, women, the tribal groups, the Scheduled Castes, people with disability, the landless, the migrant labor or other highly vulnerable groups. They should be based on consultations with the targeted beneficiaries during design and implementation, and promote community capacity to negotiate with service delivery agencies and markets.

Monitoring and Evaluation

17.42 Two indicators of social mobilization and inclusion are included as Project Development Objective, PDO-indicators in the Project's Results Framework. They are:

- 70% of the identified poor households directly benefitting from the project by Year 5; benefitting means that poor households are not only part of SHGs but have also accessed and utilized the services related to savings, finance, entitlements and livelihoods; and

- 80% of the excluded SC, ST and minority households directly access Community Investment Support through SHGs/Federations. Project results would be monitored on a concurrent/dynamic basis through the MIS.

17.43 Concurrent monitoring will be adopted to guide the social performance and impact of the project, with inputs from community institutions. Community institutions will be trained to use participatory monitoring methods such as beneficiary satisfaction ratings, community scorecards, report cards *etc.*

17.44 Inclusion of the identified poor households in the institutions, interventions and partnerships should be monitored by the SMMUs. The monitoring and evaluation system should include socially-disaggregated data collecting and reporting of beneficiary participation, capacity building, livelihood assistance, partnerships and other interventions, with a particular focus on tribal and other disadvantaged social groups and areas. Quarterly monitoring should be carried out to assess the social progress of the project using relevant indicators from the list below. Data on these items should be collected by the PFTs/CRPs at the village level and aggregated at district and state levels. Special qualitative and quantitative household surveys should also be undertaken to assess social, economic and financial changes among project beneficiaries. Social learning forums will be organized on an annual basis.

17.45 At the state level the SMMU Social Coordinator is responsible for consolidated reporting on the social indicators. Some key social monitoring indicators are indicated in the table below.

Table - 22
Areas for Social Monitoring

<p>Social Mobilization</p> <ul style="list-style-type: none"> ▪ Clusters of SCs, STs, poor minorities, and other vulnerable groups identified through participatory assessments; and their social issues identified (including gender issues) ▪ Information campaign using local, rural folk media conducted in tribal and non-tribal hamlets ▪ Free, prior and informed consultations including community briefing on SMF held in tribal and non-tribal hamlets and documented ▪ All poor households identified through participatory assessments ▪ Number of left-out SC, ST, minority and other poor and vulnerable households identified ▪ Habitation and village baseline data on SC, ST, minority and other poor and vulnerable households compiled ▪ Number of left-out SC and ST households at the start of the Mission and mobilized into SHGs during the Mission
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Institution and Capacity Building

- Number of Social CRPs trained and deployed
- Number of women, SC, ST and other CRPs trained and deployed
- Number of SHGs formed with >50 percent SC, ST memberships
- Number of all-ST, SC SHGs and Federations
- Number of SC, ST members in Federations
- Number of SCs and STs who are office bearers and in executive committees
- Number of SHGs/federations that have completed capacity building events on social inclusion and pro-poor functioning, social and legal empowerment themes
- Number of SHG/Federations with subcommittees on social audit, participatory monitoring and social action
- Number of district level workshops held on tribal development and other inclusion topics
- Number of capacity building events on social development and empowerment themes

Community Investment Support

- Number of left-out ST and SC households receiving community investment support
- Number of sub-projects by ST and SC groups financed
- Number of SC, ST and women benefiting from employment interventions
- Number of special programmes for SC and ST women supported
- Number of SC, ST, minority and other vulnerable households served by food security and health risk funds
- Number of Tribal and non-tribal livelihood plans financed
- Number of SHGs receiving technical support for livelihood plans
- Number of SC, ST households accessing public services and entitlements
- Number of grievances received and resolved at community level

Special Programmes

- Number of SC, ST, minority households in conflict-affected districts receiving community investment support
- Number of SC, ST, minority and other vulnerable households served by community-managed center's on health, nutrition and education
- Number of other special programmes on tribal inclusion, scheduled castes, women's empowerment and social development themes supported

Attachment 17.1 : Poverty and Human Development Data

Table 17.1: Population below Poverty Line in the project states in 2004-05 (based on Uniform Recall Period; population in millions)

States	Rural Persons		Urban Persons		All Persons	
	Percent	Number	Percent	Number	Percent	Number
Andhra Pradesh	11.2	6.47	28.0	6.14	15.8	12.61
Bihar	42.1	33.67	34.6	3.24	41.4	36.91
Chhattisgarh	40.8	7.15	41.2	1.94	40.9	9.09
Gujarat	19.1	6.34	13.0	2.71	16.8	9.06
Jharkhand	46.3	10.31	20.2	1.32	40.3	11.63
Karnataka	20.8	7.50	32.6	6.38	25.0	13.88
Madhya Pradesh	36.9	17.56	42.1	7.40	38.3	24.96
Maharashtra	29.6	17.11	32.2	14.62	30.7	31.73
Orissa	46.8	15.17	44.3	2.67	46.4	17.85
Rajasthan	18.7	8.73	32.9	4.75	22.1	13.48
Tamil Nadu	22.8	7.65	22.2	6.91	22.5	14.56
Uttar Pradesh	33.4	47.30	30.6	11.70	32.8	59.00
West Bengal	28.6	17.32	14.8	0.35	24.7	20.84
All-India	28.3	220.93	25.7	80.79	27.5	301.72

Note: Based on URP consumption in which consumer expenditure data for all items are collected for a 30-day recall period. Source: Planning Commission, Government of India.

Table 17.2: Population below Poverty Line in different states of India in 2004-05 based on Mixed Recall Period (population in millions)

States	Rural Persons		Urban Persons		All Persons	
	Percent	Number	Percent	Number	Percent	Number
Andhra Pradesh	7.5	4.32	20.7	4.55	11.1	8.87
Bihar	32.9	26.29	28.9	2.71	32.5	29.00
Chhattisgarh	31.2	5.47	34.7	1.64	32.0	7.11
Gujarat	13.9	4.62	10.1	2.11	12.5	6.74
Jharkhand	40.2	8.97	16.3	1.06	34.8	10.03
Karnataka	12.0	4.33	27.2	5.32	17.4	9.66
Madhya Pradesh	29.8	14.20	39.3	6.90	32.4	21.09
Maharashtra	22.2	12.84	29.0	13.14	25.2	25.98
Orissa	39.8	12.93	40.3	2.43	39.9	15.36
Rajasthan	14.3	6.67	28.1	4.05	17.5	10.71
Tamil Nadu	16.9	5.65	18.8	5.86	17.8	11.51
Uttar Pradesh	25.3	35.76	26.3	1.04	25.5	45.81
West Bengal	24.2	14.66	11.2	2.66	20.6	17.32
All-India	21.8	170.30	21.7	68.20	21.8	238.50

Note: Based on MRP in which consumer expenditure data for five non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses are collected for a 365-day recall period and consumption data for the remaining items are for a 30-day recall period. Source: Planning Commission, Government of India.

Table 17.3: State-wise SC and ST population and Poverty Head Count Ratio, India 2004-05

NRLP States	Total SC Pop	Percent SC Pop	Total ST Pop	Percent ST Pop	Total Pop of the State	Poverty Head Count Ratio (%) 2004-2005
Andhra Pradesh	12339496	16.2	5024104	6.6	76210007	44.6
Bihar	13048608	15.7	758351	0.9	82996509	60.5
Chhattisgarh	2418722	11.6	6616596	31.8	20833803	50.9
Gujarat	3592715	7.1	7481160	14.8	50671017	37.8
Jharkhand	3189320	11.8	7087068	26.3	26945829	60.7
Karnataka	8563930	16.2	3463986	6.6	52850562	49.5
Maharashtra	9881656	10.2	8577276	8.9	96878627	47.8
Madhya Pradesh	9155177	15.2	12233474	20.3	60348023	44.6
Orissa	6082063	16.5	8145081	22.1	36804660	59.1
Rajasthan	9694462	17.2	7097706	12.6	56507188	38.3
Tamil Nadu	11857504	19.0	651321	1.0	62405679	44.6
Uttar Pradesh	35148377	21.1	107963	0.1	166197921	48.4
West Bengal	18452555	23.0	4406794	5.5	80176197	39.4

Note: HCR estimated by Tendulkar Committee where the indicators used are more extensive than the Universal Recall Period or the Mixed Recall Period used by NSSO.

Source: Population data Census of India 2001; HCR Data: Report of the Expert Group to Review the Methodology for Estimation of Poverty, GoI, Planning Commission 2004-2005

Table 17.4: Project States grouped according to Human Development Indices (HDI)

HDI	SC	ST	Non SC/ST	All Groups
High HDI	Maharashtra	Tamil Nadu	Maharashtra	Maharashtra
	Tamil Nadu	Gujarat	Tamil Nadu	Tamil Nadu
	Gujarat	Maharashtra	West Bengal	West Bengal
	West Bengal	Karnataka	Gujarat	Gujarat
	Karnataka		Karnataka	Karnataka
Low HDI	Madhya Pradesh-Chhattisgarh	Rajasthan	Madhya Pradesh-Chhattisgarh	Rajasthan
	Rajasthan	West Bengal	Rajasthan	Madhya Pradesh-Chhattisgarh
	Orissa	Uttar Pradesh	Orissa	Orissa
	Uttar Pradesh	Madhya Pradesh-Chhattisgarh	Assam	Uttar Pradesh
	Bihar-Jharkhand	Orissa	Uttar Pradesh	Bihar-Jharkhand
		Bihar-Jharkhand	Bihar-Jharkhand	

Source: Human Poverty and Socially Disadvantaged Groups in India, Human Development Research Centre, UNDP, 2007.

Attachment 17.2: Social Screening Guide for Sub-Projects/Activities

The following sub-projects are not eligible under the NRLP

- Sub-projects involving land acquisition, land purchase, forcible eviction or physical displacement of residence or livelihoods
- Sub-projects involving involuntary restrictions on access to or use by people of legally designated parks or protected areas
- Sub-projects undermining the rights and special provisions of vulnerable groups such as scheduled tribes, scheduled castes, poor minorities, people with disability, etc.
- Sub-projects which are incompatible with the society and culture of scheduled tribes
- Sub-projects with the potential to create conflict, violence and inequalities between any groups including castes and tribes
- Sub-projects violating the Constitutional rights of any person
- Sub-projects causing adverse effects on local communities, sacred sites or other cultural heritage
- Sub-projects involving child or bonded labor
- Sub-projects restricting any person's rights, freedom, voice, choice or mobility
- Sub-projects without broad community support.

Eligible subprojects should be screened for potential adverse social impacts using the following checklist and, where required, appropriate mitigation measures designed as part of the sub-project plan.

Scheduled Tribes

- Are there scheduled tribes living within the subproject area?
- Are there scheduled tribe households among the beneficiaries of the subproject?

Land

- Would the sub-project require use of panchayat/ common land?
- Would the sub-project require any donation of private land?
- Would the sub-project use land that is currently occupied or regularly used for productive purposes (e.g. gardening, horticulture, farming, pasture, fishing locations, forests)?

Health, Safety and Child Labor

- Would the sub-project interfere with the normal health and safety of workers/employees or others?
- Would the sub-project reduce employment opportunities for the surrounding communities?
- Would the sub-project reduce income for others in the local communities?
- Would the sub-project increase insecurity in the area?
- Would the sub-project increase drudgery for women or increase their work load significantly?

Attachment 17.3: Good Examples for the NRLP of Social Interventions in Previous Projects

Strategy	Some Details	Project
State social and poverty assessments	Assessment of poverty and livelihoods, with gender and social exclusion analysis and tribal development content	All World Bank-supported livelihoods projects
Area identification	Using BPL, Human Development Index, Gender and Empowerment indices	All World Bank projects
State Perspective planning	Based on findings of the state poverty assessments and consultations	All World Bank projects
Social preparation of communities (pre-mobilization)	Rapport building, hamlet-level consultations, participatory mapping, information and education campaigns, folk media	All livelihoods Project of WB; DFID- supported MPRLP, APRLP, Projects supported by CARE India, GTZ, Oxfam, GOI Swashakti Project
Participatory identification of the poor	Participatory wealth and well-being ranking using locally-articulated and other criteria and <i>Gram Sabha</i> endorsement	MP DPIP II, BRLP, TRIPTI, APDPIP II, TN Empowerment and Poverty Reduction Project(TNEPRP)
Thematic committees	Monitoring and Learning Committee Social Audit Committee Tribal Subcommittee	TNEPRP, APDPIP
Social capacity building	Social action and empowerment Gender Social accountability	Rajasthan DPIP II, TNEPRP, AP DPIP II
Health risk and food security funds	Community managed funds to meet health emergencies and food-related shocks	BRLP, APRPRP, RRLP
Community-managed health, nutrition centers	Community managed center's to provide food to those in need and health care	APRPRP
Support to migrant labor	Support to migrant families with remittance services and others	MPDPIP
Social audit committees	Social Audit, Community Score Cards, <i>Jansunwais</i> at the <i>Gram Sabha</i> level etc.,	TNEPRP
Land access	Settlement of land ownership issues and disputes	APRPRP
Poorest of the poor strategy	Focused on SC/ST households through dedicated CRPs	APRPRP
Community food grain centers	Community managed food grain procurement and distribution centers	APRPRP

Attachment 17.4 : Key Actions in the Social Management Framework

Sub-Components	Key Actions	Monitoring Indicators
Component-1 : Institutional and Human Capacity Development		
Technical Assistance	<ul style="list-style-type: none"> ▪ Technical Assistance to states for Social Readiness: social assessment (SA), informed consultations with STs, SCs and other groups, preparation of SIPs; prioritization of poorest areas and most excluded groups in SPIPs/AAPs; completion of core social development training module by state teams ▪ Appraisal and approval of SA, SIPs, SPIPs and IAPs ▪ Pilots and exposure visits on social inclusion and mobilization for new states ▪ Delivery of core social development module for SMMU and DMMU staff ▪ Partnerships with specialized agency to deliver TA 	<ul style="list-style-type: none"> ▪ Number of states completing SAs, preparing SIPs and meeting social readiness criteria ▪ Number of states with trained social staff at state and district levels ▪ Number of new states initiating pilot interventions for social mobilization ▪ Partnerships with specialized agencies to deliver social development TA
Human Resource Development	<ul style="list-style-type: none"> ▪ Development of SMF implementation guidelines, training modules, resource books and practitioner toolkits for state teams, community resource persons and community institutions ▪ Regular immersion and exposure programmes for SMMU staff on social inclusion in best practice locations across India ▪ Partnerships with training institutions and resource agencies for capacity building activities 	<ul style="list-style-type: none"> ▪ Development of implementation guidelines for SMF implementation ▪ Core Social Development Training Module prepared and delivered to the states ▪ Partnerships with training institutions and resource agencies for capacity building activities established
Component 2 : State Livelihood Support		
State Rural Livelihood Missions	<ul style="list-style-type: none"> ▪ Availability of trained Social Development Coordinators/staff in SMMUs, DMMUs, BMMUs/PFTs ▪ Development of cadre of professional trainers, master trainers and community resource persons on social mobilization/development 	<ul style="list-style-type: none"> ▪ Number of trained social staff available at state and district levels ▪ Cadres of social development trainers and CRPs developed
Institution Building and Capacity-Building	<ul style="list-style-type: none"> ▪ Identification of clusters of SCs, STs, minorities and other social and occupational groups. ▪ Identification of key social issues of 	<ul style="list-style-type: none"> ▪ Blocks and clusters of high poverty and vulnerability identified in each state

Sub-Components	Key Actions	Monitoring Indicators
	<p>women, STs, SCs, minorities and other vulnerable groups in blocks</p> <ul style="list-style-type: none"> ▪ Identification, training and mobilization of CRPs (social) ▪ Informed consultations, community briefings and information campaigns targeting women and men from ST, SC, poor minority and other vulnerable groups in project villages; community disclosure of SMF and gender, social and tribal inclusion strategies ▪ Participatory identification of poor ST, SC, minorities and other vulnerable households, including identification of left out households ▪ Saturation coverage and universal social mobilization of identified poor households in SHGs and federations ▪ Inclusion of identified poor households in leadership positions of community institutions ▪ Socially inclusive, poverty-sensitive and accountable functioning of community institutions through thematic committees on scheduled tribes, social audit, participatory monitoring, and social action ▪ Capacity building of community institutions on social inclusion and pro-poor functioning, social and legal empowerment etc. 	<ul style="list-style-type: none"> ▪ Block/PFT area reports ▪ Number of blocks/clusters with social CRPs ▪ Number of project villages where informed consultations and communication campaigns completed ▪ Number of project villages where participatory identification of poor is completed ▪ Number of habitations with universal social mobilization of identified poor households ▪ Number of SHGs/Federations with 50 percent or more leadership positions in community institutions are held by ST, SC or poor minority households ▪ Number of SHGs/Federations with thematic subcommittees on scheduled tribes, social audit, participatory monitoring and social action ▪ Number of SHGs/Federations completing social capacity building module
Community Investment Support	<ul style="list-style-type: none"> ▪ Targeted training, facilitation and support to identified poor households (specially STs and SCs) in preparing household livelihood plans ▪ Social screening of SHG Livelihood Plans, pro-poor value chains, large rural enterprises and community projects involving land ▪ Targeted individual assistance to extremely poor and vulnerable households identified 	<ul style="list-style-type: none"> ▪ Number of SHGs accessing livelihood assistance ▪ Number of extremely poor and vulnerable households accessing direct individual assistance ▪ Number of identified poor households linked

Sub-Components	Key Actions	Monitoring Indicators
	<ul style="list-style-type: none"> in participatory assessments Identified poor households linked with government social programmes Vulnerability-based targeting and coverage with community- managed food security and health risk funds Consultations and interactions with SHG members on key social development issues and follow-up action planning with the support of CRPs Block and District level reviews of project interventions with participation of NGOs and community institutions, especially in tribal areas 	with government social programmes
Special Programmes	<ul style="list-style-type: none"> Poorest and most vulnerable tribal and nontribal households access and manage interventions in health, nutrition and education Project interventions in conflict-affected districts designed and implemented through NGOs/CBOs in close consultation with targeted communities Social development interventions with wider replication potential piloted 	<ul style="list-style-type: none"> Number of beneficiaries served by community-managed interventions Number of NGO/CBO partnerships in conflict-affected areas
Component 3 : Innovation and Partnership Support		
Innovation Forums and Action Pilots	<ul style="list-style-type: none"> Poverty and social impact screening and evaluation of action pilots 	<ul style="list-style-type: none"> Number of innovation pilots improved through social screening and evaluation
Social Entrepreneurship Development	<ul style="list-style-type: none"> Documenting and disseminating social impacts and strategies of social enterprises Start-up funds for scaling up replicable models addressing social service and livelihood needs of excluded areas and groups 	<ul style="list-style-type: none"> Number of social enterprises supported
Public-Private Community Partnerships	<ul style="list-style-type: none"> Partnership guidelines prioritize interventions promoting social, financial and economic inclusion among the most excluded groups of rural poor 	<ul style="list-style-type: none"> Number of partnerships promoting social, financial and economic inclusion of most excluded groups
Component 4 : Project Implementation Support		
National Mission Management Unit	<ul style="list-style-type: none"> Engagement of Social Development Coordinators, Associates and Consultants; establishment of Social Development Thematic Unit; 	<ul style="list-style-type: none"> Engagement of Social Development Coordinators, Associates and Consultants in

Sub-Components	Key Actions	Monitoring Indicators
	<ul style="list-style-type: none"> ▪ Systematic partnership between Social Development thematic unit and TA units ▪ Implementation, monitoring and revision of SMF ▪ Representatives/experts from civil society, training and academic agencies, and community institutions are part of Advisory Committee 	<ul style="list-style-type: none"> ▪ NMMU ▪ Half-yearly reporting on SMF ▪ Participation of CSO and other experts in advisory group meetings
Monitoring and Evaluation	<ul style="list-style-type: none"> ▪ Reporting on PDO indicators on coverage of rural poor and socially-differentiated access to community investment support ▪ Consolidated reporting on SMF implementation ▪ Reporting on social performance of NRLP from state reports on monitoring of progress, process, quality, participation and household welfare changes ▪ External audit of implementation of SMF ▪ Social development learning forums 	<ul style="list-style-type: none"> ▪ Results Monitoring Report ▪ Report on SMF implementation, including social performance reports from SMMU ▪ Report of SMF audit ▪ Organization of social development workshops and learning forum
Governance and Accountability Framework	<ul style="list-style-type: none"> ▪ Support to community-level mechanisms on social accountability, participatory monitoring and grievance redress 	<ul style="list-style-type: none"> ▪ Functioning of social audit, participatory monitoring and grievance systems at community level
Knowledge Management and Communication	<ul style="list-style-type: none"> ▪ Annual Social Inclusion learning event ▪ Documentation on social dimensions of NRLP, particularly lessons from SMF implementation, and dissemination 	<ul style="list-style-type: none"> ▪ Conduct of Social Inclusion learning forum

Chapter – 18

Environmental Management Framework

Objective of Environmental Management Framework

18.1 The objective of Environmental Management Framework (EMF) is to minimize/prevent adverse environmental impacts of livelihood activities that would be promoted under NRLP. An Environmental Assessment (EA) has identified the following key environmental issues concerning activities of SHGs and their federations:

- land degradation including soil erosion;
- poor water availability and quality, depletion of groundwater;
- improper use of agro-chemicals (imbalanced use of fertilizers, unsafe use of hazardous pesticides);
- decreasing fodder availability;
- degradation of forests (unsustainable extraction of forest produce, shifting agriculture, grazing); and
- droughts, floods and cyclones.

18.2 The NRLP/NRLM triggers the following safeguard policies of the World Bank:

- Environmental Assessment (OP 4.01);
- Forests (OP 4.36);
- Natural Habitats (OP 4.04); and
- Pest Management (OP 4.09).

The NRLM falls in the environmental screening category B as per Bank's Operational Policy (OP) 4.01.

Environmental Management Framework

18.3 The Environmental Management Framework (EMF) developed as an outcome of the EA study addresses the identified issues through a detailed strategy and procedures for incorporating environmental sustainability in the planning process in the state and village (organization, VO) levels. An Environmental Action Plan (EAP) will be developed by each State Mission Management Unit (SMMU) as part of the State Perspective and Implementation Plan (SPIP). The National Mission Management Unit (NMMU) will screen the SPIP through a desk-appraisal for state readiness and compliance on the basis of an appraisal readiness filter in the EMF.

18.4 The EMF will be applied to investment plans taken up by SHG primary federations making use of loans provided under the Livelihood Investment Support Component of the Project. The EMF comprises development of a SHG federation Environment Management Plan (EMP) to incorporate good environmental guidelines and

assess eligibility of SHG activities through a regulations list. The EMP will be prepared by the VO with facilitation by the PFTs. It will be prepared prior to the micro-credit/livelihood plan preparation process in the affiliate SHGs and will be updated annually. Environmental Guidelines (EGs) are provided for four major livelihoods – agriculture, livestock, non-timber forest produce and fishery - to identify subproject-level impacts and relevant mitigation measures. The Environment Management Framework (EMF) has been developed for the NRLP to ensure compliance with applicable laws and regulations of the Government of India, the 12 state Governments and triggered safeguard policies of the World Bank.

18.5 The EMF provides a methodology and capacity building materials for the promotion of green opportunities that can contribute to environmental benefits and improved incomes. Overall, the strategy would be to use the first 12 months to raise awareness of the NMMU and the SMMU to collaborate with proponents of Green Opportunities and integrate strategic ones into the SPIPs or the national program. During this period when the states are preparing their SPIPs, they would be supported and guided to look for potential for Green Opportunities not only from an existing repository, but also from other sources as well. Capacity building to enable the promotion and adoption of green opportunities is a part of the EMF.

18.6 Furthermore, the EMF contains institutional arrangements, detailed training and capacity building plans (intensive during first year) and monitoring mechanisms/indicators to enable effective implementation of environmental management measures. Monitoring of the EMF will take place at three levels: community monitoring by green community resource professionals; internal monitoring by the state and district project personnel; and annual third-party external audits after the first year of implementation. The environmental specialists at the national, state and district levels will conduct internal monitoring of the implementation of the EMF on a sample basis. The external audit will assess cumulative impacts and identify ways of strengthening implementation of the EMF. The roles and responsibilities of the key staff at the national, state, district and sub-district levels are specified in the EMF. A national consultation in which key stakeholders from the center and states participated was part of the development of the EMF. The final EMF is also planned to be disclosed through the websites of the Ministry of Rural Development and all the State Departments of Rural Development and on the Bank Info Shop.

18.7 **EMF Strategy**

- The Bank has been supporting projects on poverty reduction and rural livelihoods in the states of Andhra Pradesh, Madhya Pradesh, Rajasthan, Chhattisgarh, Bihar and Tamil Nadu. These projects have yielded valuable experience and learning on the implementation of environmental safeguards.
- An analysis of the Bank supported livelihood projects shows two distinct models of implementation which have different challenges with respect to environmental safeguards. In the earlier Common Interest Group (CIG) model, livelihoods are financed by the project through a one-time grant for a common livelihood activity.

- Therefore, it was simpler to screen the common livelihood activity for environmental impacts and ensure that mitigation measures were implemented.
- However, now the model is based on providing loans to SHGs based on a micro-credit/investment plan which may contain multiple activities. The loan is provided by a larger SHG federation which is financed through a grant by the project. Currently, screening for environmental impacts is being done on an activity-by-activity basis by the Block PFT through a set of pre-designed instruments. This process is time consuming and often becomes merely an exercise in filling a set of formats with no clear understanding of issues and solutions by the SHG federation members. Clearly, a different approach is needed to implement an EMF to ensure that the community appreciates the issues involved and its relevance to securing their livelihoods better.
 - Therefore, the approach strategy for an EMF makes a radical departure from viewing EMF as a tool to merely safeguarding the environment to managing the environment in order to better secure the livelihoods. It also views potential environmental problems as opportunities for Green Solutions that may generate Green enterprises and jobs.
 - Further, the EMF seeks to shift the onus for environmental management from the project alone to include the community institutions. Therefore, the key is to ensure that the SHG federation has the support, capacity and systems which will ensure that environmental considerations are integrated into the process of appraisal of the SHG micro-credit/investment plans. As the nature and scale of livelihood activities undertaken by individual households is environmentally benign and small in scale, the potential impacts are also localized and manageable. Therefore, rather than place emphasis on micro-managing micro-impacts through appraisal of every individual household activity – it is more meaningful and efficient to focus on periodically monitoring cumulative impacts to provide pointers on required interventions.
 - The EMF proposes to achieve this through the means of an Environmental Management Plan (EMP) that each SHG Federation would prepare. The EMP would identify resources, livelihoods and their potential environmental impacts and indicate measures to secure these livelihoods. To help the SHG Federations prepare the EMP, a cadre of Community Resource Persons (CRPs) called the Green-CRPs (G-CRPs) would be developed by the Project. The EMP would be a dynamic plan which would be reviewed and modified periodically to incorporate new livelihoods or new Green Solutions. Not all livelihood activities would have an adverse impact on the environment. The EMP would also help identify good Green Practices which could be converted into Green Opportunities for newer livelihoods, enterprises or jobs.
 - This approach would not only shift the onus to the community to manage the environment to secure their livelihoods but would also build their skills and knowledge to do so even after the project period. Thus, this strategy would result in a massive and wide-spread transfer of knowledge and skills in the area of environment management.
 - Since this approach is new and radical, it is proposed to pilot test it in 360 SHG Federations spread across 12 states during Year-2 of the NRLP and if found

successful after a mid-term evaluation scale it up to eventually cover 12,000 SHG Federations by Year-5. However, EMF compliance with the regulatory requirements will apply to all the 40,000 federations in the project and appropriate training and capacity building support for compliance will be provided.

Components of the EMF

18.8 The EMF comprises a detailed strategy and procedures for preparation and implementation of an EMP at SHG primary federation or producer collective level, capacity building and monitoring to enable the adoption of mitigation measures, and the promotion of green opportunities as pilot projects. The main components of the EMF are described below:

Environment Action Plan (EAP) as Part of State Perspective Plans

18.9 As a part of the rollout of NRLM/NRLP, all SRLMs would undertake a situational analysis (poverty diagnostic study) and develop an SPIP and AAPs. An EAP will be developed by each SMMU as part of the SPIP. The first year EAP would identify strategically important Green Opportunities, develop and field test a process for developing EMPs at the SHG Federation level and prepare a capacity building plan for the entire implementation mechanism.

Piloting of EMPs by SHG Federations and Scale-Up

18.10 As described above, the EMP will be prepared by the VO with facilitation by the block PFTs. It will be prepared prior to the micro-credit plan preparation process in the affiliate SHGs and will be updated annually. The executive committee of the VO will include an Environmental Management Committee.

Environmental Management Toolkit

18.11 The experience of implementation of livelihood projects has led to the development of a comprehensive toolkit to guide identification of measures to mitigate potential negative environmental impacts in rural livelihoods. The toolkit contains the following:

- a regulatory list of activities that are not to be supported;
- list of higher order activities that require detailed environmental appraisal by technically qualified personnel due to potential for relatively higher impacts; and
- environmental guidelines for managing major rural livelihoods such as agriculture, livestock, non-timber forest produce and fishery. These include a listing of the possible impacts and the relevant mitigation measures.

Green Opportunities - Going Beyond Environmental Management

18.12 The EMF also presents a bouquet of Green Opportunities, which describe how organizations have addressed environmental issues by developing innovative Green Solutions that have resulted in Green enterprises and Green jobs. The Green Opportunities cover the broad thematic areas of agriculture, animal husbandry and energy. It also presents pathways to integrate these Green Opportunities into the main programmes of NRLP. It suggests the creation of a Green Opportunities Repository at the national and the state level. It describes the steps in integrating knowledge of Green Opportunities with the preparation of the EMPs by the G-CRP.

Technical Assistance to States

18.13 The National Environment Management Coordinator at the NMMU would provide technical assistance for facilitating preparatory work on environment which would include the following:

- development of operational manuals on EMF – including EMPs of primary federations, Code of Practices of producer collectives, Green CRPs, Green Opportunities;
- development of a repository of Green Opportunities and (network of) Resource Institutions;
- exposure visits to SRLM teams to best practices in facilitating environment-friendly livelihoods other states;
- recruiting, if required, the services of a consultant firm to undertake Situation Analysis and assist in development of the EMP for inclusion in the SPIP;
- national workshop/s to facilitate cross-learning/exchange that will contribute to development of robust EMPs;
- stakeholders' consultations in each state including meetings, workshops, focus group discussions;
- induction and capacity building of key staff at the SMMUs;
- appraisal and approval of the EMP in the SPIP; and
- a bi-monthly journal documenting case studies (applied aspects).

Institutional Arrangements to Support the EMF

18.14 Institutional arrangements for the EMF are detailed both in the project structure as well as in the community institutions. The effective implementation of the EMF will require relevant institutional arrangements at the national, state, district and sub-district levels. The roles and responsibilities of the key staff at the national, state, district and sub-district levels and key individuals/entities in the SHG federations and producer collectives are provided in the Report. However, the staffing costs are not included in the budget of this EMF. The costs of the staffing for the state, district and sub-district levels will be included in the overall project management costs of the NRLP.

Training and Capacity Building

18.15 The orientation of this EMF is to strengthen the capacity for environmental management in NRLP institutional structures at the national and states levels, and especially, in the G-CRPs and community institutions such as SHGs, SHG federations and producer collectives. A detailed training and capacity building plan is provided in the Report.

Monitoring and Audit

18.16 The focus of monitoring is three fold:

- the implementation of the EMF;
- the adoption of environmental management in livelihood activities; and
- the environmental status.

18.17 Monitoring is planned at 3 levels viz., community monitoring, internal monitoring and external audit. An external audit of the environmental performance of the NRLP will include a cumulative impact assessment and be undertaken annually during the project period – in years 2, 3, 4 and 5. An external agency will be hired by the NMMU for the purpose.

Performance Indicators

18.18 The Report provides a list of suggested performance indicators for environment and sector-specific outcomes, institutional arrangements, capacity building and process-related.

Budget

18.19 The estimated budget for the EMF implementation is \$ 6.0 million

Implementation Roll-Out Strategy

18.20 The EMF of the NRLM/NRLP builds on the experience of existing livelihoods projects in the country. However, it has certain elements that are novel - for example, the SHG federation EMPs and the CoPs of the producer collectives. It is necessary to phase out the implementation of the EMF in the NRLP to ensure that innovative elements are put on trial before they are scaled up.

18.21 The first year outputs would include a cadre of trained G-CRPs in 6 states, a field-tested methodology for preparation of EMPs, an EAP which is integrated into the SPIPs and also a candidate list of strategically important Green Opportunities for piloting or scaled-up implementation. EMP implementation will be scaled up to reach 12,000 federations by the end of the fifth year. The Detailed EMF is provided in Annexure 13.

Chapter – 19

Governance and Accountability Plan

Objective of Governance and Accountability Plan

19.1 Given the size and scale of NRLP/NRLM, a comprehensive, result oriented and standardized, governance and accountability (GAC) system is extremely critical for the success of the Mission. The NRLP/NRLM's GAC system is meant to be risk informed and results oriented so that it can serve as a management tool, rather than seen as a 'compliance' or 'checklist' type activity.

GAC Framework

19.2 Given the federated implementation structure of the NRLP, the GAC system has involved development of an overall '*GAC framework*' and then preparation of *GAC Action Plans (GAAPs)* at the national level and state level (as part of SPIPs).¹⁶ The GAAP for the National level is attached as Annexure 12. GAAP for national level included in this document has been reviewed. The GAC framework is set up to respond to the key GAC risks and vulnerabilities faced at the three levels of implementation structure *i.e.*, national, state and community institution level. The different GAC mechanisms would focus on three aspects:

- *prevention* (e.g. business processes, disclosure mechanisms, HR systems, and capacity building/participatory processes);
- *detection* (e.g., monitoring, grievance redress); and
- *response* (e.g. sanctions policies and performance based incentives).

19.3 Four distinct set of actors-NRLM national team, SRLM teams, community organizations and civil society actors will be engaged in different types of GAC instruments. While the overall response ability for governance and accountability lies with the senior management and governance committees of the institutions, a GAC focal person would be appointed at each level of implementation structure to look after the GAC mechanism.

19.4 The capacity building of project staff and community professionals around GAC mechanisms would be an integral part of the project roll out. Training modules on GAC will be included in the core curriculum for staff orientation and their induction program. GAC indicators and information will also be included in the M&E and MIS systems.

¹⁶ This is similar to the approach used in safeguards where an environmental and social management framework (ESMF) is prepared when actual investments are unknown. Environmental/social action plans for specific investments are developed based on the ESMF. Similarly, the GAC framework would provide the overall 'menu' and approach to identify risks and GAC mechanisms to deploy in different states, while the individual state GAAPs would lay out the actual GAC measures being deployed and the actions, timelines, and responsibilities for their implementation.

19.5 A range of GAC innovations have also been included in the NRLP/NRLM design and GAAP. These include:

- setting up of a “*Sevottam*” charter of service standards (including for grievance handling, disclosure and monitoring);
- an annual user report card on project governance and performance;
- an institutionalized social audit system linked to the MIS;
- a GAC window in the Innovations Fair;
- annual GAC awards; and
- pilot programmes for e-bookkeeping and e-procurement as well as use of media tools (e.g. talk back shows) for complaints handling.

19.6 The GAC measures in the project will be reviewed annually and the GAAPs will be updated accordingly.

Table – 23
GAC Mechanisms and Tools

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
Level/Cluster: National					
Problems with overall quality control, coordination, and knowledge sharing	<ul style="list-style-type: none">▪ (BP) Sevottam standards▪ (BP) GAC/Social Accountability Booklets (e.g. in TN)▪ (BP) Agreed governance principles for project (e.g. Pancha Sutra, etc....)▪ (BP) Guidelines in COM, PIM, FMM, Procurement Manual▪ (HR) Code of conduct for staff▪ (HR) Transparent, merit-based recruitment of staff▪ (TD) Disclosure guidelines	<ul style="list-style-type: none">▪ (PM) Annual user citizen report card/ GAC barometer survey▪ (PM) Annual GAC review▪ (PM) Solid MIS system which tracks performance and governance▪ (PM) Disclosure policy monitoring – e.g. Orissa▪ (HR) Annual staff survey/focus groups	<ul style="list-style-type: none">▪ (PB) Annual GAC Awards▪ (PB) GAC innovations window▪ (SP) Sanction policies▪ (CH) Response and follow-up procedures and timelines for grievances▪ (HR) Meritocratic staff performance appraisal system	<ul style="list-style-type: none">▪ National Mission Management Unit (NMMU) GAC team▪ State GAC teams▪ CSO partner for annual report card▪ GAC TA provider	<ul style="list-style-type: none">▪ Annual GAC review will be basis for updating and improving existing GAC systems.
Challenge of managing multiple TA agencies	<ul style="list-style-type: none">▪ (HR) Clear roles and responsibilities for	<ul style="list-style-type: none">▪ (PM) Regular performance	<ul style="list-style-type: none">▪ (PB) Performance /output based	<ul style="list-style-type: none">▪ NMMU program manager	<ul style="list-style-type: none">▪ TA provider performance reviews

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	staff to manage TA agencies	monitoring of TA providers ▪ (HR) Annual staff survey/focus groups	contract disbursement ▪ (PB) Knowledge and exchange on GAC across States	s ▪ SRLM Project Directors	will form the basis of whether contract extensions will be provided
Overall monitoring and fiduciary challenge	<ul style="list-style-type: none"> ▪ (CB) Training on procedures, systems, good governance for all project staff ▪ (BP) Service standards for key processes (incl. FM/disb.) ▪ (FM) Standardized guidelines in FMM and Proc. Manual ▪ (FM) Standard bidding criteria and technical specifications ▪ (FM) Pilot e-procurement and e-bookkeeping program 	<ul style="list-style-type: none"> ▪ (PM) Institutionalized social audit process ▪ (PM) Asset verification and utilization certificate monitoring ▪ (CH) complaints hotline and online system ▪ (FM) Regular financial reporting ▪ (FM) Regular VCs and exchanges for FM staff ▪ (FM) Random checks of books of FM records ▪ (FM) Federation level portfolio monitoring ▪ (FM) Statutory 	<ul style="list-style-type: none"> ▪ (PB) Milestone based disbursement system to SHGs and federations ▪ (SP) Sanction policy for fraud and corruption issues 	<ul style="list-style-type: none"> ▪ NMMU FM Manager ▪ NMMU FM team ▪ SRLM FM teams ▪ GAC TA provider ▪ Social audit committees 	<ul style="list-style-type: none"> ▪ FM information will be regularly used for assessing progress and resolving fiduciary issues on an ongoing basis

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	<ul style="list-style-type: none"> ▪ (TD) Disclosure Policy (following RTI guidelines) ▪ (TD) Project Website, notice boards 	<ul style="list-style-type: none"> audits ▪ (TD) Photo documentation of procured assets 			
Level/Cluster: State Project Machinery					
Financial management and procurement irregularities	<ul style="list-style-type: none"> ▪ (CB) Training on procedures, systems, good governance for all project staff ▪ (BP) Service standards for key processes (incl. FM/disb.) ▪ (FM) Standardized guidelines in FMM and Proc. Manual ▪ (FM) Standard bidding criteria and technical specifications ▪ (FM) Funds flow direct to communities 	<ul style="list-style-type: none"> ▪ (PM) Institutionalized social audit process ▪ (PM) Asset verification and utilization certificate monitoring ▪ (CH) complaints hotline and online system ▪ (FM) Regular financial reporting ▪ (FM) Regular VCs and exchanges for FM staff ▪ (FM) Random checks of books of FM records ▪ (TD) Photo documentation of procured assets 	<ul style="list-style-type: none"> ▪ (PB) Encouragement of output based contracts ▪ (SP) Sanction policy for fraud and corruption issues 	<ul style="list-style-type: none"> ▪ SRLM FM units ▪ Community social audit committee ▪ GAC TA provider 	<ul style="list-style-type: none"> ▪ FM information will be regularly used for assessing progress and resolving fiduciary issues on an ongoing basis

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsibl e	Use of Informatio n
	Prevention	Detection	Response		
	<ul style="list-style-type: none"> ▪ (FM) Pilot e-procurement and e-bookkeeping program ▪ (TD) Disclosure Policy (following RTI guidelines) ▪ (TD) Community and project information centers with FM and procurement records ▪ (TD) Notice boards and websites with FM /proc info 				
Lack of capacity and problems of implementation in conflict/fragile areas	<ul style="list-style-type: none"> ▪ (CB) Specialized training program for conflict/fragile areas ▪ (TD) Regular IEC campaigns ▪ (TD) Community and project information centers 	<ul style="list-style-type: none"> ▪ (PM) Regular meetings and VCs with FM and other staff ▪ (CH) Regular debriefing of community resource persons 	<ul style="list-style-type: none"> ▪ (PB) Special consideration during performance appraisal for staff in these areas 	<ul style="list-style-type: none"> ▪ NMMU ▪ SRLM units ▪ GAC TA provider 	<ul style="list-style-type: none"> ▪ Special needs of conflict/fragile areas will be reviewed to devise special programmes
Challenges in staff recruitment,	<ul style="list-style-type: none"> ▪ (HR) Transparen 	<ul style="list-style-type: none"> ▪ (HR) Recruitmen 	<ul style="list-style-type: none"> ▪ (PB) Staff performanc 	<ul style="list-style-type: none"> ▪ NMMU ▪ SRLM 	<ul style="list-style-type: none"> ▪ The annual

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
retention, and capacity	<ul style="list-style-type: none"> t and merit-based recruitment process ▪ (HR) Established/ known codes of conduct ▪ (HR) Career development and capacity building strategy for staff 	<ul style="list-style-type: none"> t audit and HR review ▪ (HR) Annual staff survey/focus groups 	<ul style="list-style-type: none"> e based compensation bonuses ▪ (PB) Annual GAC Awards ▪ (HR) Performance appraisal systems 	<ul style="list-style-type: none"> ▪ HR Agency 	<ul style="list-style-type: none"> staff survey will form the basis for addressing any concerns of staff
Corruption and financial leakages in state project set-up	<ul style="list-style-type: none"> ▪ (CB) Training on procedures, systems, good governance for all project staff ▪ (BP) Service standards for key processes (incl. FM/disc.) ▪ (FM) Standardized guidelines in FMM and Proc. Manual ▪ (FM) Standard bidding criteria and technical specificati 	<ul style="list-style-type: none"> ▪ (PM) Annual GAC Barometer/ User report card survey ▪ (PM) Institutionalized social audit process ▪ (PM) Asset verification and utilization certificate monitoring ▪ (CH) complaints hotline and online system ▪ (FM) Regular financial reporting ▪ (FM) Regular VCs and exchanges 	<ul style="list-style-type: none"> ▪ (PB) Milestone based disbursement system to SHGs and federations ▪ (SP) Sanction policy for fraud and corruption issues 	<ul style="list-style-type: none"> ▪ NMMU FM team ▪ SRLM FM teams ▪ CSO partner for report card ▪ Social audit committees ▪ Grievance committees 	<ul style="list-style-type: none"> ▪ Annual user report card survey and social audit results will be basis for assessing level of fiduciary risks across states and districts. Complaints receipt will also be analyzed by geography and type. State teams will use information to target random

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	<ul style="list-style-type: none"> ons ▪ (FM) Pilot e-procurement and e-bookkeeping program ▪ (TD) Disclosure Policy (following RTI guidelines) ▪ (TD) Project Website, notice boards with fiduciary records 	<ul style="list-style-type: none"> for FM staff ▪ (FM) Random checks of books of FM records ▪ (FM) Federation level portfolio monitoring ▪ (FM) Statutory audits ▪ (TD) Photo documentation of procured assets 			checks and additional cap. building.
Level/Cluster: Community Institutions					
Elite capture of community institutions (SHGs, federations, etc.)	<ul style="list-style-type: none"> ▪ (BP) Participatory identification of the poor process for social mobilization ▪ (CB) Participatory governance norms for SHGs and Federations (e.g. quotas for EPVGs); leadership rotation guidance ▪ (CB) 	<ul style="list-style-type: none"> ▪ (PM) MIS will record leadership details ▪ (PM) Institutionalized social audit ▪ (CH) Pilot media tools ▪ (CH) Telephone hotline ▪ (CH) Web/online complaints mechanism ▪ (CH) Regular debriefing of community resource persons 	<ul style="list-style-type: none"> ▪ (PB) Annual GAC Awards ▪ (PB) Disbursement based on grading/rating of SHGs and federations 	<ul style="list-style-type: none"> ▪ SRLM Block teams ▪ Grievance sub-committees 	<ul style="list-style-type: none"> ▪ Issues of elite capture will be addressed through enhanced facilitation for groups and federations and greater targeting. GAC awardees will be used for peer to peer training and study tours.

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	<p>Encouraging consensus based decision-making</p> <ul style="list-style-type: none"> ▪ (CH) Establishment of grievance sub-committees at village and federation level 				
Exclusion /Mis - targeting of poor and vulnerable households	<ul style="list-style-type: none"> ▪ (BP) Participatory identification of the poor process for social mobilization ▪ (CB) Participatory governance norms for SHGs and Federations ▪ (TD) Annual communication (IEC) campaigns ▪ (CH) Establishment of grievance sub-committees at village and 	<ul style="list-style-type: none"> ▪ (PM) MIS will pick up beneficiary information ▪ (PM) Institutionalized social audits ▪ (CH) Pilot media tools ▪ (CH) Telephone hotline ▪ (CH) Web/online complaints mechanism ▪ (CH) Regular debriefing of community resource persons 	<ul style="list-style-type: none"> ▪ (PB) Disbursement based on grading/rating of SHGs and federations 	<ul style="list-style-type: none"> ▪ SRLM Block teams ▪ Grievance sub-committees 	<ul style="list-style-type: none"> ▪ Regular reviews of targeting of poor and vulnerable groups in MIS will form basis for future targeting efforts. Monitoring data will be used to guide social mobilization strategy.

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	federation level				
Political interference in management of community institutions	<ul style="list-style-type: none"> ▪ (CB) Participatory governance norms for SHGs and Federations ▪ (TD) Regular IEC campaigns ▪ (CH) Establishment of grievance sub-committees at village and federation level 	<ul style="list-style-type: none"> ▪ (PM) Annual user report card ▪ (PM) Institutionalized social audits ▪ (CH) Pilot media tools ▪ (CH) Telephone hotline ▪ (CH) Web/online complaints mechanism ▪ (CH) Regular de-briefing of community resource persons 	<ul style="list-style-type: none"> ▪ (PB) Disbursement based on standard grading/rating of SHGs and federations ▪ 	<ul style="list-style-type: none"> ▪ SRLM Block teams ▪ CSO partner for report card ▪ Grievance sub-committees 	<ul style="list-style-type: none"> ▪ SRLMs will monitor grievance information and reports of CRPs to monitor if there is evidence of political interference.
Corruption/poor financial management in SHGs and federations	<ul style="list-style-type: none"> ▪ (BP) Micro-planning at HH and group levels ▪ (CB) Financial literacy program for SHGs and federations ▪ (TD) Notice boards and awareness materials ▪ (TD) Community information centers 	<ul style="list-style-type: none"> ▪ (PM) Annual user report card ▪ (PM) SHG, Federation, and Village grading systems ▪ (PM) Portfolio monitoring of federations ▪ (PM) Institutionalized social audits ▪ (PM) Asset verification and utilization certificate 	<ul style="list-style-type: none"> ▪ (PB) Performance indexed disbursement to all groups ▪ (PB) Annual GAC Awards ▪ 	<ul style="list-style-type: none"> ▪ SRLM Block teams ▪ CSO partner for report card ▪ Social audit committees 	<ul style="list-style-type: none"> ▪ Regular monitoring of SHGs and federations will be a core part of the project management and supervision and the basis for testing degree of institutional strengthening. All disbursements and support

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	<ul style="list-style-type: none"> with key documents ▪ (BP) Micro planning systems for HH and group levels ▪ (FM) Pilot e-bookkeeping program 	<ul style="list-style-type: none"> monitoring ▪ (PM) Random checks 			will be indexed on this.
Coordination/approach towards existing/failed SHGs	<ul style="list-style-type: none"> ▪ (BP) Saturation strategy and participatory identification of the poor in social mobilization ▪ (CB) Participatory governance norms for SHGs and Federations ▪ (CB) Training on procedures, systems, good governance ▪ (CB) Financial literacy program for SHGs and 	<ul style="list-style-type: none"> ▪ (PM) SHG, Federation, and Village grading systems ▪ (PM) Portfolio monitoring of federations ▪ (PM) Institutionalized social audits ▪ (PM) Asset verification and utilization certificate monitoring ▪ (PM) Random checks ▪ (CH) Regular debriefing with community resource persons 	<ul style="list-style-type: none"> ▪ (PB) Performance indexed disbursement to all groups ▪ (PB) Annual GAC Awards ▪ (CB) Study tours and exchange visits 	<ul style="list-style-type: none"> ▪ SRLM Block teams 	<ul style="list-style-type: none"> ▪ The project will adopt a phased approach towards reaching out to existing SHGs, working on the power of demonstration effects. MIS data on group performance will guide social mobilization and targeting strategies.

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsibl e	Use of Informatio n
	Prevention	Detection	Response		
	federations ▪ (TD) Regular IEC campaigns (CH) Establishm ent of grievance sub-committee s at village and federation level				
Safeguards issues	▪ (BP) Clear safeguards framework s included in PIP and OM ▪ (CB) Training on required safeguards guidelines and procedures ▪ (TD) IEC campaign to include safeguard guidelines	▪ (PM) Safeguards Audit ▪ (CH) Regular debriefing with community resource persons	▪ (CB) Specialized safeguards follow-up training as needed	▪ SRLM Safeguar ds focal points	▪ Routine environme ntal and social safeguards monitorin g will determine whether enhanced outreach and supervisio n is required. Guidelines may also be adjusted based on needs.
Sustainability of community institutions	▪ (CB) Regular training and institution strengtheni ng ▪ (CB) Participato ry governanc e norms	▪ (PM) MIS to track financial and commercial linkage achieved ▪ (PM) Portfolio monitoring of federations	▪ (PB) Performan ce based disburseme nt ▪ (PB) Annual Innovation s Fairs	▪ NNMU ▪ SRLM	▪ MIS data on financial and commerci al linkages as well as portfolio monitorin g will be used to adjust

Key GAC Vulnerabilities/ Risks	GAC Mechanisms and Tools			Actors Responsible	Use of Information
	Prevention	Detection	Response		
	for SHGs and Federations ▪ (CB) Financial literacy program for community institutions	▪ (CH) Regular de-briefs of community resource persons			sustainability strategy.

Chapter – 20

Financing NRLM and NRLP

Introduction

20.1 NRLM is a centrally sponsored program, implemented by all States and Union Territories except *Delhi* and *Chandigarh*. The NRLM replaces the SGSY program. All the states and UTs are required to transit to NRLM within 12 months of the launch of the Mission. During the transition, both SGSY and NRLM would run concurrently in some states. In addition to the NRLM funds, NRLP would provide support for more intensive implementation of the Mission activities in select districts and blocks of 12 states. The financing arrangements under NRLM are briefly indicated in this Chapter. This is followed by a detailed presentation of the cost tables relating to NRLP.

Financing of NRLM

20.2 As NRLM is a centrally sponsored program, the financing required for the Mission will be shared between the Center and the States/UTs as indicated in the *Table-24*.

Table – 24
Financing of NRLM : Contribution of Center and States

S. No.	States/UTs	Percent	
		Central Share	State Share
1.	North Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim)	90	10
2.	All Other States	75	25
3.	Union Territories	100	0

20.3 The central allocation for SGSY will be indicated in the annual budget of the Government of India on plan account. Out of the total allocation made for NRLM, 20% will be earmarked for skill development & placement and innovative projects. Of the remaining 80% of the budgetary allocation for NRLM, 10% will be retained at the Center to be provided later to the better performing states as an additional incentive on demand. Before the commencement of the financial year, each State would get an indicative allocation based on the *inter-se* incidence of poverty among the States/UTs to enable them to prepare their plans. The plans would be appraised and approved by the NRLM-Empowered Committee and the approved outlay would not exceed the indicative allocation made for each State. The appraisal of the state plans would take into account allocations for various Mission components and the initial conditions in the states (degree of social mobilization, extent of financial inclusion *etc.*) and priorities indicated in the annual action plan. The Empowered Committee of Ministry of Rural Development is the competent authority to approve the State Action Plans.

Procedure for Release of Funds

20.4 As SGSY and NRLM would run in parallel during the transition period of one year, there would be two streams of funding during this period. In the states that have not complied with the conditions for transiting to NRLM, the financial norms and procedure for the release and flow of funds would remain as under SGSY. In the states that have complied with the conditions for the transition to NRLM, the flow of funds from the Centre to the states that move into NRLM would be made through the SRLM. For this purpose, SRLM would open a separate bank account and notify the same to MORD/NMMU. SRLM would devolve funds to the districts in accordance with district-wise allotments indicated in the Annual Action Plan.

20.5 The release of Central share to the SRLMs would be made in two installments:

- The **first installment** would be made during April-May of each year, subject to the approval of the State Annual Action Plan and the compliance of the states with terms and conditions stipulated from time to time;
- The **second installment** would be released in October-December on the request of SRLM and on the claimant states fulfilling the following conditions:
 - utilization of at least 60% of the funds made available in the first release including the opening balance;
 - state government releasing its share of matching contribution during the preceding release (*in case of any deficiency therein, Central share would be reduced proportionately*);
 - the opening balance of the SRLM does not exceed 10% of the allocation made in the previous year (*in case, the opening balance exceeds this limit, the Central share would be proportionally reduced*);
 - audit reports and utilization certificates for the previous year submitted;
 - targets indicated in the Annual Action Plan achieved; and
 - other terms and conditions stipulated at the time of the previous release met.

20.6 The 10% of the allocation retained at the Centre will be provided to the better performing states as an additional incentive installment on the following criteria:

- 75% of the total funds available spent by the state by 31st December;
- the state has requested for additional funds over and above the allocation for the year; and
- the state has achieved all key performance targets set.

20.7 However, additional incentive allocation would not exceed the normal allocation of one installment i.e., 50% of the state allocation. However, care would be taken by the MORD to ensure that only a few states do not access the entire incentive grant.

20.8 Any balance fund out of the earmarked allocation to the states will be distributed to all the states that have lifted the second installment, except those states that have already been sanctioned additional funds for better performance. The distribution will be done in proportion to the allocation made for the states for the current year.

20.9 *With respect to the states that have not conformed to the NRLM requirements, the funds would continue to flow directly to the DRDAs as per the extant procedures under SGSY.*

Eligible Items of Expenditure

20.10 The following items of expenditure would qualify as eligible items under NRLM:

- institution building-participatory vulnerability assessment, formation/ promotion of new SHGs, federations and other collectives;
- training and capacity building of institutions of the poor, CRPs, staff and other stakeholders; includes knowledge dissemination, education and advocacy;
- revolving fund and capital subsidy;
- interest subsidy;
- infrastructure creation and marketing;
- skills and placements projects;
- administrative cost – Mission (program) management costs including costs of monitoring, evaluation and learning

Fund Tracking System

20.11 NRLM would put in place a comprehensive financial management system at SRLM to ensure transparency, efficiency and accountability. NRLM would position an IT-based fund tracking system and promotes e-book keeping in institutions of the poor and in support structures.

20.12 All the fiduciary management systems/procedures relevant to Centrally sponsored schemes would, however, be applicable.

Financing of NRLP

20.13 The GOI has indicated a likely allocation to the NRLM/SGSY of approximately US\$ 2.2 billion for the last two years of XI Five Year Plan and is expected to allocate approximately \$5.5 billion for XII Five Year Plan period. The World Bank financing for the NRLP designed to strengthened NRLM is estimated at \$1 billion (approximately Rs.4,600 crores). With the exception of component 2 that will be implemented in 12 targeted states (400 blocks), the remaining components of NRLP will provide support at the national level to enable the smooth rollout of NRLM throughout the country. The details of financing of NRLP are furnished in the following:

Breakdown Costs of NRLP

20.14 The total cost of NRLP has been estimated at US\$1.169 billion, out of which the Government share would be US\$168.5 million. The remaining US\$1 billion would come in the form of an IDA Credit. The financing share of the Bank is pegged at 85.4% of the

total project cost. The following table summarizes the overall project costs. The component-wise breakdown costs are presented in *Tables-25 to 40*.

Table – 25

Project Cost Summary
Financing Share By Component/Sub Component

Component / Sub component	(in US\$ million)		
	IDA	Gol	Total
A. Institutional and Human Capacity Building			
A.1 Technical Assistance	46.5	-	46.5
A.2 Human Resource Development	13.8	-	13.8
Subtotal	60.3	-	60.3
B. State Livelihoods Support			
B.1 State Rural Livelihoods Missions (SRLM)	193.5	-	193.5
B.2 Institution Building and Capacity Building	179.3	59.7	239.0
B.3 Community Investment Support	326.3	108.8	435.1
B.4 Special Programmes	98.0	-	98.0
Subtotal	797.1	168.5	965.6
C. Innovations and Partnership Support			
C.1 Innovation Forums and Action Pilots	11.6	-	11.6
C.2 Social Entrepreneurship Development	10.5	-	10.5
C.3 Public Private Community Partnerships	23.4	-	23.4
Subtotal	45.5	-	45.5
D. Project Implementation Support			
D.1 National Mission Management Unit (NMMU)	21.1	-	21.1
D.2 Monitoring and Evaluation	23.2	-	23.2
D.3 Electronic National Rural Livelihoods Management System (e-NRLMS)	28.3	-	28.3
D.4 Governance and Accountability Framework	7.2	-	7.2
D.5 Knowledge Management and Communication	17.3	-	17.3
Subtotal	97.1	-	97.1
Total PROJECT COSTS	1,000.0	168.5	1168.5

Table 26
Technical Assistance

							Unit Cost									
				Quantities				(INR			Base Cost (INR Lakh)					
	Unit	2011	2012	2013	2014	2015	Total	Lakh)	2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																
A. Resident Representatives and Spearhead Teams	RR/SHTs	10	10	5	-	-	25	358.08	3,580.80	3,580.80	1,790.40	-	-	8,952.00	A.1	
B. TA for Human Resources	partners	3	3	2	1	1	10	100.00	300.00	300.00	200.00	100.00	100.00	1,000.00	A.1	
C. TA for Innovations and Partnerships	partners	3	4	3	-	-	10	100.00	300.00	400.00	300.00	-	-	1,000.00	A.1	
D. TA for Financial Inclusion (including Insurance and Remittance)	partners	2	3	3	1	1	10	100.00	200.00	300.00	300.00	100.00	100.00	1,000.00	A.1	
E. TA for Livelihoods Promotion (Centre to States)	partners	2	3	3	1	1	10	200.00	400.00	600.00	600.00	200.00	200.00	2,000.00	A.1	
F. TA for Institution Building and Capacity Building	partners	4	4	2	-	-	10	300.00	1,200.00	1,200.00	600.00	-	-	3,000.00	A.1	
G. TA for Service Delivery for the Poor	partners	4	2	2	1	1	10	100.00	400.00	200.00	200.00	100.00	100.00	1,000.00	A.1	
H. TA for Knowledge Management	units	4	2	2	1	1	10	100.00	400.00	200.00	200.00	100.00	100.00	1,000.00	A.1	
I. TA for Management Information Systems	units	4	2	2	1	1	10	50.00	200.00	100.00	100.00	50.00	50.00	500.00	A.1	
J. Other demand driven TA	LS								100.00	100.00	100.00	100.00	100.00	500.00	A.1	
Total									7,080.80	6,980.80	4,390.40	750.00	750.00	19,952.00		

Table 27
Human Resource Development

								Unit Cost (INR Lakh)								
			Quantities						Base Cost (INR Lakh)							
		Unit	2011	2012	2013	2014	2015	Total	2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																
A. Training and Capacity Building of Rural Dev. Professionals																
	National Center for Rural Livelihoods	Is							100.00	400.00	-	-	-	500.00	A.2	
	Partnership with training and Capacity Building Institutions	partnerships	2	3	-	-	-	5	500.00	1,000.00	1,500.00	-	-	-	2,500.00	A.2
	Regional Centers for Excellence on SM, IB,															
	Financial Inclusion and Livelihoods	partnerships	2	3	-	-	-	5	500.00	1,000.00	1,500.00	-	-	-	2,500.00	A.2
	Other demand driven trainings	Is							100.00	100.00	100.00	100.00	100.00	500.00	A.2	
Total									2,200.00	3,500.00	100.00	100.00	100.00	6,000.00		

Table – 28
State Resource Centers

								Unit Cost								
			Quantities					(INR			Base Cost (INR Lakh)					
	Unit	2011	2012	2013	2014	2015	Total	Lakh)	2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																
State Resource Centers, Support to SIRD, etc.	units	7	5	-	-	-	12	500.00	3,500.00	2,500.00	-	-	-	6,000.00	B.1	
District Resource Centres	units	8	10	7	-	-	25	200.00	1,600.00	2,000.00	1,400.00	-	-	5,000.00	B.1	
Community Learning academies, Community Managed Resource centres	units	20	20	10	-	-	50	100.00	2,000.00	2,000.00	1,000.00	-	-	5,000.00	B.1	
Training of State, District and Block Staff	ls								500.00	500.00	500.00	466.00	-	1,966.00	B.1	
Total									7,600.00	7,000.00	2,900.00	466.00	-	17,966.00		

Table 29
State Mission Management Unit (SMMU)

		Quantities						Unit Cost (INR Lakh)	Base Cost (INR Lakh)						
	Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs															
A. State Mission Management Unit (SMMU)															
1. Office Refurbishment /a	SMMUs	12	-	-	-	-	12	50.00	600.00	-	-	-	-	600.00	B.1
2. Office furnitures, fixtures etc /b	SMMUs	12	-	-	-	-	12	50.00	600.00	-	-	-	-	600.00	B.1
3. Office Equipment															
computer desktop /c	SMMUs	12	-	-	-	-	12	8.00	96.00	-	-	-	-	96.00	B.1
Computer laptops /d	SMMUs	12	-	-	-	-	12	11.00	132.00	-	-	-	-	132.00	B.1
Printer cum scanner cum fax machine /e	SMMUs	12	-	-	-	-	12	2.00	24.00	-	-	-	-	24.00	B.1
Photocopier /f	SMMUs	12	-	-	-	-	12	3.00	36.00	-	-	-	-	36.00	B.1
LCD Projector /g	SMMUs	12	-	-	-	-	12	3.00	36.00	-	-	-	-	36.00	B.1
LCD TV /h	SMMUs	12	-	-	-	-	12	1.00	12.00	-	-	-	-	12.00	B.1
Camcorder (handycam DV) /i	SMMUs	12	-	-	-	-	12	0.25	3.00	-	-	-	-	3.00	B.1
IT infrastructures (servers etc.) /j	SMMUs	12	-	-	-	-	12	200.00	2,400.00	-	-	-	-	2,400.00	B.1
Subtotal									2,739.00	-	-	-	-	2,739.00	
4. Vehicles /k	SMMU	12	-	-	-	-	12	27.00	324.00	-	-	-	-	324.00	B.1
Total Investment Costs									4,263.00	-	-	-	-	4,263.00	
II. Recurrent Costs															
A. Staff Costs															
1. Staff Salaries /l															
COO	ersonyear	12	12	12	12	12	60	15.00	180.00	180.00	180.00	180.00	180.00	900.00	B.1
State Project Managers (8 nos per SMMU)	ersonyear	96	96	96	96	96	480	12.00	1,152.00	1,152.00	1,152.00	1,152.00	1,152.00	5,760.00	B.1
Project Managers (6 nos. per SMMU)	ersonyear	72	72	72	72	72	360	9.00	648.00	648.00	648.00	648.00	648.00	3,240.00	B.1
Project Executives 12 nos. per SMMU)	ersonyear	144	144	144	144	144	720	4.80	691.20	691.20	691.20	691.20	691.20	3,456.00	B.1
Young Professionals (8 nos per SMMU)	ersonyear	96	96	96	96	96	480	3.60	345.60	345.60	345.60	345.60	345.60	1,728.00	B.1
Subtotal									3,016.80	3,016.80	3,016.80	3,016.80	3,016.80	15,084.00	
2. Staff Allowances, TA, DA etc /m	SMMU	12	12	12	12	12	60	42.00	504.00	504.00	504.00	504.00	504.00	2,520.00	B.1
Subtotal									3,520.80	3,520.80	3,520.80	3,520.80	3,520.80	17,604.00	
B. Operating Costs															
Office Rent	SMMU	12	12	12	12	12	60	18.00	216.00	216.00	216.00	216.00	216.00	1,080.00	B.1
Office Running Expenses	SMMU	12	12	12	12	12	60	37.00	444.00	444.00	444.00	444.00	444.00	2,220.00	B.1
O&M Expenses	SMMU	12	12	12	12	12	60	4.00	48.00	48.00	48.00	48.00	48.00	240.00	B.1
Miscellaneous expenses	SMMU	12	12	12	12	12	60	6.00	72.00	72.00	72.00	72.00	72.00	360.00	B.1
Subtotal									780.00	780.00	780.00	780.00	780.00	3,900.00	
Total Recurrent Costs									4,300.80	4,300.80	4,300.80	4,300.80	4,300.80	21,504.00	
Total									8,563.80	4,300.80	4,300.80	4,300.80	4,300.80	25,767.00	

a Rs.50 lakhs for each of the 12 SMMUs				
b Rs.50 lakhs for each of the 12 SMMUs				
c Rs.8 lakhs for purchase of desktop computers in each of the 12 SMMUs				
d Rs.11 lakhs for laptop computers in each of the 12 SMMUs				
e Rs. 2 lakh for printer cum scanner cum fax machine in each of the 12 SMMUs				
f Rs. 3 lakhs for purchase of photocopiers in each of the 12 SMMUs				
g Rs. 3 lakhs for purchase of LCD Projector in each of the 12 districts				
h Rs. 1 lakh for purchase of LCD TV in each of the 12 SMMUs				
i Rs. 1 lakh for purchase of camcorder in each of the 12 SMMUs				
j Rs. 2 crores for purchase and installation of IT infrastructure in each of the 12 SMMUs				
k Rs. 27 lakhs towards purchase of vehicles in each of the 12 SMMUs				
l Staff salaries calculated for 12 SMMUs				
m An aggregate of Rs.24 lakhs per SMMU for each of the 12 SMMUs per year				

Table 30
District Mission Management Unit (DMMU)

				Quantities					Unit Cost (INR Lakh)			Base Cost (INR Lakh)					
		Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																	
A. Refurbishment cost		DMMUs	100	-	-	-	-	100	30.00	3,000.00	-	-	-	-	3,000.00	B.1	
B. Office Equipment																	
Desktop Computer /a		DMMUs	600	-	-	-	-	600	0.20	120.00	-	-	-	-	120.00	B.1	
Laptop computers /b		DMMUs	1,000	-	-	-	-	1,000	0.30	300.00	-	-	-	-	300.00	B.1	
Printer-cum-scanner-fax machines		DMMUs	100	-	-	-	-	100	0.40	40.00	-	-	-	-	40.00	B.1	
Photocopier		DMMUs	100	-	-	-	-	100	0.50	50.00	-	-	-	-	50.00	B.1	
LCD Projector		DMMUs	100	-	-	-	-	100	0.60	60.00	-	-	-	-	60.00	B.1	
Digital camera		DMMUs	100	-	-	-	-	100	0.15	15.00	-	-	-	-	15.00	B.1	
Subtotal										585.00	-	-	-	-	585.00		
Total Investment Costs										3,585.00	-	-	-	-	3,585.00		
II. Recurrent Costs																	
A. DMMU Staff Costs																	
1. Staff Salaries																	
Project Director /c		person years	100	100	100	100	100	500	9.00	900.00	900.00	900.00	900.00	900.00	4,500.00	B.1	
Additional Project Director /d		person years	100	100	100	100	100	500	7.20	720.00	720.00	720.00	720.00	720.00	3,600.00	B.1	
District Project Managers (6 nos per DMMU) /e		person years	600	600	600	600	600	3,000	4.20	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	12,600.00	B.1	
Administrative Officer /f		person years	100	100	100	100	100	500	4.20	420.00	420.00	420.00	420.00	420.00	2,100.00	B.1	
Accounts Officer /g		person years	100	100	100	100	100	500	4.20	420.00	420.00	420.00	420.00	420.00	2,100.00	B.1	
Project Assistant - Admin (3 nos per DMMU) /h		person years	300	300	300	300	300	1,500	0.78	234.00	234.00	234.00	234.00	234.00	1,170.00	B.1	
Office Assistants (2 nos per DMMU) /i		person years	300	300	300	300	300	1,500	0.48	144.00	144.00	144.00	144.00	144.00	720.00	B.1	
Subtotal										5,358.00	5,358.00	5,358.00	5,358.00	5,358.00	26,790.00		
2. Allowances, TA, DA etc		DMMUs	100	100	100	100	100	500	8.00	800.00	800.00	800.00	800.00	800.00	4,000.00	B.1	
Subtotal										6,158.00	6,158.00	6,158.00	6,158.00	6,158.00	30,790.00		
B. DMMU office running expenses		Is	100	100	100	100	100	500	6.00	600.00	600.00	600.00	600.00	600.00	3,000.00	B.1	
Total Recurrent Costs										6,758.00	6,758.00	6,758.00	6,758.00	6,758.00	33,790.00		
Total										10,343.00	6,758.00	6,758.00	6,758.00	6,758.00	37,375.00		
a 4 desktop per DMMU																	
b 8 laptops per DMMU																	
c One Project Director for each of the 100 DMMUs																	
d One Additional Project Director for each of the 100 DMMUs																	
e 6 District Project Managers for each of the 100 DMMUs																	
f One Administrative Officer for each of the 100 DMMUs																	
g One Accounts Officer for each of the 100 DMMUs																	
h 2 nos. Project Assistants - Admin for each of the 100 DMMUs																	
i 3 nos. Office Assistants for each of the 100 DMMUs																	

Table 31
Block Mission Management Unit (BMMU)

										Unit Cost (INR Lakh)							
					Quantities						Base Cost (INR Lakh)						
			Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs																	
A. Start up Costs /a																	
	1. Office Refurbishment	BMMU	180	140	80	-	-	-	400	0.25	45.00	35.00	20.00	-	-	100.00	B.2
	2. Office Furniture and fixtures	BMMU	180	140	80	-	-	-	400	0.50	90.00	70.00	40.00	-	-	200.00	B.2
3. Office equipment																	
	Computer desktop /b	BMMUs	180	140	80	-	-	-	400	0.60	108.00	84.00	48.00	-	-	240.00	B.2
	Computer Laptops	BMMUs	180	140	80	-	-	-	400	0.30	54.00	42.00	24.00	-	-	120.00	B.2
	Printer cum scanner cum copier cum fax machines	BMMUs	180	140	80	-	-	-	400	0.18	32.40	25.20	14.40	-	-	72.00	B.2
	Digital Camera	BMMUs	180	140	80	-	-	-	400	0.15	27.00	21.00	12.00	-	-	60.00	B.2
Subtotal											221.40	172.20	98.40	-	-	492.00	
Total Investment Costs											356.40	277.20	158.40	-	-	792.00	
II. Recurrent Costs																	
A. Staff costs																	
1. Staff Salary																	
	Block Program Manager (1 per BMMU)	personyears	180	320	400	400	400	1,700	3.00	540.00	960.00	1,200.00	1,200.00	1,200.00	5,100.00	B.2	
	Block team / Cluster leaders (5 per BMMU)	personyears	900	1,600	2,000	2,000	2,000	8,500	1.44	1,296.00	2,304.00	2,880.00	2,880.00	2,880.00	12,240.00	B.2	
	Livelihood Coordinators (3 nos. per BMMU)	personyears	-	540	960	1,200	1,200	3,900	1.44	-	777.60	1,382.40	1,728.00	1,728.00	5,616.00	B.2	
	Community Coordinators (12 nos. per BMMU)	personyears	2,160	3,840	4,800	4,800	4,800	20,400	0.96	2,073.60	3,686.40	4,608.00	4,608.00	4,608.00	19,584.00	B.2	
	Administrative Assistant	personyears	180	320	400	400	400	1,700	0.60	108.00	192.00	240.00	240.00	240.00	1,020.00	B.2	
	Accounts Assistant	personyears	180	320	400	400	400	1,700	0.96	172.80	307.20	384.00	384.00	384.00	1,632.00	B.2	
Subtotal											4,190.40	8,227.20	10,694.40	11,040.00	11,040.00	45,192.00	
	2. Staff Allowances DA, TA etc	personyears	180	320	400	400	400	1,700	4.00	720.00	1,280.00	1,600.00	1,600.00	1,600.00	6,800.00	B.2	
Subtotal											4,910.40	9,507.20	12,294.40	12,640.00	12,640.00	51,992.00	
B. Operating Costs																	
	Office Rent	BMMUs	180	320	400	400	400	1,700	1.00	180.00	320.00	400.00	400.00	400.00	1,700.00	B.2	
	Office Running cost	BMMUs	180	320	400	400	400	1,700	1.55	279.00	496.00	620.00	620.00	620.00	2,635.00	B.2	
Subtotal											459.00	816.00	1,020.00	1,020.00	1,020.00	4,335.00	
Total Recurrent Costs											5,369.40	10,323.20	13,314.40	13,660.00	13,660.00	56,327.00	
Total											5,725.80	10,600.40	13,472.80	13,660.00	13,660.00	57,119.00	
a Start up investment cost for each of the 400 blocks covered under the project																	
b 2 nos. computer desktops @ Rs. 30,000 per computer																	

Table 32
Institution Building and Capacity Building

									Unit Cost (INR Lakh)								
				Quantities							Base Cost (INR Lakh)						
		Unit	2011	2012	2013	2014	2015	Total	Lakh)	2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																	
A. Community Resource Persons (CRP)		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000	0.03	1,620.00	3,852.00	5,004.00	2,916.00	1,008.00	14,400.00	B.2	
B. Self Help Groups (SHGs) /a																	
1. SHG Start up costs and maintenance /b		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000		135.00	321.00	417.00	243.00	84.00	1,200.00	B.2	
2. SHG Trainings																	
SHG Trainings (all members at village level) /c		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000	0.01	378.00	898.80	1,167.60	680.40	235.20	3,360.00	B.2	
SHG Trainings (2 members at block level) /d		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000		162.00	385.20	500.40	291.60	100.80	1,440.00	B.2	
SHG facilitation and book keepers training etc.		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000	0.01	486.00	1,155.60	1,501.20	874.80	302.40	4,320.00	B.2	
Subtotal										1,026.00	2,439.60	3,169.20	1,846.80	638.40	9,120.00		
3. Exposure visits		SHGs	54,000	1,28,400	1,66,800	97,200	33,600	4,80,000	0.01	270.00	642.00	834.00	486.00	168.00	2,400.00	B.2	
Subtotal										1,431.00	3,402.60	4,420.20	2,575.80	890.40	12,720.00		
C. Village Organizations (VOs)																	
1. VO Start up costs and rentals /e		VOs	1,800	6,800	12,200	11,600	7,600	40,000	0.10	180.00	680.00	1,220.00	1,160.00	760.00	4,000.00	B.2	
2. VO Trainings																	
VO Trainings (all members at village level) /f		VOs	5,400	20,400	36,600	34,800	22,800	1,20,000	0.02	113.40	428.40	768.60	730.80	478.80	2,520.00	B.2	
VO Trainings (3 members at block level) /g		VOs	5,400	20,400	36,600	34,800	22,800	1,20,000	0.02	81.00	306.00	549.00	522.00	342.00	1,800.00	B.2	
VO facilitation and book keepers training etc.		SHGs	1,200	-	-	-	-	1,200	0.01	7.20	-	-	-	-	7.20	B.2	
Subtotal										201.60	734.40	1,317.60	1,252.80	820.80	4,327.20		
3. Exposure visits		VOs	1,800	6,800	12,200	11,600	7,600	40,000	0.02	36.00	136.00	244.00	232.00	152.00	800.00	B.2	
4. Miscellaneous		VOs	5,400	20,400	36,600	34,800	22,800	1,20,000	0.02	81.00	306.00	549.00	522.00	342.00	1,800.00	B.2	
Subtotal										498.60	1,856.40	3,330.60	3,166.80	2,074.80	10,927.20		
D. Block Level Federations (BLF)																	
1. BLF Start Up costs and Rentals		BLF	-	50	270	430	450	1,200	1.00	-	50.00	270.00	430.00	450.00	1,200.00	B.2	
2. BLF Trainings																	
BLF Trainings (All members at block level) /h		BLFs	-	162	837	1,296	1,305	3,600	0.03	-	4.05	20.93	32.40	32.63	90.00	B.2	
BLF Trainings (4 members at district level) /i		BLFs	-	162	837	1,296	1,305	3,600	0.03	-	4.86	25.11	38.88	39.15	108.00	B.2	
BLF Facilitation & book keepers trainings etc /j		BLFs	-	162	837	1,296	1,305	3,600	0.24	-	38.88	200.88	311.04	313.20	864.00	B.2	
Exposure visits (6 members) /k		BLFs	-	162	837	1,296	1,305	3,600	0.14	-	23.33	120.53	186.62	187.92	518.40	B.2	
Subtotal										-	71.12	367.44	568.94	572.90	1,580.40		
Subtotal										-	121.12	637.44	998.94	1,022.90	2,780.40		
E. Other Institution Building Costs		Is								100.00	-	-	-	-	100.00	B.2	
Total										3,649.60	9,232.12	13,392.24	9,657.54	4,996.10	40,927.60		

a	1200 SHGs per block for a total of 400 blocks (480,000 SHGs in total)		
b	A one time start up costs Rs.250 per SHG for each of the 1200 SHGs		
c	SHG training to 7 members per SHG at village level @ Rs.100 per member		
d	SHG training to 2 members per SHG at block level @ Rs.150 per person		
e	A one time start up costs Rs.10,000 per VO		
f	VO training to 5 members per VO at village level @ Rs.300 per member		
g	VO training to 3 members per VO at block level @ Rs.1500 per VO		
h	Training for three years for 7 persons per BLF @ Rs.2500 per BLF		
i	training for 3 years for 3 members per BLF @ Rs.3000 per BLF		
j	training for 3 years for 2 members per BLF @ Rs. 24,000 per BLF		
k	Exposure visit for 6 members per BLF @ Rs.14,400 per BLF		

Table 33
Community Investment Support

									Unit Cost (INR Lakh)							
				Quantities						Base Cost (INR Lakh)						
		Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs																
Livelihood Plans, health security and food security	blocks	-	80	320	-	-	400	300.00	-	24,000.00	96,000.00	-	-	120,000.00	B.3	
Financial Inclusion Intervention /a	blocks	-	80	320	-	-	400	62.00	-	4,960.00	19,840.00	-	-	24,800.00	B.3	
Agriculture Intervention	ls								6,000.00	6,000.00	12,000.00	3,000.00	3,000.00	30,000.00	B.3	
Dairy Interventions	ls								4,000.00	4,000.00	8,000.00	2,000.00	2,000.00	20,000.00	B.3	
Non farm sector interventions	ls								1,000.00	1,000.00	2,000.00	500.00	400.00	4,900.00	B.3	
Total									11,000.00	39,960.00	#####	5,500.00	5,400.00	199,700.00		
/a Financial inclusion will include interventions for financial literacy, credit linkages, e-book keeping etc																

Table 34
Special Programmes

									Unit Cost							
		Quantities							(INR Lakh)	Base Cost (INR Lakh)						
		Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs																
A. Special Initiatives																
Health and Nutrition, Education etc		units	10	10	10	10	10	50	250.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	12,500.00	B.4
Special Purpose Vehicle (Sustainable Agriculture, Health, Education etc		ls								2,000.00	2,000.00	4,000.00	1,000.00	1,000.00	10,000.00	B.4
Subtotal										4,500.00	4,500.00	6,500.00	3,500.00	3,500.00	22,500.00	
B. Impementation in difficult areas		units	10	15	-	-	-	25	900.00	9,000.00	13,500.00	-	-	-	22,500.00	B.4
Total										13,500.00	18,000.00	6,500.00	3,500.00	3,500.00	45,000.00	

Table 35
Innovations and Partnerships

				Quantities					Unit Cost (INR Lakh)		Base Cost (INR Lakh)						Summary Divisions	
		Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component	Expenditure Account	
I. Investment Costs																		
A. Innovation Forums and Action Pilots																		
	Innovation Forums (incl. SE network event)	units	1	3	3	3	3	13	150.00	150.00	450.00	450.00	450.00	450.00	1950.00	C.1	GRANTS	
	Innovation Pilots / Action Research	Units	3	6	5	5	5	24	100.00	300.00	600.00	500.00	500.00	500.00	2400.00	C.1	GRANTS	
	Service Fee to resource agencies & consultants	Is								72.00	204.00	200.00	200.00	200.00	876.00	C.1	CONS	
	Subtotal									522.00	1254.00	1150.00	1150.00	1150.00	5226.00			
B. Social Entrepreneurship Development																		
	Knowledge Platform and Website	Is								40.00	25.00	-	-	-	65.00	C.2	CONS	
	Social Entrepreneurship Development and challenge Fund	units	3	6	6	6	6	27	150.00	450.00	900.00	900.00	900.00	900.00	4050.00	C.2	GRANTS	
	Service Fee to resource agencies & consultants	Is								49.50	136.50	136.50	136.50	136.50	595.50	C.2	CONS	
	Subtotal									539.50	1061.50	1036.50	1036.50	1036.50	4710.50			
C. Public Private Community Partnerships																		
	Guidelines / Partnerships with Public, Coops & Private Sector	units	3	6	12	12	12	45	204.00	612.00	1224.00	2448.00	2448.00	2448.00	9180.00	C.3	GRANTS	
	Service Fee	Is								97.20	186.30	364.50	364.50	364.50	1377.00	C.3	CONS	
	Subtotal									709.20	1410.30	2812.50	2812.50	2812.50	10557.00			
Total																		
										1770.70	3725.80	4999.00	4999.00	4999.00	20493.50			

Table 36
National Mission Management Unit (NMMU)

National Mission Management Unit (NMMU)																
		Quantities							Unit Cost (INR Lakh)	Base Cost (INR Lakh)						
		Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs																
A. Office Refurbishment costs		Is								540.00	-	-	-	-	540.00	D.1
B. Office furniture/fixtures		Is								200.00	-	-	-	-	200.00	D.1
C. Office equipment																
computer Desktop		Is								35.00	-	-	-	-	35.00	D.1
Computer laptops		Is								42.00	-	-	-	-	42.00	D.1
Printer cum scanner cum fax machine		Is								3.00	-	-	-	-	3.00	D.1
Photocopiers		Is								14.00	-	-	-	-	14.00	D.1
LCD Projectors		Is								7.00	-	-	-	-	7.00	D.1
Pico projectors		Is								4.00	-	-	-	-	4.00	D.1
LCD TVs		Is								2.00	-	-	-	-	2.00	D.1
Camcorders (handycam DV)		Is								100	-	-	-	-	100	D.1
Digital camera		Is								100	-	-	-	-	100	D.1
Subtotal										109.00	-	-	-	-	109.00	
D. IT Infrastructure		Is								500.00	1460.00	-	-	-	1960.00	D.1
E. Vehicles		Is								42.00	-	-	-	-	42.00	D.1
F. Consultancies																
Management Agency		Is								215.00	215.00	215.00	215.00	215.00	1075.00	D.1
HR Agency		Is								25.00	20.00	5.00	-	-	50.00	D.1
Subtotal										240.00	235.00	220.00	215.00	215.00	1125.00	
G. Project Supervision Costs		Is								80.00	80.00	80.00	80.00	80.00	400.00	D.1
Total Investment Costs										1711.00	1775.00	300.00	295.00	295.00	4376.00	
II. Recurrent Costs																
A. Staff Costs																
1. Staff Salaries																
COO		personyears	1	1	1	1	1	5	18.00	18.00	18.00	18.00	18.00	18.00	90.00	D.1
National Mission Managers (12 nos.)		personyears	12	12	12	12	12	60	15.00	180.00	180.00	180.00	180.00	180.00	900.00	D.1
Mission Managers (8 nos.)		personyears	8	8	8	8	8	40	12.00	96.00	96.00	96.00	96.00	96.00	480.00	D.1
Project Executives (8 nos.)		personyears	8	8	8	8	8	40	7.20	57.60	57.60	57.60	57.60	57.60	288.00	D.1
Young Professionals (12 nos.)		personyears	12	12	12	12	12	60	4.80	57.60	57.60	57.60	57.60	57.60	288.00	D.1
Admin. Officers (2 nos.)		person years	2	2	2	2	2	10	15.00	30.00	30.00	30.00	30.00	30.00	150.00	D.1
Accounts Officers (3 nos.)		person years	3	3	3	3	3	15	12.00	36.00	36.00	36.00	36.00	36.00	180.00	D.1
Project secretaries (15 nos.)		personyears	15	15	15	15	15	75	4.20	63.00	63.00	63.00	63.00	63.00	315.00	D.1
Office Assistants (20 nos.)		personyears	20	20	20	20	20	100	3.00	60.00	60.00	60.00	60.00	60.00	300.00	D.1
Receptionist		personyears	1	1	1	1	1	5	3.00	3.00	3.00	3.00	3.00	3.00	15.00	D.1
Drivers (5 nos.)		personyears	5	5	5	5	5	25	2.40	12.00	12.00	12.00	12.00	12.00	60.00	D.1
Other staff (5 nos.)		personyears	5	5	5	5	5	25	1.20	6.00	6.00	6.00	6.00	6.00	30.00	D.1
Subtotal										619.20	619.20	619.20	619.20	619.20	3096.00	
2. Staff Allowances TA / DA etc.		Is								200.00	200.00	200.00	200.00	200.00	1000.00	D.1
Subtotal										819.20	819.20	819.20	819.20	819.20	4096.00	
B. Operating Costs																
Office lease		Is								60.00	60.00	60.00	60.00	60.00	300.00	D.1
Office Rent		Is								60.00	60.00	60.00	60.00	60.00	300.00	D.1
Office running costs		Is								162.00	162.00	162.00	162.00	162.00	810.00	D.1
Equipment O&M		Is								115.00	115.00	115.00	115.00	115.00	575.00	D.1
Vehicle O&M		Is								50.00	50.00	50.00	50.00	50.00	250.00	D.1
Subtotal										447.00	447.00	447.00	447.00	447.00	2235.00	
Total Recurrent Costs										1266.20	1266.20	1266.20	1266.20	1266.20	6331.00	
Total										2977.20	3041.20	1566.20	1561.20	1561.20	10707.00	

Table 37
IT based MIS for Decision Support System

								Unit Cost							
				Quantities				(INR		Base Cost (INR Lakh)					
	Unit	2011	2012	2013	2014	2015	Total	Lakh)	2011	2012	2013	2014	2015	Total	Component
I. Investment Costs															
Project Management Agency (Tech. Support)	Is								250.00	200.00	-	-	-	450.00	D.3
MIS Implementation Agency	Is								1,000.00	1,000.00	-	-	-	2,000.00	D.3
IT Infrastructure, Websites and portals	units	-	25	-	-	-	25	313.00	-	7,825.00	-	-	-	7,825.00	D.3
Total									1,250.00	9,025.00	-	-	-	10,275.00	

Table 38
Monitoring and Evaluation

								Unit Cost							
				Quantities				(INR		Base Cost (INR Lakh)					
	Unit	2011	2012	2013	2014	2015	Total	Lakh)	2011	2012	2013	2014	2015	Total	Component
I. Investment Costs															
Monitoring and Evaluation System	Is								5,000.00	2,000.00	2,000.00	500.00	500.00	10,000.00	D.2
Total									5,000.00	2,000.00	2,000.00	500.00	500.00	10,000.00	

Table 39
Governance and Accountability

Governance and Accountability															
								Unit Cost (INR Lakh)							
		Quantities							Base Cost (INR Lakh)						
	Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component
I. Investment Costs															
Governance and Accountability	Is								1201.00	1941.00	-	-	-	3,142.00	D.4
Total									1201.00	1941.00	-	-	-	3,142.00	

Table 40
Knowledge Management and Communication

								Unit Cost (INR Lakh)								
		Quantities							Base Cost (INR Lakh)							
	Unit	2011	2012	2013	2014	2015	Total		2011	2012	2013	2014	2015	Total	Component	
I. Investment Costs																
Knowledge Management and Communication	Is								1420.00	1420.00	1420.00	1420.00	1420.00	7,100.00	D.5	
Total									1420.00	1420.00	1420.00	1420.00	1420.00	7,100.00		

Annex 1

NATIONAL RURAL LIVELIHOODS PROJECT

NATIONAL

FINANCIAL MANAGEMENT MANUAL

PART I A

OVERALL NRLP FM MANUAL

23 March, 2011

National Rural Livelihood Mission

Ministry of Rural Development

Government of India

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Abbreviations

AWP	Annual Work Plan
BLF	Block Level Federations
BMMU	Block Mission Management Unit
CAAA	Controller of Aid accounts and Audit
C&AG	Comptroller and Auditor General
CGA	Controller General of Accounts
CPSMS	Central Plan Scheme Monitoring System
COM	Community Operational Manual
CSS	Centrally Sponsored Scheme
DMM	District Mission Manager
DMMU	District Mission Management Unit
DRDA	District Rural Development Agency
DS	Deputy Secretary
EC	Empowered Committee
ECS	Electronic Clearing System
FM	Financial Management
FMM	Financial Management Manual
GB	Governing Body
ICT	Information and Communication Technology
IUFR	Interim Unaudited Financial Reports
JS	Joint Secretary
MDG	Millennium Development Goals
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIS	Management Information System
NIRD	National Institute of Rural Development
MoRD	Ministry of Rural Development
MoU	Memorandum of Understanding

NMMU	National Mission Management Unit
NRLM	National Rural Livelihoods Mission
PAD	Project Appraisal Document
PAO	Pay and Accounts Office
PFT	Project Facilitation Team
PIP	Project Implementation Plan
RBI	Reserve Bank of India
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self Help Group
SIRD	State Institute of Rural Development
SMD	State Mission Director
ToR	Terms of Reference
VO	Village Organisation

Glossary of Key Words Used in Manual

“Accounting Year”, “Year”, or “Financial Year” means the year commencing on 1st of April and ending on 31st of March.

“DMMU” means District Mission Management Unit responsible for facilitating, implementing, coordinating and monitoring the Project at the State level.

“Federation” means a group comprised of poor rural households, duly established under the laws of a Participating State, managed by an executive committee elected by said group, which may receive an Investment Support under Part B of the Project.

“Federation Grant Agreement” means the grant agreement entered into between a Participating State and a Beneficiary Institution.

“Federation Livelihood Plan” means a plan of Federation livelihood activities, prepared by a Beneficiary Institution and approved by the relevant Participating State, which consists, *inter alia*, of an aggregation of household investment plans for financing the purchase of goods, works and services needed to create assets, generate household income, develop technical skills, access educational and health services and meet specific household consumption needs.

“MOU” means Memorandum of Understanding, which contains the terms and conditions between the Ministry of Rural Development and States

“NMMU” means National Mission Management Unit created by Ministry of Rural Development for facilitating, implementing, coordinating and monitoring Project activities at National level.

“Project” means National Rural Livelihoods Project (NRLP)

“PIP” means Project Implementation Plan, including action plans, procedures and criteria for implementation of Project.

“SMMU” means State Mission Management Unit responsible for facilitating, implementing, coordinating and monitoring the Project at the State level.

“SPIP” means each Participating State’s operations manual, which provides state level guidance in respect of the Project, including procedures and criteria for the selection, appraisal and implementation of Federation Livelihood Plans, including the relevant audit requirements for each of the Participating States (as necessary).

INTRODUCTION TO MANUAL

This manual has been prepared for National Rural Livelihoods Project (NRLP). NRLP will be implemented by Ministry of Rural Development at national level and State Rural Development departments in states which will participate in the project. NRLP will be funded by the Government of India and the World Bank.

PURPOSE OF THE MANUAL

The prime objective of preparing this manual is to document FM procedures applicable at all levels in the project and bring in uniformity in Financial Management arrangements, such as accounting, financial reporting, audit etc.

STRUCTURE AND SCOPE OF MANUAL

This manual is divided into 3 parts:

PART I National Financial Management Manual

PART I A FINANCIAL MANAGEMENT FRAME WORK

- Overview of NRLP
- Summary of Financial Management Arrangements of NRLP
- Chapters on Details of Financial Management Arrangements of NRLP
- Toolkit for Financial Management Assessment of participating states

PART I B: MORD Financial Management Arrangements

- FM procedures applicable at MORD for NRLP

Part II Template for State Financial Management Manual for NRLP

- Key Financial Management Procedures applicable at State Level
- Guidance for developing detailed state level FM Manual

Part III Community Level Financial Management Manual for NRLP

- Template for participating states to develop a community level Financial Management Manual for NRLP at state level

RESPONSIBILITY OF National Mission Management Unit, MORD

The Manual shall be maintained by the head of Finance unit of National Mission Management Unit of MORD and will be made available to audit/inspecting agencies for guidance.

AMENDMENTS TO MANUAL

- The procedures of Financial Manual are mandatory and deviations are not allowed.
- Any change in the manual can be carried out only by NMMU, MORD in consultation with the World Bank.
- Any request for amendments based on implementation experience of NRLP should be directed to head of NMMU, MORD.
- All amendments to manual:
 - Should be circulated to all states for onward circulation to districts and other implementing units
 - Clearly state the paragraph(s) and lines replaced/added
 - Be serially numbered for control and easy reference
 - Mention the date from which amendments will be effective
 - Be annexed to the manual with a cross-reference at appropriate places in the Manual.

DISCLOSURE OF MANUAL

The Manual and all subsequent amendment will be displayed on the website of NRLP at national level.

OTHER RELATED PROJECT DOCUMENTS

Other related key documents which may be referred to along with this Finance Manual are:

- Project Appraisal Document (PAD)
- Project Implementation Plan (PIP)
- Procurement Manual (PM)
- Legal Agreements between the World Bank and the GoI for NRLP
- Memorandum of Understanding (MoU) between MORD and State governments
- NRLM Mission Document
- NRLM Framework of Implementation

CHAPTER 1

DESCRIPTION OF PROJECT

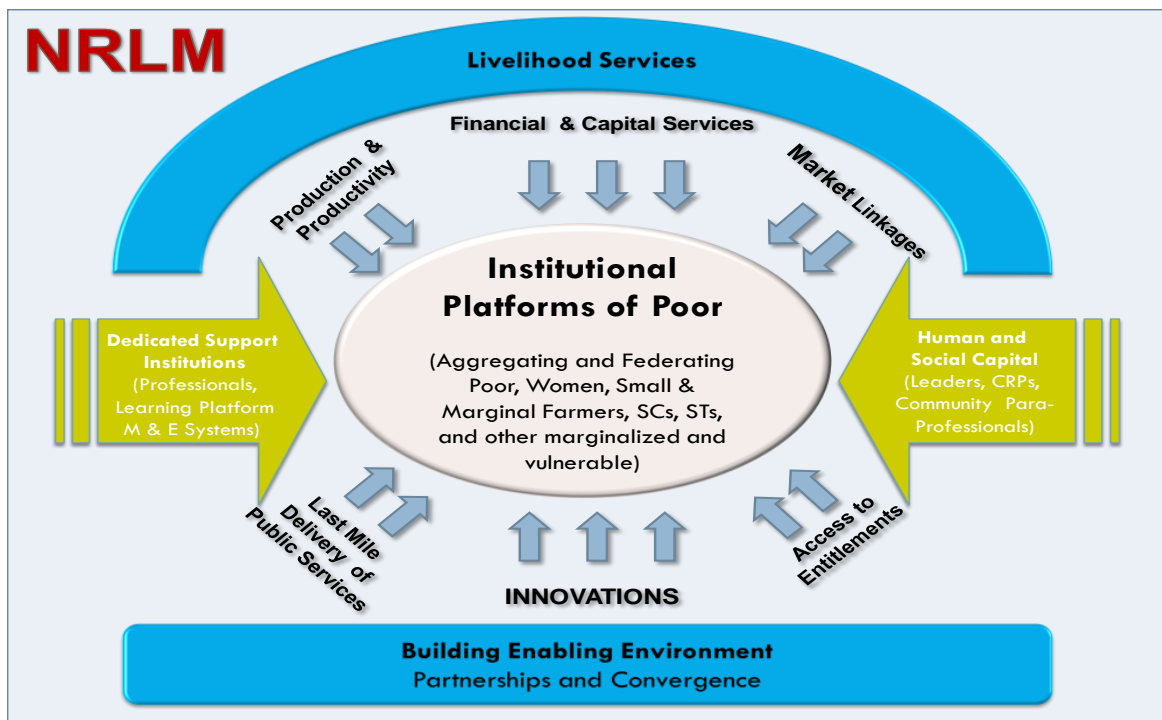
This chapter covers two sections:

Section A Background of NRLM

Section B Description of National Rural Livelihoods Project (NRLP)

A Background of National Rural Livelihoods Mission (NRLM)

The Union Cabinet, Government of India approved establishment of National Rural Livelihoods Mission (NRLM) on June 24, 2010 and mandated the newly established mission with the task of adopting a comprehensive 'livelihoods approach' to reduce rural poverty.



**Diagram: National Rural Livelihoods Mission
Resource Allocation by Government of India**

In a significant departure from earlier programmes, NRLM proposes a strategic shift in financial resource allocations by the Government of India, from a 'population and entitlement –based approach' to a 'demand-driven approach,' wherein financial and technical support would be provided to states on the basis of poverty reduction strategies and time-bound action plans linked to specific outcomes.

Funding Pattern of NRLM for States

NRLM is a Centrally Sponsored Scheme and the financing of the program would be shared between the Centre and the States in the ratio of 75:25 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs). The Central allocation earmarked for the States would broadly be distributed in relation to the incidence of poverty in the States. A phased implementation approach is adopted in NRLM. NRLM would reach all districts and blocks by the end of 12th Five-year Plan.

Transition to NRLM

NRLM will not roll out simultaneously in all the selected states, as there are preconditions to funding. The phasing of the NRLP during the project period will follow a systematic strategy of preparedness by the states to implement NRLP. In order to transit successfully to NRLM, a state is required to:

- a. Set up dedicated program implementation structure in the form of SRLM;
- b. Trained professionals to manage and implement NRLM activities are in place; and
- c. State has prepared poverty reduction plan reflecting the local context.

B National Rural Livelihoods Project (NRLP)

The proposed National Rural Livelihoods Project (NRLP) will enable MoRD to increase effectiveness and results from a US\$2.2 billion public investment in NRLM for the two years of Eleventh Five Year Plan and the expected US\$5.5 billion for the Twelfth Five Year Plan (roughly US\$7.7 billion in total). The support to MoRD is for professionalizing the overall program management and moving towards a results-based approach throughout the country. The investment support would enable MoRD to launch the NRLM in the 12 states which account for 85 per cent of the rural poor households in India in an intensive manner. T

The proposed NRLP intends to support systemic reform and transformation of MoRD from focusing on allocation, disbursement, and monitoring of central government resources, to one of providing quality technical assistance to states implementing the NRLM.

There is a radical role transformation of the Ministry of Rural Development, GOI from just an allocation, disbursement, and monitoring of GOI resources body to one of providing quality technical assistance to the states for implementing NRLM. The role transformation of the MORD is shown in the Table below:

TABLE: ROLE TRANSFORMATION OF MORD

Role of MoRD under SGSY	Role of MoRD under NRLM
Expenditure focused scheme management reduced the role of MoRD to that of fund allocation agency and monitoring of disbursements	Results focused mission management with particular emphasis on enhancing institutional capacities of delivery system and building institutional platforms of the poor at the grassroots to ensure reach of all program benefits to all their members
Direct interface with district level entities on implementation strategies driven with little role for the state Governments	States will play lead role in developing poverty reduction strategies and creating a dedicated support structure up to the community levels. MoRD providing high quality technical assistance to States and other partner agencies.
Entitlement-based fund allocation made on year on year basis to the districts determined by the poverty ratio of the states	Program based financing with commitment beyond one year by subscribing to the mutually agreed results in perspective plans prepared by the States.
Program planning restricted to financial allocations under SGSY distributed thinly across the districts/blocks. Credit mobilization plans restricted to subsidy allotments for year.	Leverage model of NRLM places emphasis on convergence with other Government programmes for the poor and formal financial institutions as primary source of investment.
Implementing SGSY as a scheme run only through the state system	NRLM envisages multi-stakeholder engagement particularly positioning itself as promoter and incubator for innovators, social entrepreneurs and private enterprise.
Input monitoring against physical and financial targets	Evidence based monitoring and policy impact analysis

DEVELOPMENT OBJECTIVE OF PROJECT

The development objective of the proposed project is *to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services.*

The activities to be supported under the proposed NRLP intend to achieve the following **key outcomes**:

- a) Enhance effectiveness of public expenditure on NRLM
- b) Leverage resources for the poor
- c) Increase access to other government programmes

PROJECT APPROACH

The NRLM will be pivot of all poverty reduction efforts in the country. The mission will have strong 'results orientation' and in a significant departure from conventional program management, it has proposed the following:

- a) Providing **high quality technical assistance to the states** to enhance their program implementation capacities to reach mission goals in an effective manner
- b) Shifting from entitlement and allocation based strategies to a **demand driven strategy** that enables the states to determine poverty reduction priorities and formulate own plans
- c) Bringing time perspective in program planning with focus on **targets, outcomes and time bound results achievement** as opposed to the current year on year planning effort driven by expenditure targets
- d) **Continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor**, including those emerging in the organized sector,
- e) Introducing **innovations and incubating alternate models for program delivery** in the last mile
- f) Creating **knowledge and learning platforms** that bring together good practices and facilitate cross learning

PROJECT BENEFICIARIES

The proposed National Rural Livelihoods Project (NRLP) intends to support the overall launch of the activities of the NRLM, including specific additional investments for twelve states that have the highest number of absolute poor and poverty rates in India (currently six states have WB-financed rural livelihood projects). These 12 states account for almost 85% of the poor in India.

The **NRLP** will target approximately 24 million rural poor (about 4.8 million households) in approximately **100 districts (roughly 400 blocks) of the 12 states**.

MORD will reach all remaining rural poor throughout the country through its own resources using the institutions created and/or supported by the NRLP at the national and state level.

PROJECT AREA AND SCOPE

The project will be implemented in 12 high poverty states accounting of 85 per cent of the poor in the country. Out of these, **intensive livelihood investments will be made in 100 districts and 400 blocks**.

The states to be covered under NRLP are described in the table placed below:

TABLE: States to be covered under NRLP

States with on-going/closed livelihoods projects supported by the World Bank	Bihar Chhattisgarh Madhya Pradesh Orissa Rajasthan Tamil Nadu
Other States	Gujarat Jharkhand Karnataka Maharashtra Uttar Pradesh West Bengal

CRITERIA FOR SELECTION OF BLOCKS AND DISTRICTS

The broad criteria for the selection of districts and blocks for intensive livelihood investment support include:

- High poverty incidence
- Representation to different socio-economic regions of the state;
- Status of social mobilization of vulnerable and marginalized communities
- Areas affected by conflict; and
- Availability of social capital generated by successful livelihood programmes in the nearby areas.

However, **NRLP will not be implemented in the same blocks as the on-going WB-financed state livelihood projects to ensure that there is no risk in duplication of financing.**

The distribution of the districts and blocks will be identified by the states in consultation with MoRD and presented in their respective plans.

Particulars	Number
--------------------	---------------

National unit	1
States covered	12
Districts covered	100
Blocks covered	400
Number of poor HH mobilized (million)	4.8
Number of poor covered (million)	24

PHASING OF NRLP

It is not envisaged that the NRLP will roll out simultaneously in all the selected states, as there are **preconditions to funding**. The phasing of the NRLP during the project period will follow a systematic **strategy of preparedness by the states** to implement NRLP.

In the **first year of the project**, the project will strengthen the professional team at NMMU and build its capacities for providing high quality technical support to all States. During this time, it will also institutionalize mechanisms and standard operating procedures for appraisal and approval of state plans and establish nationwide system of monitoring and learning, financial management and procurement management.

The phasing of the project at the state level is largely contingent on **the readiness of the states** viewed in terms of having in place professionally managed implementation structures and formulating high quality state perspective and implementation plan (SPIP). About **five of these states have developed this capacity** as they are implementing the large scale state level livelihood programmes. The project will help them to align with the NRLM and expand their coverage to new areas.

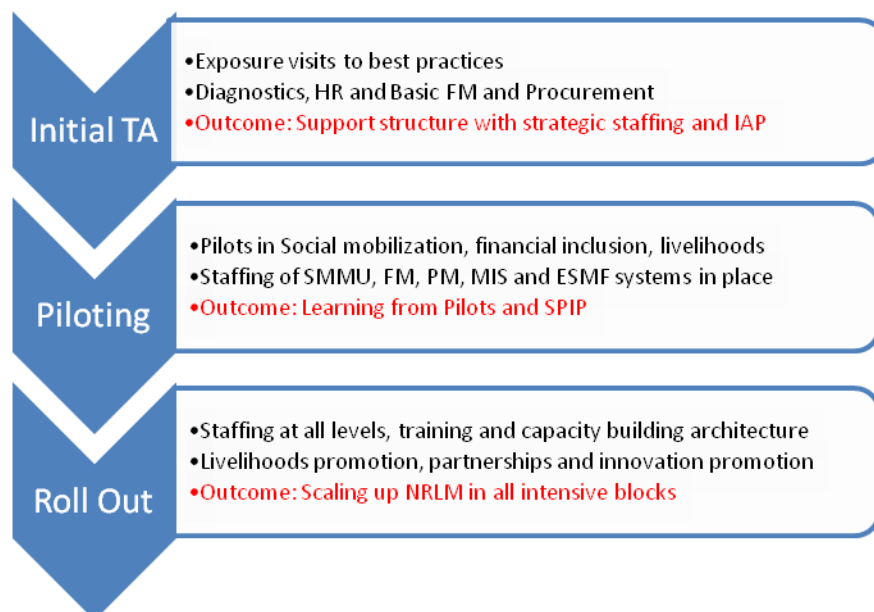
In the **remaining seven new states**, NMMU will extend **technical assistance in the first year** to help them develop and implement Initial Action Plan (IAP) which will enable them to:

- Set up State Rural Livelihood Missions (**SRLM**) and fully staffed State Mission Management Units (**SMMU**)
- Undertake **poverty diagnostics** and launch field pilots
- Formulate of state perspective and implementation plans (**SPIP**) for poverty reduction.

It is anticipated that all the seven states that have received technical assistance and have launched field pilots in the first year will roll out the project activities from second year onwards. The year-wise phasing and coverage of the districts and blocks is given below:

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
States Covered	5	12	12	12	12

Districts Covered	32	64	100	100	100
Blocks Covered	128	256	400	400	400



PROJECT COST SUMMARY

TABLE: TOTAL PROJECT COST

(In US Dollars Millions)

Particulars	Govt. of India	IDA (World Bank)	Total
National Rural Livelihood Project	168.5	1000	1168.5
Percentage (%)	14.6%	85.4%	100%

PROJECT COMPONENTS

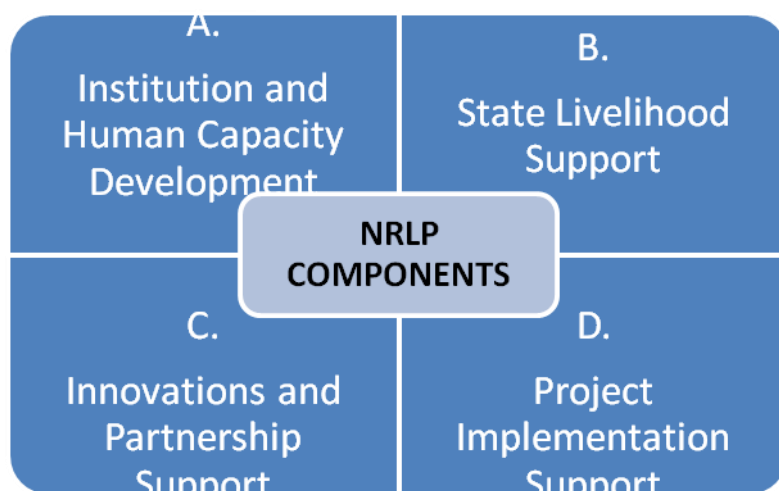


Diagram: NRLP COMPONENTS

With the exception of Component B that will be implemented in the 12 targeted states, the remaining components will provide support at the national level to enable the smooth rollout of the NRLM throughout the country.

Component A: Institution and Human Capacity Development

The **objective** of this component is to transform the role of MoRD into a provider of high quality technical assistance in the field of rural livelihoods promotion. This component will finance primarily staff, technical assistance consultancies, and training and related course material. **Support under this component will be for all states.**

To achieve the objective of this component, the proposed project intends to support the following activities:

- a) *Technical Assistance (TA)*: Establish teams of high quality professionals to provide TA to the states in various thematic areas. This team will provide continuous support to state governments in the implementation of the NRLM and related activities in the rural development sector.
- b) *Human Resource Development*: support development of partnerships with well-established training and research institutions in the field of rural development throughout India that can deliver focused training programmes for successful implementation of the NRLM and related activities in the rural development sector. The activities supported will include curriculum development, design and conduct of training programmes including e-learning and distance learning. Under this feasibility of establishment of a National Center for Rural Livelihoods will also be explored.

Component B: State Livelihood Support

The **objective** of this component is to support state governments in the establishment of the necessary institutional structures and mechanisms for the implementation of NRLM activities from the state to the block level, including support to the formation of institutions of the rural poor.

The extent of financing to each state will depend on the basis of state-specific needs as detailed in their respective State Prospective and Implementation Plans (SPIP) which will be jointly reviewed and appraised by the MoRD and the WB prior to the financing of any activities.

This component will finance livelihood grants to the poor rural households (i.e. SHGs/federations) to undertake productive livelihood activities as detailed in their livelihood plans, technical assistance consultancies, training and related material, office equipment, and operational costs at the state level and below.

To achieve the objective of this component, the proposed project intends to support the following activities:

- a) *State Rural Livelihoods Missions (SRLM)*: support the formation of an autonomous and professionally managed mission at the state-level for the implementation of the NRLM comprising of a multi-disciplinary team. In addition, the SRLM would establish implementing entities at the district level comprising of multidisciplinary teams.
- b) *Institution Building and Capacity Building*: support the identification, selection, and mobilization of poor rural households into self-managed institutions, such as Self Help Groups (SHGs) and their federations. This would also include providing capacity building and training activities for SHG members and federations in livelihood activities, bookkeeping, financial literacy, and business education, among others. Teams of livelihood professionals trained in participatory methodologies and community facilitation will be set up at the block/sub-block level.
- c) *Community Investment Support*: provide livelihood grants to the institutions of the poor to enable them to undertake productive livelihood enhancing initiatives. In addition, the NRLP would facilitate the establishment of higher level producer institutions, producer groups, collectives, and/or companies.
- d) *Special Programmes*: support for pilot activities that have potential for scaling-up and replication such as last mile delivery of public services including health and nutrition, implementing activities in high-conflict areas in partnership with civil society organizations, green opportunities, climate change-related activities, value-chain development, using new technologies for financial inclusion, among others. Activities under special programmes will cover all States, including those States that are not directly participating in the NRLP.

Component C: Innovation and Partnership Support

The **objective** of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. Support under this component will be for all states.

This component will finance pilot initiatives and technical assistance consultancies that support innovative livelihoods activities in agriculture, livestock, youth employment, among others, for rural poor households. **Support under this component will be for all states.**

To achieve the objective of this component, the proposed project intends to support the following activities:

- a) *Innovation Forums and Action Pilots*: support selected innovations identified through development marketplace-type forums that have the potential to be scaled-up in a viable manner in partnership with development foundations.
- b) *Social Entrepreneurship Development*: support the development of a network of grassroots innovators and social entrepreneurs, identified through a competitive process, at state and national level.
- c) *Public-Private-Community-Partnership*: develop and support effective partnerships with the private sector, foundations public corporations, and civil society organizations on livelihoods development for the rural poor throughout India. These could include ICT, agribusiness, financial inclusion, and youth employment, among others. Process and procedures for identification, and partnering with NGOs and Social Entrepreneurs under this component will follow the Innovation and Partnership Development Guidelines agreed with the Project.

Component D. Project Implementation Support

The **objective** of this component is to strengthen the National Mission Management Unit for effective project management at the national level that develops key systems and processes for coordination and management of the proposed project and the NRLM.

Given that the NRLP, and more importantly the NRLM, will be implemented across India, there are substantial managerial requirements which are critical to ensure the satisfactory implementation of both the NRLP and NRLM. In this regard, a dedicated National Mission Management Unit (NMMU) has been established under the MoRD.

This component will finance technical assistance consultancies, training and related material, office equipment, MIS development, and operational costs. **Support under this component will be for all states.**

To achieve the objective of this component, the proposed project intends to support the following activities:

- a) *National Mission Management Unit (NMMU)*: strengthen the various functions of the NMMU to be able to manage, deliver and support all aspects of not only the NRLP, but also the NRLM.
- b) *Monitoring and Evaluation* - A comprehensive and robust monitoring and evaluation system will be established to track implementation progress of NRLP/NRLM and provide meaningful reports on household level impacts and implementation experiences. This will enable MoRD and state governments to take corrective actions, if necessary.
- c) *Electronic National Rural Livelihoods Management System (e-NRLMS) and ICT*: The objective of this sub-component is to design, develop and roll out electronic National Rural Livelihoods Management System (e-NRLMS) using state of the art IT platform

for hosting and delivering variety of project services like management information system (MIS), decision support systems (DSS), financial management system (FMS), etc. This digital grid connecting village to the national level will be Aadhar (UID) compliant and will be leveraged to deliver ICT based services to rural poor households in the last mile.

- d) *Governance and Accountability Framework*: the NRLP would support the development and roll-out of a user friendly and highly responsive governance and accountability mechanism.
- e) *Knowledge Management and Communication*: The project will invest in a variety of products and services to enhance the generation and use of knowledge and communications as a key tool for enhancing the quality of the program.

PROJECT BUDGET

TABLE: NRLP: Project Cost Summary by Components and Financiers

Component / Sub component	(US\$ Million)		
	IDA	Gol	Total
A. Institutional and Human Capacity Building- Nation-wide Support			
A.1 Technical Assistance	46.5	-	46.5
A.2 Human Resource Development	13.8	-	13.8
Subtotal	60.3	-	60.3
B. State Livelihoods Support – Support to 12 States			
B.1 State Rural Livelihoods Missions (SRLM)	193.5	-	193.5
B.2 Institution Building and Capacity Building	179.3	59.7	239.0
B.3 Community Investment Support	326.3	108.8	435.1
B.4 Special Programmes	98.0	-	98.0
Subtotal	797.1	168.5	965.6
C. Innovations and Partnership Support - Nation-wide Support			
C.1 Innovation Forums and Action Pilots	11.6	-	11.6
C.2 Social Entrepreneurship Development	10.5	-	10.5
C.3 Public Private Community Partnerships	23.4	-	23.4
Subtotal	45.5	-	45.5
D. Project Implementation Support - Nation-wide Support			
D.1 National Mission Management Unit (NMMU)	21.1	-	21.1
D.2 Monitoring and Evaluation	23.2	-	23.2
D.3 Electronic National Rural Livelihoods Mgmt. System (e-NRLMS)	28.3	-	28.3
D.4 Governance and Accountability Framework	7.2	-	7.2
D.5 Knowledge Management and Communication	17.3	-	17.3
Subtotal	97.1	-	97.1
Total Project Costs	1,000.0	168.5	1168.5
NRLM- Costs – covering geographic costs not under the NRLP	-	7529.0	7529.0

Total NRLP and NRLM – nation-wide costs	1,000.0	7,700.0	8,700.0
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INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS OF NRLP

Sensitive and dedicated support structures will be established at the **National, State, district and sub-district levels.**

Please refer to the following diagram for structure of NRLP.

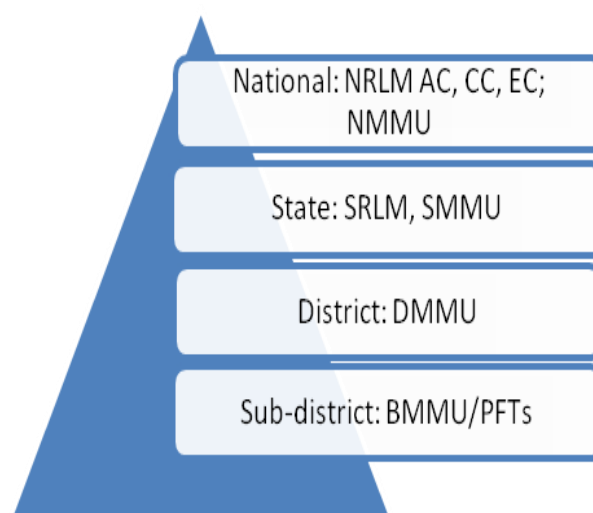


Diagram: Implementation Structure of NRLP

I National Level Implementation Arrangements for NRLP

The key functions of central level committees at national level are summarized in the following Table:

TABLE: National Level Committees for NRLM

Committee	Chaired By	Key Functions
Advisory Committee of NRLM (AC)	Union Minister of Rural Development	<ul style="list-style-type: none">▪ Providing overall vision for NRLM▪ Providing direction and setting priorities for NRLM▪ Policy guidance on poverty reduction and livelihoods enhancement of the poor▪ Review progress of activities and provide strategic support for program implementation▪ Advocacy
NRLM Empowered Committee (NRLM-EC)	Secretary, Rural Development, Government of India	<ul style="list-style-type: none">• Approve the State Perspective and Implementation Plans• Approve the Annual Action Plans prepared by the States and review the progress of their implementation• Approve release of funds to SRLMs

National Mission Management Unit (NMMU)

The NMMU has been established in MORD at New Delhi as an effective project management unit with key systems for coordination and management. The NMMU will provide leadership to the whole program implementation and creating a facilitating environment for the performance of state level rural livelihoods mission.

The Joint Secretary/Additional Secretary, NRLM, Ministry of Rural Development would lead the Mission at the National Level assisted by the NRLM Division. The NMMU is comprised of a combination of staff and consultants to perform different functions such as project management, various technical specialists, M&E, planning, appraisal and monitoring of the project in participating states.

The main role of NMMU will be to establish and oversee structures and processes for:

- Policy Formulation,
- Project/Operations and Financial Management,
- Planning and Appraisal,
- Knowledge Management and Communication,
- Capacity Building and Training,
- Monitoring, Learning, Evaluation and Information Management, and most important
- Technical Assistance (TA) to States in rolling out the program.

The NMMU is divided into three functional units: (i) Thematic Support Unit, (ii) Technical Assistance Unit and (iii) Program Management Unit.

Program Management Unit

Program Management Unit will look after the operational dimensions of the NRLM such as fiduciary functions of finance and procurement, administration, state funding appraisal process, monitoring and evaluation and human resource development.

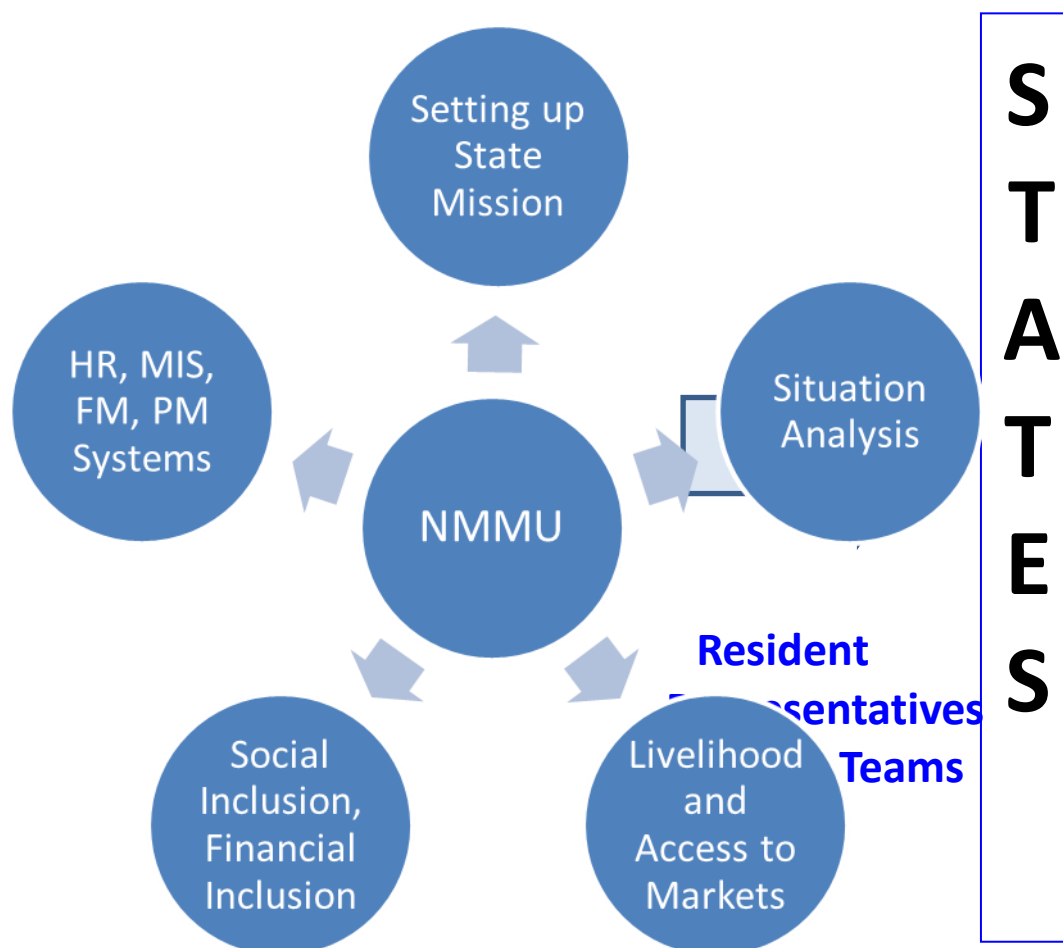


Diagram: TA to States

Technical Assistance Unit

Technical Assistance unit will have state level resident representatives and spearhead teams which will support states in establishing of State level Livelihood Mission structures and program implementation at the ground level.

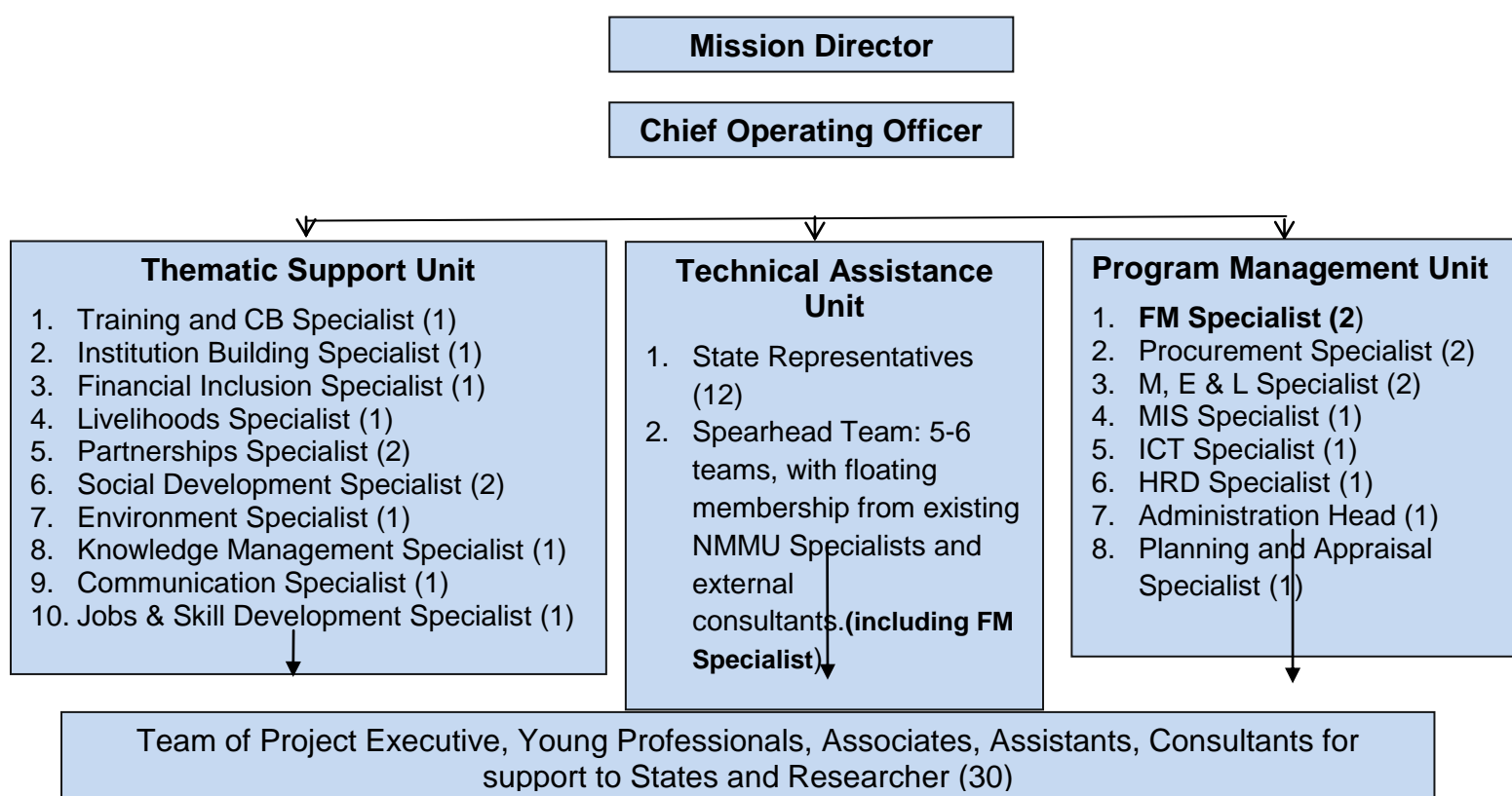


Diagram: National Mission Management Unit – Implementation Structure

II State Level Implementation Arrangements for NRLP

State Level

States will be required to create separate autonomous implementation structures as State Rural Livelihood Missions (SRLMs) with multi-stakeholder governance mechanisms.

Governing Body

The Governing Body (GB) and the Executive Committee (EC) of SRLM will provide guidance and advice in all aspects of planning and implementation. The Governing Body with the Principal Secretary/Secretary, Rural Development as its Member-secretary/Convener, would be chaired, preferably, by the Chief Minister or the Chief Secretary.

Executive Committee

The Executive Committee would be chaired, preferably, by the Chief Secretary/Development Commissioner with the Principal Secretary, Rural Development as Vice-chairperson and the State Mission Director as convener.

State Mission Management Unit (SMMU)

The State Mission Management Unit (SMMU) of the State Rural Livelihoods Missions (SRLM), has or will be constituted by state governments for the implementation of NRLP activities. SRLM would implement the NRLM activities in the state through an SMMU, at the state level, headed by a full-time State Mission Director (SMD). The major responsibilities of the SMMU include:

- a) Lead all NRLM activities in the state
- b) Drafting policies and implementation guidelines of the mission at the state level
- c) Handholding support to district and sub-district implementation/support structures
- d) Ensuring quality implementation of different components/thematic interventions
- e) Managing convergence and partnerships

Support Structures at the District Level

District and Block Level

SRLM will set-up District Mission Management Unit (DMMU) and Block Mission Management Unit (BMMU) for meeting NRLM objectives and implementing NRLM activities in the district and sub-districts. Suitable linkages with DRDAs would be explored during implementation after undertaking a capacity assessment.

The DMMU and BMMU will:

- Facilitate and support units for field structures
- Interface and forge convergence with District/Block Administration and line departments, banks, NGOs and corporate agencies.

Community Level

SHG Federations and SHGs will be the main community level institutes.

NRLP ROLES

The diagram below summarises respective roles of the centre, states and blocks in NRLP.

Key responsibilities of NMMU include building capacity of states for implementing NRLP, providing funds for the project and overall project management.

Key responsibilities for SMMUs include planning and implementation of NRLP activities at state level, including setting up infrastructure at block level for NRLP.

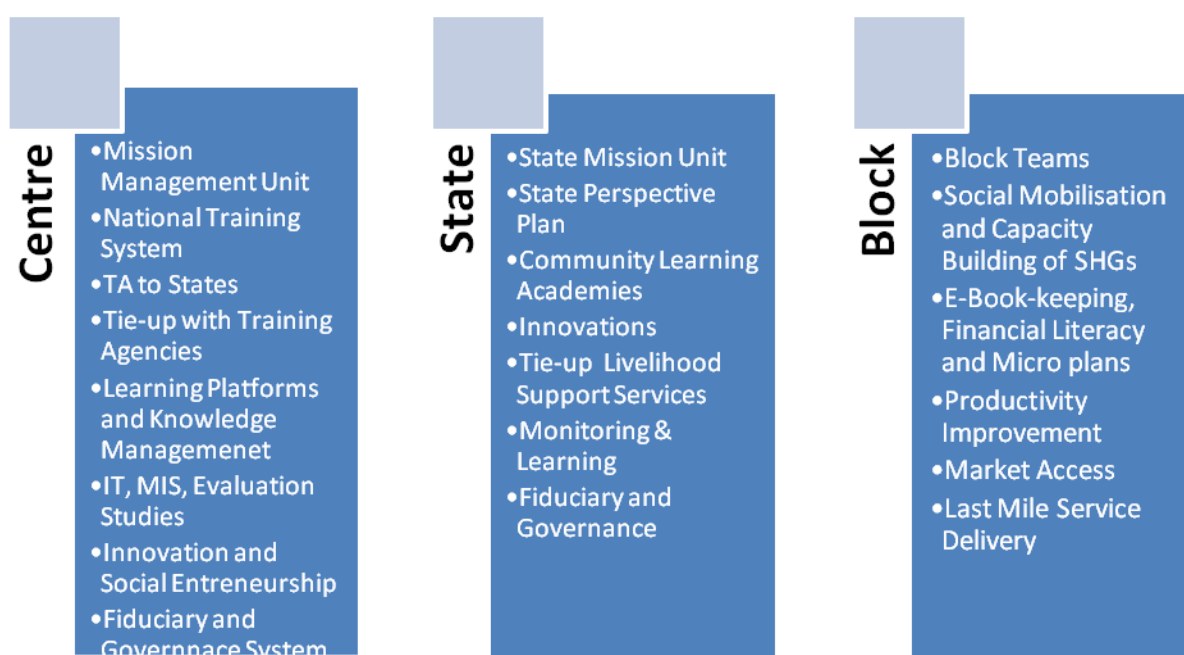


Diagram: NRLP Roles

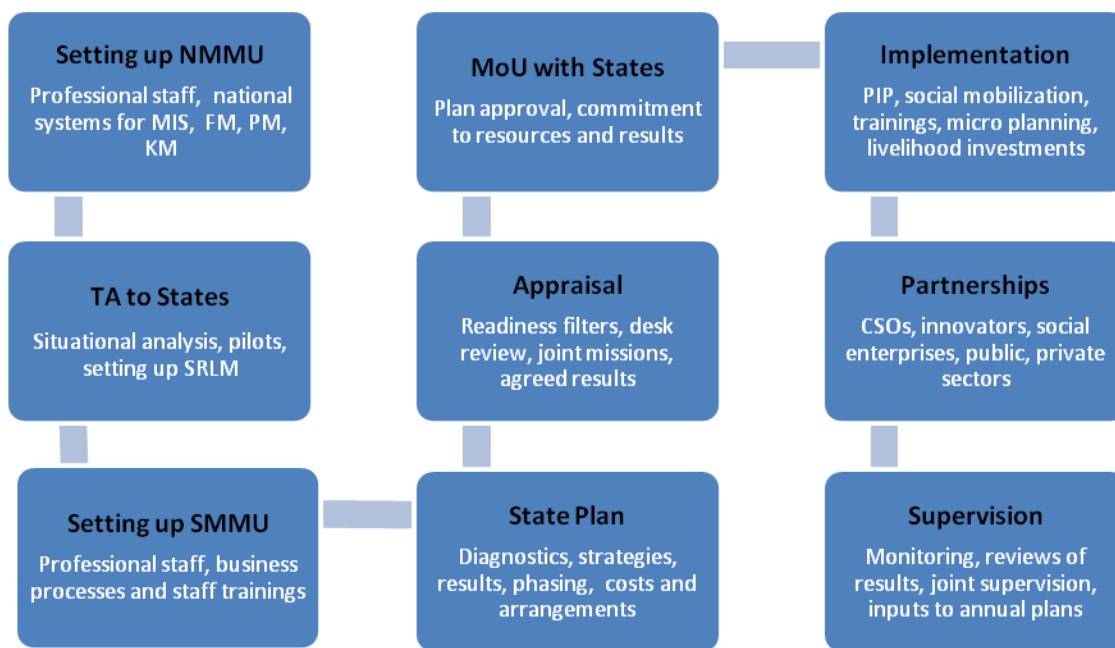


Diagram: NRLP Process

Please refer to Project Implementation Plan (**PIP**) for details of NRLP processes.

Please refer to chapter on **Planning and Budgeting** in Part IA and **Financial Management Monitoring of NRLP** in Part I B for details of these arrangements.

CHAPTER 2

OVERVIEW OF FM ARRANGEMENTS OF NRLP

This chapter includes the following sections:

Section A	Principles of Financial Management for NRLP
Section B	Control Framework for Financial Management for NRLP
Section C	Overview of Financial Management Arrangements of NRLP

A PRINCIPLES OF FINANCIAL MANAGEMENT OF NRLP

The guiding principles for the financial management arrangements for the project would be twofold:

1. Use the country fiduciary systems, to the extent feasible and considered satisfactory and meeting the essential fiduciary requirements.
2. Build upon successful models developed and tested in the World Bank funded rural livelihood projects implemented across eight states.
3. Review of Good practices in National Programmes in other sectors (education, health)

Within this broad framework, the parameters of the financial management arrangements are briefly described in the following sections of this chapter.

B CONTROL FRAMEWORK OF Financial Management of NRLP

This section includes the following sub-sections

- I Control Framework for Financial management of NRLP – Overall Project
- II Control Framework for Financial management of NRLP – State Level
- III Control Framework for Financial management of NRLP – Community Level

I Control Framework for Financial management of NRLP – Overall Project

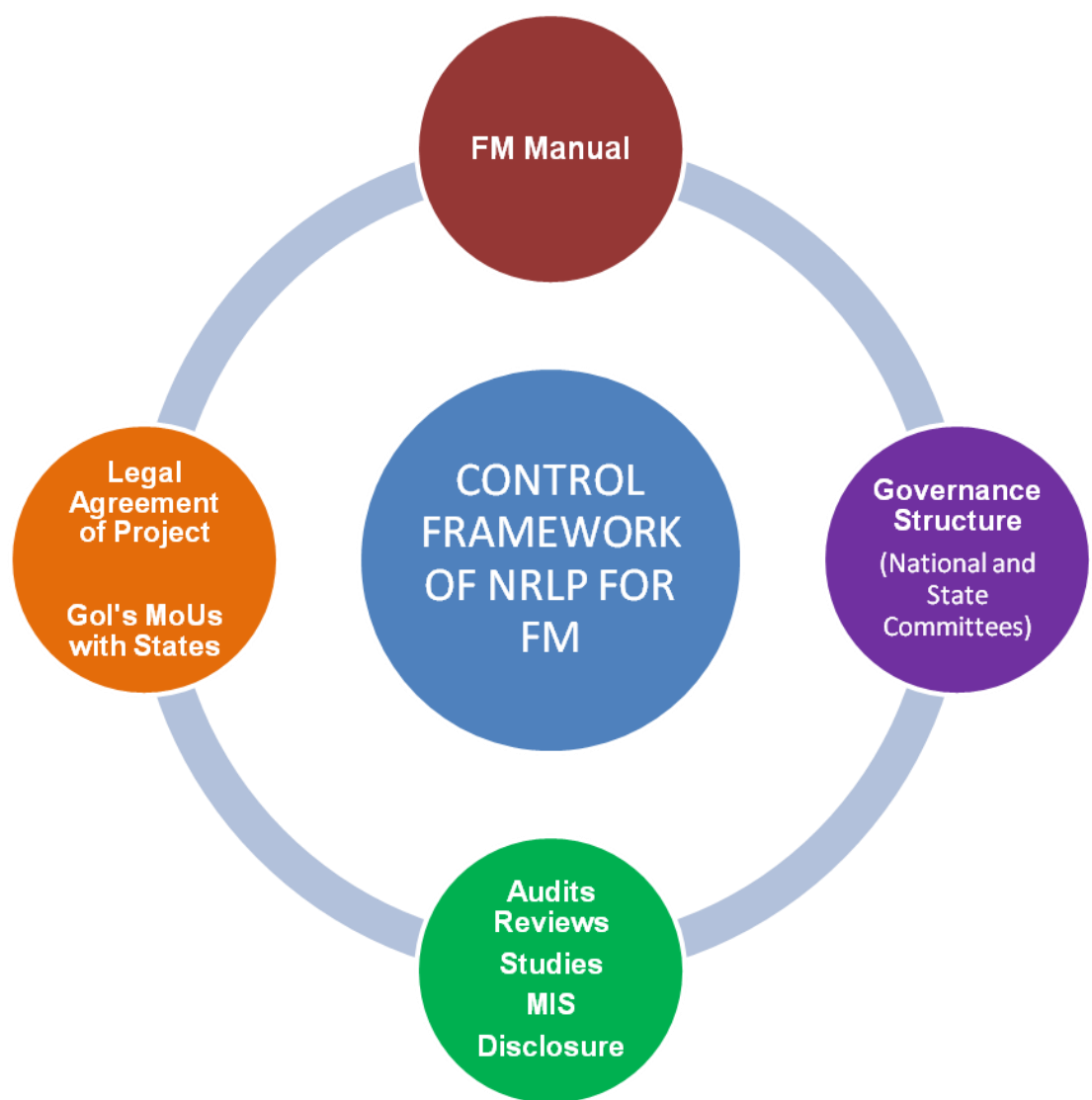


Diagram: Control Framework for Financial management of NRLP – Overall Project

The key elements of control framework for financial management for NRLP are as follows:

Financial Management Manual

- FM procedures applicable at national, state and community level as described in the manual in parts I, II and III respectively.
- Key areas covered in the manual include budgeting, planning, flow of funds, accounting, financial reporting, audits, internal control, FM Monitoring, FM disclosure, FM staffing and training.
- Implementation of FM procedures at all levels (national/state/community) will be monitored continuously during the project period.
- FM staff of NRLP will be trained as per FM Manual.

Governance Structure

- Committees formed at national level in MoRD for policy formulation and setting priorities, review of progress of the project, approval of state plans and releases to states.
- State Level committees for approving state FM manual, state plans and budget, review of project activities etc.

Legal Agreement

- Legal agreement for NRLP between the Government of India and The World Bank.
- FM covenants in the legal agreement include FM aspects such as maintenance of financial management system, maintenance of records, financial reporting and audits.
- Adherence to FM covenants will be monitored by The World Bank.

Memorandum of Understanding between GoI and States

- An MoU will be signed between Ministry of Rural Development (MORD) and each of the participating states.
- The MoU will include FM clauses relating to financial reporting, audit etc..
- Adherence to FM clauses by the states will be monitored by NMMU.

Audits

- Statutory audits at national and state level for NRLP.
- SRLMs will put in place acceptable internal audit arrangements, commensurate with the size of the operation.
- The project will implement a regular system of review of audit process, including quality of audit at state level, audit observations and monitoring compliance of the observations by implementing units.

Internal Review Mechanisms

Regular review of FM arrangements of NRLP will be conducted at national level and state level.

- *National Level:* These may include meetings of national level committees, six-monthly review missions by MoRD/World Bank, visits by NMMU FM staff to states, workshops, special FM reviews etc.
- *State Level:* Meetings of Executive Committees, Governing Bodies, Regular/one off review of progress of project by SMMU, visits by FM staff of SMMU to districts and by district staff to block/community level etc.

External Reviews/Studies

- Such as Process Monitoring, Evaluation of the project, Management Reviews etc.
- Key FM staff at national/state level will review such reports/studies to identify FM issues.

MIS and ICT

- Reports generated by MIS and ICT framework of the project (national databases, knowledge dissemination channels etc.) will also provide information for FM monitoring of the project at various levels.

Disclosure of FM Information

- FM information such as releases of funds, financial reports, annual audit reports etc. will be disclosed by NMMU and states.
- Please refer to Chapter on **FM Disclosure Requirements** for national and state level.
- Disclosure of FM information of the project will be regularly monitored at national/state level.

II Control Framework for Financial management of NRLP – State Level

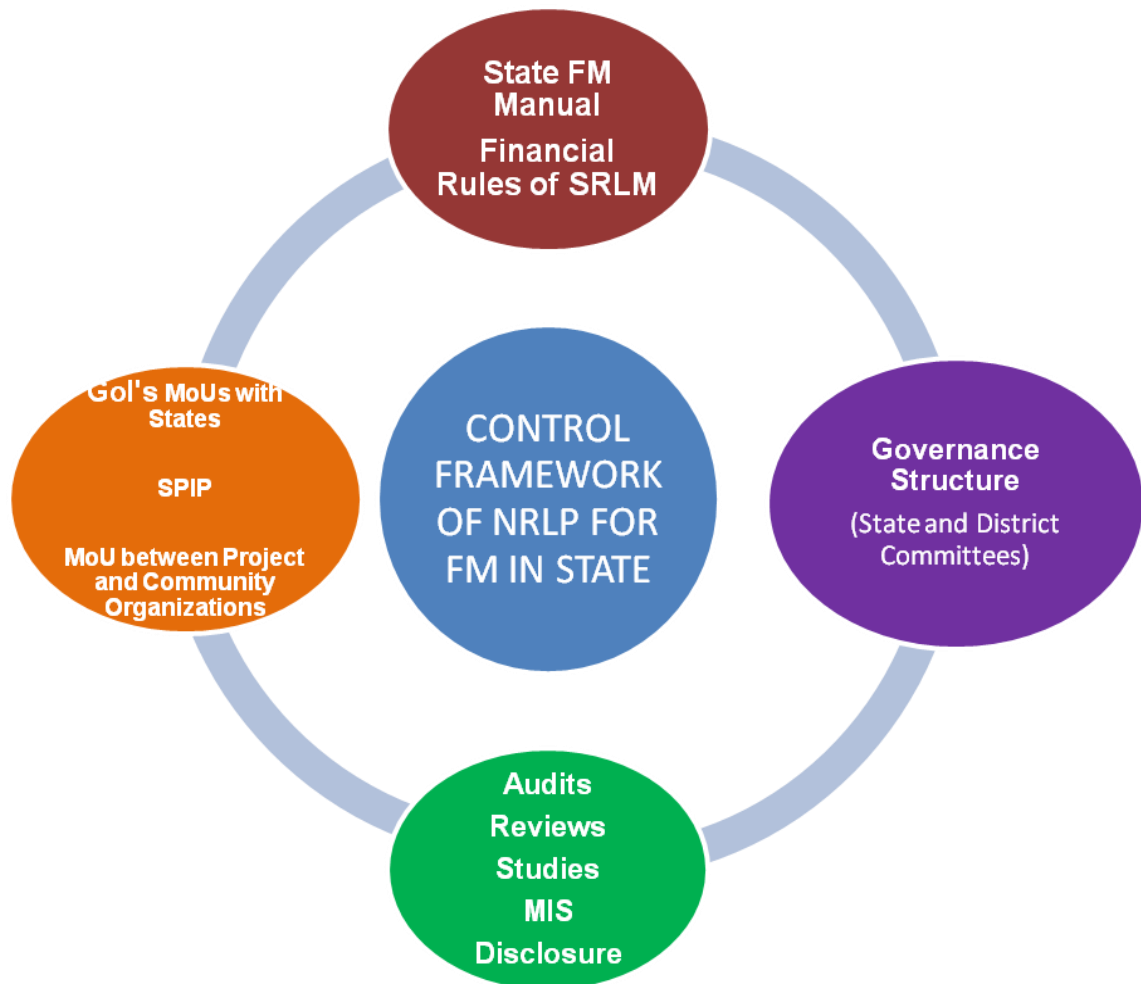


Diagram: CONTROL FRAMEWORK OF FM of NRLP – State Level

Key elements of control framework for financial management for NRLP at state level are as follows:

Financial Management Manual

FM procedures applicable at state (SMMU/DMMUs/Blocks).

Key areas include budgeting, planning, flow of funds, accounting, financial reporting, audits, internal control, FM Monitoring, FM disclosure, FM staffing and training.

Financial Rules

Financial controls including delegation of financial powers and financial rules will be documented in the Financial Management Manual/ Administrative rules of the state societies

Governance Structure

State Level and District Level committees for approving state FM manual, state plans and budget, review of project activities etc.

Memorandum of Understanding between Gol and States

An MoU will be signed between Ministry of Rural Development (MoRD) and each of the participating states of NRLP. Please refer to PIP document for a sample MoU. The MoU will include FM clauses which the states will have to adhere to.

State Perspective Plan (SPIP)

SPIP means each Participating State's operations manual, which provides state level guidance in respect of the Project, including procedures and criteria for the selection, appraisal and implementation of Federation Livelihood Plans, including the relevant audit requirements for each of the Participating States (as necessary).

MoU between State NRLP and Community Organizations

The project will sign an Memorandum of Understanding (MoU) with the Community Organization which will specify the support to be provided by the project and duties and obligations of both parties, including procedures for maintenance of records and financial reporting.

Audits

Statutory and internal audits at state/district/sub-district level for NRLP .Statutory Audit of SRLMs will be conducted by Chartered Accountant firms acceptable to the World Bank, as per terms of reference agreed with the World Bank. The 'call down' list of CA firms, based on agreed criteria, will be made available by NMMU for the states for procuring their services.

SRLMs will put in place acceptable internal audit arrangements, commensurate with the size of the operation.

Audit of Community Organizations

The SHG Federation/s annual accounts will be subject to statutory audits as required by state laws. The SRLMs will enter into draw down contracts with select CA firms at State and district levels and agree on fixed price budgets as well as the audit ToRs and templates for the annual financial statements. SHG Federation audit reports will be monitored at the state level and will not be considered a part of NRLP's audit requirements.

Internal Review Mechanisms

Review of FM arrangements of NRLP conducted at state level e.g.,

- Meetings of Executive Committees and Governing Bodies
- Regular/one off review of progress of project by SMMU
- Visits by FM staff of SMMU to districts and by district staff to block/community level

External Reviews/Studies

Such as Process Monitoring, Evaluation, Management Reviews etc.

MIS and ICT

Reports generated by MIS and ICT framework (national/state databases, knowledge dissemination channels etc.)

Disclosure of FM Information

FM information such as releases of funds, IUFRs, annual audit reports etc. will be disclosed by the states and districts.

III Control Framework for Financial management of NRLP – Community Level

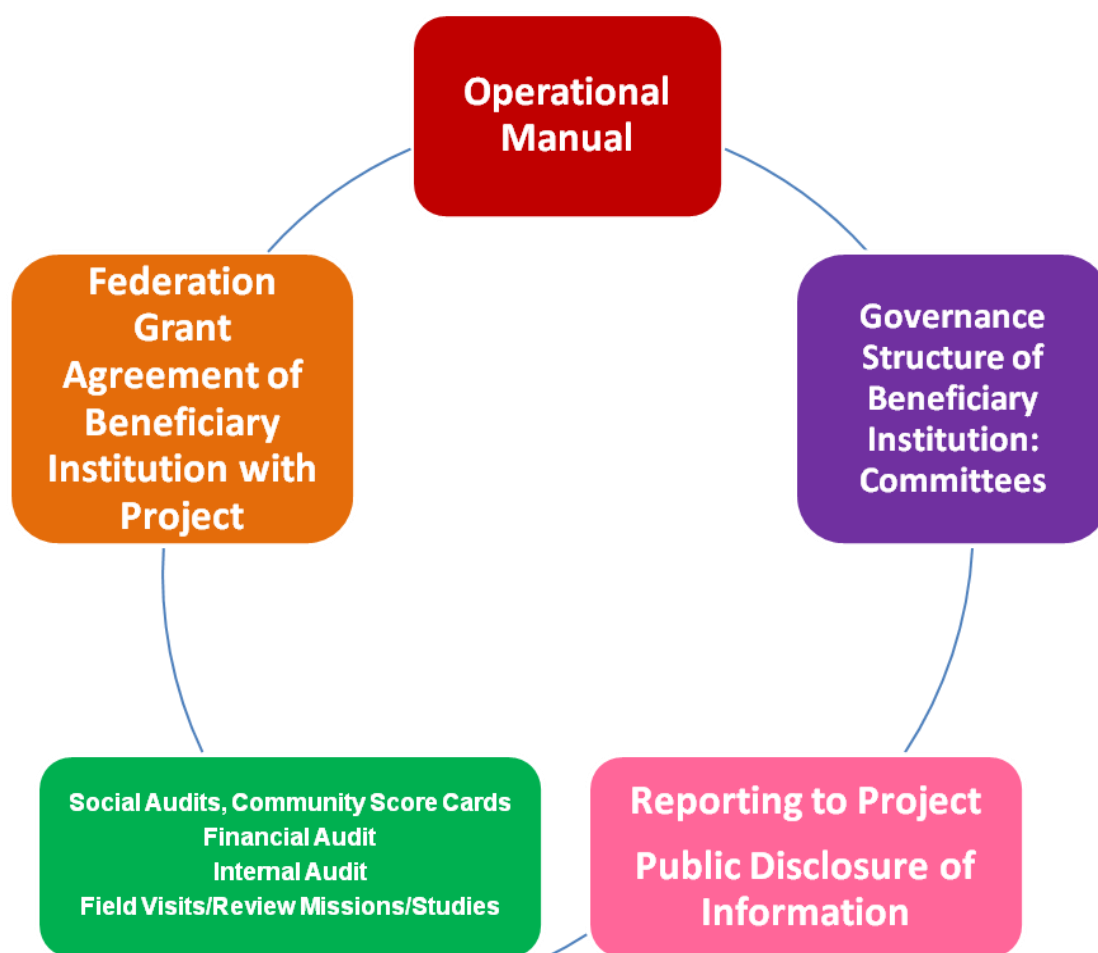


Diagram: Control Framework for Financial management of NRLP – Community level

Operational Manual

- Each state will develop an Operational Manual (OM). The Operational Manual would describe project principles, processes, procedures, governance structure etc. applicable at community level.

- Guidelines issued by project from time to time will be included in the Operational Manual.
- FM Manual for community level will be part of the Operational Manual. Please refer to **Part III** of this manual which provides a template for states to develop **Community Level FM Manual**.

Beneficiary Institution (Community Organization)

- Beneficiary Institution refers to a Federation i.e., a group comprised of poor households, duly established under the law of a participating state, managed by an executive committee elected by the group which may receive Investment Support under the project.
- “Investment Support” means a grant made or proposed to be made by a Participating State out of the proceeds of the Financing allocated from time to time to Part B of the Project, to a Beneficiary Institution to finance, in whole or in part, the technical assistance needs of a Federation, or a Federation Livelihood Plan all in accordance with the selection criteria and procedures set forth in the SPIP.
- “Federation Livelihood Plan” means a plan of Federation livelihood activities, prepared by a Beneficiary Institution and approved by the relevant Participating State, which consists, *inter alia*, of an aggregation of household investment plans for financing the purchase of goods, works and services needed to create assets, generate household income, develop technical skills, access educational and health services and meet specific household consumption needs.

Governance Structure of Beneficiary Institution (Community Organization)

- This includes various committees in Beneficiary Institutions (Community Organizations) which will be formed to plan, oversee and implement NRLP in the community. This will include Finance Committee, Procurement Committee, Social Audit committee etc.
- The composition and role of these committees will be described in the Operational Manual.
- The role and responsibility of office bearers of the community organization will also be described in the Operational Manual.
- The project will regularly review effectiveness of governance structure in the community organizations, including decision making processes and oversight mechanism for use of project funds etc.

Federation Grant Agreement with Project

- The project will sign a Federation Grant Agreement with the Beneficiary Institution (Community Organization).

Reporting to Project

- A system of regular reporting by the Community Organization to the project by way of regular financial reports and UCs will be established.
- The timeliness and accuracy of financial reports will be reviewed by project staff through field visits/desk reviews and during audit process.

Public Disclosure of Information

- As per policy of NRLP, information about funds received, expenditure, beneficiaries, progress reports/annual reports etc. will be displayed by the Community Organization.
- Adequacy of public disclosure will be monitored throughout the life of the project.

Social Audits

- Various social accountability measures at community level e.g., social audit committees, presenting project reports in Gram Sabha, community score cards etc. will be an important part of FM framework of the project.

Financial Audit / Internal Audit

- The SHG Federation/s annual accounts will be subject to annual audits. The SRLMs will enter into “draw down” contracts with select CA firms at State and district levels.
- SHG Federation audit reports will be monitored at the state level and will not be considered a part of NRLP's audit requirements.
- Project staff will facilitate the audit and monitor quality of audit.
- The project will implement a system of monitoring status of audit, review of audit reports and monitoring compliance of observations by the community organizations.

Field Visits/Review Missions/Studies

- FM arrangements at community level will be regularly reviewed during field visits and missions.
- Project staff will document such visits and issues identified in the visits and continuously follow up with the community organizations for remedial actions/any capacity building requirements.

C OVERVIEW OF FM ARRANGEMENTS OF NRLP

Overview

Within the broad framework of principles mentioned in section A and Control Framework described in Section B, this section provides an overview of financial management arrangements for NRLP.

Details of Financial Management arrangements

For national, state and community level are described in **FM Manual Parts I, II and III** respectively.



Diagram: Financial Management Cycle

This section includes the following sub-sections:

- I Overview of Flow of Funds for NRLP**
- II FM Roles of MoRD and State**
- III FM Roles of State and District/Blocks**
- IV Component-wise Description of Activities, Expenses and Implementation /FM Arrangements**
- V Community Level FM Arrangements**
- VI Fiduciary Framework for Community Investment Fund**

I OVERVIEW OF FLOW OF FUNDS

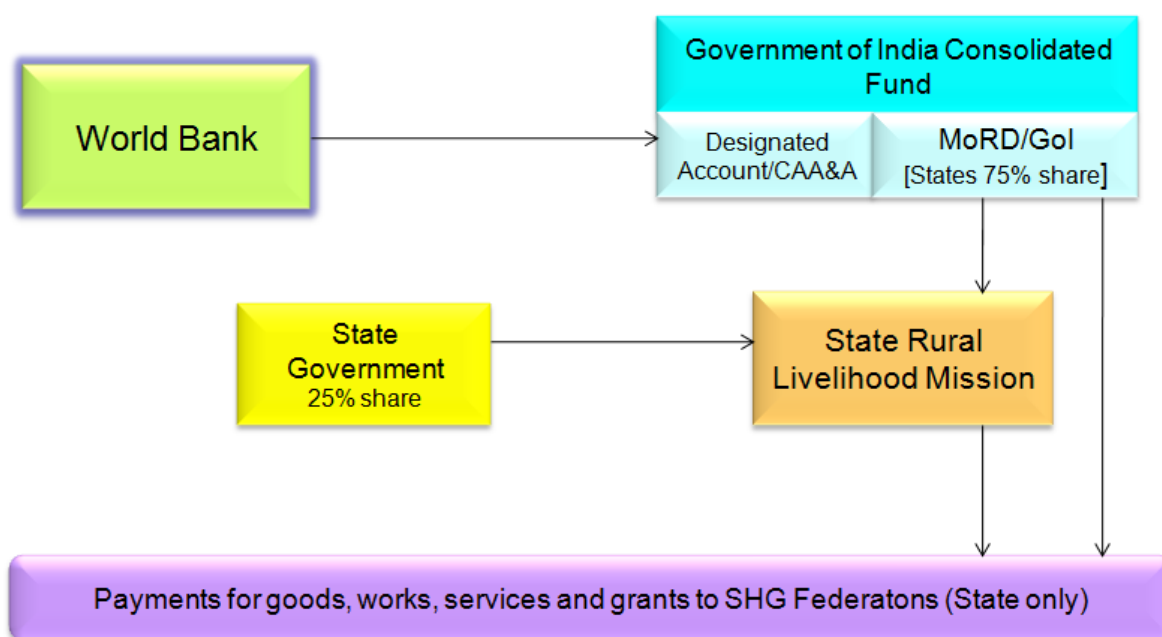


Diagram: Overview of Flow of Funds of NRLP

Central and State Share

As per the standard Centre-State mechanism for Central Sponsored Schemes, GoI funds to the States for Components 2 (b) and (c) will be on a grant basis with **25% counterpart funding by the States (10% in the case of North East and hill States)**.
MoRD Level

At MORD level, an annual work plan will be prepared and will form the basis for the budget allocations. The Empowered Committee (EC) of NRLM will approve AWP of national and state level activities of NRLP. The NMMU will remain within the existing financial management systems of MoRD, which operates through the centralized Pay and Accounts Office.

MoRD to States

MoRD will release **funds to states against agreed annual work plans** and as per FM provisions of MoU which will be signed between MoRD and each participating state.

State Level

Funding of Project Offices in the States

- SMMU will incur expenditure for state level activities directly.
- DMMU:SMMU will transfer funds to DMMUs **against annual work plan** into a separate bank account opened for the project.
- Common Costs at State and District level: **SRLMs will establish up-front, appropriate criteria to apportion common costs** (state and district levels) across the various projects and document the same in the SPIP.

Funding of SHG Federations by the Project in State

- In order to ensure that there is no risk in duplication of financing to the same SHGs/federations, it has been agreed that **NRLP will not be implemented in the same blocks as the on-going WB-supported state livelihood projects**.
- All fund releases to SHG Federations will be made in accordance with **Federation Grant Agreement**. Such fund releases will be based on achievement of certain defined milestones/ triggers as defined in the description of Component 2 in Annex 2 of PAD.

Disbursement from the World Bank

Disbursements from the IDA Credit will be based on consolidated project financial reports (Consolidated IUFRs) and will be made at quarterly intervals.

Details of Flow of Funds Arrangements is shown in the following Diagram

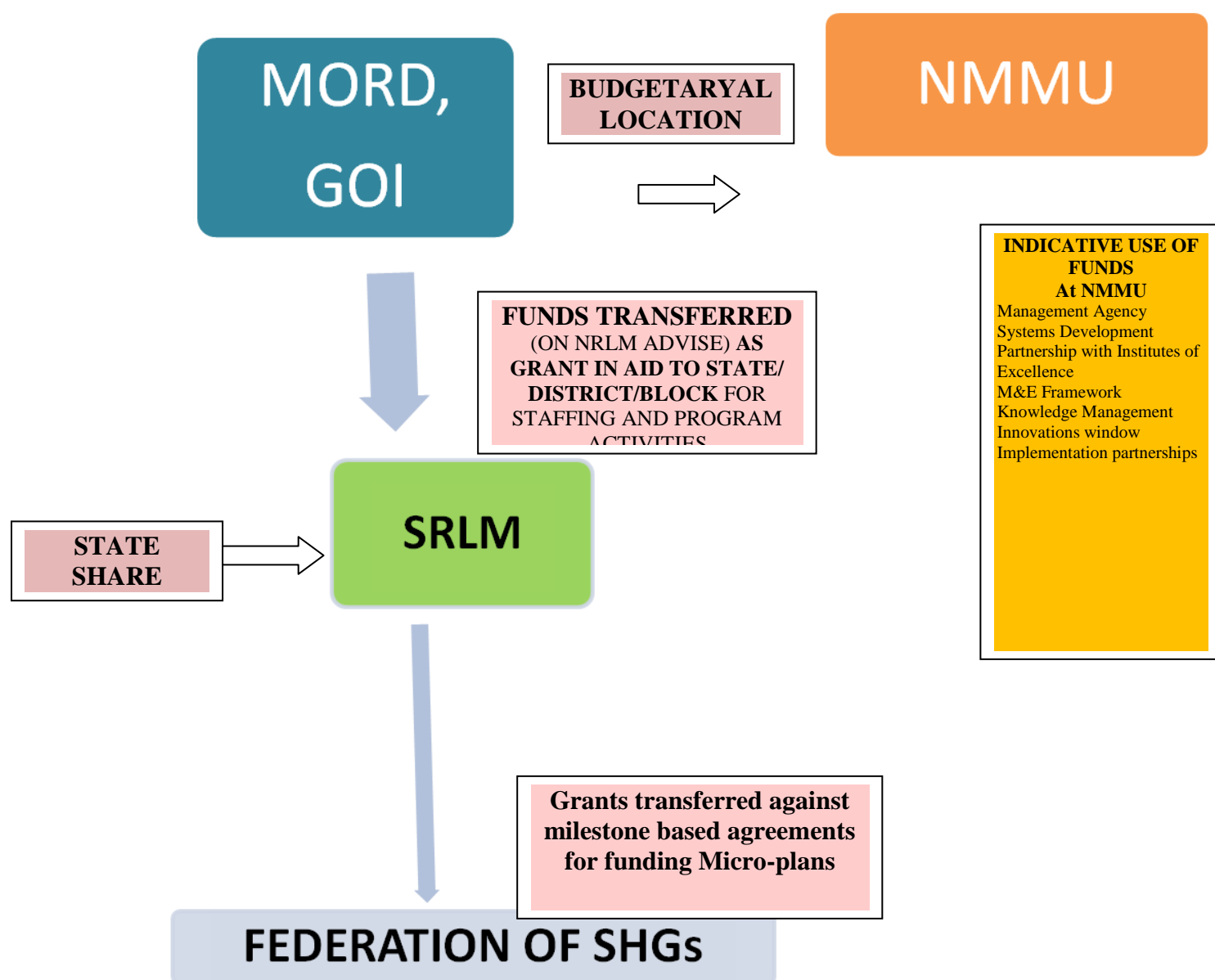


Diagram: Details of Flow of Funds Arrangements for NRLP

II Finance Management ROLES OF MORD AND STATES FOR NRLP

The respective roles of NMMU, MORD and states in key financial management task of the project are summarized in the following table:

TABLE: FM ROLES OF MORD AND STATES FOR NRLP

	MORD	STATE
FM Manual/ Procedures	<ul style="list-style-type: none"> Develop and Update National Level FM Manual Develop Generic manuals for State Level and Community Level Review of FM Manuals developed by states Guide States about FM procedures of NRLP 	<ul style="list-style-type: none"> Develop and Update State Level FM Manual based on Generic FM Manual Develop and update Community Level FM Manual for State based on Generic FM Manual Guide staff at district level about FM procedures
MoU	<ul style="list-style-type: none"> Sign MoU with states Monitor adherence to MoU by states 	<ul style="list-style-type: none"> Sign MoU with MORD Implement NRLP in the state as per MoU
Training on Financial Management	<ul style="list-style-type: none"> Develop FM training strategy for NRLP as part of TA to states Develop training materials Implement training plan for project Monitor training needs at state level on a regular basis 	<ul style="list-style-type: none"> Participate in training activities organized by MORD Develop state specific training materials, as per requirement Prepare and implement training plan for district/sub-district level Monitor training needs at district-sub-district level on a regular basis
Planning	<ul style="list-style-type: none"> Develop Planning Procedures for NRLP at national level Guidance to states on preparing perspective plans and annual plans 	<ul style="list-style-type: none"> Issue guidance for planning to districts Implement planning system at state level Review district plans Prepare consolidated plan for state and submit to MORD
Budgeting	<ul style="list-style-type: none"> Budget provision in MORD Budget Prepare estimates for activities at MORD level, Review state level estimates and prepare overall NRLP estimates 	<ul style="list-style-type: none"> Issue guidance for budgeting to districts Scrutinize and approve district budgets Prepare consolidated budget at state level and submit to MORD
Flow of Funds	<ul style="list-style-type: none"> Flow of funds for MORD activities Review requests from states and release funds to states as per NRLP procedure Monitor effectiveness of funds flow system at state level 	<ul style="list-style-type: none"> Submit request for funds to MORD Provide timely and adequate funds for SMMU activities Implement system of flow of funds to district/sub-district level

		<ul style="list-style-type: none"> ○ Monitor effectiveness of funds flow system at district/sub-district level
Accounting	<ul style="list-style-type: none"> ○ Establish accounting policies of NRLP ○ Accounting for MORD level expenditure, including Memorandum Records for preparing IUFs ○ Preparation of annual financial statements of NRLP for NMMU, MORD ○ Monitor regularity and correctness of accounting at state office and below 	<ul style="list-style-type: none"> ○ Implement accounting system for NRLP at state and district level ○ Consolidation of NRLP accounts at state level
Financial Reporting	<ul style="list-style-type: none"> ○ Implement financial reporting system at national level ○ Review financial reports submitted by states and prepare consolidated project level reports ○ Regular and timely submission of reports to MoRD/World Bank 	<ul style="list-style-type: none"> ○ Implement financial reporting system at state level ○ Review financial reports submitted by districts/sub-districts and prepare state level reports ○ Regular and timely submission of reports to MoRD/World Bank
Statutory Audit	<p><i>MORD</i></p> <ul style="list-style-type: none"> ○ Facilitate timely audit at MORD level for NRLP ○ Compliance of audit observations <p><i>States</i></p> <ul style="list-style-type: none"> ○ "Call down" lists of CA firms for audit of states ○ Monitor Quality of audit process at state level ○ Coordinate timely submission of audit reports by states ○ Review state audit reports and monitor compliance <p><i>NRLP</i></p> <ul style="list-style-type: none"> ○ Prepare summary of audit reports for NRLP and submit the summary and individual audit reports to the World Bank 	<ul style="list-style-type: none"> ○ Selection of auditor ○ Ensure timely finalization of accounts and audit at state level ○ Timely audit of SMMU and compliance of audit observations ○ Ensure timely submission of audit report of state to MoRD ○ Review compliance by districts/sub-districts
Internal Audit and Internal Controls	<ul style="list-style-type: none"> ○ Regular internal audit at NMMU, MoRD as per requirements of NRLP ○ Review summary of internal audit reports of states and monitor compliance ○ Monitor quality of internal audit process at state level 	<ul style="list-style-type: none"> ○ Appointment of internal auditors as per NRLP requirements ○ Regular internal audit of SMMU and district/sub-districts ○ Monitor compliance by districts ○ Submit summary of reports for each period and Action Taken Report to MORD
FM Disclosure	<ul style="list-style-type: none"> ○ FM disclosure at national level ○ Monitor FM disclosure by states 	<ul style="list-style-type: none"> ○ FM disclosure at state level
FM Monitoring	<ul style="list-style-type: none"> ○ Regular monitoring of FM in states 	<ul style="list-style-type: none"> ○ Regular monitoring of FM at district/sub-district level

III FM ROLES OF STATE AND DISTRICTS FOR NRLP

The respective roles of NMMU, MORD and states in key financial management task of the project are summarized in the following table:

TABLE: FM ROLES OF STATE OFFICE AND DISTRICT FOR NRLP

	STATE	District	
		Project Level	Community Level
FM Manual/ Procedures	<ul style="list-style-type: none"> Develop and Update State FM Manual Develop and update Community Level FM Manual for State Guide staff at district level about FM procedures 	<ul style="list-style-type: none"> Implement State FM Manual Guide staff at sub-district level about FM procedures 	<ul style="list-style-type: none"> Facilitate and monitor implementation of FM Manual for Community level
MoU	<ul style="list-style-type: none"> Sign MoU with MoRD Implement NRLP in the state as per MoU 	<ul style="list-style-type: none"> Ensure implementation of NRLP in the district as per provision of MoU with NMMU 	<ul style="list-style-type: none"> Sign Federation Grant Agreement with SHG Federations Implement NRLP in the district as per Federation Grants with Community Organizations Monitor adherence to Agreement by Community level
Training on Financial Management	<ul style="list-style-type: none"> Participate in training activities organized by NMMU Develop state specific training materials Prepare and implement training plan for district/sub-district level Monitor training needs at district-sub-district level on a regular basis 	<ul style="list-style-type: none"> Participate in training activities organized by NMMU and SMMU Inputs to providing training at district/sub-district 	<ul style="list-style-type: none"> Monitor training needs at sub-district/community level on a regular basis Inputs to training at community level Develop local level training material, if required
Planning	<ul style="list-style-type: none"> Issue guidance for planning to districts Implement planning system at state level 	<ul style="list-style-type: none"> Prepare and submit district level plans to SMMU 	<ul style="list-style-type: none"> Implement system for facilitating planning by community organizations

	<ul style="list-style-type: none"> ○ Review district plans ○ Prepare consolidated plan for state and submit to NMMU 		
Budgeting	<ul style="list-style-type: none"> ○ Issue guidance for budgeting to districts ○ Scrutinize and approve district budgets ○ Prepare consolidated budget at state level and submit to NMMU 	<ul style="list-style-type: none"> ○ Prepare and submit district level budget to SMMU (project level+ community level activities) 	<ul style="list-style-type: none"> ○ Compile budget for community level activities of NRLP
Flow of Funds	<ul style="list-style-type: none"> ○ Submit request for funds to NMMU ○ Provide timely and adequate funds for SMMU activities ○ Implement system of flow of funds to district/sub-district level ○ Monitor effectiveness of funds flow system at district/sub-district level 	<ul style="list-style-type: none"> ○ Submit request for funds to SMMU ○ Provide timely and adequate funds for district/sub-district level activities <p>Community</p> <ul style="list-style-type: none"> ○ Implement system of flow of funds for NRLP to community level ○ Monitor effectiveness of funds flow system at sub-district/community level 	<ul style="list-style-type: none"> ○ Implement system for flow of funds to Community Organizations
Accounting	<ul style="list-style-type: none"> ○ Implement accounting system for NRLP at state and district level ○ Consolidation of NRLP accounts at state level 	<ul style="list-style-type: none"> ○ Accounting of project funds at district level ○ Monitor record keeping at block/PFT level ○ Monthly closing of district level accounts ○ Send monthly/quarterly/annual accounts to SMMU 	<ul style="list-style-type: none"> ○ Implement capacity building activities at community level for maintenance of accounts ○ Implement system of monitoring community level accounting and record keeping
Financial Reporting	<ul style="list-style-type: none"> ○ Implement financial reporting system at state level ○ Review financial reports submitted by districts/sub-districts and prepare state level reports ○ Regular and timely submission to NMMU, MoRD/World Bank 	<ul style="list-style-type: none"> ○ Implement financial reporting system at district level ○ Consolidation and preparation of district level reports to SMMU 	<ul style="list-style-type: none"> ○ Implement and monitor system of financial reporting from Community Organizations
Statutory Audit	<ul style="list-style-type: none"> ○ Selection of auditor ○ Ensure timely finalization of 	<ul style="list-style-type: none"> ○ Ensure timely finalization of accounts and facilitate audit at district level 	<ul style="list-style-type: none"> ○ Facilitate and monitor financial audit at community level for

	<p>accounts and audit at state level</p> <ul style="list-style-type: none"> ○ Timely audit of SMMU and compliance of audit observations ○ Ensure timely submission of audit report of state to NMMU ○ Review compliance by districts/sub-districts 	<ul style="list-style-type: none"> ○ Timely and satisfactory compliance of audit observations in the district ○ Review compliance by sub-district level 	<p>NRLP</p> <ul style="list-style-type: none"> ○ Monitor compliance at community level ○ Ensure that key issues arising from the audit are addressed in capacity building and monitoring activities of NRLP
<p>Internal Audit and Internal Controls</p> <p>Community Level Audit</p>	<ul style="list-style-type: none"> ○ Appointment of internal auditors as per NRLP requirements ○ Regular internal audit of SMMU and district/sub-districts ○ Monitor compliance by districts ○ Submit summary of reports for each period and Action Taken Report to NMMU 	<ul style="list-style-type: none"> ○ Facilitate internal audit at district/sub-district level ○ Monitor compliance by sub-district level ○ Submit Action Taken Report to SMMU 	<ul style="list-style-type: none"> ○ Facilitate and monitor financial audit at community level for NRLP ○ Monitor compliance at community level ○ Review of audit observations ○ Ensure that key issues arising from the audit are addressed in capacity building and monitoring activities of NRLP
<p>FM Disclosure</p>	<ul style="list-style-type: none"> ○ FM disclosure at state level 	<ul style="list-style-type: none"> ○ FM disclosure at district level 	<ul style="list-style-type: none"> ○ Implement system of monitoring disclosure at community level
<p>FM Monitoring</p>	<ul style="list-style-type: none"> ○ Regular monitoring of FM at district/sub-district level 	<ul style="list-style-type: none"> ○ Regular monitoring of FM at sub-district level 	<ul style="list-style-type: none"> ○ Regular monitoring of FM at community level

IV: NRLP: COMPONENT-WISE DESCRIPTION OF ACTIVITIES, EXPENSES AND IMPLEMENTATION/FM ARRANGEMENTS

Table: NRLP: Component-wise FM/Implementation Framework

Component	Activity	Level	Expenses	Implementation/ FM Arrangements
Component A: INSTITUTION AND HUMAN CAPACITY BUILDING				
A1 Technical Assistance	<p><i>To assist states to set up autonomous and professionally managed SRLMs:</i></p> <ul style="list-style-type: none"> Resident Representatives and Spearhead Teams TA for HR: HR agency TA Innovations and Partnerships TA Financial Inclusion TA Livelihoods Promotion TA for Service Delivery for Poor TA for Knowledge Management TA for MIS Other TA 	National	<p>Cost of Resident Representatives, Spearhead Teams and Maintenance Contracts for Equipment</p> <p>MORD Contracts</p>	Part of NMMU AWP and Budget
A2 Human Resource	<ul style="list-style-type: none"> National Centre for Livelihoods (software and some hardware support) Partnership with Other institutes 	<p>National</p> <p>National</p>		

Development	<ul style="list-style-type: none"> Regional Centers for Excellence Other demand driven training 	National National	MORD Contracts	
Component B: STATE LIVELIHOOD SUPPORT – support to 12 states				
B1 State Rural Livelihoods Missions (SRLM)	State Office <ul style="list-style-type: none"> Establishment of State Support Structures (including recurring costs) Professional Staff at State Level 	State	<u>Non-recurring costs:</u> office refurbishment, equipment, vehicles <u>Recurring Costs:</u> operating costs. <u>Staff Costs</u>	As per annual work plans and budget of SRLMs. Annual budget released in two tranches by MORD into bank account of SRLM. Quarterly/annual financial reporting and submission of UCs by SRLMs. Annual audit of SRLMs.
	District Offices	District	Refurbishment cost Office equipment Staff costs at district level	Regular funds flow from state to district/blocks against AWP and financial reporting by district/blocks
	State Resource Centres <ul style="list-style-type: none"> Support to SIRD and others District Resource Centers Community Resource Centers Training of state, district and block staff 	State/district/ block	Cost of support to resource centers Training costs	As per annual work plans and budget of SRLMs
B2 Institution Building and Capacity Building	<ul style="list-style-type: none"> Community resource persons (CRPs) Self-help groups Village Organizations Block level federations (BLFs) 	State/district/ block	Cost of external CRP teams and internal CRP teams <u>SHGs:</u> Start-up, training, community mobilisers and exposure visits	As per annual work plans and budget of SRLMs

	<ul style="list-style-type: none"> Other institutions 		<p><u>VOs:</u> Start-up, training, exposure visits and miscellaneous</p> <p><u>BLFs:</u> start-up, training and exposure visits</p>	
	<ul style="list-style-type: none"> Block Teams 	State/district/ block	<p><u>Block office start –up costs:</u> office refurbishment, equipment</p> <p><u>Block Staff Costs:</u> staff salary</p> <p><u>Block Office Operating costs</u></p>	<p>District office</p> <p>District office</p> <p>Imprest system at block office funded by district</p>
<p>B3</p> <p>Community Investment Support</p>	<ul style="list-style-type: none"> Livelihoods plans, health and food security Agriculture Interventions Dairy Interventions Non-Farm Sector Interventions 	State/district/ block	Project will fund Livelihood Plans	<p>Livelihood grants to SHGs against pre-defined milestones in SPIP</p> <p>Releases as per Federation Grant Agreement.</p> <p>Livelihood grants to farmers' collectives/producer groups/producer companies to improve market access and link to main-stream agro-companies</p> <p>Community fiduciary oversight arrangements. Monitoring of key</p>

	<ul style="list-style-type: none"> ▪ <i>Health & Nutrition, Education etc.</i> 	National/State	<p>NRLP will finance cost relating to capacity building and setting up health and nutrition centers and Early Educations Centers by the institutes of poor.</p> <p>Community managed food security and health risk funds</p> <p>Small grants on limited basis to destitute, old, infirm and disabled for food and health purchase</p>	<p>indicators of portfolio.</p> <p>Contracts with Institutes of the poor</p>
<p>B4</p> <p>Special Programmes</p>	<ul style="list-style-type: none"> ▪ Special initiatives – health, nutrition, etc. ▪ <i>Special Purpose Vehicles (SPVs)</i>: may be created in the form of a foundation or social enterprise for Sustainable Agriculture, Health, Education etc. ▪ Implementation in difficult areas 	<p>National</p> <p>National</p> <p>(Activity of CSOs may take place at district/block level)</p>	<p>Funding of SPVs</p> <p>Contracts with CSOs will cover cost of setting up dedicated field staff/spearhead teams, targeting strategies for covering poor household, organization and capacity building of CSOs, micro-enterprise development, organizing producer collectives/companies etc.</p>	<p>MORD Contracts</p> <p>MORD Contracts</p> <p>MORD to have a contract with an Agency/no. of agencies.</p> <p>An FM framework will be defined for assessment of such agencies.</p>

Component 3: INNOVATIONS AND PARTNERSHIP SUPPORT – nationwide support				
C1 Innovation Forums and Action Pilots	Innovations and Action Pilots			
	1. Organizing Innovations Forum			
	- National Level	National	Cost of Organizing Innovation Forum	Part of NMMU AWP
	- Regional Level			
	- State level	State		
	2. Piloting Innovations			
	- National Level	National	Funding of pilots	Part of NMMU AWP
	- State Level	State	Funding of pilots	Part of AWP of state which will be approved by NMMU and funds will be released to states as per standard procedure of NRLP.
				State level contracts
				Will require: -Capacity building of SMMUs for contract management -Regular reporting system to project which will feed into MIS -Independent Monitoring Mechanisms Guidelines developed

C2 Social Entrepreneurship Development	Social Entrepreneurship Development <ol style="list-style-type: none"> 1. Develop a network of grassroots innovators, including developing and maintaining dedicated website 2. Provide start-up funds for Social Entrepreneurs/Enterprises for scaling up business models 3. Mentoring social entrepreneurs by linking them with role models/mentors 4. Capacity Building of Social Entrepreneurs on setting up systems 	National/state	MoRD contract	Guidelines to be developed for Social Entrepreneurship Development
C3 Public Private Community Partnerships	Public Private and Community Partnership (PPCP) <ol style="list-style-type: none"> 1. Developing Guidelines for Public Private and Community Partnership (PPCP) 2. Funding Activities: provide financial assistance to partners identified through a competitive process 	National	MoRD consultancy contract MoRD contract	Guidelines to be developed for PPCP
Component D PROJECT IMPLEMENTATION SUPPORT – nation-wide support				
D1	1. Establishment of NMMU (including recurring costs)	National	<u>NMMU Non-recurring costs:</u> office refurbishment, furniture/fixtures,	MoRD contract with Management Agency

National Mission Management Unit	2. NMMU Staff		office equipment and vehicles <u>NMMU Recurring Costs</u> : operating costs	Part of NMMU AWP
D2 Monitoring & Evaluation	Monitoring and Evaluation system	National	MoRD contract	Part of NMMU AWP
D3 Electronic National Rural Livelihoods Mgmt. System (e-NRLMS)	1. Project Management Agency 2. MIS Implementation Agency 3. IT Infrastructure, websites and portals 4. Applications and Software	National	MoRD contracts	Part of NMMU AWP
D4 Governance and Accountability Framework	Third party client survey, Third party grievance cell etc.	National	MoRD contracts	Part of NMMU AWP
D5 Knowledge Management and Communication	Knowledge Management and Communication	National	MoRD contract	Part of NMMU AWP

V COMMUNITY LEVEL FM ARRANGEMENTS

Financial Management Manual

Please refer to **Part III** of this manual for a Template of Financial Management Manual for Community Level. States will develop detailed FM Manual at community level based on the Template.

- Financial Management Manual will be a part of Operational Manual.
- The information provided in Community Level FM Manual will be used for capacity building activities and monitoring FM arrangements at community level.

Capacity Building

- The project will make significant investments in building the Financial Management capacity of SHG Federations.
- The capacity building activities will also seek to develop the oversight and regulatory framework for SHG Federations.

Monitoring

- The project will have mechanisms to continuously monitor and report on key indicators of performance of SHG Federations relating to :
 - Loan Portfolio, including regularity of savings, repayment rates for both SHG's own funds, project funds and commercial bank credits; and
 - Book keeping (regular and updated books of accounts), audited books of accounts, etc.
- The project will also develop a tool to grade the financial performance of the Federations.

Accounting and Reporting

- A simple system of maintenance of accounts and financial reporting will be established at SHG Federations.
- SHG Federation will maintain books of accounts for the receipts and loans provided to SHGs and will prepare regular financial statements. SHGs will in turn, provide loans to their constituent members to fund economic activities to enhance livelihoods

or other consumption needs as described in the SPIP, but excluding the items listed in the negative list.

- A separate platform may also be developed for accounting and financial reporting for SHG Federations (and SHGs). This will ensure standardization and consistency in the quality of accounting and the ability of Federations to provide online access to financial information at the aggregate as well as standalone basis.
- The accounting system at the SHG/federation level will be automated through e-bookkeeping using different front-end devices, including net books and handheld devices like tablets, mobile phones, etc.

VI Fiduciary Framework for Community Investment Fund

All fund releases to SHG Federations made in accordance with Federation Grant Agreement will be considered as eligible expenditures for the purposes of the project and accounted for as grants (expenditures) in the books of accounts of the SRLM.

Such fund releases will be based on achievement of certain defined milestones/ triggers as defined in the description of Component 2.

The project will obtain fiduciary assurance for the use of Community Investment Support provided to the SHG Federations from a combination of the following two processes:

(a) Periodic assessment of **robustness of the loan portfolio at the Federation level** and monitored through rigorous processes and use of eligibility indicators of profitability, capital and portfolio quality, acceptable levels of loan collections, appropriate capacity for appraisals and supervision etc.; and

(b) **Assessment of fiduciary oversight arrangements established at the Federation level** to monitor and verify the use of funds for intended purposes, including verification mechanisms for assets and other uses of funds, as applicable.

The project will invest in:

- (a) Developing detailed **assessment criteria for grading of SHGs and Federations**; and
- (b) Providing handholding **accounting technical assistance (book keepers, accounting hubs etc.) to the Federations** to help maintain accounting records and prepare monthly/annual financial statements for the Loan portfolio.

CHAPTER 3

TOOLKIT FOR FM ASSESSMENT OF STATES

FINANCIAL MANAGEMENT ASSESSMENT OF STATES

Five states¹⁷ which are presently implementing World Bank Livelihood Projects have established and tested financial management arrangements.

For the remaining states being considered for NRLP, the adequacy of the financial management arrangements will be assessed at SRLM level.

These readiness filters will be applied both at the Initial Action Plan and State Perspective & Implementation stages jointly by MoRD and the World Bank.

FM Assessment will be undertaken jointly by the Bank and NMMU

There will be a Two-Stage FM Assessment:

- Stage 1: For initial funding
- Stage 2: For funding of SPIP

The framework will evaluate FM capacity of State and for first Stage funding include inter alia for

- SRLM is a registered body with documented financial rules and has formally adopted the financial rules
- If an existing entity e.g., society, annual accounts have been audited for last financial year within 4 months of the end of financial year
- If implementing a WB funded livelihood project, last IUFR and audit report which were due have been received in the World Bank
- Bank account to receive NRLM funds
- CEO and key FM Positions in place at state office
- FM Staff trained by NMMU as per NRLP FM Manual

TOOLKIT FOR FINANCIAL MANAGEMENT ASSESSMENT OF STATES

A toolkit of FM Assessment of States is described in the next section of this chapter.

¹⁷ Bihar, Madhya Pradesh, Orissa, Rajasthan, and Tamil Nadu.

Financial Management Assessment of States

Overall FM Assessment Summary

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Agreed Actions with SRLM

S. No.	Agreed Action	To be completed by

Financial Management Assessment of States

	Key Questions	Yes/No	Remarks	Mitigation Measures
A. BUDGET AND COSTING				
1.	Presentation <ul style="list-style-type: none"> a) Does the format of the budget present components, sub-components and activities clearly and with adequate detail? b) Is the budget sufficiently detailed to provide annual and quarterly break-up? c) Does the budget clearly show the level at which budget will be spent – state/district/sub-district/community? d) Is summary of the budget adequately linked with detailed annexes? e) Has the budget been prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance? 			
2.	Consistency <ul style="list-style-type: none"> a) Is the budget consistent with components/sub-components of NRLP? b) Does the budget reflect planned activities adequately? 			
3.	Realism and Accuracy <ul style="list-style-type: none"> a) Is the budget realistic and based on valid assumptions? b) Have assumptions been clearly stated? c) Have any costing norms prescribed by NRLP correctly applied? 			
B. FINANCIAL AND ADMINISTRATIVE RULES				
1.	Comprehensive <ul style="list-style-type: none"> a) Do the rules cover key areas of operation of SRLM? b) Are the rules described in sufficient detail so that staff can apply them in day to day 			

	activities? c) Does delegation of financial and administrative powers cover all levels and types of operations? d) Is delegation of powers adequate for effective implementation of project activities?			
2.	Approval and Adoption Have financial and administrative rules been approved and adopted by the Executive Committee of SRLM?			
C. FM MANUAL –STATE LEVEL				
1.	FM Framework Is FM Framework for state level described in state FM manual consistent with the framework of National FM Manual?			
2.	FM Procedures Are procedures outlined in FM Manual consistent with National FM Manual and Part II of National Manual (Template of State FM Manual)?			
3.	FM Aspects Does FM manual cover key FM aspects at state level (budgeting, flow of funds, accounting, internal controls, financial reporting, FM disclosure and audit)?			
4.	Approval of Manual Has the manual been approved and adopted by the Executive Committee of SRLM?			
D. STAFFING AND TRAINING				
1.	Staffing Is the FM function staffed or proposed to be staffed adequately with experienced and qualified persons at state/district/sub-district level?			

2.	Job Descriptions a) Are job descriptions available for all FM posts? b) Do they describe the responsibilities of each post adequately? c) Do job descriptions cover key FM functions at state/district/sub-district level?			
3.	Training a) Is there a strategy and plan for training FM staff at all levels in the state? b) Is the strategy adequate? Does it take into account and complement national level FM training? c) Does the strategy adequately cover: I. FM requirements as per National and State FM Manual and Guidelines II. Requirements of different levels of FM staff d) Training Material: Is the material appropriate? e) What is the status of training as per National FM Manual and State FM manual?			
E. FLOW OF FUNDS				
1.	Has the system of flow of funds for different levels (state to districts/districts to sub-district and community level) planned and documented properly?			
2.	Does the system include appropriate triggers and control measures?			
3.	Is the mode of transfer of funds at different levels appropriate?			
4.	Have any standards of service been planned and are the standards appropriate?			
F. ACCOUNTING				
1.	Accounting Standards Has SRLM adopted acceptable national/international accounting standards?			
2.	Policies Are there written policies and procedures covering all routine accounting and related administrative activities?			

3.	Chart of Accounts Is the chart of accounts adequate or can it be adapted to properly account for, and report on all project activities?			
4.	Accounting System a) Is the accounting/reporting system computerized? b) If not, are the manual systems adequate to account for project activities in a timely manner? c) Does a plan for computerization of accounting exist? Is the time framework for implementation reasonable? d) Is the accounting system capable of producing timely and accurate records of projects?			
G. INTERNAL CONTROLS				
1.	Approval and Authorization Are approval and authorization controls in place and properly documented?			
2.	Do policies and procedures clearly define <i>conflict of interest</i> and <i>related party transactions</i> (real and apparent) and provide safeguards to protect the SRLM from them?			
3.	Banking a) Is there an effective control system for opening bank accounts at different level? b) Is there a regular system of preparation and reconciliation of bank statements? c) Are bank reconciliations prepared by someone other than those who process or approve payments? d) Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?			
4.	Control of Fixed Assets a) Are memorandum records of fixed assets and stocks kept up to date and reconciled with control accounts? b) Are assets sufficiently covered by insurance policies?			

5.	Internal Audit Is the internal audit system planned for project and community level as per the requirements of NRLP i.e., ToRs, coverage, scope etc.?			
H. FINANCIAL REPORTS				
1.	Has the project established & documented financial reporting responsibilities that specify: a) What reports are to be prepared, b) When they are to be prepared, c) Periodicity of preparation and content and d) System of consolidation of reports at various levels?			
2.	Does the accounting system have the capability of meeting reporting requirements of NRLP?			
I. AUDIT				
1.	Is the audit system planned for project and community level as per the requirements of NRLP i.e., ToRs, coverage, scope etc.?			
J. COMMUNITY LEVEL FM ARRANGEMENTS				
1.	Community Level FM Manual a) Has SRLM developed Community Level FM Manual? b) Is the Manual consistent with the Template prepared at National level (part III of National FM Manual)? c) Does the Manual cover FM requirements clearly and adequately?			
2.	Guidelines a) Are guidelines available for key community level activities and organizations? b) Do Guidelines for community level cover FM and Governance aspects adequately (e.g., maintenance of records, reporting, audit, social accountability and			

	transparency?			
3.	User-friendly a) Are the guidelines and manual available in local language? b) Are the manuals and guidelines presented in a format which can be easily understood by community members and project staff?			

CHAPTER 4

PLANNING AND BUDGETING

This chapter is divided into two major parts:

Part A Planning in NRLP

Part B Annual Work Plan and Budgeting in NRLP

A PLANNING FOR NRLP

Overview of Planning Process in NRLP

The resources from NRLP to the states will be transferred in a demand driven manner following an agreed protocol described in the PIP.

- Diagnostic Study: The states will carry out a diagnostic study of the poverty situation in the state.
- SPIP: Based on the diagnostics, each state will prepare their own multi-year State Perspective and Implementation Plan (SPIP).
- Readiness of State Mission: Upon submission of IAP/SPIP by the state mission, the NMMU will assess the readiness of the state mission.
- Appraisal and Approval of State Plans: These plans will be appraised and approved by MoRD.
- MoU between MoRD and State: Upon approval, NMMU would enter into MoU with the state mission for supporting the multi-year SPIP with technical and financial resources and fund one year operation plan.

The following diagram summarizes key processes of NRLP, from setting up NMMU to planning, implementation and supervision.

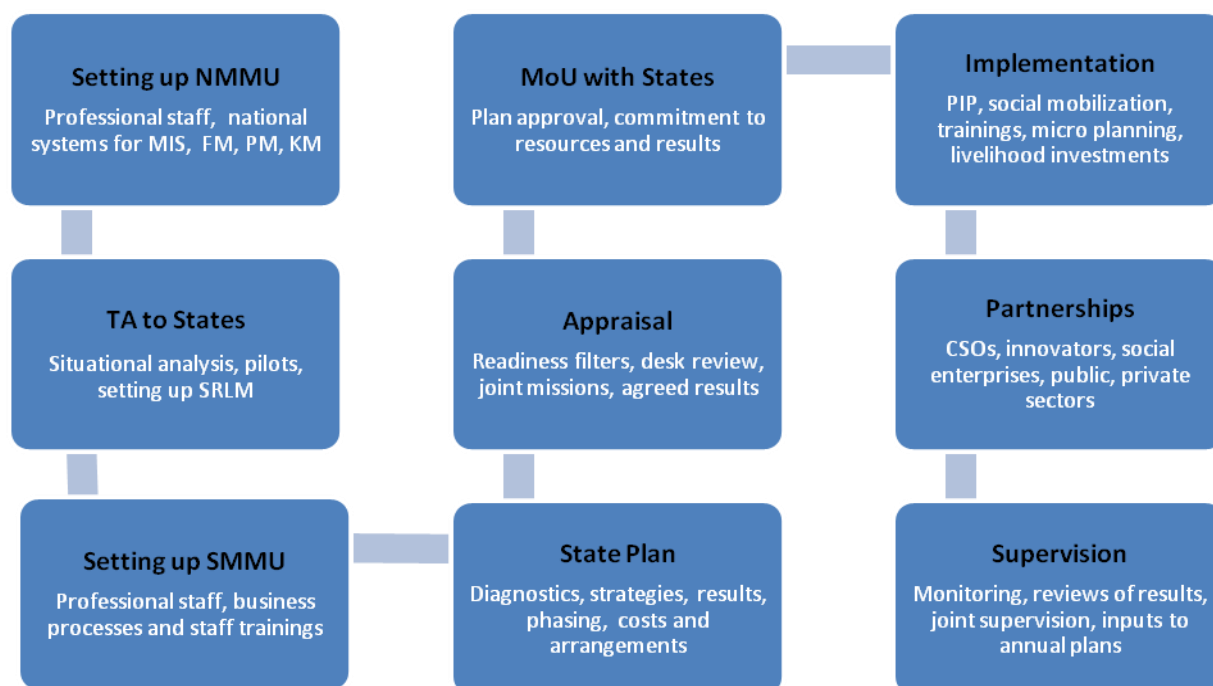


Diagram: Overview of Key Processes of NRLP

Planning and funding of state plans is described below:

Technical Assistance to States

As per the NRLM Implementation Framework of Ministry of Rural Development, States need to meet certain compliant conditions for accessing NRLM funds from centre.

To facilitate initial preparedness of State to be NRLM compliant, dedicated technical assistance will be provided to States in terms of support for setting-up the Society, conducting poverty diagnostic study and preparing State Perspective Plan.

TA to NRLP States

5 States with Existing Livelihoods Projects: These states have developed capacity in terms of professionally managed implementation structures and formulating high quality state perspective and implementation plan (SPIP). The project will help them to:

- **Align with the NRLM; and**
- **Expand their coverage to new areas.**

Other 7 States of NRLP: NMMU will extend technical assistance in the first year to help them **develop and implement Initial Action Plan (IAP)** which will enable them to

- (i) SRLMs: set up State Rural Livelihood Missions (SRLM) and fully staffed State Mission Management Units (SMMU),
- (ii) Poverty diagnostics and pilots: undertake poverty diagnostics and launch field pilots
- (iii) SPIP: formulate state perspective and implementation plans (SPIP) for poverty reduction.

Diagnostic Study

The states carry out a diagnostic study of the poverty situation in the state that include geographical distribution of poverty, special groups of the poor and vulnerable, situation analysis of the poor in terms of social, financial, and economic exclusion, etc.

State Perspective and Implementation Plan (SPIP)

Based on the diagnostics, each state will prepare multi-year SPIP detailing:

- Strategies and activities
- implementation arrangements
- Phasing and roll-out plans
- Sources and uses of the funds for achieving specific poverty reduction goals

Each SRLM would undertake a prioritization exercise and prepare draft SPIP. SMMU would prepare State Perspective Plan consolidating all District Action Plans and incorporating SMMU action plan. SMMU would submit State Perspective Plan, duly approved by its Governing Body, to MORD for appraisal and approval.

Financial Management Arrangements / Information in SPIP

State Perspective Plan to include Financial Management arrangements in the community institutions and state mission structures, as mentioned below:

- Project Costing
- Main components of Project budget
- Administrative and Financial Rules
- Financial Management Framework: to be in line with the FM framework finalized at the national level. It is a matrix that specifies key FM and institutional arrangements at state/district/sub-district/community level.

- Fund Flows: basis for release of funds to different levels and nature of accounts at these levels
- Staffing and capacity building: Details of the key staff for financial management at all level along with the plan for their capacity building
- Accounting Policies and Procedures: A Financial Management Manual (FMM) needs to be prepared detailing the accounting and financial reporting requirements at the various levels. The key components of FMM should include accounting and financial management processes such as funds flow, budgeting and audit arrangements. The financial and accounting policies contained in these manuals shall supplement the policies adopted for State Society, District Units and Block Units.
- Audit Arrangements

Please refer to **Template of SPIP in PIP for details.**

Initial Action Plan (IAP)

NMMU would provide technical assistance to the SMMUs in the preparation of IAPs.

The IAP would include

- a. Situation Analysis of the poverty , social mobilization, financial inclusion and livelihood context in the state
- b. Details of pilots on social mobilization, financial inclusion and livelihood promotion. The number of the blocks to be taken up under the piloting and the rationale for selection of the blocks
- c. The basic support structure to be put in place during the piloting
- d. The basic MIS, financial management and Procurement systems to be put in place.

Financial Management Arrangements / Information in IAP

- Flow of Funds: Basis for release of funds to the different levels and nature of accounts at these levels needs to be detailed out.
- Staffing: Details of key staff for financial management at all level.
- Accounting Policies and Procedures: Arrangements for operation of bank accounts, maintenance of books of accounts and control mechanism.

Please refer to **Template of IAP in PIP for details.**

Appraisal of SPIP and Initial Action Plan

Upon submission of IAP/SPIP by the state mission, the NMMU will assess the readiness of the state mission and a joint appraisal mission will be undertaken by a team of experts

drawn from NMMU, the World Bank, other donors (if any), CSOs and practitioners from other state missions. The mission will undertake field visits, participatory assessments, discussions with key officials, and state level multi-stakeholder workshops and would use the appraisal criteria described in the PIP.

Key readiness filters for financial management are summarized in the Table:

Table: Key FM Readiness Filters for States

Plan	Readiness Filter	Broad Criteria for Appraisal
I Initial Action Plan*	<ul style="list-style-type: none"> ○ Action for setting up SLRM initiated ○ CEO appointed ○ Separate bank account opened in the name of SLRM 	<ul style="list-style-type: none"> ○ Administrative and fiduciary arrangements
State Perspective and Implementation Plan**	<ul style="list-style-type: none"> ○ Operational manual ○ Administrative & financial rules 	<ul style="list-style-type: none"> ○ Administrative and fiduciary arrangements

*The states without dedicated implementation structures will prepare a one year plan for incubating SRLM, program pilots and preparation of SPIP. The IAP will be backed by TA from NMMU).

** States that have set up dedicated implementation structures.

Table: Readiness Filters

Plan	Readiness Filter	Broad Criteria for Appraisal
Initial Action Plan (The states without dedicated implementation structures will prepare a one year plan for incubating SRLM, program pilots and preparation of SPIP. The IAP will be backed by TA from NMMU)	1. Action for setting up SLRM initiated 2. CEO appointed 3. Separate bank account opened in the name of SLRM 4. Rapid poverty diagnostics undertaken	1. Results 2. Program strategies - pilots 3. Timelines 4. Implementation capacity 5. (Strategic staffing) 6. Partnership arrangements 7. Administrative and fiduciary arrangements 8. Cost effectiveness
State Perspective and Implementation Plan (The states that have set up dedicated implementation structures)	1. Fully inducted state team 2. Operational manual 3. HR Policy and manual 4. Administrative & financial rules 5. Partnerships identified 6. The state has an Environmental Management Coordinator and a Social Coordinator as part of the core team.	1. Results 2. Program strategies and implementation cycle 3. Phasing 4. Implementation capacity (Structures, Staff, Systems & Partners) 5. Safeguards compliance 6. Administrative and fiduciary arrangements 7. Cost effectiveness

	<p>7. Environmental Action Plan is developed in the SPIP through the process described in the EMF.</p> <p>8. Social Inclusion Plan is developed in SPIP through the process described in the SMF.</p>	
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Revised SPIP and Annual Action Plan

Based on the agreed actions with the Appraisal Mission, SRLM would submit its revised SPIP and Annual Action Plan. Technical Support Cell/Appraisal Mission would review the revised SPIP and Annual Plans and prepare an appraisal document for approval of SPIP.

Appraisal and Approval of State Plans

The revised SPIP/IAP would be reviewed by NMMU and placed for approval before an Empowered Committee (EC) constituted by the MoRD for NRLM. The EC would approve the State Action Plan.

Upon approval, NMMU would enter into **MoU** with the state mission for supporting the multi-year SPIP with technical and financial resources and fund one year operation plan.



MoU between MoRD and SRLM

NRLM/NMMU and SRLM/SMMU, then, would enter into a Memorandum of Understanding (MoU).

Suggested Financial Management Clauses in MoU

The MoU between MORD and states for NRLP will include clauses covering the following FM aspects:

- Adherence to financial management procedures of NRLP as per FM Manual of the project and other instructions issued by NMMU during the project period.
- Compliance with terms and conditions for the release of first and subsequent installments by MORD to the state for NRLP, including submission of Utilization Certificates.
- Ensuring flow of funds for project activities as per procedures in National FM Manual and service standards of NRLP.
- Maintaining a separate bank account and separate records of the project funds received for NRLP.
- Implement accounting policies of NRLP and maintain accounting system as per NRLP requirements.

- Submit to MORD all reports and documents relating to progress of the Project, Accounts, Audit, Procurement, Disbursement and Annual Work Plan, as specified in the FM Manual and PIP and at such frequency as may be required by MORD.
- Furnish quarterly/annual financial statements in the prescribed format in accordance with the procedures mentioned in the Financial Management Manual.
- Get the accounts of the SRLM for NRLP audited as indicated in the FM Manual. The audited accounts along with a copy of the audit report shall be furnished to MORD every year as per the schedule indicated in the FM Manual.
- Implement disclosure management framework.
- Access to project records to MORD or its representatives.

Funds to States

MoRD will release funds to states **against agreed annual work** plans and as per FM provisions of MoU which will be signed between MoRD and each participating state. Funds will be released in two tranches each year through direct transfers into SRLM bank accounts.

On being satisfied with SRLM's readiness, NRLM/NMMU would release the first of the two tranches in a year (i.e. 50% of the annual allocation) into the SRLM Special Bank Account and SRLM would formally launch the SPIP. For all fund releases following the first tranche, the states will be required to submit audit reports and utilization certificates, as per established GoI procedures.

Please refer to **Chapter on Flow of Funds for details of tranche release conditions.**

Annual Plan of State

Before the commencement of the financial year, each State would get an indicative allocation based on the inter-se incidence of poverty among the States to enable the states to prepare their plans. Based on the broad indication of resource availability to the State in a particular year, SRLM would undertake a prioritization exercise and prepare Annual Action Plan dovetailing with State Perspective Plan.

The annual plan would include budget by components/sub-components and estimates of funds from different sources.

Approval of Subsequent Annual Plans and Tranches

For the subsequent years, the Annual Action Plans will be reviewed in the context of SPIP and the feedback provided by half yearly reviews, supervision/implementation support missions, concurrent evaluation studies, and performance criteria laid down from time to time.

As implementation of State Perspective Plan progresses, subsequent tranches would be subject to half-yearly reviews, annual reviews and plans, and utilization of the previous tranche(s) released and the balance funds available.

Half Yearly Review Missions would review implementation against the plan (Annual Plan and Perspective Plan) and the minimum quantitative/qualitative performance criteria laid down by NRLP, from time-to-time.

B ANNUAL WORK PLAN AND BUDGETING FOR NRLP

Overview of Annual Work Plan Process of NRLP

- AWP for NRLP will follow a “bottom up” approach.
- NMMU, MORD will issue instructions to states for preparation of AWP for every financial year. SMMUs will prepare estimates for state level NRLP activities based on estimates from districts and submit it to NMMU.
- NMMU will review estimates submitted by the states.
- NMMU will aggregate estimates of states and NMMU to prepare Annual Work Plan of NRLP.
- NRLP AWP will be approved by the Empowered Committee (EC).

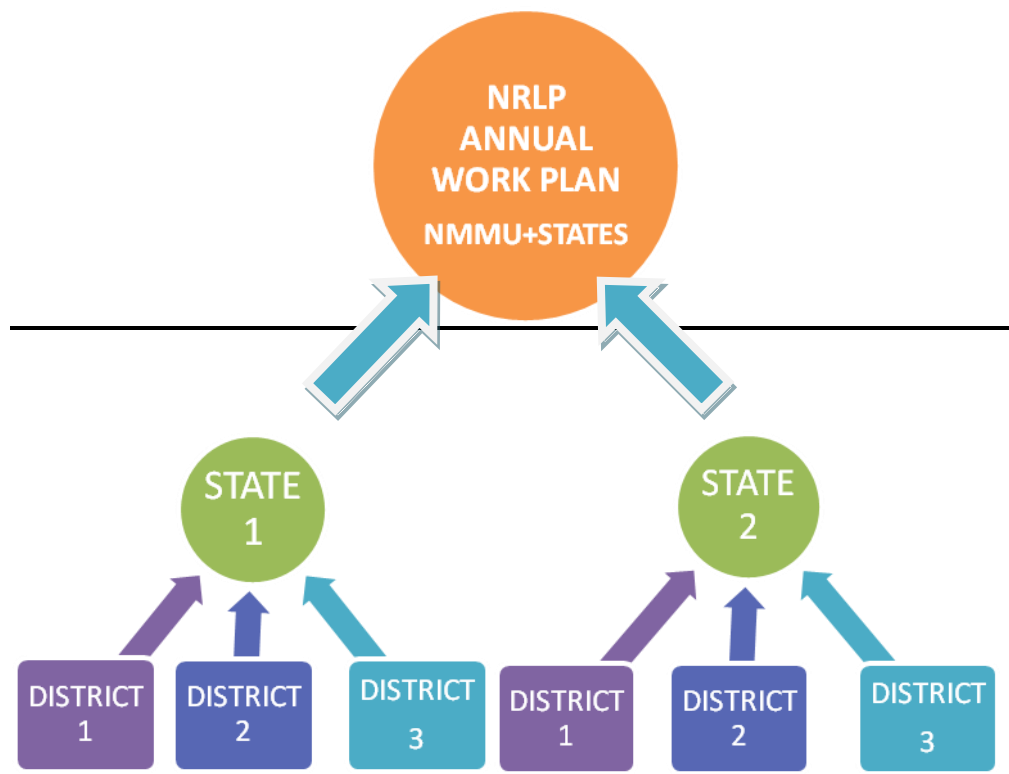


Diagram: Annual Work Plan Process of NRLP

Period of AWP

AWP period shall be the financial year of the GOI and states i.e., 1 April to 31 March. Annual Work Plan and Budget will be further divided into quarterly budgets.

At the **National** Level:

- MORD will be responsible for preparation of estimates for its own expenditure and releases to States.
- *Budget heads:* The project will be budgeted at the Union level, under an identifiable budget head item of the Ministry of the Rural Development. National Mission Management Unit (NMMU) of MoRD will prepare annual estimates of the project by consolidating state level and NMMU level estimates. Partly on account of the inflexibility in processing in-year budget reallocations, that this imposes, the project components and sub components have not been set up at the detailed budget head level. The budget heads for the project in MoRD's budget will be as mentioned in attachment 17.
- *Estimates from states:* The estimates will be scrutinized at NMMU.
- *Consolidation of AWP of NRLP:* NMMU will prepare estimates of project by consolidating: (a) estimates of national level activities; and (b) state level activities based on estimates received from the states.
- Annual Work Plan (AWP) of NMMU will be approved by end February of each year.

At the **State** Level:

- The project's planning process will follow an "inverted" approach i.e. it will grow out of village level plans and get consolidated into Block, District and State level annual work plans.
- AWP and Budget for NRLP to be approved by the SRLM.

Structure of Annual Work Plan

Annual budget will be prepared as per project components/sub-components/activities. Please refer to Annex 1 for **Format of AWP**.

AWP Calendar

AWP for next financial year (April-March) should be received at MORD from SMMUs by 31st October. NMMU, MORD should prepare AWP for NRLP by 30th November.

TABLE: AWP Calendar for Next Financial Year – National and State Level

Last date	Inputs for AWP	Prepared by	Submitted to
1 st September	Instructions for Annual Action Plan for next Financial Year, including indicative allocation	NMMU	SMMUs
15 th October	Approved District level Plan sent by DMMUs to SMMU	DMMU	SMMU
31 st October	<ul style="list-style-type: none"> ○ <u>Approved State Action Plan</u> sent from state to NMMU ○ <u>State Share</u>: Approved State Plan also copied to state government for incorporating state share in its budget 	SMMU	NMMU
31 st October	Estimates for national level activities	NMMU Units	FM Unit, NMMU
30 th November	Consolidated Estimates for Next Financial Year for NRLP (national states)	NMMU	Budget Division, MoRD

**TABLE: Revision/Supplementary AWP for Current Financial Year
National and State Level**

Last date	Inputs for AWP	Prepared by	Submitted to
15 th October	Revision of Estimates for Current Financial Year	SMMU	NMMU
15 th October	Revision of Estimates for National level Activities	NMMU Units	FM Unit of NMMU
15 th November	Consolidation and Submission of Revised AWP	NMMU	MORD

AWP Monitoring

Monitoring of actual expenditure against budget will be regularly carried out at all levels of the project.

CHAPTER 5

FLOW OF FUNDS

This chapter is divided into 2 parts:

Section A Overview of Flow of Funds for NRLP

Section B Flow of Funds to States

A OVERVIEW OF FLOW OF FUNDS FOR NRLP

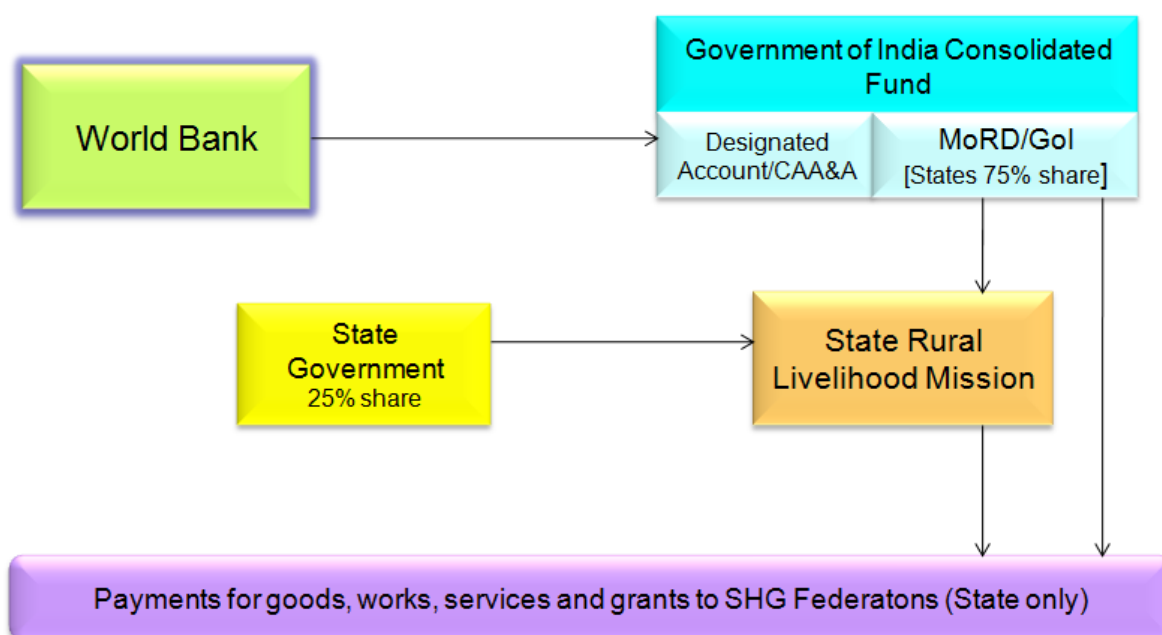


Diagram: Overview of Flow of Funds for NRLP

Central and State Share

As per the standard Centre-State mechanism for Central Sponsored Schemes, GoI funds to the States for Components 2 (b) and (c) will be on a grant basis with **25% counterpart funding by the States (10% in the case of North East and hill States)**.

MoRD Level

- Government of India, Ministry of Rural Development will provide funds for NRLP through its budgetary resources.
- The NMMU will remain within the existing financial management systems of MoRD, which operates through the centralized Pay and Accounts Office.
- At MORD level, an annual work plan will be prepared and will form the basis for the budget allocations. The Empowered Committee (EC) of NRLM will approve AWP of national and state level activities of NRLP.

Disbursement from the World Bank to GoI

- Initial Advance: An initial advance with a fixed ceiling would be deposited into the segregated designated account maintained in US dollars at Reserve of Bank of India, Mumbai by CAA&A, GoI.
- Quarterly Reimbursement: Withdrawals from the Designated Account will be on receipt of periodic withdrawal applications in the form of quarterly Interim Unaudited Financial Reports (IUFRs) from MORD, GoI to the World Bank and to the extent of reported expenditures during the period.
- Eligible Expenditure:
 - *Fund releases to the States* and accounted for at MoRD level as 'Grants in Aid' will not be considered as eligible expenditures for purposes of disbursement under the project.
 - *Eligible expenditures for Community Investment Support Component* will include grants to SHG Federations made by the SRLMs for funding economic activities to enhance livelihoods, in accordance with procedures outlined in the Program Implementation Plan.

Please refer to Chapter on Reimbursement from the World Bank for details.

Details of Flow of Funds Arrangements is shown in the following Diagram:

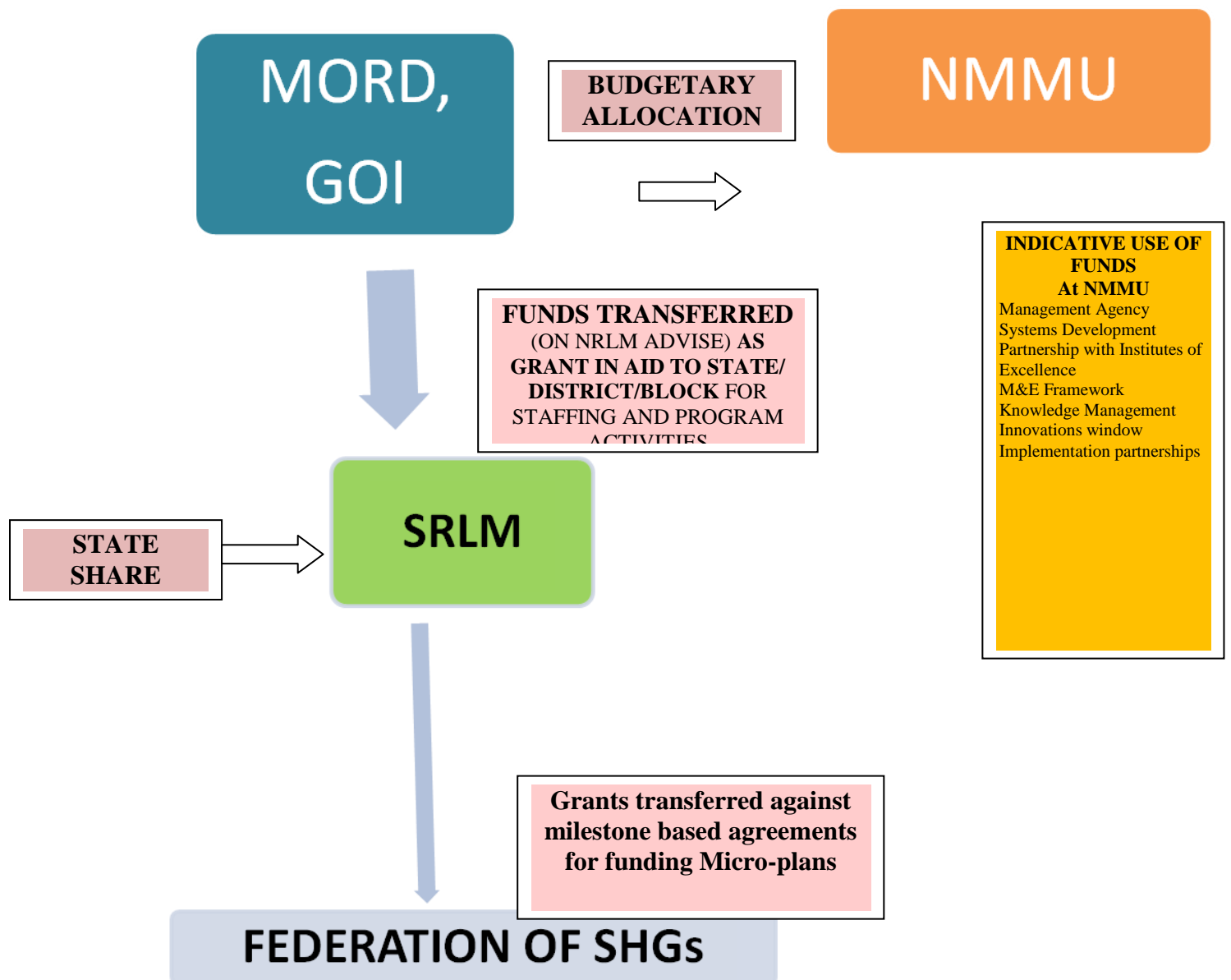


Diagram: Details of Flow of Funds Arrangements for NRLP

B FLOW OF FUNDS TO STATE LEVEL

National Level

MoRD to States

MoRD will release **funds to states against agreed annual work plans** and as per FM provisions of MoU which will be signed between MoRD and each participating state.

Procedure for Release of Funds to States

NRLM would fund states against appraised and approved **annual action plans and state perspective and implementation plans** that outline the results and the processes towards these results, and as per Financial Management provisions of MoU which will be signed between MoRD and each participating state.

NMMU would review the performance against these plans half-yearly and annually and funds flow to the states would be based on the revised annual plans.

Funds will be released in two tranches each year through direct transfers into SRLM bank accounts. For all fund releases following the first tranche, the states will be required to submit audit reports and utilization certificates, as per established GoI procedures.

Please refer to Table below for details of conditions for each tranche.

TABLE: Tranche Release to States under NRLP

Tranche	Months	Conditions for Release
First Tranche	April-May	1) Approval of the State Annual Action Plan and 2) Terms and conditions stipulated from time to time.
Second Tranche	October-December	On the request of SRLM in prescribed pro-forma and on fulfilment of the following conditions: <ol style="list-style-type: none"> 1) Utilization of at least 60% of the available funds including the opening balance. 2) The opening balance of the SRLM should not exceed 10% of the allocation of the previous year (<i>in case, the opening balance exceeds this limit, the Central funds would be proportionally reduced</i>). 3) Audit Reports, Utilization Certificates for the previous year furnished. <i>Please refer to format of UC in Annex-13</i> 4) Achievement with reference to Annual Action Plan; and 5) Other terms and conditions stipulated at the time of the previous release should have been met.

Lapsing of Allocation

If the expenditure of any of the States is less than 60% by 31 December, their balance allocation would lapse.

Allotment of Lapsed Allocation

These lapsed amounts would be pooled and allotted to better performing States on the following criteria:

1. Expenditure of more than 75% of the total available funds by 31 December
2. Request for additional funds over and above the allocation for the year; and
3. Performance on key NRLP indicators.

The allotment to these better performing states would be in proportion to their allocation. However, the additional amount would not exceed one instalment (i.e. 50%) of the State allocation.

Care would be taken to ensure that poverty states get their due allocation and better performing States get incentive for reaching their poverty reduction targets quickly.

Bank Account

SMMU will maintain a separate bank account in a commercial Bank for the Programme funds and notify the same to NMMU.

The transfer of funds from MHRD to **States** will be through ECS.

State Share & State Perspective/ Annual Plans

- State will contribute 25% of the state plan (10% in case of North-eastern states) for activities proposed under NRLP/NRLM for component 2 b and 2 c. Component 1, 2 a, 2 d, 3 and 4 will be funded 100% under NRLP/NRLM.
- The MoU between MoRD and states will include a clause for timely provision of state share. The State Perspective Plan and Annual Plan will include all activities and budgets relating to NRLM and NRLP and also WB supported state livelihood project, where applicable. This is to enable MoRD to get a full picture of the state livelihood program.

MoRD to States – Key Points

- Funding to states to be based on agreed work plans.
- SPIP will include estimates for NRLP, NRLM and activities of existing livelihood project (if applicable)

- *Common Costs*: Costs at the districts units and state units will be assigned/apportioned in a pre-agreed procedure to various funding sources.
- World Bank will fund all cost of intensive blocks in 12 states, except interest subsidy. State Plan for NRLM to identify specific line items for NRLP e.g., intensive blocks.
- NRLP to fund Intensive Blocks and Technical Assistance, (including setting up state/district/block units)
- Tranche conditions to states to be as per NRLM Guidelines
- State share will not apply to Component1, 2a, 2d, 3 and 4 and these components will be funded 100%
- Fund releases to the SRLMs will be through direct transfers into SRLM bank accounts and will be against agreed annual work plans.

State Level

Funding of Project Offices in the States – Key Points

- SMMU will incur expenditure for state level activities directly.
- DMMU: SMMU will transfer funds to DMMUs **against annual work plan** into a separate bank account opened for the project.
- Common Costs at State and District level: **SRLMs will establish up-front, appropriate criteria to apportion common costs** (state and district levels) across the various projects and document the same in the SPIP.

State to Districts

- SRLM would devolve funds to the districts in accordance with **district-wise allotments indicated in the Annual Action Plan**.
- To the extent feasible, funds flow from SRLMs to districts/sub-districts will not entail physical transfer of funds, and instead an **Electronic Fund Transfer** system will be established. Under this system annual budgetary allocations will be approved by state office for each cost center against specific budget lines. The cost center will generate sanctions and draw down from a centralized state level bank account using the online banking systems up to the budgetary limits and within the agreed delegation of financial powers.
- All funds released by the state to the district and block level units will be treated as **inter unit transfers** until expenditures are incurred at these levels.

State to SHG Federation/s and Other Institutions

Fund releases from the State to SHG Federation/s and other institutions (producer companies, NGOs etc.) will be made through electronic transfer systems, to the extent feasible and be based on the terms and conditions for fund releases as documented in the MoU or financing agreements, as the case may be.

To the extent feasible, SRLM will enter into service or results based agreements with Special Purpose Vehicles (SPVs), Producer Groups, Training Institutes etc. and all fund releases from the project will be based on achievement of outputs or results.

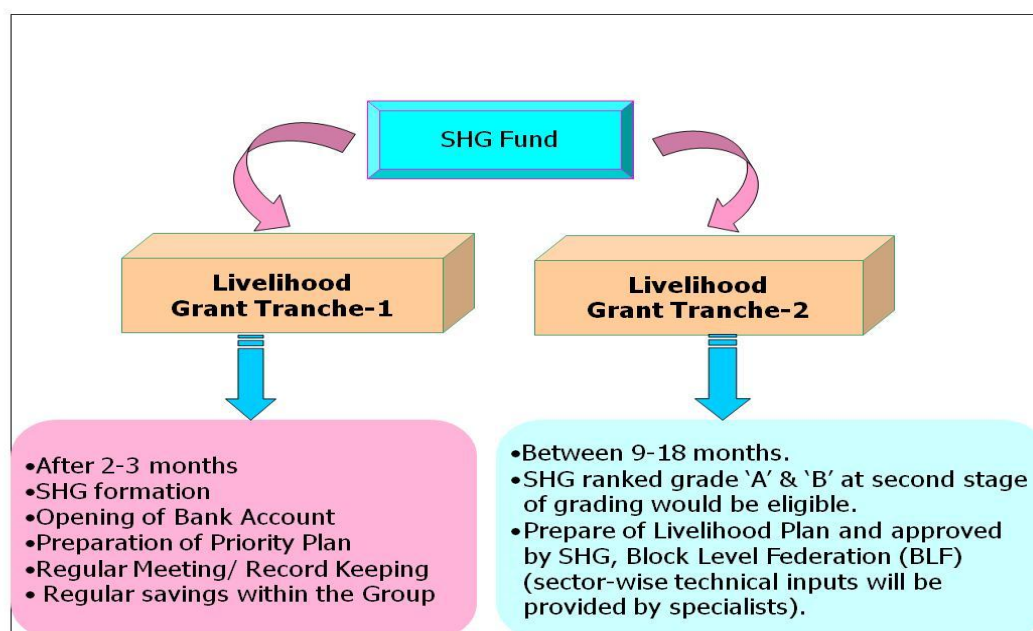
Innovation Funds/Producer Companies

- The fund releases to be based on **appraised business plans**
- All fund releases **be accounted for as advances in SRLM books of accounts**
- Actual expenditures reported to be booked as expenditures, **unspent balances to be refunded to SRLM.**

State to SHG Federations/SHGs

- In order to ensure that there is no risk in duplication of financing to the same SHGs/federations, it has been agreed that **NRLP will not be implemented in the same blocks as the on-going WB-supported state livelihood projects.**
- All fund releases to SHG Federations will be made in accordance with **Federation Grant Agreement**. Such fund releases will be based on achievement of certain defined milestones/ triggers as defined in the description of Component 2 in Annex 2 of PAD.
- Fund releases to SHG Federation/s bank accounts will also be through direct transfers, to the extent feasible
- All fund releases to SHG Federations **be accounted for as expenditures.**
- SHG Federation will maintain **books of accounts** for the receipts and loans provided to SHGs and will prepare **regular financial statements.**
- States to monitor **financial performance of Federations** through monthly financial reports

The institutional building and resource transfer arrangements to SHGs/federations require that they have governance norms on rotational leadership, performance-based grading, social audits, and require formal audits.



Funding of SHGs

SHG Federations will fund livelihood plans of SHGs. SHGs will in turn, provide loans to their constituent members to fund economic activities to enhance livelihoods or other consumption needs as described in the SPIP, but excluding the items listed in the negative list.

SHGs will receive livelihood investment support when they reach a certain level of maturity, as measured by pre-defined milestones in the SPIP.

The livelihood grants to SHGs will only be provided in the initial formation phase but thereafter they will utilize these funds alongside their savings and other sources of financing to scale-up their livelihood activities.

It is estimated that approximately 480,000 SHGs would be supported under the proposed NRLP with each SHG receiving a total livelihood grant of approximately Rest. 36,000 (roughly US\$600 per SHG or US\$60 per SHG member household over the 5 year project period).

Community Investment Support

Livelihood Grants
(about US\$ 800 per SHG over 5 years or about US\$60 per member)

Linkages & Value Additions

1st Tranche

2nd Tranche

Need basis
Money goes to the Federation for Collective Action & Benefit of all members
Promote common livelihood interests

NOTE: Total livelihood grant to SHG members (i.e. one household) will be roughly US\$60. By the 5th Year, it is estimated that average savings per member within SHG will be roughly US\$80. In addition, voluntary savings within SHGs and formal financial institution including banks, insurance and pensions is estimated at an additional US\$300 per household (i.e. a total savings of almost \$400 per household).

Livelihood Grants

- The livelihood grants will be used to address **higher order livelihood and human development issues** like Millennium Development Goals (MDGs) related to food security, health, malnutrition and education.
- The project will also finance the **cost of pilots** including capacity building expenditures, setting up health and nutrition centres and early child education centres by institutions of the poor.
- The livelihood grants will also be provided to **farmers' collective/producer groups/producer companies** to improve market access and link to mainstream agri-business companies.

Financing of Blocks under NRLM and NRLP

NRLP (World Bank Financed Project) will finance activities in approx. 400 blocks in identified states - (about 12 states). In addition, under NRLM, MoRD (through domestic sources) will finance the remaining blocks through a combination of intensive blocks (approx. 150) and balance as extensive blocks. Similarly SGSY in its current form will cease with effect from Oct 2011 and will be subsumed under NRLP/ NRLM (intensive and extensive).

This understanding is summarized in the table below:

Blocks	Nature of Intervention	Financed under/by
Blocks in NRLP States (12 States)	Intensive Blocks	NRLP- World Bank
	Intensive Blocks***	NRLM - MoRD
	Extensive Blocks *	NRLM – MoRD
Blocks in non NRLP States (other than the 12 states)	Intensive Blocks **	NRLM - MoRD
	Extensive Blocks **	NRLM – MoRD and NRLP-World Bank

*technical support will be available to all the blocks in NRLP states from the SMMU under NRLP funding

** technical support will be available to non NRLP states from the NMMU (central level unit) under NRLP funding

***the initial extensive blocks will gradually being intensive blocks in NRLP states and will be funded by MoRD.

Allocation of Blocks under WB supported state livelihood project, NRLM and NRLM

To the extent possible, there would be no intermingling of finances from more than one source, especially at the block level in respect of intensive blocks with one exception i.e. Interest subsidy element under NRLM which would not be funded by the World Bank. (the modalities of the transfer of such subsidy to be understood) and to also add in the negative list.

Blocks would be assigned for financing under:

- a) NRLP – Intensive Blocks
- b) NRLM - Intensive Blocks
 1. In non NRLP states
 2. In NRLP states in later years, when Extensive Blocks will graduate to Intensive blocks
- c) Extensive Blocks (NRLM)
- d) World Bank supported state livelihood projects, where applicable

Common Framework/Systems

- NRLP procedures and systems (program design, planning, procurement and financial management) for Intensive Blocks will be applicable to all Intensive Blocks in the country.

- There will be a common program management system (including MIS system) for all Intensive Blocks in the country.
- World Bank will, however, limit its fiduciary review, especially remedies in case of non-compliance (e.g., discontinuation of disbursement in case of delayed audit reports), to the NRLP states/ blocks.

Extensive Blocks

MoRD will develop separate guidelines for funding of extensive blocks under NRLM.

Central Plan Scheme Monitoring System (CPSMS)

NRLP will be monitored using the CPSMS.

CHAPTER 6

ACCOUNTING

Accounting System

The Project Implementing Agency has to maintain a Financial Management System including adequate accounting and financial reporting, to ensure that it can provide to the World Bank and the Government of India, accurate and timely information regarding the project resources and expenditures.

Financial reports generated from the above accounting system will be comparable to Project allocations, yearly budgets and utilization of funds relating to physical and financial achievement as targeted under the Project.

Accounting Centers

The main accounting centers are:

- a. NMMU
- b. State Level: SMMUs, DMMUs, Block Units/PFTs

	Accounting	Reporting	Consolidation
NMMU, MoRD	✓	✓	✓
SMMU	✓	✓	✓
DMMU	✓	✓	✓

Block Units: There will be an **impress** system at block level.

Accounting at National Level

Accounting System

At GoI level, NMMU will function within the existing Government systems using the Pay & Accounts Office (PAO) to process and account for project related expenditures.

Accounting Policies

The following accounting policies will be applicable for NRLP to ensure uniformity and consistency in method of accounting and financial reporting:

- General Financial Rules: The procedure and formalities for Grants-in-aid to states and for other expenditure at national level for the project will be as per General Financial Rules (GFRs) of the Government of India.
- Releases to States: In the MORD books of accounts, transfers (Grant in Aid) to SRLMs to finance approved state Annual Work Plans (AWP) will, in accordance with existing GOI rules, be recorded as expenditure. For the purpose of the program, however **NMMU will need to keep track of the actual expenditures reported against the grants by the States on an off-line basis** as these are essentially in the nature of advances. Releases to states.
- Releases to states will be treated as “**Grant-advances**” and actual expenditure will be treated as “**Grant-utilized**”.

Memorandum Registers

The consolidated ‘Monthly Accounts’ prepared by the Pay & Accounts Office (PAO) will provide information on the project expenditures in summary form only. NMMU will maintain memorandum registers to track the project expenditures by activity heads to allow for quarterly interim financial reports to be prepared in a manner that will allow easy monitoring of actual expenditures against agreed work plans and for management decision making purposes. Please refer to **attachment 2 for Format of Memorandum Register**.

Accounting at state level

A common set of ‘back office’ rules on financial management, including accounting and financial rules at the **State, SHG Federation and SHG** level will apply uniformly across all activities and all sources of funds, including NRLP.

A. Project Offices

Accounting System:

- SRLM and its constituent district and block units will maintain its books of account on a **cash basis** following the **double entry principle** of accounting.
- SMMUs will maintain separate records for NRLP activities. A computerized accounting system will be maintained.
- SMMU will prepare consolidated state level accounts for NRLP.

Fund Release

- Fund Release to Project Offices: All funds released by the state to the district and block level units will be treated as inter unit transfers until expenditures are incurred at these levels.
- Fund Release to SHG Federations for Community Investment Support: All fund releases to SHG Federations against Community Investment Support which are in the nature of grants to be used to undertake productive livelihood activities, will be **accounted for as grants (expenditures)** in the books of accounts of the SRLM.

Such fund releases will be based on achievement of certain defined milestones/ triggers as defined in the description of Component 2 in Annex 2 of PAD.

- Fund Release to Other Institutions: The accounting for fund releases (grants) to other institutions, including Producer Companies, livelihood federations, NGOs Partnerships and other service providers under the component of Special Programmes (Component 2(d) and Innovations and Partnerships (Component 3) will be **guided by the terms and conditions of respective the contractual arrangements or financing agreements/MOUs.**

Fiduciary Assurance for Community Investment support

The project will obtain fiduciary assurance for the use of Community Investment Support provided to the SHG Federations from a combination of the following two processes:

- Periodic assessment of robustness of the loan portfolio at the Federation level. This will be monitored through rigorous processes and use of eligibility indicators of profitability, capital and portfolio quality, acceptable levels of loan collections, appropriate capacity for appraisals and supervision etc.; and
- Assessment of the fiduciary oversight arrangements established at the Federation level to monitor and verify the use of funds for intended purposes, including verification mechanisms for assets and other uses of funds, as applicable.

Detailed accounting requirements at state level will be included in Part II FM Manual for States.

B. Community Level

- SHG Federations will maintain books of account on **cash basis** following the **double entry** principle of accounting.
- SHG Federations will maintain **books of account** for the receipts and loans provided to SHGs and will prepare **regular financial statements.**
- The Federation annual accounts will be subject to **statutory audits** as required by the State laws.

- Over the medium and long term, a **separate platform will be developed for accounting and financial reporting for SHG Federations (and SHGs)**. This will ensure standardization and consistency in the quality of accounting. This will also provide online access to financial information for community level at the aggregate as well as standalone basis. The accounting system at the SHG/federation level will be automated through e-bookkeeping using different front-end devices, including net books and handheld devices like tablets, mobile phones, etc.

Technical Assistance by NRLP

The project will invest in:

- Developing detailed **assessment criteria for grading of SHGs and Federations**
- Providing **handholding accounting technical assistance (book keepers, accounting hubs etc.) to the Federations** to help maintain accounting records and prepare monthly/annual financial statements for the Loan portfolio.

Details of accounting requirements for community level will be included in the Part III FM Manual for Community Level.

CHAPTER 7

FINANCIAL REPORTING

Project expenditures will be reported on quarterly, half yearly and annual basis by districts to states, states to NMMU and NMMU to MORD/World Bank. There will be 4 major types of financial reports in the project, which are as follows:

1. Interim Unaudited Financial Reporting (IUFRs)
2. Statutory Audit Reports
3. Internal Audit Reports
4. Financial Management Indicators (FMIs)

TABLE: Reports to be submitted by NMMU to World Bank

Sl. No.	Report Type	Format	Periodicity	Timeline
1.	Consolidated IUFR of Project	attachment 3	Quarterly	Within 45 days of end of each quarterly period
2.	Statutory Audit Reports of Project for NMMU and SRLMs, including Summary of Reports	attachment 5	Annually	30 th September of every Project year for previous financial year
3.	Consolidated FM Indicators	attachment 6	Half yearly	Within 45 days of end of each period of six months

Consolidated Interim Unaudited Financial Report of Project

The quarterly consolidated project IUFRs will be submitted to the World Bank within 45 days of end of each quarter. The IUFRs will include component-wise, state-wise details for the previous quarter, year to date and project to date.

Disbursement from the World Bank will be on the basis of quarterly IUFRs.

Table: Description of Consolidated IUFRs

IUFR Number	IUFR Title	Description of IUFRs
1	Consolidated Statement of Uses of Funds	<p>Part A: Expenditure at NMMU by components and sub-components (A to D)</p> <p>Part B: Expenditure at State Level for component B (B1 to B4)</p> <p>Part C: Additional Information – Grants Releases to States by MoRD</p>
2	Sources and Uses of Funds - States	<p>The IUFR provides the following information for each of the 12 states:</p> <p>A Opening Balances</p> <p>B Receipts include:</p> <ul style="list-style-type: none"> ○ Grants received from MoRD and states for NRLP, NRLM, Others) ○ Other Receipts <p>C Uses of Funds</p> <ul style="list-style-type: none"> ○ NRLP by components ○ NRLM (summary only) ○ Other projects (summary only) <p>D Closing Balances</p> <ul style="list-style-type: none"> ○ Cash and Bank Balance ○ Advances
3A	Expenditures against Annual Work Plans - States	<p>Detailed information for each of 12 states against sub-components of B2 for:</p> <ul style="list-style-type: none"> ○ Approved annual Work Plan ○ Actual Expenditure Reported -for quarter -cumulative to date
3B	Expenditures against Annual Agreed Work Plans - NMMU	<p>Detailed information for component and sub-component (A, C & D)</p> <ul style="list-style-type: none"> ○ Approved annual Work Plan ○ Actual Expenditure Reported -for quarter -cumulative to date
4 DELETED	Forecast of expenditures for two six-months period ending.....and	<p>Forecast for next 2 six-monthly periods of expenditure at</p> <ul style="list-style-type: none"> ○ NMMU by components and sub-components A, C and D ○ Each of the 12 states – consolidated figure and Total Fund Requirements at State Level
5	Summary of Payments of Prior Review Contracts	<p>Summary of Payments of Prior review Contracts for:</p> <ul style="list-style-type: none"> ○ NMMU Level ○ Each of the 12 states
6	Summary Sheet of Expenditure by Categories	By categories, Actual expenditure and Forecast of expenditure for next 6 months

		<ul style="list-style-type: none"> - Total all exp.(INR) - Bank's share (INR) - Bank's share (USD)
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Preparation of IUFRs and Submission of IUFRs to World Bank

NMMU will be responsible for compiling and preparing consolidated project financial progress reports on a quarterly basis. These reports will aggregate the financial reports for the following:

- NMMU level expenditures as obtained from PAO reports
- Fund releases to SRLMs by MORD, as obtained from PAO reports
- SRLM level financial reports, as obtained from their financial management systems.

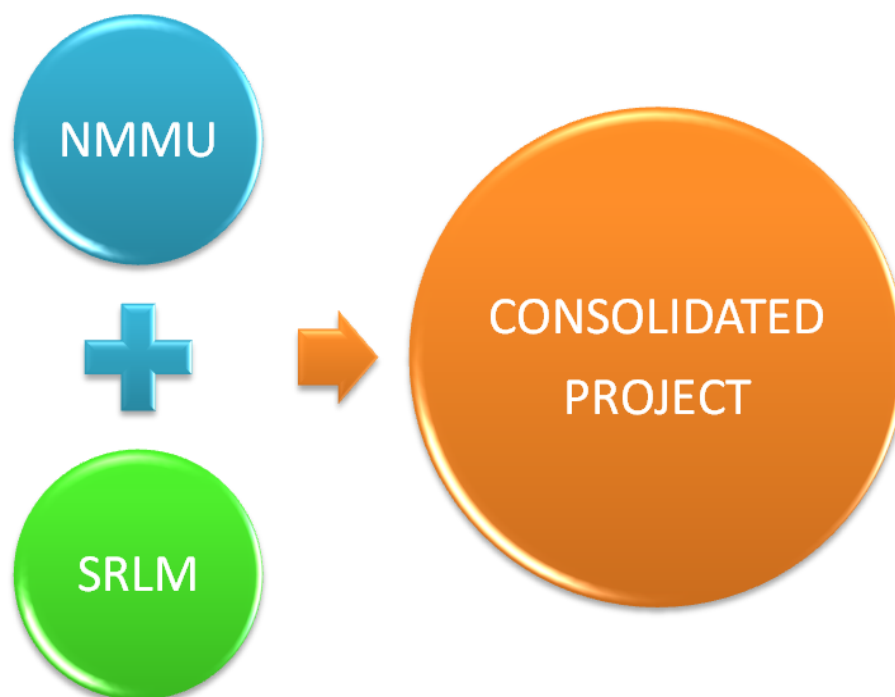


Diagram: Consolidation of IUFRs

IUFRs should be submitted in a timely basis. If there are delays by individual states in submitting IUFRs to NMMU beyond the deadline, the consolidated IUFR should not be delayed.

NMMU should also advise the states that in case of any errors/changes in IUFRs submitted earlier, the state does not have to re-submit IUFR for that quarter, but instead make the necessary adjustment in the next IUFR and provide explanatory notes of adjustment made to NMMU along with the IUFR.

Review of IUFRs submitted by SMMU

Review of IUFR is an important task of NMMU, as IUFRs submitted by SMMUs forms part of claim to World Bank.

Checks exercised by NMMU may include (but not be limited to) the following points:

1. Completeness of information: all reports are as per correct formats and all formats are filled appropriately.
2. Main summary to be signed by the head of SMMU.
3. Consistency with figures of previous IUFR e.g., year to date and cumulative to date figures, opening balances etc.
4. Consistency of individual reports with summary reports.
5. Arithmetical accuracy of all formats.
6. Any adjustments made in the current IUFR for figures reported in earlier IUFRs.
7. Whether appropriate justification is provided for any adjustment in figures reported in an earlier IUF and the adjustment has been made correctly in the current IUFR.
8. Comparison of expenditure against budget, trend of sources and uses, including change in level of advances etc.
9. Any queries regarding previous IUFRs raised by MORD/World Bank/CAAA have been satisfactorily resolved.

Statutory Annual Audit Reports of Project

Audit Reports of NMMU and SRLMs: The audit reports of NMMU and each of the SRLMs will be submitted to the World Bank by 30th of September every year for previous financial year.

Summary of Audit Reports: NMMU will also prepare a Summary of Audit Reports of NMMU and State reports will be prepared by NMMU and submitted to the Bank along with individual audit reports. Please refer to **attachment 5** for **Format of Summary of Audit Reports**.

Summary of Internal Audit Report and Action Taken from SMMU to NMMU

Within 45 days of end of every six months, SMMU will submit a summary of Internal Audit report of the previous six months to NMMU.

The summary will be of 2-3 pages and include systemic issues and action taken by SPFU/Project Institutions regarding the issues.

Financial Management Indicators (FMIs)

Financial Management Indicators (FMIs) is a set of parameters which have been developed to monitor whether financial arrangements are working satisfactory or not in NMMU and SMMU. These will cover FM aspects such as staffing, training, accounting, financial reporting, etc.

NMMU will submit consolidated Financial Management Indicators on a half yearly basis to World Bank within 45 days of completion of each six month to monitor Financial Management arrangements for NRLP. Please refer to **attachment 6** for **FMI**s.

TABLE: Reports to be submitted by SMMU to NMMU (NPIU)

Sl. No.	Report Type	Format	Periodicity	Timeline
1.	Consolidated IUFR of state	attachment 4	Quarterly	Within 30 days of end of each quarter
2.	Utilization Certificate	attachment 13	As and when due for tranches as per MORD's guidelines	As and when due for tranches as per MORD's guidelines
3.	Consolidated Audit Report of state	As per TOR at attachment 20	Annually	31 st July of every Financial Year for previous financial year
4.	FM Indicators for States	attachment 7	Six-monthly	Within 30 days of end of each period of six months

IUFR of SMMU: SMMU prepare quarterly IUFR for its expenditure, which will be signed by the Head of the SMMU.

Consolidated IUFR of State:

- SMMU will further prepare one consolidated quarterly IUFR for the entire State which will be signed by the Head of SMMU and send it to NMMU within 30 days of completion of each quarter.
- The SRLM financial reports will reflect all sources (Gol and State) and uses of funds (NRLM, NRLP and ongoing Bank financed State Livelihood Project, where applicable) with detailed statement of NRLP related expenditures.

Please refer to format of IUFR in **attachment 4**.

Table: Description of Consolidated IUFRs

IUFR Number	IUFR Title	Description of IUFRs
2	Sources and Uses of Funds - States	<p>The IUFR provides the following information for state:</p> <p>A Opening Balances</p> <p>B Receipts include:</p> <ul style="list-style-type: none"> ○ Grants received from MoRD and states for NRLP, NRLM, Others) ○ Other Receipts <p>C Uses of Funds</p> <ul style="list-style-type: none"> ○ NRLP by components ○ NRLM (summary only) ○ Other projects (summary only) <p>D Closing Balances</p> <ul style="list-style-type: none"> ○ Cash and Bank Balance ○ Advances
3A	Expenditures against Annual Work Plans	<p>Detailed information for state against sub-components of B2 for:</p> <ul style="list-style-type: none"> ○ Approved annual Work Plan ○ Actual Expenditure Reported -for quarter -cumulative to date
4 DELETED	Forecast of expenditures for two six-months period ending.....and	Forecast for next 2 six-monthly periods of expenditure at state by sub-components
5	Summary of Payments of Prior Review Contracts	Summary of Payments of Prior review Contracts for state

Utilization Certificate: is to be submitted to NMMU for release of funds to state. Please refer to chapter on Flow of Funds for more information on tranches and **attachment 13** for **Format of UC**.

FMIs of SMMU: SMMU will update its Financial Management Indicators on six monthly basis and send it to NMMU within 30 days of completion of every six months. Please refer to **Format of FM Indicators** in **attachment 7**.

CHAPTER 8

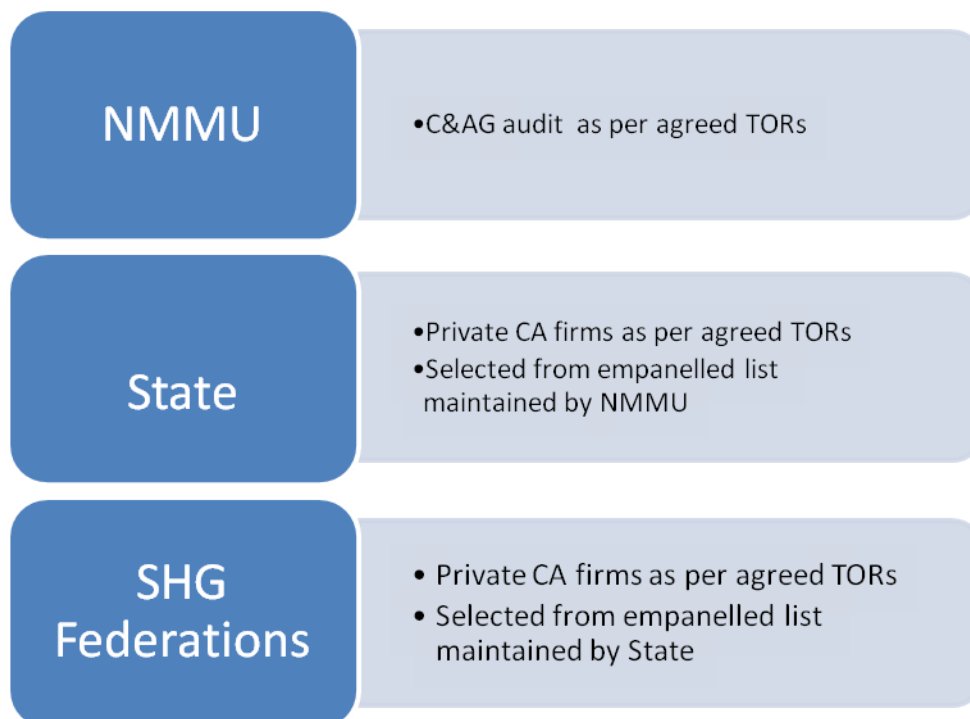
AUDIT

A OVERVIEW OF EXTERNAL AUDIT OF NRLP

Objective of External Audit

The objective of the audit would be to provide confirmation to various stakeholders (Government of India, World Bank etc.) on the accuracy of project financial statements, compliance with credit agreements and legal obligations and overall effectiveness of financial management system of the NRLP.

Summary of External Audit Process of NRLP



Central Level

Audit of NMMU (MORD) will be conducted by the Comptroller and Auditor General (C&AG) of India as per terms of reference agreed with the World Bank. Please refer to **attachment 8** for **Terms of Reference of Audit by the C&AG**.

State Level

- Audit of SRLMs (SMMU and districts) will be conducted by Chartered Accountant firms as per terms of reference agreed with the World Bank. A 'draw down' list of CA firms, based on agreed criteria, will be made available for the states for procuring their services.
- SMMUs will submit consolidated annual audit report for state to NMMU, MORD.

SHG Federations

- The SHG Federation/s annual accounts will be subject to statutory audits as required by state laws. The SRLMs will enter into draw down contracts with select CA firms at State and district levels and agree on fixed price budgets as well as the audit ToRs and templates for the annual financial statements.
- SHG Federation audit reports will be monitored at the state level and will not be considered a part of NRLP's audit requirements.

Submission of Annual Audit Reports to the World Bank

The audit reports of NMMU and each of the SRLMs will be submitted to the World Bank by 30th of September every year for previous financial year.

Each annual audit report will consist of:

- (i) Audit opinion
- (ii) Annual financial statements and
- (iii) Management Letter highlighting significant issues to be reported to the management.

Summary of Audit Reports: NMMU will also prepare a Summary of Audit Reports of NMMU and State reports will be prepared by NMMU and submitted to the Bank along with individual audit reports. Please refer to **attachment 5** for **Format of Summary of Audit Reports**.

Monitoring of Audit Process by NMMU

NMMU will implement a regular system of review of audit process, including quality of audit at state level, audit observations and monitoring compliance of the observations by implementing units. Please refer to chapter on FM Monitoring for details.

Suspension of Disbursement

Bank remedies for delays or non-submission of acceptable audit reports will be applied on MoRD and each defaulting state separately.

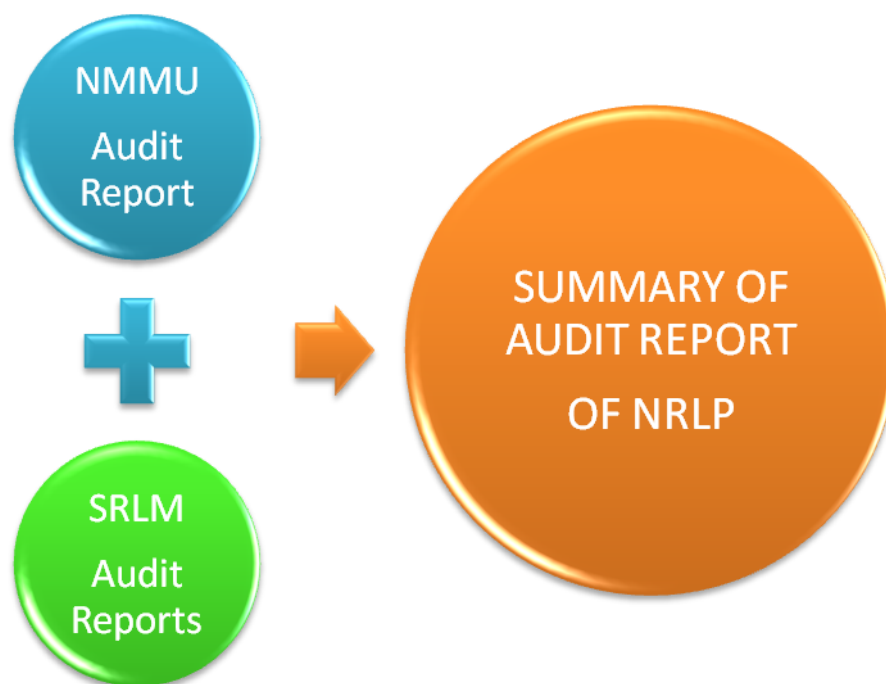


Diagram: Audit Reports of NRLP

External Audit Calendar of NRLP

TABLE: External Audit Calendar

Activity	Deadline
Completion of Audit of NMMU, MORD	31 th July
Submission of Consolidated Audit Report of NRLP for State to NMMU	31 st July
Review and Analysis of State Audit Reports by NMMU and preparation of Summary of Audit Reports of Project	August-September
Submission of Summary of Audit Reports of the Project to World Bank and individual audit reports of NMMU, MoRD and states	30 th September

CHAPTER 9

FINANCIAL MANAGEMENT DISCLOSURE

This chapter summarises Financial Management aspects of the Framework for NRLP.

Disclosure Management Framework

NRLP will have a framework for disclosing key information about project performance on project websites to demonstrate transparency and accountability towards stakeholders and the general public.

Disclosure Management Framework of the NRLP will be followed by all levels of the project to which this framework is applicable.

Please refer to **PIP** for more details of Disclosure Management Framework of NRLP.

Scope

NMMU, SMMU and DMMUs will be responsible for ensuring adherence to disclosure management policy of NRLP. The Project progress in all areas, including financial progress, will be made available to the public through project websites at national/state/district level.

Please refer to **Table** on next page which summarises financial management information which should be displayed on the websites of the project at national/state/district level.

TABLE: Financial Management Disclosure for NRLP

S. No.	Document	Frequency	Deadline
NATIONAL MISSION MANAGEMENT UNIT			
1.	Financial Management Manual (FMM)	Start of project	
2.	Project Implementation Plan (PIP)	Start of project	
3.	<ul style="list-style-type: none"> o Circulars issued by NMMU regarding FM issues o Any amendments to FMM o Minutes of FM Meetings with States 	As and when issued	
4.	<ul style="list-style-type: none"> o FM Training Material o Other Information related to FM Training 	As and when issued	
5.	Annual Budget for Project	Annual	30 April
6.	Release of Funds to: <ul style="list-style-type: none"> o SMMUs o Other Implementing Agencies 	As and When	Within 5 days of release
7.	Consolidated IUFR for the project	Quarterly	Within 45 days of end of each quarter
8.	Statutory Audit of Project <ul style="list-style-type: none"> o Summary of Annual Audit Reports of project o Individual Audit reports of NMMU And SMMUs o Status of Compliance of Audit Observations by NMMU and SMMUs 	Annual Annual As and when	Within 15 days of submission of Consolidated Audit Report to the Bank As and when
9.	FM Indicators <ul style="list-style-type: none"> o Summary for Project o Summary for NMMU 	Six-monthly	15 November and 15 May
STATE MISSION MANAGEMENT UNITS			
1.	Financial Management Manual (FMM) of the State	Start of project	
2.	<ul style="list-style-type: none"> o Circulars issued by SMMU regarding FM issues o Any amendments to FMM of State 	As and when issued	
3.	<ul style="list-style-type: none"> o FM Guidelines o FM Training Material and Other Information about FM Training 	As and when issued	
4.	Annual Approved Estimates for project in the state: <ul style="list-style-type: none"> a) Original Estimates b) Revised estimates 	Annual Annual	30 April As and When
5.	Releases to SMMU <ul style="list-style-type: none"> o By MORD 	As and when	Within 5 days of receipt of Funds
6.	Releases of Funds by SMMU to <ul style="list-style-type: none"> o Districts o Other Implementing Agencies 	Quarterly	Within 5 days of release
7.	Consolidated IUFR for the State	Quarterly	Within 45 days of end of each quarter
8.	Annual Statutory Audit Report for the State	Annual	Within 15 days of submission of Audit Report to NMMU
9.	FM Indicators Summary for State (SMMU +districts)	Six-monthly	15 November and 15 May
DISTRICT MISSION MANAGEMENT UNITS			
1.	Annual Budget	Annual	30 April
2.	Funds Received by District <ul style="list-style-type: none"> o From SMMU o From NMMU 	As and when	Within 10 days of receipt of funds
3.	Releases by Districts to Community Organizations		Within 5 days of release
4.	Quarterly IUFR	Quarterly	Within 45 days of end of each quarter
5.	FM Indicators Summary for District	Six-monthly	15 November and 15 May

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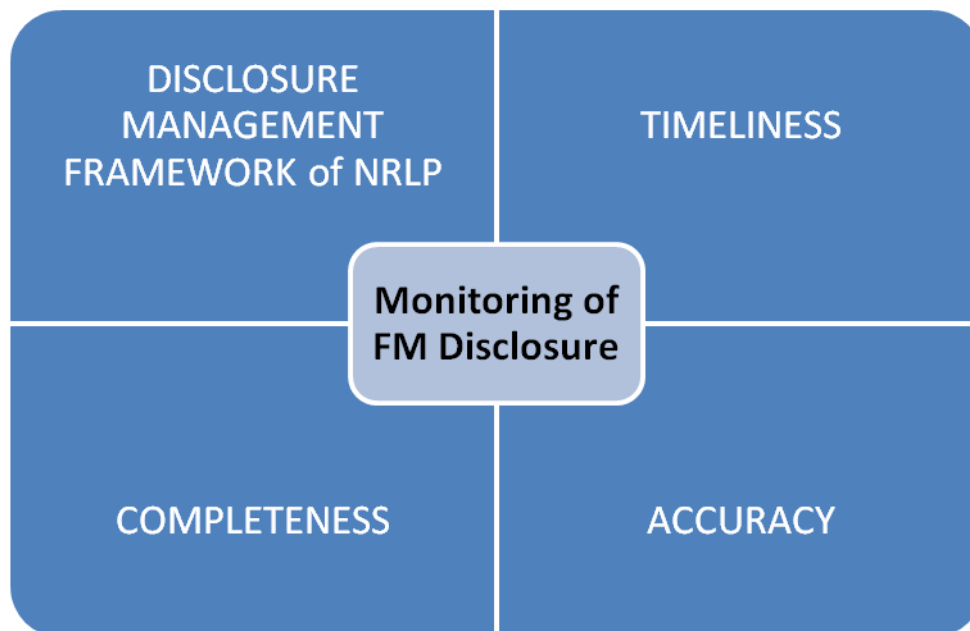
Monitoring of FM Disclosure

NMMU, MORD is responsible for monitoring disclosure of FM information by SMMUs.

SMMUs are responsible for monitoring disclosure of FM information by DMMUs.

Key Aspects to be Monitored

An indicative list of aspects of FM disclosure which should be monitored by NMMU and SMMU is mentioned below:



Adherence to Framework

Providing information as per requirements of the Framework.

Timeliness

Adhering to frequency and deadlines of information to be displayed as per the Framework.

Completeness

- Information is disclosed for all FM areas covered in the Framework e.g., budget, flow of funds, audit etc.
- For each individual area (e.g., budget), complete information as per agreed format is displayed.

Accuracy

Accurate information is displayed as per project records.

CHAPTER 10

REIMBURSEMENT FROM THE WORLD BANK

A OVERVIEW OF REIMBURSEMENT PROCESS

Disbursements from the IDA Credit will be based on consolidated project financial reports (Consolidated IUFRs) and may be made at quarterly intervals. An initial advance with a fixed ceiling (to be determined by negotiation) would be deposited into the segregated designated account maintained in US dollars at Reserve of Bank of India, Mumbai by CAA&A, GOI.

Interim Unaudited Financial Reports (IUFRs)

Withdrawals from the Designated Account will be on receipt of periodic withdrawal applications (IUFRs) from MORD, GoI and to the extent of reported expenditures during the period.

The Quarterly consolidated project IUFRs will be submitted to the Bank within 45 days of end of each period for the purpose of disbursement from the World Bank. Please refer to formats of IUFRs in **attachment 3**.

Audit

The expenditure reported in IUFR will be subject to confirmation / certification as per the Annual Audit Reports submitted for the Project. NMMU will be responsible for consolidation and submission of IUFR to World Bank/CAAA.

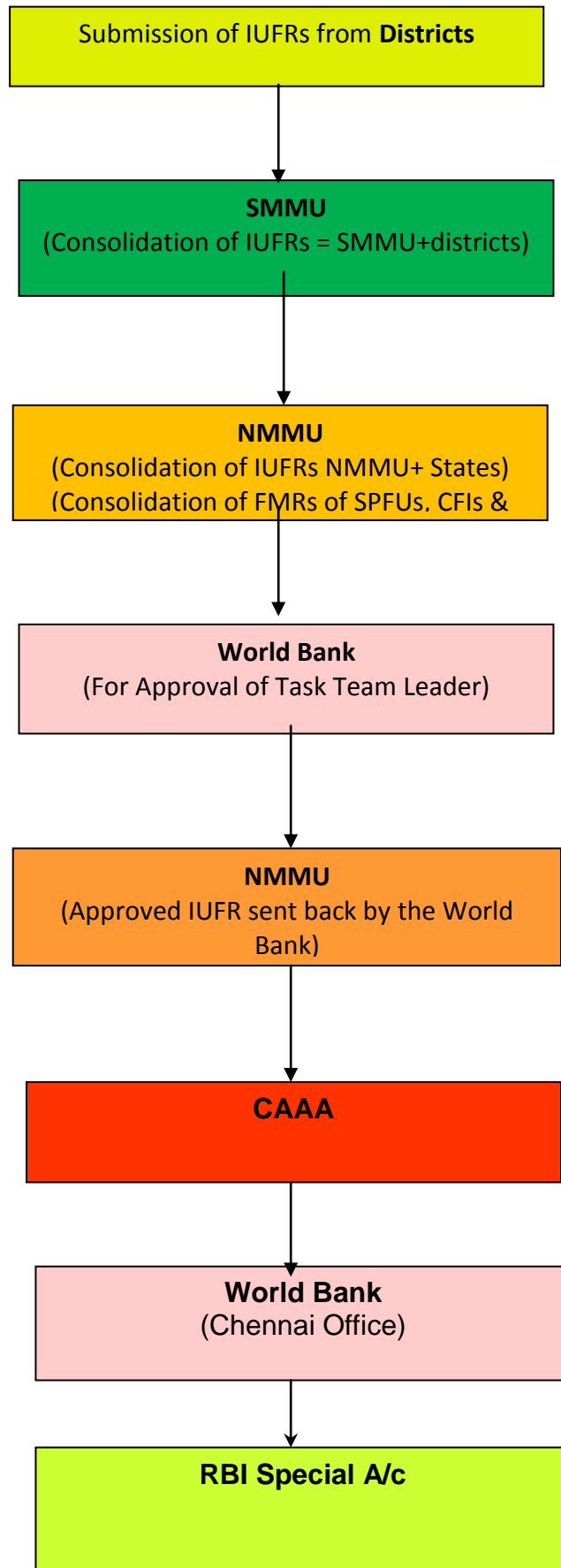
Suspension of Disbursement

Disbursement would be subject to receipt of Consolidated Report on Audit, which is due by September 30th of each year. As per the Bank Policies, if this report is not received by end January of the following year, further disbursements will have to be suspended till receipt of the report. GOI would, however, continue to submit the six-monthly IUFRs as per schedule. Please refer to **diagram** on the next page depicting disbursement.

Retroactive Financing

Retroactive Finance of up to **USD 20 million equivalent (i.e. 2 percent of the total credit)** will be available for financing eligible project expenditures incurred before credit/financing agreement signing, but **on or after February 1, 2011**.

This will help the project in hiring of various services such as setting of the staff recruitment systems, project website, monitoring systems & MIS, field level testing of various manuals and various other similar initial activities. This will help the project save critical time and be ready to start implementation of core project activities immediately after the project is declared effective.



B ELIGIBLE EXPENDITURE

- As per the standard Centre-State mechanism for Central Sponsored Schemes, GoI funds to the States for Components 2 (b) and (c) will be on a grant basis with 25% counterpart funding by the States (10% in the case of North East and hill States).
- However, the fund releases to the States and accounted for at MoRD level as 'Grants in Aid' will not be considered as eligible expenditures for purposes of disbursement under the project.
- *Eligible expenditures for Community Investment Support:* All fund releases to SHG Federations made in accordance with Federation Grant Agreement will be considered as eligible expenditures for the purposes of the project and accounted for as grants (expenditures) in the books of accounts of the SRLM. Such fund releases will be based on achievement of certain defined milestones/ triggers as defined in the description of Component 2 in PAD.

Categories of Expenditure

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, operating costs under Parts A, B1, B4, C and D of the Project	314,300.000	100 %
(2) Goods, non-consulting services, consultants' services, operating costs and Investment Support under Part B2 and B3 of the Project	321,500,000	75%
TOTAL AMOUNT	635,800,000	

(a) the term “**training**” means non-consultant expenditures incurred in connection with the provision of training, including training institution fees, logistics, materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term “**operating costs**” means incremental costs incurred for the purposes of carrying out the Project, including dissemination of Project-related information, office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance and repair, communication, and other administrative costs directly associated with, and necessary under, the Project.

C FM COVENANTS IN LEGAL AGREEMENT OF PROJECT

Legal agreement of World Bank funded projects may include the financial covenants covering the following aspects:

Financial Management, Financial Reports and Audits

The Recipient, through MORD, shall maintain, or cause the Participating State to be maintained, a **financial management system** in accordance with the provisions of Section 4.09 of the General Conditions. (“General Conditions” means The International Development Association general Conditions for Credits and Grants dated July 31, 2010)

Without limitation on the provisions of Part A of Section II of Financing Agreement, the Recipient, through MORD, shall, or cause the Participating State, to prepare and furnish to the Association not later than forty five (45) days after the end of each quarter, **Interim Unaudited Financial Reports (IUFR)** for the Project covering the quarter, in form and substance satisfactory to the Association.

The Recipient, through MORD, shall, or shall cause the Participating State to, have its **Financial Statements audited** in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one financial year of the Recipient, commencing with the financial year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Institutional Arrangements

At the Central Level

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient, through **MORD, shall, and shall cause each Participating State to:**

(a) **carry out the Project in accordance with** the PIP, the **Financial Management Manual**, the Procurement Manual, the Procurement Plan, the SPIP, the EMF and the SMF; and

(b) **not amend or waive any provision** of the PIP, the **Financial Management Manual**, the Procurement Manual, the Procurement Plan, the SPIP, the EMF and the

SMF, except as the Association shall otherwise agree. In the event of a conflict between the provisions of the PIP and those of this Financing Agreement, the provisions of the latter shall prevail.

2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.
3. The Recipient, through MORD, shall:
 - (a) maintain, at all times during Project implementation, a **National Mission Management Unit**, with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to coordinate and monitor the carrying out of the Project;
 - (b) ensure that the NMMU is led, at all times during Project implementation, by a mission director and a chief operations officer, assisted by **adequate professional and administrative staff** (including procurement, **financial management**, technical, environmental and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference satisfactory to the Association;

At the State Level

4. The Recipient, through **MORD shall, and shall cause each Participating State** to:
 - (a) maintain, at all times during Project implementation, a **State Mission Management Unit**, with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to coordinate and monitor the carrying out of the Project at the State level;
 - (b) ensure that the **SMMU is led, at all times during Project implementation**, by a state mission director, assisted by adequate professional and administrative staff (including procurement, **financial management**, technical, environmental and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference satisfactory to the Association;
 - (c) maintain, at all times during Project implementation, the SPIP;
 - (d) not amend, delete or waive any provision of the SPIP without the prior written agreement of the Association

Terms and Conditions Governing Investment Support

1. **The Recipient, through MORD, shall cause each Participating State to make an Investment Support to a Beneficiary Institution** in accordance with terms and conditions approved by the Association set forth in the respective **Federation Grant Agreement, including those set forth in the SPIP**, which shall include, *inter alia*, the obligation of each Participating State to:

- (a) obtain rights adequate to protect its interests and those of the Recipient, the Association and the respective Participating State, including the right to (i) suspend or terminate the right of the Beneficiary Institution to use Investment Support proceeds, and (ii) obtain a refund of all or any part of the amount of Investment Support proceeds then withdrawn, upon the Beneficiary Institution's failure to perform any of its obligations under the Federation Grant Agreement;
- (b) take all necessary steps to ensure that the Beneficiary Institution shall carry out its obligations under its Federation Grant Agreement with due diligence and efficiency and pursuant to the criteria and procedures set forth in the SPIP, and in accordance with the provisions of the EMF, the SMF, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the GAAP;
- (c) promptly release the Investment Support to the Beneficiary Institutions upon approval of a Federation Livelihood Plan.

2. The Recipient, through MORD, shall cause each Participating State to take all necessary steps to ensure that **each Beneficiary Institution** shall be obligated, under its respective Federation Grant Agreement, to:

- (a) **maintain a financial management system and prepare financial statements** in accordance with the procedures set forth in the SPIP, so as to adequately reflect the operations carried out with the proceeds of the Investment Support;
- (b) enable the Recipient, through MORD, the Association and the respective Participating State **to inspect** the activities, facilities and/or operations financed out of the Investment Support proceeds, and **any relevant records and documents**; and
- (c) prepare and furnish to the Recipient, through MORD, the Association and the respective Participating State such **information** as the Recipient, through MORD, the Association or the respective Participating State shall reasonably request.

NATIONAL RURAL LIVELIHOODS PROJECT (NRLP)

FINANCIAL MANAGEMENT MANUAL

PART I B MORD FM ARRANGEMENTS

23 March 2011

NATIONAL RURAL LIVELIHOODS MISSION

Ministry of Rural Development

Government of India

INDEX

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CHAPTER 1

INTRODUCTION TO PART I B: MORD FINANCIAL MANAGEMENT ARRANGEMENTS

Part I B of Financial Management Manual of NRLP describes financial management procedures for NRLP applicable at Ministry of Rural Development.

Financial Management Staff at NMMU, MORD and other national level staff of project can refer to this Part for the following information:

- ❖ Introduction to Part I B: of Financial Management Role of National Mission Management Unit (NMMU) and NMMU FM Staffing
- ❖ Annual Work Plan at NMMU Level
- ❖ Flow of Funds for NRLP at MORD
- ❖ Accounting and Record Keeping at MORD
- ❖ Statutory Audit of national level activities
- ❖ Internal Controls at MORD
- ❖ Monitoring Responsibilities of NMMU for Financial Management of NRLP

NMMU staff should also refer to **Part I A** for understanding overall of Financial Management arrangements applicable to NRLP.

This chapter includes the following sections:

Section A Summary of Financial Management Functions of NMMU, MORD

Section B of Financial Management Staffing and Training of NMMU, MORD

A SUMMARY OF FM FUNCTIONS OF NMMU, MORD

National Mission Management Unit has been constituted for facilitating, implementing, coordinating and monitoring of the project at national level. Its role is to monitor and co-ordinate with states and provide them support in Financial Management issues, in particular, by performing the following roles:

Financial Management Manuals/Guidelines

- Finalization, updating and implementation of national level Financial Management Manual.
- Guiding states in preparation of state level Financial Management Manual and

Community level FM Manual/Guidelines.

Appraisal of States

- Appraise states for readiness for funding from financial management perspective.

Monitoring and Support for of Financial Management

Facilitating implementation of the project and providing advisory services and support for financial management and other allied issues.

- Regular monitoring and review of FM arrangements in states on an on-going basis and assisting states in becoming compliant with NRLP requirements.
- Guide the Finance Officers in State Mission Management Units (SMMUs) through advice and operating as a clearing house for issues (problems and solutions) raised by the States.

FM Capacity Building

- In coordination with Technical Assistance Unit of NMMU of NRLP, prepare and implement a plan for capacity building in financial management of FM staff in states.
- Review capacity building requirements of FM staff at all levels on a regular basis.

Budgeting/Planning

- Preparation of Annual Work Plan of NRLP. Prepare annual estimates for central level activities and review estimates received from states/other implementing agencies. Provide inputs to Annual Work Plan of NRLP.
- Preparation and getting subsequent approval of plan of action/proposals for activities under this project.

Flow of Funds

- Coordinate timely release of funds for project activities at national level.
- Review requests for releases of funds received from states for NRLP
- Coordinate timely release of funds for project activities/states/implementing agencies.
- Monitor service standards for flow of funds in NRLP.

Project Payments/Accounting

- Preparation of sanction orders and obtaining approval of the sanction orders for payments.
- NMMU will maintain Memorandum Registers to track project expenditures by activity heads for preparing quarterly interim financial reports.
- Maintain copies of payment vouchers to facilitate audit.
- For the purpose of the program, NMMU will need to keep track of actual expenditures reported against the grants by the States on an off-line basis

Financial Reporting

- Establish regular financial reporting system for NRLP.
- Coordinate timely reports from states and other implementing agencies.
- Monitoring/review of Quarterly/Six-Monthly/Annual financial Reports of States.
- Prepare quarterly/six-monthly/annual consolidated project financial reports by consolidating reports for NMMU level expenditure and State Rural Livelihoods Missions (SRLMs).
- Arrange timely submission of financial reports/claims to MoRD/World Bank

Audit

- Set up audit system for the project for state level i.e., “Call down” list of CA firms for audit of SRLMs.
- Coordinate timely audit of NMMU by the C&AG and timely receipt of annual audit reports from States.
- Prepare and submit Summary of Audit Reports of the project to the World Bank on a timely basis and coordinate timely submission of audit reports of MORD and states.
- Monitor quality of audit arrangements at state level.
- Monitor timely compliance of audit observations by all States.
- Coordinate timely response from all concerned units on audit observations for NMMU.

Other

- Disclosure of FM information at national level.
- Monitoring disclosure of FM information by states.
- Such other task which are necessary for the smooth functioning of the project.

B FM STAFFING and TRAINING OF NMMU

The structure at the NMMU is divided into three functional units:

1. Thematic Support Unit
2. Technical Assistance Unit
3. Program Management Unit

Please refer to **Diagram** on the next page for **Structure of NMMU**.

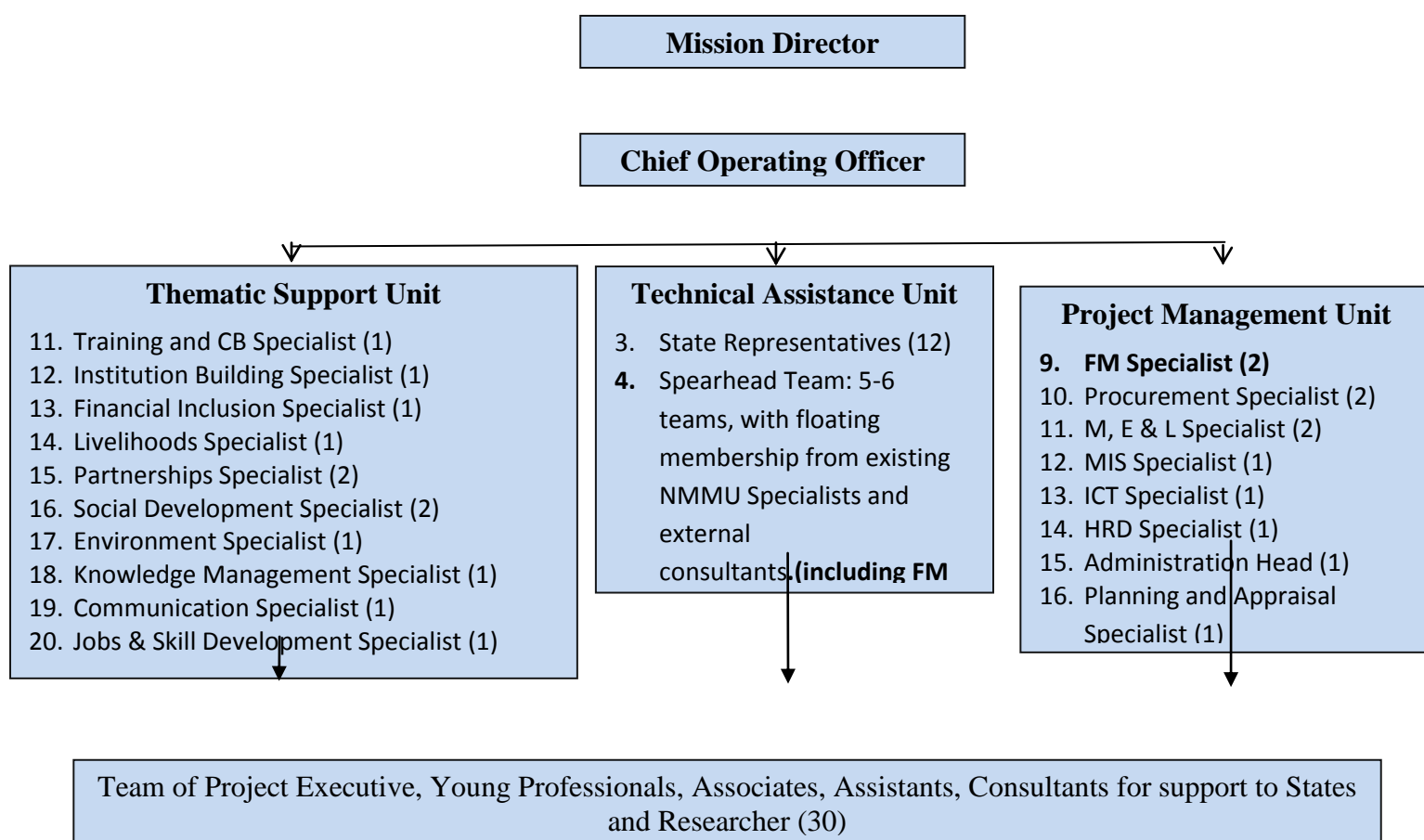


Diagram: National Mission Management Unit – Implementation Structure

Project Management Unit

The Project Management Unit will look after the operational dimensions of the NRLM such as fiduciary functions of finance and procurement, administration, state funding appraisal process, monitoring and evaluation and human resource development.

Financial Management Team

A dedicated financial management team will be established within NMMU as part of Project Management Unit and will include the following key staff.

Finance Controller (1 Post): The team will be headed by a Controller, a senior serving or retired officer from Central Accounts Service with commensurate experience and suitably qualified finance professionals engaged on term contracts. Please refer to **ToR for Finance Controller (NMMU)** in attachment 10.

FM Consultant – NMMU (1 post): The consultant will be responsible for NMMU level FM functions, such as preparation of budget for NMMU and overall NRLP budget; payments and accounting at NMMU, MORD; preparation of NMMU level and overall NRLP financial reports; submission of reimbursement claims for NRLP to the World Bank; and coordinating audit of NMMU etc.

Please refer to **ToR for FM Consultant (NMMU) in attachment 11.**

FM Consultant – States (4 posts): Each of the spearhead teams of states will include a financial management specialist, who will be the nodal point for assessing FM readiness of states, coordinating releases and provision of FM technical assistance to states and FM monitoring of states. When the project is fully functional, each consultant will be responsible for 3 states each. Each consultant will have responsibilities of some states as well as for some NRLP level FM functions.

State Specific Responsibilities: Facilitating preparation of state FM manuals, coordinating FM technical assistance to state, releases to states, monitoring of states, evaluating FM performance of states, review of state audit reports etc.

NRLP level Domain Specialization: Each consultant will have domain specific specialization for NRLP as a whole. The areas of specialization may include:

- Empanelment of auditors for states
- Computerized of accounting at state and district level
- Community level accounting
- FM training for State Level
- Capacity Building of New States, etc.

Please refer to **ToR for FM Consultant (States) in attachment 12.**

TRAINING

Financial Management staff at NMMU will be trained as per National FM Manual and Training strategy of NRLP.

Training Strategy of NRLP

- NRLP will prepare a **standard operating process** for systematically building capacity and skills of human resource available at the National and State level for implementation of NRLM.
- **NRLM accredited training programmes** will be developed and rolled-out in partnership with national and regional training institutes of repute across India. All staff and individual consultants empanelled will undergo this accreditation program and will be accredited to NRLM.
- A **customized Management Development Program** will be developed in partnership with any of the premier management institution in India and will be offered to senior and middle management of NRLM.

CHAPTER 2

ANNUAL WORK PLANNING AT MORD

PREPARATION OF ANNUAL WORK PLAN (AWP)

Period of AWP

Period of AWP shall be the financial year of GoI and states i.e., 1 April to 31 March. Annual Action Plan will be further divided into quarterly plans.

Structure of Annual Work Plan

At MORD level, an annual work plan will be prepared and will form the basis for allocations for project activities. The Empowered Committee (EC) of NRLM will approve the AWP.

AWP for national level will be prepared as per project components/sub-components/Activities. Please refer to **attachment 1** for **Format of Annual Work Plan**.

At the **National** Level:

- MoRD will be responsible for preparation of estimates for its own expenditure, which will include national level expenditure and funds required for AWP of the states.
- *Budget heads:* National Mission Management Unit (NMMU) of MORD will prepare annual estimates of the project by consolidating state level and NMMU level estimates. The project will be budgeted at the Union level, under an identifiable budget head item of the Ministry of the Rural Development. Partly on account of the inflexibility in processing in-year budget reallocations, that this imposes, the project components and sub components have not been set up at the detailed budget head level. The budget heads for the project in MoRD's budget will be as indicated in **attachment 17**.
- *Estimates from states:* The estimates will be scrutinized and finalized at NMMU.
- *Consolidation of Project Estimates:* NMMU will prepare estimates of project by consolidating estimates of national level activities and state level activities based on estimates received from states.

**TABLE: Annual Work Plan Calendar for Next Financial Year –
National and State Level**

Last date	Inputs for AWP	Prepared by	Submitted to
1 st September	Instructions for Annual Action Plan for next Financial Year, including indicative allocation	NMMU	SMMUs
15 th October	Approved District level Plan sent by DMMUs to SMMU	DMMUs	SMMU
31st October	<ul style="list-style-type: none"> ○ Approved State Action Plan sent from state to NMMU ○ State Share: Approved State Plan also copied to state government for incorporating state share in its budget 	SMMU	NMMU
31st October	Estimates for national level activities	NMMU Units	FM Unit, NMMU
30 th November	Consolidated Estimates for Next Financial Year for NRLP (national states)	NMMU	Budget Division, MORD

**TABLE: Revision/Supplementary AWP for Current Financial Year
National and State Level**

Last date	Inputs for AWP	Prepared by	Submitted to
15th October	Revision of Estimates for Current Financial Year	SMMU	NMMU
15 th October	Revision of Estimates for National level Activities	NMMU Units	FM Unit of NMMU
15 th November	Consolidation and Submission of Revised AWP	NMMU	MORD

AWP Monitoring

Monitoring of actual expenditure against AWP will be regularly carried out at by NMMU for:

- NMMU Activities
- Overall AWP of NRLP

NMMU will also analyse variance of actual expenditure from AWP and reasons for variance for components/sub-components/activities and by states.

CHAPTER 3

FLOW OF FUNDS AT MORD

FLOW OF FUNDS AT NATIONAL LEVEL

Approval for Transfer and Release of Funds

Obtaining Sanctions and Payments: At MORD level, an annual work plan (AWP) will be prepared and will form the basis for budget allocations.

NRLM Empowered Committee (EC) will approve Annual Work Plan of NMMU and states and approve all releases at NMMU level.

The internal processes for obtaining technical and financial sanctions and making individual payments requires multiple levels of approvals and follows several steps. However, these are well established and time tested procedures.

The **approval and fund flow process** for utilization of the budgeted funds followed at MORD can be depicted as per the next **Diagram**:

A

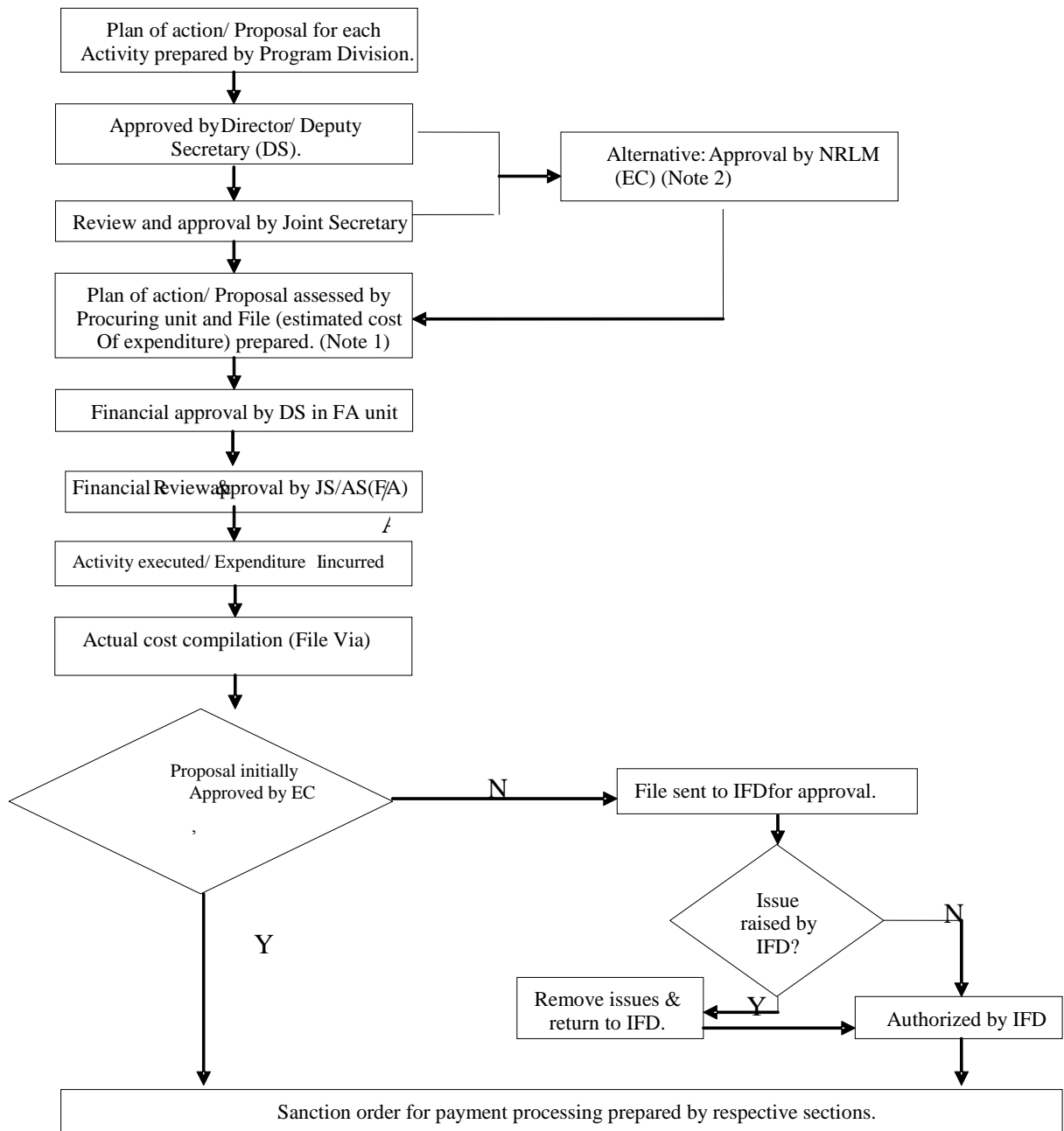


Diagram: Flow chart depicting Approval Process for Usage of Funds

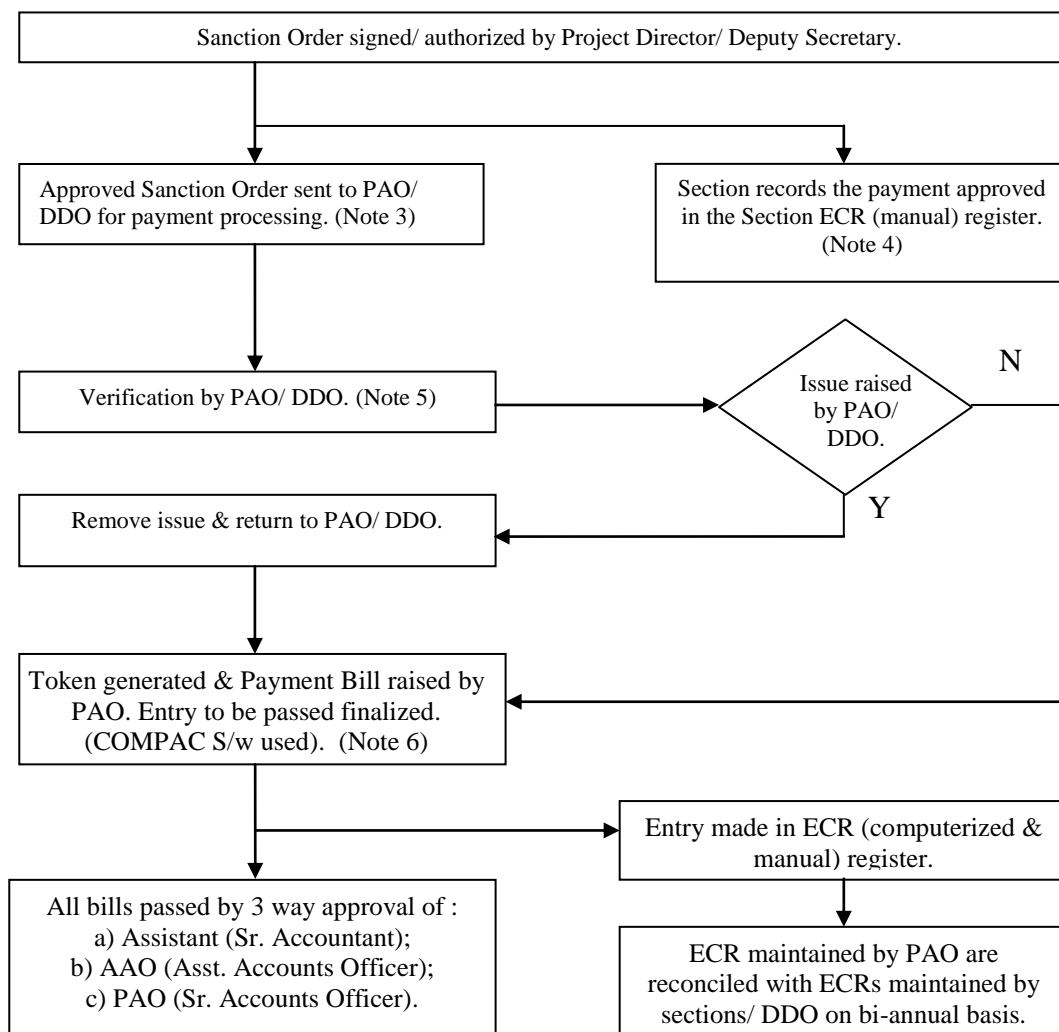


Diagram: Flow chart depicting Processing of Expenditure/Payment

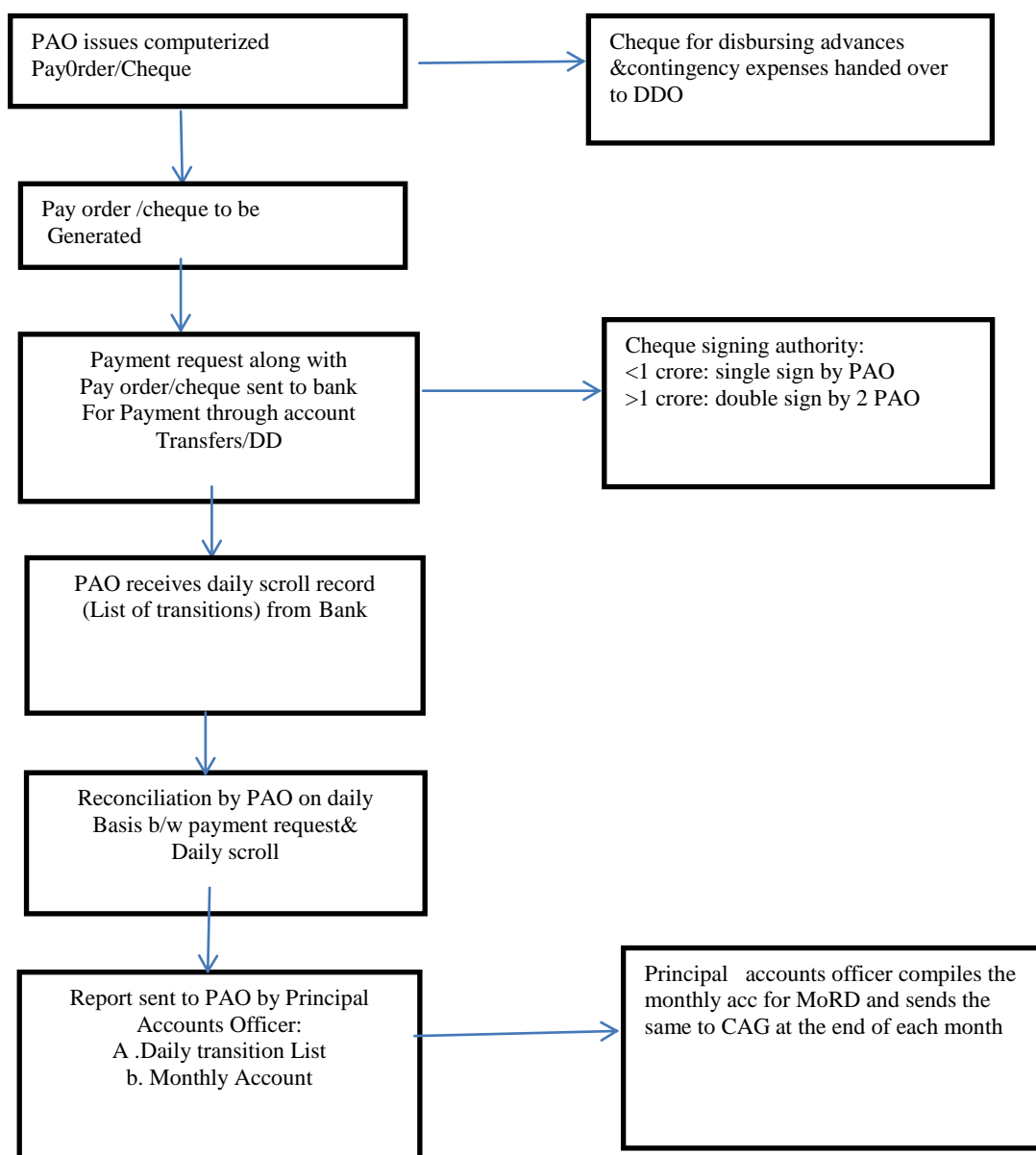


Diagram: Flow chart depicting payment disbursement and Expense Accounting system

Notes

- 1) Specific expenditure under pre-defined budget heads/sub-heads are handled by respective sections (program division). All other purchases/expenditures (general in nature) are made through General/ administrative/common department of MORD.
- 2) NRLM Empowered Committee (EC) will approve Annual Work Plan of NMMU and states and approve all releases at NMMU level.

- 3) Specific expenditure under pre-defined budget heads/sub-heads are handled by respective sections (program division). All other purchases/expenditures (general in nature) are made through General/ administrative/common department of MORD.
- 4) NRLM Empowered Committee (EC) will approve Annual Work Plan of NMMU and states and approve all releases at NMMU level.
- 5) Accounting for expenditures at the central level is done by the Pay and Accounts Office (PAO) headed by the Chief Controller of Accounts within MORD.

Processing & clearing of non-plan expenditure, such as office general expenditure, salary, wages, medical, domestic & foreign travel, overall ministry level expenditures, tour advances etc. is handled by Drawing & Disbursement officer (DDO). All other payments/ transfers are processed directly through PAO.

- 6) Expenditure Control Register (ECR) is a budget head wise record of sanctions/ payments made by the program divisions/ DDO/ PAO.
- 7) PAO/ DDO on receipt of Sanction Order verifies the following:
 - Expenditure is duly approved
 - Original bills/ supporting documents
 - Proof of physical delivery of goods/ services
 - Correctness of account heads
 - Availability of budget allocation
- 8) After verifying the sanction order received from the program division, DDO prepares 'Fully Vouched Contingent Bill'. This bill is then sent to the PAO as payment advice. Simultaneously an entry is made in the ECR (manual) register maintained by the DDO.
- 9) In case of expenses processed through DDO, after issuing the individual cheques, PAO hands over the same to DDO. DDO, in turn, issues these cheques via hand delivery or through courier to the concerned individuals/party. Cheque signing authority in such cases are:
 - < 10 lakhs: single signature by PAO
 - > 10 lakhs: double signature by 2 PAOs
- 10) Bank refers to 'State Bank of Bikaner & Jaipur'. On receipt of payment request along with the consolidated cheque from the PAO, the bank makes the payments (through account transfers or by Demand Draft) after withdrawing the requisite funds from the Reserve Bank of India (RBI).
- 11) *Time involved in payment processing*: It has been verified on test basis that an approximate time of 10 days is involved from the date the sanction order till the time the cheques are dispatched/account transfers are made.

Service Standards for Flow of Funds at MoRD for NRLP

Service Standards for funds flow for NRLP at MORD level will be monitored.

Disclosure requirements for Flow of Funds

NMMU will display information related to releases of funds to states on the project website. Formats of information to be displayed will be developed by the NMMU.

Central Plan Scheme Monitoring System (CPSMS)

NRLP will be monitored using the CPSMS.

CHAPTER 4

ACCOUNTING AT MORD

Accounting Policies

The following accounting policies will be applicable for NRLP to ensure uniformity and consistency in method of accounting and financial reporting:

General Financial Rules: The procedure and formalities for Grants-in-aid to states and for other expenditure at national level for the project will be as per General Financial Rules (GFRs) of the Government of India.

Releases to States:

- In the MORD books of accounts, transfers (Grant in Aid) to SRLMs to finance approved state Annual Work Plans (AWP) will, in accordance with existing GOI rules, be recorded as expenditure.
- For the purpose of the program, however, NMMU will need to keep track of the actual expenditures reported against the grants by the States on an off-line basis, as these are essentially in the nature of advances.

Releases to states, NGOs and towards Other Innovations will be treated as “Grant-advances” and actual expenditure will be accounted as “Grants-utilized.”

Accounting at MORD

Pay and Accounts Office System (PAO)

Accounting for NRLP at national level will be as per Pay and Accounts Office System (PAO) of the MORD. After the end of each month, Principal Accounts Office (PAO) sends a consolidated ‘Monthly Accounts’ for MORD to the Controller General of Accounts (CGA). The monthly accounts statement reports the budget code wise expenditure incurred/disbursed during the said month, along with cumulative figures from the start of the current financial year.

Annual Accounts

At the end of each financial year, the Principal Accounts Officer compiles the ‘Annual Accounts’ of MORD and sends the same to the CGA.

Accounting at MORD for NRLP

The consolidated 'Monthly Accounts' prepared by the Pay & Accounts Office (PAO) will provide information on the project expenditures in summary form only. NMMU will maintain Memorandum Registers to track project expenditures by activity heads to allow for quarterly interim financial reports to be prepared in a manner that will allow easy monitoring of actual expenditures against agreed work plans, and for the purpose of decision making by the management. Please refer to **attachment 2 for Format of Memorandum Register**.

Maintenance of Records at NMMU

NMMU will maintain copies of bills/vouchers of all project payments to facilitate audit. (Original bills are sent to PAO and retained by them.)

Please refer to **attachments 13 to 15** for the following formats:

Form GFR 19A:	Utilization Certificate
Form GFR 39:	Register of Grants to be maintained by the Sanctioning Authority
Form GFR 40:	Register of Fixed Assets

Chart of Accounts

Please refer to **attachment 18 for Chart of Accounts at MoRD level**.

Accounting Framework for NRLP at National level

Please refer to the following **Table** which summarises **Accounting Framework for NRLP at National level**.

TABLE: Accounting Framework for NMMU, MORD under NRLP

Implementing Agency	Legal status of Agency	Nature of Financial Transactions	Accounted for in Project Books of Accounts	Accounting convention	Conditions for Releases of Funds	Means of Verification
National Mission Management Unit (NMMU)	Unit of Ministry of Rural Development	Fund release to states	Yes	<p>In the MORD books of accounts, transfers (Grant –in-Aid) to SRLMs to finance approved State Annual Work Plans will, in accordance with existing GOI rules, be recorded as expenditure.</p> <p>For the purpose of the program, NMMU will actual expenditures reported against the grants by the states on an off-line basis, as these are essentially in the nature of advances.</p> <p>Releases to be treated as “Grant-advances” and actual expenditure be treated as “Grant-utilized”</p>	Against approved Annual Work Plans of states and as per conditions for release described in PIP	<p>Monthly/Quarterly/annual financial statements of NMMU for NRLP</p> <p>Consolidated quarterly IUFR submitted to World Bank</p>
		Expenditure by NMMU for goods and equipment, services, staffing and resource persons, studies, training, operational costs etc.	Yes	<p>Accounted for in the books of accounts of MORD under PAO (Pay and accounts Office) system.</p> <p>Memorandum Registers to track the project expenditures by activity heads to allow for quarterly interim financial reports to be prepared.</p> <p>Releases to be treated as “Grant-advances” and actual expenditure be treated as “Grant-utilized”</p>		<p>Monthly/Quarterly/annual financial statements of NMMU for NRLP</p> <p>Consolidated quarterly IUFR submitted to World Bank</p>

CHAPTER 5

AUDIT AND INTERNAL CONTROLS

This chapter is divided into three sections:

Section A Statutory Audit for National Level Activities of NRLP

Section B Internal Controls of National level Activities

A Statutory Audit of National level Activities of NRLP

Statutory Audit

Audit of NMMU (MORD) will be conducted by the Comptroller and Auditor General (C&AG) of India. The audit will be conducted as per terms of reference agreed by Department of Economic Affairs (DEA), Ministry of Finance (MOF) with the C&AG and the World Bank. Please refer to **attachment 8** for **Terms of Reference of Audit by the C&AG**.

Compliance of Audit Observations by NMMU

An effective system of compliance of audit observations will be established at NMMU.

Action Taken Report: NMMU will prepare an Action taken Report on the audit observations of each financial year.

Register of Audit Observation

- NMMU will maintain a Register of Audit Observations to monitor settlement of audit observations. Please refer to **attachment 16** for **Format of Register of Audit Observations**.
- The Register will also be produced to the auditor for verification of settlement of the objections raised.

Disclosure of Audit Reports by MORD

MORD website will display for each financial year:

- Summary of annual audit reports of NRLP (MORD and States)
- Individual audit report of NMMU, MORD
- Individual audit reports of states

B Internal Controls for National level Activities of NRLP

Internal controls at MORD level will be as per General Financial Rules.

Please refer to **GFRs 2005 of the Central Government** for details of rules.

Key Internal Control Areas covered in GFRs

Some of the key internal areas covered in GFRs include the following:

- General Principles relating to Expenditure and payment of Money
- Expenditure from Public Funds
- Delegation of Financial Powers
- Provision of funds for sanction
- Responsibility of Controlling Officer in respect of Budget allocation
- Rules regarding date of effect of sanctions and date of creation of a temporary post
- Procedure for communication of sanctions
- Lapse of sanctions
- Management of Contracts
- Physical verification of Fixed Assets

CHAPTER 6

FM MONITORING OF NRLP BY NMMU

Monitoring of Financial Management Arrangements of NRLP by NMMU

This purpose of this chapter is to summarise the system of monitoring effectiveness of FM arrangements in NRLP. This chapter includes the following sections:

- Section A** Key Financial Management Aspects of NRLP to be monitored by NMMU
- Section B** Key Financial Management Monitoring Tools of NMMU
- Section C** Monitoring of External Audit of states by NMMU
- Section D** Monitoring of Internal Audit Process in States by NMMU

A KEY FM ASPECTS OF NRLP TO BE MONITORED BY NMMU

- Timely preparation and quality of State of Financial Management Manuals and of Financial Management Guidelines
- Assessment of Financial Management readiness of states
- Financial Management Aspects of Memorandum of Understanding between MoRD and States
- Financial Management aspects of Annual Action Plan of the State
- Provision of state share
- Financial Management Staffing and Training
- Flow of funds
 - at national level
 - from SMMU to district level and other agencies

- *Accounting*: Whether the states have a regular system of accounting in all accounting centers and monthly/annual accounts are prepared in a timely manner as per NRLP requirements
- *Financial Reporting from states*: timeliness and accuracy of financial reports
- *Statutory Audit at State Level*: timeliness, quality of audit, audit observations and timely and satisfactory audit compliance
- *Internal Controls and Internal Audit*: Effectiveness of internal controls. Regularity, quality, key observations and compliance of internal audit reports.
- *Disclosure of Financial Management Information at State Level*

B KEY Financial Management MONITORING TOOLS OF NMMU

- Review of Annual Action Plan of SRLMs
- Review of quarterly IUFRs from states
- Review of Utilization Certificates and Request for Tranches submitted by states to NMMU
- Review of External Audit Reports of SRLMs
- Review of summary of Internal Audit Reports and Action Taken Report Submitted by SMMU to NMMU.
- Sample review of internal audit reports of SMMU/districts during field visits
- *Review Meetings*: Review meetings with State FM and Operational Staff
- *Field Visits*: Random Checking of Records during field visits
- *Cross Checking of Reports*: The reports submitted by different operational levels can be cross-checked to verify the facts and figures originated and placed therein.
- *MIS Reports*
- *CPSMS*: Central Plan Scheme Monitoring System developed by Planning Commission can be used in future to monitor NRLP
- Review of FM Information on SRLM websites
- Review of periodic reports of SRLM (e.g., annual reports)
- Review of reports of Joint Review Missions, Monitoring and Evaluation Studies, Process Evaluation studies, Special FM Reviews etc.

C MONITORING OF EXTERNAL AUDIT OF STATES BY NMMU

NMMU will establish an effective system of monitoring of audit process for NRLP.

- Timeliness of audit process: As submission of audit reports for NMMU and states by **30th September to the World Bank** is one of the key requirements of the project, NMMU will coordinate with the C&AG for audit of NMMU, issue necessary instructions to SRLMs for audit and monitor progress of audit of SRLMs.
- Quality of Audit at State Level: will be monitored against terms of reference of audit.
- Review and Analysis of Audit reports of NMMU and states to identify issues such as:
 - Persistent and systemic issues
 - Bottlenecks in flow of funds
 - Major internal control weaknesses
 - Weaknesses in accounting and reporting system
 - FM staffing constraints
 - Training needs of FM staff
 - Timely and satisfactory settlement of audit observations by SRLMs etc.
 - Need for additional Guidelines/clarification on existing Guidelines to be issued by the state

Such an analysis will feed into the overall FM monitoring of NRLP and periodic review of states.

- *Settlement of Audit Observations at State Level*: NMMU will monitor Action Taken Reports submitted by states to NMMU in respect of audit observations for each financial year.

D MONITORING OF INTERNAL AUDIT PROCESS IN STATES BY NMMU

SMMU will submit a brief summary of Internal Audit Report of the State for each period to NMMU, mentioning systemic issues and action taken, within 45 days of end of each period of internal audit.

TABLE: Monitoring of State Level Internal Audit Process for NRLP by NMMU

Dimensions to be Monitored	Monitoring Tool
<ul style="list-style-type: none"> ○ Regularity and Timeliness of Internal Audit Process in the State as per requirements of NRLP 	<ul style="list-style-type: none"> ○ Implement a system whereby states inform NMMU about appointment of internal auditors and status of internal audit (timing, coverage, scope etc.) ○ Follow-up with states in letters/meetings/visits regarding status of internal audit
<ul style="list-style-type: none"> ○ Quality of audit reports 	<ul style="list-style-type: none"> ○ Review of internal audit reports against ToRs during visits to states
<ul style="list-style-type: none"> ○ Nature of Observations 	<ul style="list-style-type: none"> ○ Review of Summary of Observations submitted by states to NMMU ○ Review of internal audit reports during visits to states
<ul style="list-style-type: none"> ○ Effectiveness of compliance system at State Level 	<ul style="list-style-type: none"> ○ Review of Action Taken Reports submitted by states to NMMU

Review of summary/ internal audit reports to be documented by the NMMU FM staff and shared with SMMU and State Spearhead Team.

Attachments

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Attachment 1

National Rural Livelihoods Project

Format for Annual Work Plan

Annual Work Plan for Financial Year.....for.....(State/NMMU)

Components/Sub-components	Amount (Rest. in million)
Component A: Institution and Human Capacity Building	
A.1 Technical Assistance	
A.2 Human Resource Development	
Total Component A	
Component B: State Livelihood Support	
B.1 State Rural Livelihoods Missions (SRLM)	
B.2 Institution Building and Capacity Building	
B.3 Community Investment Support	
B.4 Special Programmes	
Total Component B	
Component C: Innovations and Partnerships Support	
C.1: Innovation Forums and Action Pilots	
C2: Social Entrepreneurship Development	
C3: Public Private Community Partnerships	
Total Component C	
Component D: Project Management	
D. Project Implementation Support	
D.1 National Mission Management Unit (NMMU)	
D.2 Monitoring and Evaluation	
D.3 Electronic National Rural Livelihoods Mgmt. System (e-NRLMS)	
D.4 Governance and Accountability Framework	
D.5 Knowledge Management and Communication	
Grand total	

Funding Sources	
Government of India Contribution	
State Government	
Grand total	

Attachment 2

Format of Memorandum Record for MoRD

Date	Voucher No.	Sanction No.	Budget Head	Cheque /DD No.	Amount	COMPONENT A	COMPONENT B							COMPONENT C									
						Institutional and Human Capacity Building	State Livelihoods Support							Innovations and Partnership Support									
						TA	HRD	Total	SRLM	IB& CB	CIS	SP	Total	IF& AP	SED	PPC P	Total	NMMU	M& E	e-NRLM S	G&AF	KM&C	Total
						A 1	A2	A	B1	B2	B3	B4	B	C1	C2	C3	C	D1	D2	D3	D4	D5	D

G. TOTAL

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Key to Sub-components and Abbreviations

A1	TA	Technical Assistance
A2	HRD	Human Resource Development
B1	SRLM	State Rural Livelihoods Mission
B2	IB&CB	Intutional Building and Capacity Building
B3	CIS	Community Investment Support
B4	SP	Special Programmes
C1	IF&AP	Innovations Forums and Action Pilots
C2	SED	Social Entrepreneur Development
C3	PPCP	Public Private Community Partnerships
D1	NMMU	National Mission Management Unit
D2	M&E	Monitoring and Evaluation
D3	e-NRLMS	Electronic -National Rural Livelihoods Management System
D4	G&AF	Governance & Accountability Framework
D5	KM&C	Knowledge Management and Communication

Attachment 3

National Rural Livelihoods Project

Consolidated IUFR of NRLP

List of Interim Unaudited Financial Reports

IUFR Ref	FMR Description
1	Consolidated Statement of Uses of Funds
2	Sources and Uses of Funds – States
3A	Expenditures against Annual Agreed Work Plans – States
3B	Expenditures against Annual Agreed Work Plans – NMMU
4 Deleted	Forecast of expenditures for two six month periods ending ____ and ____
5	Summary of Payments of Prior Review Contracts
6	Summary Sheet for Expenditure by Disbursement Categories

Notes:

1. IUFR (4) is required on a six monthly basis

NATIONAL RURAL LIVELIHOODS MISSION

Interim Unaudited Financial Report (IUF1) for the quarter ended.....

Consolidated Statement of Uses of Funds

(Amount in
)

S. No.	Particulars	For the Quarter	For the Year	Cumulativ e for the Project
Part A - Expenditures at NMMU				
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A2	Human Resource Development			
C	Innovation and Partnership Support			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurship Development			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D2	Monitoring and Evaluation			
D3	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
	Total Uses of Funds at NMMU level			
Part B - Expenditures at State level				
B	State Livelihood Support			
B1	State Rural Livelihoods Mission			
B2	Institutional Building and capacity Building			
B3	Community Investment Support			
B4	Special Programmes			
	Total Uses of Funds at State level			
	Total Uses of Funds			

Part C - Additional Information - Grant Releases to States by MoRD

E	Grants to States - Fund releases			
E1	- State 1			
E2	- State 2			
E3	- State 3			
E4	- State 4			
E5	- State 5			
E6	- State 6			
E7	- State 7			
E8	- State 8			
E9	- State 9			
E10	- State 10			
E11	- State 11			
E12	- State 12			
	Total Fund Releases			

NATIONAL RURAL LIVELIHOODS PROJECT

IUFR 2

Interim Unaudited Financial Report (IUFR) for the quarter ended

Sources and Uses of Funds (States)

(Amount
in `)

	State 1	State 2	State 3	State 4	State 5	State 6	State 7	State 8	State 9	State 10	State 11	State 12	Total
A Opening Balances													
- Cash and Bank balances													
- Advances													
B Receipts													
- Grants received from MoRD - NRLP													
- Grants received from MoRD - NRLM													
- Grants received from State - NRLP													
- Grants received from State - NRLM													
- Grants received from State - Others													
- Other Grants													
- Other Receipts													
Interest from bank													
Other Income													
Liabilities													
C Uses of Funds													
- National Rural Livelihood Project													
State Rural Livelihoods Mission													
Institutional Building and capacity Building													
Community Investment Support													
Special Programmes													
- National Rural Livelihood Mission [summary only]													
- Other projects [summary only]													
D Closing Balances													
- Cash and Bank balances													
- Advances													

NATIONAL RURAL LIVELIHOODS PROJECT

IUFR 3 A

Interim Unaudited Financial Report (IUFR) for the quarter ended

Expenditure Against Agreed Annual Work Plan (States)

(Amount
in `)

		State 1			State 2		
		Approved Annual Work Plan	Actual Expenditure Reported		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year		This quarter	Cumulative for the Year
B1	State Rural Livelihoods Mission						
B1.1	State Project Management Unit						
B1.1.1	- Office Refurbishment						
B1.1.2	- Office furniture, fixtures etc.						
B1.1.3	- Office equipment						
B1.1.4	- Vehicles						
B1.1.5	- Staff Costs						
B1.1.6	- Operating Costs						
B1.2	District Project Management Unit						
B1.2.1	- Refurbishment Cost						
B1.2.2	- Office equipment						
B1.2.3	- Staff Costs						
B1.3	State Resource Centres						
B1.3.1	- Support to SIRD & others						
B1.3.2	- District Resource Centres						
B1.3.3	- Community Resource Centres						
B1.3.4	- Training of State, district & block staff						

B2	Institutional Building and capacity Building						
B2.1	Institutional Building						
B2.1.1	Community Resource Persons						
B2.1.2	Self Help Groups						
B2.1.3	Village Organizations						
B2.1.4	Block Level federations						
B2.1.5	Other Institutions						
B2.2	Block Project Management Unit						
B2.2.1	- Office Refurbishment						
B2.2.2	- Office furniture, fixtures etc.						
B2.2.3	- Office equipment						
B2.2.4	- Staff Costs						
B2.2.5	- Operating Costs						
B3	Community Investment Support						
B3.1	Livelihood Plans, health and food security						
B3.2	Agriculture Interventions						
B3.3	Dairy Interventions						
B3.4	Non farming Interventions						
B4	Special Programmes						
B4.1	Special Initiatives - Health, nutrition etc.						
B4.2	Special Purpose Vehicles						
B4.3	Implementation in difficult areas						
GRAND TOTAL							

Note: The Table is to be filled for all 12 states

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUF) for the quarter ended

Expenditures against Annual Agreed Work Plans – NMMU				
		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A1.1	- Resident Representatives & Spearhead Teams			
A1.2	- TA for Human Resources			
A1.3	- TA for Innovations & Partnerships			
A1.4	- TA for Financial Inclusion			
A1.5	- TA for Livelihood Promotion			
A1.6	- TA for Service Delivery for Poor			
A1.7	- TA for Knowledge management			
A1.8	- TA for MIS			
A1.9	- Other TA			
A2	Human Resource Development			
A2.1	- National Centre for Livelihoods			
A2.2	- Partnerships with other Institutions			
A2.3	- Regional Centres for Excellence			
A2.4	- Other demand driven trainings			
C	Innovations and Partnerships			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurs Forums			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D1.1	- Office Refurbishment Costs			
D1.2	- Office furniture/fixtures			
D1.3	- Office equipment			
D1.4	- Vehicles			
D1.5	- Staff Costs			
D1.6	- Operating Costs			

D2	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D2.1	- Project Management Agency			
D2.2	- MIS Implementation Agency			
D2.3	- IT Infrastructure, websites and portals			
D2.4	- Applications and software			
D3	Monitoring and Evaluation			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
GRAND TOTAL				

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for the six months ended

Forecast of expenditures for two six month periods ending _____ and _____

		From xx/xx/XXXX to xx/xx/XXXX	From xx/xx/XXXX to xx/xx/XXXX	Total
Part A - Expenditures at NMMU				
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A2	Human Resource Development			
C	Innovations and Partnerships			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurship Development			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D2	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D3	Monitoring and Evaluation			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
	Total Fund Requirement at NMMU level			
Part B - Expenditures at State level				
	State 1			
	State 2			
	State 3			
	State 4			
	State 5			
	State 6			
	State 7			
	State 8			
	State 9			
	State 10			
	State 11			
	State 12			
	Total Fund Requirement at State level			
	Total forecast of Expenditures			

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for quarter ended.....

Summary of Payments of Prior Review Contracts

(Amount in `)

S.No.	Component/ Sub-component	WBR#	Contractor/ Consultants	Contract Value	Payment Details		
					Date of Payment	Paid this quarter	Cumulative
NMMU Level							
1							
2							
3							
4							
State 1							
1							
2							
3							
State 2							
1							
2							
3							

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for quarter ended.....

SUMMARY SHEET FOR EXPENDITURE BY CATEGORIES

Period: from _____ to _____

IUFR 6

Category No.	Category Description	Reimbursable % age	Actual Expenditure for the current period			Forecast of Expenditures for next two periods		
			Total Expenditure INR	Amount (Bank's share) INR	Amount (Bank's share) USD Equiv.	Total Expenditure INR	Amount (Bank's share) INR	Amount (Bank's share) USD Equiv.
1	2	3	4	5=4*3	6	7	8=7*3	9
1	Goods, works, non-consulting services, consultants' services, operating costs under Parts A, B1, B4, C and D of the Project							
2	Goods, non-consulting services, consultants' services, operating costs and Investment Support under Part B2 and B3 of the Project							
	Total							

Note: Columns (6) and (9) to be completed at CAA&A

Financial Controller

Project Director

Attachment 4

National Rural Livelihoods project

List of Consolidated Interim Unaudited Financial Reports for State Level

IUFR Ref	FMR Description
2	Sources and Uses of Funds – States
3A	Expenditures against Annual Agreed Work Plans – States
4 Deleted	Forecast of expenditures for two six month periods ending ____ and ____
5	Summary of Payments of Prior Review Contracts

Notes:

1. IUFR (4) is required on a six monthly basis.

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for the quarter ended

Sources and Uses of Funds for...(Name of State)

(Amount in `)

	Total
A Opening Balances	
- Cash and Bank balances	
- Advances	
B Receipts	
- Grants received from MoRD – NRLP	
- Grants received from MoRD – NRLM	
- Grants received from State – NRLP	
- Grants received from State – NRLM	
- Grants received from State – Others	
- Other Grants	
- Other Receipts	
Interest from bank	
Other Income	
Liabilities	
C Uses of Funds	
- National Rural Livelihood Project	
State Rural Livelihoods Mission	
Institutional Building and capacity Building	
Community Investment Support	
Special Programmes	
- National Rural Livelihood Mission [summary only]	
- Other projects [summary only]	
D Closing Balances	
- Cash and Bank balances	
- Advances	

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUF) for the quarter ended

Expenditures against Annual Agreed Work Plans -(Name of State)

		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year
B1	State Rural Livelihoods Mission			
B1.1	State Project Management Unit			
B1.1.1	- Office Refurbishment			
B1.1.2	- Office furniture, fixtures etc.			
B1.1.3	- Office equipment			
B1.1.4	- Vehicles			
B1.1.5	- Staff Costs			
B1.1.6	- Operating Costs			
B1.2	District Project Management Unit			
B1.2.1	- Refurbishment Cost			
B1.2.2	- Office equipment			
B1.2.3	- Staff Costs			
B1.3	State Resource Centres			
B1.3.1	- Support to SIRD & others			
B1.3.2	- District Resource Centres			
B1.3.3	- Community Resource Centres			
B1.3.4	- Training of State, district & block staff			
B2	Institutional Building and capacity Building			
B2.1	Institutional Building			
B2.1.1	Community Resource Persons			
B2.1.2	Self Help Groups			
B2.1.3	Village Organizations			
B2.1.4	Block Level federations			

B2.1.5	Other Institutions			
B2.2	Block Project Management Unit			
B2.2.1	- Office Refurbishment			
B2.2.2	- Office furniture, fixtures etc.			
B2.2.3	- Office equipment			
B2.2.4	- Staff Costs			
B2.2.5	- Operating Costs			
B3	Community Investment Support			
B3.1	Livelihood Plans, health and food security			
B3.2	Agriculture Interventions			
B3.3	Dairy Interventions			
B3.4	Non farming Interventions			
B4	Special Programmes			
B4.1	Special Initiatives - Health, nutrition etc.			
B4.2	Special Purpose Vehicles			
B4.3	Implementation in difficult areas			
GRAND TOTAL				

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for the six months ended

Forecast of expenditures for two six month periods ending ____ and ____

		From xx/xx/XXXX to xx/xx/XXXX	From xx/xx/XXXX to xx/xx/XXXX	Total
B1	State Rural Livelihoods Mission			
B1.1	State Project Management Unit			
B1.1.1	- Office Refurbishment			
B1.1.2	- Office furniture, fixtures etc.			
B1.1.3	- Office equipment			
B1.1.4	- Vehicles			
B1.1.5	- Staff Costs			
B1.1.6	- Operating Costs			
B1.2	District Project Management Unit			
B1.2.1	- Refurbishment Cost			
B1.2.2	- Office equipment			
B1.2.3	- Staff Costs			
B1.3	State Resource Centres			
B1.3.1	- Support to SIRD & others			
B1.3.2	- District Resource Centres			
B1.3.3	- Community Resource Centres			
B1.3.4	- Training of State, district & block staff			
B2	Institutional Building and capacity Building			
B2.1	Institutional Building			
B2.1.1	Community Resource Persons			
B2.1.2	Self Help Groups			
B2.1.3	Village Organizations			
B2.1.4	Block Level federations			
B2.1.5	Other Institutions			

B2.2	Block Project Management Unit			
B2.2.1	- Office Refurbishment			
B2.2.2	- Office furniture, fixtures etc.			
B2.2.3	- Office equipment			
B2.2.4	- Staff Costs			
B2.2.5	- Operating Costs			
B3	Community Investment Support			
B3.1	Livelihood Plans, health and food security			
B3.2	Agriculture Interventions			
B3.3	Dairy Interventions			
B3.4	Non farming Interventions			
B4	Special Programmes			
B4.1	Special Initiatives - Health, nutrition etc.			
B4.2	Special Purpose Vehicles			
B4.3	Implementation in difficult areas			
TOTAL FORECAST OF EXPENDITURE				

IUFR 5**NATIONAL RURAL LIVELIHOODS PROJECT**

Interim Unaudited Financial Report (IUFR) for quarter ended.....

Summary of Payments of Prior Review Contracts for(Name of State)

(Amount in `)

S.No.	Component/ Sub- component	WBR#	Contractor/Consultants	Contract Value	Payment Details		
					Date of Payment	Paid this quarter	Cumulative
1							
2							
3							
4							

Attachment 5

SUMMARY OF ANNUAL STATUTORY AUDIT REPORTS OF PROJECT

Expenditure Incurred by Implementing Entities (States/NMMU)*

Audit Report for Financial Year ended on _____

(Rs. Lakhs)

S. No.	Name of State/NMMU (in alphabetical order)	Expenditure			
		Reported as per IUFR ¹⁸ (A)	Expenditure Submitted for Audit	Expenditure Disallowed in Audit ¹⁹	Expenditure Admitted in Audit Net D= B - C
		A	B	C	D= B - C
I	NMMU				
II	States				
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
	Total States (II)				
	Grand Total (I+II)				

Note : Consolidated Audit Report for the Project Will be prepared on the basis of the individual audit report for each State and audit report for NMMU.

SUMMARY OF AUDIT REPORTS

¹⁸ As reported in the Interim Un-audited Financial Reports of the NMMU/State

¹⁹ Amount either (a) disallowed by the Auditor or (b) considered ineligible by NMMU for any reason

Amount Disallowed in Audit and Observations

Audit Report for Financial Year ended on _____

S. No.	Name of State/NMMU	Amount Disallowed (Rest. Lakhs)	Audit Observations
A NMMU			
Total NMMU (A)			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
Total States (B)			
Total Amount Disallowed C = A+B)			

SUMMARY OF AUDIT REPORTS

Summary of Date of Audit Report and Auditor

Audit Report for Financial Year ended on _____

S. No.	Names of NMMU and States* (*in alphabetical order)	Date ²⁰ of Audit Report	Auditor

²⁰ Date as per the Audit Report and Certificate issued by the Auditor

KEY OBSERVATIONS OF AUDITOR

Audit Report for Financial Year ended on _____

<List name of Implementing Entity and Key Observations relating to the Project>

Attachment 6

National Rural Livelihoods Project

CONSOLIDATED FM Indicators for Project

For Six Monthly Period*to

To be sent to the World Bank twice in a year along with (Financial Management Report) IUFR for six month ending 30th September and 31st March.

A. STAFFING: Qualified and Skilled Finance and Accounts Staff in Place

STATE	No. Of DMMUs In state	SMMU (Designation wise)				DMMU (Designation wise)				Remarks
		Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	
State 1										
State 2										
State 3										
State 4										
State 5										
State 6										
State 7										
State 8										
State 9										
State 10										
State 11										
State 12										

B. TRAINING OF FM STAFF

Please provide information on training conducted for FM staff in last six months:

STATE	Level at which Training was Conducted (national/state/district/ sub-district)	Trainer (If in-house training, mention designation. If external trainer, mention consultant)	Number of Staff/ Designation of Staff Trained	Duration of Training	Key Topics	Remarks
State 1						
SMMU						
DMMU						
Community						
State 2						
SMMU						
DMMU						
Community						
State 3						
SMMU						
DMMU						
Community						
State 4						
SMMU						
DMMU						
State 5						
SMMU						
DMMU						

Community						
State 6						
SMMU						
DMMU						
Community						
State 7						
SMMU						
DMMU						
Community						
State 8						
SMMU						
DMMU						
Community						
State 9						
SMMU						
DMMU						
Community						
State 10						
SMMU						
DMMU						
Community						
State 11						
SMMU						
DMMU						
Community						
State 12						
SMMU						
DMMU						
Community						

C. DELEGATION OF ADEQUATE FINANCIAL and ADMINISTRATIVE POWERS

Please provide information on delegation of financial powers to Head of SMMU and DMMU along with **monetary limits**.

STATE	Delegation of Financial Powers to Head, SMMU	Delegation of Financial Powers to Head, DMMU
State 1		
State 2		
State 3		
State 4		
State 5		
State 6		
State 7		
State 8		
State 9		
State 10		
State 11		
State 12		

D. STATUS OF FM MANUALS

Please provide information on FM Manuals (status of preparation, likely date of finalization, whether circulated to staff, status of translation, etc.)

STATE	State Financial Rules	State FM Manual	Community Level FM Manual	Any Other FM Manual(s)
State 1				
State 2				

State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				
State 12				

E. STATUS OF SHARE OF STATE FOR NRLP FOR FINANCIAL YEAR.....

STATE	State Share due for NRLP to SMMU (Rest. Lakhs)	Actual Funds Received for State Share		Remarks
		Date of Receipt	Amount Received (Rest. Lakhs)	
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				

State 12				
----------	--	--	--	--

F. ACCOUNTING SOFTWARE

STATE	Is Accounting Software being used? Mention 'Yes' or 'No'		If 'yes', please specify Name of Accounting Software	If 'no' please mention likely date for implementation of software at SMMU and DMMU
	SMMU	DMMU		
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				
State 12				

G. INTERIM UNAUDITED FINANCIAL REPORTS

STATE	Date of Submission of IUFR to NMMU for last 2 quarters by the State		Did last quarterly State IUFR include all districts? (Yes or No)
	Quarter (....to)	Quarter (....to)	If 'no', please mention names of districts not included in the IUFR
State 1			
State 2			
State 3			
State 4			
State 5			
State 6			
State 7			
State 8			
State 9			
State 10			
State 11			
State 12			

H. UTILIZATION CERTIFICATE

STATE	Last Utilization Certificate from State to NMMU	
	Period covered by UC (....to)	Date of Submission of UC by the state to NMMU
State 1		
State 2		

State 3		
State 4		
State 5		
State 6		
State 7		
State 8		
State 9		
State 10		
State 11		
State 12		

I. STATUS OF BANK RECONCILIATION STATEMENT (BRS) AS ON.....(mention date)

STATE	BRS completed up to period (mention date)		Signatory to Bank Account (Designation(s) of officials)	
	SMMU	DMMU*	SMMU	DMMU*
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				

State 11				
State 12				

*If there is more than one bank account for NRLP at DMMU, please add additional columns in summary.

J. STATUS OF STATUTORY AUDIT OF SRLM FOR FINANCIAL YEAR.....

	A. Statutory Audit for Financial Year.....								B. Compliance of Statutory Audit of Financial Year.....	
STATE	Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Schedule of Audit	Has ToR as per Financial Management Manual been provided to Auditor? 'Yes' or 'No'	Likely date of submission of Audit Certificate to SRLM	Remarks about Progress of audit	Period for which compliance report has been submitted to NMMU	Date of submission of Compliance Report to NMMU
State 1										
State 2										
State 3										
State 4										
State 5										
State 6										
State 7										
State 8										
State 9										
State 10										
State 11										
State 12										

K. STATUS OF INTERNAL AUDIT OF SRLM FOR FINANCIAL YEAR.....

STATE	Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Total No. of Units	No. of Units covered in Internal Audit	Period Covered	Units not Covered	Remarks
State 1									
State 2									
State 3									
State 4									
State 5									
State 6									
State 7									
State 8									
State 9									
State 10									
State 11									
State 12									

Attachment 7

National Rural Livelihoods Project

CONSOLIDATED FM Indicators for State Level

For Six Monthly Period*.....tofor State of.... (Name of State)

To be sent to NMMU twice in a year along with (Financial Management Report) IUFR for six month ending 30th September and 31st March.

A. STAFFING: Qualified and Skilled Finance and Accounts Staff in Place

No. Of DMMUs In state	SMMU (Designation wise)				DMMU (Designation wise)				Remarks
	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	

B. TRAINING OF FM STAFF

Please provide information on training conducted for FM staff in last six months:

	Level at which Training was Conducted (national/state/district/sub-district)	Trainer (If in-house training, mention designation. If external trainer, mention consultant)	Number of Staff/ Designation of Staff Trained	Duration of Training	Key Topics	Remarks
SMMU						
DMMU						
Community						

C. DELEGATION OF ADEQUATE FINANCIAL and ADMINISTRATIVE POWERS

Please provide information on delegation of financial powers to Head of SMMU and DMMU along with **monetary limits**.

Delegation of Financial Powers to Head, SMMU	Delegation of Financial Powers to Head, DMMU

D. STATUS OF FM MANUALS

Please provide information on FM Manuals (status of preparation, likely date of finalization, whether circulated to staff, status of translation, etc.)

State Financial Rules	State FM Manual	Community Level FM Manual	Any Other FM Manual(s)

E. STATUS OF SHARE OF STATE FOR NRLP FOR FINANCIAL YEAR.....

State Share due for NRLP to SMMU (Rest. Lakhs)	Actual Funds Received for State Share		Remarks
	Date of Receipt	Amount Received (Rest. Lakhs)	

F. ACCOUNTING SOFTWARE

Is Accounting Software being used? Mention 'Yes' or 'No'		If 'yes', please specify Name of Accounting Software	If 'no' please mention likely date for implementation of software at SMMU and DMMU
SMMU	DMMU		

G. INTERIM UNAUDITED FINANCIAL REPORTS

Date of Submission of IUFR to NMMU for last 2 quarters by the State		Did last quarterly State IUFR include all districts? (Yes or No) If 'no', please mention names of districts not included in the IUFR
Quarter (....to)	Quarter (....to)	

H. UTILIZATION CERTIFICATE

Last Utilization Certificate from State to NMMU	
Period covered by UC (....to)	Date of Submission of UC by the state to NMMU

II. STATUS OF BANK RECONCILIATION STATEMENT (BRS) AS ON.....(mention date)

BRS completed up to period (mention date)		Signatory to Bank Account (Designation(s) of officials)	
SMMU	DMMU*	SMMU	DMMU*

*If there is more than one bank account for NRLP at DMMU, please add additional columns in summary.

J. STATUS OF STATUTORY AUDIT OF SRLM FOR FINANCIAL YEAR.....

C. Statutory Audit for Financial Year.....								D. Compliance of Statutory Audit of Financial Year.....	
Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Schedule of Audit	Has ToR as per Financial Management Manual been provided to Auditor? 'Yes' or 'No'	Likely date of submission of Audit Certificate to SRLM	Remarks about Progress of audit	Period for which compliance report has been submitted to NMMU	Date of submission of Compliance Report to NMMU

K. STATUS OF INTERNAL AUDIT OF SRLM FOR FINANCIAL YEAR.....

Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Total No. of Units	No. of Units covered in Internal Audit	Period Covered	Units not Covered	Remarks

Attachment 8

TERMS OF REFERENCE FOR THE AUDIT OF PROJECT FINANCIAL STATEMENTS OF

NATIONAL RURAL LIVELIHOODS PROJECT (For audits conducted by CAG)

BACKGROUND

Objective of NRLP: The project development objective of the proposed NRLP is to be to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services.

Funding of Scheme

NRLM is a Centrally Sponsored Scheme and the financing of the program would be shared between the Centre and the States in the ratio of 75:25 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs).

The proposed National Rural Livelihoods Project (NRLP) intends to support the overall launch of the activities of the NRLM including specific additional investments for twelve²¹ states that have the highest number of absolute poor and poverty rates in India. The total project cost of NRLP has been estimated at US\$1.17 billion, out of which the Government share would be US\$ 171 million. The remaining US\$1000 million would come as Bank's contribution in the form of IDA financing.

Project Period, Scope and Phasing

The implementation period for the project is five years. The NRLP is designed to be implemented in a Mission Mode, both to provide direct support to 12 priority States, as well as to provide the architecture for managing the NRLM across the whole country. While the NRLM, being a national program of the GOI, will be implemented in all states of the country, the National Rural Livelihood Project (NRLP) that will be supported by the Bank will be implemented intensively in selected 400 blocks of 12 priority states of the country.

Project Components:

Part A: Institutional and Human Capacity Development

²¹ Chhattisgarh, Bihar, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal

The objective of the component is to facilitate the provision of high quality technical assistance in the field of rural livelihoods promotion through:

A1: *Technical Assistance*: Establishing a team of high quality professionals to provide technical assistance to Participating States in various thematic areas, including *inter alia*, community mobilization, livelihood promotion, financial inclusion, human resource management, monitoring and evaluation, environment management, and fiduciary management.

A2: *Human Resource Development*: Supporting the development of partnerships with well-established training and research institutions in the field of rural development throughout India that can deliver focused training programmes for successful implementation of the Project and related activities in the rural development sector.

Part B: State Livelihood Support

The objective of the component is provision of support to the governments of the Participating States to establish the necessary institutional architecture for the implementation of Project activities, including Investment Support to Beneficiary Institutions, including:

B1: *State Rural Livelihoods Missions (SRLM)*: supporting the formation of autonomous and professionally managed project missions at the state-level comprising of multi-disciplinary teams.

B2: *Institution Building and Capacity Building* Supporting the identification, selection, and mobilization of Beneficiary Institutions.

B3: *Community Investment Support* Providing Investment Support to Beneficiary Institutions to enable them to undertake productive livelihood enhancing initiatives.

B4: *Special Programmes* Supporting activities that have potential for scaling-up and replication including, *inter alia*, health and nutrition, green opportunities, climate change, value-chain development and usage of new technologies for financial inclusion.

Part C: Innovation and Partnership Support

The objective of the component is establishment of an institutional mechanism to identify, nurture and support innovative ideas from across India to address the livelihood needs of the rural poor, including:

C1: *S Innovation Forums and Action Pilots* supporting selected innovations identified through development marketplace-type forums that have the potential to be scaled-up.

C2: *Social Entrepreneurship Development* Supporting the development of a network of grassroots innovators and social entrepreneurs at state and national level.

C3. *Public-Private-Community-Partnership* Developing and supporting effective partnerships with the private sector, foundations public corporations, and civil society organizations on livelihoods development for the rural poor throughout India.

Part D: Project Implementation Support

Establishing an effective project management unit at the national level that develops key systems and processes for coordination and management of the Project, including:

D1: *National Mission Management Unit (NMMU)* Strengthening the various functions of the NMMU to be able to manage, deliver and support all aspects of the Project.

D2: *Monitoring and Evaluation* Developing a comprehensive and robust monitoring and evaluation system, including an integrated management information system.

D3: Electronic National Rural Livelihoods Management System (e-NRLMS) and ICT

D4. *Governance and Accountability Framework*

D5. *Knowledge Management and Communication* Establishing a variety of products and services to enhance the generation and use of knowledge management activities as a key tool for enhancing the quality of project implementation.

Project Implementation Arrangements

NRLM would set up sensitive and dedicated support structures at the National, State, district and sub-district levels.

Central

AC/CC/EC: At the central level there is a National Advisory Committee (NRLM-AC) chaired by Union Minister of Rural Development, NRLM Coordination Committee (NRLM-CC) chaired by Secretary, Rural Development to oversee the NRLM and NRLM Empowered Committee (NRLM-EC) to review and approve the State Perspective and Implementation Plans (SPIP) and Annual Action Plans and release the funds to State Rural Livelihoods Missions (SRLM).

NMMU: At the Central level, the program will be implemented by the National Rural Livelihoods Mission, as a dedicated constituent unit of the Ministry of Rural Development (MoRD), Government of India. Joint Secretary, MoRD will be the mission director who will be assisted by a NRLM Mission Management Unit (NMMU). The structure of NRLM will be organized into Mission Director, a Chief Operations Officer (COO) and three units i.e. Thematic Support Unit, Technical Assistance Unit and Program Management Unit.

State

State Rural Livelihoods Mission (SRLM): SRLM, constituted by State Government, would oversee the implementation of all NRLM related activities in the state. An autonomous body under the Rural Development Department, SRLM would be incorporated as a society, trust or company. It's Governing Body (GB) and the Executive Committee (EC) will provide guidance and advice in all aspects of planning and implementation.

State Mission Management Unit (SMMU): SRLM would implement the NRLM activities in the state through a State Mission Management Unit (SMMU), at the state level, headed

by a full-time State Mission Director (SMD). SRLM would lead all NRLM activities in the state and would be responsible for drafting policies and implementation guidelines of the mission at the state level and ensuring proper linkages with the DRDAs.

District

District Mission Management Unit (DMMU): DMMU of the SRLM, linked suitably with DRDA, would be a facilitating and support unit for field structures. DMM will be headed by District Project Manager (DPM).

Summary of Financial Management Arrangements of NRLP

- *Planning and Budgeting:* Planning of NRLP activities will be as per framework of planning for NRLM. The project will be budgeted as a separate line in MoRD's budget.
- *Flow of Funds for Central Level Activities:* At GoI level, NMMU will function within the existing Government systems using the Pay & Accounts Office to process and account for project related expenditures.
- *Flow of Funds MoRD to States:* Fund releases to the SRLMs will be through direct transfers into SRLM bank accounts and will be against agreed annual work plans.
- *Payments and Accounting:* At GoI level, NMMU will function within the existing Government systems using the Pay & Accounts Office (PAO) to process and account for project related expenditures. NMMU will maintain Memorandum Register for summarizing component/sub-component-wise expenditure and preparing IUFRs for NMMU. In the MoRD books of accounts, transfers (Grant in Aid) to SRLMs to finance approved State Annual Work Plans will, in accordance with existing GOI rules, be recorded as expenditure. For the purpose of the program, however, NMMU will need to keep track of the actual expenditures reported against the grants by the States on an off-line basis as these are essentially in the nature of advances.
- *Financial Reporting:* NMMU will be responsible for compiling and preparing consolidated project financial progress reports on a quarterly/annual basis for NRLP by consolidating expenditure at NMMU level and state level. These reports will aggregate the financial reports for the following: (a) NMMU level expenditures as obtained from Pay & Accounts Officer (PAO) reports; (b) fund releases to SRLMs by MoRD, as obtained from PAO reports; and (c) SRLM level financial reports, as obtained from their financial management systems.
- *Disbursement:* from the World Bank will be on the basis of Six-monthly Interim Unaudited Financial Reports (IUFRs) which will be submitted by NMMU to the World Bank. The formats of IUFRs will be part of the FMM.
- *Audit:* Audit for NMMU will be as per standard ToRs agreed between the C&AG and the World Bank. Audit of SRLMs will be done by a CA firm out of a "call down" list maintained at NMMU and as per terms of reference of audit agreed with the World Bank. A summary of audit reports of NMMU and states and individual audit reports for NRLP will be submitted to the Bank by 30th September every year for previous financial year.

OBJECTIVE

The essence of the World Bank²² audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended,²³ that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Financial Management Reports submitted by project management may be relied upon to support any applications for withdrawal, and whether adequate supporting documentation has been maintained to support claims made by project management for reimbursement of expenditures incurred under the Statement of Expenditure method of reimbursement.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency– [_____] Project Implementation Unit and the participating divisions.

STANDARDS

The audit will be carried out in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

SCOPE²⁴

In conducting the audit, special attention should be paid to the following:

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the

²² “World Bank” includes the International Development Agency and the International Bank for Reconstruction and Development. “Loans” includes credits and grants to which the TORs would apply; and “borrower” includes recipients of such loans.

²³ The Bank’s charter [Article III Section V (b) of IBRD’s Articles of Agreement and Article V Section 1(g) of IDA’s Articles of Agreement] specify that: “The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.”

²⁴ In response to identified project risks, the scope may be expanded to include a report or the expression of an opinion on specific aspects of the operation such as internal controls, compliance with Bank procurement policies, or efficiency and effectiveness in the use of loan proceeds.

- financing was provided. Relevant legal agreements include the Financing Agreement, the Project Agreement, and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
 - (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via SOEs/ SAs/ or FMRs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
 - (d) The project accounts have been prepared in accordance with consistently applied Government Accounting Standards²⁵ and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

PROJECT FINANCIAL STATEMENTS

The Project Financial Statements should include-

- A. Statement of Sources and Applications of Funds: The contents of Project Financial Statements (PFS) are specific to the sector, the project design and the type of implementing entity. These formats therefore vary from one Project to another. The formats of PFS are prepared in consultation with the implementing entity during the preparation of the Project. See Attachment 1 for an example of a Statement of Sources and Applications of Funds that could be prepared for a project implemented by core government departments.
- B. Reconciliation of Claims to Total Applications of Funds. The PFS include a reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through Statements of Expenditures (SOE), documented claims or report based methods of reimbursement. An example is shown at Attachment 2.
- C. Other Statements or Schedules as may be applicable in particular circumstances and as specified in the relevant legal agreements, such as:
 - A statement showing appropriate major heads of expenditure. (say by Project Component/Sub-components)
 - A summary of cumulative expenditures by category of expenditure such as buildings, equipment, furniture, vehicles, major rehabilitation of canals etc.
- D. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at Attachment 3.

²⁵Until such time as the pronouncements of the Government Accounting Standards Advisory Board are accepted and prescribed by the Ministry of Finance, the accounting standards followed by the Government of India will be defined by the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

Statements of Expenditures and Financial Management Reports

In addition to the audit of the PFS, the auditor is required to audit all Statements of Expenditures (SOEs) and/or Financial Management Reports (FMRs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

AUDIT REPORT

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.”²⁶ In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan/Credit Agreement. Relevant CAG Auditing Standards are reproduced in Attachment 5. A sample audit report wording for an unqualified audit opinion is shown at Attachment 4.

The project financial statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

The audit report is issued without prejudice to CAG’s right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

MANAGEMENT LETTER

In addition to the audit report on the project financial statements, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination.

Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank. Else, a written advice may be made that no management letter was prepared together with the audit report on the project financial statements.

GENERAL

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence,

²⁶See relevant portions of Auditing Standards of the Comptroller and Auditor General of India as applicable from time to time.

and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, a copy of these Guidelines, and a copy of the Bank's Financial Management Assessment of the project entity. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/BP 10.02, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

Attachment 1

Example of a Statement of Sources and Application of Funds (projects implemented by core government departments)

Name of the Project

Loan/Credit/Grant No.

Statement of Sources and Applications of Funds

Report for the year ended _____

In Rest. '000

Particulars	Current Year	Previous Year	Project to date
Opening Balance, (if cash balances are controlled by the entity) (A)			
Receipts			
Funds from Government through Budget (These will include external assistance received by Government for the project.)			
Funds received directly by Project Implementing authority through external assistance			
Beneficiary Contribution (if any)			
Total Receipts (B)			
Total Sources (C = A + B)			
Expenditures by Component			
A.			
B.			
C.			
Total Expenditures (D)			
Closing Balance, (if cash balances are controlled by the entity) (C-D)			

Notes:

1. This financial statement is prepared on a cash basis of accounting as per provisions of the Financial Rules and codes applicable.
2. The above figures will be based on monthly/quarterly abstract accounts prepared by the accounts compiling officers, duly reconciled by the respective DDOs, with details of un reconciled amounts to be furnished.

3. Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
4. Any other project specific Note.

Attachment 2

Sample Reconciliation of Claims to Total Applications of Funds

Name of the Project
Loan / Credit / Grant No.
Reconciliation of Claims to Total Applications of Funds
Report for the year ended _____

	Schedules	Amt (Rest. '000)		
		Current Year	Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year (B)				
Less: Outstanding AC bills (C)	II			
Ineligible expenditures (D)	III			
Expenditures not claimed (E)	IV			
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)				
World Bank Share @ x% of (F) above (G)				

CFAO

Project Director

Date

Date

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Expenditures shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Applications of Funds)
2. Outstanding AC bills (C above) reflect funds drawn against AC bills that have been booked as expenditure but not settled by the end of the year (i.e., unsettled advances). The project should show in Schedule II the opening balance of unsettled AC bills, AC bills drawn during the year, AC bills settled during the year, and AC bills unsettled at the end of the year.

3. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.
4. Amounts A and G above must be equal.

Attachment 3

Example of a Management Assertion Letter²⁷

(Project Letterhead)

(To Auditor)

(Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Senior Executive Officer)

(Senior Financial Officer)

²⁷ This sample management assertion letter is based on ISA 580, "Management Representations," *Handbook of International Auditing, Assurance and Ethics Pronouncements*, International Federation of Accountants, 2007

Sample Audit Report—Unqualified Opinion²⁸

Report of the Comptroller and Auditor General of India

Addressee²⁹

Report on the Project Financial Statements

We have audited the accompanying financial statements of the _____ Project financed under World Bank Loan No. _____/IDA, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds³⁰ for the year ended _____, These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of _____ Project for the year ended _____ in accordance with Government of India accounting standards.³¹

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs/FMRs (each application no. and amount to be indicated) and the connected documents were

²⁸See relevant portions of Auditing Standards of the Comptroller and Auditor General of India as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered.

²⁹The auditor's report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

³⁰Insert titles of other required statements and schedules included in or attachment to the project financial statements, if any.

³¹Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date³²]

³² The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.

Excerpt from CAG Auditing Standards (2nd Edition, 2002) Chapter IV, Reporting Standards

11. The form and content of audit opinion and report.

- 11.1 The form and content of all audit opinions and reports are founded on the following general principles:
 - (a) **Title.** The opinion or report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.
 - (b) **Signature and date.** The opinion or report should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date (which, in the case of regularity (financial) audits, may be beyond the period of the financial statements).
 - (c) **Objectives and scope.** The opinion or report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.
 - (d) **Completeness.** Opinions should be appended to and published with the financial statements to which they relate, but performance reports may be free standing. The auditor's opinions and reports should be presented as prepared by the auditor. In exercising its independence CAG may acquire information from time to time, which in the national interest cannot be freely disclosed. This can affect the completeness of the audit report. In this situation the auditor should consider the need to make a report, possibly including confidential or sensitive material in a separate, unpublished report.
 - (e) **Addressee.** The opinion or report should identify those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This is unnecessary where formal procedures exist for its delivery.
 - (f) **Identification of subject matter.** The opinion or report should identify the financial statements (in the case of regularity (financial) audits) or area (in the case of performance audits) to which it relates. This includes information such as the name of the audited entity, the date and period covered by the financial statements and the subject matter that has been audited.
 - (g) **Legal basis.** Audit opinions and reports should identify the legislation or other authority providing for the audit.
 - (h) **Compliance with standards.** Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.

- (i) **Timeliness.** The audit opinion or report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.
- 11.2 An audit opinion is normally in a standard format, relating to the financial statements as a whole, thus avoiding the need to state at length what lies behind it but conveying by its nature a general understanding among readers as to its meaning. The nature of these words will be influenced by the legal framework for the audit, but the content of the opinion will need to indicate unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.
- 11.3 An unqualified opinion is given when the auditor is satisfied in all material respects that:
 - (a) The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
 - (b) The statements comply with statutory requirements and relevant regulations;
 - (c) The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
 - (d) There is adequate disclosure of all material matters relevant to the financial statements.
- 11.4 **Emphasis of Matter.** In certain circumstances the auditor may consider that the reader will not obtain a proper understanding of the financial statements unless attention is drawn to unusual or important matters. As a general principle the auditor issuing an unqualified opinion does not make reference to specific aspects of the financial statements in the opinion in case this should be misconstrued as being a qualification. In order to avoid giving that impression, references that are meant as "emphases of matter" are contained in a separate paragraph from the opinion. However, the auditor should not make use of an emphasis of matter to rectify a lack of appropriate disclosure in the financial statements, nor as an alternative to, or a substitute for, qualifying the opinion.
- 11.5 **Adverse Opinion.** Where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate, an adverse opinion is given. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect on the financial statements is quantified where relevant and practicable.
- 11.6 **Disclaimer of Opinion.** Where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction that is so fundamental that an opinion, which is qualified in certain respects, would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.
- 11.7 It is customary to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

Attachment 9

NATIONAL RURAL LIVELIHOODS PROJECT

NMMU's Checklist of FM Monitoring Visits to States

Note: This check-list includes some key areas which should be covered by NMMU FM staff during visit to states. NMMU staff may add more areas to be covered/questions, as per requirement.

Name of State:

Date of Visit

Name/Designation of Reviewer:

S. No.	Key Areas	Yes/No	Remarks
1.	Staffing a) Are there any vacancies of FM staff at state/districts/block level? b) Is there a plan to fill vacancies?		
2.	FM Training c) Are there any major gaps/delays in training of FM staff? d) Is there a plan to address gaps in training?		
3.	FM Manual/Guidelines at State Level a) Has FM Manual for state level been prepared/circulated/updated? b) Has FM Manual/Guidelines for Community level funds been prepared/circulated/updated. c) Any comments on quality of state level manual/guidelines a) Major gaps in manuals/guidelines		
4.	Financial Delegation: Is delegation of financial administrative powers adequate for state/district level		
5.	Flow of Funds a) Are there any delays in flow of funds from NMMU to SMMU? b) Are there any delays in flow of funds from SMMU to districts, districts to sub-district and community? c) Any comments on mode of transfer of funds (electronic/cheque/drafts)		
6.	Budgeting and Monitoring of Expenditure a) Is preparation of budget and estimates for next financial year proceeding satisfactorily? b) Is there a regular system of monitoring expenditure at components/sub-components/activities/by project units?		

7.	Accounting <ul style="list-style-type: none"> a) Cashbook and Bank Book written up to date (indicate date) b) General Ledger is written and up to date (mention date) c) All vouchers are serially numbered and files properly. d) Is there a system of monthly closure of accounts? 		
8.	Major Internal Controls Weaknesses <ul style="list-style-type: none"> a) Bank Reconciliation, pre-signed blank cheques b) Large cash withdrawals, cash payments, cash verification, c) Advances d) Payment Procedure e) Fixed assets register, verification of fixed assets etc. f) Other 		
9.	Financial Reporting <ul style="list-style-type: none"> a) Is there any backlog in preparation of IUFR, UC, audit report, summary of FM Indicators for State etc. 		
10.	Statutory Audit <ul style="list-style-type: none"> a) Is there any major delay in completing audit for previous financial year? b) Is there a major gap in preparing compliance of audit observations? 		
11.	Internal Audit <ul style="list-style-type: none"> a) Is there any major delay in completing audit? b) Is there a major gap in preparing compliance of audit observations? 		
12.	FM Disclosure: Is it adequate and timely?		
13.	Major Deviation from FM Framework and Procedures Is there a major deviation in FM Framework and procedures of National FM Manual e.g., accounting policy, diversion of funds, flow of funds system, etc. If so, please specify.		
14.	MoU <ul style="list-style-type: none"> a) Are key FM provisions of MoU between MoRD and state being complied with? 		
15.	Community Level FM Monitoring by Project <ul style="list-style-type: none"> a) <u>Federation Grant Agreement</u> Is the system of signing and maintenance of records of agreements and monitoring of FM provisions of the agreement satisfactory? b) <u>Reporting:</u> Is the system of monitoring timeliness and accuracy of financial reports/UCs from community organizations satisfactory? c) Is the system of facilitating timely audit and compliance of observations by the community organizations satisfactory? d) <u>FM Performance:</u> Any comments on FM training, capacity, governance system, record keeping, social accountability measures at community level? 		
16.	Any Other observations <ul style="list-style-type: none"> a) Project Level b) Community Level 		

Key Mitigation Measures Agreed with SMMU

Agreed Action	To be completed by...

Signed:

Date:

Attachment 10

**TERMS OF REFERENCE FOR
FINANCIAL CONTROLLER
(NMMU), Ministry of Rural Development**

Job Description

The Financial Controller will be required to oversee financial management functions of National Mission Management Unit (NMMU).

The Financial Controller will report to the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific responsibilities

- Plan and monitor work of Financial Management Unit of NMMU.
- Coordination with Finance Department of MoRD.
- Finalization of FM procedures of NRLM/NRLP.
- Finalization of annual budget of NMMU and NRLM/NRLP.
- Establish effective system of flow of funds to states and for NMMU level activities.
- Monitor effectiveness of payments and financial reporting system of NMMU

- Monitor effectiveness of internal controls at NMMU level.
- Finalization and monitoring of FM training strategy of NRLM/NRLP.
- Establish system of regular FM review of NRLM at national level e.g., chairing regular meetings with finance heads of State Rural Livelihoods Mission.
- Oversee FM inputs to Review Missions.

Attachment 11

TERMS OF REFERENCE FOR FINANCIAL MANAGEMENT CONSULTANT (NMMU), Ministry of Rural Development

Job Description

The Financial Management Consultant will be required to manage/provide support in all FM matters pertaining to NRLP in National Mission Management Unit (NMMU). These will include development/implementation of FM manuals/guidelines for NMMU, planning, budgeting, financial sanctions, flow of funds, financial reporting, monitoring, training and audit.

The FM Consultant will work under the guidance of the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific Responsibilities

Specific responsibilities of the FM Consultant will include:

- Developing, updating and implementing financial management guidelines at national level.
- Regular monitoring and review of FM arrangements at national level.
- Provide inputs to Annual Work Plan of NMMU and overall AWP of NRLP.
- Preparation of budget of NMMU and overall NRLP.
- Coordinate timely release of funds for project activities at national level, including releases to states/implementing agencies. Preparing and getting approval of sanction orders for payments.
- Establish regular financial reporting system for NRLP at national level.
- Prepare quarterly/six-monthly/annual consolidated project financial reports by consolidating reports for NMMU level expenditure and State Rural Livelihoods Missions (SRLMs). Arrange timely submission of financial reports/claims to MoRD/World Bank
- Coordinate timely completion of statutory/internal audit of NMMU and settlement of audit observations.
- Guide finance officers in SRLMs through advice and act as a clearing house for issues raised by states.
- Any other FM related tasks assigned by the CEO.

Attachment 12

TERMS OF REFERENCE FOR FINANCIAL MANAGEMENT CONSULTANT (States), NMMU, Ministry of Rural Development

Job Description

The Financial Management Consultant (States) will be required to manage/provide support in FM matters pertaining to states in National Mission Management Unit (NMMU). The FM Consultant will contribute to the work of NMMU of assisting the states in becoming compliant with NRLP requirements. He/she will monitor adherence to FM arrangements of NRLP in states. He/she will contribute to Appraisal/Review Missions and FM training/capacity building of the states.

The FM Consultant will work under the guidance of the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific Responsibilities

Specific responsibilities of the FM Consultant will include:

- Facilitating development, updating and implementation of FM Manual and guidelines in the states.
- Assisting states in becoming compliant with NRLP FM requirements.
- Regular monitoring and review of FM arrangements in states on an on-going basis.
- Assessment of TA needs for NRLP at various levels in the states. Working closely with Technical Assistance cell of NMMU, contribute to development and implementation of FM training strategy for NRLP in the states.
- Coordinate submission of annual estimates for NRLP by states. Review estimates received from states/other implementing agencies and provide inputs to Annual Work Plan of NRLP.
- Coordinate timely release of funds for releases to states.
- Coordinate regular financial reporting system for NRLP from states to NMMU.
- Facilitate timely submission of financial reports/claims from states to NMMU, MoRD.

- Monitor timely completion of statutory/internal audit for NRLP in states and settlement of audit observations by the states. Monitor quality of audit reports.
- Guide finance officers in SMMUs through advice and act as a clearing house for FM issues raised by the states.
- Any other FM related tasks assigned by the CEO.

Attachment 13

FORM GFR 19- A

[See Rule 212 (1)]

Form of Utilization Certificate

S. No.	Letter No. and Date	Amount
	Total	

Certified that out of Rs. Of grants-in-aid sanctioned during the year in favour of Under this Ministry / Department Letter No. given in the margin and Rs..... on account of unspent balance of the previous year, a sum of Rs. has been utilized for the purpose of For which it was Sanctioned and that the balance of Rs.....remaining unutilized at the end of the year has been surrendered to Government (*vide* No....., dated) / will be adjusted towards the grants-in-aid payable during the next year

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled / are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned.

Kinds of checks exercised

- 1.
- 2.
- 3.
- 4.
- 5.

Signature
Designation
Date

Attachment

FORM GFR 39

[See Rule 212 (4)]

Register of Grants to be maintained by the Sanctioning Authority

- (i) Serial Number.
- (ii) Number and date of sanction letter.
- (iii) Purpose of grant.
- (iv) Conditions, if any, attached to the grant.
- (v) Amount sanctioned.
- (vi) Amount of the Bill.
- (vii) Whether conditions attached to the grant have been accepted by the grantee without reservation.
- (viii) Dated initials of the sanctioning authority.
- (ix) Date by which statements of accounts along with utilization certificate, etc., are required to be furnished by the grantee.
- (x) Date by which utilization certificate is required to be furnished by sanctioning authority to the Accounts Officer, as the case may be.
- (xi) Date by which the statements of accounts, etc., are actually received. (In case there has been delay in the receipt of these statements, the reasons therefor as well as efforts made by the sanctioning authority to expedite submission of such statements may be clearly indicated).
- (xii) Date of submission of utilization certificate to PAO (in case there has been delay in submission of utilization certificate, the reasons therefor may be clearly indicated).
- (xiii) Unspent balance, if any, also indicating whether the unspent balance has been surrendered by the grantee Institution / Organisation.

Attachment 15

FORM GFR - 40

[
See Rule 190. (2) (i)]

REGISTER OF FIXED ASSETS

Name and description of the Fixed Assets _____

Date	Particulars of Supplier Cost	Particulars of Supplier		Cost of the Asset	Location of Asset	Remarks
		Name and Address	Bill No. And Date			
1	2	3	4	5	6	7

NOTE: The items of similar nature but having significant distinctive features (e.g. Study table, office table, computer table, etc.) should be accounted for separately in stock.

Attachment 16

REGISTER OF OUTSTANDING AUDIT OBSERVATIONS

S. No.	Period of Accounts Covered by Audit	Audit Para No.	Date of Issue	Brief Details of Audit Objection	Action Taken	Date of Settlement	Remarks

Attachment 17

Detail of Heads to be opened for NRLM AND NRLP

Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8
Major Head	Sub Major Head	Minor Head	Sub Minor Head	Detail Head	Object Head	Activity	Remarks
Function of	Program	Scheme	Sub scheme	Activity	Sub activity		
Ministry							
2501		EXISTING	HEADS				
6						Special Program for Rural Development Self Employment Program	
		xxx				National Rural Livelihood Mission	
			XX			Assistance to State Project implementing agencies	
				1		Livelihood support for non-incentive blocks	
					31	Grant in Aid General	
					35	Grant in Aid for creating Capital Assets	
					50	Other Charges	
			YY			EAP component-World Bank assistance	
				1		Tech. Assistance for Institutional and Human capacity building	
					11	Domestic Travel Expenses	
					13	Office Expenses	
					20	Other Administrative Expenses	
					30	Other Contractual Services	
NEW HEADS NEEDED					26	Training , Workshops, seminars etc.	
					31	Grant in Aid -General	
					35	Grant in Aid for creating Capital Assets	
					50	Other Charges	
				2		State Livelihood Support	
					31	Grant in aid to State implementing agencies-general	
					35	Grant in Aid for creating Capital Assets	
					50	Other Charges	
				3		Innovation & Partnership support	
					31	Grant in aid to State Project implementing agencies-general	
					35	Grant in Aid for creating Capital Assets	
					50	Other Charges	

Attachment 18

CHART OF ACCOUNTS – MoRD Level

A	Institutional and Human Capacity Building
A 1	Technical Assistance
A1.1	Resident Representatives & Spearhead Teams
A1.2	TA for Human Resources
A1.3	TA for Innovations & Partnerships
A1.4	TA for Financial Inclusion
A1.5	TA for Livelihood Promotion
A1.6	TA for Service Delivery for Poor
A1.7	TA for Knowledge management
A1.8	TA for MIS
A1.9	Other TA
A 2	Human Resource Development
A2.1	National Centre for Livelihoods
A2.2	Partnerships with other Institutions
A2.3	Regional Centres for Excellence
A2.4	Other demand driven trainings
C	Innovations and Partnerships
C1	Innovation Forums and Action Pilots
C2	Social Entrepreneurs Forums
C3	Public Private Community Partnerships
D	Project Implementation Support
D 1	National Mission Management Unit
D1.1	Office Refurbishment Costs
D1.2	Office furniture/fixtures
D1.3	Office equipment
D1.4	Vehicles
D1.5	Staff Costs
D1.6	Operating Costs
D 2	Electronic National Rural Livelihoods Mission System (e-NRLM)
D2.1	Project Management Agency
D2.2	MIS Implementation Agency
D2.3	IT Infrastructure, websites and portals

D2.4	Applications and software
D 3	Monitoring and Evaluation
D 4	Governance and Accountability Framework
D 5	Knowledge Management & Communication

Attachment 19

CHART OF ACCOUNTS – State Level

B 1	State Rural Livelihoods Mission
B 1.1	State Project Management Unit
B1.1.1	Office Refurbishment
B1.1.2	Office furniture, fixtures etc.
B1.1.3	Office equipment
B1.1.4	Vehicles
B1.1.5	Staff Costs
B1.1.6	Operating Costs
B 1.2	District Project Management Unit
B1.2.1	Refurbishment Cost
B1.2.2	Office equipment
B1.2.3	Staff Costs
B1.3	State Resource Centres
B1.3.1	Support to SIRD & others
B1.3.2	District Resource Centres
B1.3.3	Community Resource Centres
B1.3.4	Training of State, district & block staff
B 2	Institutional Building and capacity Building
B2.1	Institutional Building
B2.1.1	Community Resource Persons
B2.1.2	Self Help Groups
B2.1.3	Village Organizations
B2.1.4	Block Level federations
B2.1.5	Other Institutions
B2.2	Block Project Management Unit
B2.2.1	Office Refurbishment
B2.2.2	Office furniture, fixtures etc.
B2.2.3	Office equipment
B2.2.4	Staff Costs

B2.2.5	Operating Costs
B 3	Community Investment Support
B3.1	Livelihood Plans, health and food security
B3.2	Agriculture Interventions
B3.3	Dairy Interventions
B3.4	Non farming Interventions
B 4	Special Programmes
B4.1	Special Initiatives - Health, nutrition etc.
B4.2	Special Purpose Vehicles
B4.3	Implementation in difficult areas

Attachment 19-A

CHART OF ACCOUNTS - District Level

B 2	Institutional Building and capacity Building
B2.1	Institutional Building
B2.1.1	Community Resource Persons
B2.1.2	Self Help Groups
B2.1.3	Village Organizations
B2.1.4	Block Level federations
B2.1.5	Other Institutions
B2.2	Block Project Management Unit
B2.2.1	Office Refurbishment
B2.2.2	Office furniture, fixtures etc.
B2.2.3	Office equipment
B2.2.4	Staff Costs
B2.2.5	Operating Costs
B 3	Community Investment Support
B3.1	Livelihood Plans, health and food security
B3.2	Agriculture Interventions
B3.3	Dairy Interventions
B3.4	Non farming Interventions
B 4	Special Programmes
B4.1	Special Initiatives - Health, nutrition etc.
B4.2	Special Purpose Vehicles
B4.3	Implementation in difficult areas

Note-Accounts shown at B-2.2(2.1 to 2.5) will also be maintained at Block level

Attachment 20

**SELECTION CRITERIA FOR SELECTION OF STATUTORY AUDIT
AT
STATE LEVEL**

TO BE ADDED

Attachment 21

TERMS OF REFERENCE FOR STATUTORY AUDIT AT STATE LEVEL FOR NRLP

Background

Government of (Name of State) is implementing a project funded by the World Bank through (name of SRLM). SRLM has been set up by the Government of (Name of State) as part of its strategy to address rural poverty through enhancing the livelihoods of the poor. (SRLM) is an independent and autonomous institution registered under the (name of Act). The strategy highlights building of pro-poor local institutions/ groups through nurturing institution of the poor by supporting formation, strengthening and empowering self-managed community organizations and adopting demand responsive and participatory processes.

Objectives of the Project-

The objectives of project inter alia include:

(To add objectives of project)

Project Scope & Components

It is envisaged that the project, to be implemented over a period of 5 years, will cover aroundtarget families in villages in ... Blocks spread over Districts and the project cost are estimated at Rest crores .Thebroad components of the project are:

(To add names and brief description of components)

Implementation Arrangements

(To add Brief Description of Governance Structure of SRLM)

State Level: At the state level, the **State Mission Management Unit (SMMU)** has been formed and staffed with a team of dedicated development professionals. The project and the SRLM is headed by a (post of chief executive).

District level: District Mission Management Unit (DMMU) is established in each district. The District Mission Manager heads the DMMU with primary responsibility of

Coordinating with their Blocks for effective implementation and convergence with ongoing programmes in the district.

Block Level: At each of the Blocks, Block Mission Management Unit (BPIU) has been established. The Block Mission Manager heads the BMMU and is responsible for (add key responsibilities).

Flow of Funds

(To add description of flow of funds at state level)

OBJECTIVES OF AUDIT

The essence of the World Bank's audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether

(1) the PFS give a true and fair view of the sources and applications of project funds for the period under audit examination;

(2) the funds were utilized for the purposes for which they were provided,

(3) the procurement procedure prescribed in the Procurement Manual has been followed; and

(4) Expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Financial Management Reports submitted by project management may be relied upon to support any applications for withdrawal from the IDA Credit/Loan.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by (SRLM) and its constituent state, district and block level units.

AUDIT STANDARDS

The audit will be carried out in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of credit/loan proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

AUDIT SCOPE

In conducting the audit, special attention should be paid to the following:

- All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements.
- Effective project financial management systems', including internal controls, were in operation throughout the period under audit examination. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures'; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities; and integrity, controls, security and effectiveness of the operation of the computerized system; and
- Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim unaudited Financial Reports (IUFRs) where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; certification of IUFR and financial report reconciliation.
- The project accounts have been prepared in accordance with the accounting principles defined in the Project Financial Manual and give a true and fair view of the financial position of the project at the year end and of resources and expenditures for the year ended on that date; and
- Goods and services financed have been procured in accordance with the procurement procedure prescribed in the Procurement Manual.

PROGRAMME FINANCIAL STATEMENTS

Program Financial Statements should include:

(A) Receipts & Payments Account, Income & Expenditure Accounts and Balance Sheet.

(B) Reconciliation of Claims to Total Applications of Funds.

(C) Other Statements or Schedules which may include:

- A separate list of cumulative project expenditures by Project Component/Sub-components;
- A detailed list of assets created or purchased from project funds.

(D) Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at *Attachment I*.

STATEMENTS OF EXPENDITURES AND FINANCIAL MANAGEMENT REPORTS

In addition to the audit of the PFS(Project financial statement), the auditor is required to audit all Interim Financial Reports (IFRs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion. In addition, the audit opinion paragraph will specify whether, in the auditor's opinion,

- (1) the funds were utilized for the purposes for which they were provided,
- (2) expenditure shown in the PFS are eligible for financing under the relevant loan or credit agreement and, where applicable,
- (3) the IFRs submitted during the period are supported by adequate detailed documentation maintained in the project accounting offices.

A sample audit report wordings are shown at Attachment II

MANAGEMENT LETTER

In addition to the audit report on the project financial statements, the auditor will prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination, possibly including matters such as the following:

- observations on the accounting records, systems, and controls that were examined during the course of the audit
- deficiencies or weakness in systems and controls, together with specific recommendations for improvement
- compliance with financial covenants in the financing agreements
- matters that might have a significant impact on the implementation of the project
- the status of recommendations from previous management letters, including any issues which remain to be addressed and any issues which recurred
- any other matters that the auditor considers pertinent.

A sample covering letter that could be used to transmit a management letter is shown at *Attachment III*

PERIOD, TIMING AND SAMPLE COVERAGE OF STATUTORY AUDIT

The statutory audit will be done for financial year The auditors should prepare their financial proposal figure based on the volume of work as stated below:

The audit will be carried out on a yearly basis as given below:

<i>Unit</i>	<i>No. of Units in FY.....</i>
SMMU	1
DMMU
BMMU

It is expected that auditor should verify at least ...% of CIF (community investment fund) advance which are provided to SHG Federations/SHGs (Self Help Groups). The basis of sample will be provided by the auditor at the time of planning of audit.

Timing: The audit would be carried out annually and the report should be provided to the SMMU latest by, each year to facilitate approval and placement before the Executive Committee and submission to the World Bank by September 30 each year. The auditor must submit three copies of the audited accounts and audit report to CEO at State office (SMMU) in time.

Period of Appointment: The auditor will be appointed for a period of one year for the financial yearand may be further extended for two more years.

KEY PERSONNEL

The list of key personnel and whose CVs and experience would be evaluated is as follows :

S. No	Key Professionals	Description of Services to be provided	Experience	No. of persons	Total Expected Man days
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 7 years' experience as a partner with expertise in the area of statutory audit planning, execution and reporting.	1	15
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices at Community	Qualified Chartered Accountants with at least 3 years' experience in Statutory audit with ability to lead the team & expertise in the area	2	60

		Level/Block /district / state units and report writing and finalization.	of statutory audit planning, execution and reporting.		
3	Team member	Audit of SMMU and Field level audit of DMMU, BMMU.	CA (Inter) with 2 years of experience in Accounting ,audit and report writing	8	220
Total Expected Man days					295

The audit firm should provide CVs of key personnel who are expected to be engaged in audit work for evaluation purpose bySRLM.

GENERAL

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, copy of MoU between MoRD and the state, State Financial Management Manual for NRLP, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM. The project will provide relevant documents, if any, required by the auditor.

Attachment I

Example of a Management Assertion Letter

(Project Letterhead)

(To Auditor) (Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- Procurement procedures as prescribed for the project have been followed.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, and the Project Implementation Plan.

(Chief finance officer)

(State Project Director)

Attachment II

MODEL AUDIT REPORT—UNQUALIFIED OPINION'

Addressee-

Introductory Paragraph

We have audited the accompanying financial statements of the BRLPS Project [under World Bank Loan No. _____/IDA as of March 31, 20XX [any other additional years necessary] for the year(s) then ended. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope Paragraph

We conducted our audit in accordance with Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion Paragraph

In our opinion, the financial statements give a true and fair view of the Sources and Application of Funds and the financial position of BRLPS Project for the year ended March 31, 20XX, in accordance with relevant national standards. We are also satisfied that the procurement procedure prescribed in the Procurement Manual under BRLPS has been followed.

In addition, (a) with respect to IFRs adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) which expenditures are eligible for financing under the Loan/Credit Agreement [1 (c) the IFR submitted and procedure and internal controls involved in their preparation can be relied upon to support the withdrawals.

[Name and Address of Audit Firm]

[date — Completion Date of Audit]

[Auditor's Address]

[date]

Attachment III

Example of a Management Letter

(Audit firm Letterhead)

(Date)

To Project Management,

In connection with our audit of the financial statements of the BRLPS Project for the Year ended _____, we familiarized ourselves with Project documents the internal guidelines and circulars applicable during the period under audit. We also reviewed the business of the Project and evaluated the accounting systems and related internal controls of the Project in order to plan and perform our audit.

This Letter to Project Management includes observations noted during the course of our audit examination in the following areas:

- Matters having a significant impact on the implementation of the Project
- Opportunities for strengthening financial management records, systems and controls, together with recommendations for improvement
- Status of maintenance of Project books and records
- Accuracy of Project financial statements
- Compliance with prescribed procurement procedures
- Status of prior audit recommendations

The matters contained in this Management Letter are intended solely for the information of Project management, for such timely consideration and action as Project management may deem appropriate. They have all been considered by us in formulating the audit opinion expressed on the project financial statements in our audit report dated _____ and they do not alter the opinion expressed in that audit report.

We wish to take this opportunity to thank Project Management for the courtesies and cooperation extended to our auditors.

Yours truly,

(Name and Title)

Attachment IV

Suggested Procurement audit check list related to Goods/Works

Once contracts for goods/works have been selected for detailed audit review the following check list / post review check list may be followed:

- 1) Date of audit.
- 2) Procurement by State/District/any other organization receiving project funds.
- 3) Description of items procured, quantity and estimated value.
- 4) Whether procedure laid down in the Manual was observed while procuring goods and works?
- 5) If not, any other, justification was available?
- 6) Whether bid was advertised/placed in public domain?
- 7) Whether sufficient time was given to bidders for preparing and submitting the bids?
- 8) Whether the bids were opened at the notified time in the presence of bidders?
- 9) Whether the bids were evaluated in terms of the provisions of the bid documents and the evaluation report was available?
- 10) Whether contract was awarded to the lowest evaluated responsive bidder fulfilling the qualification requirements indicated in the tender document?
- 11) Whether the contract was awarded within original bid validity period?
- 12) Whether the signed copy of the contract/purchase order was available?
- 13) Whether articles received/work completed in time?
- 14) Whether payment released timely to the supplier/contractor or valid reasons for delay?
- 15) Whether the assets procured are accounted for?
- 16) Whether any complaint was received regarding the procurement and was addressed?
- 17) Whether procurement related complaint handling mechanism as envisaged in the Project Implementation Plan is available?
- 18) Whether any procurement related irregularities reported in the previous audit report have been complied with?
- 19) Whether Performance Security was Sought?

Procurement Audit check list related to Service Contract

Once service contracts have been selected for detailed audit review the following check list may be followed:

- 1) Date of audit
- 2) Procurement by State/District/any other organization receiving project funds
- 3) Whether the Terms of Reference covering the scope of work, time schedule, output required, etc. were prepared?
- 4) Whether the Expressions of Interest were checked against advertisement and short list of service providers/consultants prepared?
- 5) Whether the Request for Proposals (RFPs) were issued to short listed service providers/consultants?
- 6) Whether sufficient time was given to service providers/consultants for preparing and submitting the proposals?
- 7) Whether the proposals were invited in two separate envelopes, one containing technical and another for financial proposals?
- 8) Whether the evaluation was done in two stages, first the evaluation of technical proposals and then opening of the financial proposals of only technically qualified service providers/consultants and reports are available thereof?
- 9) Whether the contract was awarded within the validity period of the original proposal?
- 10) Whether the signed copy of the contract was available?
- 11) Whether the services were completed within the prescribed time limit or valid reasons for delayed completion?
- 12) Whether payment was released timely to the service providers/consultants or valid reasons for delay?
- 13) In the case of single source selection, if there was justification for the purpose?
- 14) Whether any complaint was received regarding the procurement and was addressed?
- 15) Whether procurement related complaint handling mechanism as envisaged in the Project Implementation Plan is available?
- 16) Whether any procurement related irregularities reported in the previous audit report have been complied with?

Attachment 22

Terms of Reference of Internal Audit at state Level for NRLP

for Internal Auditor(s) of (Name of SRLM)

Background

(To add background)

Objectives of the Project

The objectives of project inter alia include:

(To add objectives of project)

Project Scope & Components

It is envisaged that the project, to be implemented over a period of 5 years, will cover aroundtarget families in villages in ... Blocks spread over Districts and the project cost are estimated at Rest crores .Thebroad components of the project are:

(To add names and brief description of components)

Implementation Arrangements

(To add Brief Description of Governance Structure of SRLM)

State Level: At the state level, the **State Mission Management Unit (SMMU)** has been formed and staffed with a team of dedicated development professionals. The project and the SRLM is headed by a (post of chief executive).

District level: District Mission Management Unit (DMMU) is established in each district. The District Mission Manager heads the DMMU with primary responsibility of Coordinating with their Blocks for effective implementation and convergence with ongoing programmes in the district.

Block Level: At each of the Blocks, Block Mission Management Unit (BPIU) has been established. The Block Mission Manager heads the BMMU and is responsible for (add key responsibilities).

Flow of Funds

(Add description of flow of funds at state level)

Objectives of the Audit

The objectives of the internal audit are to:

- (i) enable the auditor to express a professional opinion on the effectiveness of the overall financial management and procurement arrangements;
- (ii) whether the overall financial management and arrangements including the system of internal controls as documented in the Project Financial Management Manual (FMM), Community Operations Manual (COM), the Project Implementation Plan (PIP) are in practice, effective and adequate, commensurate to the nature of the operations and
- (iii) provide project management with timely information on financial management aspects of the project, including internal controls and compliance with financing agreements, to enable follow-up action.

In addition, it is expected that internal audit should play a role in assisting management with fraud-related issues, including the prevention, detection and investigation of fraud as part of “bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Coverage and Standards for the Audit:

The audit would cover (number of districts)..... of ..SRLM.

The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

The internal audit should be carried out in accordance with the Auditing & Assurance Standards prescribed by the Institute of Chartered Accountants of India and will include such tests and controls, as the auditor considers necessary under the circumstances.

Scope

Specific areas of coverage of the audit will include the following:

Project level (SMMU, DMMU and BMMU):

In conducting the audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure:

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements’ and only for the purposes for which the financing was provided;
- (b) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim Financial Reports (IFR). To ascertain that IFR are properly filled up and submitted on time to SMMU by DMMU and to DMMU by BMMU.
- (c) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;

(d) Project assets are adequately safeguarded and used solely for their intended purposes; and

Coverage of audit

- a) An assessment of the adequacy of the project financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plan and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking; and verification of assets and liabilities.
- b) Efficiency and timeliness of the funds flow mechanism at the DMMUs and BMMUs and to the Community Institutions. The auditors are required to verify and comment upon the flow of fund from SRLM to SHG Federations and SHGs.
- c) Reconciliation between IUFR and reimbursement of fund.
- d) Verification & certification of IUFR submitted by BMMU/DMMU to SMMU and further to the MoRD.
- e) Method of remedying weak controls or creating them where the controls do not exist.
- f) Whether the fund/ tranche released to the Community Institutions are properly approved by the officer in DMMU/BMMU having the necessary authority, and the conditions (triggers/ graduation criteria) for tranche release (as provided in the COM for various funds) have been complied and are in line with the financing agreement, with the World Bank.
- g) Whether the DMMU/BMMU is accounting for the tranche release properly in the subsidiary records and is monitoring the receipt of periodic reports and utilization certificates from the SHGs/ VOs/ BLF & systems to follow up on overdue reports are adequate. Quantify (number and amount) of the funds transferred to the Community Institutions for which the reports and/or UCs are overdue.
- h) Whether the accounts of the project are compiled in a timely manner and the expenditures consolidated on a monthly basis at the DMMU level and submitted to SMMU.
- i) An assessment of compliance with provisions of financing agreements, especially those relating to procurement, accounting and financial matters.
- j) Goods, works and services financed have been procured in accordance with the World Bank procurement guidelines, financial & procurement manual of the project and financing agreements;
- k) All necessary supporting documents, records, and accounts of all project activities have been kept in respect of all project activities and that clear

synchronizations exists between accounting records, accounts books and the periodic financial reports (internal and external i.e. Interim Financial Reports)

- l) Adequate records are maintained regarding the assets created and assets acquired by the project, including details of cost, identification and location of assets and verification of assets created out of the project and comment on its utilization;
- m) All funds received under the project have been used in accordance with the financing agreements, with due attention to economy, efficiency and effectiveness, and only for the purposes for which the financing was provided;
- n) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.
- o) Inter unit fund transfers and Bank reconciliations have been carried out on a monthly basis.
- p) Internal auditors to summarize key issues and risks from a review of a sample of village audit reports and comment on actions taken by DMMU/BMMU.
- q) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.

Data, services and facilities to be provided by the Client:

- a. All the project documents, copy of agreement and relevant papers needed for Audit will be provided by theSRLM.
- b. The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, copy of MoU between MoRD and the state, State Financial Management Manual for NRLP, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM. The project will provide relevant documents, if any, required by the auditor.
- c. The relevant World Bank policies and guidelines.
- d. A one day workshop will be organized by the SRLM for providing information about the NRLP and it should be attended by all the members of audit team.
- e. Active support from the officials at SMMU/DMMU/BMMU levels.

Period, Timing and coverage of Internal Audit

The Internal Audit of DMMU &BMMU will be for the period fromi. e. the financial year and will be carried out on a quarterly basis .

The selected firm(s) will submit in advance and agree with the DMMU and SMMU a 'schedule of audit'.

The auditor should become familiar with the Project, and with the relevant policies and guidelines of the NRLP and the World Bank (including those relating to disbursements, procurement and financial management and reporting).

The audit will be carried out on a quarterly basis.

Reporting

Quarterly Reporting & Annual reporting: The Auditors will provide a quarterly report for the units audited (a summary of the key findings, implications and recommendations by each Block – including the SHG Federations & SHGs covered, must be prepared and will be prepared and discussed with the Block Mission Manager to enable the Project Management to take timely action. The report should be discussed and agreed with the auditable units and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/ agreed actions. The audit observations should be supported by instances and quantified, as far as practicable. Four quarterly audits reports and one annual report will be provided each year.

The audit reports should be submitted within 30 days of the completion of the quarter. The reports will be directed as under –

- The Project Management Letter to the Chief Executive Officer.
- The individual audit reports to each of the auditable unit to the head of the unit. In case of audit report of the SHG Federation, a copy will also be submitted to the concerned BMMU.

In addition the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the CEO and the Executive Committee of the SRLM and the status of actions on the previous recommendations

Format of the Management Letter: The Management Letter will inter alia have the following sections -

- Objectives of the audit;
- Methodology of the audit;
- Status of implementation of the financial management system;
- Status of compliance of previous audit reports, including major audit observations pending compliance;
- Key areas of weaknesses that need improvement; and
- Recommendations for improvements

Procedure of Conducting Audit at DMMU and BMMU

1. The auditor should give detailed work plan for conducting audit at BMMU and DMMU to SMMU and the concerned Office.
2. The auditor should inform DMMU And BMMU before the start of audit.
3. The auditor should give detailed work plan for conducting the audit.

4. The audit questionnaire and audit work sheet shall be signed by the audit team member and officials of BMMU/DMMU.
5. Feedback as necessary can be given to the management on the outcome of the Audit from time to time. Information about any discrepancies can be shared with the management for rectification/clarification.
6. During the audit, the internal Audit team shall interact with management staff for any clarification.
7. The auditor shall interact with the DMMU/BMMU/SMMU management before furnishing of any report.
8. The auditor should inform SMMU and the concerned office before start of the audit at DMMU/BMMU and furnish the detailed plan of the audit. The plan shall be finalized in consultation with the management at SMMU level.
9. After the teams of auditors complete their respective audit of the DMMU & BMMU, the head office auditor will consolidate the observations.
10. The detail approach and methodology of audit should be provided by the auditor themselves in the Request For Proposal (RFP).

Composition of review committee and review procedure to monitor consultants work

The proposed assignment will be reviewed and monitored by a Review Committee constituted by SRLM. This committee will be constituted to interact with the Auditor, review and monitor the progress of the assignment on a quarterly basis and take further remedial measures on the discrepancies pointed out in internal audit.

KEY PERSONNEL

The list of key personnel and whose CVs and experience would be evaluated is as follows:

S.no	Key Professionals	Description of Services to be provided	Experience	No. of persons	Total Expected Man days
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 7 years' experience as a partner with expertise in the area of internal audit planning, execution and reporting.	1	
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices at BMMU/DMMU & state units	Qualified Chartered Accountants with at least 3 years' experience in internal audit with ability to lead and		

		and reporting writing and finalization.	team and interact with senior level Gov. officials		
3	Team member	Audit of DMMU &BMMU .	CA (Inter) with experience in Accounting ,audit and report writing		

General

Period of appointment: the period of appointment will be for an initial period of internal audit from to

Attachment to Main Audit Report

Part A: Serious Observations

In this part, give details of serious audit observations such as ineligible expenses, major lapses in internal controls, systemic weaknesses, procurement procedures not followed etc.

Part B: Other Observations

Observations that are not serious in nature, but nonetheless require the attention of the Project or the GP should be detailed in this part.

Part C: Executive Summary to the project and Suggestions/Recommendations (based on summary of various SHG Federations)

Provide an Executive Summary of the observations in Part A and B along with suggestions/recommendations. Only those observations that are dealt with in either Part A or Part B should be included in this section. Provide specific recommendations on internal control and systemic weaknesses.

SUGGESTED QUESTIONNAIRE FOR SMMU, DMMU & BMMU

(Please provide brief details of divergence from procedure)

1. Whether the Office has maintained proper records showing full particulars, including quantitative details and location of Fixed assets?
2. Whether all Assets including current assets like inventory have been physically verified during the quarter?
3. Whether the loans are being repaid in a timely manner along with the interest thereon?
4. Date up to which the loans register is filled up.
5. Whether the cash book is properly maintained and whether it tallies with computerized system of accounting?
6. Cash balance as on the date of audit.
7. Whether expenditure has been made as per the delegation of power. Details of any divergence should be mentioned.
8. Whether bank book is properly prepared and whether the balance as per the pass book confirms with the balance as per the bank book.
9. Whether proper training programmes are being conducted.
10. Whether the training expenditure is as per the Budget and whether the training report is submitted for each residential training or not.
11. Whether the books of accounts are reconciled between DMMU/BMMUs and with the SMMU books. If no, then reason and amount of such difference.
12. Whether the T.A. bills are entered in the T.A. register on time and along with supporting vouchers.
13. Whether CIF disbursed is properly entered in the CIF register, other details like number of groups, amount of CIF, Utilization certificate etc.
14. Whether any advance is given to the staff. If yes, whether it is properly sanctioned and settled within 15 days.
15. Whether proper internal control system is followed.
16. Whether the office is paying TDS and EPF regularly and on time.
17. Whether any fraud on or by any office or person has been noticed or reported during the year. If yes, the nature and amount involved.
18. Whether log book of Generator hiring, Computer hiring and Vehicle hiring has been properly maintained or not.
19. Whether stock register is maintained. If yes, last entry of goods number/voucher page number of stock register and particulars of goods.
20. Whether 100% vouching is done. If yes, total number of voucher, amount, component wise expenditure and budget wise variance.
21. Whether all expenditure is made as per the budget. If not, the amount of variance.
22. Whether inter BMMU and inter district reconciliation is made. If yes, whether there is any difference and reason for such difference.

Annex2
PROCUREMENT MANUAL

**NATIONAL RURAL LIVELIHOODS
PROJECT**

**MINISTRY OF RURAL
DEVELOPMENT, GOVERNMENT OF
INDIA**

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1. Introduction

The National Rural Livelihood Mission (NRLM) was established in June 2010 by the Government of India, to be implemented in all States of the country to establish efficient and sustainable institutions of the rural poor that enable them to increase household income through livelihood enhancements and improved access to financial and selected public services. NRLM incorporates lessons from previous State project experiences and builds upon them through a comprehensive livelihoods approach encompassing four inter-related tasks: (a) mobilizing all rural, poor households into effective self-help groups (SHGs) and SHG federations; (b) enhancing access to credit and other financial, technical, and marketing services; (c) building capacities and skills for gainful and sustainable livelihoods; and (d) improving the delivery of social and economic support services to poor. Through NRLM, a combination of financial resources and technical assistance will be provided to the States to achieve these objectives.

Under NRLM, Government of India is availing a credit from the International Development Association (IDA) for implementing the National Rural Livelihood Project (NRLP) to broadly support the following components: (i) *Institution and human capacity development* at the National, State, District and Sub-District level such that support institutional structures are created, (ii) *State Livelihood Support* towards establishment of institutional platforms of the rural poor for improved access to financial, livelihood and public services, (iii) *Innovation and Partnership* to identify and partner innovative ideas which address the livelihood needs of the rural poor and help pilot or scale them, (iv) *Project management and monitoring and learning systems*.

The procurement of goods, civil works and services will be integral to the implementation of NRLM at National, State, District and Sub-District levels. This manual sets forth the NRLM procurement policies and procedures for the guidance of all personnel involved with procurement responsibilities, with the aim of ensuring that program resources are properly managed and safeguarded. The Manual aims to achieve economy, efficiency and transparency in the implementation of the project, including the procurement of the goods, works and services involved; and ensuring that all eligible bidders are provided the same information and equal opportunity to compete in provision of same.

It will be mandatory for all participating State and District societies and other Government and non-Government agencies to adhere to the guidelines and procedures outlined in this Manual for carrying out procurement under NRLM. All State Implementing Societies will formally resolve to follow this Manual with release of NRLM funding being contingent on this pre-condition.

Under NRLM, federated structures of Self Help Groups (SHGs) will be formed at different levels (village, block, district) for undertaking value chain linked activities in dairy, agri-business and similar enterprises for better production, storage, marketing, etc. of the produce of the members of the SHGs. These groups would undertake procurement of goods, works and services in line with the selected value added activity. This manual details the principles, processes and methods for community based procurement that project functionaries and community groups shall follow for procurement of goods, works and services.

This manual is developed based on procurement framework and methodology suggested by the Financial Management Rules, GoI (2005); Financial Management and Procurement Manual of Sarva Shiksha Abhiyaan, MHRD, GoI; Stores Purchase Rules methods in various states; World Bank "Guidance Note For Management Of Procurement Responsibilities In Community-Driven Development Projects", December 2009 as well as World Bank guidelines for procurement of goods, works and services. This Procurement manual has been reviewed and is found in accordance with World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated January 2011 (Procurement Guidelines), and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 (Consultancy Guidelines).

This manual considers the specific procurement management requirements of the International Development Association (IDA) as detailed in the Procurement Guidelines and Consultancy Guidelines referred above for implementing the NRLP. NRLP will be implemented intensively in selected 600 blocks of selected states of the country. In the event of any conflict in interpretation of various provisions for

procurement in case of items procured using the proceeds of the credit from the IDA, interpretations of provisions of IDA Procurement and Consultancy Guidelines will prevail.

The guidelines and procedures are subject to modification by NRLM in case of any peculiar circumstances and where situation so warrants.

2. Procurement of Goods and Civil Works

In general, the methods of procurement for goods and works followed under NRLM will be:

1. Open Tender
2. Limited Tender
3. Local Shopping with 3 quotations
4. Petty Purchase- without quotation
5. Single Tender
6. Rate Contract

Open Tender is the preferred method of procurement for goods and works. This method involves competitive bidding to generate adequate competition in order to ensure reasonable prices. The criteria used in the evaluation of tenders and the award of contracts is made known to all bidders in a timely manner and not applied arbitrarily.

Procurement Method	Items Procured	Applicable Conditions and Steps in Procurement Process
Open Tendering	Goods, Equipment, Raw Materials, Construction Works, Plant and Machinery, etc.	<p>(i) Notification / Advertising in widely circulated newspaper, including one English and one local language</p> <p>(ii) Issue and Sale of tender documents using the Model Bidding Document for NRLM with a minimum period of 30 days for value above <u>INR 20,00,000</u>(and 21 days for value below) from the date of advertisement for purchase and submission of tenders</p> <p>(iii) Public opening of tender and verification of tender security and reading out tender prices in the presence of bidders representatives, immediately (usually within 30 mts.) after the closing date and time for submission</p> <p>(iv) Evaluation and Selection of lowest evaluated responsive tender based on post qualification. Issuing purchase order with details of items, price, delivery, liquidated damages, pre/post-delivery inspection provisions, warranty and other essential terms and conditions</p> <p>(v) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with state-owned enterprises, small-scale enterprises or enterprises from any given State or foreign bidders</p> <p>(vi) No price negotiations allowed, even with the lowest evaluated responsive bidder. If the lowest evaluated responsive bid exceeds the pre-bid cost estimates by a substantial margin, causes may be analyzed and consider requesting new bids. Alternatively, the procuring entity may negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility which can be reflected in a reduction of the contract price</p> <p>(vii) Rejection of all tenders is justified when tenders are not substantially responsive. The procuring entity shall review the causes and make revisions to the conditions of contract, design and specifications, etc., before inviting new tenders</p> <p>(viii) Even if there is one responsive tender, the selection process shall be completed and contract awarded. If the rejection of all tenders is due to lack of competition, wider advertising shall be considered</p>

Limited Tender is used for goods and works where a large supplier/contractor base exists and an open tender is not expected to vary the pricing conditions. It involves comparing tenders obtained from several suppliers, usually at least three to ensure competitive prices. As far as possible, Limited Tender enquiries will be issued to those firms, which are borne on the list of approved contractors/suppliers. It is the responsibility of the procuring entity to maintain the details of the process of identification and selection of the contractors/ suppliers so that a fairness and transparency of the process is maintained. The minutes of the Procurement committee shall detail the process of identification of the short list for limited tender. In all possible cases, original sources like manufacturers, authorized dealers shall be considered. Normally goods and maintenance of equipment estimated to cost up to the financial threshold suggested in this manual may be procured under contracts awarded under the Limited Tender system (value thresholds per contract).

Procurement method	Items Procured	Applicable Conditions and Steps in Procurement Process
Limited Tendering	Goods, Equipment, Raw Materials, Construction Works, Plant and Machinery, etc.	<p>(i) Identifying items for purchase with quantity,</p> <p>(ii) Laying down specifications for the items identified,</p> <p>(iii) Identifying likely agencies from whom quotations can be invited (minimum 3, but 8-10 agencies would ensure better response and more competitive rates)</p> <p>(iv) Issuing letters of invitation based on approvals, 14 Days' time shall be given for submission of offers (There will be no sale of Tender Documents, as suppliers/contractors are identified and approached directly by the procuring entity)</p> <p>(v) The selection process shall be completed only when 3 responsive tenders are received. Public opening of offers on the designated date and time in the presence of bidders representatives. Processing offers received, obtaining orders of competent authority for placing of orders for supply</p> <p>(vi) Issuing purchase order with details of items to be supplied, price, delivery, liquidated damages, pre/post-delivery inspection provisions, warranty and other essential terms and conditions</p> <p>(vii) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with state-owned enterprises, small-scale enterprises or enterprises from any given State or foreign bidders</p> <p>(viii) No price negotiations allowed, even with the lowest evaluated responsive bidder. If the lowest evaluated responsive bid exceeds the pre-bid cost estimates by a substantial margin, causes may be analyzed and consider requesting new bids. Alternatively, the Procuring Entity may negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility which can be reflected in a reduction of the contract price.</p>

Local Shopping involves comparing price quotations obtained from several local suppliers, usually at least three to ensure competitive prices. Shopping should be carried out with appropriate record keeping for verification and audit. Shopping should not be used as an expedient to by-pass more competitive methods or fraction large procurement into smaller ones solely to allow the use of Shopping. It can be used to procure small amounts of off-the-Shelf goods or Standard Specification Commodities or simple civil works for which more competitive methods are not justified on the basis of cost or efficiency.

Procurement Method	Items Procured	Applicable Conditions and Steps in Procurement Process
Local Shopping	Goods, Equipment, Raw Materials, Construction Works, Plant and Machinery, etc.	<p>(i) Issue a request for quotations, it may be posted in the notice board of the institution and issued to all suppliers who are enlisted for supply or from database published by Manufacturers Associations, Yellow Pages, Industry Journals, other departments, etc. (There will be no sale of Tender Documents, as suppliers/contractors are identified and approached by the Institution)</p> <p>(ii) 7 Days' time shall be given for submission of quotations</p> <p>(iii) Quotations shall be received in writing as per format</p> <p>(iv) Quotations need not be opened publicly in the presence of bidders representatives</p> <p>(v) The selection process shall be completed only when 3 quotations are received. Evaluate quotations by preparing comparative statement.</p> <p>(vi) Issue a purchase/works order with details of items to be supplied, price, delivery, warranty and other essential terms and conditions</p> <p>(vii) Display contract award information on implementing unit notice board for 7 days</p> <p>(viii) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with state-owned enterprises, small-scale enterprises or enterprises from any given State or foreign bidders</p>

Petty Purchase can be used when purchasing articles or group of articles estimated to cost less than the financial ceiling given in this manual. No tenders/quotations are required.

Procurement Method	Items Purchased	Applicable Conditions and Steps in Procurement Process
Petty Purchase	Office stationery, common commodities etc.	<p>For Stationery, Commodities and similar routine items under goods and for repair, refurbishment works. To be used in the absence of Rate Contracts</p> <p>No need for following a competitive process</p> <p>Maximum ceiling of 5% of the annual budget can be spent using this method</p> <p>Should have approval of the Implementing Officer</p>

Single Tender involves contracting without competition (single source) and may be adopted in case of articles which are specifically certified as of proprietary nature or in cases where only a particular firm is the manufacturer of the articles required.

Procurement Method	Items Purchased	Applicable Conditions and Steps in Procurement Process
Single Tender	Goods, Equipment, Construction Works, Plant and Machinery, etc.	<p>Single Tender is applicable under following circumstances:</p> <ul style="list-style-type: none"> - An existing contract for goods/works, awarded in accordance with competitive procedures, may be extended for additional goods of a similar nature. It may be justified that no advantage could be obtained by further competition and that the prices on the extended contract are same. Provisions for such an extension, if considered likely in advance, shall be included in the original contract. - Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. - The required equipment is proprietary and obtainable only from one source. - The Contractor responsible for a process design requires the purchase of critical items from a particular Supplier as a condition of a performance guarantee. - In exceptional cases, such as in response to natural disasters. <p>All single tender cases should have a justification note prepared and signed by Implementing Officer and have prior approval from the next higher authority, subject to their delegated financial limit to authorize an expenditure and also subject to prior review requirements established based on value threshold per contract in this manual. The justification note should explicitly discuss how the proposed procurement has mitigated the risks on account of fraudulent practices like collusion and coercion and reputational risks.</p>

Rate Contracts: It is contracting for the supply of goods, and works at specified rates during the period covered by the contract. Under the NRLM program, rate contracts established by DGS&D, and National Mission Management Unit will be applicable, subject to the financial ceiling mentioned in this manual. NMMU shall conclude rate contracts with manufacturers, for goods and items of standard types, which are identified as common user items in the context of the project and are needed on recurring basis by various State Governments in implementation of NRLM. NMMU shall not establish rate contracts for any item covered under the DGS&D Rate Contracts. Rate contracts established by State level agencies or corporations shall not qualify for Single Tender method.

Procurement Method	Items Procured	Applicable Conditions and Steps in Procurement Process
Rate Contracts	Goods, Equipment, Raw Materials, Construction Works, Plant and Machinery, etc.	<p>List of admissible Rate Contracts will be those issued by DGS &D, and NMMU, if any. Maximum limit for a contract using the DGS&D or NMMU rate contract shall be INR 25,00,000.00.</p> <p>For issuing contract under DGS&D Rate Contracts (RC), the procurement entity shall ensure that the item procured is under a valid RC and the supplier is either the original manufacturer who holds the RC from DGS &D or an authorized supplier/dealer. In case of using an authorized supplier/dealer, the procurement entity shall obtain a copy of the specific authorization letter from the original contract holder in favor of the supplier/dealer.</p>

3. Procurement of Services and Selection of Consultants in NRLM

In NRLM a variety of service consultancies are envisaged— institutional consultancies for undertaking diagnostic/ impact/ evaluation and other studies, project design; support services for implementing various components of the program, including management and advisory support, consultancies towards providing training and capacity building activities, developing systems and methods for monitoring including MIS, engaging services for supervision of construction of works and installation of equipment, similarly technical assistance services including thematic experts for institutional development, financial inclusion etc.

Service contracts will be procured at all levels using one of the following methods based on the complexity of the service, and the delegated financial limit at each level:

1. Quality and Cost Based Selection (QCBS)
2. Least Cost Selection (LCS)
3. Fixed Budget Selection (FBS)
4. Selection Based on Consultants Qualification (CQ)
5. Single Source Selection (SSS); and
6. Individual Consultant (IC)

In all service requirements following key processes will be followed:

(a) Preparation of the Terms of Reference (TOR): A well-defined ToR should be prepared specifying the services to be provided on following lines:(i) Background information,(ii) A precise Statement of objectives,(iii) An outline of the tasks to be carried out,(iv) A time schedule for completion of tasks,(v) The support / inputs provided by the Procuring Entity,(vi) Composition of Review Committee to monitor consultants work(vii) List of key personnel whose CV and experience would be evaluated.

(b) Preparation of cost estimate and budget based on the Procuring Entities assessment of the resources needed to carry out the assignment, staff time, logistical support, and physical inputs. Costs shall be divided into three broad categories, (i) fee or remuneration, (ii) reimbursable, and (ii) miscellaneous expenses.

(c) Deciding the contracting strategy viz. going for lump-sum or time based contract³³, individual vs. firm, advertising vs. internal short listing, terms of payment etc. Depending on the decision made, one of the selection methods mentioned above will be chosen.

(d) Advertising i.e. seeking Expression of Interest to be published in newspapers having wide circulation.

³³**Lump Sum**- These contracts are used for assignments like Feasibility Studies, Environmental Studies, Detailed design of a standard structure etc., in which the content and the duration of the work is clearly defined. Payment is made upon delivery of outputs.

Time Based - these contracts are used for assignments in which it is difficult to define the scope and the duration of the work to be performed. Payment is based upon an hourly, daily, or monthly rate, plus reimbursable expenses using actual expenses or agreed-upon unit prices. This type of contract provides for a maximum total payable amount that includes a contingency for unforeseen work and duration, price adjustments etc. Examples of Time Based contracts include Preparation of data, Complex Studies, Supervision of construction of civil works, Training assignments, Advisory services etc.

(e) Short listing of consultants i.e. the expressions of interest received shall be evaluated based on the relevant qualifications and experience specified in the advertisement, to arrive at shortlist of the consultants. The shortlists shall comprise six firms so that at the proposal stage, there is adequate competition among the Consultants.

(f) Seeking Request for Proposals (RFP): Proposals from the short listed firms/institutions will be sought in two envelope system i.e., technical proposal in one envelope and financial proposal in another envelope. Standard RFP document for NRLM will be followed for this purpose.

(g) Evaluation: A Technical Evaluation committee for evaluation of technical proposals, consisting of minimum 3 members shall be formed and this committee will evaluate the proposals received from the firms/institutions. The evaluation of the proposals shall be carried out in two stages: first the quality, and then cost. Financial proposals shall be kept in safe custody with the Procurement unit/section until the technical evaluation is concluded. On completion of technical evaluation, financial proposals of all technically disqualified (those who have not scored the minimum pass score of 75 out of 100) offers will be returned unopened. Procurement unit/section will open the financial proposals of qualified offers in their presence and carry out the financial evaluation and scoring. **Combined Evaluation:** The combined evaluation of successful bids would be done by assigning 75% weight to the technical score and 25% to the financial (application of weight for commercial offer will depend on the method used). The consultant scoring the highest marks will be recommended by the committee for award of work and invited for negotiations.

(i) Negotiations and Award: It may be necessary to conduct negotiations with the selected consultant on the TOR, the methodology, staffing, Department's inputs, and special conditions of the contract. The firm obtaining the highest total score should be invited for negotiations and discussions. These discussions shall not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation be affected. In methods where price is a factor of the selection (QCBS, FBS and LCS), no negotiations can be held on unit rates. Based on the final negotiated ToR and contract, an award is made to the selected agency.

(j) Rejection of All proposals, and Re-invitation: The procedure prescribed in the important aspects section for the procurement goods and works is equally applicable for service contract also.

A detailed process flow depicting a selection process following QCBS for a one off service is presented in [Annex 1](#).

Quality and Cost Based Selection (QCBS) is the method where the selection bases on the quality of the proposals and cost of services to be provided. This method is appropriate when the scope of work of the assignment is precisely defined and the TOR is well specified and clear; further an estimate for the staff time as well as the other inputs and cost required of the Consultants can be assessed with reasonable precision.

Least Cost Selection (LCS) Under LCS a minimum qualifying mark for quality is established and indicated in the RFP. Short-listed consultants have to submit their proposals in two envelopes. The technical proposals are opened first and evaluated. Proposals scoring less than minimum qualifying marks are rejected, and the financial envelopes of the rest are opened in public. The consultant with the lowest evaluated price is selected. The LCS method is more appropriate for small assignments of a standard or routine nature where well established practices and standards exist from which a specific and well defined outcome is expected, and which can be executed at different costs. Some examples are standard accounting audits, engineering designs and/ or supervision of simple projects; repetitive operations and maintenance work and routine inspection, and simple surveys.

LCS will be appropriate in case of States using call down contracts for key technical consultancy services. NMMU, in order to ensure acceptable standards of quality will be undertaking a national level selection for key technical consultancy services for (i) developing MIS system for NRLM, (ii) HR services including

HR Strategy development and recruitment of personnel, (iii) Identified training areas, etc. NMMU will conduct the first stage of selection, i.e. Technical Selection to identify a pool of technically qualified consultants relevant to the key areas, based on the technical proposal evaluation. Once this selection process is completed by NMMU, a list of all technically suitable Consultants will be shared with all participating States. Each State, as per their specific requirements, can select from this list of Consultants as per the scope of work and period when the services are required. To do so, each state will seek (i) commercial proposals, and (ii) a letter from all or 6 technically qualified Consultants by NMMU, confirming the availability of the personnel originally proposed by the agency. The agency offering the Least Cost will be selected for award. A process flow depicting this process is presented as [Annex 2](#) of this manual.

Fixed Budget Selection (FBS) is based on disclosing the available budget to the invited consultants in RFP and selecting the consultant with the highest – ranking technical proposal within the budget. It needs to be ensured that budget is compatible with the TOR and that consultant will be able to perform the tasks within the budget. FBS is appropriate only when : (a) the budget is fixed and cannot be exceeded;(b) the TOR are simple and assignment can be precisely defined; and (c) the time and staff month effort required from the consultant can be assessed with precision. Typical assignments awarded under FBS are: sector studies, market studies, and surveys of limited scope; simple pre-feasibility studies and review of existing feasibility studies; and review of existing technical design and bidding documents

Selection Based on Consultant’s Qualification (CQ) method applies to very small assignments for which the full –fledged selection process would not be justified. CQ is considered for assignments such as: brief evaluation studies at critical decision points of projects; executive assessment of strategic plans; high level, short term, legal –expertise; and participation in project review expert panel. Under CQ the Procuring Entities first prepare the TOR, then requests for Expression of Interest and qualification information on the consultant’s experience and competence relevant to the assignment. The Procuring Entity establishes a short list and selects the firm with the best qualifications and references. The selected firm is asked to submit a combined technical and financial proposal and is then invited to negotiate the contract if the technical proposal proves acceptable.




































Single Source Selection (SSS) involves asking a specific consultant to prepare technical and financial proposals, which are then negotiated. Since there is no competition, this method is acceptable only in exceptional cases and made on the basis of strong and convincing justification where it offers clear advantages over the competition. Some circumstances can be:

- The assignment represents a natural or direct continuation of a previous one awarded competitively, and performance of the incumbent consultant has been satisfactory.
- A quick selection of consultant is essential to address an emergency operation and crisis;
- Only one consulting organization has the qualification or experience of exceptional worth to carry out the assignment

Selection of Individual Consultant: For hiring of individuals, it is necessary to finalize the job description, qualification and experience required and terms of engagement. Thereafter an advertisement (if the assignment is complex) may be put into the newspapers indicating the above details. The applications received shall be scrutinized and ranking shall be prepared. Thereafter the top-ranked individual shall be invited for interviews/discussions and would be offered the assignment. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Procuring Entity.

A comparison of the various steps across the above methods is presented below.

Consultant Selection Process under various Methods- A comparison

Aspect	QCBS	FBS	LCS	CQS	SSS
Prepare ToR					
Prepare Cost Estimate					
Advertise for EOIs (2 weeks)					
Prepare Shortlist of top 6 firms				Best firm shortlisted	
Prepare and Issue RFP to 6 firms (4 weeks)				Issued to 1 firm	Issued to SS
Technical evaluation and rejection below pass mark					
Commercial Evaluation and combined scores		T1 if within budget	L1 of tech qualified selected		
Cost & Units Negotiated for Award					

4. Guidelines for Community Based Procurement

Under NRLM, federated structures of Self Help Groups (SHGs) will be formed at different levels (village, block, district) for undertaking value chain linked activities in dairy, agri-business and similar enterprises for better production, storage, marketing, etc. of the produce of the members of the SHGs. These groups would undertake procurement of goods, works and services in line with the selected value added activity.

To ensure that community procurement processes are efficient, transparent, cost-effective, and competitive to ensure quality of goods and services, the procurement guidelines should :

- Be simple enough as to be understood and implemented by local staff and the community;
- Be sufficiently transparent to permit real competition among suppliers and to facilitate control in the selection of contractors and use of funds;
- Use simple, standardized documentation; and
- Balance risk versus control/management with efficiency considerations.

The specific steps and principles would be detailed in the State Community Operations Manual (COM). The Operational Manual should also define the minimum requirements that a beneficiary community should fulfill before it can be permitted to handle procurement; the assessment should determine whether communities would be able to meet these requirements. The requirements would include the communities' organizational and legal status. Communities that have a defined membership usually have an executive committee that facilitates collective decision making in contracting, while the community's legal status enable the community to enter into contracts and open Bank accounts. The assessment report should identify actions required to strengthen the communities' procurement capacity.

In general, procurement would follow the proposed and approved micro-credit plan, arrived at by the following process of:

- Need assessment through a participatory process
- Preparing procurement plan by: (i) Grouping items or services to be purchased and (ii) describing the anticipated method for purchasing same.
- Establishing purchase committee comprising of community members.
- Posting a general advertisement in a public place (i) including shopping areas, community hall/Centre, government office etc.; (ii) community discussion groups; (iii) local radio stations; (iv) local newspapers etc.

5. Delegated Financial Limits and Methods for Procurement at various Levels:

Key Implementing Units	Description of Procurement	Value (Threshold) per Contract and Method of Procurement	Review Procedure																		
Members of Self Help Groups	Livelihood plans of SHG members towards enhancing individual livelihoods and personal consumption under the funds from Livelihood Investment Component.	Maximum livelihood plan amount of INR 2,50,000 per individual SHG member. Given that it is a loan to be paid back with interest, and the nature of private procurement, the procurement by SHGs will be carried out with prudence using commercial practices and requires no procurement procedures.	Only programmatic supervision and peer group social audit of loan focused on repayment and use for intended purposes.																		
Community Based Organizations i.e. SHGs, Village Development Organizations, Milk Cooperatives, Producer Organizations, established under NRLM	Expenditure for common goods and services as well as sub-projects under the Livelihood Investment Component. Example, building an agricultural link road for enhanced livelihood opportunity, constructing a village meeting/ storage space under value chain development, investing in water harvesting technique, check dam building. Additionally office management related procurement of goods, equipment, works.	Goods and Works <table><tr><th>Method</th><th>Goods</th><th>Works</th></tr><tr><td>Petty Purchase</td><td>≤ INR 10,000</td><td><u>NA</u></td></tr><tr><td>Local Shopping</td><td>≤INR 50,000</td><td><u>NA</u></td></tr><tr><td>Limited Tendering</td><td>≤INR 7,50,000</td><td>≤ INR 10,00,000</td></tr><tr><td>Open Tendering</td><td>≤ INR 25,00,000</td><td>≤ INR 1 crore</td></tr><tr><td>Community Force Account</td><td><u>NA</u></td><td>≤ INR 25,00,000</td></tr></table> Services Individual Consultants up to a value of INR 1,00,000 per contract following competitive procedures. Institutional Consultants up to a value of INR 10,00,000 per contract following competitive methods of CQS, FBS and LCS The above are the maximum per contract value that can be issued at this level. If there is a need to procure an item above this value, the process will be handled at the next higher level.	Method	Goods	Works	Petty Purchase	≤ INR 10,000	<u>NA</u>	Local Shopping	≤INR 50,000	<u>NA</u>	Limited Tendering	≤INR 7,50,000	≤ INR 10,00,000	Open Tendering	≤ INR 25,00,000	≤ INR 1 crore	Community Force Account	<u>NA</u>	≤ INR 25,00,000	Post Review of 10% of such sub projects to be undertaken by State PMU. Post review instituted by NMMU to consider the state PMU reports as part of secondary review, following CDD procurement review procedures. No field level physical review anticipated but sample checks can be done following CDD procurement review procedures
Method	Goods	Works																			
Petty Purchase	≤ INR 10,000	<u>NA</u>																			
Local Shopping	≤INR 50,000	<u>NA</u>																			
Limited Tendering	≤INR 7,50,000	≤ INR 10,00,000																			
Open Tendering	≤ INR 25,00,000	≤ INR 1 crore																			
Community Force Account	<u>NA</u>	≤ INR 25,00,000																			

Key Implementing Units	Description of Procurement	Value (Threshold) per Contract and Method of Procurement	Review Procedure																								
National, State and District level Mission Management Units and Implementing Entities	Office management related procurement like supplies (including stationary like paper, pens, files, registers etc., items for repair and maintenance), equipment & electronic items (like computers, printers, scanners, UPS, photocopiers, fax machines, LAN, WAN, ACs,), furniture and fixtures (including spare parts, fuel, oil and lubricants etc.), office communication aids (such as multimedia projectors, Audio visual equipment, digital and video cameras, mobile units and peripherals), vehicles, miscellaneous field equipment and apparatus, proprietary software, journals, publications, training manuals. Materials and labor related to renovation or construction of office space. Services for studies, evaluations and designs; support services for implementing various components of the program including management and advisory support, services for providing training and capacity building activities, and developing systems and methods for monitoring including MIS, services for supervision of construction of works and installation of equipment, technical assistance services and institutional development. At the District Level goods, equipment's for establishment of project facilitation teams.	Goods and Works <table><tr><th>Method</th><th>Goods</th><th>Works</th></tr><tr><td>Petty Purchase</td><td>≤ INR 5,000</td><td>NA</td></tr><tr><td>Local Shopping</td><td>≤INR 5,00,000</td><td>NA</td></tr><tr><td>Limited Tendering</td><td>≤ INR 25,00,000</td><td>≤ INR 1 crore</td></tr><tr><td>Open Tendering</td><td>≤ INR 2,50,00,000</td><td>≤ INR 25,00,00,000</td></tr><tr><td>Force Account</td><td>NA</td><td>≤ INR 5,00,000</td></tr><tr><td>Direct Purchase</td><td>As per conditions</td><td></td></tr><tr><td>DGS &D Rate Contract</td><td>≤INR 25,00,000</td><td></td></tr></table>	Method	Goods	Works	Petty Purchase	≤ INR 5,000	NA	Local Shopping	≤INR 5,00,000	NA	Limited Tendering	≤ INR 25,00,000	≤ INR 1 crore	Open Tendering	≤ INR 2,50,00,000	≤ INR 25,00,00,000	Force Account	NA	≤ INR 5,00,000	Direct Purchase	As per conditions		DGS &D Rate Contract	≤INR 25,00,000		Prior Review By NMMU at State Level Of all goods contracts >INR 40,00,000 Works contracts > INR 1,00,00,000 Service Contracts >50,00,000 By SMMU at District Level Of all goods contracts >INR 10,00,000 Works contracts > INR 50,00,000 Service Contracts >20,00,000 Post Review By NMMU by third party independent Procurement Review Consultants for reporting to the PAB. <i>Wherever the proceeds of IDA credit are used, World Bank staff or Consultants will carry out prior review (contracts valued above INR 1 Crore using IDA credit for NRLP) and post review as per the provisions in the legal agreement.</i> NMMU to conduct post review of 10% of all other contracts issued at SMMU (other than prior review) by third party independent pro review consultants appointed by NMMU.
		Method	Goods	Works																							
		Petty Purchase	≤ INR 5,000	NA																							
		Local Shopping	≤INR 5,00,000	NA																							
Limited Tendering	≤ INR 25,00,000	≤ INR 1 crore																									
Open Tendering	≤ INR 2,50,00,000	≤ INR 25,00,00,000																									
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Services <table><tr><th>Method</th><th>Limits in Value</th></tr><tr><td>Individuals SSS</td><td>Subject to acceptable justification</td></tr><tr><td>Individuals Competitive</td><td>≤INR 25,00,000</td></tr><tr><td>Institutions CQS, FBS, LCS</td><td>≤INR 50,00,000</td></tr><tr><td>Institutions QCBS</td><td>>INR 50,00,000. No upper limit. All selection >INR 1 crore from NRLP, shall be advertised in UNDB</td></tr></table> <p>The above are the maximum per contract value that can be issued at this level.</p> <p>For Goods and services, no single contract valued above INR 2.5 crore is anticipated from the proceeds of IDA credit/loan, and in the event any particular need arises for a contract above this value, the procurement arrangement for such contracts shall be discussed and agreed with IDA in advance.</p> <p>NMMU will decide the upper values for procurement at state and district levels for goods, works and services.</p>	Method	Limits in Value	Individuals SSS	Subject to acceptable justification	Individuals Competitive	≤INR 25,00,000	Institutions CQS, FBS, LCS	≤INR 50,00,000	Institutions QCBS	>INR 50,00,000. No upper limit. All selection >INR 1 crore from NRLP, shall be advertised in UNDB																	
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Key Implementing Units	Description of Procurement	Value (Threshold) per Contract and Method of Procurement	Review Procedure
			SMMU to conduct post review of district units (i) 10% of contracts to be undertaken by SMMU (ii) 5% of all contracts by third party independent pro review consultants appointed by NMMU.

Prior Review:

NRLM requires prior review process of procurement at different levels for quality assurance of the process. Accordingly, Procurement Unit at NMMU will undertake prior review of selection and award process of all contracts at SMMU level as per the value thresholds mentioned below:

- Of all goods contracts issued by SMMU valued above INR 40 Lakhs;
- Of Works contracts issued by SMMU valued above INR 1 Crore;
- Service Contracts issued by SMMU valued above 50 Lakhs

Similarly, Procurement Unit at SMMU prior review of selection and award process of all contracts at DPMU and PFTs as per the value thresholds mentioned below:

- Of all goods contracts issued by SMMU valued above INR 10 lakhs;
- Of Works contracts issued by SMMU valued above INR 50 Lakhs;
- Service Contracts issued by SMMU valued above 20 Lakhs

The process of prior review will happen at following intervals of the selection and award process:

1. Bid Document;
2. Bid Evaluation Report and recommendation for award

6. Procurement Planning, Management and Supervision Arrangements

Procurement process

The first step in undertaking procurement is the establishment of *a purchase committee*. The committee would be responsible for reviewing the grouping of the items or services to be purchased, for preparing the procurement plan and procuring the needed goods/works/services as prepared by the Procurement Section/Unit. Procurement Committee will also convene the meeting to review Bid/Proposal Evaluation Report submitted by jointly Procurement and Technical Section. The composition of Purchase Committee at National, State, District and PFT level may be as follows –

At NMMU:

Chair	Director Finance or OIC (Officer in Charge)
Member Secretary	Head of Procurement OIC (Officer in Charge)
Members	5 staff from technical sections to be nominated by Director NRLM

At SMMU:

Chair	Finance Manager or OIC (Officer in Charge)
Member Secretary	Procurement Specialist or OIC (Officer in Charge)
Members	5 staff from technical sections to be nominated by Director SMMU

At DPMU

Chair	Finance Officer or OIC (Officer in Charge)
Member Secretary	Procurement Assistant
Members	3 staff from technical sections to be nominated by DPMU Manager

The corum will be a minimum of 5 members. Chair and Member Secretary will have alternates as OICs.

Procurement Planning: Planning and adhering to procurement of various items in an orderly manner ensures an effective method of budget execution and expenditure management. Procurement by any project implementing entity at National, State and District level shall be undertaken in adherence to the following essential conditions:

- (a) Ensure that specific budget provision is available to meet expenditure in the financial year in which it is to be incurred.
- (b) Assess bulk requirement of goods, works and services for procurement at the beginning of the financial year and initiate action for procurement in accordance with the procedure applicable.
- (c) Ensure that procurement is made to the best advantage of the annual plan implementation after comparison of competitive prices.
- (d) Purchase of office equipment and furniture is in economic lots keeping in view the annual requirements.
- (e) Miscellaneous items of goods, works and services not covered by bulk requirement are to be purchased according to the actual requirement at different points of time during the financial year provided the value of goods, works and services so purchased is small and expenditure is met from within the sanctioned budget.

The procurement plan details should include:

- i. The particular contracts for the goods, works and/or services required to carry out the project during the financial year.

- ii. The proposed methods for procurement of such contracts with their estimated costs, procurement schedule in accordance with the procedures agreed in the financing agreement, and
- iii. The related review procedures.

Template for NRLM Procurement Plans								
National: _____								
State: _____								
District/PFT: _____								
Financial Year: _____								
Ref. No.	Contract/Item (Description)	Estimated Cost In INR	Goods Works or Services	Procurement Method	Expected Advert Issue Date for EoI/IfT	Expected Bid-Opening Date /	Expected Contract Award Date	Comments
1	<i>(please fill in)</i>							
2	<i>(please fill in)</i>							
3	<i>(please fill in)</i>							

Each implementing level will be responsible for preparing procurement plans which shall be compiled at the District, State and National Level respectively. Each District will prepare a contract wise annual procurement plan, and all procurement plans will then be approved and consolidated at the State level by SMMU. One procurement plan will be for civil works and one for goods listing the items/ works to be procured, their estimated value and method of procurement. Similarly, SMMU will prepare its procurement plan which will be approved and consolidated at the NMMU level. NMMU will also prepare annual procurement plan for works, goods, and services to be procured at their level.

Procurement Management Arrangements, Roles and Responsibilities: For implementation of the procurement arrangements in NRLM, dedicated staff resources with defined roles and responsibilities are essential. Procurement staff at each level –i.e. National, State, District level should be procurement accredited by XXX which has developed a NRLM Procurement accreditation program.

“Separation of Functions” is a cardinal principle followed in best procurement practices and it is essential that the technical team in each implementing entity raise requisitions, which are then passed on to the Procurement staff for all procurement administrative tasks like tendering, tender opening, price comparison and contract award.

Following table details the structure for procurement management at each level and institution along with the defined roles and responsibilities of the procurement staff/committees.

Level	Management Office Structure	Role of Management Office	Key Responsibilities
Project Management Level	Procurement Unit at National Mission Management Unit (NMMU)	Responsible for overall NRLM procurement planning, capacity building, oversight, MIS and reporting to PAB and	The broad functions the Procurement Unit are: <u>Operations Management</u> (i) Preparation of Procurement Plan, Procurement/Contract management for goods, works and services at national level with due diligence. (ii) Prepare and maintain Call Down contracts data base detailing names of service providers etc. (iii) Drafting and

Level	Management Office Structure	Role of Management Office	Key Responsibilities
	Head of Procurement, Procurement Consultants (2) Procurement Associates	development partners. Ensuring State compliance with NRLM procurement Manual.	<p>updating NRLM Procurement Manual as needed based on NRLM guidelines (iv) Prior review and clear bid documents and bid evaluation reports for all goods/works and services procurement planned by SMMU as per delegated valued thresholds within 7 days of receipt</p> <p><u>Planning</u> (i) Monitor that agencies prepare the annual procurement plan in line with NRLM annual work plan. (ii) Help States in preparation of Procurement Plan in line with annual allocations. (iii) Review and Approve the same towards release of funds. (iv) Uploading PPs on NMMU website.</p> <p><u>Thematic</u> technical assistance to the States</p> <p><u>Training and Capacity Building</u> (i) Orient and train project staff at SMMU, DMMU level. (ii) Engaging with a national level institution IGNOU for developing an accreditation program in NRLM Procurement and managing the engagement (ii) Arranging that cadre of mid-level project functionaries in NRLM accredited through a systematic training and immersion process focusing on procurement.</p> <p><u>Monitoring and Evaluation</u> commissioning and managing yearly third party post reviews of at least 10% of contracts issued by SMMUs. (ii) Maintain a Procurement Management Information System (MIS) on all key indicators and generate and share reports with all stakeholders. (iii) Maintain a Contract Register and Grievance and Redressal Register and update periodically</p> <p><u>Knowledge Management and Communication</u> sharing best practices in procurement with SMMU and States.</p>
Project Management Level	<p>Procurement Unit in the State Mission Management Unit (SMMU)</p> <p>Procurement Specialist (1) Procurement Officer (1) and Procurement Associate (1)</p>	<p>Responsible for overall SMMU procurement planning, capacity building, oversight, MIS and reporting to State Society and NMMU.</p> <p>Ensuring District compliance with NRLM procurement Manual.</p>	<p>The broad functions the Procurement Officer are:</p> <p><u>Operations Management</u> (i) Preparation of Procurement Plan, Procurement/Contract management for goods, works and services at State level and beyond certain ceilings at the district/PFT level with due diligence. (ii) Prepare and maintain Unit Cost data Base and Item banks detailing names of respected manufacturers, indicative range of machinery / equipment etc. (iii) Prior review and clear bid documents and bid evaluation reports for all goods/works and services procurement planned by SMMU as per delegated valued thresholds within 7 days of receipt</p> <p><u>Planning</u> (i) Monitor that agencies prepare the annual procurement plan in line with SMMU and district annual work plan. (ii) Help Districts in preparation of Procurement Plan in line with annual allocations. (iii) Review and Approve the same</p>

Level	Management Office Structure	Role of Management Office	Key Responsibilities
			<p>towards release of funds. (iv) Uploading PPs on SMMU website and report to NMMU.</p> <p><u>Thematic</u> technical assistance to the Districts and sub district level</p> <p><u>Training and Capacity Building</u> (i) Orient and train project staff at the DPMU, PFT level. (ii) Handholding support to district and sub-district implementation/support structures including CBOs towards building procurement capacity and undertake procurement with due diligence.</p> <p><u>Monitoring and Evaluation</u> through undertaking or commissioning and managing yearly post reviews of at least 5% of contracts issued by POs. and community procurement carried out by beneficiary institutions. (ii) Maintain a Procurement Management Information System (MIS) on all key indicators and generate and share reports with all stakeholders. (iii) Maintain a Contract Register and Grievance and Redressal Register and update periodically</p> <p><u>Knowledge Management and Communication</u> sharing best practices in procurement with NMMU.</p>
Project Management Level	<p>District Project Management Unit</p> <p>One Procurement Assistant reporting to District Project Manager directly or to Accounts/ Finance Manager</p>	Responsible for overall procurement plan at District level & compliance with procurement methods/procedures as per NRLM guidelines.	<p><u>Operations Management</u> Role limited to procurement of goods, services and works within the certain specified ceilings (as specified by the SMMU from time to time) with due diligence. (ii) Prepare annual procurement plan based on need assessment and inputs received from concerned sections for the district, for incorporation in the overall project's Annual procurement plans.</p> <p><u>Monitoring and Evaluation</u> Maintain procurement related documentation including complaint and grievance redressal register</p>
Community Based Organization (CBO) Level	<p>Producer Organizations</p> <p>A Procurement Committee reporting to the Chief Executive Officer.</p>	Each community institution will undertake all procurements required at their respective organizations. The PFT/District Accounts Manager will guide these Community Institutions at respective levels	Procurement Committee will be responsible for: <u>Operations Management</u> (i) Preparation of annual procurement plan from the business plan consolidated value chain plan (ii) Procure the goods, services and works within the specified thresholds limit with due diligence (iii) Collect the demand note from the community for the procurement of Dealership/Agency (iv) Maintain a panel of suppliers and service providers who are reliable and approachable for various items (vi) Publish and periodically update a rate bank consisting of the prices of all items to be procured (vii) Collect market information on various items needed for implementing the business plan like rates,

Level	Management Office Structure	Role of Management Office	Key Responsibilities
			brands/suppliers etc. and ensure incorporation of these details in the business proposals and assist in procurement. <u>Monitoring and Evaluation</u> (i) Maintain procurement related documentation including complaint and grievance redressal register. (ii) Display all procurement on the notice board and make available procurement records for verification by the community members.
Community Based Organization (CBO) Level	<p>Community Development Group</p> <p>A Procurement Committee consisting of representatives of target beneficiaries reporting to the President.</p> <p>A Social Audit Committee consisting of independent and respected members reporting to larger community as a whole</p>	Each CDG will undertake all procurements required at their respective organizations for completion of subprojects.	<p>Procurement committee responsible for: (i) Using the subproject plan based on need identification and need prioritization for “Just In Time” procurement of items (ii) Procuring the goods, services and works within the specified thresholds limit with due diligence (iv) Collect market information on various items needed for implementing the plan like rates, brands/suppliers etc. and ensure incorporation of these details in the final award and management of procurement. Under Monitoring and Evaluation, Procurement Committee will be responsible for (i) Maintain procurement related documentation including complaint and grievance redressal register. (ii) Display all procurement on the notice board and make available procurement records for verification by the community members.</p> <p>Social Audit Committee (SAC) will be responsible for: (i) creating awareness amongst beneficiaries and providers of local social, productive and infrastructure services; (ii) procurement monitoring i.e. bringing in greater transparency in the procurement cycle through active involvement at critical stages— need identification, monitoring of contract award, and contract management and (iii) improving efficiency, productivity and quality in the delivery of goods and services through oversight</p> <p>(The PFT/District Accounts Manager will guide these Community Institutions at respective levels).</p>

Record Keeping concerned Procurement staff should maintain all the records of issue, receipt, opening, evaluation of tenders, award of contracts i.e. all pre-order and post-order records in chronological order and store the files in an identified place such that it be retrievable for scrutiny whenever needed at any notice. The records of complaint handling, correspondence with Procuring Entities, consultants, vendors etc. also should be kept separately and should be retrievable.

Procurement documents like Purchase order file, open and close order file, vendor record file, rate contract and purchase reports shall be maintained up to the period defined in Financial Management Rules (FMR) of Govt. of India. Purchase order forms (electronic or manual) and standard files for small Procurement can be designed to make the recording of most of the relevant data for small Procurement automatic.

The procurement file and the contract administration file can be coordinated by standard practice, so that nothing between tender opening (or proposal receipt) and notice of award is omitted.

As part of the filing and record keeping requirements under NRLM for procurement, a Contract wise **Procurement File** shall be maintained at every implementing entity mandatorily including the following Documentation:

- Procurement Plan, Need Identification documentation, acquisition planning information, and other pre-solicitation documents;
- Evidence of availability and approval of funds;
- Rationale for the method of procurement;
- Method and List of sources solicited;
- Independent cost estimate;
- Specifications, Statement of work/scope of services;
- Copies of published notices/advertisements of proposed contract action;
- Copy of the solicitation, all addenda, and all amendments;
- An abstract of each offer or quote;
- Comparative statement
- Minutes of Procurement Committee meeting referring to the particular selection;
- Notice of award;
- Notice to unsuccessful bidders or offertory and record of any debriefing;
- Record of any complaint/protest;
- Tender, Performance, Payment, or other bond documents, and notices to sureties;
- Required insurance documents, if any;
- Contract Copy; and
- Notice to proceed.

7. Important Aspects to be Considered while undertaking Procurement

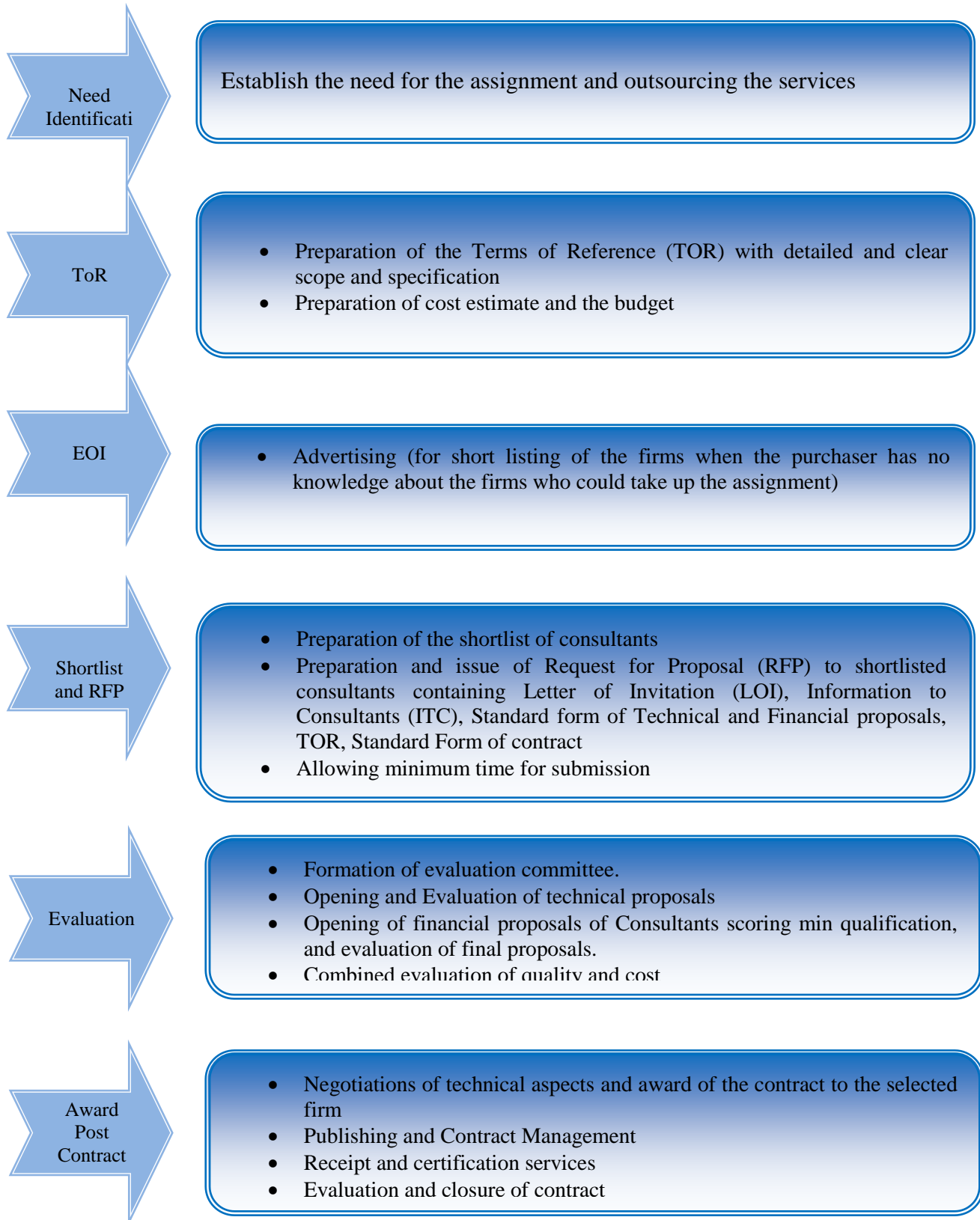
Aspect	Things to Remember
Advertisement	For Open Tender and Service Selection advertisement shall be issued in one English and one local language newspapers. The ad should also be placed at the project website.
Tender Documents	<p>For procurement to be carried out under NRLM GOI Task Force approved documents, as amended from time to time for works/ goods will be used under Limited Tender, Open Tender. The tender documents shall furnish all information necessary for a prospective bidder to prepare a tender for the goods and/ or works to be provided. Tender documents should be made available to all those who request for them regardless of registration status and they should be allowed to bid. However, the request should be in writing along with the requisite fee of the tender/bid, if any.</p> <p>The bid/ tender document should invariably contain the following sections :</p> <ul style="list-style-type: none"> • Invitation for bids IFB) • Instructions to bidders (ITB) • General terms & conditions • Contract data including bill / schedule of quantities (BOQ) • Award criteria • Notification of award • Execution of contract • Quality control • Payment terms • Taxes and duties • Completion certificate • Warranty/ defect liability period • Drawings • Dispute resolution • Arbitration • Force majeure
Time submission for of Bids	<p>Not less than 7 days for Local Shopping.</p> <p>Not less than 14 days for Limited Tendering.</p> <p>Not less than 21 days for Open Tender for value $\leq 20,00,000$</p> <p>Not less than 30 days for Open Tender for value $\geq 20,00,000$</p> <p>Not less than 14 days for EOI for any service method</p> <p>Not less than 30 days for RFP for any service method</p>
Bid Opening	<p>Bid Opening shall be on the same day, immediately after closing submission of bids.</p> <p>All bids shall be opened publicly in the presence of representatives of bidders.</p> <p>Only single venue for submission and opening of Bids.</p> <p>Late Bids to be returned unopened.</p> <p>The name of the bidder and total amount of each bid along with important conditions like excise duty, sales tax, delivery terms, delivery period, special conditions and discounts, if any, shall be read out at the time of bid opening. Withdrawal notices and modifications to</p>

Aspect	Things to Remember
	<p>the tender shall be read out first followed by the tender of the bidder.</p> <p>On the spot Comparative statement should be prepared and signed by all present.</p>
Bid validity	<p>Generally 30 days for Local Shopping.</p> <p>Generally 45 -60 days for Limited Tendering.</p> <p>Generally 90 days for Open Tendering.</p> <p>Generally 90 days for Service Contracts.</p>
Non responsive Bids which will be rejected	<p>Unsigned bids.</p> <p>Not accompanying Bid Security as per value and valid duration in days, if required as per bid documents.</p> <p>Not meeting eligibility criteria, if any mentioned in the bid documents.</p> <p>Bids that have not quoted for the entire schedule/packing (if so required by Bid documents) and are not in the required currency as indicated in the bid documents.</p> <p>Not meeting the technical and financial capability as per specified tender evaluation criteria to successfully execute the contract.</p>
No Negotiations	<p>No Price negotiations with any bidder including the lowest evaluated bidder. If the lowest evaluated responsive bid exceeds the pre-bid cost estimates by a substantial margin, causes may be analyzed and consider requesting new bids. Alternatively, the Procuring Entity may negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility which can be reflected in a reduction of the contract price.</p>
Securities and Penalties in Bid Documents and Contracts	<p>Performance Security is generally taken in open tendering.</p> <p>Retention Money is generally taken in civil works contracts.</p> <p>Liquidated Damages should be included in all contracts.</p>
Repeat Orders applicable for Open Tendering	<p>Quantities in contracts awarded may be increased up to 15% of the quantity originally ordered by repeat orders. In case of Service Contracts, all services that may require further repeat or downstream efforts, the ToR shall state the same up front.</p>
Rejection of all Proposals and Re-Invitation	<p>(a)Tender documents usually provide that Procuring Entity may reject all tenders. Rejection of all tenders is justified when there is lack of effective competition, or tenders are not substantially responsive. However, lack of competition shall not be determined solely on the basis of the number of bidders. If all tenders are rejected, the Procuring Entity shall review the causes justifying the rejection and consider making revisions to the conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new tenders. (b) If the rejection of all tenders is due to lack of competition, wider advertising shall be considered. If the rejection is due to most or all of the tenders being non-responsive, new tenders may be invited. (c) Rejection of all tenders and re-inviting new tenders, irrespective of value, shall be referred to the competent authority for approval.</p>
Storage	<p>As all the goods needed/ procured cannot be consumed at one point of time, storage of goods is an inevitable process. Experience has demonstrated that properly packed good quality items do not deteriorate if stored systematically in clean, dry and well ventilated environment. Therefore, it is necessary to store the goods properly. If quality assurance</p>

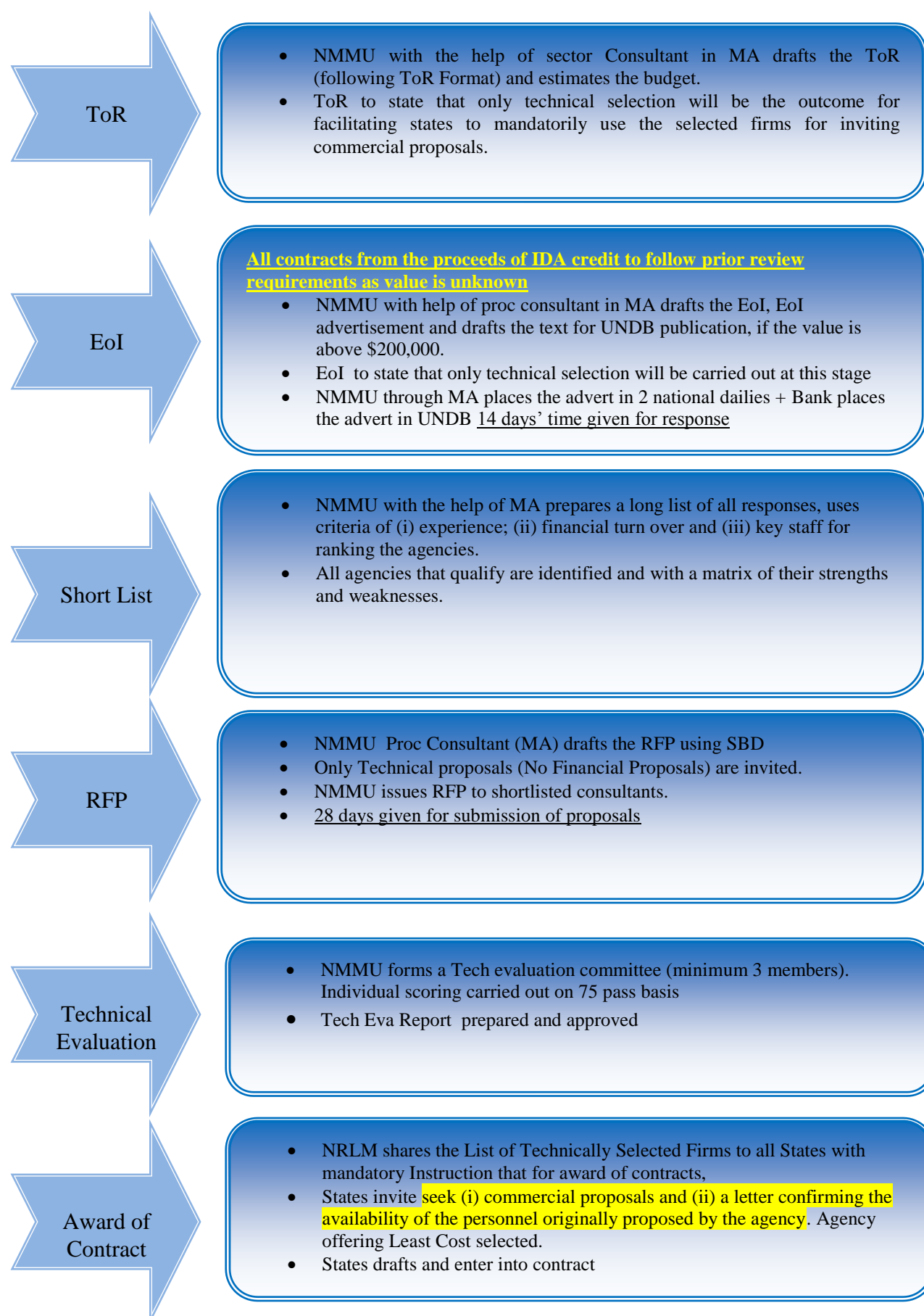
Aspect	Things to Remember
	measures have been strictly followed during the manufacturing process, the conditions of the warehousing and storage play a major role in ensuring that quality goods reach final users in good condition. They should normally be left in their original packaging during storage.
Fraud and Corruption	NMMU has the right to reject a proposal for award or cancel an awarded contract if it determines that the Bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for the Contract in question. "Corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party; "Fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation; "Collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party; "Coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a part and "Obstructive practice" is either deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or acts intended to materially impede the exercise of inspection and audit rights provided to NMMU.
Mis procurement	The goods, works and services that have not been procured in accordance with the prescribed procedures outlined in this manual, shall be treated as mis procurement. The expenditure incurred on such procurement shall not be eligible for financing from NRLM funds. Even when the contract is awarded after obtaining "no objection" from the NMMU, the NMMU may still declare mis procurement, if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by the SMMU or the terms and conditions of the contract had been modified without NMMU's prior approval. For contracts issued from the proceeds of the IDA credit/loan, the Association will also initiate mis procurement action if the above circumstances are proven.
Special Conditions for implementation of IDA assisted NRLP	As per paragraph 1.14(e) of the World Bank's Procurement Guidelines, the Association will have right to inspect the accounts and records of bidders, suppliers and contractors. This right shall be included in the bidding documents.

Annex

Annex: Process Flow in the selection of One Off service contracts QCBS



Annex Selection of Consultant Firms by NMMU for Call Down Use by States



Annexure 3
Environment Management Framework

National Rural Livelihoods Project

Ministry of Rural Development
Government of India

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Abbreviations and Acronyms

AAPs	Annual Action Plans
CIG	Common Interest Group
CMSA	Community Managed Sustainable Agriculture
CoP	Code of Practice
CRP	Community Resource Persons
EAP	Environmental Action Plan
EGs	environmental guidelines
G-CRPs	Green-CRPs
EMF	Environmental Management Framework
MoRD	Ministry of Rural Development
NMMU	National Mission Management Unit
NRLP	National Rural Livelihood Project
PFTs	Project Facilitating Teams
SHG	Self Help Group
SMMU	State Mission Management Unit
SPIP	State Perspective and Implementation Plan
SRI	System for Rice Intensification
SRLMs	State Rural Livelihood Missions
VO	Village Organization

Executive Summary

Environment (including safeguards)

1. The Government of India is preparing the National Rural Livelihood Project (NRLP) that is proposed to be implemented in 100 districts and 400 blocks of 12 states with an aim to increase and sustain income of the poor, especially women. The project development objective of the proposed NRLP is to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services. This will be achieved through increased membership of the rural poor in inclusive, community-managed institutions, increased amount of resources and services leveraged by the poor from financial institutions, increase in productive assets and income from various livelihoods among the rural poor, and improved access to public services related to food, nutrition and health.
2. The project has the following four components:
 - i. Institution building and human capacity development
 - ii. State Livelihood Support
 - iii. Innovation and Partnership Support
 - iv. Project Management
3. NRLP will be implemented intensively in the villages of 400 selected blocks (approx. 100 districts) of 12 priority states of the country to demonstrate the effectiveness of the comprehensive livelihood approach. Some of the 12 states have been chosen because of their past experience in implementing Bank supported livelihood projects, where they have support structures and systems already in place to expand them to new districts through the NRLP (Bihar; Madhya Pradesh; Orissa; Rajasthan). Other States to be supported by the NRLP have been identified on the basis of high incidence of poverty and large number of rural poor (Uttar Pradesh), tribal population (Jharkhand, Chhattisgarh), and pockets of acute poverty at the sub-regional level combined with a pre-existing base of substantial social capital (Karnataka, Maharashtra, West Bengal, Gujarat, Assam).
4. This report is an environmental assessment study for the proposed NRLP. The study was conducted with the objective of understanding the environmental conditions and the related legal/regulatory framework in these states. It presents an Environmental Management Framework (EMF) that provides a strategy to manage adverse environmental impacts of livelihood activities and thereby secure livelihoods for the poor. Further, it also provides details of the institutional mechanism to operationalize the EMF. Finally, it presents a set of case studies where environmental problems have been viewed as potential opportunities for providing “Green Solutions³⁴” and build the institutional mechanism to successfully implement the solutions at scale.
5. The process of development of the EMF included:

³⁴ Environmentally-friendly solutions

- Secondary research on environmental status of the 12 states
- Review of the relevant legal and regulatory provisions
- Analysis of EMF performance in existing Bank supported livelihood projects
- Field study in 4 states (Karnataka, Andhra Pradesh, Bihar, Tamil Nadu) primarily to document the strategy adopted for promotion of Green Opportunities
- Consultation with key stakeholders from all 12 states through a national workshop

Review of Environmental Status

6. Based on a review of the secondary data and information from the project states and experience from existing livelihood projects, it is expected that while the project activities are likely to contribute to better environmental quality (e.g., through sustainable agriculture), improper management and poor capacities can lead to (i) land degradation including soil erosion (ii) poor water availability and quality, depletion of groundwater (iii) improper use of agro-chemicals (imbalanced use of fertilizers, unsafe use of hazardous pesticides) (iv) decreasing fodder availability and (v) degradation of forests (unsustainable extraction of forest produce, shifting agriculture, grazing). No potential large scale, significant and/or irreversible impacts are envisaged in NRLP. (do we have any precedents for this? If yes, then we must include at least one of them here.)

Regulatory and Legal Framework

7. A majority of the relevant acts, rules, and regulations of the government of India, state governments and the safeguard policies of World Bank concerning livelihood activities that are likely to be supported under NRLP have been reviewed. The NRLP triggers the following safeguard policies of the World Bank:

Environmental Assessment (OP 4.01)
Forests (OP 4.36)
Natural habitats (OP 4.04)

8. Pest Management (OP4.09) The necessary measures to ensure compliance with these laws, regulations, and policies are included in the regulations list and environmental guidelines (EGs)/codes of practices developed as part of the EMF.

Environment Management Framework strategy

9. The Bank has been supporting projects on poverty reduction and rural livelihoods in the states of Andhra Pradesh, Madhya Pradesh, Rajasthan, Chhattisgarh, Bihar and Tamil Nadu. These projects have yielded valuable experience and learning's on the implementation of environmental safeguards.
10. An analysis of the Bank supported livelihood projects shows two distinct models of implementation which have different challenges with respect to

environmental safeguards. In the earlier CIGs³⁵ model livelihoods are financed by the project through a one-time grant for a common livelihood activity. Therefore, it was simpler to screen the common livelihood activity for environmental impacts and ensure that mitigation measures were implemented.

11. However, now the model is based on providing loans to SHGs based on a micro-credit/investment plan which may contain multiple activities. The loan is provided by a larger SHG federation which is financed through a grant by the project. Currently, screening for environmental impacts is being done on an activity-by-activity basis by the Block PFT through a set of pre-designed instruments. This process is time consuming and often becomes merely an exercise in filling a set of formats with no clear understanding of issues and solutions by the SHG federation members. Clearly, a different approach is needed to implement an EMF to ensure that the community appreciates the issues involved and its relevance to securing their livelihoods better.
12. Therefore, the approach strategy for an EMF makes a radical departure from viewing EMF as a tool to merely safeguarding the environment to managing the environment in order to better secure the livelihoods. It also views potential environmental problems as opportunities for Green Solutions that may generate Green enterprises and jobs.
13. Further, the EMF seeks to shift the onus for environmental management from the project alone to include the community institutions. Therefore, the key is to ensure that the SHG federation has the support, capacity and systems which will ensure that environmental considerations are integrated into the process of appraisal of the SHG micro-credit/investment plans. As the nature and scale of livelihood activities undertaken by individual households is environmentally benign and small in scale, the potential impacts are also localized and manageable. Therefore, rather than place emphasis on micro-managing micro-impacts through appraisal of every individual household activity – it is more meaningful and efficient to focus on periodically monitoring cumulative impacts to provide pointers on required interventions.
14. The EMF proposes to achieve this through the means of an Environmental Management Plan (EMP) that each SHG Federation would prepare. The EMP would identify resources, livelihoods and their potential environmental impacts and indicate measures to secure these livelihoods. To help the SHG Federations prepare the EMP, a cadre of Community Resource Persons (CRPs) called the Green-CRPs (G-CRPs) would be developed by the Project. The EMP would be a dynamic plan which would be reviewed and modified periodically to incorporate new livelihoods or new Green Solutions. Not all livelihood activities would have an adverse impact on the environment. The EMP would also help identify good Green Practices which could be converted into Green Opportunities for newer livelihoods, enterprises or jobs.
15. This approach would not only shift the onus to the community to manage the environment to secure their livelihoods but would also build their skills and knowledge to do so even after the project period. Thus, this strategy would result in a massive and wide-spread transfer of knowledge and skills in the area of environment management.

³⁵CIG – Common Interest Group

16. Since this approach is new and radical, it is proposed to pilot test it in 360 SHG Federations spread across 12 states (rather than the 4 states that have experience of implementing WB supported livelihoods project) during Year -2 of the NRLP and if found successful after a mid-term evaluation scale it up to eventually cover 12,000 SHG Federations by Year-5. However, EMF compliance with the regulatory requirements will apply to all the 40,000 federations in the project and appropriate training and capacity building support for compliance will be provided.

Components of the Environment Management Framework

17. The Environment Management Framework (EMF) comprises a detailed strategy and procedures for preparation and implementation of an EMP at SHG primary federation or producer collective level, capacity building and monitoring to enable the adoption of mitigation measures, and the promotion of green opportunities as pilot projects. The main components of the EMF are described below:

Environment Action Plan as part of State Perspective Plans

18. As a part of the rollout of NRLP, all State Rural Livelihood Missions (SRLMs) would undertake a situational analysis (poverty diagnostic study) and develop a State Perspective and Implementation Plan (SPIP) and Annual Action Plans (AAPs). An Environmental Action Plan (EAP) will be developed by each State Mission Management Unit (SMMU) as part of the SPIP. The first year EAP would identify strategically important Green Opportunities, develop and field test a process for developing EMPs at the SHG Federation level and prepare a capacity building plan for the entire implementation mechanism.

Piloting of EMPs by SHG Federations and Scale-up

19. As described above, the EMP will be prepared by the VO with facilitation by the block PFTs. It will be prepared prior to the micro-credit plan preparation process in the affiliate SHGs and will be updated annually. The executive committee of the VO will include an Environmental Management Committee.

Environmental Management Toolkit

20. The experience of implementation of livelihood projects has led to the development of a comprehensive toolkit to guide identification of measures to mitigate potential negative environmental impacts in rural livelihoods. The toolkit contains the following:
- A regulatory list of activities that are not to be supported
 - List of higher order activities that require detailed environmental appraisal by technically qualified personnel due to potential for relatively higher impacts
 - Environmental guidelines for managing major rural livelihoods such as agriculture, livestock, non-timber forest produce and fishery. These include a listing of the possible impacts and the relevant mitigation measures.

Green Opportunities – Going beyond Environmental Management

21. The EMF also presents a bouquet of Green Opportunities, which describe how organizations have addressed environmental issues by developing innovative Green Solutions that have resulted in Green enterprises and Green jobs. The Green Opportunities cover the broad thematic areas of agriculture, animal husbandry and energy. It also presents pathways to integrate these Green Opportunities into the main programmes of NRLP. It suggests the creation of a Green Opportunities Repository at the national and the state level. It describes the steps in integrating knowledge of Green Opportunities with the preparation of the EMPs by the G-CRP.

Technical Assistance to States

22. The National Environment Management Coordinator at the NMMU would provide technical assistance for facilitating preparatory work on environment which would include the following:
 - Development of operational manuals on EMF – including EMPs of primary federations, Code of Practices of producer collectives, Green CRPs, Green Opportunities
 - Development of a repository of Green Opportunities and Resource Institutions
 - Exposure visits for SRLM teams to best practices in other states in facilitating environment-friendly livelihoods.
 - Hiring, if required, the services of a consultant firm to undertake Situation Analysis and assist in development of the EMP for inclusion in the SPIP
 - National workshop/s to facilitate cross-learning/exchange that will contribute to development of robust EMPs
 - Stakeholders' consultations in each state including meetings, workshops, focus group discussions
 - Induction and capacity building of key staff at the SMMUs
 - Appraisal and approval of the EMP in the SPIP

Institutional Arrangements to Support the EMF

23. Institutional arrangements for the EMF are detailed both in the project structure as well as in the community institutions. The effective implementation of the EMF will require relevant institutional arrangements at the national, state, district and sub-district levels. The roles and responsibilities of the key staff at the national, state, district and sub-district levels and key individuals/entities in the SHG federations and producer collectives are provided in the Report. However, the staffing costs are not included in the budget of this EMF. The costs of the staffing for the state, district and sub-district levels will be included in the overall project management costs of the NRLP.

Training and Capacity Building

24. The orientation of this EMF is to strengthen the capacity for environmental management in NRLP institutional structures at the national and states levels, and especially, in the G-CRPs and community institutions such as SHGs, SHG federations and producer collectives. A detailed training and capacity building plan is provided in the Report.

Monitoring and Audit

25. The focus of monitoring is three fold: (a) the implementation of the EMF, (b) the adoption of environmental management in livelihood activities, (c) the environmental status. Monitoring is planned at 3 levels: community monitoring, internal monitoring and external audit. An external audit of the environmental performance of the NRLP will include a cumulative impact assessment and be undertaken annually during the project period – in years 2, 3, 4 and 5. An external agency will be hired by the NMMU for the purpose.

Performance Indicators

26. The Report provides a list of suggested performance indicators for environment and sector-specific outcomes, institutional arrangements, capacity building and process-related.

Budget

27. The estimated budget for the EMF implementation is \$ 6.0 million.

Implementation Roll-Out Strategy

28. The EMF of the NRLP builds on the experience of existing livelihoods projects in the country. However, it has certain elements that are novel – for example, the SHG federation EMPs and the CoPs of the producer collectives. It is necessary to phase out the implementation of the EMF in the NRLP to ensure that innovative elements are put on trial before they are scaled up.
29. The first year outputs would include a cadre of trained G-CRPs in 4 states, a field-tested methodology for preparation of EMPs, an EAP which is integrated into the SPIPs and also a candidate list of strategically important Green Opportunities for piloting or scaled-up implementation. EMP implementation will be scaled up to reach 12,000 federations by the end of the fifth year.

1. Introduction

1.1 Project Objective

1. The project development objective of the proposed NRLP is to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services. This will be achieved through increased membership of the rural poor in inclusive, community-managed institutions, increased amount of resources and services leveraged by the poor from financial institutions, increase in productive assets and income from various livelihoods among the rural poor, and improved access to public services related to food, nutrition and health.

1.2 Project Description

2. The proposed project will support the following four components:
 - i. **Component 1. Institutional and Human Capacity Development (\$XXX million):** The objective of this component is to transform the role of MoRD into a provider of high quality technical assistance in the field of rural livelihoods promotion. To achieve the objective of this component, the proposed project intends to support the following activities:
 - a. *Human resource development* - establish a team of high quality professionals to provide technical assistance to the states in various thematic areas such as community mobilization, livelihood promotion, financial inclusion, human resource management, monitoring and evaluation, environment management, and fiduciary management, among others. This team will provide continuous and year-round support to state governments in the implementation of the NRLM and related activities in the rural development sector.
 - b. *Training and capacity building* - support development of partnerships with well-established training and research institutions in the field of rural development throughout India that can deliver focused training programmes for successful implementation of the NRLM and related activities in the rural development sector. The activities supported will include curriculum development, design and conduct of training programmes including e-learning and distance learning. Under this feasibility of establishment of a National Center for Rural Livelihoods will be explored.
 - ii. **Component 2. State Livelihood Support (\$XXX million):** The objective of this component is to support state governments in the establishment of the necessary institutional architecture for the implementation of NRLM activities from the state to the block level, including support to the formation of institutions of the poor. To achieve the objective of this component, the proposed project intends to support the following activities:

- a. *State Rural Livelihoods Missions (SRLM)* – support the formation of an autonomous and professionally managed mission at the state-level for the implementation of the NRLM comprising of a multi-disciplinary team with expertise in themes like social mobilization, institution building, capacity building, microfinance, farm and non-farm livelihoods, and job employment, among others. In addition, the SRLM would establish implementing entities at the district and block levels comprising of multidisciplinary teams to further facilitate implementation of NRLM financed activities.
 - b. *Institution Building and Capacity Building* - support the identification, selection, and mobilization of poor rural households into self-managed institutions, such as Self Help Groups (SHGs) and their federations. This would also include providing capacity building and training activities for SHG members and federations in livelihood activities, bookkeeping, financial literacy, and business education, among others.
 - c. *Community Investment Support* - provide livelihood grants to the institutions of the poor to enable them to undertake productive livelihood enhancing initiatives.
 - d. *Special Programmes* - support for pilot activities that have potential for scaling-up and replication such as last mile delivery of public services including health and nutrition, implementing activities in high-conflict areas in partnership with civil society organizations, value-chain development, using new technologies for financial inclusion, among others.
- iii. **Component 3. Innovation and Partnership Support (\$XXX million):** The objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor To achieve the objective of this component, the proposed project intends to support the following activities:
 - a. *Innovation Forums and Action Pilots* — support selected innovations identified through development marketplace-type forums that have the potential to be scaled-up in a viable manner in partnership with development foundations
 - b. *Social Entrepreneurship Development* — support the development of a network of grassroots innovators and social entrepreneurs, identified through a competitive process, at state and national level.
 - c. *Public-Private-Community-Partnership* — develop and support effective partnerships with the private sector, foundations public corporations, and civil society organizations on livelihoods development for the rural poor throughout India. These could include ICT, agribusiness, financial inclusion, and youth employment, among others.
- iv. **Component 4. Project Implementation Support (\$XXX million):** The objective of component is to establish an effective project management unit at the national level that develops key systems and processes for coordination and management of the proposed project and the NRLM. Given that the NRLP, and more importantly the NRLM, will be implemented across India, there are substantial managerial requirements which are critical to ensure the

satisfactory implementation of both the NRLP and NRLM. In this regard, a dedicated National Mission Management Unit (NMMU) has been established under the MoRD. To achieve the objective of this component, the proposed project intends to support the following activities:

- a. National Mission Management Unit (NMMU)— strengthen the various functions of the NMMU to be able to manage, deliver and support all aspects of not only the NRLP, but also the NRLM.
- b. Monitoring and Evaluation - given the geographic scale and magnitude of the resources and activities to be supported by the NRLP/NRLM, a very comprehensive and robust monitoring and evaluation system will be established to not only track implementation progress but also to provide meaningful reports on household level impacts and implementation experiences so as to enable MoRD and state governments to take corrective actions, if necessary. This would include the development of an integrated management information system (MIS) that would collect data from the village to the national level in a systematic and timely manner for not only the NRLM, but also other public services provided to rural households throughout India.
- c. Governance and Accountability Framework— the NRLP would support the development and roll-out of a user friendly and highly responsive governance and accountability mechanism by which to ensure that all aspects of the proposed project are being implemented in accordance with agreed principles and procedures.
- d. Knowledge Management and Communication— incorporating lessons from experience and communicating consistent and significant messages at both a policy and operational level, is critical for the overall success of the NRLP/NRLM. In this regard, the project will invest in a variety of products and services to enhance the generation and use of knowledge and communications as a key tool for enhancing the quality of the program.

1.3 Project Location

3. NRLP will be implemented intensively in the villages of 500 selected blocks of 12 priority states of the country to demonstrate the effectiveness of the comprehensive livelihood approach. Some of the 12 states have been chosen because of their past experience in implementing Bank supported livelihood projects, where they have support structures and systems already in place to expand them to new districts through the NRLP (Bihar; Madhya Pradesh; Orissa; Rajasthan). Other States to be supported by the NRLP have been identified on the basis of high incidence of poverty and large number of rural poor (Uttar Pradesh), tribal population (Jharkhand, Chhattisgarh), and pockets of acute poverty at the sub-regional level combined with a pre-base of substantial social capital (Karnataka, Maharashtra, West Bengal, Gujarat, Assam).

1.3.1 Environment Assessment Study

4. An Environmental Assessment study was undertaken and an Environment Management Framework (EMF) has been developed for the NRLP to ensure compliance with applicable laws and regulations of the Government of India, the 12 state Governments and triggered safeguard policies of the World Bank. This is the first draft of the report of the Environmental Assessment study.

1.4 Structure of the Report

5. This report is structured as follows. Chapter 1 provides an overview of the objectives and components of NRLP. Chapter 2 provides a consolidated overview of the environmental status at the national and state levels that could have a bearing on community-oriented rural projects. Chapter 3 summarizes the legal and regulatory framework that is relevant to environmental management in NRLM. Chapter 4 presents an integrated Environment Management Framework which is the backbone of the report. It provides a technical and institutional strategy and procedures for environment management planning for activities supported by NRLP at the national, state and village community levels. The EMF includes a strategy for identifying and facilitating green opportunities that can bring aggregate community co-benefits in terms of a sustainable environment and income generation through innovative methodologies and technologies that have worked in India through community-driven or entrepreneur based approaches. This strategy is presented in Chapter 5. The report has a number of Annexes that provide details of the content in each of the chapters.

2. Environmental Baseline at National and State Levels

1. The NRLP involves intensive investment in selected districts and sub-districts of 12 high-priority states and will also demonstrate a model for expansion of NRLM throughout the country. The 12 states are: Karnataka, Madhya Pradesh, Chhattisgarh, Rajasthan, Uttar Pradesh, Bihar, Jharkhand, Orissa, Maharashtra, Gujarat, West Bengal and Assam.
2. This chapter provides a brief overview of the environmental status and issues in the 12 states. This is the output of a secondary research exercise aimed at understanding the environmental context of the project area. The chapter is organized thematically and contains the following sections:
 - Administrative divisions
 - Population
 - Agro-climatic zones
 - Land use
 - Land degradation
 - Soils
 - Water
 - Agriculture
 - Livestock
 - Forests
 - Summary of key environmental issues

2.1 Administrative Divisions

3. The 12 project states are organized into 387 districts and 3724 blocks. Of these, the project will reach 400 blocks. The average number of villages³⁶ per block is 128 and the average number of habitations per block is 356. The project outreach will hence be in the range of 40,000 villages.

Table 2.1 Administrative Divisions in Project States

<i>State</i>	<i>Districts</i>	<i>Blocks</i>	<i>Villages</i>	<i>Habitations</i>
Assam	27	219 Blocks	25,124	86976
Bihar	38	534 Blocks	39,015	107642
Chhattisgarh	16	146 Blocks	19,744	72329
Gujarat	25	170 Blocks	18,066	34415
Jharkhand	24	211 Blocks	29,354	120061
Karnataka	27	176 Talukas	27,481	59203
Madhya Pradesh	48	313 Blocks	52,117	127197
Maharashtra	35	353 Tehsils	41,095	98098
Orissa	24	211 Blocks	47,529	141928
Rajasthan	33	237 Blocks	39,752	121133
Uttar Pradesh	71	813 Blocks	97,942	260110
West Bengal	19	341 Blocks	37,945	95394

³⁶ Inhabited, revenue villages

Box 2.1: Implications for Environmental Management

The massive outreach of the project emphasizes the need for (a) a robust, yet simple management system for environmental safeguards that can be implemented across 12 states, 400 blocks and 40,000 villages (b) a decentralized, self-managing system that does not rely on top-down monitoring alone, but emphasizes local responsibility and action.

2.2 Population

4. The 12 project states account for 74% of the country's population on 67% of its geographical area. Rajasthan is the largest state with 10% of the country's area, while Assam occupies just 2% of the area. Uttar Pradesh is the most populous state with 16% of the country's population, while Chhattisgarh accounts for just about 2%.

Table 2.2: Population Profile of States in Project Area³⁷ (2001)

<i>State</i>	<i>Population (million)</i>	<i>Population as % of India's population</i>	<i>Area (sq. km)</i>	<i>Area as % of India's area</i>	<i>Population density</i>
Assam	26.66	3%	78,438	2%	339
Bihar	82.8	8%	94,163	3%	880
Chhattisgarh	20.8	2%	1,35,191	4%	154
Gujarat	50.05	5%	1,95,984	6%	258
Jharkhand	26.9	3%	79,714	2%	338
Karnataka	52.8	5%	1,91,791	6%	275
Madhya Pradesh	60.3	6%	3,08,245	9%	196
Maharashtra	96.7	9%	3,07,713	9%	314
Orissa	36.81	4%	1,55,707	5%	236
Rajasthan	56.5	5%	3,42,239	10%	165
Uttar Pradesh	166.2	16%	2,36,286	7%	690
West Bengal	80.22	8%	88,752	3%	904
India	1028.7	74%	32,87,263	67%	335

5. The most densely populated states are West Bengal, Bihar and Uttar Pradesh. Chhattisgarh, Rajasthan and Madhya Pradesh are the most sparsely populated of the project states.

³⁷Census of India, 2001. <http://www.censusindia.gov.in>

Figure 2.1: Population in Project States (2001)

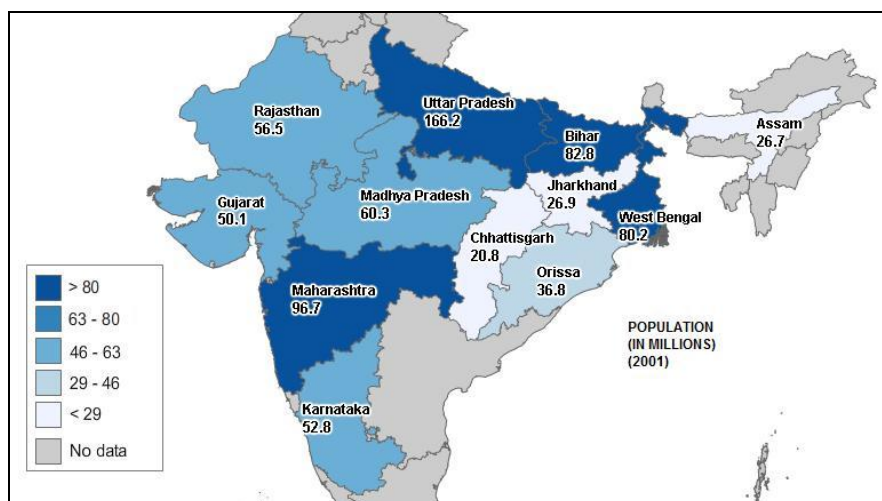
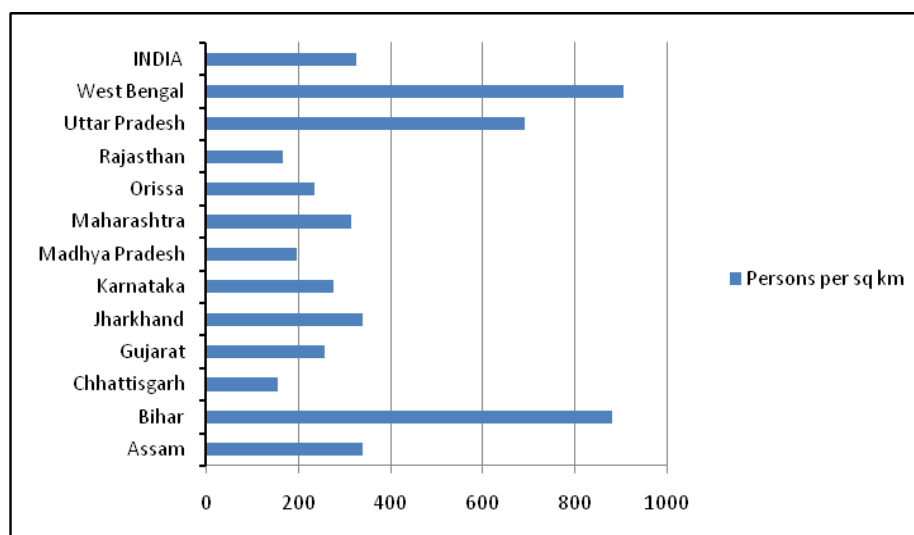


Chart 2.1: Population Density in Project States³⁸



Box 2.2: Implications for Environmental Management

High population density implies greater pressure on the limited land resource for various uses – agriculture, livestock, etc. Such states have limited availability of common property resources such as pastures and grazing lands (also see sections on Land use and Livestock). Considering that animal husbandry is an important livelihood activity of the rural poor, there is a need for facilitating local action on fodder management, especially in states with little availability of commons.

³⁸Census of India, 2001.

2.3 Agro-Climatic Zones

6. The country has been broadly divided into fifteen agricultural regions based on agro-climatic features, particularly soil type, climate including temperature and rainfall, and water resources availability. The 12 project states fall in 13 of the 15 agro-climatic zones in India. Table 2.3 provides details of the agro-climatic zones that the project states fall in.

Table 2.3: Agro-climatic Zones in the Project Area

	<i>Assam</i>	<i>Bihar</i>	<i>Chhattisgarh</i>	<i>Gujarat</i>	<i>Jharkhand</i>	<i>Karnataka</i>	<i>Madhya Pradesh</i>	<i>Maharashtra</i>	<i>Orissa</i>	<i>Rajasthan</i>	<i>Uttar Pradesh</i>	<i>West Bengal</i>
II Eastern Himalayan Region	✓											✓
III Lower Genetic Plain Region												✓
IV Middle Genetic Plain Region		✓									✓	
V Upper Gangatic Plain Region											✓	
VI Trans Gangetic Plain Region										✓		
VII Eastern Plateau and Hills Region			✓		✓		✓	✓	✓			✓
VIII Central Plateau and Hills Region							✓			✓	✓	
IX Western Plateau and Hills Region							✓	✓				
X Southern Plateau and Hills Region						✓						
XI East Coast Plains and Hills Region									✓			
XII West Coast Plains and Ghats Region						✓		✓				
XIII Gujarat Plains and Hills Region				✓								
XIV Western Dry Region										✓		

7. The state profiles provided in Annex 1 give further details on the features of the agro-climatic zones in each state.

Box 2.3: Implications for Environmental Management

The agro-climatic diversity of the project area emphasizes the need for locale-specific environmental management. The environmental management plans developed need to be specific to the diverse agro-climatic contexts within the states (for example, the states of Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal have three agro-climatic zones each).

8. Agro-ecological regions are regions that are homogenous in terms of soil, climate and physiography and conducive moisture availability periods i.e., length of growing period (LGP). They are land units carved out of agro-climatic zones superimposed on landform which acts as modifier to climate and length of growing period. The country has been grouped into 20 agro-ecological regions (AER). The 12 project states fall in 15 AERs. Table 2.4 provides details of the agro-climatic zones that the project states fall in along with information on the

main features and constraints in each AER³⁹.

³⁹K.S.Gajbhiye, C. Mandal. Agro-Ecological Zones, their Soil Resource and Cropping Systems. National Bureau of Soil Survey and Land Use Planning, Nagpur. <http://agricoop.nic.in/Farm%20Mech.%20PDF/05024-01.pdf>

Table 2.4: Agro-ecological Zones in the Project Area

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
2 Hot Arid Eco region with Desert and Saline Soils	<u>Rajasthan</u> : Bikaner, Jaisalmer, Barmer, Jodhpur, Ganganagar, Churu, Jhunjhunu, Sirohi, Jalore <u>Gujarat</u> : Lakhpat, Banni, Great Rann of Kutch, Banaskantha, Bhuj, Jamnagar (Northern part)	Typical hot summer and cool winter (arid). Mean annual precipitation is less than 400 mm. It is just adequate to cover 15-20 per cent of annual PET demand (1500 and 2000 mm). This results in large deficit of water (1500-1800 mm) throughout the year. LGP is of less than 90 days.	Soils are gently to very gently sloping grey brown soils and desert soils, interspersed with level to very gently sloping saline and alkali soils. The sandy soils are moderately calcareous and alkaline in reaction.	The area is under rain fed mono-cropping (traditional) agriculture. The resistant and short duration rainy season crops, such as pearl millet, 'chari' (fodder), and pulses are grown in non-saline areas. The yields are low. In areas with irrigation cotton, sugarcane, mustard, gram and wheat are grown. The natural vegetation comprises sparse, sporadic tropical thorn forest. Forest area in the region is drastically reduced.	Erratic and scanty rainfall leading to high water deficit; Soil salinity leading to frequent physiological droughts; Acute draughtiness at the time of grain formation; Nutrient imbalance, especially for N, P, Zn and Fe.
3 Hot Arid Eco region with Red and Black Soils	<u>Karnataka</u> : Bellary, Southern Raichur, Bijapur, Northern Chitradurga, Tumkur	Hot and dry summer and mild winter. Rainfall is erratic and ranges from 400 to 500 mm. It covers about 20 to 25 per cent of the annual PET demand of 1800 to 1900 mm. The region experiences severe drought conditions almost throughout the year with gross annual water deficit of 1500-1600 mm. The LGP is of less than 90 days.	Soils are gently sloping shallow and medium red loamy, and, level to very gently sloping deep clayey black soils. The dominant red (loamy) soils are slightly acidic and non-calcareous. The subdominant deep, clayey black soils are slightly alkaline and calcareous in nature.	The traditional practice is rain fed farming which includes fallowing the land in rainy season and growing of crops in the post-rainy season on residual soil moisture. The common post-rainy season crops are sorghum and safflower. The yields are very low. Groundnut, sunflower, sugarcane and cotton are intensively grown under irrigated conditions. The natural vegetation of the area comprises tropical thorn forest.	High runoff and erosion hazard during stormy cloud bursts; Prolonged dry spells during crop growing period resulting in occasional crop failure; Narrow range of workable soil moisture in black soils; Subsoil sodicity affecting soil structure, drainage and oxygen availability, especially in subdominant black soils; High subsoil density in red loamy soils limiting effective rooting depth.
4 Hot Semi-arid Eco region with Alluvium	<u>Uttar Pradesh</u> : (Western part), Ghaziabad, Bulandshahr, Aligarh, Mathura, Etah, Agra,	Hot and dry summer and cool winter. Annual precipitation ranges from 500 to 1000 mm with an	The soils are moderately to very gently sloping, coarse to fine loamy and include highly sodic	Almost 65 per cent of the region is under irrigated agriculture. The remaining part is under traditional rain fed	Coarser soil texture and low plant available water capacity (AWC); Over exploitation of

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
Derived Soils	<p>Mainpuri, Moradabad (Southern Part), Bandaun, Shahjahanpur (Southern part), Fatehgarh, Hardoi, Unnao, Etawah, Kanpur, Rai Bareilly, Fatehpur, Bela, Jaunpur, Allahabad, Western part of Varanasi, Lalitpur</p> <p><u>Rajasthan:</u> Alwar, Bharatpur, Jaipur, Sawai-Madhopur, Dhaulpur, Ajmer, Tonk, Bhilwara, Udaipur, Dungarpur</p> <p>Gujarat: Sabarkantha, Mehsana, Ahmedabad, Surendranagar, part of Bhuj</p> <p><u>Madhya Pradesh:</u> Bhind, Morena, Gwalior, Datia, Shivpuri</p>	<p>increasing trend from west to east. It covers 35 to 42 per cent of the mean annual PET demand (1400 and 1900 mm). Annual water deficit is 700-1000 mm. The LGP ranges between 90 and 150 days.</p>	<p>soils. In the northern part of the region, the terrain is frequently interrupted by stable sand dunes.</p>	<p>agriculture. In the northern plain, the droughty climate is overcome by tube well irrigation and the area is intensively cultivated for both kharif and rabi crops, such as rice, millets, maize, pulses, berseem, wheat, mustard and sugarcane. The moderately high yields of wheat and paddy are obtained with irrigation. In some parts of central highlands, like Bundelkhand, less than 25 per cent of the net cropped area is under irrigation, while the rest is under rain fed agriculture. The predominant kharif crops grown under rain fed agriculture are jowar, pigeonpea and soybean, while rabi crops, such as pulses (gram), lentil and wheat are grown on residual moisture with one or two protective irrigations at critical stages of crop growth. In Chambal catchment, the cropping pattern has undergone drastic change replacing millets by wheat, cotton and sugarcane after the introduction of irrigation. The natural vegetation comprises tropical dry deciduous and thorn forests.</p>	<p>groundwater, resulting in lowering of groundwater table in some areas; At places, imperfect drainage conditions lead to spread of surface and subsurface soil salinity and/or sodicity.</p>

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
5 Hot Semi-arid Eco region with Medium and Deep Black Soils	<u>Gujarat</u> : Jamnagar, Amreli, Rajkot, Bhavnagar, Panch Mahal, Kheda, Vadodara, Bharauch, Surat <u>Rajasthan</u> : Bundi, Chittorgarh, Banswara, Kota, Jhalawar <u>Madhya Pradesh</u> : Ujjain, Ratlam, Jhabua, Indore, Dhar, Dewas, Khandwa, Khargone, Mandsaur	The climate of the region is characterized by hot and wet summer and dry winter. The annual precipitation in the region ranges from 500 to 1000 mm. It covers 40 to 50 per cent of the annual PET demand (1600 to 2000 mm) resulting in gross annual water deficit of 800 to 1200 mm. The LGP ranges from 90 to 150 days in a year.	Soils are nearly level to gently sloping deep, loamy to clayey black soils. The Kathiawar peninsula and the coastal areas have saline and alkali soils. Soils of the Malwa plateau are clayey, slightly alkaline, calcareous with characteristic swell-shrink properties.	Dry land farming is the common practice in the region. The Kharif crops usually cultivated in the area are sorghum, pearl millet, pigeon pea, groundnut, soybean, maize and pulses. The common Rabi crops are sorghum, safflower, sunflower and gram. Wheat is grown under irrigated conditions. The natural vegetation comprises dry deciduous forest.	The intermittent dry spell periods; Imperfect drainage limits optimum root ramification and oxygen availability in low-lying areas; Salinity and alkalinity hazards under irrigated agriculture; Severe salinity and seasonal inundation by sea water in the Kathiawar coast resulting in crop failure.
6 Hot Semi-arid Eco region with Shallow and Medium (Dominant) Black Soils	<u>Maharashtra</u> : Pune, Satara, Sangli, Solapur, Osmanabad, Bid, Ahmadnagar, Dhule, Nasik, Jalgaon, Aurangabad, Ahmadnagar, Jalna, Parbhani, Nanded, Latur, Jalalpur, Buldhana, Akola, Amravati, Yavatmal, Kolhapur (Eastern part) <u>Karnataka</u> : Bijapur, Raichur, Dharwad, Belgaum, Uttara Kannada (Eastern part), Gadag	Hot and humid summer and mild and dry winter. Mean annual precipitation, ranging between 600 and 1000 mm, covers about 40 per cent of annual PET demand (1600 and 1800 mm). This results in gross annual deficit of 800 to 1000 mm of water. The LGP ranges from 90 to 150 days.	The soils are moderately to gently sloping shallow black soils, grading to level to very gently sloping medium and deep black soils in valleys. They include shallow, loamy skeletal and highly calcareous soil, and, clayey, calcareous and moderately alkaline soils showing marked swell-shrink properties.	The traditional practice is rain fed agriculture. Sorghum, pigeon pea and pearl millet are major kharif season crops. The drought-prone districts of the region have bimodal rainfall distribution. Therefore, crops are grown during September/October on stored residual soil moisture since there is a significantly long dry period during the first phase of the rains. The post-rainy season crops grown on residual soil moisture are mainly sorghum, safflower and sunflower. Cotton and groundnut are grown under irrigated conditions. The natural vegetation in the region comprises tropical, dry deciduous and thorn forests.	Prolonged dry spells adversely affect the crop growth and lead to crop failure in some years; High runoff during stormy cloud bursts in the rainy season result in heavy soil loss; Deficiency of N, P and Zn leads to nutrient imbalance.

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
8 Hot Semi-arid Eco region with Red Loamy Soils	<u>Karnataka</u> : Eastern part of Shimoga and Chikmangalur, Hassan, Mysore, Mandya, Bangalore, Chitradurga (Southern part), Kolar, Tumkur	Hot and dry summer and mild winter. Annual rainfall of 600 to 1000 mm. The western parts of the region falling in Karnataka receive about 70 per cent of the rainfall during June to September. The area experiences the annual water deficit of 400 to 700 mm. The LGP ranges from 90 to 150 days.	Soils are moderate to gently sloping shallow black soils, grading to gently to very gently sloping red loamy soils. They include soils that are non-calcareous and slightly acidic in nature, and, soils that are calcareous and moderately alkaline in reaction.	Rained agriculture is the traditional practice in the region. The millets, pulses, and groundnut are cultivated in kharif season, while sorghum and safflower are grown in rabi season. Rice is cultivated under irrigation. At places sugarcane and cotton are also grown under irrigated conditions. The natural vegetation comprises tropical, dry deciduous and thorn forests.	High runoff that results in severe soil erosion; Coarse soil texture and low to medium PAWC (Plant Available Water Capacity), resulting in severe draughtiness during the crop growing period; Nutrient imbalance, resulting from deficiency of N, P and Zn.
9 Hot Sub humid (Dry) Eco region with Alluvium-Derived Soils	<u>Uttar Pradesh</u> : Saharanpur, Bijnor, Moradabad (Northern part), Muzaffarnagar (Eastern part), Rampur, Bareilly, Pilibhit, Shajahanpur (Northern part), Lakhimpur (Southern part), Sitapur, Lucknow, Barabanki, Faizabad, Sultanpur, Azamgarh, Balia, Ghazipur, Varanasi (Eastern part) <u>Bihar</u> : Bhojpur, Rohtas, Jahanabad, Patna, Bihar-Sariff, Aurangabad, Gaya, Nawada	Hot summer and cool winter. Annual rainfall of 1000 to 1200 mm, 70 per cent of which is received during July to September. The rainfall covers about 70 per cent of the annual PET demand of 1400 to 1800 mm and leaves an annual water deficit of 500 to 700 mm. The region has LGP of 150 to 180 days.	The soils of the region are generally deep and loamy. The dominant soils capes constitute gently to moderately sloping alluvium soils. In general, they are neutral in reaction and have moderate clay and low organic carbon content. Itwa soils are sodic in their subsurface.	Traditionally rain fed and irrigated agriculture is common. The crops grown are rice, maize, barley, pigeon pea and jute in kharif season and wheat, mustard and lentil in rabi season. Sugarcane and cotton are grown at places under irrigated conditions. The natural vegetation comprises tropical dry deciduous forests.	Injudicious use of irrigation water may lead to waterlogging and salinity hazards.
10 Hot Sub-humid Eco region with Red and	<u>Madhya Pradesh</u> : Guna, Sagar, Bhopal, Damoh, Vidisha, Rajgarh, Shajapur, Sehore,	Hot summer and mild winter. The precipitation shows an increasing trend towards east. The	The soils are largely medium, deep black soils interspersed with patches of red soils. Gently	Rained agriculture is the common practice. Rice, sorghum, pigeon pea and soybean are commonly grown	Cracking clayey soils having narrow workable moisture conditions; Dry tillage and inter tillage

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
Black Soils	Raisen, Jabalpur (Western part), Narsimpur, Hoshangabad, Betul, Tikamgarh, Chhattarpur, Panna, Satna, Rewa, Sidhi, Shahdol, Chhindwara, Seoni, Mandla, Balaghat, Jabalpur (Eastern part), Narsimpur, Hishangabad. <u>Maharashtra</u> : Wardha, Nagpur, Bhandara	mean annual rainfall ranges between 1000 and 1500 mm covering about 80 per cent of the mean annual PET (1300-1600 mm). The LGP ranges from 150-180 days.	sloping shallow black soils, gently to very gently sloping red loamy soil, and very gently sloping to nearly level medium black soils. The dominant deep black soils are calcareous, slightly alkaline and have high swell-shrink potential. The red soils generally occur on ridges and on pediment surfaces. They are shallow to moderately deep, clayey, neutral to slightly acidic in nature occurring on gently to very gently sloping pediment surface in Bundelkhand region.	kharif crops. Gram, wheat and vegetables are common rabi season crops. Kharif cropping is totally rain fed, whereas Rabi cropping is partly irrigated at critical stages of growth. The natural vegetation comprises tropical moist deciduous forest.	practices are difficult to perform; Risk of inundation of the cropped areas during rainy season and risk of acute draughtiness due to prolonged dry spells in Kharif season leading to crop failure at places; Soil loss due to heavy runoff during rainy season resulting in stagnation of water and poor germination; Deficiency of N, P and Zn resulting in nutrient imbalances.
11 Hot Sub-humid Eco region with Red and Yellow Soils	Uttar Pradesh: Mirzapur <u>Bihar</u> : Palamu, Hazaribag, Gumla, Lohardaga <u>Madhya Pradesh</u> : Ambikapur, Bilaspur, Raigarh, Raipur, Rajnangaon, Durg	Hot summers and cool winters. Annual rainfall is 1200 to 1600 mm; of which 70-80 per cent is received between July to September. It meets about 60 per cent of annual PET demand (1400 to 1500 mm). PET exceeds the precipitation from October to June. The LGP ranges between 150 and 180 days in a year.	The dominant soils in the area are moderately to gently sloping red and yellow soils and red loamy soils. They are deep, loamy, non-calcareous and neutral to slightly acidic.	Rained agriculture is the traditional farming with cultivation of rice, millets, pigeon pea, moong and black gram in kharif season. At places, wheat and rice are cultivated under irrigated conditions during rabi season. The natural vegetation comprises tropical moist deciduous forest.	The soils are susceptible to severe water erosion; Partial waterlogging in early stages of crop growth and seasonal draughtiness during advanced stage of crop growth; Subsoil gravelliest and coarse texture, at places, reduce AWC; Deficiency in N, P and micronutrients, such as Zn and B, causes nutrient imbalances.

Agro-ecological Region	Location in Project Area	Agro-climate	Soils	Land use	Constraints
12 Hot Sub-humid Eco region with Red and Lateritic Soils	<u>Maharashtra</u> : Chandrapur, Gadchiroli <u>Madhya Pradesh</u> : Bastar <u>Orissa</u> : Koraput, Kalhandi, Phulbani, Bolangir, Sambalpur, Sundergarh, Dhenkanal, Mayurbhanj, Ganjam (Western part), Puri, Cuttack, Baleshwar, Kendujhargarh <u>Bihar</u> : Dumka, Devghar, Giridih, Dhanbad, Ranchi, Singhbhum <u>West Bengal</u> : Birbhum (Western part)	Hot summers and cool winters. The area receives an annual rainfall of 1000-1600 mm which covers about 80 per cent of the PET leaving deficit of 500 to 700 mm of water per year. Prolonged dry period from December to May (more than 90 days in a year). The LGP varies from 150 to 180 days and at places it is 180 to 210 days.	The dominant soils of the area are represented by gently to very gently sloping red loamy soils, red and yellow soils. They are fine loamy to clayey, non-calcareous, slightly to moderately acidic. The soils are generally shallow on the ridges and plateaus and are under forest cover. The soils in valleys are deep and are generally cultivated.	Rained farming is the traditional practice with cultivation of rice, pulses (moong, black gram and pigeon pea) and groundnut. In rabi season, rice (at places) and wheat are cultivated mostly under irrigated condition. The natural vegetation comprises tropical dry and moist deciduous forests.	The soils are susceptible to severe erosion hazard; Seasonal draughtiness limits optimum crop yields; Subsoil graveliness and coarse soil texture results in low AWC; Deficiency of N, P and some micronutrients, such as Zn and B causes nutrient imbalances; The soils are subject to moderate to high P fixation (especially the Red and Lateritic soils).
13 Hot Sub humid (Moist) Eco region with Alluvium – derived Soils	<u>Uttar Pradesh</u> : Bahraich, Gonda, Gorakhpur, Deoria, Kheri, Bahraich, Pilibhit, Gonda, Basti, Gorakhpur <u>Bihar</u> : Paschim Champaran, Purab Champaran, Gopalganj, Siwan, Sitamarhi, Muzaffarpur, Chhapra, Madhubani, Darbhanga, Samastipur, Saharsa, Begusarai, Munger, Khagaria, Sahibganj, Bhagalpur, Katihar, Madhepura, Purnia, Hazipur, Godda	Hot, wet summer and cool, dry winter. The area receives an annual rainfall of 1400-1800 mm which exceeds the mean annual PET demand (1300 and 1500 mm). The area experiences a small seasonal water deficit of 400 to 500 mm during February to May. The LGP ranges from 180 to 210 days in a year.	The soils in the area are represented by level to very gently sloping alluvium-derived soils. These occur in association with level to very gently sloping, imperfectly drained soils. The soils are calcareous and moderately alkaline in reaction. They show different degrees of profile development. The Tarai soils at the foothills of central Himalayas are deep, loamy and high in organic matter content.	Rained agriculture with cultivation of rice, maize, pigeon pea, moong is common in kharif season. In post-rainy (rabi) season, wheat, lentil, pea, sesame, and at places, groundnut is grown on residual soil moisture with one or two protective irrigations at critical stages. The important cash crops such as sugarcane, tobacco, chillies, turmeric, coriander and potato are usually grown with supplemental irrigation. The natural vegetation comprises tropical moist deciduous and dry deciduous forests.	Flooding and imperfect drainage conditions limit soil aeration; Salinity and/or sodicity, occurring in patches, affect crop yields; Deficiency of N, P and Zn results in nutrient imbalances.
15 Hot Sub-	<u>West Bengal</u> : West	Hot summer and mild to	The soils are represented	Due to the high rainfall, rice	Flooding and

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
humid (Moist) to Humid (inclusion of Per-humid) Eco region with Alluvium-derived Soils	Dinajpur, Maldah, Murshidabad, Krishnanagar, Hoogli, North 24 Parganas, Howrah, Calcutta, Mednipur (Eastern part), Bankura, Bardhaman, Birbhum, Jalpaiguri, Koch Bihar <u>Assam</u> : Barpeta, Kamrup, Nalbari (Southern part), Darrang, Sonipur, Nagaur, Goalpara, Dhubri, Kokrajhar, Jorhat, Golaghat, Sibsagar, Dibrugarh, Kabir Anglong (Northern part), Lakhimpur (Northern part).	moderately cool winter. The intensity of precipitation increases in northern and eastern parts (Bengal basin and Teesta-Brahmaputra Plain) as compared with the southern parts (Ganga Plain). The rainfall in Ganga Plain ranges between 1400 and 1600 mm; in Teesta-Brahmaputra Plains from 1800 to 2000 mm. The precipitation exceeds PET in most of the months in a year. The LGP is more than 210 days in a year.	by level to very gently sloping alluvial soils. The soils are slight to strongly acidic and generally have low to moderate base saturation.	based cropping system is common in the Brahmaputra, Teesta and Ganga Plains. Rice and jute are main crops in rainy season under rain fed condition. In northern foothills of eastern Himalayas (Teesta and Brahmaputra regions), plantation crops, such as tea and horticultural crops like pineapple, citrus and banana are grown. Rice, jute, pulses, oilseeds (mustard) are grown on residual soil moisture in rabi season. Considerable areas in Ganga and Teesta Plains have been brought under irrigation to cultivate rice, wheat, and sugarcane during the rabbi season. The natural vegetation comprises tropical moist and dry deciduous forests.	waterlogging; Excessive leaching of bases and nutrients, resulting in low base status soils, especially in the Brahmaputra (Assam) Plain; Soil acidity (results in plant nutrient fixation, especially P) leads to nutrient imbalances.
16 Warm Per-humid Eco region with Brown and Red Hill Soils	<u>West Bengal</u> : Siliguri, Jalpaiguri, Darjiling <u>Assam</u> : Kokrajhar, Barpeta, Nalbari, Darrang	Warm summer and cool winter. The annual rainfall is 2000 mm. The area experiences short period of water stress during post-rainy period because of seasonal water deficit. The water balance shows the longest LGP (more than 270 days) in a year.	The dominant soils in the region vary from shallow to moderately shallow, loamy, brown forest to deep, organic matter rich soils with moderate to low base status. They include moderately acidic soils.	Jhum cultivation is the traditional farming. It is practiced with mixed cropping on the steep slopes under rain fed condition at an interval of 3-4 years. Another traditional practice is the cultivation of millets on upland terraces and potato, maize, millets and paddy in valleys. In the lower valleys, rice, maize, millets, potato, sweet potato, mustard, sesame and pulses are grown	Severe climatic conditions restrict the choice of crops; Steeply sloping landforms encourage heavy runoff resulting in severe erosion hazards; Deforestation for shifting cultivation leads to severe soil degradation problem; High rainfall leading to intense leaching results in soils with poor base status; Excessive moisture

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
				under rain fed as well as irrigated conditions. At places cotton, mesta and sugarcane are also grown both under rain fed and irrigated conditions. In the hilly areas, vegetables and plantation crops like tea, medicinal plants, and horticultural crops like pineapple, citrus, apple, peer, peach, banana are grown on terraces. The natural vegetation comprises subtropical pine forest and temperate wet evergreen forests, subalpine forest, etc.	leading to water stagnation in valleys during (post) monsoon period limits the choice of crop; Low temperature during post-monsoon period limits the cultivation of second arable crops. Mono cropping is therefore commonly practiced in these regions.
18 Hot Sub-humid to Semi-arid Eco region with Coastal Alluvium-derived Soils	<u>Orissa</u> : Ganjam, Puri, Cuttack, Baleshwar (Coastal plain) <u>West Bengal</u> : Medinipur, South 24 Parganas	The north-western part of coastal strip, including Orissa and West Bengal, receives 1200 to 1600 mm of rainfall of which 80 per cent is during June to September. The PET varies between 1400 to 1700 mm. The annual deficit of water is 600 to 800 mm. The LGP varies from 150 to 210 days or more in a year.	The coastal alluvial soils occur on level to very gently sloping topography and are slight to moderately sodic. They are clayey in nature and have high swell-shrink potential.	Both rain fed and irrigated agriculture are practiced in the region. The main crop cultivated in the area, both in kharif and rabi season, is rice. Coconut is a dominant plantation crop of the region. In some parts, pulses, such as black gram and lentil, and oilseed crops, such as sunflower and groundnut are cultivated after rice (on residual moisture). Besides agriculture, coastal and brackish water fisheries are important economic activities.	Imperfect to poor drainage conditions and limited oxygen availability adversely affect crop yield; Soil salinity (and sodicity at places) resulting from poor drainage conditions adversely affect crop production; The area is prone to cyclones during monsoon and retreating monsoon periods.
19 Hot Humid Per-humid	<u>Gujarat</u> : Surat (Southern part), Dang,	Hot and humid summer and warm winter. The	The major soils of the region include red and	The area is intensively cultivated for rice, tapioca,	Excessive leaching that leads to depletion of plant

<i>Agro-ecological Region</i>	<i>Location in Project Area</i>	<i>Agro-climate</i>	<i>Soils</i>	<i>Land use</i>	<i>Constraints</i>
Eco region with Red, Lateritic and Alluvium derived Soils	Valsad <u>Maharashtra</u> : Thane, Bombay, Alibagh, Ratnagiri, Sindhudurg, Dang, Kolhapur <u>Karnataka</u> : Uttar Kannad (Western part), Shimoga, Dakshim Kannad, Chikmangalore (Western part), Kadagul, Karwar, Mangalore	mean annual rainfall exceeds 2000 mm in most of the areas. The water balance shows that rainfall exceeds PET demand (1400-1600 mm) in most of the months. The region is represented by a longer LGP ranging between 150 and 210 days.	laterite soils along the leeward flank of Sahyadris and the alluvium-derived soils in the coastal plains. They include soils that are very deep, clayey, strongly to moderately acidic in nature and poor in base saturation. Because of the dominance of Kaolinite clay mineral, the soils are low in retentive capacity, suggesting poor inherent fertility.	coconut and spices. The natural vegetation comprises tropical moist deciduous forests.	nutrients and bases; Waterlogging, resulting from imperfect drainage conditions affects crop growth in the coastal plains; Steep slopes, causing runoff, leads to severe soil erosion; Inundation of land area results in localised saline marshes.

2.4 Land use⁴⁰

9. Agriculture constitutes the major land use (with the largest proportion of land being sown) in all states except Chhattisgarh, Jharkhand and Orissa. In these three states the dominant land use is forests. The states with the largest extent of land under forests are Madhya Pradesh (8699 thousand hectares), Chhattisgarh (6355), Orissa (5813) and Maharashtra (5214). As seen in Chart 2.2, the states with the largest proportion of land being cropped (net sown area) are Uttar Pradesh (69%), West Bengal (61%) and Bihar (59%). The largest extent of land under fallows is in the states of Rajasthan (4204 thousand hectares), Maharashtra (2524), Karnataka (2080) and Jharkhand (2027) – while Assam, West Bengal, Chhattisgarh and Gujarat have the least area under fallows. The largest extent of pastures and grazing lands are found in Rajasthan (1706 thousand hectares), Madhya Pradesh (1348) and Maharashtra (1252). West Bengal, Bihar, Uttar Pradesh and Jharkhand have less than 1% of the area under pastures and grazing lands.

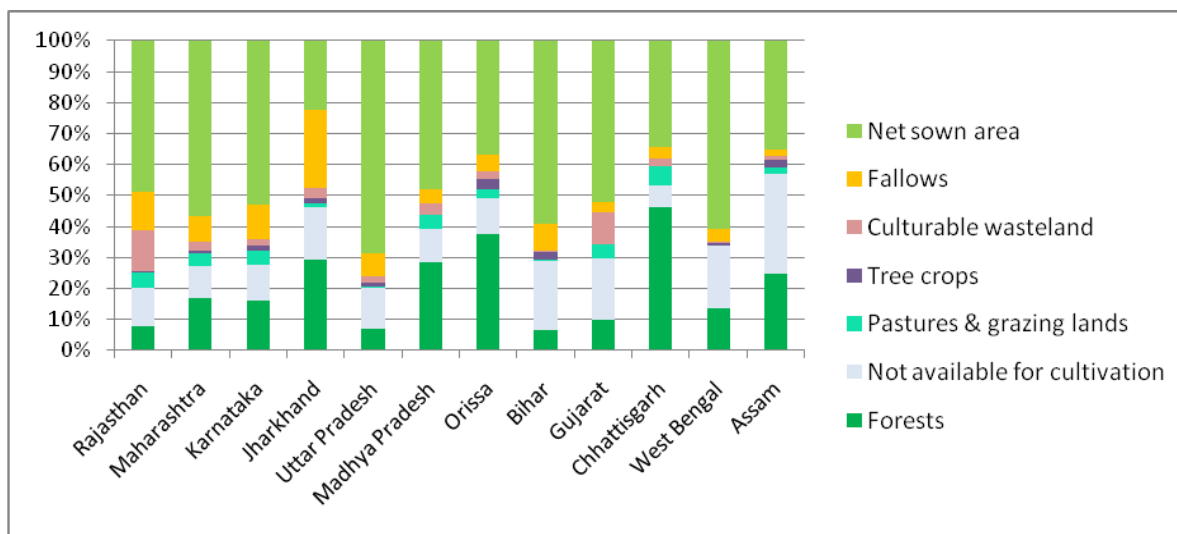
Table 2.5: Land Use in Project States (2006-2007) (area in thousand hectares)

	<i>Forests</i>	<i>Not available for cultivation</i>	<i>Pastures & grazing lands</i>	<i>Tree crops</i>	<i>cultivable wasteland</i>	<i>Fallows</i>	<i>Net sown area</i>
Assam	1954	2512	160	209	77	186	2753
Bihar	622	2083	17	240	46	796	5556
Chhattisgarh	6355	996	857	1	350	509	4722
Gujarat	1854	3753	850	4	1977	579	9852
Jharkhand	2333	1366	88	113	274	2027	1769
Karnataka	3072	2151	934	292	416	2080	10105
Madhya Pradesh	8699	3397	1348	19	1177	1381	14735
Maharashtra	5214	3131	1252	249	914	2524	17475
Orissa	5813	1842	443	482	392	860	5739
Rajasthan	2698	4262	1706	20	4611	4204	16764
Uttar Pradesh	1654	3215	65	376	439	1820	16633
West Bengal	1174	1754	5	58	34	363	5296

10. There are significant variations in the land use patterns within states. Annex 1 presents state profiles which include district-level details of the land use for each of the project states.

⁴⁰ Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. http://dacnet.nic.in/eands/LUS_2000_2005.htm

Chart 2.2: Land Use in Project States (2006-2007)



Box 2.4: Implications for Environmental Management

The land use pattern is closely associated with the livelihoods in an area. The overview of land use in the project states points to the need for encouraging local interventions in: sustainable forest based livelihoods in Madhya Pradesh, Chhattisgarh, Orissa and Maharashtra; fodder cultivation and management in view of the limited fodder resources from pastures and grazing lands in West Bengal, Bihar, Uttar Pradesh and Jharkhand; the need for water management as one of the critical inputs for reviving agriculture in states such as Jharkhand with large extent of fallow lands.

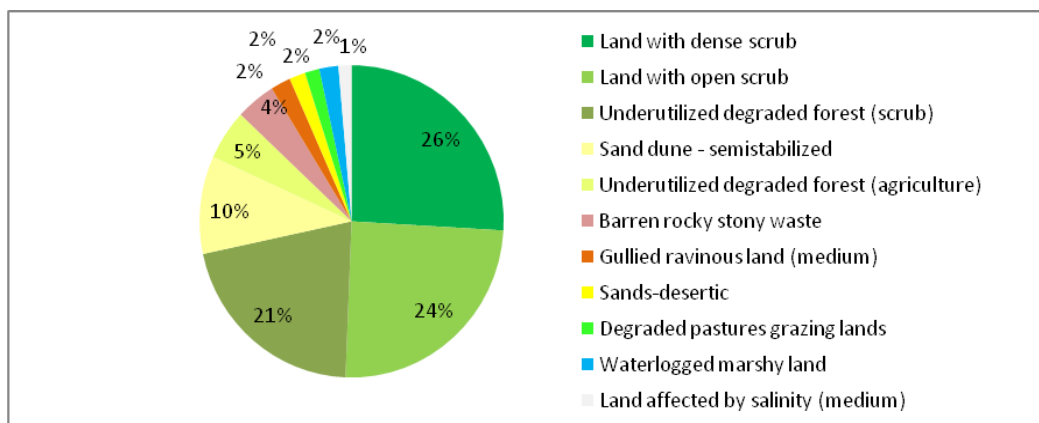
2.5 Land Degradation ⁴¹

11. Land is central to all primary production systems. A variety of biotic and abiotic pressures cause degradation of land. About 12.5% (276522 sq. km) of the 2218892 sq. km area of the 12 project states is classified as wasteland. More than a quarter of Rajasthan is wasteland (and as Rajasthan is the largest state in India, this is a substantial extent as seen in Chart 2.1). Madhya Pradesh and Maharashtra come next with more than 35,000 sq. km of wastelands.
12. As seen in Chart 2.3, about half the wastelands are lands with dense and open scrub. About a quarter of the wastelands constitute degraded forests.

⁴¹Wastelands Atlas of India 2010. Department of Land Resources, Ministry of Rural Development, Government of India. <http://dolr.nic.in>

Table 2.6: Wastelands in Project States (2010)

<i>State</i>	<i>Geographic area (sq. km)</i>	<i>Wasteland (sq. km)</i>	<i>Wasteland as % of geographic area</i>
Assam	78438	8778.02	11.19
Bihar	94171	6841.09	7.26
Chhattisgarh	135194	11817.82	8.74
Gujarat	196024	21350.38	10.89
Jharkhand	79706	11670.14	14.64
Karnataka	191791	14438.12	7.53
Madhya Pradesh	308252	40042.98	12.99
Maharashtra	307690	38262.81	12.44
Orissa	155707	16648.27	10.69
Rajasthan	342239	93689.47	27.38
Uttar Pradesh	240928	10988.59	4.56
West Bengal	88752	1994.41	2.25

Chart 2.3: Types of Wastelands in Project Area (2010)

13. While land with scrub and degraded forest land are the dominant wasteland types in all the project states, there are other types of wastelands, as seen in Chart 2.4, which are specific to certain states. Assam, Bihar, Uttar Pradesh and Orissa have significant extent of area under seasonal or permanent water logging. Shifting cultivation has degraded land in Orissa and to a lesser extent in Assam. Rajasthan, Uttar Pradesh and Madhya Pradesh have severely eroded land indicated by presence of ravines and gullies. Land affected by salinity is found in Uttar Pradesh, Gujarat, Rajasthan and Karnataka. Barren and rocky wastelands occur in Rajasthan, Maharashtra and Karnataka. Annex 1 has state profiles with district-level details on the types of wastelands in each of the project states.
14. Soil is the most basic input for agriculture. The loss of soil by erosion reduces the productive capacity of land. Soil erosion affects about 31% of the project area. Of this the area affected by water erosion accounts for about 28% and the rest 3% is

due to wind erosion (in Rajasthan, Uttar Pradesh and Gujarat).

Chart 2.4: Extent and Types of Wastelands in Project States (2010) (area in square km)

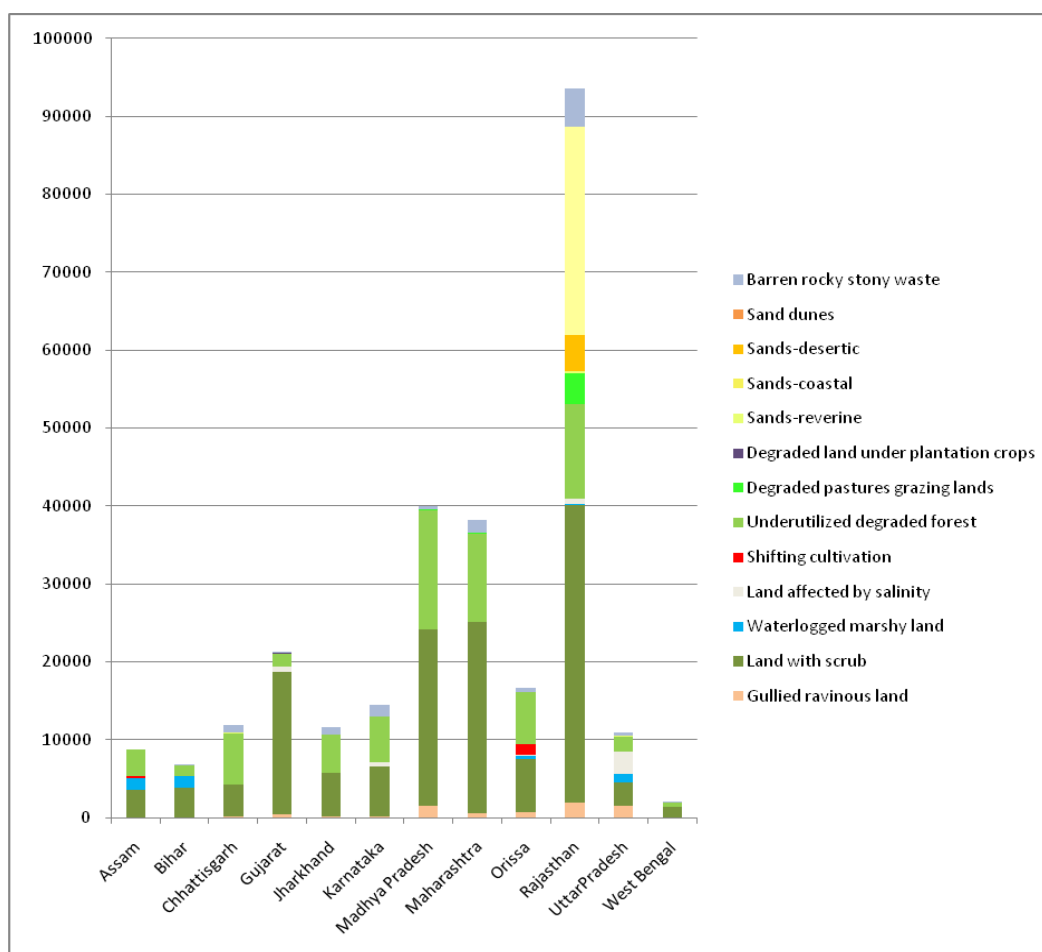
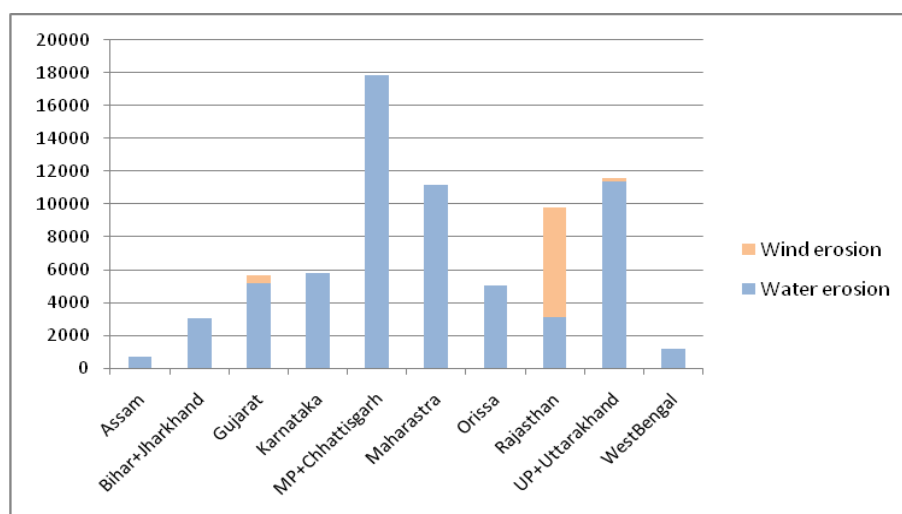


Chart 2.5: Soil erosion in Project Area (2005) (area in thousand hectares)



Box 2.5: Implications for Environmental Management

Interventions that support livelihoods while rehabilitating degraded lands (e.g. soil and moisture conservation works, bio-energy plantations, etc.) may be promoted as part of the Green Opportunities. Demonstration of the involvement of SHG federations in rehabilitation of degraded lands⁴² can open up possibilities for scaling up in convergence with existing Government programmes such as IWMP, MNREGS, etc.

15. The majority of districts in the project area are categorized as having low Nitrogen and Phosphorus status. This is especially the case in Uttar Pradesh, Maharashtra and Rajasthan.

Chart 2.6: Fertility status in Project States (2010) (percentage of districts)⁴³

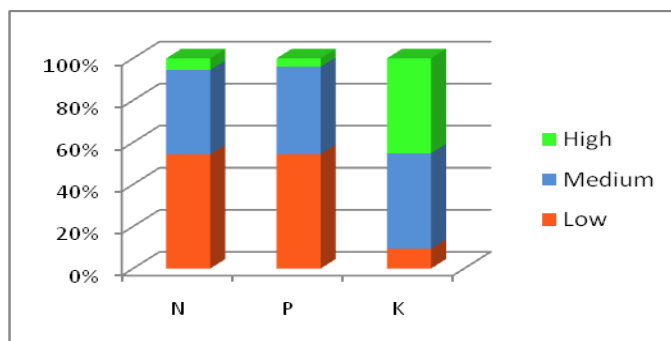
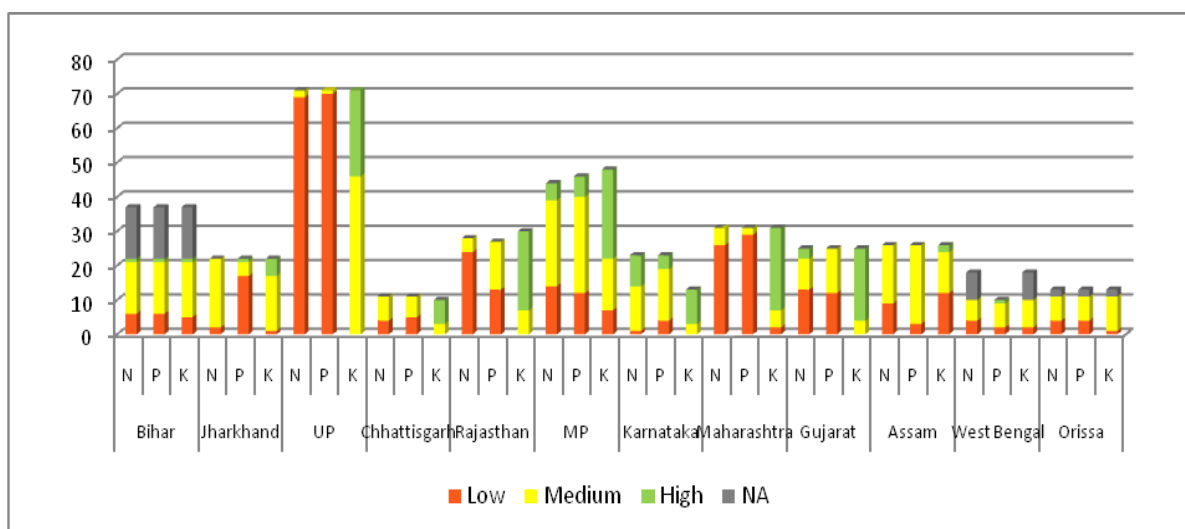


Chart 2.7: Fertility status in Project States (2010) (number of districts)⁴⁴



⁴² For example, in Andhra Pradesh SHG federations (Mandal Mahila Samakhya – MMS) have been involved as Project Implementing Agencies (PIA) in watershed programs – these include Kosgi MMS and Dowlathabad MMS in Mahabubnagar district, Orvakal MMS and Midthur MMS in Kurnool district, Gandeed MMS in Ranga Reddy district.

⁴³ Indian Institute of Soil Science. <http://www.iiss.nic.in>

⁴⁴ Indian Institute of Soil Science. <http://www.iiss.nic.in>

Box 2.6: Implications for Environmental Management

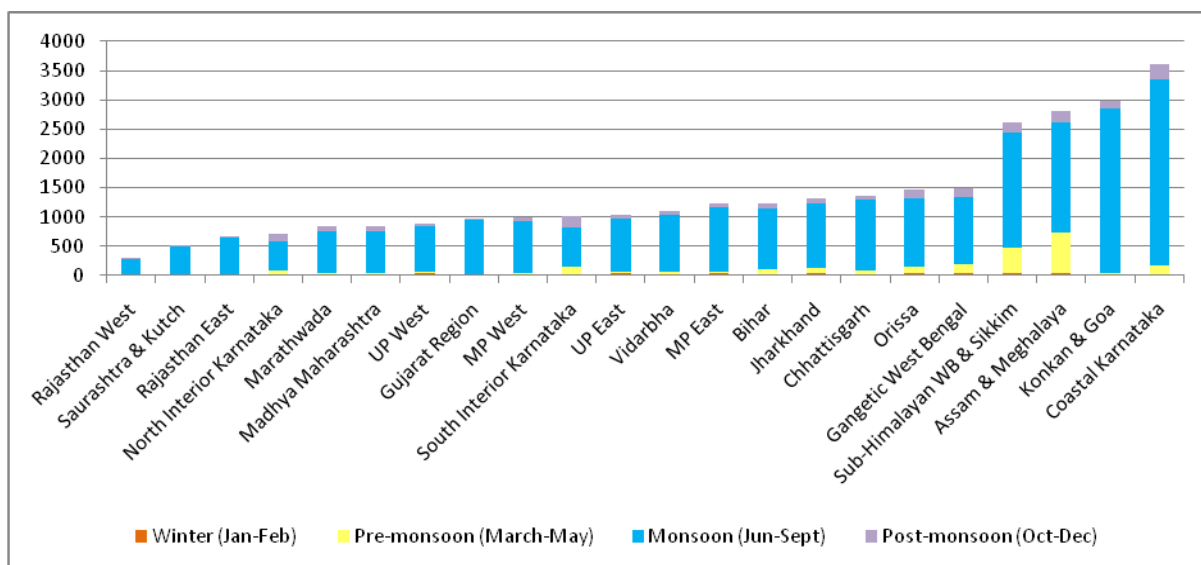
Soil testing to identify the soil nutrient status (on the basis of which fertilizer inputs can be planned) is a critical service needed by farmers – however, access to this is currently constrained by poor servicing by Government soil testing labs, low awareness on need for soil testing and poor skills in sample collection. SHG federations can play an important role in facilitating soil testing by (a) liaison with soil testing labs for organizing systematic collection of samples, timely delivery of results and their interpretation, etc. (b) management of trained Para workers (Green CRPs) who use soil testing kits to deliver basic soil testing services to farmers⁴⁵.

2.6 Water resources

2.6.1 Rainfall and Drought

16. As seen in Chart 2.8, the annual (normal) rainfall in the project area ranges from 297 mm in West Rajasthan to 3613 mm in Coastal Karnataka. Most of this occurs during the South West monsoon (June – September).

Chart 2.8: Normal Rainfall in the Project Area⁴⁶ (mm)



17. When the rainfall deficiency is between 26 to 50%, droughts are categorized as moderate drought. When the rainfall deficiency exceeds 50%, it is a severe drought. Severe droughts are more common in Rajasthan, Gujarat and Maharashtra (except Konkan). West Rajasthan and the whole of Gujarat are chronically drought⁴⁷ prone (probability of drought exceeds 20% or a drought can be expected at least once in 5

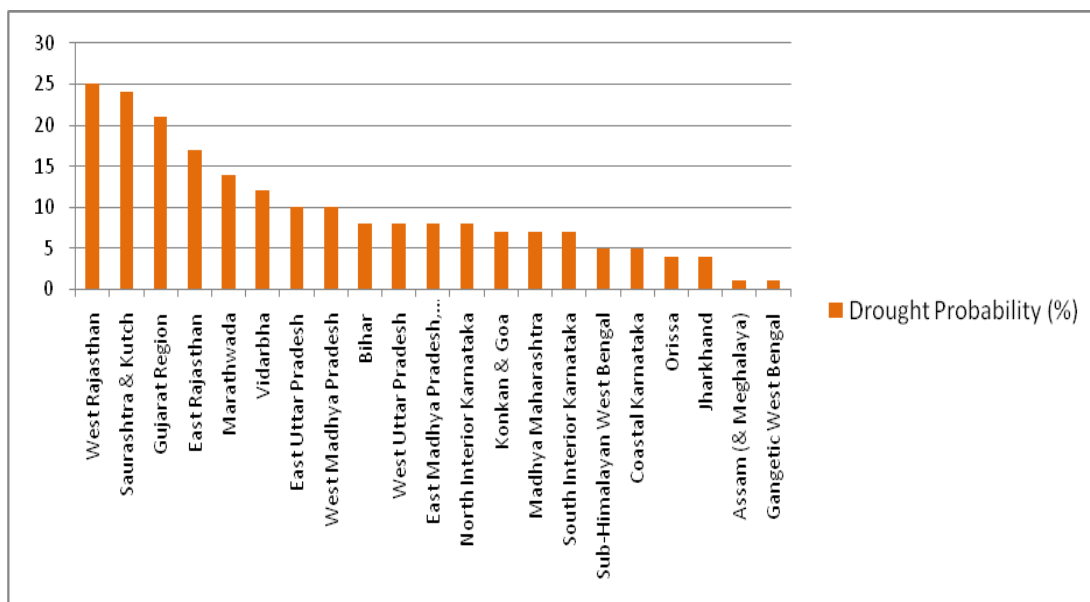
⁴⁵ For example, in the IFAD supported Uttarakhand Livelihood Improvement Project for the Himalayas, soil testing service is provided to farmers by Community Resource Persons through the SHG Federation. www.ajeevika.org.in

⁴⁶ Indian Meteorological Division. <http://www.imd.gov.in>

⁴⁷ The India Meteorological Department (IMD) defines drought in any area when the rainfall deficiency in that area is $\geq 26\%$ of its long term normal. It is further classified into moderate and severe drought depending upon whether the deficiency is between 26 to 50% and more than 50% respectively.

or 4 years⁴⁸). Areas having drought probability between 10% and 20% are categorized as frequently drought prone. These areas can expect drought once in 6 to 10 years and include east Uttar Pradesh, east Rajasthan, West Madhya Pradesh, Marathwada, Vidarbha. The rest of the project area has a drought probability of less than 10% and belongs to the category of least drought affected area.

Chart 2.9: Probability of Drought in the Project Area⁴⁹



Box 2.7: Implications for Environmental Management

The concentration of rainfall during the South-West monsoon emphasizes the need for promoting rainwater harvesting. The chronically drought prone areas of West Rajasthan and Gujarat experience drought once every 5 or 4 years. These regions need interventions focused on drought proofing that can be promoted as part of the Environmental Management Plans of the SHG federations – participatory varietal selection of crop varieties resistant to water shortages for a prolonged period, water management (e.g. building check-dams), land management (e.g. contour bundling), fodder management, etc.

2.6.2 Surface water

18. Uttar Pradesh, Madhya Pradesh and Maharashtra have over 10,000 km of rivers and canals. Karnataka comes next with about 9,000 km. The rest of the project states have under 5,000 km of rivers and canals.

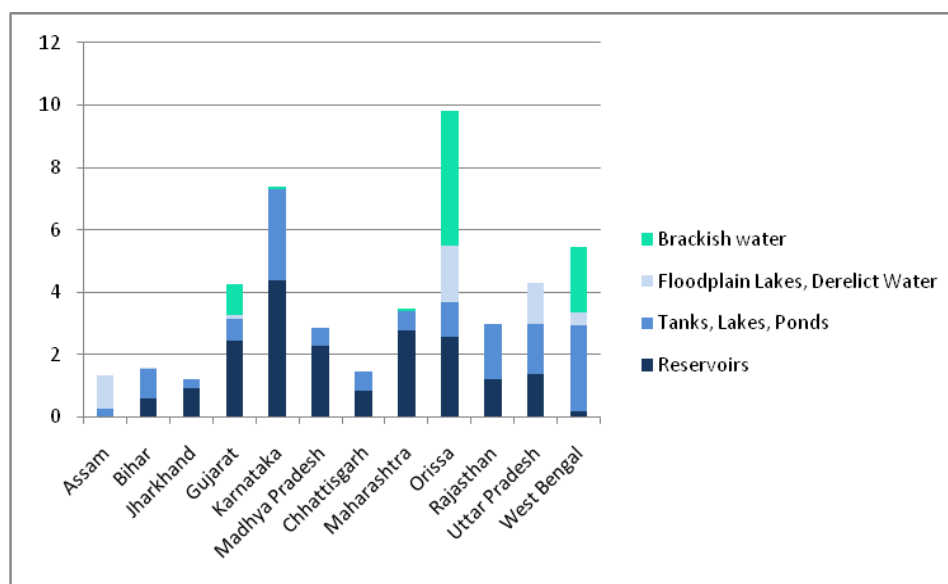
⁴⁸ In the 130 years from 1875 to 2004.

⁴⁹ M.P.Shewale, Shravan Kumar, 2010. Climatological Features of Drought Incidences in India. National Climate Centre. Climatology No. 21/2005. India Meteorological Department, Pune

Table 2.7

States	Rivers & Canals (length in km)	Water bodies (area in lakh ha)				
		Reservoirs	Tanks, Lakes, Ponds	Floodplain Lakes, Derelict Water	Brackish water	Total Water Bodies
Assam	4820	0.02	0.23	1.1	0	1.35
Bihar	3200	0.6	0.95	0.05	0	1.6
Jharkhand	4200	0.94	0.29	0	0	1.23
Gujarat	3865	2.43	0.71	0.12	1	4.26
Karnataka	9000	4.4	2.9	0	0.1	7.4
Madhya Pradesh	17088	2.27	0.6	0	0	2.87
Chhattisgarh	3573	0.84	0.63	0	0	1.47
Maharashtra	16000	2.79	0.59	0	0.1	3.48
Orissa	4500	2.56	1.14	1.8	4.3	9.8
Rajasthan	5290	1.2	1.8	0	0	3
Uttar Pradesh	28500	1.38	1.61	1.33	0	4.32
West Bengal	2526	0.17	2.76	0.42	2.1	5.45

Chart 2.10: Inland Water Bodies in Project States (2003-2004) (area in lakh hectares)



Box 2.8: Implications for Environmental Management

Inland water bodies support several livelihoods – most directly – agriculture and fisheries. The large extent of area under inland water bodies in Orissa, Karnataka, West Bengal, Uttar Pradesh and Gujarat indicates the potential of fisheries as a livelihood in these states. While reservoir

fisheries are more organized, those in the other water bodies (tanks, lakes and ponds; floodplain lakes; brackish water) are mostly unorganized – indicating scope for livelihood intervention in this area. Organized fishery provides opportunity for regulation and extension support that can make fishing practices sustainable.

2.6.3 Groundwater⁵⁰

19. The stage of groundwater development in the project states ranges from 18% in Orissa to 125% in Rajasthan⁵¹.

Table 2.8: Groundwater Development in Project States (2004)

	<i>Net annual groundwater availability (BCM)</i>	<i>Annual groundwater draft (BCM)</i>	<i>Stage of groundwater development (%)</i>
Assam	24.89	5.44	22
Bihar	27.42	10.77	39
Chhattisgarh	13.68	2.8	20
Gujarat	15.02	11.49	76
Jharkhand	5.25	1.09	21
Karnataka	15.3	10.71	70
Madhya Pradesh	35.33	17.12	48
Maharashtra	31.21	15.09	48
Orissa	21.01	3.85	18
Rajasthan	10.38	12.99	125
Uttar Pradesh	70.18	48.78	70
West Bengal	27.46	11.65	42

20. Overall, the status of groundwater development in the states of Rajasthan and Gujarat is not in the safe category, while Karnataka and Uttar Pradesh are close behind. The states of Orissa, Chhattisgarh, Jharkhand and Assam have the stage of development at or under 20% - indicating scope for further resource extraction. Bihar, West Bengal, Madhya Pradesh and Maharashtra are at the rage 40-50% - indicating that while there is scope for further development, wise use of the resource is necessary.
21. As seen in Chart 2.12, the states with blocks classified as having over-exploited groundwater status are Rajasthan (140 blocks), Karnataka (65), Uttar Pradesh (37), Gujarat (31), Madhya Pradesh (24) and Maharashtra (7). Rajasthan also has 50 blocks classified as critical, followed by Uttar Pradesh with 13 and Gujarat with 12

⁵⁰ Central Groundwater Board, Ministry of Water Resources, Government of India. 2006. Dynamic Groundwater Resources of India (as on March 2004).

⁵¹ Stage of groundwater development is less than or equal to 70% or is more than 70% but less than or equal to 90% and shows no significant long term decline (pre and post monsoon) – Safe category

Stage of groundwater development is more than 70% but less than or equal to 90% or is more than 90% and less than or equal to 100% and shows significant long term decline (pre or post monsoon) – Semi-critical category

Stage of groundwater development is more than 90% and less than or equal to 100% and shows significant long term decline (pre and post monsoon) – Critical category

Stage of groundwater development is more than 100% and shows significant long term decline (pre and/or post monsoon) – Over-exploited category

blocks. Eight of the project states have blocks with semi-critical status.

Chart 2.11: Stage of Groundwater Development in the Project States (2004)

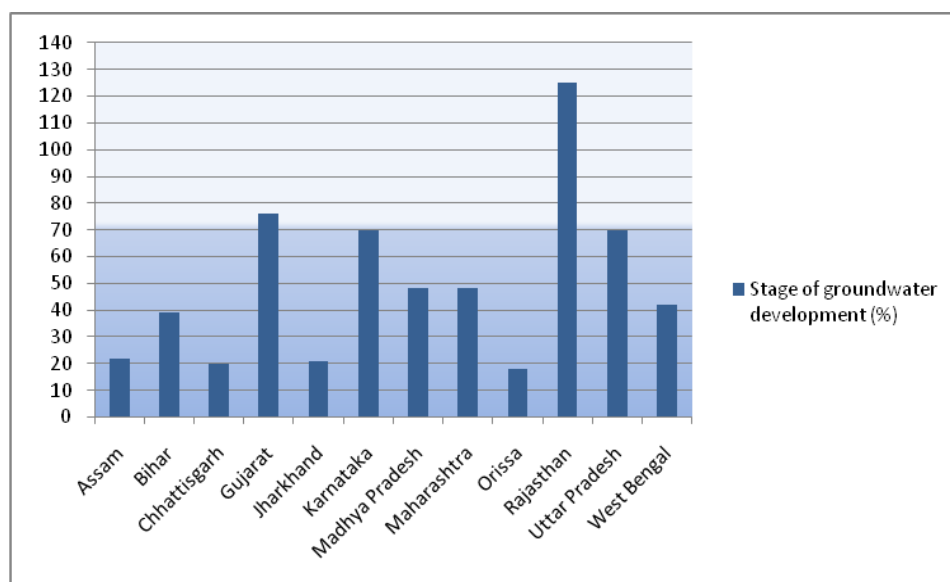
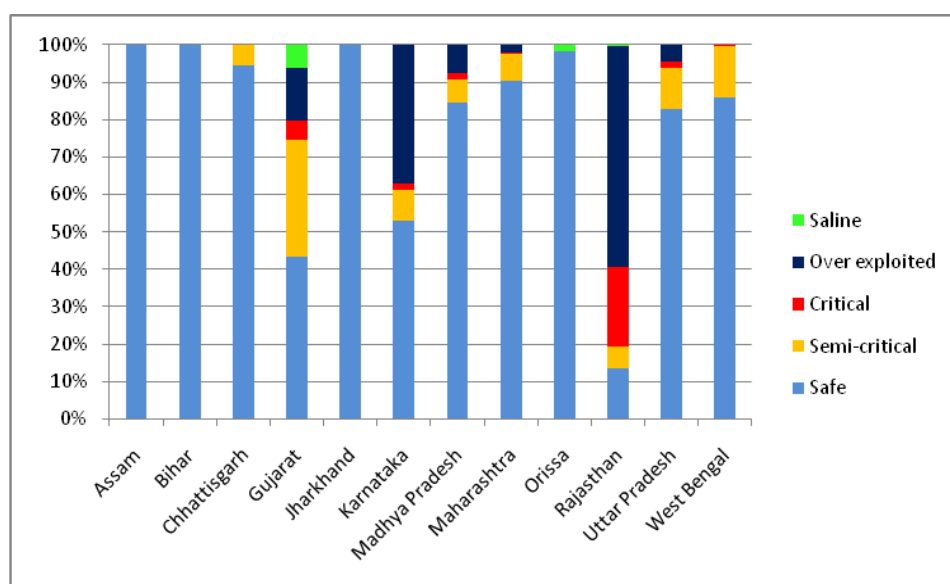


Chart 2.12: Categorization of Blocks as per Groundwater Status (2004) (percentage of blocks)



Box 2.9: Implications for Environmental Management

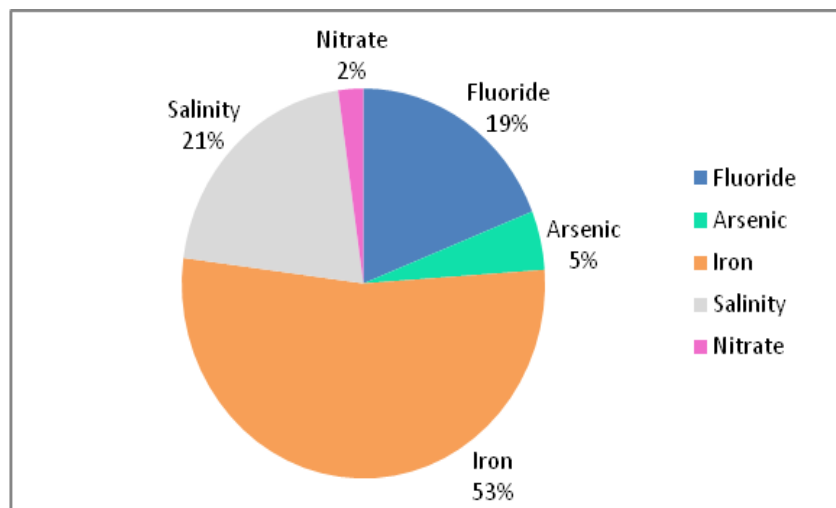
The irrigation sector accounts for about 92% of the groundwater draft in the country. Irrigation tube wells are one of the main investments that poor households make with micro-credit support. It is important to regulate the use of credit for digging of irrigation tube wells – to ensure that the investment is in a sustainable resource. In blocks that have been classified as over-exploited, micro-credit support for irrigation tube wells must not be made available. In blocks that have been classified as critical and semi-critical, support may be provided on integration of required mitigation measures into the Federation's Environmental Management Plans.

Micro-level information on the groundwater status is important for planning mitigation action at the farmer and village levels. The importance and feasibility of community based groundwater management (involving participatory monitoring of groundwater status, crop water budgeting, etc.) has been successfully demonstrated⁵². The project can use these experiences to build the capacity of Green CRPs in facilitating community based groundwater management.

2.6.4 Water quality⁵³

22. About 10% of the habitations in the project states have water quality issues (133582 out of the total of 1324486 habitations). The quality of drinking water in these habitations is affected by Iron (71088 habitations), Salinity (27627), Fluoride (25350), Arsenic (6545) and Nitrate (2972).

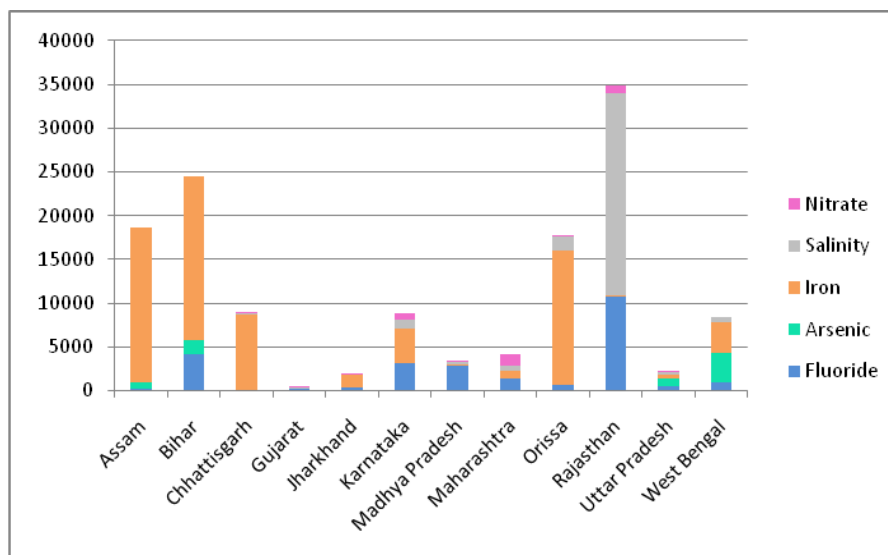
Chart 2.13: Water Quality Affected Habitations in Project Area (2010)



⁵² The FAO supported Andhra Pradesh Farmer Managed Groundwater Systems Project and the World Bank supported Andhra Pradesh Community Based Tank Management Project and the Andhra Pradesh Drought Adaptation Initiative. Deep Wells and Prudence: Towards Pragmatic Action for Addressing Groundwater Over-exploitation in India. The World Bank. 2010.

⁵³ National Rural Drinking Water Program, Department of Drinking Water and Sanitation, Ministry of Rural Development, Government of India. Quality Affected Habitations as on 1 April 2010. <http://indiawater.nic.in>

Chart 2.14: Water Quality Affected Habitations in Project States (2010)



Box 2.10: Implications for Environmental Management

Poor water quality affects livelihoods by impacting health (reduced opportunity to work, cost of treatment, etc.) – and the poor are most vulnerable. While bacteriological contamination of drinking water is a widespread problem and can be addressed through better sanitation, hygiene and disinfection, chemical contamination (Iron, Fluoride, Arsenic, etc.) needs specialized treatment. The involvement of self-help groups in addressing water quality issues has been successfully demonstrated (for example, _____). One of the Green Opportunities for the project to pilot could be on water quality management.

We need to include the examples here

2.7 Agriculture

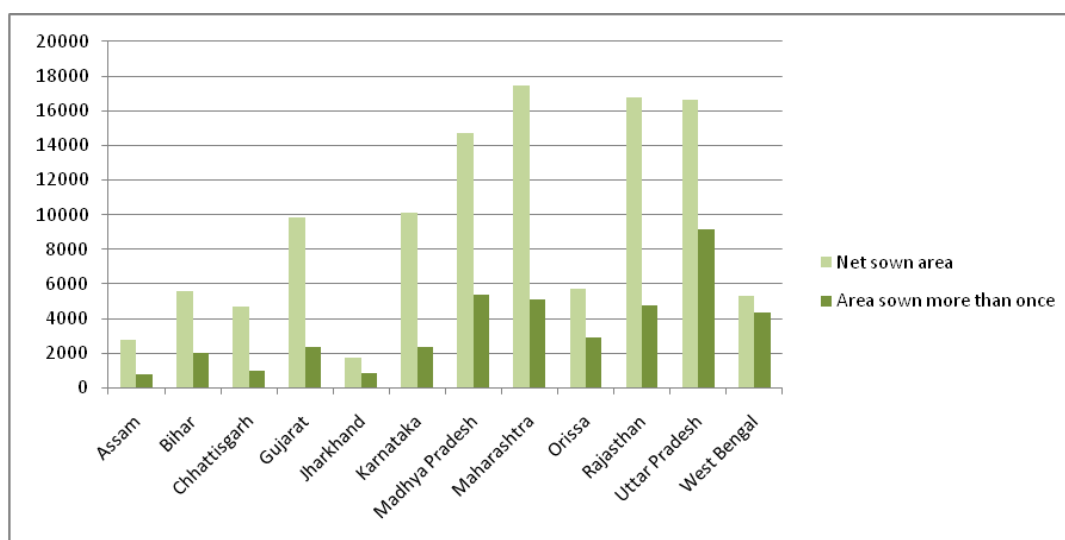
23. The contribution of agriculture to the State Net Domestic Product ranges from 11% (Maharashtra) to 39% (Bihar) for the project states⁵⁴ (2004-05)⁵⁵. The states with the largest proportion of land being cropped (net sown area) are Uttar Pradesh (69%), West Bengal (61%) and Bihar (59%). In terms of the extent of gross cropped area (net sown area and area sown more than once), Uttar Pradesh, Maharashtra, Rajasthan and Madhya Pradesh lead with more than 20,000 thousand hectares followed by Karnataka and Gujarat with a little over 12,000 thousand hectares. Jharkhand and Assam have the least gross cropped area among the project states (under 5,000 thousand hectares)⁵⁶.

⁵⁴Water Sector at a Glance. 2007. Central Water Commission. Government of India.

⁵⁵ Assam 29%, Bihar 39%, Jharkhand 23%, Gujarat 17%, Karnataka 18%, Madhya Pradesh 29%, Chhattisgarh 15%, Maharashtra 11%, Orissa 24%, Rajasthan 25%, Uttar Pradesh 33% and West Bengal 20%.

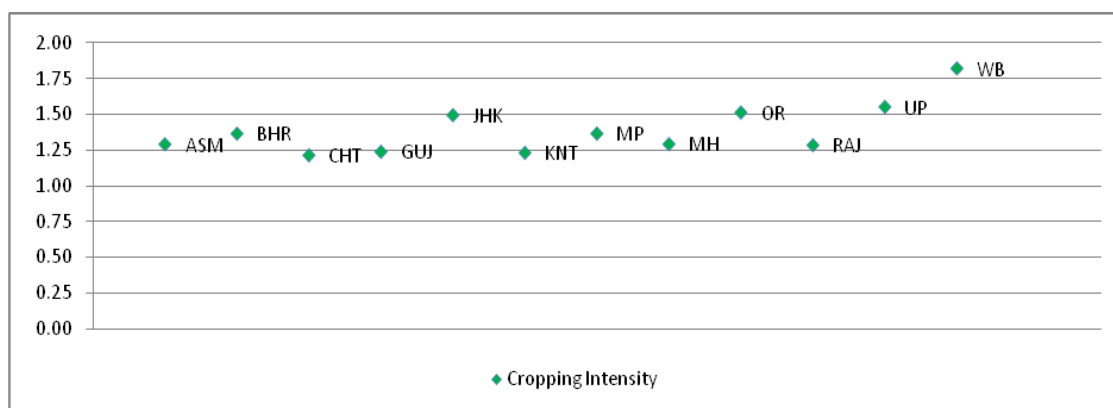
⁵⁶ Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. http://dacnet.nic.in/eands/LUS_2000_2005.htm

Chart 2.15: Sown Area in Project States (2006-2007) (area in thousand hectares)⁵⁷



24. Most of the project states have cropping intensity ranging from 1.25 to 1.5. West Bengal and Uttar Pradesh have the highest cropping intensity – 1.82 and 1.55 respectively.

Chart 2.16: Cropping Intensity in Project States (2006-2007)⁵⁸



25. As seen in Chart 2.17, the productivity of cereals in most of the project states is below the Indian average. Only two states – West Bengal and Uttar Pradesh have higher productivity levels. The productivity of pulses is higher than the average for the country for half the project states. Gujarat, Rajasthan and Maharashtra have the

⁵⁷ Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. http://dacnet.nic.in/eands/LUS_2000_2005.htm

⁵⁸ ASM – Assam, BHR – Bihar, CHT – Chhattisgarh, GUJ – Gujarat, JHK – Jharkhand, KNT – Karnataka, MP – Madhya Pradesh, MH – Maharashtra, OR – Orissa, RAJ – Rajasthan, UP – Uttar Pradesh, WB – West Bengal

highest productivity rates for oil seeds⁵⁹.

⁵⁹ Average of 2001-02 to 2005-06. Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. <http://dacnet.nic.in/eands>

Chart 2.17: Productivity of Cereals in Project States (kg/ha) (Average of 2001-02 to 2005-06)

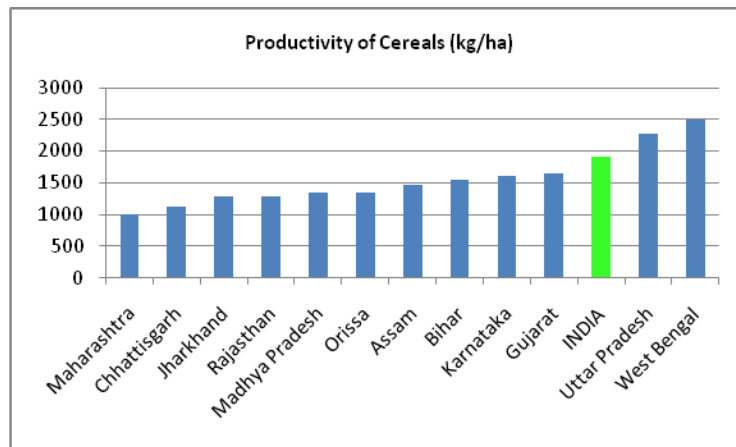


Chart 2.18: Productivity of Pulses in Project States (kg/ha) (Average of 2001-02 to 2005-06)

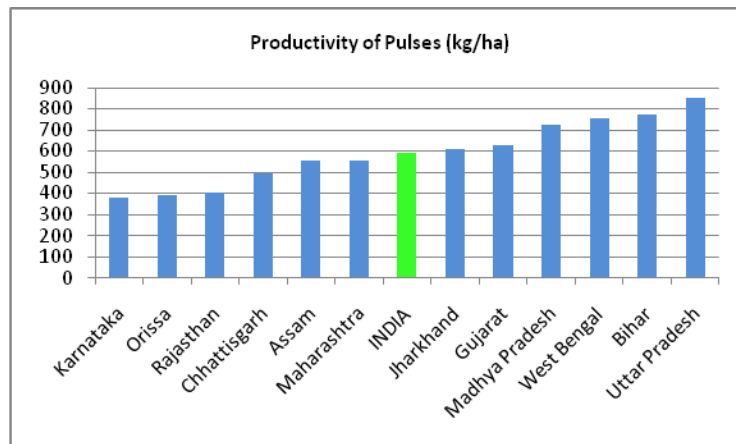
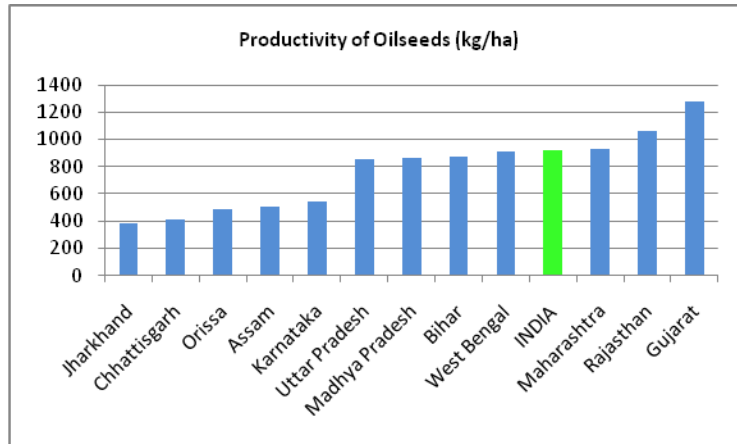


Chart 2.19: Productivity of Oilseeds in Project States (kg/ha) (Average 2001-02 to 2005-06)



26. The percentage of net sown area that is irrigated ranges from 5% in Assam and 7% in Jharkhand to 80% in Uttar Pradesh, 62% in Bihar and 55% in West Bengal. There is a heavy reliance on tube wells for irrigation in the states of Uttar Pradesh, Bihar and West Bengal – with tube wells contributing to 50-70% of the net irrigated area. Tanks play a significant role in irrigation in Jharkhand, West Bengal and Karnataka.

Figure 2.2: Irrigated Area in Project States

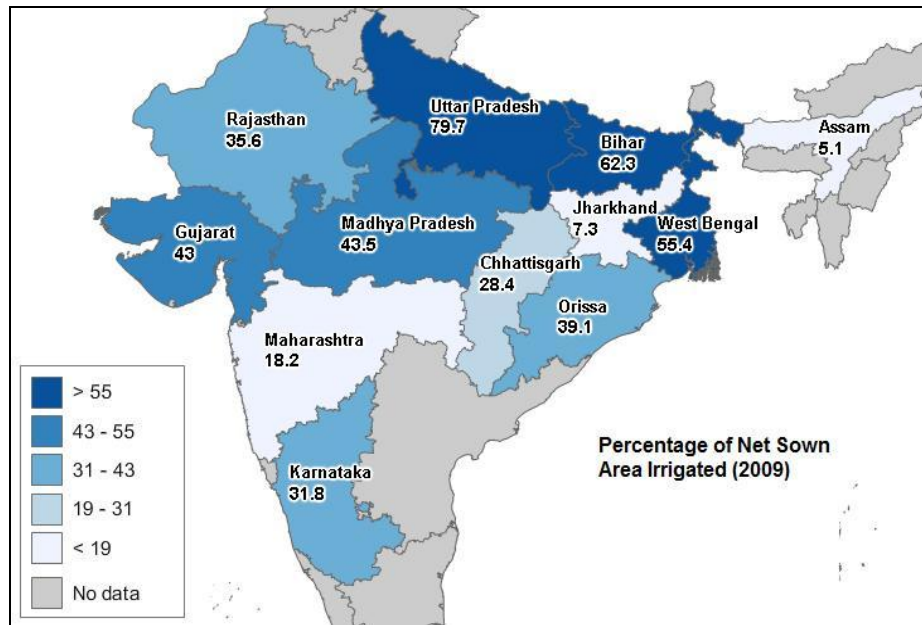


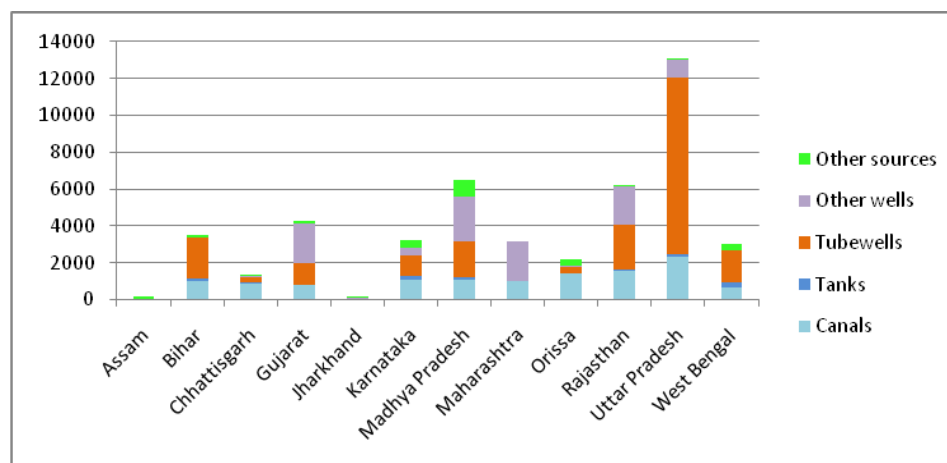
Table 2.9: Net Irrigated Area and Sources of Irrigation in Project States (2008-2009)
(thousand hectares)⁶⁰

	Canals	Tanks	Tube wells	Other wells	Other sources	Net irrigated area	Net sown area	% of Net sown area irrigated
Assam	33	3	0	2	101	140	2753	5%
Bihar	971	155	2264	7	132	3529	5662	62%
Chhattisgarh	887	51	288	28	84	1339	4710	28%
Gujarat	789	40	1133	2174	102	4238	9852	43%
Jharkhand	8	21	17	46	17	110	1504	7%
Karnataka	1061	206	1140	406	424	3238	10174	32%
Madhya Pradesh	1066	130	1985	2385	941	6506	14941	44%
Maharashtra	1002	0	0	2171	0	3173	17426	18%
Orissa	1418	0	331	101	341	2192	5604	39%

⁶⁰Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. <http://dacnet.nic.in/eands>

Rajasthan	1583	31	2437	2122	73	6245	17551	36%
Uttar Pradesh	2358	105	9576	1004	41	13085	16417	80%
West Bengal	672	289	1684	43	319	3006	5428	55%

Chart 2.20: Sources of Irrigation in Project States (2008-2009) (thousand hectares)

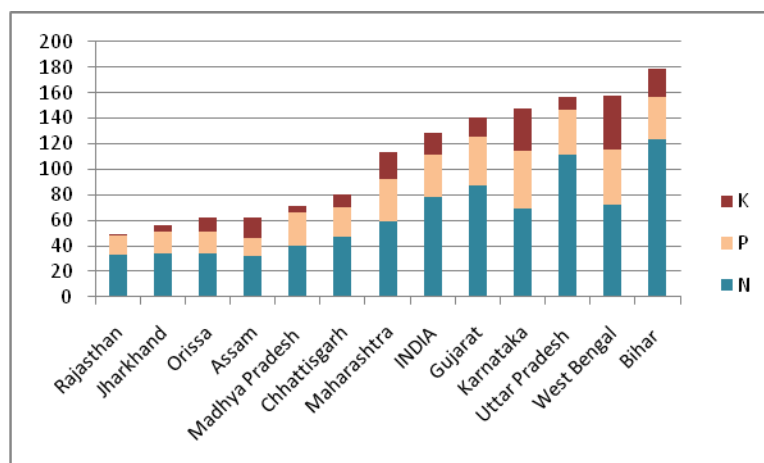


Box 2.11: Implications for Environmental Management

The predominance of tube wells as a source of irrigation in the project area stresses the need for promoting efficient irrigation practices (drip and sprinkler irrigation, bucket drip kits, etc.) through the Self Help Groups. The involvement of Self Help Groups both as beneficiaries as well as promoters of drip irrigation has been successfully demonstrated (for example, by ____). The project can use these experiences to design a pilot Green Opportunity intervention on efficient irrigation management.

27. The consumption of fertilizers in Gujarat, Karnataka, Uttar Pradesh, West Bengal and Bihar is higher than the national average. The use of chemical fertilizers in Rajasthan and Jharkhand is less than half of the country average.

Chart 2.21: Fertilizer Consumption in Project States (2008-2009) (kg/hectare)



28. The use of chemical pesticides in Gujarat, Karnataka and Rajasthan shows a clear declining trend. In the other states, the use of pesticides is either more or less the same or is increasing (Chhattisgarh).

Figure 2.3: Pesticide Consumption in Project States

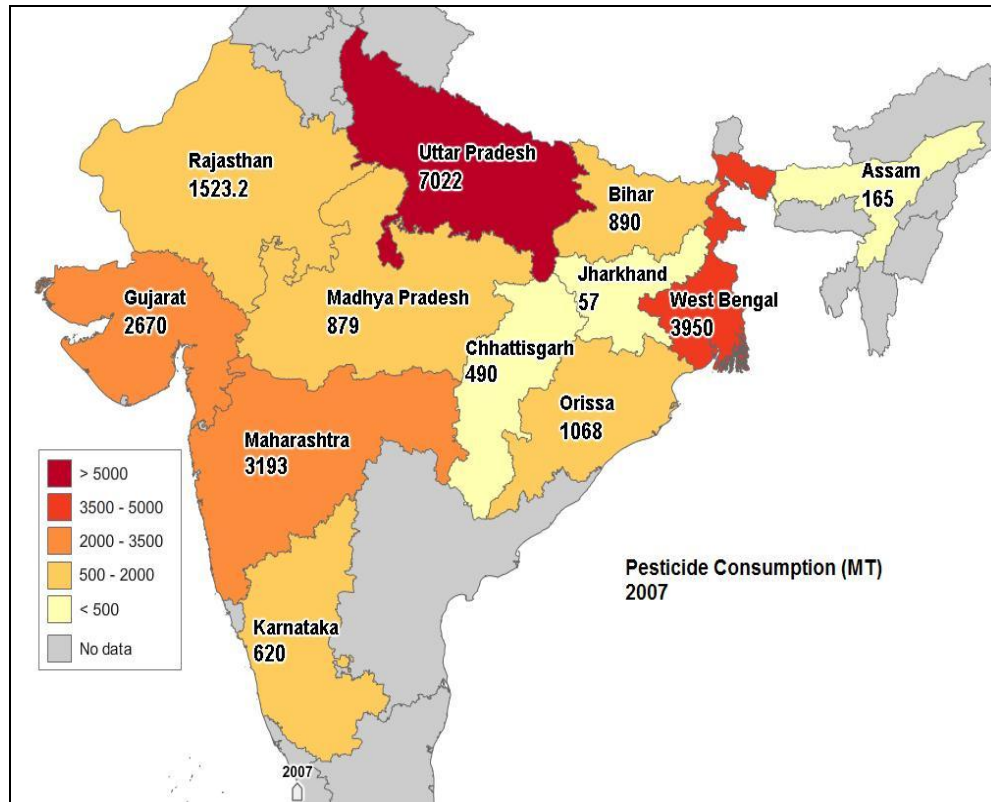
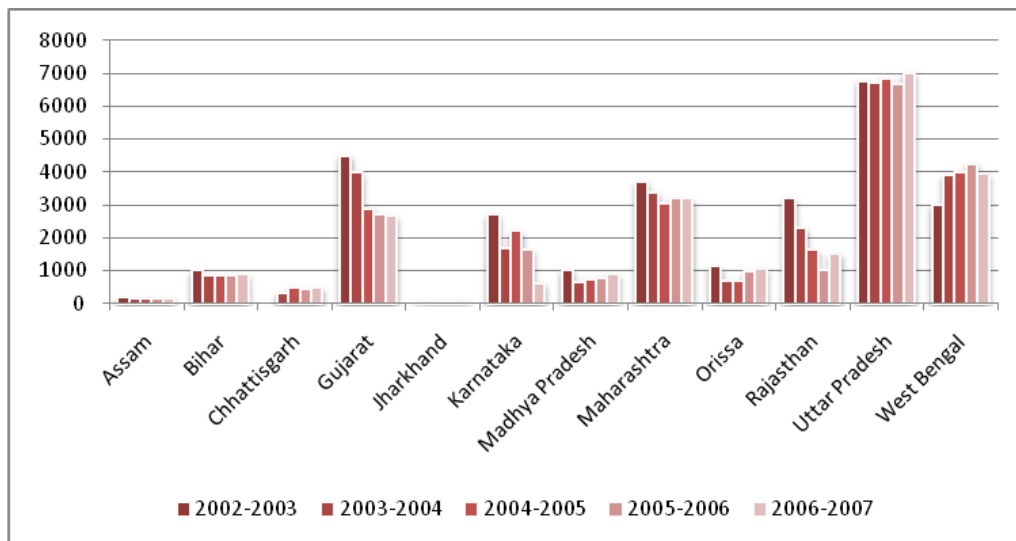


Chart 2.22: Pesticide Consumption in Project States (2002-2007) (MT)



Box 2.12: Implications for Environmental Management

As seen in section ____, poor soil nutrient status – especially of the macronutrients N and P – is a concern across the project states. There is a need to promote (a) fertilizer scheduling based on soil testing (b) use of organic inputs both in states with high use of chemical fertilizers and in those that are yet to ‘catch up’ on their use. While pesticide consumption is on the decline in some states, it is steady or increasing in others. There is thus a need to promote non-chemical, integrated pest management in all states. The promotion of non-chemical pest and nutrient management through Self Help Groups has been successfully demonstrated by initiatives such as the Community Managed Sustainable Agriculture in Andhra Pradesh and System for Root Intensification in Bihar⁶¹. These need to be scaled up through the project.

2.8 Livestock and Fisheries

2.8.1 Livestock

29. Uttar Pradesh, West Bengal and Madhya Pradesh account for 10% of the country’s cattle population followed by Maharashtra with 9%, and, Bihar and Rajasthan with 6%. Uttar Pradesh also leads in the buffalo population, accounting for 23%, followed by Rajasthan with 11% of the country’s population. The highest sheep population is in Rajasthan (16% of the country’s population) and Karnataka (12%) while the goat population is the highest in West Bengal (15%) and Rajasthan (14%). West Bengal has 12% and Maharashtra has 8% of the poultry population in the country.
30. The main sources of fodder are crop residues (dry fodder), cultivated fodder, pastures and grazing lands and forests⁶² (green fodder). Fallows and wastelands are also important for grazing. The states of Uttar Pradesh, Madhya Pradesh, Maharashtra and Rajasthan have a greater extent of land under fodder sources – primarily due to large extent of land under food grain crops.
31. As seen in Charts 2.23 and 2.24, Rajasthan, Maharashtra, Uttar Pradesh and Gujarat lead in the production of fodder. However, there is a substantial deficit between the demand and supply of fodder in all the states (except Maharashtra) as indicated in Chart 2.25. The states of Uttar Pradesh, West Bengal, Bihar, Madhya Pradesh and Rajasthan have the widest gap between fodder demand and supply. This indicates that the current demand is being met by fodder imports (for example, from Punjab and Haryana to Rajasthan), from other crop residues (for example, use of vegetable crop residues in Bihar), from overgrazing in forests (for example, in Madhya Pradesh).

⁶¹ Andhra Pradesh Rural Poverty Reduction Project and Bihar Rural Livelihoods Project.

⁶² Forests are open to grazing in some states while in others permission from the Forest Department is required. Grazing in Reserve Forests and Wildlife Sanctuaries requires permission from the Forest Department. Grazing in National Parks is not permitted.

Figure 2.4: Livestock Population in Project States (2003) (thousand in Cow Units⁶³)

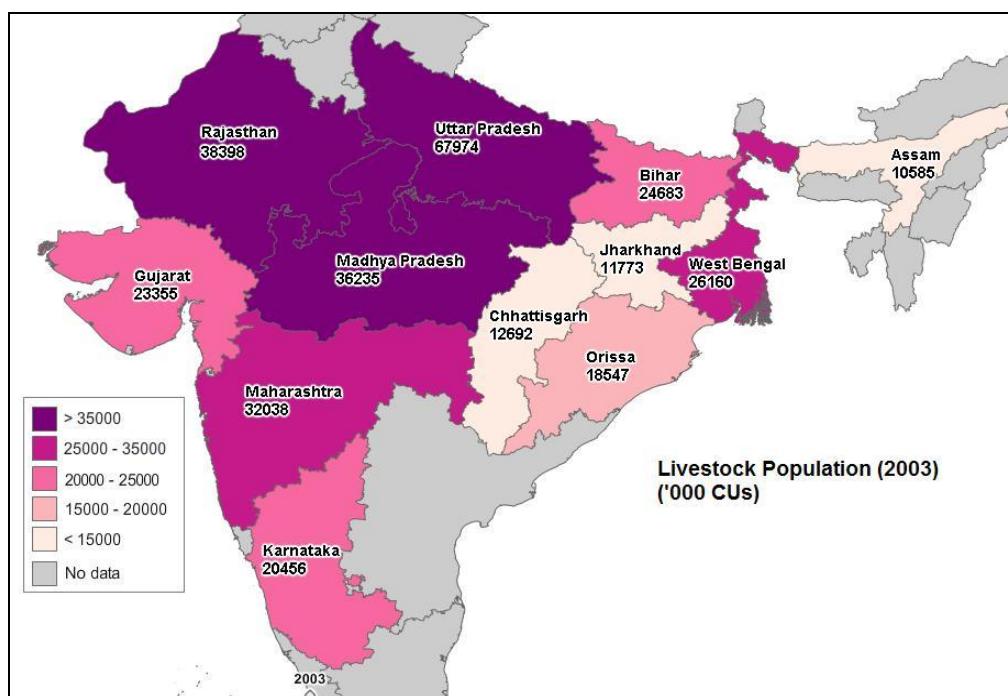


Table 2.10: Livestock Population in Project States (2003) (thousands)⁶⁴

States	Cattle	Buffaloes	Sheep	Goats	Pigs	Camel	Poultry
Assam	8440	678	170	2987	1543	0	21664
Bihar	10729	5743	382	9490	672	1	13911
Chhattisgarh	8882	1598	121	2336	552	0	8181
Gujarat	7424	7140	2062	4541	351	53	8153
Jharkhand	7659	1343	680	5031	1108	0.03	14429
Karnataka	9539	3991	7256	4484	312	0.04	25593
Madhya Pradesh	18913	7575	546	8142	358	8	11705
Maharashtra	16303	6145	3094	10684	439	0.32	37968
Orissa	13903	1394	1620	5803	662	0	17611
Rajasthan	10854	10414	10054	16809	338	498	6192
Uttar Pradesh	18551	22914	1437	12941	2284	16	11718
West Bengal	18913	1086	1525	18774	1301	0	60656
All India	185181	97922	61469	124358	13519	632	489012

⁶³Includes population of cattle, buffaloes, sheep and goats converted to Cow Units. 1 Cow Unit = 1 cattle / 0.5 buffalo / 0.25 sheep / 0.25 goat.

⁶⁴17th Indian Livestock Census 2003. Department of Animal Husbandry and Dairying, Ministry of Agriculture, Government of India.

Chart 2.23: Sources of Fodder in Project States⁶⁵ (2003) (thousand hectares)

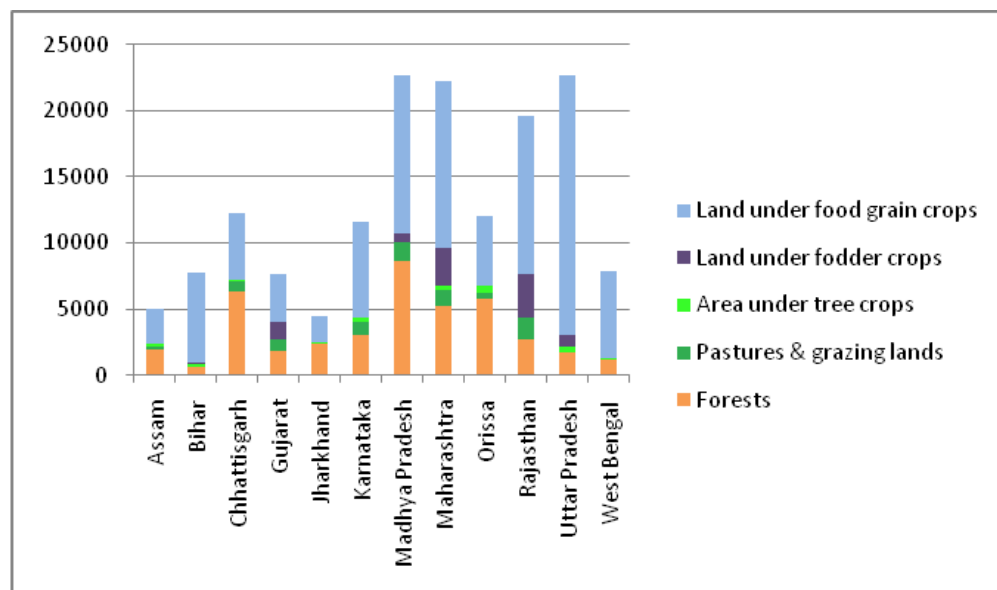
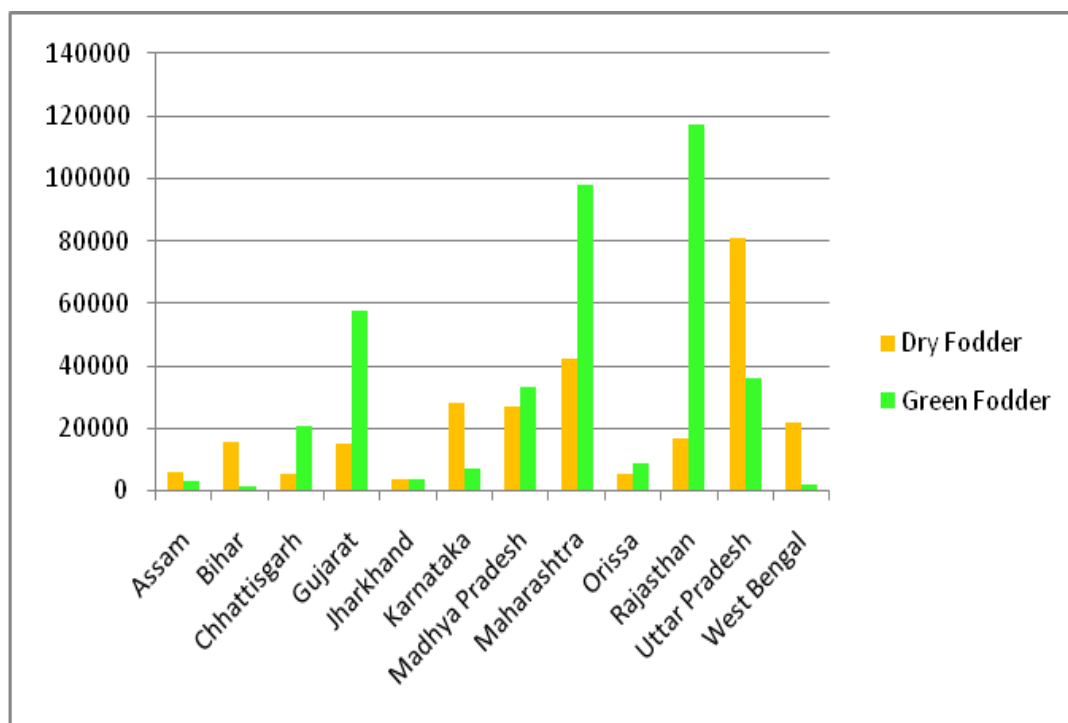


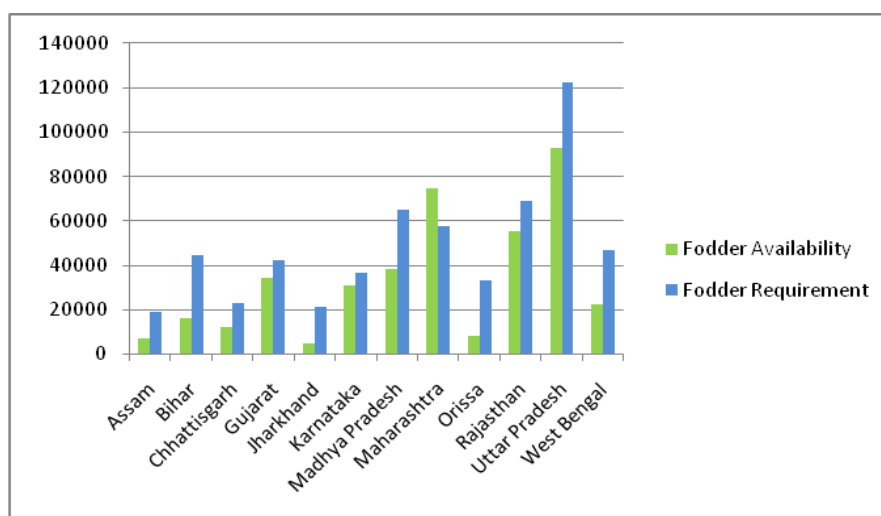
Chart 2.24: Production of Fodder in Project States⁶⁶ (2002-2003) (Thousand tons)



⁶⁵Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. <http://dacnet.nic.in/eands>; Basic Animal Husbandry Statistics, 2008, Department of Animal Husbandry & Dairying, Ministry of Agriculture, Government of India.

⁶⁶Basic Animal Husbandry Statistics, 2004, Department of Animal Husbandry & Dairying, Ministry of Agriculture, Government of India.

**Chart 2.25: Fodder Availability and Requirement in Project States⁶⁷ (2003)
(Thousand tones)**



2.8.2 Fisheries

32. The utilization of ponds for fish culture makes West Bengal the leading fish producing state – accounting for about 30% of the country's total inland fish production (2004-05). On the other hand, other states are heavily dependent on rivers and reservoirs for their fish catch. Uttar Pradesh, Bihar and Orissa are the other major producers of inland fish⁶⁸.

Table 2.11: Fish production in the Project States (2003-04)⁶⁹

<i>State</i>	<i>Water bodies ('000 ha)</i>	<i>Fish production ('000 tonnes)</i>	<i>Yield (Tonnes/Ha)</i>
Assam	135	181	1.34
Bihar	160	266.49	1.67
Chhattisgarh	147	111.05	0.76
Gujarat	426	45.48	0.11
Jharkhand	123	75.38	0.61
Karnataka	740	70	0.09
Madhya Pradesh	287	50.82	0.18
Maharashtra	348	125.12	0.36
Orissa	980	190.02	0.19
Rajasthan	300	14.3	0.05

⁶⁷Fodder availability from: Basic Animal Husbandry Statistics, 2004, Department of Animal Husbandry & Dairying, Ministry of Agriculture, Government of India. Fodder requirement computed as 1.8 tones per Cow Unit based on livestock population figures from: 17th Indian Livestock Census 2003. Department of Animal Husbandry and Dairying, Ministry of Agriculture, Government of India.

⁶⁸Water Sector at a Glance, 2007. Central Water Commission, Government of India.

⁶⁹Water Sector at a Glance, 2007. Central Water Commission, Government of India.

Uttar Pradesh	432	267	0.62
West Bengal	545	988	1.81

Box 2.13: Implications for Environmental Management

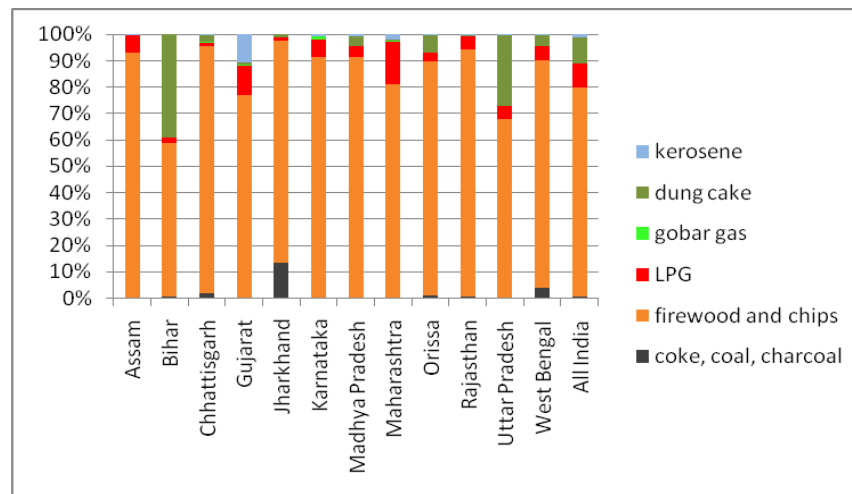
Experience from the Bank supported livelihood projects indicates that livestock (purchase of milk animals, sheep and goats) will feature as a significant reason for which Self Help Group members take micro-credit loans. In fodder scare conditions, the anticipated returns from the enterprise will be affected, besides degrading an already scarce resource.

It is important that all micro-credit support for livestock in the project is released as part of a package that also includes fodder cultivation and/or better fodder management practices, (like cultivation of azolla) – both at the individual household as well as at the group/federation levels. It is also necessary for periodic monitoring of cumulative impacts to ensure that the growth in the livestock population does not happen without appropriate fodder management.

2.9 Energy

33. The dominant source of rural household energy for meeting cooking requirements is firewood followed by dung cake. The use of firewood ranges from 94% in Rajasthan to 49% in Bihar. The use of dung cake as the primary cooking fuel is the highest in Bihar (33% households) and in Uttar Pradesh.
34. The use of cleaner fuels such as LPG and kerosene is extremely limited – 14.9% of the rural households in Maharashtra and 10.5% of rural households in Gujarat use LPG, 10.2% households in Gujarat and 1.9% in Maharashtra use kerosene (the other states have much lesser %).

Chart 2.26: Source of Household Cooking Energy in Project States (2004-2005)⁷⁰
(percentage of households)



⁷⁰National Sample Survey Report No. 511. Energy Survey of Households for Cooking and Lighting. 2004-2005.

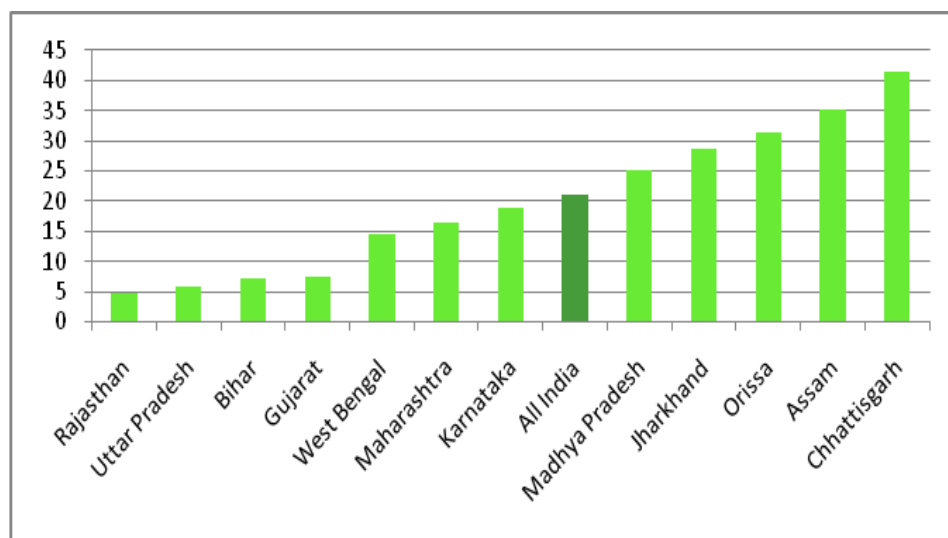
Box 2.14: Implications for Environmental Management

The high use of fuel wood and dung cake has serious implications on human health (53% of tuberculosis prevalence in India is a result of exposure to cooking smoke⁷¹) apart from causing environmental degradation (loss of tree cover, loss of organic manure). Considering that rural households spend about [redacted] on meeting cooking energy requirements, improving access to fuel efficient cooking devices, helping households with credit support and market linkages to make the switch to cleaner energy, etc., will be an important Green Opportunity for the project to explore.

2.10 Forests

35. Five of the project states have forest cover ranging from 25% to more than 40% of their geographic area. These are Chhattisgarh, Assam, Orissa, Jharkhand and Madhya Pradesh. In terms of the actual extent of forest area, the leading states are Madhya Pradesh (77700 sq. km), Chhattisgarh (55810 sq. km) and Maharashtra (50650 sq. km).
36. As seen in Chart 2.28, the maximum extent of very dense forest⁷² is in the states of Maharashtra, Orissa, Madhya Pradesh and Chhattisgarh. Large extent of degraded forest (scrub) is present in the states of Madhya Pradesh, Orissa, Rajasthan, Maharashtra and Karnataka – indicating high biotic pressure on forests in these states.

Chart 2.27: Forest Area in Project States (2007) (Percentage of geographic area)⁷³



⁷¹ Vinod Mishra, et al. Effects of Cooking Smoke on Prevalence of Tuberculosis in India. No. 92, October 1997. Population Series. East West Center Working Papers. http://pdf.usaid.gov/pdf_docs/Pnack106.pdf

⁷² Very dense forest – canopy density above 70%, moderately dense forest – canopy density 40-70%, Open forest – canopy density 10-40%, Scrub – degraded forest with canopy density less than 10%.

⁷³ India State of Forest Report 2009. Forest Survey of India, Ministry of Environment and Forests, Government of India.

Chart 2.28: Forest Cover in Project States (2007) (Square km)⁷⁴

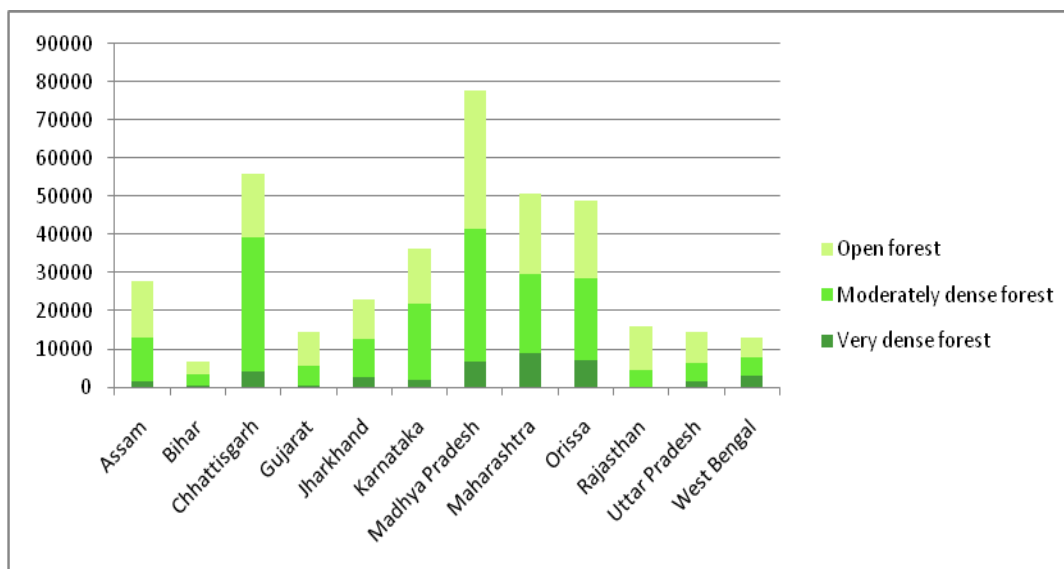
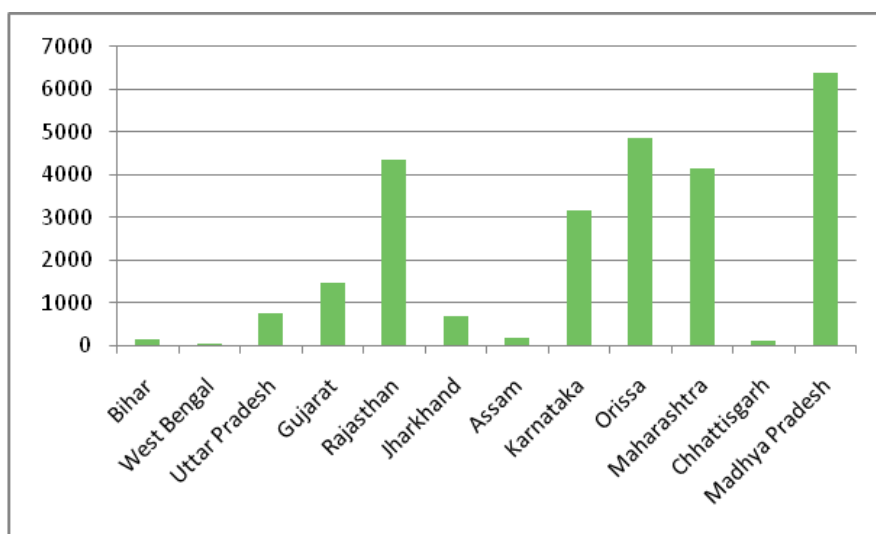


Chart 2.29: Degraded Scrub Forest in Project States (2007) (Square km)⁷⁵



37. The 12 project states house 237 Wildlife Sanctuaries and 47 National Parks. These protected areas constitute between 3.31% (Karnataka) and 8.84% (Gujarat) of the geographic area of the project states.

⁷⁴India State of Forest Report 2009. Forest Survey of India, Ministry of Environment and Forests, Government of India.

⁷⁵India State of Forest Report 2009. Forest Survey of India, Ministry of Environment and Forests, Government of India.

Table 2.12: Protected Areas in Project States

<i>States</i>	<i>Wildlife Sanctuaries</i>	<i>National Parks</i>
Bihar	11	1
West Bengal	15	5
Uttar Pradesh	23	1
Gujarat	24	4
Rajasthan	25	5
Jharkhand	11	1
Assam	18	5
Karnataka	21	5
Orissa	18	2
Maharashtra	35	6
Chhattisgarh	11	3
Madhya Pradesh	25	9
Total	237	47


38. Forests are central to the livelihoods of tribal communities. As seen in Table 2.13, all the project states, except Bihar, have tribal districts with significant area under forests.

Table 2.13: Forest Cover in Tribal Districts in the Project Area

<i>State</i>	<i>Number of tribal districts</i>	<i>% of geographical area of tribal districts under forest</i>
Assam	16	23.95
Chhattisgarh	9	43.40
Gujarat	8	13.98
Jharkhand	8	31.27
Karnataka	5	49.02
Madhya Pradesh	18	30.34
Maharashtra	11	21.34
Orissa	12	38.66
Rajasthan	5	16.61
Uttar Pradesh	1	17.19
West Bengal	11	17.72

Box 2.15: Implications for Environmental Management

The forested areas in the project states (especially the 104 tribal districts) are areas with close links between livelihoods and forests. It is necessary to have a clear strategy for these areas for promoting community based forest resource management. Training on sustainable extraction of non-timber forest produce, community norms for rotational grazing and stall feeding, sustainable management of shifting cultivation⁷⁶, etc., need to be part of this strategy.

⁷⁶ Participatory Guarantee System for shifting cultivation, IFAD, .

3. Legal and Regulatory Framework for Environmental Management

1. It is important that the livelihood activities of the Self Help Groups and the activities of the federations and Producer Organizations are in tune with the laws and regulations of the country and the states. Compliance rather than being restrictive provides an opportunity to align the investments with sound and sustainable management of resources. This section presents a brief listing of the various Acts, Rules and Regulations of the Government of India, the state Governments (the current draft includes details from Bihar, Rajasthan, Orissa, Madhya Pradesh and West Bengal) as well as the safe guard policies of the World Bank.
2. On the basis of the alignment of the proposed NRLP interventions with respect to these laws and regulations, a *Negative List of Activities Not Permitted under NRLP* has been developed. This is provided as Annex 8.

Table 3.1:

Act, Policy or Government Order	Relevant to NRLP	Status
National Regulations of the Government of India		
Environment (Protection) Act, 1986 and EIA Notification, 2006 Amended: 1991	Emission or discharge of pollutants beyond the specified standards is not permissible. (Environmental impact assessment (EIA) is required for specified categories of industry. To provide for the protection and improvement of the environment. It empowers the Central Government to establish authorities {under section 3(3)} charged with the mandate of preventing environmental pollution in all its forms and to tackle specific environmental problems that are peculiar to different parts of the country.	
Wildlife (Protection) Act, 1972 Amended: 1993 and No.16 of 2003, (17/1/2003) – The Wild Life (Protection) Amendment Act, 2002	Destruction, exploitation or removal of any wild life including forest produce from a sanctuary of the destruction or diversification of habitat of any wild animal, or the diversion, stoppage or enhancement of the flow of water into or outside the sanctuary is prohibited without a permit granted by the Chief Wildlife Warden. The Act provides for protection to listed species of flora and fauna and establishes a network of ecologically-important protected areas (Pas)	
Forest (Conservation) Act, 1980	The NRLP is unlikely to involve diversion of forest land for non-forest purposes. However, while supporting activities related to mining (Stone quarrying) or brick making, it is necessary to ensure that that land is not forest land	
Insecticides Act, 1968 Amendment: Insecticides (Amendment) Act, 1977 (24 of 1977)	A license is required for the sale, stock or exhibition of sale or distribution of any insecticide. The use of certain insecticides are prohibited or restricted under this Act 110. To regulate the import, manufacture, sale, transport,	

Act, Policy or Government Order	Relevant to NRLP	Status
	distribution and use of insecticides with a view to prevent risk to human beings or animals, and for matters connected therewith.	
The Fertilizer (Control) Order, 1985	Registration is required for selling fertilizer at any place as wholesale dealer or retail dealer	
The Seed Act, 1966	Selling, bartering or otherwise supplying any seed of any notified kind or variety, requires that – a) Such seed is identifiable as to its kind or variety; b) Such seed conforms to the minimum limits of germination and purity specified c) The container of such seed bears in the prescribed manner, the mark or label containing the correct particulars. To provide for regulating the quality of certain seeds for sale, and for related matter	
The Air (Prevention and Control of Pollution) Act, 1981 Amended: 1987, 1992 and 2003	To provide for the prevention, control and abatement of air pollution in India	
Public Liability Insurance Act, 1991 Amended: 1992	To provide for public liability- insurance for the purpose of providing immediate relief to the person affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto.	
Noise Pollution (Regulation & Control) Rules, 2000	To regulate and control noise producing and generating sources with the objective of maintaining the ambient air quality standards in respect of noise.	
Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006	The Act recognizes the rights of forest-dwelling Scheduled Tribes and other traditional forest dwellers over the forest areas inhabited by them, and provides a framework for recording the same.	
Indian Forest Act, 1927	To consolidate the law relating to forests, the transit of forest-produce and the duty payable on timber and other forest-produce	
The Water (Prevention and Control of Pollution) Act 1974 Amended: 1988	To provide for the prevention and control of water pollution, and for the maintaining or restoring of wholesomeness of water in the country	
The Biological Diversity Act, 2002	To provide for conservation of biological diversity, sustainable use of its components and fair and equitable sharing of the benefits arising out of the use of biological resources, knowledge and for matters connected therewith or incidental thereto.	
Forest Rights Act, 2006	The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, is a key piece of forest legislation passed in India on December 18, 2006. The law concerns the rights of forest-dwelling communities to land and other	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>resources, denied to them over decades as a result of the continuance of colonial forest laws in India. The Act can be summarized as:</p> <ul style="list-style-type: none"> ▪ <i>Title rights</i> - i.e. ownership - to land that is being farmed by tribal or forest dwellers as on December 13, 2005, subject to a maximum of 4 hectares; ownership is only for land that is actually being cultivated by the concerned family as on that date, meaning that no new lands are granted; ▪ <i>Use rights</i> - to minor forest produce (also including ownership), to grazing areas, to pastoralist routes, etc.; ▪ <i>Relief and development rights</i> - to rehabilitation in case of illegal eviction or forced displacement and to basic amenities, subject to restrictions for forest protection; ▪ <i>Forest management rights</i> - to protect forests and wildlife. 	
<u>The National Green Tribunal Act, 2010</u>	The National Green Tribunal Act 2010 approved by the President of India on June 2, 2010. It provides for establishment of National Green Tribunal- a special fast-track court for speedy disposal of environment-related civil cases.	
Coastal Regulation Zone Notification 2011, and Island Protection Zone Notification 2011	The new notification replaces CRZ 1991. The Government of India declares the coastal stretches of seas, bays, estuaries, creeks, rivers and backwaters which are influenced by tidal action up to 500 meters from the High Tide Line (HTL) and the land between the Low Tide Line (LTL) and the HTL as Coastal Regulation Zone (CRZ) and imposes restrictions on the setting up and expansion of industries, operations or processes, etc., in the CRZ. In the latest notification the 'no development zone' is being reduced from 200 meters from the high-tide line to 100 meters only to meet the increased demands of housing of fishing and other traditional coastal communities.	
GUIDELINES FOR MINOR IRRIGATION		
Draft Guidelines for National Watershed Development Project for Rain fed Areas, Ministry of Agriculture, Government of India	<p>These operational guidelines and regulations are flexible in some instances to some extent so that the desired modifications could be considered at different levels according to the site, climatic, geographic and climatic conditions:</p> <p>Location of the Minor Irrigation project site should be nearer to the wells and lands owned by poor families.</p> <p>Willingness by the people to implement all the proposed projects by people themselves without any contractor.</p> <p>Willingness by the people to maintain all records properly and take up audit responsibility for the developmental funds to be released under the</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>project.</p> <p>Necessary sanctions for the proposed site must be taken from the concerned authority.</p> <p>For example, if it is forestland take the permission from the Forest Officer.</p> <p>The site of the proposed project should be in Low Intensity of Irrigation land (Less than 30 percent of the cultivated land).</p> <p>The project should ensure equity for resource-poor families and empowerment of women.</p> <p>During the implementation of the projects, the implementing agency should ensure equal wage and equal employment opportunities for women.</p> <p>The project site should be in an area where there has been a significant reduction of the water table in the wells/ bore wells, in over exploited areas with high well density and in areas with drinking water scarcity.</p> <p>Should check the runoff potential index (Estimation of rainwater flow, this may be calculated through Dickens' formula $Q=C*M$, Q=Discharge in quesecs, C=constant, M=catchment in square kilometer) for rainwater and other drainage lines in the site and near around.</p> <p>Based on runoff potential one can assess the water storage capacity of water harvest tank or bund in proposed site.</p> <p>The assessment should consider the degree of land degradation and sedimentation yield through runoff as it reflects the necessity for soil and water conservation.</p> <p>Before taking up the project, the underground water status in proposed site must be monitored. This will be a base data for the requirement of the project in the proposed site.</p>	
Guidelines on Percolation Tanks, Ground Water Department, Ministry of Agriculture, Government of India	<p>The following guidelines should be followed while constructing the percolation and other water harvesting tanks:</p> <p>The construction of water harvesting tanks should be taken up at a site where it is not possible to construct irrigation canals.</p> <p>The site should be in high ridges of the drain.</p> <p>Preferably passing through low intensity of land, because the results will have a positive impact on low intensity areas.</p> <p>The basin of the tank should be in a saucer shape in order to increase the degree of percolation.</p> <p>There should not be direct drains from water harvesting tanks to irrigation fields, since direct surface irrigation is not envisaged under any water harvesting projects and the purpose of harvesting tanks is to recharge the ground water so that the water level of nearby wells will increase.</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>The capacity of a tank normally ranges from 1,41,600 cu.mt. to 5,66,400 cu.mt. The capacity in relation to catchment area and rainfall must be properly designed to ensure that they will fill almost every year.</p> <p>The zone influence of percolation for a water-harvesting tank is 4 miles with ½ a mile width. Following this one should see that the density of wells shall not be less than 2 wells / sq. km near the site. This leads to the increase in the utility of the project.</p> <p>The construction of percolation tanks should be avoided in areas where clay soils are predominant, as clay soils have less degree of porosity. The project should ensure that the site location should not be in steep, narrow valleys with undulating topography as these are not favorable (and not economical) locations for tanks. Water harvesting tanks should provide the suitable outlet at the deepest bed level and it should be insured that the silt depositions are periodically removed, otherwise the percolation will be retarded due to silting of bed in course time.</p>	
Guidelines on Water Harvesting Dams and Dykes, Ground Water Department, Ministry of Agriculture, Government of India	<p>Narrow gauge of valleys where alluvium exists with flat basement or gentle slopes or shallow basement are desirable to have water harvesting dams and dykes. These will have maximum storage capacity and are economical.</p> <p>Structural fractures and lineaments etc. in the vicinity of dam site should be examined and such sites should be avoided as the topography of fractures and lineaments are not suitable to construct a dam or dyke.</p> <p>The post-monsoon ground water levels near the dam site should be deep enough, that is more than 3 meters below ground level.</p> <p>The chemical composition of ground water in the basin and topography, type of soil, cropping pattern, rainfall in the basin should be discussed with the help of a geologist.</p> <p>The site should be in over-exploited areas such as high-density of open bore wells and wells and in villages with drinking water problems, because setting up a harvesting project in over exploited areas will lead to the recharging of ground water in such villages. Zones with outcrops and shallow basement across the general direction flow do not need formation of dyke (subsurface dam) as these themselves act as natural barriers to sub surface flow. The possible</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
	adverse impacts as a result of construction of the sub surface projects will be water logging, salinization and pollution of ground water. These should be examined in detail. The above guidelines should be adhered to with the help of geologist and irrigation department. The information on soil and land use survey can also be utilized.	
OTHERS		
The Mahatma Gandhi National Rural Employment Guarantee Act, 2005	To enhance the livelihood security of people in rural areas by guaranteeing 100 days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work	
Right to Information Act, 2005	To provide right to information for citizens to secure access to information under the control of public authorities, in order to promote transparency and accountability in the working of every public authority	
The Disaster Management Act, 2005	An Act to provide for the effective management of disasters	
NATIONAL POLICIES		
National Forest Policy 1988	To ensure environmental stability and maintenance of ecological balance (direct economic benefits being considered) <ul style="list-style-type: none"> ▪ Area under forests ▪ Afforestation, social forestry, and farm forestry ▪ Management of state forests ▪ Rights and concessions ▪ Diversion of forest lands for non-forest purposes ▪ Wildlife conservation ▪ Tribal people and forests ▪ Shifting cultivation ▪ Damage to forests from encroachments, fires and grazing ▪ Forest-based industries ▪ Forest extension ▪ Forestry education ▪ Forest survey and database ▪ Legal support and infrastructure development ▪ Financial support for forestry 	
National Water Policy, 1987 and 202	To ensure that planning, development and management of water resources are governed by national perspectives	
ENVIRONMENTAL SAFEGUARD POLICIES OF THE WORLD BANK		
Environmental Assessment (OP 4.01)	The Bank requires environmental assessment (EA) of projects proposed for Bank financing to ensure that they are environmentally sound and sustainable, and thus to improve decision making.	Triggered

Act, Policy or Government Order	Relevant to NRLP	Status
Natural Habitats (OP 4.04)	The Bank does not support projects that, in the Bank's opinion, involve the significant conversion or degradation of critical natural habitats.	Triggered
Pest Management (OP 4.09)	<p>In Bank-financed agriculture operations, pest populations are normally controlled through integrated pest management approaches, such as biological control, cultural practices, and the development and use of crop varieties that are resistant or tolerant to the pest.</p> <p>The Bank does not finance formulated products that fall in WHO classes IA and IB, or formulations of products in Class II ¹¹¹, if (a) the country lacks restrictions on their distribution and use; or (b) they are likely to be used by, or be accessible to, lay personnel, farmers, or others without training, equipment, and facilities to handle, store, and apply these products properly.</p>	Triggered
Cultural Property (OP 4.11) (Physical Cultural Resources)	The Bank does not finance projects that will significantly damage non-replicable cultural property, and will assist only those projects that are sited or designed so as to prevent such damage. The project areas do not involve sites having archeological (prehistoric), paleontological, historical, religious, and unique natural values.	Not Triggered
Indigenous Peoples (OD 4.20)	The objective at the Centre of this directive is to ensure that indigenous peoples do not suffer adverse effects during the development process, particularly from Bank-financed projects, and that they receive culturally compatible social and economic benefits. For an investment project that affects indigenous peoples, the borrower should prepare an indigenous peoples development plan that is consistent with the Bank's policy. Any project that affects indigenous peoples is expected to include components or provisions that incorporate such a plan.	Triggered
Involuntary Resettlement (OD 4.30)	The objective of the Bank's resettlement policy is to ensure that the population displaced by a project receives benefits from it. There is no likelihood of any displacement happening as part of the project activities.	Not Triggered
Forestry (OP 4.36)	<p>The Bank distinguishes investment projects that are exclusively environmentally protective (e.g., management of protected areas or reforestation of degraded watersheds) or supportive of small farmers (e.g., farm and community forestry) from all other forestry operations. Projects in this limited group may be appraised on the basis of their own social, economic, and environmental merits.</p> <p>The Bank finances plantations only on non-forested areas (including previously planted areas) or on</p>	Triggered

Act, Policy or Government Order	Relevant to NRLP	Status
	heavily degraded forestland.	
Safety of Dams (OP 4.37)	Construction of any dams may not be part of the project. Small dams are normally less than 15 meters in height. This category includes farm ponds, local silt retention dams, and low embankment tanks. For small dams, generic dam safety measures designed by qualified engineers are adequate.	Not Triggered
Projects on International Waterways (OP 7.50)	International waterways are not part of the project area.	Not Triggered
Projects in Disputed Areas (OP 7.60)	Disputed areas are not part of the project area.	Not Triggered

Act, Policy or Government Order	Relevant to NRLP	Status
STATE POLICIES		
BIHAR		
Indian Forest (Bihar Amendment) Act, 1989	<p>Forest land is any area recorded as forest in the Government records, irrespective of ownership. Forest produce includes the following whether found in or brought from a forest: timber, charcoal, caouthouc, catechu, wood-oil, resin, natural varnish, bark, lac, mahua flowers, mahua seeds, kuthi and myrabolams. It also includes all trees and leaves, flowers and fruits, and all other parts or produce of trees; plants that are not trees (including grass, creepers, reeds and moss) and all parts or produce of such plants; palms, bamboos, stumps, brush-wood and canes; wild animals and all parts and produce of animals; peat, surface soil, rock and minerals (including limestone, laterite, mineral oils, and all products of mines or quarries). Articles prepared from bamboo chips are not forest produce. Veneer is a forest produce. Quicklime is a forest produce. Cane baskets prepared from cane trees growing in forests is also forest produce.</p> <p>The following acts are prohibited in reserved and protected forests: Clearing, kindling fire, trespassing cattle, damaging trees (feeling, girdling, lopping, topping, burning, stripping bark and leaves), Quarrying stone, burning lime or charcoal, collecting any forest produce, clearing or breaking land for cultivation, hunting, shooting, fishing, poisoning water, setting traps or snares, etc.</p> <p>The districts of Gaya and Nalanda include Wild Life Sanctuaries may be considered critical natural habitats.</p>	
Bihar Ground Water (Regulation and Control of Development and Management) Bill, 2006	Any user of ground water desiring to sink as well either on personal or community basis in the notified area (not specified so far), needs to apply to the Ground Water Authority for grant of a permit. This is not applicable in the case of wells that are fitted with hand operated pumps or water is proposed to be withdrawn by manual devices. Existing users of ground water are also required to register themselves with the Ground Water Authority.	
The Bihar Fish Jalkar Management Bill, 2006	<p>Fishing in rivers is prohibited from 15th June to 15th August.</p> <p>Fishing net or Gill net with less than 4 cm mesh size shall be prohibited in rivers</p> <p>Fishing of fingerlings of culturable fishes of any species shall be prohibited in rivers and reservoirs.</p> <p>Use of dynamite or explosives, poison and poisonous chemicals for fishing shall be prohibited.</p> <p>Drawing of water from tanks, reservoirs and mains for irrigation shall be prohibited. The District Fisheries Officer may order for drawing of water for irrigation when the water level is averages a minimum of five feet in these Jalkars.</p> <p>Intentional water pollution, encroachment in Jalkars and disfiguration of the structure of Jalkars is prohibited</p>	
Bihar Irrigation Act,	No well exclusively for domestic use, either on personal or	

Act, Policy or Government Order	Relevant to NRLP	Status
1997	<p>community basis can be excavated within the distance specified by the State Government from time to time from the boundaries of an irrigation work without previous sanction by their State Government. No person has a right to fish or ply any vessel in a reservoir, pond or tank or along a canal or channel maintained or controlled by the Government without written permission of the State Government.</p> <p>No person can extract water for any purpose by the installation of pump sets or any other electrical or mechanical devices for pumping water from an irrigation work except with the permission of the Divisional Canal Officer.</p> <p>No person shall deposit any produce of mines or earth or any other material in or near any channel or field drain or other work, whether natural or artificial through which rain or other water flows into any irrigation work.</p> <p>No person shall pollute, or discharge sewage effluent or trade effluent in the water of any irrigation work which may cause injury to the irrigation work or may deteriorate the quality of water of the irrigation work or may give rise to any growth of weeds in the irrigation work.</p>	
The Bihar Restoration and Improvement of Degraded Forestland Taxation Act, 1992	The State Government has the power to levy, assess and collect a tax called the Bihar Restoration and Improvement of Degraded Forest Land Tax for reclamation and rehabilitation of forest land from the user using forest land for non-forest purpose or indulging in developmental activities including mining.	
The Bihar Forest Produce (Regulation of Trade) Act, 1984	<p>The purchase, transport, import or export of specified forest produce in a notified area can only be done by the Government or by an appointed agent. The primary collector of a specified produce may transport his specified forest produce ¹¹² within the unit. Retail sale of a specified forest produce is permitted only under a license.</p> <p>Eucalyptus trees grown on land owned by farmers is not considered forest produce.</p>	
Bihar Rules for the Establishment of Saw Pits and Establishment and Regulation of Depots, 1983	Permission from the Divisional Forest Officer is required for establishing, maintaining or running a saw pit or depot. These rules are applicable in the BRLP districts OF Gaya, Nalanda, Purnea. Saw pit means machine operated saws meant to cut, fashion or saw timber or poles. Depot is a place where timber more than 100 cft in quantity and poles more than 50 in number stored.	
Bihar Saw Mills (Regulation) Act, 1990 Bihar Saw Mill (Regulation) (Amendment) Act, 2002	No person shall establish, operate a saw mill or saw pit except under license. Saw mill refers to sawing with the aid of electrical mechanical power. It also includes veneer plywood manufacturing units. Saw pit refers to the use of manually operated saws. No saw mill can exist within 15 km from a notified forest area.	
Bihar State Water Policy 2010	The Government of Bihar will adopt a radical shift from predominantly engineering-based solutions to local community-based water and sanitation management solutions. That is, a shift towards community-level empowerment and responsibility for their own water and sanitation management. This involves a combination of 'bottom-up' decision-making and 'top-down' technical support within a	

Act, Policy or Government Order	Relevant to NRLP	Status
	much more holistic conceptual framework. Government authorities will operate as multi-disciplinary 'technical service providers' and facilitator rather than central control organizations. Many of the policy issues herein are intended to function from this new perspective.	
Bihar Kendu Leaves (Control of Trade) Act, 1973	No person other than the Government or an appointed agent can purchase or transport kendu leaves.	
RAJASTHAN		
Rajasthan Regulation and Control of the Development and Management of Ground Water Bill, 2006 (Draft)	This bill deals with establishment of State Ground Water Authority with the powers to notify areas and uses for regulation and control of the development and management of ground water	
Rajasthan State Water Policy, 2010	<p>The policy intends to function from the new perspective of Integrated Water Resources Management, which is holistic and includes a bottom up approach.</p> <p>The new policy document addresses issues related to:</p> <ul style="list-style-type: none"> ▪ Water supply and development ▪ Integrated Water Resource Management ▪ Irrigation ▪ Water resources infrastructure ▪ Water conservation ▪ Water quality ▪ Environmental management ▪ Water pricing ▪ Legal enablement ▪ Capacity building ▪ Research ▪ Monitoring and evaluation of water policy and action plans 	
Rajasthan Forest Produce (Transit) Rules 1957	Regulate the transit of forest produce into, from or within any area in the state of Rajasthan. Forest produce includes timber, lac, resin, mahua flower and seed, whether found in or brought from a forest. It applies to forest produce produced on private lands	
Rajasthan Forest Policy, 2010	The forest cover of Rajasthan is only 9.56% of the total geographical area of the state. The principal aim of the forest policy is ensuring environmental stability and ecological security through increase in vegetal cover, which will lead to reduction in soil erosion, and consequently, dust particles in the upper stratosphere. The reduction in stratospheric temperature is likely to increase the possibility of rains	
Breeding Policy in Rajasthan for Cattle and Buffalo, 2006, 2007	The Policy is aimed to help improve the cattle and buffalo wealth of the state and socio-economic status of the farmers through increased productivity of their animals.	
ORISSA		
The Orissa Forest Act, 1972	To protect and manage forests in the state.	

Act, Policy or Government Order	Relevant to NRLP	Status
	To consolidate and amend laws relating to the protection and management of forests in the state	
The Ancient Monuments and Archaeological sites and remains Act, 1958	<ul style="list-style-type: none"> Provide for the preservation of ancient and historical monuments and archaeological sites and remains of national importance, for the regulation of archaeological excavations and for the protection of sculptures, carvings and other like objects. To restore the damaged monuments and materials and areas of archaeological importance. 	
Supreme Court directions for Noise Control 2005 Orissa fire crackers and loud speakers Act 1958 and the Noise pollution (regulation and control) Rules 2000	<ul style="list-style-type: none"> Prevention of environmental sound pollution Creating general awareness towards the hazardous effects of noise pollution Motivating young children of impressionable age to desist from playing with fire crackers, use of high sound producing equipment's and instruments on festival, religious and social function, family get-together and celebrations etc. Restricting use of loud speakers and amplifiers etc. 	
Govt. of Orissa Notification No. 8775 26th Oct. 1987 (for siting criteria for establishment of stone crusher and brick kilns, lime kilns and coal briquetting)	<ul style="list-style-type: none"> To prevent and control pollution arising out of stone crushing, brick kilns, lime kilns and coal briquetting 	
Orissa Resettlement and Rehabilitation Policy 2006	<ul style="list-style-type: none"> To ensure sustained development through a participatory and transparent process 	
The Orissa Marine Fishing regulation Act 1982	Regulates and restricts fishing by fishing vessels along with coastline of the state and lakes connected to the sea.	
TAMIL NADU		
Tamil Nadu Town and Country Planning Act 1971	<p>This act appoints and empowers local planning authorities to plan for an urban area and/or designated areas. This involves preparation/implementation of Master Plans specifying land use. The plan delineates land for residential, industrial, commercial, agriculture, recreation, forests and mineral exploitation; demarcates objects and boundaries of archaeological/historical interest; and identifies new town/cities, transportation and communication facilities, water supply, drainage, sewerage, sewage disposal and other public utilities and amenities. This act also empowers local planning authorities to assess, levy and recover development charges for the land.</p> <p>At an organization level, the act envisages three classes of authorities: regional planning authorities; local planning authorities; new town development authorities and the constitution of a Town and Country Planning Board.</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
Coastal Regulation Zone (CRZ) Notification, 1990	<p>This notification under Environment (Protection) Act 1986 supplements the law on site clearance by declaring certain zones as CRZ. It also regulates activities in these zones. Further, Go TN has also issued orders regulating development within 500 m from the high tide level. Under the proposed activities, if there is occurrence of effluent discharges within 500m from the high tide line and other declared sensitive areas implementation of mitigation measures is required before the commencement of operation of such activities.</p> <p>Under this act, Tamil Nadu State Coastal Zone Management Authority came into existence in 1998.</p>	
Tamil Nadu Water (Prevention and Control of Pollution) Rules, 1974	<p>These rules seek to control pollution of water and enhance the quality of water.</p> <p>Under these rules, it is mandatory to obtain consent for discharge of effluents and pay consent fees to Tamil Nadu State Pollution Control Board (TNSPCB) for any projects causing water pollution within the jurisdiction of the TNSPCB operations.</p>	
The Water (Prevention and Control of Pollution) Cess Act, 1977/Amended 2003	<p>This Act provides for levy and collection of a cess by local authorities on water consumed by persons or industries to augment resources for Pollution Control Boards.</p>	
Air (Prevention and Control of Pollution) Act 1981 and Tamil Nadu Air (Prevention of Control of Pollution) Rules 1983	<p>These rules address the prevention and control of air pollution. Under these rules it is mandatory to obtain consent for discharging emissions and pay consent fees to TNPCB for any projects causing air pollution.</p>	
Hazardous Waste (Management and Handling) Rules, 1989/2000/2003	<p>These rules address handling of hazardous substances that fall under specified schedules. Proposed activities may require handling of specified substances wherein plans/ measures for safe handling and emergency preparedness shall be prepared for safe operations.</p>	
Solid Waste (Management and Handling) Rules, 1989/2000	<p>These rules address management and handling of municipal solid wastes. The proposed activities may require handling of specified substances wherein plans/ measures for safe handling and emergency preparedness shall be prepared for safe operation.</p>	
Other Regulations	<p>Other regulations, which may be applicable, are given below.</p> <ul style="list-style-type: none"> ▪ The Batteries (Management and Handling) Rules, 2001 ▪ The Recycled Plastics Manufacture and Usage Rules, 1999/ Amendment 2003 ▪ Prohibition on the handling of Azo dyes ▪ The Bio-Medical Waste (Management and Handling) Rules, 1998/ 2003 ▪ The Public Liability Insurance Act, 1991, amended 1992 ▪ The Prevention of Cruelty to Animals Act, 1960/ The Prevention of Cruelty to 	

Act, Policy or Government Order	Relevant to NRLP	Status
	<ul style="list-style-type: none"> Animals (Establishment and Regulation of Societies for Prevention of Cruelty to Animals) Rules, 2001 The Prevention of Cruelty to Animals (Slaughter House) Rules, 2001 <p>Tamil Nadu Pollution Control Board (TNPCB) looks after compliance to various environmental regulations in the state. TNPCB was constituted to enforce 8 key legislations relating to the control of pollution. The major functions of TNPCB with respect to all kinds of industrial units is to sanction, consent to establish and consent to operate:</p> <p>Different activities have been classified under "RED", "ORANGE" and "GREEN" categories by TNPCB. "RED" and "ORANGE" categories imply that mitigation measures shall be planned to control pollution. Activities qualifying under the following criteria are labeled as "GREEN" industries.</p> <p>All non-obnoxious and non-hazardous industries, All such industries which do not discharge industrial effluent,</p> <p>All such industries which do not use fuel in their manufacturing process or in any subsidiary process and which do not emit fugitive emissions.</p>	
ANDHRA PRADESH		
Coastal Regulation Zone Notification, 1991	<p>The Government of India declares the coastal stretches of seas, bays, estuaries, creeks, rivers and backwaters which are influenced by tidal action up to 500 meters from the High Tide Line (HTL) and the land between the Low Tide Line (LTL) and the HTL as</p> <p>Coastal Regulation Zone (CRZ) and imposes restrictions on the setting up and expansion of industries, operations or processes, etc., in the CRZ.</p>	
The Andhra Pradesh Forest Act 1967	<p>The Government may constitute any land as reserved forest by publishing a notification in the Andhra Pradesh Gazette and in the District Gazette concerned specifying the details of the land, declaring the proposal to make it reserved forest, and appointing a</p> <p>Forest Settlement Officer to consider the objections against the declaration and to determine and settle the rights claimed to the land or to any forest produce of that land.</p> <p>During the interval between the publication of a notification in the Andhra Pradesh</p> <p>Gazette and the date fixed in the notification, without the written permission from the Forest Settlement Officer, in the land specified:</p> <ul style="list-style-type: none"> No right shall be acquired by any person in or over the land except by succession or under a grant or contract by the Government or any person who had such a right before the publication of the notification of the land to be Reserved. No new house shall be built or plantation formed, no fresh clearing for cultivation or for any other purpose shall be made, and no trees shall be cut for the purpose of trade or manufacture. 	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>Also, No person shall set fire or kindle or leave burning any fire in such manner as to endanger or damage such land or forest produce. No <i>patta</i> in such land shall be granted by the Government. If the claim relates to a right of way, right to watercourse or to use of water, right of pasture, or a right to forest produce¹, the Forest Settlement Officer may admit or reject the claim. If the claim is admitted, the Forest Settlement Officer may ensure the continued exercise of the rights subject to certain conditions agreed upon with due regard to the maintenance of the reserved forest. The following are prohibited in reserved forest (except if the act is done with the written permission of the Divisional Forest Officer or if it is done as part of the exercise of rights ensured by the Forest Settlement Officer):</p> <ul style="list-style-type: none"> ▪ Set fire, kindle fire or leave any fire burning in such manner as to endanger such forest ▪ Kindle, keep or carry any fire except at seasons and conditions specified by the Divisional Forest Officer ▪ Trespass, pasture cattle or allow cattle to trespass ▪ Cause any damage, either willfully or negligently in felling or cutting any trees or dragging any timber ▪ Fell, girdle, lop, tap or burn any tree or strip off the bark or leaves from or otherwise damage the same ▪ Quarry stone, burn lime or charcoal ▪ Collect or subject to any manufacturing process, any forest produce ▪ Clear or break up or plough any land for cultivation or for any other purpose ▪ Hunt, shoot, fish, poison water or set traps or snares ▪ Damage, alter or remove any wall, ditch embankment, fence, hedge, or railing, or ▪ Remove any forest produce 	
Andhra Pradesh Protected Forest Rules, 1970	<p>The following are prohibited in a protected forest (except when the act is done in accordance with any Government order or with permission of the Chief Conservator of Forests, Conservator of Forests or Divisional Forest Officer):</p> <ul style="list-style-type: none"> ▪ Clearing, ploughing or breaking up of land for cultivation or any other purpose ▪ Kindling of fire ▪ Cutting, sawing, conversion and removal of trees and timber and collection and removal of natural produce ▪ Quarrying of stone, the boiling of catechu or the burning of lime or charcoal ▪ Cutting of grass, or the pasturing of cattle, and ▪ Hunting, shooting, fishing, poisoning of water and setting of traps or snares <p>Persons belonging to scheduled tribes are eligible for the following concessions:</p> <ul style="list-style-type: none"> ▪ The removal of timber, bamboos, and forest produce from the protected forests for domestic and agricultural purposes 	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>on payment of the fee fixed for the purpose</p> <p>Agricultural purposes includes the use of:</p> <ul style="list-style-type: none"> ▪ Timber for agricultural implements ▪ Poles and thorns for hedges ▪ Bamboo for fencing and roofing of huts and sheds in fields, and ▪ Leaves for green manure <p>Domestic purposes includes the use of:</p> <ul style="list-style-type: none"> ▪ Fuel for heating and cooking ▪ Timber and other forest produce for the erection and repair of permanent and temporary dwellings, cattle sheds, pandals and fencing of compounds and fields 	
The Andhra Pradesh Water, Land and Trees Act, 2002 and the Andhra Pradesh Water, Land and Trees Rules, 2002	<p>The Andhra Pradesh Land, Water and Trees Act and Rules, 2002 are to promote water conservation and tree cover and to regulate the exploitation and use of ground and surface water for protection and conservation of water sources and land. State, District and Mandal authorities are constituted under these rules. The Ex-Officio Chairman of the District Authority is the District Collector and the Ex-Officio Member Secretary is the Project Director, Drought Prone Area Program / District Water Management Agency. The Ex-Officio Chairman of the Mandal Authority is the Mandal Revenue Officer and the Ex-Officio Member Secretary is the Assistant Executive Engineer, Rural Water Supply.</p>	
Ground Water Protection Measures	<p>Owners of all wells (including those which are not fitted with power driven pumps) and water bodies in the State shall register their wells/water bodies with the Village Secretaries of the Gram Panchayats.</p> <p>No person shall sink any well in the vicinity of a public drinking water source within a distance of 250 meters, without permission from the Authority, and if the well is to be used with a power driven pump, without permission from APTRANSCO. Sinking of any well for public drinking purpose and hand pump for public or private drinking water purpose is exempted from this.</p> <p>In areas declared as overexploited by the Authority, no person shall sink a well without the permission of the Authority.</p> <p>Every rig owner shall register his machinery with the Authority.</p>	
Land and Soil	<p>No brick manufacturing shall be taken up in areas where the soil is prone to erosion and depletion.</p> <p>Wherever coal based thermal power plants are in operation, all constructions within a radius of 10 kilometers shall be taken up with bricks made only of fly ash. Sand mining shall not be permitted in I, II and III order streams except for local use in villages or towns bordering the stream. Transportation of sand from these notified I, II and III order streams through mechanical means out of the local jurisdiction shall be banned. In IV order streams, sand mining shall be restricted to specified areas. In V order and above rivers (e.g.: Godavari, Krishna, Pennar) sand mining may be permitted without affecting existing irrigation, drinking water or industrial uses.</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
	<p>Sand mining shall not be carried out within 500 meters of any existing structure (such as bridges, dams, weirs, or any other cross drainage structure) and within 500 meters of any groundwater extraction structures (either for irrigation or drinking water purposes).</p> <p>Sand mining shall not be permitted within 15 meters or 1/5th of the width of the stream bed from the bank, whichever is more.</p> <p>In streams and rivers where the thickness of sand is quite good (more than 8 meters), the depth of removal may be extended up to 2 meters. Sand mining shall not be permitted in streams where the thickness of sand deposition is less than 2 meters. In minor streams, where the thickness of sand deposition is more than 3 meters and less than 8 meters, the depth of removal of sand shall be restricted to one meter. Sand mining shall be restricted to depths above the water table recorded during monsoon and in no case shall effect/disturb the water table.</p>	
Surface Water	No undesirable wastes including liquid wastes shall be allowed to be dumped in the water bodies by any person or organization	
Trees	<p>Tree plantation and landscaping shall be adopted in all public and private premises.</p> <p>No felling of the trees or branches is permitted without prior permission of the Authority.</p> <p>Compulsory planting in residential areas, commercial/institutional areas and industrial areas as per the following details is to be taken up:</p> <p>For residential areas with an area of:</p> <p>Below 100 sq. meters 3 trees 101 to 200 sq. meters 5 trees 201 to 300 sq. meters 10 trees More than 301 sq. meters 10 trees, plus 5 trees for every increase of 100 sq. meters</p> <p>For commercial and institutional areas with an area of:</p> <p>Below 200 sq. meters 2 trees 201 to 500 sq. meters 4 trees 501 to 1000 sq. meters 6 trees, plus 2 trees for every increase of 100 sq. meters</p>	
The Andhra Pradesh Saw Mills (Regulation) Rules, 1969	<p>Saw mill means a mechanical contrivance for sawing, cutting or conversion of timber with the aid of electrical or mechanical power but does not include a contrivance operated solely by manual power.</p> <p>No person shall install, erect or operate a Saw Mill for cutting, converting or sawing of timber without obtaining a license for such installation from the Divisional Forest Officer.</p> <p>No license for setting up fresh saw mills within a distance of 5 km. from the boundary of any Forest under the control of the Forest Department shall be granted.</p>	
Andhra Pradesh Forest Produce Transit Rules, 1970	<p>No forest produce shall be moved into or from or within the State by land or water unless such produce is accompanied by a permit.</p> <p>Timber exceeding 25 cms in girth at its thickest part and one meter in length, except timber sawn into sizes shall not be moved into or from or within the State of Andhra Pradesh, unless such timber bears a distinguishable Government transit</p>	

Act, Policy or Government Order	Relevant to NRLP	Status
	mark authorizing the transit. (Firewood means all timber below 25 cms in girth at it thickest end and one meter in length.)	
The Andhra Pradesh Minor Forest Produce (Regulation of Trade) Act, 1971	<p>Minor Forest Produce means any forest produce other than timber, trees (excluding bamboos) and charcoal.</p> <p>No person other than the Government, or an authorized officer of the Government or an agent appointed by the Government shall sell or purchase or cure or otherwise process or collect or store or transport any minor forest produce. Any sale to or purchase from the Government, the authorized officer or the agent appointed by the Government of a minor forest produce is permitted.</p> <p>Every grower³, other than the Government, shall, if the quantity of the minor forest produce grown by him during a year is likely to exceed such quantity as may be prescribed, get himself registered with the Divisional Forest Officer.</p> <p>A registered grower may collect any minor forest produce from any land belonging to him on which such produce is grown and may transport the minor forest produce to the nearest depot.</p> <p>No grower shall carry on any trade or business in or any industry with the use of the minor forest produce except in accordance with the provisions of this Act and the rules made there under.</p> <p>Every manufacturer of finished goods using minor forest produce, and every exporter of minor forest produce shall get himself registered.</p>	
The Andhra Pradesh Scheduled Areas Minor Forest Produce (Regulation of Trade) Regulation, 1979	<p>The object and purpose of the Regulation was to create a State monopoly in the trade of minor forest produce in Scheduled Areas through Andhra Pradesh.</p> <p>No person other than the Girijan Cooperative Corporation, Ltd., shall sell or purchase or cure or otherwise process or collect or store or transport any minor forest produce.</p> <p>Any sale to or purchase from the Corporation of a minor forest produce is permitted.</p>	
The Andhra Pradesh Preservation of Private Forest Rules, 1978	<p>The Forest area situated in Patta land is a Private Forest. No permission to sell the following 'prohibited trees' is granted:</p> <ol style="list-style-type: none"> 1. Vepa (<i>Azadirachta indica</i>) 2. Ippa (<i>Madhuka latifolia</i>) 3. Mamidi (<i>Mangifera indica</i>) 4. Kunkudu (<i>Sapindus emarginatus</i>) 5. Mushti (<i>Strychnos nuxvomica</i>) 6. Chinta (<i>Tamarindus indica</i>) 7. Panasa (<i>Artocarpus integrifolia</i> and <i>Artocarpus hirsuta</i>) 8. Karaka (<i>Termalia chebula</i>) 9. Tuniki (<i>Diospyros malonaxylon</i>) 10. Kaniga (<i>Pongamia glabra</i>) <p>Permission to cut the following reserved trees shall not be granted unless the trees exceed 120 cms. In girth at 1.3 meters. height from ground level (Also, the felling should be as close to the ground as possible):</p> <ol style="list-style-type: none"> 1. Bandaru (<i>Adina cordifolia</i>) 2. Billudu (<i>Chloroxylon swietenia</i>) 	

Act, Policy or Government Order	Relevant to NRLP	Status
	3. Jitengi (<i>Dalbergia latifolia</i>) 4. Yepi (<i>Hardwickia binata</i>) 5. Raktachandanam (<i>Pterocarpus santalinus</i>) 6. Yegisa (<i>Pterocarpus marsupium</i>) 7. Chandanam (<i>Santalum album</i>) 8. Salwa (<i>Shorea robusta</i>) 9. Kusum (<i>Schleichera trijuga</i>) 10. Teku (<i>Tectona grandis</i>) 11. Maddi (<i>Terminalia tomentosa</i>) 12. Konda Tangedu (<i>Xylya dolabriformis</i>)	
Andhra Pradesh (Protection of Trees and Timber in Public Premises) Rules, 1989	Public premises means any area under the control of Government Department and includes road sides; premises of institutions and public buildings, public gardens, porambokes, beroon lands, Panchayat lands, irrigation project sites and canal banks, tank bunds, tank spread and foreshores, etc. Unless it is in accordance with any order issued by the Government or with prior written permission of the Forest Officer, the following is not allowed in public premises: <ul style="list-style-type: none"> ▪ Felling, girdling, lopping, tapping or burning of any trees ▪ Stripping off the bark or collecting leaves or otherwise damaging a tree ▪ Removing any produce from such trees existing in public premises ▪ Damaging, altering, removing any fence or live hedge fence 	
The Andhra Pradesh Charcoal (Production and Transport) Rules, 1992	No person shall make charcoal, or cut or cause to cut trees for the purposes of making charcoal, without the previous written permission of the Divisional Forest Officer concerned.	
MADHYA PRADESH		
Water (Prevention and Control of Pollution) Madhya Pradesh Rules, 1975	The rule states any person who is discharging sewage or trade effluent in to stream or well or sewer or on land shall apply in the form appended to these rules to the Member Secretary, Madhya Pradesh Pollution Control Board.	
Lok Vaniki Act 2001	This act is to give a boost to scientific management of privately owned 'forests' and other 'tree clad areas' in the state. The Act provides an opportunity to the willing landholders to take up management of their tree-clad holdings for optimizing economic returns to themselves and simultaneously ensuring environmental benefits to the society. The Act is voluntary in it's application.	

4. Environmental Management Framework

1. The EMF for the NRLP describes the strategy and plan for implementing environmental safeguards in the project.

4.1 Rationale and Objectives

2. The development objective of the proposed NRLP project is to establish efficient and effective institutional platforms of the rural poor that enable them to increase household incomes through livelihood enhancements and improved access to financial and public services. The focus of the EMF will be to introduce and strengthen environmental management by the institutions of the rural poor so as to contribute to the sustainability of the livelihood enhancements undertaken.
3. The objectives of the EMF:
 - contribute to livelihood security through better of management of natural resources
 - facilitate compliance with Bank's environmental safeguard policies and with laws/regulations of the Government of India and state Governments
 - facilitate adoption of environment-friendly livelihood activities
 - institutionalize environmental management in the community institutions supported by the NRLP

4.2 Process of Development of the EMF (Repetition)

4. The process of development of the EMF included:
 - secondary research on environmental status of the 12 states
 - review of the relevant legal and regulatory provisions
 - review of EMFs and other relevant documents from existing Bank supported livelihood projects
 - field study in 4 states (Karnataka, Andhra Pradesh, Bihar, Tamil Nadu) primarily to document strategy for promotion of environment-friendly livelihood activities
 - consultation with key stakeholders from all 12 states through a national workshop.

4.3 Learning's from Bank supported livelihood projects

5. The Bank has been supporting projects on poverty reduction and rural livelihoods in the states of Andhra Pradesh, Madhya Pradesh, Rajasthan, Chhattisgarh, Bihar and Tamil Nadu. These projects have yielded valuable experience and learning's on the implementation of environmental safeguards. These include:

- The two models in the Bank livelihood projects – the earlier CIGs⁷⁷ and the later SHGs⁷⁸ - are unique with respect to their implications on environmental safeguards. CIGs are financed by the project through a one-time grant for a common livelihood activity. SHGs are provided a loan, based on the micro-credit/investment plan which may contain multiple activities, by a larger SHG federation which is financed through a grant by the project. The challenge in the CIG model was to ensure that the CIG activities undergo screening for potential environmental impacts and that required mitigation measures are implemented. The challenge in the SHG model is to institutionalize in the SHG federation, the systems which will ensure that environmental considerations are integral to the process of appraisal of the SHG micro-credit/investment plans. This also expands the responsibility of environmental safeguards from the project alone to include the community institutions. Another key difference in the CIG and SHG models pertains to the financing of mitigation measures. In the CIG model, the cost of the mitigation measures is built into the sub-project budget. In the SHG model, doing so will increase the 'loan burden' on the SHG member – and this has often been a road block to implementation of mitigation measures in livelihood projects. Thus, a different strategy is needed to ensure implementation of the required measures for mitigation of negative environmental impacts.
 - As the nature and scale of livelihood activities undertaken by individual households is environmentally benign and small in scale, the potential impacts are also localized and manageable. Therefore, rather than place emphasis on micro-managing micro-impacts through appraisal of every individual household activity – it is more meaningful and efficient to (a) focus on introducing/improving the systems in community institutions for environmental management (b) periodically monitor cumulative impacts to provide pointers on required interventions.
 - The livelihood projects are unique in two ways: (a) they have limited negative environmental consequences (b) they have immense, demonstrated potential for interventions that can lead to positive environmental impacts. Thus, the EMF for these projects cannot limit its scope to the mitigation of negative impacts alone. It needs to spell out a strategy for pro-active interventions that will promote environment-friendly livelihoods.
 - Role of external agencies: Internalization of EMF in the project is better achieved when the responsibility for regular supervision rests with project staff as compared to a situation where it is outsourced to an external agency. External agencies can provide invaluable technical support for promoting environment-friendly livelihoods and for capacity building.
6. Annex 2 gives an overview of EMF implementation in recent Bank supported livelihood projects.

⁷⁷ CIG – Common Interest Group
⁷⁸ SHG – Self Help Group

4.4 Scope of Application of EMF

7. The EMF applies across the board to all components under the project. The following table presents the mapping of its various elements to the project components.

Table 4.1: Application of EMF to the NRLP components

<i>Component</i>	<i>Activities</i>	<i>Relevant provisions in EMF</i>
Component 1: Institutional and Human Capacity Development	Human resource development	National Environmental Management Coordinator in the NMMU Technical assistance on developing Environment Action Plans as part of the State Perspective and Implementation Plans and Annual Action Plans Capacity-building of state teams (training, exposure visits) on environmental management
	Training and capacity building	Development of operational manuals and training modules for state teams and community professionals on environmental management
Component 2: State Livelihood Support	State Rural Livelihood Missions	Institutions arrangements for EMF implementation at state, district and block levels
	Institution building and capacity building	Capacity building of community institutions including Green Community Resource Persons (Green CRPs)
	Community investment support	Environmental Management Plan by SHG federations
	Special programmes	
Component 3: Innovation and Partnership Support	Innovation Forums and Action Pilots	Inclusion of Green Innovations in Innovation Forums
	Social Entrepreneurship Development	
	Public-Private Community Partnership	
Component 4: Project Implementation Support	National Mission Management Unit	Management of EMF implementation
	Monitoring and Evaluation	
	Governance and accountability framework	
	Knowledge management and communication	

19. Components

4.19.1 Development of locally relevant EMPs

4.5.1.1 Environment Action Plan in the State Perspective and Implementation

Plans and Annual Action Plans

8. The sub-component 1.1 of the NRLP is Technical Assistance to all states for rolling out and implementing the NRLM. Under this subcomponent, technical assistance will be provided to the State Rural Livelihood Missions (SRLMs) of 25 states to undertake a situational analysis (poverty diagnostic study) and to develop a State Perspective and Implementation Plan (SPIP) and Annual Action Plans (AAPs). An Environmental Action Plan (EAP) will be developed by each State Mission Management Unit (SMMU) as part of the SPIP.

Technical Assistance to States

9. The Technical Assistance from NRLM/NMMU for facilitating preparatory work on environment would be for:
 - Development of operational manuals on EMF – including EMPs of primary federations, CoPs of producer collectives, Green CRPs, Green Opportunities
 - Development of a repository of Green Opportunities and Resource Institutions
 - Exposure visits to SRLM teams to best practices in facilitating environment-friendly livelihoods other states (sentence not very clear)
 - Recruiting (hiring), if required, the services of a consultant firm to undertake Situation Analysis and assist in development of the EMP for inclusion in the SPIP
 - National workshop/s to facilitate cross-learning/exchange that will contribute to development of robust EMPs
 - Stakeholders' consultations in each state including meetings, workshops, focus group discussions
 - Induction and capacity building of key staff at the SMMUs
 - Appraisal and approval of the EMP in the SPIP
 - A bi-monthly journal documenting case studies (applied aspects)
10. The Environmental Management Coordinator in the NMMU will be responsible for providing the required technical assistance. The Bank environment team will provide guidance and oversight. The EAP will be developed by each SMMU through a participatory process that will include secondary research, field data collection, consultations with key stakeholders (including NGOs, line departments, and community institutions), consultation on the draft EAP, finalization of the draft EAP and its integration into the SPIP. The plan for the implementation in the first year will include field testing of the Federation EMPs in at least 5 existing federations per state.
11. A template for the Environment section of the Situational Analysis is provided in

Annex 3. A template for the EAP that is part of the SPIP is provided in Annex 4. Indicative terms of reference for the consultant firm that will prepare the EAP are provided in Annex 5.

Readiness filter for SPIP with respect to Environmental Safeguards

12. The NRLM/NMMU, on receipt of SPIP, will screen the SPIP through a desk-appraisal for compliance and readiness. This screening process will include checking if:
 - The SPIP includes an EMP developed through the process described in this section.
 - The state has an Environmental Management Coordinator as part of the core team supporting the preparatory work for transiting to NRLM.
13. After clearing screening, NRLM (/NMMU?) would field a multidisciplinary Joint Appraisal Mission. This Appraisal Mission will include an expert on environmental management who will use a range of methodologies including field visits, meetings and discussions with key stakeholders to review and refine the EMP. Based on the agreed actions with the Appraisal Mission, SRLM would submit its revised EMP (as part of the SPIP). For the subsequent years, the appraisal of the EMPs in the Annual Action Plans will be based on the feedback provided by supervision missions, monitoring reports, external audit reports, etc.

4.5.2 EMPs by SHG federations

14. The NRLP seeks to build institutional platforms for livelihood enhancement and improved access to services. In tune with this purpose, the orientation of the EMF is on infusing the environmental management agenda into these platforms. The SHG Federation EMPs are a tool to enable this. The SHG primary federation (village organization or VO) is the channel for routing and monitoring project funds to SHGs. Its role is to perform functions that an individual SHG cannot – environmental management is such a higher order function.
15. The approach of having an EMP will enable the following:
 - Making the EMF locale-specific – relevant to the issues and actions needed in the specific village.
 - Giving the EMF continued relevance – beyond the 2 tranches of the start-up and Livelihood Investment Fund loans to SHGs (micro-credit is an on-going activity).
 - Provide opportunity for village level norms on resource use to emerge and/or be strengthened.
 - Provide opportunity for the SHG federation to take up environmental management (in the context of the livelihoods and well-being of its members) as one of its core functions.
 - Function as a ‘bottom-up’ process for generating demand on Green

Opportunities.

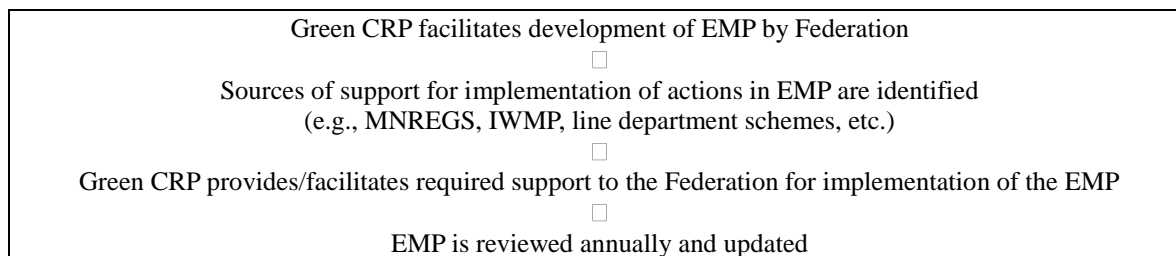
- Demonstrating smart solutions for aligning/configuring SHG activities/enterprises with environmental safeguards without any financial liability for the poor.

16. The EMP will be a simple 2-page document containing:

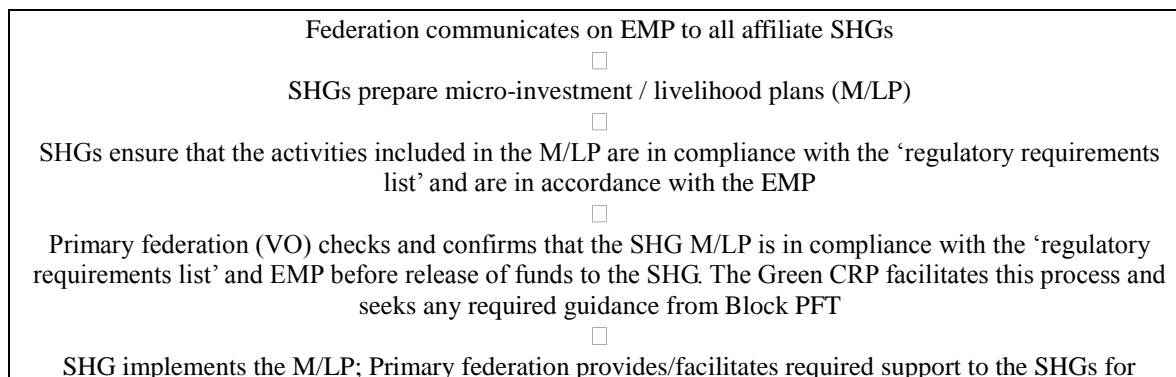
- Actions required at individual household level, SHG level, primary federation level including community norms on use of the natural resources and environmental management
- Plan for implementation of required actions including awareness building, training and extension support activities that will be facilitated by the federation
- Institutional arrangements in the federations and SHGs for implementation of the EMP
- Plan for monitoring implementation of the EMP
- Budget for implementation of the EMP.

17. A template for the EMP is provided in Annex 6. The EMP will be prepared by the VO with facilitation by the PFTs. It will be prepared prior to the micro-credit plan preparation process in the affiliate SHGs and will be updated annually. The executive committee of the VO will include an Environmental Management Committee.

Process of EMP



Application of EMP to SHG M/LPs



18. Any activity/business plans that the primary federation undertakes will also follow the same process to ensure compliance with the 'regulatory requirements list 'and with the EMP. Support for implementation of actions identified in EMP:

Table 4.2

<i>Support required for implementation of identified actions</i>	<i>Implementing entity</i>		
	<i>Individual</i>	<i>SHG</i>	<i>Primary federation</i>
Technical support (training, extension) Management support (community norms)	1 E.g. Improved method of composting (maintaining moisture, periodic turning, etc.)	2 E.g. Preparation of botanical extracts for pest control	3 E.g. Community norms for rotational grazing, sustainable NTFP harvesting, etc.
Technical support (training, extension) Management support (community norms) Financial support	A E.g. Drip irrigation equipment	B E.g. Hiring Centre of efficient spraying equipment and safety kit	C E.g. Fodder bank

- For actions in categories 1, 2 and 3: No financial support is required. Technical support (training, exposure visit, extension service) is provided on basis of the requirements outlined in the EMP.
- For actions in category A: Financial support (loan) to SHG member on the basis of SHG MIP.
- For actions in category B: Financial support (loan) to SHG from VO on the basis of SHG MIP.
- For actions in category C: Financial support (grant) to VO against the detailed plan indicated in the EMP.

19. The DMMU Environment Management Coordinator will review the EMPs of the VOs, identify the nature of the support required for the implementation of the mitigation measures, identify possible sources for meeting the technical support requirements (line departments, Kristi Vignan Kendras, NGOs, etc.) and the financial support requirements (for example, MNREGS), and identify the residual financial support requirements that the NRLP needs to fund. A primary focus of this review will be on identification of Green Opportunities (need and scope for environment-friendly interventions).

20. The application of EMP as a tool for decentralized environmental management is innovative. Hence, this approach will be implemented as a pilot that reaches 30% of the primary federations in the project in a phased manner. The section 4.5.9 describes the implementation roll out strategy. The NMMU and SMMU Environment Management Coordinators will closely monitor the implementation of this tool and devise an appropriate strategy for scaling it up to all primary federations involved in the project in year 3.

4.5.2.1 Code of Practice by Producer Collectives

21. The NRLP under the Livelihood Investment Support component will support producer collectives. These collectives of primary producers may be formed on agriculture, dairy, non-timber forest produce, etc. and will consist of SHG members involved in that particular livelihood activity. The producer collectives typically engage in activities such as procurement and retail of inputs, processing, marketing, technical support, etc. The producer collectives supported through the NRLP will be facilitated (by the DMMU Environment Management Coordinator) to develop and implement a Code of Practice (CoP) for environmental management. The CoP will be based on the EMF but will incorporate locally relevant and activity specific codes. The CoP will be evolved through a participatory process and will be on the lines of the Participatory Guarantee System for Organic Produce or the Responsible Soya programmes. The approach of having a CoP will enable the EMF to have continued relevance – beyond the 2 tranches of sectorial funds to POs. A template for the CoP is provided in Annex 7.

Application of CoP:

Producer Collective prepares its CoP. DMMU Environment Management Coordinator facilitate the process and ensures that the CoP is in compliance with the ‘regulatory requirements list’
<input type="checkbox"/>
Producer Collective prepares activity/business plan (A/BP)
<input type="checkbox"/>
Producer Collective ensures that the activities included in the A/BP are in accordance with the CoP
<input type="checkbox"/>
DMMU Environment Specialist checks and confirms that the Producer Collective A/BP is in compliance with the CoP before release of funds to the Producer Collective; arranges for technical support on environmental management by technically qualified personnel for activities requiring the same
<input type="checkbox"/>
Producer Collective monitors implementation of the CoP practices by its members
<input type="checkbox"/>
DMMU provides/facilitates required support to the Producer Collective for implementation of the CoP

4.5.2.2 Mapping of the EMF interventions with the institution building and micro-credit/livelihood interventions

22. The following table provides a mapping of the EMF interventions with the institution building and micro-credit/livelihood interventions.

Table 4.3: Mapping of the EMF interventions with the institution building and micro-credit/livelihood interventions

<i>Phase</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Institution building	Village entry	▪ SHG formation	▪ SHG strengthening ▪ Primary Federation (VO) formation	▪ SHG strengthening ▪ Primary Federation (VO) strengthening ▪ Producer Collective formation	▪ SHG strengthening ▪ Primary Federation (VO) strengthening ▪ Producer collective strengthening
EMF intervention			▪ Preparation and implementation of VO EMP	▪ Implementation of VO EMP Preparation and implementation of Code of Practice for producer collective	▪ Implementation of VO EMP ▪ Implementation of Code of Practice for producer collective
Micro-credit / Livelihood intervention		▪ On-going micro-credit lending in SHGs ▪ Release of Seed Grant	▪ On-going micro-credit lending in SHGs ▪ Preparation of Micro-investment / Livelihood Plans of SHGs ▪ Release of Livelihood Support Fund	▪ On-going micro-credit lending in SHGs and Federation ▪ Release of Livelihood Support Fund ▪ Preparation of Business Plans of Producer Collectives ▪ Release of Sector Support Fund	▪ On-going micro-credit lending in SHGs and Federation ▪ Release of Sector Support Fund

4.19.2 Environmental Management Toolkit

23. The experience of implementation of livelihood projects has led to the development of a comprehensive toolkit to guide identification of measures to mitigate potential negative environmental impacts in rural livelihoods.

4.5.3.1 Contents of the toolkit

24. The toolkit contains the following:
- A ‘regulatory requirements list’: This list is drawn up on the basis of a review of the existing law and regulations of the Government of India, the 12 state Governments and the safeguard policies of the World Bank. The list is provided at Annex 5. This initial list needs to be validated by each of the 12

SMMUs in consultation with the respective line departments. State specific regulations that are relevant to the environment-rural livelihood context need to be added to this list.

- Activities that require detailed environmental appraisal by technically qualified personnel: This list has been drawn up on the basis on implementation experience in the Bank's existing livelihood projects. The list along with a recommendation on the technical qualifications of the personnel who will undertake the detailed environmental appraisal is provided at Annex _ (yet to be included).
- Environmental guidelines for rural livelihoods: Guidelines are provided for four major livelihoods – agriculture, livestock, non-timber forest produce and fishery. These include a listing of the possible impacts and the relevant mitigation measures. The guidelines are provided at Annex _. (yet to be included).

4.5.3.2 Further action required to make the toolkit usable:

25. The toolkit provided in this EMF (Annexes _, _ and _) will be used as basic reference material by SMMU Environment Management Coordinator to validate the regulatory requirements list and the environmental guidelines in consultation with the relevant line departments and technical support institutions (Krishi Vignan Kendras, NGOs, etc.). These will subsequently be translated into the local language and made available to all the sub-district Project Facilitating Teams and SHG primary federations in an appropriate form (simple language, illustrations, flipchart format, etc.).

4.5.3.3 Use of toolkit:

26. The 'regulatory requirements list' will need to be complied with by all the SHG primary federations, SHGs and producer collectives in the project. It will be part of the Community Operational Manual and relevant project communications to the state, district, block teams and community institutions. The toolkit will be used by the Green CRPs as basic reference materials in facilitating development of EMPs by SHG primary federations.

4.5.4 Promotion of Green Opportunities (environment-friendly livelihood activities)

27. The experience from the Bank's livelihood projects has been that promulgation of good environmental management in livelihoods is best achieved through demonstration of eco-friendly practices – initially through pilots followed by scaled-up interventions. Examples on this include the Community Managed Sustainable Agriculture (CMSA) in Andhra Pradesh, the System for Rice Intensification (SRI) in Bihar, and the Responsible Soya initiative in Madhya Pradesh. The strategy for promotion of Green Opportunities in the NRLP is described in Chapter 5.

4.5.5 Institutional arrangements

28. Institutional arrangements for the EMF are detailed both in the project structure as well as in the community institutions.

4.5.5.1 Institutional Arrangements in the Project Structure at National, State, District and Sub-district levels

29. The effective implementation of the EMF will require relevant institutional arrangements at the national, state, district and sub-district levels. The roles and responsibilities of the key staff at the national, state, district and sub-district levels are spelt out in this section. The roles and responsibilities of the key staff at the national, state, district and sub-district levels are as follows (Table 4.4).
30. The overall responsibility for EMF implementation in the NRLP lies with the CEO (COO/Mission Director) in the NMMU. The CEO (COO/Mission Director) will ensure that the processes, institutional arrangements, procurement requirements, etc., as detailed in this EMF are met with on a timely basis and are executed with quality.

4.5.6 Institutional Arrangements in the Community Institutions

31. As mentioned earlier, the EMF focuses on infusing environmental management as a core responsibility of the institutions of the rural poor – with an understanding that sustaining the quality and quantity of local natural resources sustains the productivity of existing livelihoods as well as the range of livelihood options available to the poor. Identifying relevant institutional arrangements in the community institutions supported by the NRLP is a part of this. The roles and responsibilities of the key individuals/entities in the SHG federations and producer collectives are spelt out in this section. The roles and responsibilities are as follows (Table 4.5).

Table 4.4 Institutional Arrangements in Project Structure

<i>Level</i>	<i>Post</i>	<i>Responsibilities</i>	<i>Profile</i>
National	National Environment Management Coordinator	<p>Provide strategic guidance to NRLM in the area of environmental management (including scouting and operationalizing Green Opportunities) including identification of: focus areas for intervention, needs emerging from EMPs, technical and capacity building requirements, etc.</p> <p>Provide technical assistance to states in preparatory work on environment for transiting to NRLP (preparation of SPIPs and AAPs)</p> <p>Coordinate closely with relevant thematic counterparts in the NMMU team (livelihoods, capacity building, etc.) for mainstreaming of environmental management (including Green Opportunities)</p>	<p>10-15 years of experience in environmental/NRM management in the rural context (or in a related field).</p> <p>Post-graduate qualification in Natural Resources Management, Agriculture, Environmental Science, Forest Management, Rural Management or a relevant discipline.</p>

Level	Post	Responsibilities	Profile
	Environment Management Associate	<p>Assist in providing technical assistance to states in preparatory work on environment for transiting to NRLP (preparation of SPIPs and AAPs)</p> <p>Coordinate with capacity building resource agency to ensure timely delivery of quality capacity building services to SRLM/SMMU teams in environmental management (including Green Opportunities)</p> <p>Undertake monitoring visits to states to get feedback and provide support on EMF implementation</p> <p>Coordinate with external audit agency to ensure quality outputs</p> <p>Dissemination of best practices and cross learning across states</p> <p>Assist the National Environment Management Coordinator in all responsibilities</p>	<p>7-10 years of experience in environmental/NRM management in the rural context (or in a related field).</p> <p>Post-graduate qualification in Natural Resources Management, Agriculture, Environmental Science, Forest Management, Rural Management or a relevant discipline.</p>
State	State Environment Management Coordinator	<p>Ensure quality outputs for the Situational Analysis and EMP preparation and its integration into the SPIP and AAPs</p> <p>Validate the approach to development of the Federation EMPs (through field testing)</p> <p>Validate the EMF toolkit (regulatory requirements list, environmental guidelines) in consultation with the relevant line departments and technical support institutions (academic institutions, NGOs, etc.) in the state</p> <p>Ensure quality in implementation of the EMF in the state</p> <p>Coordinate closely with relevant thematic counterparts in the SMMU team (livelihoods, capacity building, etc.) for mainstreaming of environmental management (including Green Opportunities)</p> <p>Commission and ensure quality outputs from state capacity building resource agency.</p> <p>Commission and ensure quality outputs from technical support institutions for pilots on Green Opportunities</p> <p>Undertake monitoring visits to districts to get feedback and provide support on EMF implementation</p> <p>Ensure regular district level monitoring of EMF implementation</p> <p>Dissemination of best practices and cross learning across districts</p>	<p>7-10 years of experience in environmental/NRM management in the rural context (or in a related field).</p> <p>Post-graduate qualification in Natural Resources Management, Agriculture, Environmental Science, Forest Management, Rural Management or a relevant discipline.</p>

<i>Level</i>	<i>Post</i>	<i>Responsibilities</i>	<i>Profile</i>
District	District Environment Management Coordinator	<p>Ensure quality in implementation of the EMF in the district</p> <p>Facilitation of detailed environmental appraisal by technically qualified personnel for activities requiring the same (as indicated in the annex ____)</p> <p>Coordinate with state capacity building resource agency/agencies to ensure timely delivery of quality capacity building services to district/block teams, Green CRPs and SHG federations/producer collectives</p> <p>Coordinate with technical support institutions for quality and timeliness in implementation of pilots on Green Opportunities</p> <p>Undertake regular district level monitoring of EMF implementation</p> <p>Dissemination of best practices and cross learning across the district</p>	<p>5-7 years of experience in environmental/NRM management in the rural context (or in a related field).</p> <p>Post-graduate qualification in Natural Resources Management, Agriculture, Environmental Science or a relevant discipline.</p>
Sub-district	Project Facilitating Team (all members)	<p>Ensure quality in implementation of the EMF at the sub-district level</p> <p>Support SHG federations and producer collectives in development and implementation of EMPs and Codes of Practice</p> <p>Dissemination of best practices and cross learning across the SHGs and SHG federations</p>	<p>3-5 years of experience in environmental/NRM management in the rural context (or in a related field).</p> <p>Graduate qualification in Agriculture or a relevant discipline.</p>

Table 4.5: Institutional Arrangements in Community Institutions

<i>Level</i>	<i>Key persons</i>	<i>Responsibilities</i>	<i>Profile</i>
Sub-District / Block	Green Community Resource Person (Green CRPs)	<p>Build capacity of SHG members in environmental management in the context of the key livelihoods identified in the sub-district (block/mandal)</p> <p>Dissemination of best practices and cross learning across the SHGs in the sub-district (block/mandal)</p> <p>Facilitate the development of the EMP for the federations (with the support of the sub-district PFT)</p> <p>Assist the federations in liaison with the village institutions (Gram Panchayat, user groups such as Joint Forest Management Committee, fisheries and dairy cooperatives, Watershed Committee, etc.) for developing and implementing village-level norms on resource management</p> <p>Assist in identification of best-practitioners on environmental</p>	<p>Members of the community who have:</p> <ul style="list-style-type: none"> - eco-friendly practices in their own livelihoods - potential to be change-makers in the community - willingness to spend at least 150 days annually visiting villages in the block and providing on-site support to federations and SHGs - willingness to invest time and effort in their initial and on-

<i>Level</i>	<i>Key persons</i>	<i>Responsibilities</i>	<i>Profile</i>
		management among SHG members Organize technical support and training for SHG members (with the support of the sub-district PFT)	going training - high school education
SHG primary federation (VO)	Environment Management Committee (with the facilitation of the sub-district Project Facilitating Team)	Develop and implement the EMP for the federation Liaison with the village institutions (Gram Panchayat, user groups such as Joint Forest Management Committee, fisheries and dairy cooperatives, Watershed Committee, etc.) for developing and implementing village-level norms on resource management Organize technical support and training for SHG members Undertake monitoring of implementation of EMP and any emerging cumulative environmental impact on a regular basis	Members of the Executive Committee of the primary SHG federation who have demonstrated good practices and/or recognize the value of natural resource management in their livelihoods.
Producer collective	Environment Management Committee (with the facilitation of the DMMU/sub-district Project Facilitating Team)	Develop and implement the CoP for the producer collective Organize technical support and training for members of the producer collective (with the facilitation of the sub-district SRLM team) Undertake monitoring of implementation of the CoP by its members	Members of the Executive Committee of the producer collective who have demonstrated good practices and/or recognize the value of natural resource management in the activity.

4.5.7 Capacity Building

32. The orientation of this EMF is to strengthen the capacity for environmental management in (a) the independent institutional structures at the national level and at the 12 states, and (b) the community institutions-SHGs, SHG federations, producer collectives. This will be achieved through:

- 33.
- Training of livelihood professionals in state, district and block teams
 - Training of community members

4.5.7.1 Training of livelihood professionals in state, district and block teams

34. The strategy for this will include: (a) Integration of environmental management into induction training programmes for SRLM staff (SMMU, DMMU and block levels): a sub-module on 'environmental management in rural livelihoods' will be included as part of the module on livelihoods in the training programmes for the SRLM staff. The sub-module will cover the following themes:

- Opportunities for better environmental management in existing livelihoods
- Opportunities for new environment-friendly rural livelihoods

- Key provisions of the EMF of the NRLP

(b) Specialized training on environmental management for Environmental Specialists at State and District levels. The details of these training programmes are as follows:

Table 4.6

<i>Course</i>	<i>Level</i>	<i>Thematic areas for training</i>	<i>Methodology</i>	<i>Duration</i>
T1	State	Environmental issues in the rural livelihood activities Promotion of better environmental management in existing livelihoods (including climate change adaptation) Promotion of new environment-friendly livelihoods Key provisions of the EMF of the NRLP Preparatory work on environment for development of EMP for inclusion in the SPIP and AAPs	Field exposure visits Case studies Class room sessions	2 weeks (initial training, exposure visits) Annual refresher training/review
T2	District	Environmental issues in the rural livelihood activities Promotion of better environmental management in existing livelihoods (including climate change adaptation) Promotion of new environment-friendly livelihoods Key provisions of the EMF of the NRLP Facilitating development and implementation of EMPs by SHG federations and CoPs by producer collectives	Class room sessions Field exposure visits Field exercises	2 weeks (initial training, exposure visits) Annual refresher training/review

(c) Training to sub-district (block) level Project Facilitating Teams (PFTs):

Table 4.7

<i>Course</i>	<i>Level</i>	<i>Thematic areas for training</i>	<i>Methodology</i>	<i>Duration</i>
T3	Sub-district	Environmental issues in the rural livelihood activities Promotion of better environmental management in existing livelihoods (including climate change adaptation) Promotion of new environment-friendly livelihoods Key provisions of the EMF of the NRLP Facilitating development and implementation of EMPs by SHG federations	Class room sessions Field exposure visits	3-4 days (initial training) Annual refresher training/review

4.5.7.2 Training of community members

35. Specialized training on environmental management for a cadre of Community Resource Persons specializing on environmental management in rural livelihoods referred to as 'Green CRPs' in this document. The details of this training are as follows:

Table 4.8

<i>Course</i>	<i>Level</i>	<i>Thematic areas for training</i>	<i>Methodology</i>	<i>Duration</i>
T4	District	Environmental issues in the key rural livelihood activities Facilitating development of EMPs by SHG federations Promotion of environment-friendly practices in the key livelihood activities (agriculture, livestock, NTFP, fisheries) Monitoring of environmental status and of adoption of environment-friendly practices in the key livelihood activities (agriculture, livestock, NTFP) by the SHG members	Class room sessions Field exposure visits Field exercises	8 weeks (initial training, exposure visits) On-going refresher training/review

36. Over the NRLP duration, the Green CRPs will receive multiple doses of skill-building training and will organize both formal training sessions as well as provide on-the site training to SHG members to transfer their skills.

Table 4.9

<i>Course</i>	<i>Level</i>	<i>Thematic areas for training</i>	<i>Methodology</i>	<i>Duration</i>
T5	SHG primary federation	Environment-friendly practices in the key livelihood activities (agriculture, livestock, NTFP) New environment-friendly livelihood opportunities Development and implementation of EMP Periodic monitoring of implementation of EMP	Demonstrations Participatory discussions Exposure visits	2-3 days initial training followed by on-going support by Green CRP
T6	Producer collective	Environment-friendly practices in the key livelihood activity (agriculture, livestock, NTFP) Development and implementation of CoP for producer collective Periodic monitoring of implementation of CoP	Demonstrations Participatory discussions Exposure visits	2-3 days initial training followed by on-going support

4.5.8 Monitoring

37. The focus of monitoring is three fold: (a) the implementation of the EMF, (b) the adoption of environmental management in livelihood activities, (c) the environmental status. Monitoring is planned at 3 levels: community monitoring, internal monitoring and external audit.

4.5.8.1 Community Monitoring

38. The Green CRPs will monitor the implementation of the EMPs and CoPs. The monitoring will be done bi-annually through a participatory mode involving the members of the primary federation / producer collective based on indicators identified during the preparation of the EMPs/CoPs. These may include:

Table 4.10

<i>Indicators of environmental status</i>	<i>Indicators of adoption of environmental management in livelihood activities</i>
Soil nutrient status Visible signs of soil erosion Groundwater level Availability of green and dry fodder Livestock density NTFP yield	Ratio of N:P:K use Amount of organic manure used Number of improved compost units (pit, vermicompost, NADEP, etc.) Area treated with green manure Area under crop rotation Area under intercrops Expenditure on chemical pesticides Amount of pesticides in classes Ia, Ib, II (WHO classification) used Area under drip or sprinkler irrigation Area treated with soil moisture conservation practices Number of percolation/recharge pits Number of water harvesting structures Percentage of livestock that is stall-fed Number of chaff-cutters Area under fodder cultivation Area under pasture development/protection Visible signs of unsustainable NTFP extraction

(what will be the source of data for these indicators? Who will collect them? Green CRPs may not be able to handle this. We may consider simple tangible indicators like groundwater level increased/decreased, percentage of livestock that is stall fed. Baseline survey may be suggested to track progress)

4.5.8.2 Internal Monitoring

39. The environmental specialists at the national, state and district levels will conduct internal monitoring of the implementation of the EMF. The details of this monitoring are provided here:

Table 4.11

<i>Level</i>	<i>Key responsibility for monitoring</i>	<i>Aspects covered under monitoring</i>	<i>Sample to be covered annually</i>
District	Environment Specialist in DMMU	Desk and field review of quality of EMPs of SHG federations Review of Green Opportunities emerging from EMPs of SHG federations Desk and field review of quality of CoP of producer collectives Desk and field review of compliance with the regulatory requirements list Desk and field review of outputs from community monitoring	20% primary federations 100% producer collectives
State	Environment Specialist in	Desk review of outputs of district monitoring Desk and field review of quality of EMPs of SHG	2% primary federations

<i>Level</i>	<i>Key responsibility for monitoring</i>	<i>Aspects covered under monitoring</i>	<i>Sample to be covered annually</i>
	SMMU	federations Review of Green Opportunities emerging from EMPs of SHG federations Desk and field review of quality of CoP of producer collectives Desk and field review of outputs from community monitoring Desk and field review of compliance with the regulatory requirements list of activities that are not to be supported Desk review to check if environmental appraisal by technically qualified personnel is being done for activities identified in the EMF as requiring the same Implementation of pilots on eco-friendly livelihood activities	10% producer collectives 100% pilots on eco-friendly activities
National	Environment Specialist in NMMU	Desk review of outputs of state monitoring Desk review of outputs of external environmental audit Desk and field review of quality of EMPs of SHG federations and CoP of producer collectives, and, their implementation Desk and field review of implementation of pilots	100% states 30% districts

40. Details of sample to be covered (indicative):

Table 4.12 (to be filled in)

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
District monitoring coverage					
State monitoring coverage					
National monitoring coverage					

4.5.8.3 External Environmental Audit (including cumulative impact assessment)

41. An external audit of the environmental performance of the NRLP will be undertaken annually during the project period – in years 2, 3, 4 and 5. An external agency will be hired by the NMMU for the purpose. The objectives of the audits are:

- To assess the overall effectiveness of the design and implementation of the EMF
- To assess the adverse environmental impacts of the project-supported activities (individual, as well as cumulative)
- To provide practical recommends for strengthening the EMF.

42. The scope of the audit will include:
- Quality of the EAPs of the states and their integration into the SPIPs and AAPs.
 - Effectiveness of implementation of the EMF at the state level.
 - Quality of the SHG federation EMPs and the CoPs of producer collectives.
 - Effectiveness of implementation of the SHG federation EMPs and the CoPs of producer collectives.
 - Cumulative impacts of the livelihood activities supported by the NRLP (in key sectors such as agriculture, livestock, fisheries, NTFP, etc.)
 - Promotion of eco-friendly livelihood activities.
 - Adequacy of institutional arrangements in the project structure and in the community institutions.
 - Capacity of the project staff for implementation of the EMF.
 - Capacity of the community institutions for environmental management of livelihoods.
 - Effectiveness of community monitoring and internal monitoring.
43. The sample will cover about 30% of the districts in all the 12 states (about 24 districts). In each district, the sample covered will include 5% of the primary federations. At least 2-3 producer collectives per state will be covered. All the pilots being implemented in the states on eco-friendly livelihood activities will be covered in the sample.
44. The sample will cover both the SHG federations that receive support for development of EMPs as well as other SHG federations in the project (which will be treated as control). A comparative analysis of these with respect to environmental outcomes will help to understand the value-addition achieved by the EMP approach. The methodology of the audit will include both desk reviews and field visits. Annex ___ provides guidance on the cumulative impact assessment.
- **Desk review:** The desk review will include a review of the state EMPs, SHG federation EMPs and the CoPs of producer collectives, the internal monitoring reports, the training reports, reports on detailed environmental assessment undertaken by technical experts, the micro/livelihood investment plans of the SHGs, etc.
 - **Field visits:** In each state, the sample of SHG primary federations and producer collectives will be covered through field visits. Focussed discussions will be held with members of SHGs, SHG federations, representatives of Gram Panchayat and user groups, relevant line departments, and, project staff at sub-district, district and state levels.

4.5.8.4 Performance indicators

45. This section provides indicative performance indicators that are to be used during the external environmental audits. The indicators are as follows:

Environmental outcomes

- Number of SHGs and SHG members who have adopted environment-friendly livelihood practices
- Percentage of producer collective members in compliance with the CoP of their collective
- Number of SHGs and SHG members undertaking activities on the regulatory requirements list

Thematic performance indicators

Agriculture:

- Number of SHG members implementing sustainable agriculture practices as a percentage of the total members in the sampled SHGs
- Extent of area under sustainable agriculture practices supported by the project as a percentage of all agricultural area supported by the project in the sample villages
- Increase in expenditure on agro-chemicals by households supported by the project (as compared to the pre-project situation and as compared to a control group)

Water resources:

- Number of SHG members undertaking water conservation measures as a percentage of the total members in the sampled SHGs
- Extent of area under water conservation (recharge, harvesting, drip/sprinkler irrigation, etc.) as a percentage of all area that has been brought under tube well irrigation through the project support in the sample villages
- Percentage increase in number of tube wells (in sample villages) as a result of the tube wells funded through the project support

Livestock:

- Number of SHG members undertaking better fodder management as a percentage of the total members in the sampled SHGs
- Percentage increase in number of livestock (in sample villages) as a result of the livestock funded through the project support

Occupational health and safety:

- Number of enterprises with adoption of relevant occupational safety measures

Institutional arrangements and capacity building

- Percentage of project staff trained in EMF (to total staff)
- Percentage of primary federations that have received the training on environmental management of livelihoods
- Percentage of producer collectives that have received the training on environmental management of livelihoods

Processes

- Percentage of primary federations with EMPs
- Percentage of producer collectives with CoPs
- Number of activities requiring detailed environmental appraisal by qualified technical expert having gone through such appraisal
- Percentage of indicated samples covered as part of the internal monitoring

4.5.9 Implementation roll-out strategy

46. The EMF of the NRLP builds on the experience of existing livelihoods projects in the country. However, it has certain elements that are novel – for example, the SHG federation EMPs and the CoPs of the producer collectives. It is necessary to phase out the implementation of the federation EMPs in the NRLP to ensure that innovative elements are put on trial before they are scaled up. The roll out of the federation EMPs is planned as follows:

Table 4.13: Phasing of EMF implementation

	Year 1	Year 2	Year 3	Year 4	Year 5
Establishing Training System	Identification of national capacity building support agency (for training SRLM/SMM U state staff) Training module development: Case studies, Exposure visits, Interaction sessions with innovators.				
TA to	12 states				

	Year 1	Year 2	Year 3	Year 4	Year 5
states	Roll out of training to NMMU staff and SRLMs National level experience sharing workshops (two workshops – pre and post EMP development) Development of state EMPs and their integration into the SPIPs and AAPs	National/regional and state level experience sharing workshop	National/regional and state level experience sharing workshop	National/regional and state level experience sharing workshop	National/regional and state level experience sharing workshop
Setting up SMMU	6 states	12 states			
	SMMU Environment Specialist in each of 6 states	SMMU Environment Specialist in each of 12 states			
Training of staff at state level	6 states	12 states			
	Training to 6 SMMU Environment Specialists Identification of state capacity building support agency (for training DMMU staff, Block teams, Green CRPs) Training module development: Case studies, Exposure visits, Interaction sessions with innovators.	Training to 12 SMMU Environment Specialists Identification of state capacity building support agency (for training DMMU staff, Block teams, Green CRPs) Training module development: Case studies, Exposure visits, Interaction sessions with innovators.			
Appraisal	6 states	12 states			

	Year 1	Year 2	Year 3	Year 4	Year 5
of state plans	EMPs of 6 states developed and appraised	EMPs of 6 more states developed and appraised			
Setting up of district structure	33 districts District level Environment Specialist in each of 24 districts Roll out of training programmes to DMMU staff	77 districts Pilots on eco-friendly livelihood activities Internal monitoring External audit Roll out of training programmes to DMMU staff	100 districts Pilots on eco-friendly livelihood activities Internal monitoring External audit	100 districts Pilots on eco-friendly livelihood activities Internal monitoring External audit	100 districts Pilots on eco-friendly livelihood activities Internal monitoring External audit
Setting up of block teams	130 blocks	310 blocks	400 blocks	400 blocks	400 blocks
Batch 1 (pilot) 1 district each in 6 states (24 blocks)	Training to 72 Green CRPs (6 districts x 4 blocks x 3 CRPs)	Training and support to 360 SHG federations through 72 Green CRPs (6 districts x 4 blocks x 3 CRPs x 5 villages) Preparation and implementation of EMPs of 360 SHG federations Refresher training to 72 Green CRPs	Training and support to 720 SHG federations through 72 Green CRPs (6 districts x 4 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 720 SHG federations Refresher training to 72 Green CRPs	Training and support to 720 SHG federations through 72 Green CRPs (6 districts x 4 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 720 SHG federations Refresher training to 72 Green CRPs	Training and support to 720 SHG federations through 72 Green CRPs (6 districts x 4 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 720 SHG federations Refresher training to 72 Green CRPs
Batch 2 1 district each in 6 old states (24 blocks) 1 district each in 6 new states (24 blocks)		Training to 144 Green CRPs (12 districts x 4 blocks x 3 CRPs)	Training and support to 720 SHG federations through Green CRPs (12 districts x 4 blocks x 3 CRPs x 5 villages) Preparation and implementation of EMPs of 720 SHG federations	Training and support to 1440 SHG federations through 288 Green CRPs (12 districts x 4 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 1440 SHG federations	Training and support to 1440 SHG federations through 288 Green CRPs (12 districts x 4 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 1440 SHG federations

	Year 1	Year 2	Year 3	Year 4	Year 5
			Refresher training to 144 Green CRPs	Refresher training to 144 Green CRPs	Refresher training to 144 Green CRPs
Batch 3 82 districts in 12 states (328 blocks)			Training to 984 Green CRPs (328 blocks x 3 CRPs)	Training and support to 4920 SHG federations through 984 Green CRPs (328 blocks x 3 CRPs x 5 villages) Preparation and implementation of EMPs of 4920 SHG federations Refresher training to 984 Green CRPs	Training and support to 9840 SHG federations through 984 Green CRPs (328 blocks x 3 CRPs x 10 villages) Review/preparation and implementation of EMPs of 9840 SHG federations Refresher training to 984 Green CRPs
Total outreach	6 districts 24 blocks 72 Green CRPs	18 districts 72 blocks 216 Green CRPs 360 SHG federations	100 districts 400 blocks 1200 Green CRPs 1440 SHG federations	100 districts 400 blocks 1200 Green CRPs 7080 SHG federations	100 districts 400 blocks 1200 Green CRPs 12000 SHG federations

4.6 Budget

47. The estimated budget for the EMF implementation is \$ 7 million. The detailed budget is presented in Annex .

Table 4.14: Addressing the Bank's safeguards policies through the EMF in NRLP

Safeguards Policy	How EMF addresses the Bank's Safeguards Policy
Environment Assessment OP 4.01	<p>The project addresses critical environmental issues such as water scarcity, depletion of ground water, salinity of ground water, poor soil fertility, poor forest cover; and air pollution from small mining activities. However, at an individual level these will not be major concerns. Only if there is a large aggregation of such activities, concerns could magnify, especially on water and livestock</p> <p>To address the above, the EMF has relevant thematic indicators of performance that are reflective of these environmental concerns. In addition, (a) the EMP is an integral part of the livelihood plan development process (b) proactive or green opportunities will be identified and demonstrated in each project district. The annual external environment audit, which includes a cumulative impact assessment will assess project performance, particularly on livestock and water related subprojects.</p>

Forests and Natural Habitats OP 4.36, OP 4.04	Negative pressures on the forests and wildlife as a result of these community driven activities is not expected. The regulatory requirements list and the mitigation measures included in the EGs - (especially those relating to fodder management and to activities in forest areas) - will contribute to wildlife conservation. In addition, periodic assessment of cumulative impacts will help to take any required corrective measures from time to time.
Pest Management OP 4.09	Use of (a) banned/non-permissible pesticides and (b) pesticides in classes Ia, Ib, II (WHO) is not permitted in the project and included in the regulatory requirements list. Also, training on safe use of pesticides and convergence with Government schemes on IPM is included in the EGs. Low external input sustainable agriculture based on non-pesticide management is the flagship program of NRLP. Therefore the project will address OP 4.09 adequately and proactively.

5. Green Opportunities for Proactive Interventions for Ensuring Sustainability of Livelihoods

5.1 Introduction (the orientation of introduction may be reconsidered: rather than introducing NRLM/NRLP and relating it to Green Opportunities we may focus on Green Opportunities and relate it to NRLM/NRLP)

1. The Ministry of Rural Development (MoRD), Government of India, set up the National Rural Livelihood Mission (NRLM) in June 2010. The Mission's primary objective is to reduce poverty by promoting diversified and gainful self-employment and wage employment opportunities for sustainable income increases. The proposed World Bank-supported National Rural Livelihoods Project (NRLP) is a part of the NRLM and will be implemented in 150 selected districts of 10 high priority states of India.
2. As part of the preparatory phase of the NRLP, it is mandatory to prepare an Environmental Management Framework (EMF) for assessing and managing the impact of the proposed livelihood activities of the NRLP. However, the World Bank wishes to go beyond the mere preparation of an EMF. It proposes to identify opportunity sets that are based on sound environmental practices/technologies and proactively promote them to ensure the environmental sustainability of livelihood activities. In addition, it also seeks to identify and promote livelihood opportunities that are based on such sound environmental practices /technologies.

5.2 Methodology

3. This section presents a set of "Green Opportunities" that have been identified in the area of sustainable agriculture, irrigation and renewable energy.
4. Based on a desk review and discussions within the World Bank Team⁷⁹ working on the environmental management & safeguards support to the NRLP, the following projects/organizations were identified for further study:
5. These projects were chosen so as to cover the major livelihood options of agriculture (of which irrigation & non-chemical fertilizers and pesticides are vital components) and animal husbandry. Further, energy was also included since it is a key factor in improving livelihood options in rural areas. Often, the choice of energy (especially for lighting) in rural areas is diesel or kerosene, both of which are polluting sources of energy. Hence, renewable energy was included in the opportunity sets.
6. Of these projects studied, field visits were made to the CSMA, SRI/SWI, CER/VER Financed Biogas+ and the Affordable Drip Irrigation Technology Intervention. The rest are based on desk review and the author's knowledge from previous visits to and/or association with those projects.

⁷⁹ The team is headed by Ms.Priti Kumar, World Bank and comprises Kalyani Kandula and SC Rajshekar, Consultants

Table 5.1: List of Opportunity Sets Studied

<i>Name of Project / Intervention / Technology</i>	<i>Name of Organization</i>	<i>Description of Project / Intervention / Technology</i>	<i>Livelihood Area</i>	<i>Coverage Area</i>
Community Managed Sustainable Agriculture (CSMA)	Society for Eradication of Poverty (SERP)	Low external input, low cost and non-pesticide based crop management for higher profits to farmers	Agriculture	Several districts of Andhra Pradesh
Tree-based Farming	Bharatiya Agroindustries Foundation (BAIF) & BAIF Institute of Rural Development – Karnataka (BIRD-K)	Innovative use of land to ensure multiple crops in rain fed conditions that meet food, fuel and fodder requirements of a small farmer	Agriculture	Several states
System of Rice & Wheat Intensification (SRI & SWI)	Bihar Rural Livelihoods Project	Innovative paddy and wheat cultivation practices for substantially higher yields	Agriculture	Several districts of Bihar
Affordable Drip Irrigation Technology Intervention (ADITI)	International Development Enterprises, India (IDE-I)	Low cost alternatives to high cost conventional drip technology	Agriculture - Irrigation	Several states
Eco-tech based community enterprise	JRD TATA Eco-technology Centre, MS Swami Nathan Research Foundation, Chennai	Demystification of bio-technology, its adaptation for manufacture and marketing by women SHGs, leading to formation of a community-based eco-enterprise	Agriculture-Chemical-free inputs	Madurai & Dindigul districts of Tamil Nadu
Parampara Herbal Producer's Company	Foundation for Revitalization of Local Health Tradition (FRLHT)	Use of low cost local veterinary medical knowledge to identify, test and market products to treat diseases of dairy animals	Animal husbandry	Udupi & Dakshina Kannada districts of Karnataka
CER/VER Financed Biogas+ Projects	SKG Sangha	Innovative use of CDM to part finance promotion, installation and maintenance of biogas+ vermicompost plants	Renewable Energy	Karnataka
Light A Billion Lights (LABL)	The Energy & Resources Institute	A Fee-for-Service model to provide SPV-based lighting solutions to rural India	Renewable Energy	Several states
Rural electricity supply service	Husk Power Systems	Generating renewable power from rice gasifies coupled to producer gas engines and supplying to villages in Bihar	Renewable energy	Bihar & Uttar Pradesh

5.3 Integrating Green Opportunities into NRLP

5.3.1 Introduction

7. In the next few chapters 9 different “Green Opportunities” based on 3 broad thematic areas have been described in detail. These Green Opportunities not only help better sustain existing livelihoods but also create new “Green Enterprises” and “Green Jobs”. For example, KB Drip (low cost drip from IDE-India) not only helps conserve water at the farm level thereby making farming more secure, but also creates Green Enterprises in the form of KB Dealers and Green Jobs in the form of BAs employed by IDE-India and Fitters & Helpers employed by the KB Dealer.

5.3.2 Thematic Area 1 – Agriculture

8. Agriculture is the primary livelihood for a vast majority of rural Indians, either as farming households (if they have land) or as agricultural laborers. Therefore, any intervention in this thematic area that helps improve productivity, net returns, cost reduction or diversification of risk would help sustain and secure the livelihood for a vast majority of the rural poor.
9. The Green Opportunities presented in this thematic area cover the following:

Table 5.2: Green Opportunities – Agriculture

Sub-theme	Green Opportunity	Description
Cropping System	CMSA	Low external input, low cost and non-pesticide based crop management for higher profits to farmers
Farming Systems	Tree Based Farming	Innovative use of land to ensure multiple crops in rain fed conditions that meet food, fuel and fodder requirements of a small farmer
Crop Production Technology	SRI /SWI	Innovative paddy and wheat cultivation practices for substantially higher yields
Efficient Irrigation	Affordable Drip Technology Intervention (ADITI)	Low cost alternatives to high cost conventional drip technology
Eco-inputs for agriculture	Eco-enterprises based on bio fertilizers & bio pesticides	Demystification of bio-technology, its adaptation for manufacture and marketing by women SHGs, leading to formation of a community-based eco-enterprise

10. CMSA, as already mentioned in the NRLM Implementation Framework is the flagship intervention in the area of agriculture. It forms the backbone on which the rest of the Green Opportunities in this thematic area can be pegged. For example, in dry land areas, while the approach would be based on CMSA principles, the farming system would be based on trees as an integral component of farming. Similarly, in areas where ground water is being used for irrigation, ADITI would be an integral component of CMSA.
11. However, unless CMSA is integrated with dairying, it is unlikely to be successful,

since it demands a constant supply of cow dung and urine. Therefore, incorporating a fodder component in farming systems as TBFS does is vital to ensuring sustainability of both CMSA (cropping) as well as dairying.

5.3.3 Thematic Area 2 – Animal Husbandry

12. After agriculture, animal husbandry is the most sought after livelihood option. Often, loans are taken for costly crossbreed cows without providing for adequate vet care. The result is either poor performance of the cow or loss of the asset (cow) itself. Even where vet care is available, it is unaffordable and often not available in time.
13. Use of local remedies (ethno-veterinary remedies) based on a careful appraisal and clinical trial process, can reduce the cost of vet care and more importantly, reduce the dependence on outside expertise. The Parampara Herbal Producers' Company is a successful example of mass producing and marketing ethno-veterinary remedies for common cattle diseases.
14. Integrating ethno-remedies into animal husbandry after careful trial and selection as is detailed in the case study, would go a long way in securing this livelihood. Further, if the remedies are mass produced and marketed, a new Green Enterprise could be set up. Needless to say, if home herbal gardens are set up to supply the raw materials for the remedies, Green livelihood opportunities would open up.

5.3.4 Thematic Area 3 – Renewable Energy

15. Energy, especially, electricity is driver of modern civilization. Lack of access to energy can stunt development and growth of a whole community. With more than 400 million Indians, mainly the rural poor, having little or no access to electricity, this thematic area assumes strategic importance in alleviating poverty.
16. Three Green Opportunities are covered in this thematic area:

Table 5.3: Green Opportunities - Renewable Energy

Sub-theme	Green Opportunity	Description
Cooking energy	CER/VER financed biogas-cum-vermicomposting	Innovative use of CDM to part finance promotion, installation and maintenance of biogas+ vermicompost plants
Lighting	Lighting a Billion Lives	A Fee-for-Service model to provide SPV-based lighting solutions to rural India
Grid quality electricity	Rice husk powered mini power grids	Generating renewable power from rice gasifies coupled to producer gas engines and supplying to villages in Bihar

17. While energy per se can be provided from multiple sources, providing it from renewable energy sources calls for a great deal of technical, financial and organizational innovations. The three case studies present various aspects of innovations in these areas.
18. All of them apart from benefitting the end-users also create jobs and enterprises. For example, LaBL delivers its solar lighting solutions through LaBL Entrepreneurs who are local unemployed youth. Similarly, Husk Power Systems

- provides direct employment to local youth, apart from creating small-time service providers who supply rice husk to the power plants.
19. Unlike the other two thematic areas, Green Opportunities in this thematic area may not find universal application. They would be more suitable where lighting /electricity services do not exist.
 20. However, the biogas-cum-vermi-compost Green Opportunity would be feasible wherever dairying is taken up and should be integrated with it to make it more economically and environmentally sustainable. If a 1000 biogas plants are done in a district, then seeking CDM financing would be feasible.

5.4 Phasing the Way Forward

21. In the preceding section (also see each individual case study) the relevance and ways of integrating the Green Opportunities into livelihood interventions has been presented. However, the challenge is to integrate its implementation with the NRLP Implementation Mechanism. This section presents a way forward in this direction.

Table 5.4: Steps in integrating Green Opportunities into NRLP

<i>Step</i>	<i>Action</i>	<i>Details</i>	<i>Timeframe from inception of NRLP</i>
Step 1	Sensitizing NMMU to Green Opportunities	<ul style="list-style-type: none"> ▪ Presenting the bouquet of Green Opportunities to the NMMU through a workshop ▪ Preferably, the proponents of these opportunities should be invited to present to the NMMU 	0-3 months
Step 2	Creating awareness about Green Opportunities among SMMUs	<ul style="list-style-type: none"> ▪ Presenting the bouquet of Green Opportunities through a series of regional/state workshops 	0-3 months
Step 3	NMMU to identify and delineate, Green Opportunities of nation-wide application and strategic importance	<ul style="list-style-type: none"> ▪ CMSA+dairying would be such a Green Opportunity of nation-wide importance. Integrating ethno-vet care would enhance its sustainability 	4 months
Step 4	NMMU to collaborate with proponents of such Green Opportunities to build knowledge among its staff and prepare for launching it		6 months
Step 5	SMMUs to look for application of Green Opportunities during preparation of SPIPs	<ul style="list-style-type: none"> ▪ For example, lighting could be a need in many areas of Jharkhand. Therefore Green Opportunities from the Energy Thematic Area may be explored in preparation of the SPIP 	8-12 months
Step 6	SMMUS to collaborate with proponents of Green Opportunities chosen by them in the SPIP to build knowledge among its staff	<ul style="list-style-type: none"> ▪ Prepare and/or revise Green Opportunities section in the SPIP based on the guidance received by collaborating with the Green Opportunities proponents ▪ Build capacity of the district and 	12-16 months

		block level staff before launching the program	
Step 7	Build a national repository of Green Opportunities.	<ul style="list-style-type: none"> Use all sources to build a repository of Green Opportunities and constantly communicate to the SMMUs and encourage them to have their own repositories. 	Continuous

22. Overall the strategy would be to use the first 12 months to educate the NMMU and the SMMU, collaborate with proponents of Green Opportunities, and integrate strategic ones into the SPIPs or the national program. During this period, when the states are preparing their SPIPs, they should be supported and guided to look for potential to Green Opportunities not only from the bouquet presented here but from other sources as well.
23. Having chosen the Green Opportunities, capacity building should be carried out in preparation of the launch of a pilot (in case the Green Opportunity has not been tried before) or scale-up or introduction in a new area.
24. Thus, at the end of the first year, the NRLP should be in a position to launch at least TBFS, ethno-vet care along with CMSA+dairying and SRI/SWI. Other Green Opportunities may be explored in the subsequent years, unless they feature as high priorities in the SPIPs.

5.4.1 Pathways to mainstream Green Opportunities

25. The following schematic (Fig 5.1), which is self-explanatory, tries to depict based on the NRLM Implementation Framework, as to how the Green opportunities could be mainstreamed.
26. The focus would be to mainstream and scale-up Green Opportunities rather than continue doing them as stand-alone projects of interest. It is only by mainstreaming that the Green Opportunity would get the benefit of the entire implementation mechanism's focus and resources.

5.4.2 Integrating EMP and Green Opportunities

27. The Environmental Management Framework has made a radical change in how environmental management is secured in the NRLP. Each Village Organization with the help of G-CRPs (Green Community Resource Persons) would prepare an Environmental Management Plan (EMP) based on the livelihood activities that their members propose to pursue.
28. Figure 5.2 presents a pathway for building the capacity of the G-CRP so that s/he can help the VO prepare an EMP which also takes into account the Green Opportunities that might make the basic livelihood more secure.
29. It is quite likely, though that the Green Opportunity might not be feasible at the level of aggregation of a VO. In such a case, the Block Level Managers should explore the feasibility at block level of aggregation.
30. Needless to say, scouring through EMPs to identify problems and likely solutions should be a key task of the Environment Management team at all levels.

5.4.3 Source of Green Opportunities

31. The bouquet of Green Opportunities presented in this report is neither exhaustive nor exclusive. It must be the constant endeavor of the Environmental Management team at both the NMMU and the SMMU to build up the Green Opportunities Repository.
32. Figure 5.3 shows possible ways of filling up the Green Opportunities Repository.

Figure 5.1: Pathways to Mainstream Green Opportunities

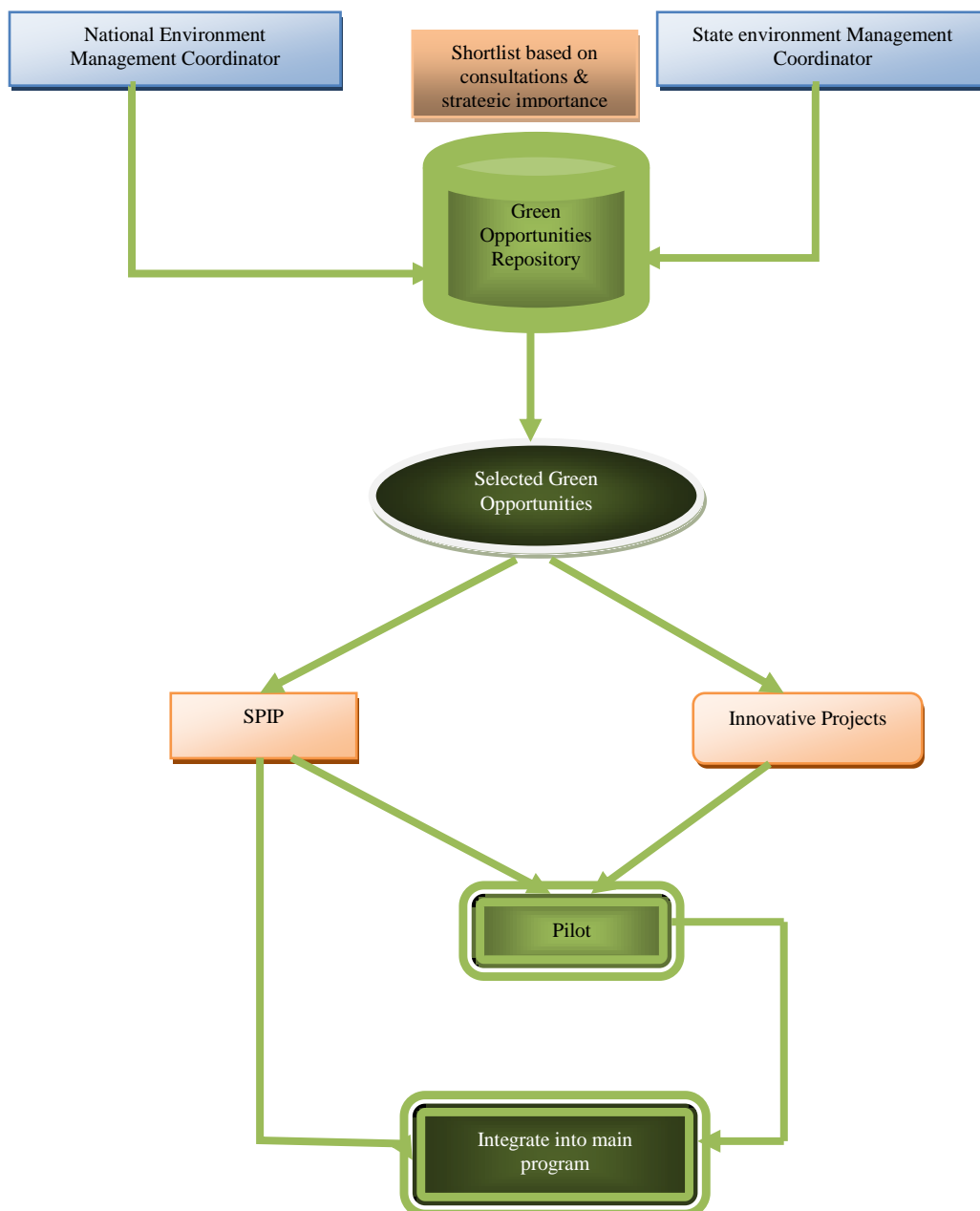


Figure 5.2: Integrating Green Opportunities into EMPs

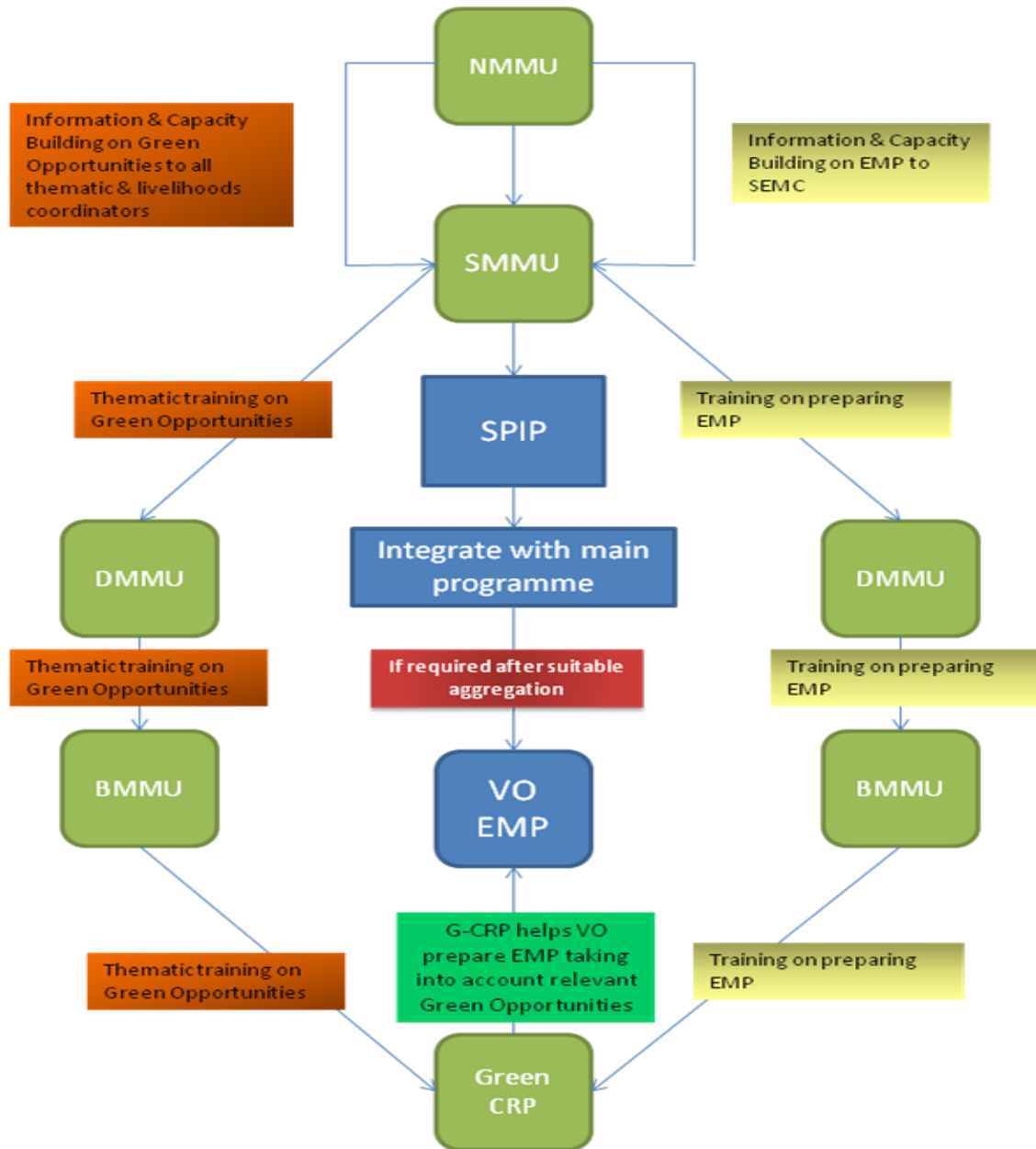
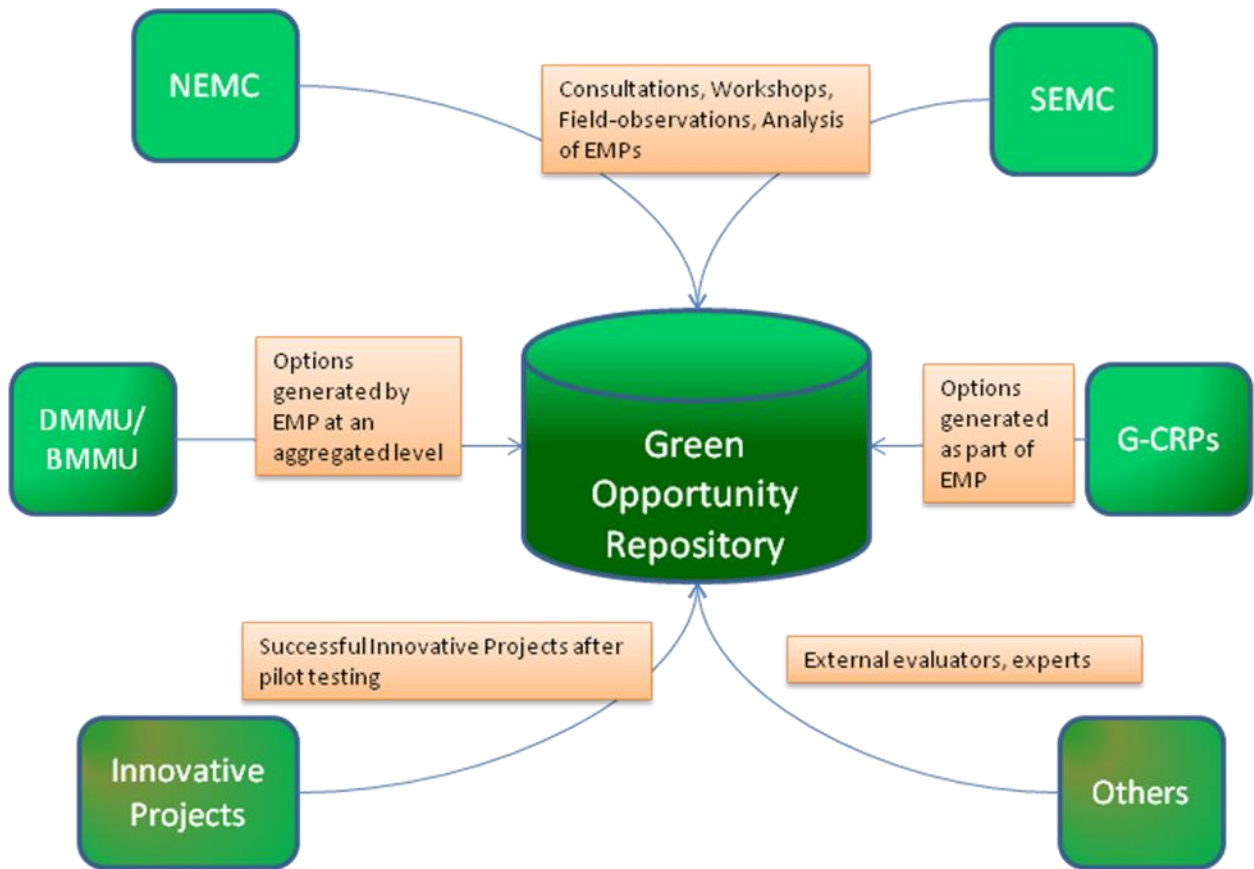


Figure 5.3: Sources of Green Opportunities



33. Thus, we envisage a National Environment Management Coordinator who is not only well-aware of environmental issues but views problems as potential opportunities to present Green Solutions which make economic sense. Indeed, we would strongly urge that one of the key metrics to measure the performance of the NEMC and SEMC should be to linked to no. of Green Opportunities that have either been piloted or mainstreamed. We are confident that a strong focus on the performance in this area would go a long way in ensuring that environmental management functions do not merely become monitoring of environmental check-lists.

Annexure 4

National Rural Livelihoods Mission

State Perspective and Implementation Plan (20XX-XX)

Template

**MINISTRY OF RURAL DEVELOPMENT,
GOVERNMENT OF INDIA**

Chapters

Summary of the SPIP

- Context (summary of diagnostics)
- Detailed Program Components
 - Social Mobilization and Institution Building
 - Financial Inclusion
 - Livelihoods Promotion
- Implementation Arrangements
- Financing Plan

Chapter 1: State Situational Analysis

- a. *This chapter sets the context. Typically each section needs to have a qualitative analysis of the current context in the given area substantiated by data (both secondary and primary wherever possible)*
- b. *While providing the data, first provide the state level scenario and then provide the district level scenario and always indicate the source of data*

1.1 Demographic Profile of the State

Insert the map of the state and give a brief introduction to the demographic profile of the state.

Data to be used : State level data and District-wise total rural population, District-wise % of female population, District-wise % of SC population, District-wise % of ST population, District-wise % of minority population, District-wise % of differently abled population, District wise rural female literacy rate.

1.2 Rural Poverty Context in the State

- a. Poverty and Human Development:

Briefly summarize the extent of poverty and status of human development in the state and the key challenges/constraints and opportunities for the state

Data to be used: District-wise % of rural households below official poverty line, District-wise average monthly per capita expenditure (in Rest), District Wise data on malnutrition, school drop-outs and migration.

Note: For this section, data presented shall be disaggregated for SCs, STs, minorities

b. Vulnerabilities

- **Household level vulnerabilities**

Briefly summarize the vulnerabilities that affect an individual household and/or its immediate community. For e.g.: disability, food insecurity, etc.

Data to be used : State level data on % of women with low BMI, % of married women with anemia, % of women headed households, % of single women, % of children underweight, Infant Mortality Rate, Maternal Mortality Rate, Coverage and reach of PDS, Off take of PDS among poor

District wise data on % of children underweight, Under 5 Mortality rate, Food Security outcome

Note: For this section, any available primary data/sampled study needs to be presented

- **District/state level vulnerabilities (explain)**

Summarize the vulnerabilities that affect the community as a whole; often a factor of the location (for e.g. geographically isolated, flood-prone, drought-prone, LWE areas, proximity to extractive industries; coastal, remote hilly areas, Scheduled Areas, areas with majority SC/ST including PVTG/minority population).

Data to be used: District wise data on Flood, Cyclone, Drought affected and LWE areas, District wise HIV incidence, District wise data extractive industries, District wise Scheduled Areas, District wise distribution of SCs, STs, PVTGs and minorities.

Note: For this section, any available primary data/sampled study needs to be presented

1. 3 Context of Social Inclusion and Social Mobilization

Briefly summarize the extent of social mobilization in the state and the context of exclusion (gender, social, economic, geographic, caste based). A specific gender analysis shall be taken up to highlight gender relations at the household and community level, to identify specific vulnerabilities of women, their livelihoods, constraints and coping mechanisms.

The section needs to end with the key challenges and opportunities for social inclusion and mobilization in the state.

Data to be used: Primary data/ sampled studies on gender assessment/audit in the state, district wise female work participation, District-wise number of SHGs; number of SHGs from other government departments/other NGOs, quality of SHGs; no. of active and defunct SHGs, number of SHGs linked to credit; % of members who are SC/STs including PVTGs/minorities/disabled; District wise No of federations;

Note: For this section, any available primary data/sampled study on the prevalence of social exclusion, gender audits/assessments and quality of SHGs/SHG federations needs to be presented in addition to the secondary data

1.4 Context of Financial Inclusion

Briefly summarize the status of indebtedness of the poor, saving options, the sources of their credit, status of SHG bank linkage and the context of banking infrastructure in the state and the overall status of access to insurance for the poor. The section will end with an overall summary identifying the key challenges/constraints for financial inclusion in the state and outline the opportunities.

Data to be used: State level and district wise % of household credit requirement serviced by moneylenders, banks (for SCs/STs/minorities) , District-wise banking infrastructure (number of branches for commercial banks, RRBs and cooperative banks), District wise number of SHGs linked to credit , Bank wise data on SHG bank Linkage , district-wise) % of households accessing insurance products AABY/RSBY/JBY

Note: For this section, any available primary data/sampled study on the status of financial inclusion in the state needs to be presented in addition to the secondary data

1.5 Livelihood Context (State specific)

Initially describe the existing livelihood profile of the poor, particularly the vulnerable communities (identified in earlier section). Based on the description, provide detailed information of various livelihood options for the poor.

a. Agriculture and allied activities (horticulture etc.)

Describe the current situation of agriculture specifically for the poor (lease farmers, small and marginal farmers). Firstly Describe the current levels of productivity, key constraints (access to seeds, extension services, fertilizers, credit, market linkages) faced by the poor in agriculture and the opportunities for the poor.

Data to be used: District-wise: % of households that are landless/marginal holdings/small holders, District-wise productivity of the 3 major crops, District-wise

cropping intensity, District-wise irrigation intensity, District wise fertilizer usage, District wise data on % of households able to access inputs (quality seeds, extension services, credit, fertilizer) , district-wise data on % of households who are members of agricultural cooperatives

Note: For this section, any available primary data/sampled study on the value chain analysis of agriculture specifically in the context of share farmers, small and marginal farmers needs to be presented in addition to the secondary data

b. Livestock

Describe the current situation of livestock based livelihoods (big ruminants, small ruminants – goats/ sheep, poultry, fishery) among the poor, the current productivities, key constraints to access services like AI, vet care, marketing, etc.; the participation of poor in the institutions, the value chain analysis of 2-3 important livestock sub sector of the state and the opportunities of the sub sector in the state.

Data to be used: District wise % of households owning milch cattle, Sheep, Goats among the marginal and small farmers. For state- average productivity of milch cattle, % of households that are members of dairy cooperatives; % of members who are women, milk produced, % consumed, % marketed (marketable surplus); % of marketable surplus sold to cooperative dairies/sold in the open market. District wise the number of vet care centers, their outreach (both in terms of services and population/ animals serviced). If Fishery, Poultry is a major sector similar data to be used for analyzing the situation in poultry and fishery.

Note: For this section, any available primary data/sampled study on the value chain analysis of livestock sector specifically in the context of share farmers, small and marginal farmers' needs to be presented in addition to the secondary data

c. Non-Farm/NTFPs

Briefly describe the major non-farm/NTFP clusters in the state and analyze the status of the poor who are part of these leading clusters in terms of key constraints (access to backward and forward linkages) faced by them and the opportunities for growth.

Data to be used: District wise % of households engaged in the state's leading non-farm clusters⁸⁰ with disaggregated data for SCs, STs including PVTGs, minorities, District wise % of NTFP collection and marketing (separate data for SC/STs including PVTGs), Value chain analysis/input-output constraints for each of these sectors

Note: Wherever available Primary data /sampled studies on the value chain analysis of the key non-farm clusters needs to be presented.

⁸⁰ States to identify leading non-farm clusters (e.g. sericulture, handloom and so on)

d. Jobs

Describe the status of the service sector in the state, the key constraints and opportunities for the sector.

e. Livelihoods of tribal communities

Briefly describe the major sources of livelihood among tribal communities in the state.

Data to be used: District wise % of different livelihood sectors as engaged by ST and PVTG households. Describe the status, value chain analysis, key constraints and opportunities for each of these sectors especially with respect to tribal households.

For this section any primary data/ sampled studies on the value chain analysis of each the livelihood sectors specifically in the context of the ST and PVTG households needs to be presented, in addition to secondary data.

1.6 Performance of NREGA in the state

Describe the performance of NREGA in the state and substantiate that with data on the typical key indicators of NREGA performance both at the state and district level

1.7 Performance of other leading Social Welfare Schemes

- a. NRHM in the state
- b. PDS in the state
- c. Pensions (old-age, widow, disabled)
- d. ICDS
- e. RSBY, AABY

Describe the performance of the above mentioned leading social security programmes of Government of India and substantiate that with data on the typical key indicators of performance for these schemes both at the state and district level

1.8 Role of PRIs

Describe briefly the functioning of Panchayati Raj Institutions in the state. Key indicators to be used:

- a. Tier structure of PRIs in the state
- b. Devolution of powers to the PRIs
- c. Gram Sabha meetings
- d. Audit expenditures
- e. Representation of vulnerable groups including women, SCs, STs.

1.9 Existing Livelihood Initiatives and social sector initiatives in the State (by the State Government , NGOs and externally aided projects)

Describe briefly successful livelihood existing livelihood Initiatives and social sector initiatives in the State implemented by the State government, NGOs and externally aided projects

Chapter 2: Mission and Objectives of NRLM

Briefly describe the mission of the NRLM in the state, the guiding principles, the values /nonnegotiable, the main objectives and the key results expected

PROGRAM STRATEGIES

Note:

- *List out best practices in the state in the chapters wherever relevant*
- *While defining strategy differentiate between strategy for intensive and non-intensive blocks*

Chapter 3: Social Inclusion and Mobilization – Strategies and Activities

3.1 Summary of diagnostics on vulnerability and social exclusion

Based on the diagnostics analysis in chapter 1, the following need to be identified:

- 1) Vulnerable social, economic and occupational groups including (but not restricted to) SCs, STs, minorities, single women and women headed households, persons with disability, landless, small and marginal farmers, persons working in hazardous occupations, migrant labor.*
- 2) Districts and blocks of the state with high incidence of poverty and vulnerability*

3.2 Summary of diagnostics on social mobilization

The analysis related to status of social mobilization that has been done in chapter 1 needs to be summarized so as to set the context for what needs to be done in the area of social inclusion and social mobilization. Also the key outcomes to be achieved as part of social mobilization needs to be mentioned upfront.

3.3. Key strategies

a. Social Inclusion and Universal Social Mobilization

What would the process to be followed to identify the poor and what are the strategies to be used to ensure universal social mobilization, what would be the strategies for difficult-to-mobilize groups such as disabled, migrants, PVTGs and other such groups.

b. Promoting SHGs

What will be the key elements of the SHG formation and building strategy, what would be the non-negotiable, what will the key features of the SHG's, the key milestones to be achieved etc.

c. Inclusion of Pre-existing SHGs and Federations

What would be the strategy to assess and support preexisting SHG's and SHG federations

d. Building federations at different levels for sustaining collective action

What will be the levels and locations of federations - village, GP, cluster, block etc.- to be guided by the federating logic and best practices and experience in the state context, What would be the key elements of the strategy to promote SHG federations, the key features of these SHG federations , key milestones to be reached by them etc.

f. Role of Community professional and community resource person

Clearly detail the role to be played by the community resource persons and the community professionals and the strategy to identify, select, train and manage them.

g. Capacity building of the community and the staff

Detail out the capacity building strategy for the community and for the staff

h. Social Mobilization in Non –Intensive Blocks

Strategy to be followed for social mobilization in the non- intensive blocks

Chapter 4: Financial Inclusion

The chapter should start with the analysis of the diagnostics related to status of Financial Inclusion that has been done in chapter 1 so as to set the context for what needs to be done in the area of financial inclusion. Also the key outcomes to be achieved as part of social mobilization needs to be mentioned upfront.

4.1 Summary of diagnostics on Financial Inclusion

A summary of the diagnostics related to status of Financial Inclusion that has been done in chapter 1

4.2 Strategies and activities for Financial Inclusion

Clearly outline the strategy to be followed for

- a) Bank Finance– access to savings and credit services*
- b) Financial assistance to be provided as part of NRLM*

c) Insurance

a) Bank Finance

Detail out the strategy to be used for enabling access to Bank Finance

- Membership and participation of SRLM at SLBC
- Partnerships with the major commercial banks
- Trainings and exposure visit for bankers and other stake holders
- Alternate models for delivering financial services
- New Product development
- Insurance services poor

b.) Financial assistance to be provided as part of NRLM (*Individual States could choose to use a different terminology(instead of using the terms “revolving fund” and “capital subsidy” to describe the financial assistance from NRLM)*

i. Revolving Fund

Stating the need and purpose of providing this revolving fund support, detailing the amount to be provided, the eligibility criteria to be used, the detail at what stage of the SHG would be the Micro investment Planning be carried out and how would it be carried out. The same to be described for the revolving fund to be provided in the non-intensive blocks as well.

ii. Capital Subsidy

Stating the need and purpose of providing this amount, detailing the amount to be provided a capital subsidy and at what level would it be provided. The eligibility criteria to be used (whatever level), at what stage of the institutions would this be provided needs to be specified. It also needs to be specified what will the process followed at the community institution level (for e.g. how would the prioritization among the SHGs and among the members within the SHGs be done, what would be this capital subsidy be used. The same needs to be described for the capital subsidy to be provided in the non-intensive blocks.

c.) Insurance

Describe the strategies and activities to be taken up as part of providing insurance services for the poor

Chapter 5: Strategies and Activities to be taken up as part of Livelihood Promotion

The NRLM framework mentions that the three pillars of NRLM Livelihoods Inclusion are

1. *‘Vulnerability reduction’ and ‘livelihoods enhancement’ through deepening/enhancing and expanding existing livelihoods options and tapping new*

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opportunities within the key livelihoods that are virtually universally practiced like agriculture, livestock, fisheries, forest produce collection, etc.;

2. *'Employment' - building skills for the job market outside; and*
3. *'Enterprises' - nurturing self-employed and entrepreneurs (for micro-enterprises).*

The plan should clearly outline what is the strategy to be followed under each of these pillars i.e.

1a) Vulnerability reduction

- **Food Security :**

Given the context of the state, what would be the models for food security i.e. would models like collective purchasing through the community institutions for food security be promoted if not are there other models to be tried out for ensuring food security at the household level. What would be the role of the community institutions

- **Health Security**

What would be the strategy for the state reducing health expenditures of the poor? Are there existing programmes in the state which have a successful outreach hand and with whom there could be convergence or would the state want to have specific models of need based health financing / or comprehensive health intervention covering preventive and curative aspect as part of the NRLM. What would be the role of the community institutions in the strategy for health security?

- **Access to entitlements like NREGA, Pensions, PDS :***What would be the different models to be tried out to ensure access to entitlements for the poor. Specifically what would be the role of the institutions of the poor in ensuring these entitlements and what would be their relationship with the line departments responsible for implementing these entitlement programmes.*

1b) Livelihood enhancement

Strategy for Interventions in Agriculture sector, Livestock Sector (Dairy, Fisheries, Poultry) and in the Non-Farm Sector : What are the interventions that would be given the highest priority and what would be taken up as part of these interventions to start with, the justification for the prioritization, the detail of the interventions and the role of the community institutions/producer collectives in the intervention, the financing strategy, role of project staff, community professionals , role of technical partners

1c) Infrastructure and Marketing Support Fund for Livelihoods

NRLM provides for utilization of up to 20% of the total fund outlay in the annual NRLM plan of the state (25% in the case of North Eastern States) for the infrastructure and marketing support. The framework mentions that this fund is meant to provide end-to-end livelihoods solutions for the poor, their SHGs, federations and livelihoods collectives.

The states in their action plan need to clearly detail out the probable activities they would be supporting as part of this component, what would be the appraisal process for providing this support and detail how this support fits in well with overall livelihood enhancement strategy.

2) ‘employment’ - building skills for the job market outside

The NRLM framework mentions that NRLM would offer complete ‘jobs’ solution i.e. identifying the unemployed, skilling and re-skilling them, placing them in jobs, providing post placement support, counseling and mentorship, and leveraging an alumni network. For this to happen:

a. Partnerships with both public and private sector are critical

The State action plan should clearly mention what are the different models of partnership with various skill development organizations in general and the private sector in particular that would be developed and pursued.

b. Institutional mechanism to be put in place:

It is also mentioned that “ 15% of the NRLM Central allocation has been earmarked for placement-linked skill development. Half of the allocation (i.e. 7.5%) would be given to SRLMs [following the funding pattern of 75:25 for states or 90:10 for north-eastern states] that have set up dedicated institutional mechanism(s) for implementing skill development projects”.

The state action plan needs to clearly mention the details of the institutional arrangements to be put in place for implementing the skill development projects.

3) Enterprise promotion and RSETI

NRLM framework mentions the fact that NRM would encourage public sector banks to set up RSETIs in all districts of the country and that a one-time grant of Rs.1 Crore is/would be made to set up one RSETI in each district in each state, while the state governments would provide free land for the institutes in the districts. Other recurring costs of the institutes are/would be borne by the sponsoring banks. RUDSETI would provide structured technical assistance to banks and RSETIs for improving the effectiveness of their programmes. Further it is mentioned that RSETI Operational Manual would guide RSETIs.

The states should have finalized the RSETI Operational Manual and the key features of the manual should be mentioned in the SPIP

Chapter 6: Convergence and Partnerships

6.1 Convergence with NREGA:

MGNREGS and NRLM offer scope for convergence to improve their effectiveness and impact by building synergies. If converged, NRLM could facilitate the institutions of the poor at village level to discuss MGNREGS in their regular meetings, be involved in preparing job cards, selecting works, supporting in wage payment, creating awareness about entitlements and rights in MGNREGS, social audit.

The state action plan needs to details out the plan for convergence with MGNREGS at the state level, district level and at the level of the institutions of the poor

6.2 Convergence with other line departments:

The plan needs to highlight what would be the plan for convergence at the state level, district level and at the level of the institutions of the poor

6.3 Innovation forums for Partnerships

The plan needs to mention when and how (the process to be followed) the innovation forums with the objective of identifying potential partners needs to be mentioned

6.4 Partnerships with NGOs and other civil society organizations:

The partnerships with them would be critical and within the ambit of the national framework for partnership with NGOs and other CSOs, guided by NRLM core beliefs and values. NRLM would proactively seek these partnerships in various geographic and thematic areas at two levels - strategic and implementation, subject to mutual agreement on processes and outcomes. For planning partnerships, it would carry out diagnosis of the status in each block to map the presence of NGOs/CSOs and their social mobilization and thematic efforts. Some of the possible areas of partnerships would include:

- i. Implementation of the programme in specified clusters of villages or blocks;*
- ii. Up-scaling and deepening thematic interventions in areas of significant presence;*
- iii. Service provision in their core competence areas;*
- iv. Linking SHGs and their federations with various initiatives of line ministries;*
- v. Innovations;*
- vi. Joint Policy Advocacy and learning forums/platforms; and*
- vii. Continuous dialogue with NGOs and other CSOs to improve NRLM implementation.*

Among the above, the action plan needs to identify and specify which areas of partnership would be pursued and why. The plan also needs to mention the process through which these partners would be identified.

6.5 Convergence with Externally Aided Programmes

SPIP needs to mention the plan for convergence with the externally aided livelihood programmes being implemented in the state

6.6 Partnerships with the academic, Training and Research Institutions:

The action plan needs to mention the academic, training and research institutions in the state with whom partnerships would be forged. The process to be followed and the areas of possible partnership needs to be highlighted as well.

6.6 Public-Public, Public-Private, Public-Private-Community Partnerships:

The state action plan needs to detail probable areas for such partnership and how these partnerships would be developed.

Chapter 7: Social Inclusion

This chapter should start with the summary of diagnostics related to status of social exclusion (gender, social, economic, geographic) that has been done in chapter 1. As part of the social inclusion strategy, clearly outline the strategy and timelines to be followed for:

- a) **State Poverty Assessments (SPA):** A full social assessment including identifications of social issues in the proposed project areas, especially issues of the disadvantaged groups (STs, SCs, minorities, disabled, landless, vulnerable occupation groups etc.), women and youth. The SPA shall be based on situation analysis and community level consultations.;
- b) **Social Inclusion Plans (SIP):** Based on findings from SPAs, Social Inclusion Plans outlining differentiated strategies and mechanisms for tribal communities and other vulnerable groups
- c) **Integrated Action Plan (IAP) districts (where applicable):** Key strategies to work in the government notified Integrated Action Plan (IAP) districts affected by left wing extremism and having high concentration of poverty and vulnerability.

IMPLEMENTATION PLAN

Chapter 8: Implementation Plan

8.1. Intensive and Non-Intensive Approaches

Brief description of intensive and non-intensive approaches explaining the package of interventions

8.2 Project Cycle in a village and in the block in a typical intensive block:

The details of the typical processes in a village to be followed and the chronology in which they would be followed like the village entry, participatory identification of the

poor, SHG formation and strengthening, Revolving fund and bank finance, livelihood promotion, SHG federations, Capital subsidy etc. needs to be detailed out.

8.3 Phasing (Non Intensive and Intensive):

Phasing of Districts, Blocks, GPs, Villages, including the criteria/logic/rationale of phasing; (write names of districts and blocks in the annexure)

Phase	Intensive Blocks		Non-Intensive Blocks	
	Districts	Blocks	Districts	Blocks
I (2011-13)				
II (2013-15)				
III (2015-17)				
Total				

8.4 Results Framework

Results Indicators	Unit of Measure	Base-line	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
			YR 1	YR 2	YR3	YR 4	YR5			

8.5 Schedule of activities (especially the first 18 to 24 months)

8.6 Project Costing

Source	Rest. (Crore)	% of Total Cost
Total		100%

The main components for the Project budget are

Cost Components	Intensive Blocks	Non – Intensive Blocks	Gap filling (Alternative terminology)	Total
Institution Building				
Training and Capacity Building				

Revolving fund and capital subsidy				
Infrastructure creation & marketing				
Skills and Placements projects				
Administrative cost				

All amounts in Rest. Crore

Chapter 9: Support Structure

9.1 Support structure at the state level

Detail out the form of SRLM (society, trust or company), Details of the governing body/ EC (chairperson, members etc.), structure of SMMU (please provide organogram), job profiles of the key staff

Position	Level	Key Roles & responsibilities

9.2 Support Structure at the District Level:

Structure of the DMMU (please provide organogram) and job profiles of the key staff of DMMU needs to be provided in the Annexure

Position	Level	Key Roles & responsibilities

9.3 Support Structure at the Block Level:

Detail out the support structure at the Sub-District level (i.e. whether a BMMU or a PFT or a combination)

Position	Level	Key Roles & responsibilities

9.4 Human Resources (HR) Policy

- Recruitment and selection
- Immersion and induction
- Remunerations
- Performance management
- Appraisals and incentives
- Grievance redresses
- Staff learning and capacity building

- Space for HR in various formats and tenures – full-time, part-time, home-based, short-term/long-term, internship, sabbatical, etc., and deployment flexibility

9.5 Administrative and Financial Rules:

Chapter 10: Training and Capacity Building Strategy

10.1 Training and Capacity building of staff

Describe the methodology to be followed, partnerships to be developed and implementation arrangements for training of the staff at levels i.e. SMMU, DMMU and BMMU staff

10.2 Training and Capacity building of communities and their institutions

Describe the methodology to be followed, main content of the trainings partnerships to be developed and implementation arrangements for training of the community based institutions and their members

10.3 Training and Capacity building of Community Professionals

Describe the methodology to be followed, main content of the trainings partnerships to be developed and implementation arrangements for training of the community professionals

Chapter 11: Monitoring, Evaluation and Learning

11.1 Web based MIS and real time input-output monitoring at various levels :

How would data would be collected, entered, analyzed and used for decision making

11.2 Review Mechanism

What would be the Internal/external review mechanisms to be put in place at various levels?

11.3 Impact Assessment Studies

Details of how the Impact Assessment studies would be carried out?

Chapter 12: Communication

NRLM would be implemented across the state will touch lives millions of families to enhance their quality of life and livelihood. In order to meet this daunting task, the role, strategy and tools to communicate to different stakeholder at various stages is essential and needs to be carefully crafted.

12.1 Communication Flows (Internal and External)

The flow of communication both within program (i.e. between the various levels of the support structure (state, district, sub-district) and with the institutions of the poor at various levels (SHGs and their federations)) and with the external stakeholders needs to be clearly defined

12.2 Communication Strategy

The Communication Strategies of the project should specify how the following elements would be covered

- *A two-way vertical and horizontal flow of information.*
- *Facilitating participation of community in communication process.*
- *Developing continuous need identification mechanisms.*
- *Use of traditional forms and modern technology judiciously.*
- *Inherent accountability and transparency.*
- *Incorporate literacy and functional literacy aspects in communication process and technology.*

Chapter 13: Financial Management

13.1 Financial Management framework:

The framework needs to be in line with the financial management framework finalized at the national level. This should be a matrix that specified the key financial management and institutional arrangements at various levels. An illustration is given below

Level	Institutional Arrangement	Key Financial Management Arrangements
State Level	Executive Committee of SRLM	
	State Mission Management Unit	
District Level	District Mission Management Unit	
Sub-District Level	Block Mission Management Unit/ Project Facilitation Team	

Community level		
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13.2 Fund Flows

The basis for release of funds to the different levels and the nature of accounts at these levels needs to be detailed out

13.3 Staffing and capacity building

Details of the key staff for financial management at all level along with the plan for their capacity building

13.4 Accounting Policies and Procedures

A Financial Management Manual (FMM) needs to be prepared detailing the accounting and financial reporting requirements at the various levels.. The key components of FMM should include the accounting and financial management processes such as funds flow, budgeting and audit arrangements. The financial and accounting policies contained in these manuals shall supplement the policies adopted for State Society, District Units and Block Units.

13.5 Audit arrangements need to be specified

Chapter 14. Procurement Arrangements

Procurement

it will be mandatory for all participating State and District societies and other Government and non-Government agencies participating in the Implementation of NRLM components to adhere to the guidelines and procedures outlined in the NRLM Procurement Manual, issued at the National Level by MoRD, for carrying out procurement under NRLM. As part of the SPIP

(i) State Institutional Arrangements for procurement detailed at State, District, Block and Community level to ensure requisite staff in place. The Community Operations Manual to include a section on Community Procurement with State decided thresholds based on the limits given in NRLM Procurement manual

(ii) Needed staff hired at all level

(iii) A short note on capacity building of staff (planned timelines on training etc.)

(iv) Prior and post review mechanisms set in motion at various levels for procurement- as per the guidelines in NRLM Procurement

(v) *Procurement Plan for 18 months as per the Template available in NRLM manual*

Chapter 15: Social Management Framework

Describe in detail the social management framework in line with the social management framework finalized at the national level. The SMF should specifically include:

(i) Social Assessment: The social assessment would include a) the situation analysis identifying areas and social groups with high poverty and vulnerability, their specific social (gender) issues and possible responses b) field consultations with different social groups, NGOs, research agencies, government departments with dates, places and lists of attendees

(ii) Social Inclusion Plans: which would include specific and differentiated strategies for tribal communities as well as for the other socially disadvantaged groups of the poor.

(iii) Social Development Staff: needed at SMMU, DMMU, BMMU and CRP levels.

Chapter 16: Environment Management Framework

An Environmental Action Plan (EAP) will be developed by each State Mission Management Unit (SMMU) as part of the SPIP in line with the Environment Management Framework of NRLP.

The first year EAP would identify strategically important Green Opportunities, develop and field test a process for developing an Environmental Management Plan (EMP) that each SHG Federation would prepare.

The EMP would identify resources, livelihoods and their potential environmental impacts and indicate measures to secure these livelihoods. The EMF seeks to shift the onus for environmental management from the project alone to include the community institutions. Therefore, the key is to ensure that the SHG federation has the support, capacity and systems which will ensure that environmental considerations are integrated into the process of appraisal of the SHG micro-credit/investment plans.

To help the SHG Federations prepare the EMP, a cadre of Community Resource Persons (CRPs) called the Green-CRPs (G-CRPs) would be developed by the Project. The EAP would also consist of a capacity building plan for the entire implementation mechanism.

Chapter 17: Governance and Accountability Plan

Background to prepare matter on GAC

- *Economic : Being a livelihood project economic aspect is most important and checks (a) Quantity of service delivery and (b) Quality. Both in comparison to the standards determined by the project.*

- *Social* : Being a project on CDD social aspect checks points related to target beneficiary (a) Identification (b) Participation (c) Service delivery (d) Satisfaction (e) Feedback.
- *Political* : Being a multi stakeholder project political aspects checks whether decision making was (a) Fair (b) Equitable (c) Need based
- *Institutional* : This component has to ensure that above three checks and balances are in place.

GAC framework to identify key activities to be undertaken :

- *Delivery Standards* :

In accordance to National PIP – the State has to fix delivery standards for the project and project institutions for the respective State. From GAC perspective following is required

- *Define standards of delivery by the project for the target beneficiaries*
- *Define standards of delivery for the participating institutions.*
- *Identify the method to capture the key delivery standards , methods to capture , frequency of capturing and method of analyzing .*
- *Define the role of institutions to deliver the standards and mechanism for corrective action based on deviations .*

- *Prevention*
 - *Brief Para on Process standardization for easy adoption (project, finance , procurement)*
 - *Define methods for Standardizing documents , policies for disbursement / procurement performance assessment.*
 - *Define HR roles and responsibilities for GAC*
 - *Provide plan for Capacity building for using GAC tools .*
 - *Plan for Awareness generation and information dissemination on GAC*

- *Detection*
 - *Plan for Monitoring / tracking service delivery indicators.*
 - *Plan for Performance assessment of project and project staff on regular basis e.g. impact studies, Annual staff assessment*
 - *Lay down the Feedback Mechanism through which the project management will get field voices – citizen report card , community score card , social audit (M&E)*

- *Response : Correction and Deterrence*
 - *Details out the Grievance redress mechanism e.g. helpdesk ,postcard based communication from SHGs*
 - *Plan for Timely Corrective action e.g. performance linked payments ,*

- Clear policy on punitive action e.g. sanctions policies for corruption and frauds.

GAC Action Plan in Tabular format : Identify limited key activities that would be taken up to tackle governance and accountability from the State level . May be two or three under each of the following categories (a) Preventive (b) Detection (c) Response . Once these are initiated the sub activities under each can be also identified. In the action plan the main activity , sub activities to be done under each , role of respective counterparts at different levels have to clearly mentioned.

GAC Focal Point : For ensuring that GAC initiatives are in place and followed religiously it utmost necessary that a GAC focal point is identified and mentioned in the PIP. This focal point has to at each level of Project implementation. This focal point also be responsible for RTI and corruption handling

Annexure

Phasing Plan for NRLM

Phase	Intensive Blocks WB Project		Intensive Blocks XXXX		Intensive Blocks NRLM		Total Intensive Blocks	
	Districts	Blocks	Districts	Blocks	Districts	Blocks	Districts	Blocks
I (2011-13)								
II (2013-15)								
III (2015-17)								
Total								

NRLM Roll Out Plan
(Please provide detailed list of districts and blocks)

Roll Out		Phase 1 (2011-23)	Phase II (2013-15)	
Intensive Blocks WB Project	<i>Districts</i>			
	<i>Blocks</i>			
Intensive Blocks XXXX	<i>Districts</i>			
	<i>Blocks</i>			
Intensive Blocks NRLM	<i>Districts</i>			
	<i>Blocks</i>			
Non Intensive Blocks	<i>Districts</i>			
	<i>Blocks</i>			

Annexure:

Detailed Cost Tables

Institution Building

Formation costs for SHGs

Formation Costs for SHG federations

BMMU expenses

Payments to NGOs for formation of SHGs/SHG federations

Training and Capacity Building Expenses

Training and exposure visits of SHGs and its members

Training and exposure visits of SHG federations and its members

Setting up and operational expenses of Community Learning Academies (for training of CPs and CRPs)

Payments to NGOs for formation of SHGs/SHG federations

BMMU costs

Workshops/conferences/exposure visits for other stakeholders like bankers, line departments officials etc.

Revolving fund and capital subsidy

RF and Capita Subsidy support to SHGs and SHG federations

Food Security Fund to SHG federation

Health Security Fund to SHG federations

Infrastructure creation & marketing

Promotion of Livelihood Collectives and Support to SHG's/livelihood Collectives/SHG federations for Livelihood enhancing activities

Productivity enhancing activities including Technical Support Services through Partnerships

Provision of Productive Infrastructure for SHGs/SHG federations/Livelihood Collectives

Providing marketing linkages including through partnerships with Technical Support Agencies

Skills and Placements projects

Identification of youth in need of jobs

Market scan costs for finding possible job sectors

Partnerships with Placement Agencies

Post placement support costs for the youth

Administrative cost

SMMU costs

DMMU Costs

Monitoring and Evaluation

SMMU and DMMU setting up and recurring costs

Communication

Annexure – 5
NRLP Governance and Accountability Action Plan (GAAP) – National Level
(2011-12)

GAC Mechanism/ Tool	Actions to be taken	Responsible actor(s)	Timeline/ Deadline
1. Business Processes, Guidelines and Project Principles			
Sevottam Standards	<ul style="list-style-type: none"> Sevottam service standards to be finalized, agreed, and adopted Annual review and update 		
Core Project Principles	<ul style="list-style-type: none"> Overall NRLM project principles to be finalized, agreed and adopted State level project principles to be discussed, agreed, and adopted 		
Project Implementation Plan (PIP) and Operations Manual (OM)	<ul style="list-style-type: none"> PIP and OM to be finalized 		
Financial Management and Procurement Manuals	<ul style="list-style-type: none"> FM and procurement manuals with standard fiduciary guidelines for national and state levels to be finalized 		
Appointment of GAC focal points	<ul style="list-style-type: none"> TORs for GAC focal points developed GAC focal points in NMMU and SRLMs selected and appointed 		
2. Human Resource Policy and Codes of Conduct			
Merit-based staff recruitment	<ul style="list-style-type: none"> Hiring of HR agency to manage recruitment Recruitment of all NMMU staff using transparent and merit-based procedures 		
Annual recruitment audit	<ul style="list-style-type: none"> First year recruitment audit to be undertaken in new state after 1st year of implementation and completion of majority recruitment 		
Career development strategy	<ul style="list-style-type: none"> Establish career development and capacity building program for all NRLM staff to ensure job satisfaction and retention (include in HR manual) 		
Code of conduct	<ul style="list-style-type: none"> Establish code of conduct for staff as part of Sevottam standards Code of conduct incorporated in HR manual and staff contracts 		
Staff appraisal system	<ul style="list-style-type: none"> Establish merit-based staff appraisal system and incorporate in HR manual/policy Conduct annual performance appraisal for NMMU 		
Annual staff survey/focus groups	<ul style="list-style-type: none"> Design simple staff survey instrument to get feedback from NRLM staff on management and performance issues Conduct end of first year staff survey and focus groups Provide feedback and responses to address staff concerns 		

GAC Mechanism/ Tool	Actions to be taken	Responsible actor(s)	Timeline/ Deadline
3. Capacity Building and Participatory Processes			
GAC training module in state TA package	<ul style="list-style-type: none"> Hiring of TA provider agency for GAC issues Development of GAC module, including case studies of actual past GAC problems and responses (e.g. Rajasthan, A.P. and Bihar) Roll out of GAC training modules for national and state project staff Specialized training and sensitization for GAC focal points and for conflict/extreme poverty areas 		
Participatory and democratic governance principles	<ul style="list-style-type: none"> Participatory and democratic governance principles incorporated in PIP and OM Review of participatory and democratic principles as part of group grading/rating system 		
4. Transparency and Disclosure Mechanisms			
Disclosure policies and guidelines	<ul style="list-style-type: none"> Develop standard list of documents to be disclosed at different levels and include in Sevottam standards Identify focal points for ensuring information disclosure standards Prepare guidelines for photo documentation of assets procured 		
Project website	<ul style="list-style-type: none"> Development of NRLM project website and upload of key project documentation Periodic review of content and updating of website 		
IEC campaigns and awareness materials	<ul style="list-style-type: none"> Design of information/ communication campaign and of publicity/awareness materials Hiring of agency to conduct communication campaigns Roll out of first year IEC campaigns 		
Project Information Centers	<ul style="list-style-type: none"> Prepare guidelines on set up of information centers at state, district, and block levels Establishment of first set of information centers in existing SRLP states 		
5. Project/Performance Monitoring Mechanisms			
Annual GAC review	<ul style="list-style-type: none"> Prepare TOR for GAC review and select team to implement Undertake GAC review fieldwork GAC review report and reflection workshop 		
Comprehensive MIS system	<ul style="list-style-type: none"> Contracting of MIS service provider Design of central MIS system System pilot test and roll out 		
Annual User Report Card Survey	<ul style="list-style-type: none"> Hiring of civil society partner to design and undertake report card survey Development of concept note and 		

GAC Mechanism/ Tool	Actions to be taken	Responsible actor(s)	Timeline/ Deadline
	<ul style="list-style-type: none"> methodology Roll out of first report card survey instrument Report writing and dissemination of results 		
Social Audits	<ul style="list-style-type: none"> Development of social audit manual, including standardized template for reporting results to feed into MIS system Training of project staff and identification of social audit committees at village level to implement these Roll out of first year social audits Compilation and dissemination of results 		
Disclosure Monitoring	<ul style="list-style-type: none"> Annual review of disclosure standards by state Updating of disclosure guidelines (including roles and responsibilities) 		
SHG grading system	<ul style="list-style-type: none"> Develop guidelines for SHG grading systems to be used in SRLMs and incorporate in Operations Manual and integrate with MIS Regular monitoring of SHG grading reports by state and districts 		
Asset verification system	<ul style="list-style-type: none"> Establish guidelines for asset verification and utilization certificate monitoring and incorporate in Operations Manual and integrate with MIS 		
6. Financial Management and Procurement Controls			
Financial reporting	<ul style="list-style-type: none"> Develop standardized financial reporting templates as part of FM manual Review of financial reports each quarter 		
Audits (statutory/internal)	<ul style="list-style-type: none"> Develop overall audit requirements and procedures to be adopted at state level and include in FM manual Conduct of audit at end of first year 		
Portfolio monitoring	<ul style="list-style-type: none"> Prepare guidelines for portfolio monitoring of federations to be done by SRLMs Coordinate state-wise portfolio monitoring exercise and report results 		
Standard technical specifications	<ul style="list-style-type: none"> Develop standard technical specifications and uniform bidding eligibility guidelines for inclusion in overall Procurement Manual Annual update of specifications and guidelines 		
Direct payment modalities	<ul style="list-style-type: none"> Establish direct disbursement procedures (reviews, approvals etc.) to state and community levels that are efficient, but ensure meeting of 		

GAC Mechanism/ Tool	Actions to be taken	Responsible actor(s)	Timeline/ Deadline
	performance criteria		
Random checks	<ul style="list-style-type: none"> Develop TOR for periodic random checks of accounts and financial records Undertake first round of random checks in sample districts 		
Regular meetings/video-conferences of FM teams	<ul style="list-style-type: none"> Draw out plan for FM team video-conferences and meetings Roll out of first set of VCs/meetings 		
Pilot e-procurement and e-bookkeeping program	<ul style="list-style-type: none"> Prepare concept note and methodology for pilot program Draw out design of system Pilot test in sample districts Review results and undertake workshop to consider scale-up at end of year 2 		
7. Complaints Handling and Grievance Redress Mechanisms			
Complaints hotline	<ul style="list-style-type: none"> Reserve hotline number and set up call center for receiving complaints Establish business processes and standards for classification, processing, and following up on complaints Conduct outreach and publicity on complaints hotline Prepare monthly summary of complaints received, and resolved via hotline 		
Online complaints system	<ul style="list-style-type: none"> Design online complaints portal and set up back-end system for handling complaints (appoint focal point) Establish business processes and standards for classification, processing, and following up on complaints Prepare monthly summary of complaints received and action taken and post online 		
Pilot use of media tools for feedback	<ul style="list-style-type: none"> Prepare concept note for piloting media tools such as TV talk-back program and radio call-in show to get feedback and resolve disputes on project Launch pilot media program in select state(s) by year 2 Conduct review of program performance and popularity within six months 		
8. Sanction Policy			
Sanction Guidelines	<ul style="list-style-type: none"> Study possible integration of sanctions policies with established GOI or State Government regulations Develop guidelines on appropriate sanctions for fraud, corruption, or other malpractices and incorporate in 		

GAC Mechanism/ Tool	Actions to be taken	Responsible actor(s)	Timeline/ Deadline
	HR manual <ul style="list-style-type: none"> ▪ Reference sanctions within standard staff contract templates 		
9. Performance Based Incentives			
Output based contracts with TA providers	<ul style="list-style-type: none"> ▪ Develop appropriate output oriented TORs for TA providers and contracts with disbursements linked to results ▪ Establish regular monitoring mechanisms to assess delivery of outputs 		
Milestone based disbursement system	<ul style="list-style-type: none"> ▪ Establish milestone based disbursement system for TA providers and for groups and federations based on grading/rating and include in operations and FM manuals ▪ Conduct periodic review of disbursement efficiency after effectiveness 		
GAC Awards program	<ul style="list-style-type: none"> ▪ Develop TOR for GAC Awards program including criteria/process for assessment ▪ Conduct outreach and dissemination on awards program ▪ Perform assessments and organize awards ceremony as part of annual project review workshop ▪ Develop case studies around awardees ▪ Do outreach and publicity of awardees 		
GAC Innovations Window	<ul style="list-style-type: none"> ▪ Establish guidelines and criteria for GAC window of Innovations window ▪ Identify multi-stakeholder jury for GAC window ▪ Conduct outreach and dissemination ▪ Evaluate proposals and make awards ▪ Develop case studies around awardees ▪ Do outreach and publicity of awardees 		

