

**REPORT OF WORKING GROUP  
ON  
NATIONAL RURAL LIVELIHOODS MISSION (NRLM)**

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**PLANNING COMMISSION  
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## **Acknowledgements**

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We are thankful to the Ministry of Rural Development, Government of India, for extending all the necessary support and cooperation for the NRLM Working Group in conducting the regional consultations and e-discussions to enrich the report of the Working Group. We would like to particularly thank Mr. BK Sinha and Mr. T Vijay Kumar for their encouragement, participation and support.

The NRLM mission document and framework for implementation were developed through a participatory process engaging diverse stakeholders in the sector. For the Working Group, it has been a real challenge to make useful recommendations on NRLM as NRLM is in the inception phase. The contributions made by the participants of the five regional consultations, those that participated in the UNDP Solution Exchange discussions and also in the roundtables that UNDP and the Working Group jointly organized were of high quality and substantial enabling the Working Group to come up with this report.

We are thankful to the UNDP India, particularly their Poverty Division, for their engagement, facilitation and participation in the discussions and their contributions to the making of this report. They are a valued partner of NRLM and we are sure that they will contribute to the realization of the NRLM's vision.

All the members of the Working Group deserve appreciation for their participation in its various deliberations including coordinating the regional consultations, preparing the consultation reports and writing sections of this report. The members of the Working Group have rich and varied experience which significantly enhanced the quality of deliberations and the final report. It has been a great team effort. Thanks to Muralidhar for supporting the Working Group in drafting the report and incorporating the contributions of the members.

We sincerely hope that the report of the Working Group will enable NRLM in taking forward its mission and in significantly reducing rural poverty over the next 10 years.

CS Reddy

For Working Group on NRLM

## Preface

India has unacceptable levels of rural poverty, estimated at 42%. In some of the northern and north-eastern states, there is an even higher level of rural poverty. Government of India has been deeply concerned about rural poverty in India. To eradicate rural poverty, National Rural Livelihoods Mission (NRLM) has been established. By the end of 2010, the Mission Document of the NRLM has been finalized and the mission was formally launched in June 2011.

Government of India kick started the process of formulating the 12<sup>th</sup> Plan for the period 2012-2017 following a process of wider consultation by constituting several steering committees and working groups. To work on the plan for the rural development, a Steering Committee on Rural Poverty and Rural Governance was constituted in March 2011. To take forward the work of the Steering Committee, a 23-member Working Group on NRLM was constituted with the following terms of reference:

- Review the NRLM Mission document and NRLM Framework for Implementation and make suggestions for improvement;
- Suggest a framework for participation of civil society organisations in NRLM;
- Examine the guidelines of the Mahila Kisan Sashaktikaran Pariyojana (MKSP) and make suggestions for improvement; and
- Any other issue considered relevant by the group

The Working Group (WG) critically reviewed the NRLM Mission Document and the Framework for Implementation and followed a consultative process to make necessary recommendations for NRLM which could contribute to the formulation of the 12<sup>th</sup> Plan for the period 2012-2017. The consultative process clearly brought to fore the significance of the NGO partnerships for NRLM to realise the mission. To translate the principle of NRLM building on the work that has already been done, a series of recommendations are made to map the ongoing work in social mobilization, community organization, promoting institutions of the poor and supporting the livelihoods of the poor through their own institutions.

A prerequisite for the success of NRLM is a mechanism for decentralised process of identifying the poor through a participatory process. The ongoing Socio-Economic and Caste Census (SECC), if done well, could form the basis for developing the NRLM Target Group (NTG). This could be augmented with a participatory identification of the poor process. Once the identification of the NRLM Target Group is done effectively and mapping the ongoing work of promoting the institutions of the poor is successfully completed, a phased approach for implementation of the mission could be rolled out as detailed in the mission document. Facilitating access to financial services from banks and other specialized financial institutions and necessary linkages for livelihood promotion would be critical to promote sustainable livelihoods and enable the poor to overcome poverty. While addressing financial and livelihood needs of the poor are important, addressing social issues and focusing on empowering the poor, particularly women, must be central to address the multidimensional poverty. Promoting institutions of the poor as

autonomous, self-managed and self-controlled organizations setting their own agenda and become self-reliant would be a necessary condition to address poverty on a sustainable basis.

The Working Group strongly believes the role of NRLM as a facilitating agency and forging partnerships with panchayat raj institutions, civil society organizations, bankers, various government departments and organizations, academic and training institutions, and private sector. Identifying the social capital that already exists to scale up NRLM processes can jump start the implementation process.

NRLM being a livelihoods mission, there is a need for significant focus on promoting livelihood collectives and enabling them to pursue their agenda. Many of the existing livelihood organizations have major constraints related to working capital, market linkages and appropriate business development services. Much work is needed in this area and NRLM can promote innovations through a partnership model.

The Working Group is certain about NRLM's success in realising its mission, if it can overcome the target-oriented and top-down approach generally followed in many centrally sponsored programs. It should also be inclusive in its approach, willing to work with all those agencies that are willing to be partners in development. Government of India is now able invest significant financial resources to address poverty. These resources must be effectively used and this requires flexibility and innovation. We are hopeful that the mission mode allows NRLM the required openness, flexibility, innovation and learning. Fighting poverty is difficult. However, when the poor themselves become the agents of change, it is entirely possible to eliminate poverty. We must give the space for the institutions of the poor to address poverty. Our role would be institutional capacity building and providing the necessary support services in a user-friendly and flexible manner.

This report of the Working Group is a step towards that end.

## Chapter 1: Introduction

The mandate of the Ministry of Rural Development (MoRD), GoI is rural poverty alleviation through programs directly targeted at the rural poor households. The Swarnajayanti Gram Swarozgar Yojana (SGSY) was the Ministry program which focused on self-employment. This program was launched in the year 1999, by restructuring the Integrated Rural Development Program (IRDP). The cornerstone of the SGSY strategy was that the poor need to be organized and their capacities built up systematically so that they can access self-employment opportunities. In the 10 years of implementing SGSY, there is a widespread acceptance in the country of the need for poor to be organized into SHGs and SHG federations as a pre-requisite for their poverty reduction.

A major problem identified by the Radhakrishna Committee on Credit Related Issues under SGSY (2009) is that most of the SHGs remain crowded in low productivity, primary sector activities. The success of the program depended on raising their abilities to diversify into other high productive activities. Even in the better performing state of Andhra Pradesh, the income gain to a swarozgari from enterprise activities under SGSY was a mere Rs 1,228 per month. The small income gain was due to low productive, traditional activities in which they were engaged and due to low absorption of technology.

The Committee argued that while nearly two thirds of the total funds were given out as subsidy, thus making the whole program subsidy-driven, only 6 per cent of the total SGSY funds were utilized for training and capacity building during the past decade. The leverage ratio of bank loans to subsidy under SGSY was only 1:2.15<sup>1</sup>. 'Ill-trained groups' in SGSY was a severe handicap in moving towards the Eleventh Plan goal of inclusive growth. Training is of vital importance in the management aspects of running both SHGs and their federations, as well as in improving existing livelihood options and also adopting new ones.

The magnitude of the task of rural poverty alleviation through direct interventions in self-employment is enormous. Out of the estimated 7.0 crore rural BPL households<sup>2</sup>, 4.5 Crore households still need to be organized into SHGs. A significant number of these households are extremely vulnerable. Even the existing SHGs need further strengthening, their own federations need to be promoted and building on this foundation, livelihood collectives need to be promoted to overcome rural poverty in a sustainable manner. It was in this background that Government of India have approved the restructuring of SGSY as the National Rural Livelihoods Mission (NRLM), approved the framework for implementation of NRLM in December 2010 and launched the same on 3 June 2011, to be implemented in a mission mode across the country.

### Overview of National Rural Livelihoods Mission

NRLM's mandate is to reach out to these poor families, link them to livelihoods opportunities and nurture them till they come out of poverty and enjoy a decent quality of life. In its

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<sup>1</sup> The subsidy disbursed under SGSY is Rs12900 Crore and Credit mobilized is Rs27800 Core since inception, i.e. a ratio is 1:2.15.

<sup>2</sup> As per the Planning Commission constituted Expert Group to Review the Methodology for Estimation of Poverty (Suresh Tendulkar's report), 41.8% of the rural population is poor. While estimated BPL families in rural India is around 7 Crore, as per the revised estimates it is likely to be around 9-10 Crore families. NRLM proposes to cover all the poor and the poorest of the poor families ("NRLM target group") based on a participatory poverty assessment which would further increase the number of families to be covered under the mission over a 15 year period.

reckoning, strong and vibrant Institutions of Poor at various levels are central for poor to come out and stay out of poverty.

Towards this, NRLM puts in place a dedicated and sensitive support structures at various levels. These structures work towards unleashing the innate potential of the poor and complement it with capacities to deal with external environment, enable access to finance and other resources, and with their own institutions at different level. The institutions play the roles of initiating the processes of organizing them in the beginning, providing the livelihoods services and sustaining the livelihoods outcomes subsequently. The support structures need to work with the unemployed rural poor youth for skilling them and providing employment either in jobs, mostly in high growth sectors, or in remunerative self-employment and micro-enterprises.

The Institutions of the poor<sup>3</sup> provide them the platforms for collective action based on self-help and mutual cooperation. They become a strong demand system. They build linkages with mainstream institutions, including banks, and Government departments to address their livelihoods issues and other dimensions of poverty. These institutions provide savings, credit and other financial services to meet their priority needs, including consumption needs, debt redemption, food and health security and livelihoods. They augment knowledge, skills, tools, assets, infrastructure, own funds and other resources for the members. They increase incomes, reduce expenditures, increase gainful employment and reduce risks for their members. They also increase their voice, space, bargaining power and change of policies in favor of their members.

Mobilizing the poor into their institutions needs to be induced by external sensitive support structure. Government agencies, NGOs and civil society organizations, Local self governments, banks and corporate sector can play this role. With time, as the institutions of poor grow and mature, they become sensitive support structures and institutions for the poor. Their successful and empowered members and leaders take charge of and accelerate many of these processes. Thus, the program for the poor becomes the program of the poor. Poverty is complex and multidimensional, and therefore, the institutions of poor engage in many sectors and service providers. Their ability and effectiveness improves with time. However, after the initial learning curve, the progress picks up speed with quality.

NRLM is a learning mission and learns from all the best practices of poverty eradication and failures in the country. Like NRLM, its framework for implementation is live and evolving. The NRLM framework offers space for local plans based on local context and learning from the experiences in the field as the implementation progresses.

Further, NRLM Framework has two parts - the 'hard' components and the 'soft' components. The 'hard' part includes the funding norms and ceilings for funding of different components and inter se allocation among the states. The 'soft' part includes all the processes outlined herein. These are indicative but not binding. The NRLM Working Group of the Planning Commission has made several recommendations in the later part of this report. These are based on the learning from large scale best practices in the country at present. Each state would have its own

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<sup>3</sup> Institutions of the Poor (IoPs) are autonomous organizations that have been promoted through a strong process-approach of social mobilization and community organization based on the principles of affinity, self-help, mutual benefit and self-reliance with a well-defined objective, which include, SHGs, their federations, livelihood collectives (like the farmers cooperatives, producer companies, user groups) and those organised around social issues.

Operational Guidelines soon. Thematic and issue-based National Operational Manuals would also be made available as the implementation progresses.

The framework envisages that NRLM, through its dedicated sensitive support structures and organizations at various levels, reaches out to all the BPL households, and take them out of poverty through building their capacities, financial muscle and access, and self-managed self-reliant institutions; through placement in jobs, and/or nurturing them into remunerative self-employment and enterprises. The institutions of the poor gradually take charge of supporting their members being in control of their livelihoods, lives and destiny.

### **NRLM's Approach (as per the Mission Document)**

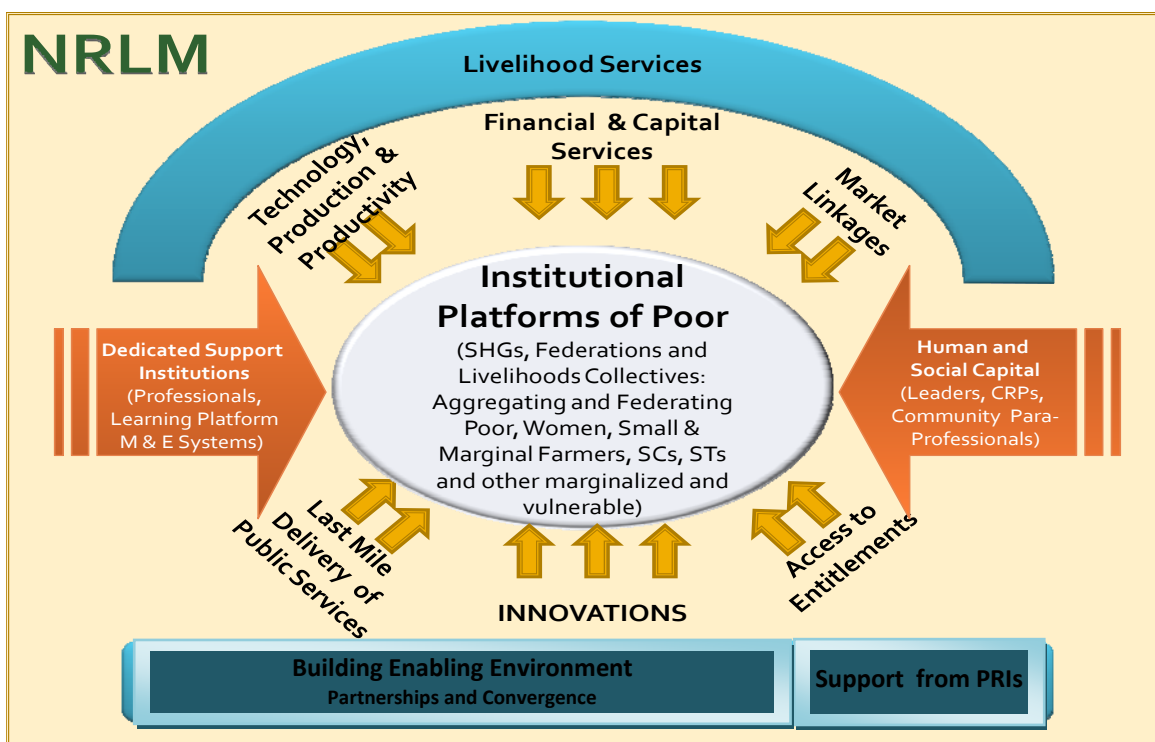
Towards building, supporting and sustaining livelihoods of the poor, NRLM harnesses the innate capabilities of the poor, complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to deal with the rapidly changing external world. Being conscious of the livelihoods activities being varied, **NRLM works on three pillars – enhancing and expanding existing livelihoods options of the poor; building skills for the job market outside; and nurturing self-employed and entrepreneurs** (for micro-enterprises). This multiple livelihood promotion strategy has been adopted to ensure that the poorest are covered to the farthest extent.

Dedicated support structures build and strengthen the institutional platforms of the poor. These platforms, with the support of their built-up human and social capital, offer a variety of livelihoods services to their members across the value-chains of key products and services of the poor. These services include financial and capital services, production and productivity enhancement services that include technology, knowledge, skills and inputs, market linkages etc. These platforms also offer space for convergence and partnerships with a variety of stakeholders, by building an enabling environment for 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 more viable and accelerates their journey out of poverty.

The interested rural BPL youth would be offered skill development after counseling and matching the aptitude with the job requirements, and placed in jobs that are remunerative. Self-employed and entrepreneurial oriented poor would be provided skills and financial linkages and nurtured to establish and grow with micro-enterprises for products and services in demand.

NRLM implementation is in a Mission Mode. This enables (a) shift from the present allocation based strategy to a **demand driven strategy** enabling the states to formulate their own livelihoods-based poverty reduction action plans, (b) focus on targets, outcomes and time bound delivery, (c) continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector, and (d) monitoring against targets of poverty outcomes. As NRLM follows a demand driven strategy, the States have the **flexibility to develop their livelihoods-based perspective plans and annual action plans for poverty reduction**. The overall plans would be within the allocation for the state based on inter-se 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.





**Key Features of NRLM** include –

### ***Social Inclusion and Institutions of the Poor***

1. Universal Social Mobilization into the fold of SHG network, followed by livelihoods collectives;
2. Promotion of Institutions of the poor at various levels;
3. Training, Capacity building and skill building;
4. Revolving Fund and Capital Subsidy as corpus to the institutions of the poor;
5. Universal Financial Inclusion, beyond basic banking services to all the poor households and their institutions;
6. Provision of Interest Subsidy (on interest rate above 7% per annum for all eligible SHGs, who have availed loans from mainstream financial institutions);

### ***Livelihoods***

7. Looking at the entire portfolio of livelihoods of each poor household, and work towards stabilizing and enhancing the existing livelihoods and subsequently diversifying their livelihoods;
8. Infrastructure creation and Marketing support (20% of the outlay at the state level);
9. Skills and Placement Projects (15% of the central allocation);
10. Self-employed entrepreneurship (through Rural Self Employment Training Institutes);
11. Innovations (5% of the central allocation);

### ***Convergence and partnerships***

12. Convergence with other programs of Central and State Governments;

13. Partnerships with NGOs and other CSOs;
14. Linkages with PRIs or traditional local village institutions;

### ***Sensitive Support***

15. Sensitive Support Structures at the National, State, district and sub-district levels;
16. Technical Support and handholding support for developing and executing state poverty reduction strategies;
17. Monitoring results, processes and activities and learning from one another;
18. Funding Pattern (as in a Centrally Sponsored Scheme) broadly in relation to the incidence of poverty in the States;
19. Phased Implementation, to reach all districts and blocks by the end of 12th Five-year Plan;
20. All States to transit to NRLM by 31 December 2011; and
21. Agenda before NRLM - to reach out, mobilize and support 7.0 Crore BPL households across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats, in 6.0 lakh villages in the country into their self-managed SHGs and their federal institutions and livelihoods collectives. NRLM's long-term dedicated sensitive support would be with them and extend facilitation support in all their efforts to get out of poverty. In addition, the poor would be facilitated to achieve increased access to their rights, entitlements and public services, diversified risk and better social indicators of empowerment.

**Mahila Kisan Sashaktikaran Pariyojana (MKSP)** is a sub-component within NRLM to demonstrate scaling of various successful approaches of working with and empowering women in agriculture through the mode of commissioning special projects.

NRLM envisages **working with NGOs and other CSOs within a framework** of partnerships with NGOs/CSOs in field implementation, knowledge management, training and capacity building, thematic and technical support etc. This framework is still to be evolved & guidelines to be sent out to the state governments for them to proactively seek for partnerships.

### **NRLM Working Group of the Planning Commission**

On 31<sup>st</sup> March 2011, the Planning Commission constituted a Working Group on NRLM (list of the Working Group members at Annexure 1) as part of the 12<sup>th</sup> Plan preparation for the period 2012-17. The report of the NRLM Working Group with its recommendations will be considered by the Steering Committee of the Planning Commission on Rural Livelihoods and Rural Governance. The terms of reference of the Working Group include –

- Review the NRLM Mission document and NRLM Framework for Implementation and make suggestions for improvement;
- Suggest a framework for participation of civil society organisations in NRLM;
- Examine the guidelines of the Mahila Kisan Sashaktikaran Pariyojana (MKSP) and make suggestions for improvement; and
- Any other issue considered relevant by the group

Further, the Working Group was asked to review and comment/recommend on the Implementation arrangements; Market linkages; Science and technology and innovations; Climate change perspective in livelihoods promotion etc. The NRLM Working Group was asked to submit its report by 31 August 2011 and now extended to 30 September 2011.

The Working Group constituted on 31 March 2011, began its work immediately by circulating the material related to NRLM to all the members and had its first formal meeting on 2 May 2011 at the Planning Commission office. It broadly focused on -

- Role of CSOs/NGOs, Partnership Issues
- Human Resources and Capacity Building, Rural Livelihoods, Human Resources
- Identifying, Targeting and Reaching the Poorest and Vulnerable
- Strategies for reaching out to them
- Building Self managed and self reliant institutions of the poor
- Role of subsidies and administration of subsidies
- Dedicated support structure
- Convergence with Rural Development programs like MGNREGS
- Livelihoods, Employment, Enterprises and Collectives, Support
- Livelihoods Practices that can be taken to scale
- Strengthening existing livelihoods in the primary sector
- Placement linked skill development program
- Micro-enterprise development
- Financial Inclusion, Funds, Bank Linkages
- Phasing, Intensive and Non-intensive, Scaling-up

The Working Group felt the need for wider consultations with key stakeholders to formulate its feedback on the NRLM and to make recommendations. Each of the regional consultation was coordinated by one or two members of the Working Group. Day-long Regional Consultations were held at Patna, Mumbai, Jaipur, Hyderabad and Guwahati with over 300 participants representing most of the Indian States. The regional consultations had representatives from NGOs, Academic Institutions, Research Organizations, State Governments, Bankers, representatives of NABARD and other stakeholders in the sector. Members of the NRLM Mission Management Unit (NMMU) actively participated in the regional consultations. The reports of these regional consultations were prepared by the coordinating Working Group members and shared with all the Working Group members through the e-group.

Working Group had the benefit of e-discussions<sup>4</sup> on UNDP Solution Exchange on NRLM Framework of Implementation and MKSP, followed by two parallel Roundtables on NRLM and MKSP on 24 August 2011 at New Delhi. To make the work of the Working Group more effective, a Google Group was formed with all the members of the Working Group. It served as a platform for virtual discussion among the members of the Working Group. The members of the Working Group made excellent contributions by actively participating in the regional consultations,

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<sup>4</sup>See summary of the e-discussions on NRLM Framework at <ftp://ftp.solutionexchange.net.in/public/mf/cr/cr-se-mf-03061101.pdf> and MKSP Guidelines at <ftp://ftp.solutionexchange.net.in/public/emp/cr/cr-se-emp-mf-04071101.pdf>

roundtables and also in writing parts of the report. Some of the members circulated their suggestions and recommendations by preparing a brief note. Participants of the regional consultations also made written submissions to the working group. Further, a workshop in NIRD, Hyderabad (7-10 August 2011) reviewed the early consolidation of the understanding, conclusions and recommendations in six thematic subgroups -

- Capacity building, Human Resources, Institutions, Women Empowerment
- Financial inclusion, subsidy administration, Women Empowerment
- Livelihoods (land; verticals; organizations) , Women Empowerment
- Jobs, Micro-enterprises, Women Empowerment
- Targeting, Vulnerable, Existing Groups/Federations, Women Empowerment
- Implementation, Support Structures, NGO Partnerships, Partnerships and convergence, Monitoring, IT, Women Empowerment

Finally, the working group met on 25 August 2011 to review and provide final inputs to finalize the Working Group report.

The NRLM Working Group found the task of making recommendations on NRLM both exciting and challenging as the NRLM document was developed based on extensive consultations over a period of more than one year, NRLM document was approved only in December 2010 and preparatory activities are currently underway. The Working Group has been successful in reinforcing the centrality of the poor and their institutions, and partnerships with NGOs in NRLM in reducing and eliminating rural poverty. We hope the recommendations of the Working Group will further strengthen the Mission Document and Framework for Implementation and NRLM forms an important component of the 12<sup>th</sup> plan in combating rural poverty.

## Chapter 2: Review of NRLM Framework for Implementation

Over 42% of the rural households in India are poor. Socio-economic and Caste Census of the Government of India is under progress and these figures may change marginally. These poor households suffer multi-dimensional poverty beyond sheer economic poverty. They have multiple livelihoods. Many of these livelihoods are fragile and changing. Thus it is difficult to fix a household to a livelihoods activity. Further, the livelihoods of the households have dimensions of expenditure, risks, employment and income. All these dimensions are not always linked to a single livelihoods activity but to the entire household and its portfolio of livelihoods.

In this backdrop, Working Group has carefully reviewed the NRLM Framework for Implementation. The

Mission Document and Framework for

Implementation have been developed based on

experience, learning and best practices and provide

considerable flexibility in the implementation. The

core values and guiding principles of NRLM are

laudable. Though the NRLM is not fully

operational, the following concerns have been raised

with regard to the NRLM

Indira Krathi Patham project (Society for Elimination of Rural Poverty) in Andhra Pradesh has mobilized 11 million women into 9.95 lakh SHGs (with Rs.3000+ Crore savings and Rs.5000+ Crore), 38000 Village Organizations, 1099 Mandal Samakhyas and 22 Zilla Samakhyas. Recently a state level Stree Nidhi Cooperative Financing Institution has come into being. Besides ensuring that the poor get access to credit, the project has also responded to the vulnerabilities of the poor and the vulnerable. 2.8 lakh differently-abled men and women have been organized into SHGs and integrated with women SHG Federations. Special provisions and processes have been instituted for tribal communities. There is a special drive to meet their specific needs of the 3 million poorest.

The specific committees of the Federations at various levels, supported by community resource persons and professionals, are working on collective purchases and sales, NTFP marketing, dairy, sustainable agriculture, land purchase and development, education, food security, health and nutrition, gender issues, insurance, Jobs for youth, micro-enterprises, etc.

which the Working Group took into consideration while making its recommendations:

- NRLM does not start with a “clean slate”. A large number of players, including the state governments, are engaged in social mobilization, community organization and promoting institutions of the poor in rural areas. Over the past 30 years, a huge amount of Government & Donor funds invested in this effort. NRLM should not undo the good work that has already been done. While it is appreciable that NRLM wants to “build on what exists”, it is easier said than done. The framework for implementation does not offer a clear strategy on how it builds on the existing institutions of the poor. In fact the framework for implementation gives an impression that it is starting on a “clean slate”. A detailed step-by-step approach needed to build on what exists on the ground.
- There are a large number of organizations promoting SHGs and the issue of multiple membership is very common. Though a good number of organizations promoting SHGs are socially committed, some of them at least are caste, religion or political party-based. Also a number of them do not draw any distinction between APL or BPL or men and

women or have not ensured that the SHG members are homogeneous or based on affinity. While federating SHGs, there is a need for clarity on the eligibility of such SHGs.

- Will NRLM reach the poorest of the poor and most vulnerable effectively and sustainably? IRDP & SGSY miserably failed in this regard. In fact, these programs were captured by the non-poor. Can Government really promote institutions of the poor through a process-approach and allow them to be autonomous? Government has always used institutions of the poor as a delivery channel and not as a strong demand system.
- Why can't NRLM start and end with the poor? Once the non-poor are part of the institutions of the poor, they will surely capture the benefits as is evident from large-scale externally aided programs. Reaching the poorest of the poor adequately and effectively for them to come out of poverty would be a real challenge. Existing BPL lists seem to be a major constraint in the field as many of the poorest of the poor are not in the BPL list. Each village having a participatory process of identifying the poor as NRLM Target Group is a real challenge.
- NRLM gives adequate importance to attacking poverty of the Scheduled Castes and Scheduled Tribes. But the social justice component of NRLM is weak beyond fiscal target. There is a need for special guidelines for SC Sub-plan and Tribal Sub-plan.
- Poverty is multi-dimensional. While the NRLM has intent to address all the dimensions of poverty, will it really address social issues to alter power relationships in the villages, particularly gender issues and significantly contribute to women empowerment. For the institutions of the poor to emerge as a strong demand system to negotiate with the Government to access the rights and entitlements of the poor, they will have to fight with the system. Will NRLM support that? What is the mechanism for the NRLM to be on the side of the poor? Though we have more than 70 lakh SHGs in India, there is limited evidence of these institutions of the poor fighting for the rights of their members. These SHGs and SHG federations are preoccupied with a minimalist agenda of savings and credit, some becoming credit management groups and the "self-help" concept missing.
- Though NRLM proposes to set up sensitive support structures at all levels, will these support structures be really "sensitive" to empower the institutions of the poor as there will be government officials on deputation and also the target-oriented approach may undermine processes. IOPs may become a delivery channel for Government Schemes and an easy target for political capture. Will the promoters ever "hand over the stick"?
- What is the reasonable cost of support structure for building and handholding institutions of the poor? Does 5% administrative and support costs suffice?
- The relationship between the organizations of the poor and the PRIs could be of paramount importance, if a long term view is taken of the need to empower the poor, as political empowerment is absolutely necessary to sustain gains of the livelihood programs. There is not much clarity on this in the NRLM strategy.

- Convergence of all anti-poverty programs, especially those of Government of India, is absolutely essential for addressing the ratchet effect of poverty. There is need to equip the institutions of the poor to facilitate a demand-driven convergence of different programs at household and higher levels and through the institutions of the poor.
- Some of the large-scale rural poverty reduction programs implemented by State Governments, with external funding, do not partner with NGOs as field implementing agencies resulting in duplication of efforts. Will NRLM engage in NGO partnerships?
- While NRLM is a mission for promoting rural livelihoods, there is a predominant emphasis on SHGs and SHG federations which are microfinance oriented. Will NRLM promote livelihoods organizations, building on the foundation of the SHGs, on a large scale as sustainable institutions of the poor and go beyond microfinance to livelihoods?
- There are very few examples of promoting livelihoods collectives at scale as the issues are complex. Will NRLM promote innovative approaches for large-scale production, value-addition, marketing and high returns for the poor?
- While SHG model is a savings-led model, experience suggests that there has not been much emphasis to fully exploit the potential of savings, particularly in Government promoted SHGs. Will savings be proactively mobilized and the institutions of the poor adequately supported to ensure that their own savings work for them resulting in much greater stake in their own institutions, stronger ownership and effective governance, self-responsibility and self-regulation?
- One of the keystones for the success of the SHG movement would be SHG-Bank linkage. Except for South India, even there some real issues such as bankers impounding the savings of SHGs, forcing SHGs to have a portion of the loan as fixed deposits and arm twisting SHG members to buy bank-related insurance products, exists, there has been very limited progress in this area over the past two decades. Though almost 70 lakh SHGs have savings bank accounts and almost 50 lakh SHGs have a long outstanding from the bank, there have been very serious issues about adequacy of the loan amount and also the timeliness of loans from banks to SHGs. What is really shocking is that in the two decades of SHG-Bank linkage model, the banks have not done much to develop appropriate savings and loan products suitable for the SHGs and their federations. Will NRLM find alternative models to ensure that the poor have access to financial services? More importantly, for the livelihood organizations obtaining working capital loans is a real bottleneck.
- Though almost seven crore women are mobilized into SHGs (both in rural and urban areas), how many of these members have been reached with “member education” is not clear. Our assessment is that not even 50% of the existing SHG members have been trained. Will financial literacy be a priority for NRLM to ensure that the poor are not exploited by money lenders, MFIs and Banks? SHGs and SHG federations could play a pivotal role in financial literacy, resulting in financial inclusion.

- Several persons belonging to below poverty line have old dues to banks related to IRDP, DWCRA and SGSY. This is particularly so in the case of Scheduled Castes, Scheduled Tribes and other poorest of the poor groups. Making banks to lend to them needs a high level policy directive. The legacy issues will pose real challenge for NRLM.
- Fiscal transparency on the part of lenders is quite poor. The poor are largely unaware of their future commitments especially in terms of interest, when they take a bank loan. This prevents them from taking a rational decision on availing a loan, deciding its size and planning repayment. This calls for restructuring of the documentation.
- Will there be a supportive legal and regulatory framework for the institutions of the poor to come up in large numbers as body corporate, become sustainable and thrive enabling their members to come out of poverty?
- Several studies show that slippage of people above poverty line into poverty is a matter of serious concern. Special strategies need to be developed for people just above the poverty line to prevent slippages into poverty.

The report of the Working Group makes an attempt to address these and many other issues that came up for consideration. In this context, Working Group appreciates that NRLM Framework for Implementation is a live and dynamic document. On an ongoing basis, it helps to reduce the learning curve and costs, increase the efficiency and effectiveness of the implementing agencies and communities so that the processes of poverty reduction are hastened. It takes note of the emerging best practices and failing experiments.

Working Group is in sync with the broad and overall philosophy of NRLM. It notes that NRLM is demonstrating a big paradigm shift in the poverty reduction effort in the country.

**The core belief** of National Rural Livelihoods Mission (NRLM) is that the poor have **a strong desire and innate capabilities to come out of poverty**. They are entrepreneurial. The challenge is to unleash their innate capabilities to generate meaningful livelihoods, which enable them to come out of poverty. The first step in this process is motivating them to form their own institutions. Their true potential is realized when they are provided sufficient capacities to manage the external environment and have easy access to finance, and are enabled to expand their skills and assets and convert them into meaningful livelihoods. This requires continuous handholding support by their institutions. An external dedicated, sensitive support structure, from the national level to the sub-district level, is required to induce such social mobilization, institution building and livelihoods promotion. Catalytic resource support and linkages would augment and hasten the processes.

Strong institutional platforms of the poor empower the poor households and enable them to build-up their own human, social, financial and other resources. They, in turn, enable them to access their rights, entitlements and livelihoods opportunities, including services (both from the public and private sector). The social mobilization process enhances solidarity, voice and bargaining power of the poor. These processes enable them to **pursue viable livelihoods** based on leveraging their own resources, skills and preferences. Thus, they come out of abject poverty and do not fall back into poverty.

NRLM also believes that the program can be up scaled in a time bound manner, only if it is driven by the **poor themselves**.



### **NRLM Mission**

“To reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots institutions of the poor.”

### **NRLM Guiding Principles**

- Poor have a strong desire to come out of poverty, and they have innate capabilities to do so.
- Social mobilization and building strong nested multi-tiered and multi-thematic institutions of the poor is critical for unleashing the innate capabilities of the poor.
- An external dedicated and sensitive support structure is required to induce the social mobilization, institution building and empowerment process.
- Facilitating knowledge dissemination, skill building, access to credit, access to marketing, and access to other livelihoods services underpins this upward mobility.

### **NRLM Values**

The core values which will guide all the activities under NRLM are as follows:

- Inclusion of the poorest, and meaningful role to the poorest in all the processes
- Transparency and accountability of all processes and institutions
- Ownership and key role of the poor and their institutions in all stages – planning, implementation and monitoring
- Community self-reliance and self-dependence

## **2.1 Social Inclusion, Mobilization and Institutions**

**Social Inclusion and Universal Social Mobilization:** In the first year of implementation in a district/block, NRLM should follow a meticulous approach of mapping the existing efforts in promoting institutions of the poor to develop an inventory. Simultaneously, SWOT (strengths, weaknesses, opportunities and threats) of the existing institutions of the poor and their promoters needs to be undertaken to build a strategy to work with them. The entire process of mapping and SWOT analysis should be done in a participatory manner, involving the agencies involved in promoting institutions of the poor in that area. Initially in the intensive blocks of the first year (over 10% of the blocks in India), gradually over a period of 5-6 years, this needs to be done in all the rural villages of India which could serve as the baseline for the mission. This approach will also enable NRLM to document best practices, case studies and identify the resource blocks for scaling up NRLM.

Working Group agrees with the NRLM Framework for Implementation in this regard - “In order to ensure that no poor family is left out, NRLM would use differential strategies for social inclusion/mobilization of all identified BPL households into functionally effective and self-managed institutions, with particular focus on more vulnerable sections like scheduled castes, scheduled tribes, particularly vulnerable tribal groups, single women and women headed households, differently-abled, landless, migrant labour, isolated communities and communities living in disturbed areas. It would identify the poorest and vulnerable through participatory vulnerability assessment and ranking. The mobilization would begin with them first. The mobilization effort would progress with the satisfactory community readiness and milestones for various stages of mobilization and graduation as evolved and tested in a participatory

manner. Existing institutions, their leaders, staff and community resource persons (CRPs) would support the processes of inclusion and mobilization”.

Working Group strongly feels that the whole focus of the NRLM needs to be on inclusion of all poor, especially vulnerable and most disadvantaged. Therefore, Working Group strongly advocates for NRLM having its own Target Households (NRLM Target Group – NTG), not necessarily BPL families.

#### **A. NTG – NRLM Target Group (Aajeevika Target Group)**

Accordingly, Working Group recommends that NTG should include:

- Automatically included households and other BPL households identified and all other vulnerable and marginalized households that have been included for ranking (before applying the poverty cap to the database) during the Socio-Economic and Caste Census 2011 [SECC] underway, proposed to be completed by December 2011<sup>5</sup>;
- Households that have completed MGNREGS work of 15 days/year for at least 2 years; and
- Households that fall in the category of the vulnerable and disadvantaged communities/ categories listed/identified:

**Automatic inclusion** of the household from following categories or communities, *if not already included* in the BPL -

- Scheduled Tribes including Particularly Vulnerable Tribal Groups
- Scheduled Castes
- Nomadic Tribes and De-notified Tribes
- Fisherfolk
- Hand using legacy artisans
- Isolated communities (away from habitations)
- Households of manual scavengers
- Households of bonded labourers
- Women headed and managed households (single, divorced, deserted, widows etc.)
- Households with persons with disability
- Households with elderly but with no persons in the age group of 16-59 years
- Destitute households
- Shelterless households
- Households involved in daily wage labour
- Households with migrant labour
- Households with people working in hazardous occupations
- Households having persons living with HIV and AIDS
- Communities affected by/ displaced by natural calamities/ development projects
- Households displaced out and communities living in difficult areas (LWE, areas under conflict, difficult geographical terrains)

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<sup>5</sup>The Socio Economic and Caste Census uses a three step classification for identification of BPL households: automatic exclusion criteria followed by compulsory inclusion criteria followed by a deprivation scoring of the remaining households (<http://rural.nic.in>)

However, no household that falls in automatic exclusion [as in SECC 2011] on the following counts:

- Household with motorized four wheeler/fishing boat/Mechanized three/four wheeler agricultural equipment;
- Household with Kisan Credit Card with credit limit of Rs. 50,000 and above;
- Household with any member as a Government employee;
- Household with non-agricultural enterprises registered with the Government;
- Household with any member of the family earning more than Rs. 10,000 per month;
- Household paying income tax;
- Household paying professional tax;
- Household with three or more rooms with all rooms having pucca walls and roof;
- Household owning at least 2.5 acres or more of irrigated land with at least one irrigation equipment; 5 acres or more of irrigated land for two or more crop seasons; or at least 7.5 acres of land or more with at least one irrigation equipment.

Therefore, Working Group urges that States should identify and list the vulnerable groups and communities specific to the state, in their --State Perspective and Implementation Plan (SPIPs) -- - very clearly and discuss the specific strategies to support each of these vulnerable groups/communities.

At community level, the poorest and vulnerable amongst the NTG should be identified through participatory vulnerability assessment and ranking and the list should be ratified in the Gram Sabha (or its equivalent). Guidelines and methodology for the same may be developed based on the best practices such as Participatory Identification of Poor. Wherever possible, participatory vulnerability assessment should be carried out in convergence and coordination with other participatory micro-planning processes (like in BGRF, Watershed Development etc.).

Pudhu Vazhvu, the poverty alleviation project in Tamil Nadu, has adopted a participatory process for identification of the poor in 2509 Panchayats across 70 Blocks and 16 Districts. In the Participatory Identification of Poor (PIP), the village communities identify the needs, plan, implement and monitor the project themselves. The process has proven to be transparent and effective in ensuring the inclusion of poorest and most marginalized communities.

First, the priority households [SECC automatic inclusion households – shelterless, destitute, manual scavengers, primitive tribal groups, and legally released bonded labourers; households with no adult members (16-59 years); households with differently-abled; SC households; ST households] would be mobilized and organized, followed by other automatically included vulnerable communities in NTG and finally other NTG households.

Once social mobilization process is completed in the village and the SHG Federation or Village Organization (VO) is formed, the Village Organization shall be entrusted with the responsibility of identification of further left out poor, strategies for inclusion in the institutions of the poor. Where it is not possible to organize some of the vulnerable, their needs would be met through the Village Organization, till they reach a stage where they would be organized.

## B. Inclusion of poorest of poor and most vulnerable

NRLM framework recognizes that the poorest of the poor and the most vulnerable and marginalized require special attention. Each of them would require customized strategies. Working Group would like to emphasize and reiterate this again.

Further, each of these poorest and vulnerable groups may be unique with distinct needs. They would require a proactive effort beyond the mainstream NRLM strategy to organize and include them. It would be difficult to include the above groups through the existing norms on institution building due to their inability to adhere to the required norms owing to their added vulnerabilities. Therefore, depending on the local context and needs of these poor, suitable flexibilities need to be incorporated in the operational design of the program and financial assistance to enable their active involvement and participation in the Institutions of the Poor.

Special strategies may be required in each stage/process to ensure their inclusion in NRLM:

- **Identification:** Support of organisations working with these groups, traditional bodies and PRIs may be taken to identify and locate these groups. Special efforts are required to ensure **identification proof** for difficult to reach groups and communities such as Nomadic Tribes (NTs) and migrant labour which would enable their access to government programs.
- **Inclusion:** Sustained efforts would be required on awareness building around objectives and entitlements under NRLM gradually leading to forming IOP. Therefore, formation of SHGs with these vulnerable groups will automatically require longer and more sustained efforts as compared to the mainstream strategy. In fact, there may be a need for a distinct pre-IOP phase and process.
- **Relaxation of norms:** The above mentioned groups are unlikely to be able to adhere to current NRLM norms of weekly savings and meetings. Therefore, there is a need to search or discover models<sup>6</sup> that may be adopted for working with vulnerable groups for the initial time period until convergence with NRLM norms is possible.
- **Primarily addressing vulnerabilities:** NRLM shall first focus on basic entitlements of these groups such as food and health security, debt bondages and access to entitlements before proceeding with livelihood initiatives.
- **Beyond a group approach:** NRLM should explore approaches beyond the institution building (SHGs) approach for vulnerable groups. However, institutions of poor do give opportunities to the vulnerable and socially excluded for solidarity and knowledge sharing. Best practices of working with these vulnerable groups on poverty eradication may be studied for replication and scaling. **Organizations working with vulnerable communities** should be consulted and involved in design and evolution of implement strategies for social inclusion and mobilization of these communities.

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<sup>6</sup>Models such as Village Savings and Loan Associations (VSLAs) tend to serve the very poor whose income is irregular and less reliable and who may not be full-time business people. These associations allow for low variable savings, unlimited savings withdrawal, elimination of record keeping ledgers and loans with variable terms and fully flexible repayment conditions.

## Social Inclusion Plan in SPIP

Each state, therefore, must identify the vulnerable communities in their state and come out with a clear plan of action to include and design suitable mechanisms to integrate them into NRLM. Towards this, a state level workshop may be conducted to identify the best practices within the state and outside. As part of the SPIP preparation, the state must develop a clear 'Social Inclusion Plan' – a plan of action outlining specific strategies under NRLM for inclusion, project support and impact and outcome monitoring. Many of the vulnerable may take time to get into full-SHG format. It is possible that they have to go through a pre-SHG stage [something like savings groups, informal village savings and loans associations etc.].

Further, the state must develop sub-plans for the Poorest and Most Vulnerable, on an annual basis, by aggregating their household plans and integrating them into neighborhood and village level plans and consolidated at higher levels. These plans should include water, food, nutrition and health security, amongst other things, for these families.

**Wide information dissemination** and awareness building campaigns about NRLM objectives and the vulnerable individual's entitlement from NRLM must be conducted prior to social mobilization process.

**Social Equity Audit (SEA)**<sup>7</sup> should be conducted across all layers of the support structure of NRLM as also institutions of poor to identify excluded stakeholder groups and the barriers that keep them out. This shall help NRLM to take necessary inclusive steps both within its own set-up and in designing the program and implementing it.

For various reasons, a particular household/community may be unable to join or form a SHG at the time of mobilization. This can be addressed by forming an informal group which will later take the form of a full-fledged SHG. This is to serve the purpose of 100% inclusion and so no community is left out of being part of the institutions of the poor.

## C. Mainstreaming Gender in NRLM

NRLM's credit-based model of poverty alleviation enables intervention in women's lives by providing micro sums to address the macro disadvantages they experience. Although NRLM framework has a clear focus on empowering women, it has not sufficiently addressed gender and how one can use this opportunity to mainstream gender in rural society. Therefore, there is a need for NRLM to address all the issues it proposes to address not only from a pro-poor perspective but also a gender equity perspective.

The myth that SHG means women's savings group needs to be broken as this creates more burden on women. Rather, it should be taken as financial inclusion of the household and both men and women. Men need to be sensitized to be sensitive to take over some of the responsibilities and burdens of women and families. Also, there are a large number of institutions of the poor that work with both men and women in rural areas. NRLM should

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<sup>7</sup> <http://www.socialequitywatch.org/images/Files/social%20equity%20audit.pdf>

commission process documentation of these efforts for learning and scale up. NRLM must consider household as a unit and treat women as representatives of their families. For all the convergence related efforts, household and the IOPs at various levels should be the points of convergence.

Following are the opportunities to address gender issues in rural society through NRLM:

- ✚ **Enabling women's access to mainstream institutions such as formal financial institutions:** Banks should be encouraged to lend at nominal rates of interest to women's groups. Further, feasibility of promoting a National Bank for Women SHG development and State level women Banks and NBFCs need to be explored to augment credit availability to them. There is also a definite need for building supplementary community financial institutions. Every effort must be made for these institutions are owned, managed and controlled by the women themselves and not dependent on staff of Government or NGOs.
- ✚ **Gender Policy and Gender Strategy:** NRLM, governed by rules formulated by state bodies, should have gender policy in staffing in NRLM across the country and institutions supported by NRLM. A gender strategy for program design of how to incorporate gender dimension while working with communities should also be formulated.
- ✚ **Focus on Single women:** NRLM should have a specific focus on single women including divorced, separated, deserted, widowed women due to the social stigma attached to single women.
- ✚ **Capacity Building on Gender:** A strong focus in the capacity building strategy in NRLM should be on gender equity. Issues such as food security, resource and asset sharing, family planning and reproductive rights, domestic violence and access to entitlements should be part of mainstream model of SHG trainings.
- ✚ **Encouraging women in participation in PRIs:** NRLM provides an opportunity for women to be given a greater voice in political processes and public sphere at large in general and in PRIs in particular. This opportunity could be leveraged by encouraging women to participate in local self-governance institutions. The women's institutions at each level should have strong linkages with the PRIs at the corresponding level, as in Kudumbashree model (Kerala).
- ✚ **Partnerships with organizations working on women's issues:** A large number of NGOs work on women empowerment and gender issues. NRLM must partner with these organizations to promote replicable models of mainstreaming gender. The NGO partnership manual of NRLM must clearly articulate partnership with NGOs focusing on gender & empowerment.
- ✚ **Gender learning portal:** A web portal on gender self-learning and knowledge sharing could be established at each state level. A similar initiative has already been established in the Kudumbashree Mission in Kerala which functions as bi-lingual web portal on gender<sup>8</sup>.

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<sup>8</sup>[http://www.sreesakthi.org/index\\_eng.jsp](http://www.sreesakthi.org/index_eng.jsp)

- ✚ There should be gender analysis done at the level of the village or intermediate panchayat by the community leading to a simple Gender Status Report. At the block level, Gender Resource Centres could be opened utilizing the services of Community Resource Persons.

## D. Institutions of the Poor

NRLM's central task is to build and nurture institutions of the poor at various levels to meet their multiple needs in a sustainable manner. In the present context, **it is imperative for NRLM to work with existing institutions of the poor** (SHGs, SHG federations, farmers groups, user groups and those that focus on social issues) as they have been promoted investing scarce financial and human resources over the past 30 years. Building institutions of the poor is time-consuming, difficult and a mammoth task. The Working Group strongly recommends a step-by-step process for mapping institutions, assessing their present performance & future potential and evolving a detailed strategy and action plan to strengthen and sustain them. Working Group understands that building and sustaining institutions of the poor at various levels would be for collective action, greater solidarity, bargaining power, economies of scale and larger linkages. Following the principles of subsidiarity, the institution at each level would have its own purpose, functionality and identity. These institutions would be independent, yet organically interdependent.

Further reduction of poverty is a function of realizing the multi-faceted vision of the household/individual in meeting their multiple needs for decent living. These include savings, credit, insurance, collective action, solidarity, access to rights and entitlements, knowledge, skills, tools, resources, livelihoods and other social needs. This calls for multiple institutions. Universal generic institutions of the poor viz., women self-help groups and their federations take responsibility for meeting all these needs on their own and promoting/supporting need-based collectives around specific needs. With this understanding, NRLM is keen that all the NTH households become part of the generic institutions notwithstanding the presence of special-purpose collectives. At the same time, need-based collectives are promoted and supported additionally as required.

Working Group endorses these plans fully –

- Universal mobilization of all the NTG into the generic institutions of the poor (SHGs and SHG federations of women) around savings, credit, risks and vulnerability, solidarity etc.;

Also, Working Group sees these institutions as channels to receive and route entitlements to their members as per their felt needs.

- Promotion of specialized livelihoods institutions (collectives) for deriving economies of scale, backward and forward linkages, and access to information, credit, technology, markets etc.; and

These collectives would address the gaps in the production-distribution value-chain with backward-forward linkages and engage in co-production and delivery of livelihoods services to the last mile. These collectives can be in farm – agriculture, livestock, forestry, fisheries – sector, non-farm and service sectors.

- Promotion of social collectives, around health, gender, education, social security, risk management, etc.

Working Group feels that there is a need to make available a more correct legal frame for SHG Federations in many a state. Mutually-aided Cooperative Societies (MACSs in AP), Cooperatives under Souhardra Act (in Karnataka), Self-reliant Cooperatives in a few other states or Producers' Companies – are the nearest that meet this need of a legal frame, although they do not meet the complete needs of a typical SHG Federation. They do not legally include SHGs and other 'informal' groups as true members in the federations. In view of this, NRLM should advocate and pilot an Act that can register the SHG Federations at various levels, as soon as possible.

It is important that only the SHGs that meet the simple eligibility criteria could become a part of any SHG Federation. These criteria could include - non-partisan and non-communal; 80% members are from NTG households; willing to share data and performance in the public domain and Gram Sabha; apart from meetings, savings and internal lending.

NRLM, on its part, would provide for the institutional capacity building and staff costs of the institutions, their leaders, professional staff, community professionals and other service providers/resource persons, till all these institutions become self-reliant. These institutions would be nurtured to become self-reliant in due course of time, say in 5-10 years. These institutions would be developed in five phases of pre-formation, formation, functional, growth and sustainability, over 5-10 years.

Further, the institutions of the poor up to the village level, particularly the women SHGs and SHG Federations, need to be accountable and render accounts to the Gram Sabha. A self regulatory mechanism that focuses on annual audit, rating, annual planning and monitoring of Institutions of the poor (beyond village level) must be supported and established under NRLM.

There is a need for promoting a strong system of self-regulation among the institutions of the poor, particularly the SHGs and SHG federations which are engaged in financial intermediation. For facilitating bank loans to the institutions of the poor, an independent rating on a regular/periodic basis has to be

APMAS has piloted "Swayam Niyंत्रana Udhaymam (SNU)" as a system of self-regulation among the SHGs and SHG federations for them to become self-reliant and sustainable -

**Establishing self regulation system**

- Standardized bookkeeping, reporting, auditing, rating, annual planning and monitoring
- Systematic annual elections (secret ballot)
- Legal compliance as per MACS Act at all levels
- Delegation of responsibilities to all levels

**Capacity Building**

- Selecting all trainees (Bookkeepers, Resource Bookkeepers, auditors, supervisors) from within SHG system and building their capacities
- Capacity-building of office bearers at all levels
- Capacity building of facilitators and communities

mandated and funded. Working Group recommends that these institutions would also provide information sought to the members and public at large on demand at a fee.

NRLM should ensure that the ownership and decision-making in the program would rest with the women represented in federations and committees at various levels. The staff of support structures should not interfere in the affairs of the institutions of the poor.



As envisaged, institutions of the poor may take up the role of facilitating linkages with Government sponsored schemes such as routing social security pensions to the households of the members, scholarships and education support to the children, nutrition and healthcare to the mothers and infants, public distribution system, minimum support price operations, etc. But this should be limited largely to the needs of the members. At the same time, Working Group strongly feels that these institutions should not be made the platforms to channelize government schemes replacing mainstream/public machinery, without prior consultations with them and taking them into confidence.

Also, NRLM should invest on the MIS to capture various financial indicators of institutions of the poor at various levels and the MIS and the monitoring system should be ready before the NRLM is rolled out. Further, a mechanism to be put in place for the organizational and financial assessment of SHGs on an on-going basis.

Centre for Micro Finance in collaboration with Government of Rajasthan has prepared very elaborate web portal ([www.sakhdarpan.net](http://www.sakhdarpan.net)) for complete solution of SHG accounting, SHG Management, Project management, social security linkage tracking etc. The portal is online and SHGs can register themselves using web. It also gives a grading certificate on the basis of quality parameters. NRLM could build on such efforts to ensure that there is a database of all the institutions of the poor in India. Such a database being web-based will ensure all the stakeholders using such information.

#### **E. Inclusion of Pre-existing Institutions of the Poor**

Over the next 5-10 years, NRLM should evolve into an umbrella platform for the institutions of the poor promoted by diverse stakeholders to address rural poverty. Working Group endorses the NRLM's philosophy of building on what exists and reiterates that NRLM should build on the pre-existing institutions of the poor. It should support existing institutions of the poor, to achieve their full potential and to avoid duplication of resources and efforts. Furthermore, it should not create disturbances in already existing structures and rather, it should strive to strengthen the existing.

Working Group acknowledges that there exist a number of SHGs, SHG Federations, livelihood collectives and other social collectives promoted under various large scale programs (like watershed and Natural Resource management programs) or other development initiatives across the country both by government and NGOs. In this context, Working Group acknowledges the promotional role played by NABARD in building SHGs and SHG-Bank Linkages across the country directly, through Banks and through Self-help Promoting Institutions. Working Group is also conscious of the fact that there are cases of a member in multiple SHGs.

However, these institutions that meaningfully contribute to the livelihoods of poor in a given context need to be integrated into NRLM, within the context of non-negotiable principles of NRLM. They would contribute to NRLM promoting diverse models instead of a uniform model across India. While there would be core principles and best practices in promoting institutions of the poor, based on the local needs and aspirations, institutional models must evolve offering a wonderful opportunity for sharing and learning. NRLM should recognize such collectives and evolve suitable mechanisms to strengthen the existing work and scale up such successful

initiatives. While supporting the work of such collectives in livelihoods and/or social domain, it is important that the community involved in such collectives needs to be organized into SHGs and Federations simultaneously in order to meet their other social and financial needs. Similarly, the community involved in SHGs and SHG Federations should be organized into livelihoods and/or other social collectives, as per their need. Working Group appreciates the need to proactively look for possible collaboration with such initiatives and promote convergence.

Working Group strongly recommends NRLM to adopt a more inclusive approach to working with all forms of institutions of the poor, particularly with the existing institutions, without regard to whether they are SHGs/SHG Federations, livelihoods collectives or social collectives. All these institutions need to be supported by NRLM without appropriating those institutions or branding them as NRLM institutions. At the same time, NRLM should strive for universal mobilization of rural women into SHGs and SHG Federations as the generic institutions to meet their solidarity needs and platforms for collective action in a variety of composite needs apart from savings, credit, insurance, and vulnerability needs.

In this background, NRLM should evolve processes for grading the quality of these existing institutions and work with them accordingly. The grading would identify the institutions, for instance, into three categories – (i) meeting the basic norms; (ii) could be trained; and (iii) others (need not work with them).

Further, a methodology and instruments for assessing the promoting institutions, Non-Government Organizations (NGOs) and other Civil Society Organizations (CSOs) and other line departments needs to be developed. NRLM should partner with these institutions and CSOs to achieve saturation in coverage. Mutually agreeable strategies need to be evolved so that investment of their time and resources are not frittered away and NRLM processes get a head start.

Thus, Working Group is visualizing four streams for mobilizing the NTG into IOPs (both existing and those that need to be promoted under the mission):

- i. Mobilising the unorganized into generic institutions of the poor i.e. SHGs and their federations initially. Then, the poor are further mobilized into livelihoods and other collectives around the needs of the poor;
- ii. Strengthening the existing SHGs and Federations, mobilizing the left out into SHGs and Federations. Based on the specific needs, the poor would be mobilized into livelihoods and other collectives;
- iii. Strengthening the existing livelihoods collectives of the poor, and mobilizing all the poor into SHGs and Federations to strengthen the foundation. Further, based on the specific need, the poor would be mobilized into social collectives;
- iv. Strengthening the existing social collectives of the poor (around health, education, gender etc.), and mobilizing all the poor into SHGs and Federations. Further, based on the specific need, the poor would be mobilized into livelihoods collectives.

Working Group acknowledges that many of the existing IOPs have received RF/Bank linkage/ other financial support from Government/other donors. They need to be strengthened through additional capacity building and facilitation. Further, the aggregation of the repaid funds as corpus at higher tier needs to be put in place so that the entire institutional architecture becomes stronger. Also, existing institutions of the poor need to be encouraged and incentivized to extend their services and reach out to left-out ultra-poor and poor. In case, some non-poor groups are part of the pre-existing IOPs, the seed capital, livelihoods support and other financial benefits of NRLM need to be directed to the groups of poor only. Also there should not be any place for non-poor in the decision making bodies of IOPs.

At the same time, there should be no discrimination of SHGs/IOPs in joining higher order Federation/IOP and/or in provisions, irrespective of who promoted them and when they came into being. It should be ensured, however, that there would be no duplication of funding for the same purpose.

Working Group strongly supports the idea of involving well-functioning existing IOPs in the planning process, particularly in the identification of the poor and also in the implementation. They could also be considered for partnering to various tasks outside their area of operation, including field implementation in other blocks.

## **F. Social Capital**

Working Group is in full agreement with NRLM investing in creating a large pool of 'social capital' i.e. institutions of the poor, their members and office bearers, community resource persons, community professionals (book keepers, accountants, community animators/facilitators, customer relationship managers in banks etc), to support poor communities. This investment results in 'improved availability' of services and 'increased access' to services through aggregation. Working Group is able to visualize IOPs as strong resource organizations, apart from the community human resources being available as resource, for other areas.

NRLM has the unique opportunity of exploiting the social capital that has been developed by NGOs and Government Programs engaged in social mobilization and institution building. Many of the existing best practice blocks could become the resource blocks for NRLM. Working Group endorses that the social capital created through the NRLM processes is crucial for scaling up of NRLM and for sustaining NRLM. The poverty eradication strategy under NRLM would be successful only when it is completely driven by the poor themselves. The community resource persons are the "dynamic drivers" of NRLM as far as the horizontal scaling is concerned. The IOPs and community professionals are the "in situ drivers" as far as deepening of the processes and sustaining them in a given area is concerned.

Further, building a cadre of quality local community staff is critical for sustaining community organizations. Working Group envisages NRLM supporting large number of community organizations both existing and new and these organizations would engage exclusive community level and professional staff to support their activities. These staff need to be trained through a series of capacity building programs and events and the costs of such staff and the

associated training costs need to be met from NRLM till the community organizations become financially self sufficient. Community organizations would be involved in selection, fixing their remuneration, reviewing and monitoring of their performance.

**Capacity Building of Staff and Community:** Working Group emphasizes continuous capacity building of institutions of poor, their leaders, their community service providers, resource persons and staff. The staff in support structures needs very intensive training to internalize NRLM core values and principles, apart from training in social, financial and livelihoods inclusion. Sensitizing and orienting all other stakeholders, including Panchayati Raj Institutions, to be inclusive of the needs of the poor and to have a pro-poor perspective is a must.

Further, Working Group underlines providing soft skills and livelihoods skills to improve their existing and new livelihoods to members, apart from knowledge, skills and tools for managing institutions and participating in institutions; financial management (including savings and lending) skills; basic market skills; innovation and experimentation skills and sustainable production and NRM skills.

Importantly Working Group advocates the community to community learning method in NRLM. Through a mapping process identify the best practice models promoted by NGOs and Governments for using as resource models. NRLM should incubate/seed best practices in Institution Building, Capacity Building through intensive Social mobilization process in small number of blocks in a district/state for 2-3 years, then these blocks should be charged with responsibility/facilitation support to provide seeding and handholding of similar practices in other blocks of the district/state.

Working Group recommends identification and promotion of special resource organizations and capacity building agencies exclusively to cater to the training needs of staff and build their skills and competencies on an ongoing basis. Some of the empanelled resource organizations could support the State Missions through mentoring and handholding support for field implementation.

Further, NRLM has to proactively seek linkages for capacity building with reputed academic institutions in collaboration with other grassroots-oriented training institutions to come out with long term (3 months to 24 months) courses and other relevant training modules. Given the huge requirement of professionals, NRLM may sponsor conduct of these courses on scale in the country and absorb the suitable professionals in the support structures. Some of them may also be absorbed in the emerging IOPs. Also, short term training courses on market led new livelihood initiatives can be commissioned forging linkages with appropriate academic, training and technical support organizations and offered to the staff. At grassroots level, training of trainer's modules should be made available. Local level Government and Public Organizations, Civil Society Organizations, CBOs, other service providers, and the community resource persons could take up the responsibility of training.

## 2.2 Financial inclusion

Working Group realizes that Poverty in India is contributed to a significant extent by 'financial exclusion' of a large number of people. If people do not have access to financial services, it is difficult to have inclusive growth. Almost 45-50% people in India do not have access to formal financial institutions<sup>9</sup>. NSSO data also indicates that almost 80% farmers are not able to avail credit from banks. Other local studies like cash flow study of rural households in Rajasthan indicated that almost 76% of live loans in rural families are from moneylenders, friends and relatives.

Most of the 'financially excluded' people are mainly poor, small and marginal farmers, landless labour, people belonging to socially marginalized sections like primitive tribal groups, SCs, STs, and labour working in unorganized sectors. There are marginalized areas where banking infrastructure is almost non-existent and people are largely at the mercy of usurious moneylenders. Further, the poor even though may have a bank branch within physical reach but the lack of appropriate banking products, non cooperative attitude of bankers, his/her own lack of confidence etc. are the main obstacles in financial exclusion.

It is well known that the poor (who are mainly financially excluded) need services that can take care of their small but frequent transactions. The small size of transactions makes them economically unviable for banks. Remote areas, where many of the poor live, further render the 'transactions' unviable. As a consequence, nearly half of the population is still beyond the banking outreach.

Working Group feels that this situation needs to be reversed and universal financial inclusion<sup>10</sup> for all the NTG should be achieved. Financial inclusion has the dimensions of access and affordability. The timely credit at reasonable rate of interest can unleash huge potential of economic growth. It has been observed time and again that a poor person has to forego various opportunities of increasing his income because of unavailability of credit. The household can receive their entitlements, payments etc., with minimum leakages.

Banks can play very important and crucial role in financial inclusion if they can collaborate with institutions of the poor which can bridge the gap between poor and bank. SHGs and SHG Federations have great potential to act as partners of banks in financial inclusion. Out of the 600,000 habitations in the country, only about 30,000 have a commercial bank branch. This number going up dramatically is very bleak. It may be noted that rural credit in the total credit portfolio of banking industry is only a paltry 7% and is reducing.

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<sup>9</sup> Committee on financial inclusion under chairmanship of Dr. C Rangarajan, 2004

<sup>10</sup> Financial inclusion is the process of ensuring access to financial services [entire gamut - savings, loans, insurance, credit, payments etc.] and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. [Dr. C Rangarajan]

At the same time, Working Group is noticing **emerging major trends** in access to banking services. An environment of opportunity rather than obligation is slowly evolving. The elements in the big picture include and NRLM needs to be engaged with -

1. The ambitious Unique Identity (UID) Project would make opening accounts easy as UID number would be sufficient for meeting the Know Your Customer [KYC] requirements. Of course, there is a possibility that more individual bank accounts get opened easily in the process. SHGs/IOPs have a collective identity. In the bargain, as a consequence of the technology, the role of the SHG itself may get redefined.
2. Government Policy thrust mandating all payments such as wages under MGNREGA, pension payments and possible future cash transfers of subsidies to be routed through bank accounts, would ensure that most people open and operate individual bank accounts.
3. Policy thrust on Financial Inclusion by the Government of India and Reserve Bank of India is seeking that all the villages with more than a population of 2,000 will be covered by banking services<sup>11</sup>, through multiple channels including banking correspondents, mobile transfers, etc., and thus the services are getting individualized.
4. All the commercial banks, and now the regional rural banks, are/will be on a Core Banking Platform, providing seamless connectivity. The accounts of the individuals will become branchless and inter-operable through multiple channels and the pressure on the banking at the “counter” will significantly reduce. If there are innovative ways in which cash-in and cash-out transactions can be avoided, then the hierarchy of customers in banking might shrink as the technology will be capable of undertaking very small transactions as well. With mobile phones and signals being available in the remote parts, this would turn out to be a POS device, and increase the banking penetration at the individual level.
5. The agricultural cooperatives are being revived and revitalized through the implementation of the Vaidyanathan Task Force recommendations. Several states have passed a new, parallel and liberal co-operative legislation. In addition, the states have also amended the old legislation on cooperatives to bring it in line with the recommendations of the Task Force. This people-friendly legislation will foster more and more self-managed financial institutions in the days to come and hopefully will revive a vibrant primary cooperative movement.
6. The post offices have a significant presence in the last mile and they want to use it to provide financial services.

All this means that there is a hope that many transactions will happen by-passing the groups. This may take over a period of time. In that eventuality, the SHGs/IOPs have to be ready and redefine their roles from intermediation to monitoring and follow-up. More flexible products of savings, credit, insurance etc., with group assurance are needed. Also, the case for SHG Federations, rather than SHGs, linking with banks becomes more plausible.

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<sup>11</sup> These banking services include [a] offering a savings account [with overdraft], [b] a remittance service, [c] a accumulating savings service in the form of a recurring deposit, and [d] an enterprise loan.

Organizing the poor into SHGs and SHG Federations is a must. But, this would not guarantee financial inclusion and bank linkage. There are many problems in SHG-linkage with the banks. These include –

- Getting the first linkage itself is not easy. Once the linkage happens and the SHG gets a term loan, it is almost impossible to get a top up loan in case some members of the group have an emergency need – like a medical emergency or a social need. Then the women tend to move to other sources of finance.
- As SHG-bank linkage has become largely a target-oriented program, there was no incentive for the SHGs to perform well [performance of the SHG in terms of their regular savings, effective management of internal funds, leadership rotation and at least annual audit and rating of the SHGs].
- Equal distribution of bank loans is a widespread practice among SHGs, sometimes encouraged by bank managers. As a consequence of this practice, members do not get loans as per the need and size, to take up appropriate and relevant individual livelihoods activities.
- Further, the bank loans are also not timely, most of the bank lending to SHGs during January to March.
- The banks are unwilling to look beyond the traditional products available through their “schemes” and “notifications”. Usually SHG-linkage is seen as an obligation rather than as an opportunity. In general it is seen that the top management is willing and sympathetic to looking at this market segment, while at the branch level, the response is lukewarm because of transaction overload.
- Generally, the members empty the SHG kitty, including savings. If they do not do that, the banks may impound it as compulsory deposit with the bank. Thus, there is little liquidity at the SHG level. Even if they have some liquidity available, getting an emergency loan at short notice either from their SHG or SHG Federation, due to the loan processing system, is not easy and time consuming.
- SHGs or SHG Federations do not offer savings products that serve the life-cycle and livelihood needs of the members. While there is an interest among the SHG members for special savings for education, marriage, health or other social needs, the effort to promote them is minimal.
- SHGs/SHG Federations have not really exploited the bandwidth that they have with the banking system to obtain larger individual loans to members for education, microenterprise etc.

Further, the banking scenario in high poverty states is not very encouraging –

- Banking footprint is inadequate in poverty concentrated states
- Where banking network is present, bank branches are concentrated in the city or the main town, with the rural population in the districts being served poorly
- Situation has worsened due to stagnation in growth of rural branches
- Where rural branch is present, low number of personnel and poor services further aggravates the situation
- Poverty concentrated states have low rural credit to deposit ratio indicating that banks are not aggressive in lending in rural areas
- There is a huge potential in ramping up banking services in poverty concentrated states.
- A high leverage ratio of 1:13 is potentially feasible by building quality institutions of the rural poor women (as in Andhra Pradesh).

In this background and context, as part of financial inclusion, there is an urgent need to focus on financial literacy under NRLM. The women need to be trained on the “significance of savings” and on “responsible borrowing”. Without any such training and counseling, with women and their households would be falling into a debt trap as many of the commercially-oriented MFIs are targeting SHG women as easy target for multiple loans at high rates of interest. Many of the women borrowed such high amounts that they are just not able to service the debt from a number of MFIs.

Working Group appreciates that NRLM has to engage with Banks to fulfill the huge need of credit for poverty alleviation. The tentative estimate of the credit need is Rs. 1 lakh per household in 5-6 loan cycles. Banks will have a huge business with poor. Banks would be encouraged to provide credit to SHGs. There is much work needed in SHGs or SHG federations recommending their eligible members for individual loans from Banks. In matured SHG institutions, there is a scope for at least 10% of the members recommended for direct bank finance to the individuals for taking up microenterprises and for large educational loans required by SHG members.

As part of the engagement, NRLM should have special training programs for bankers to be operationalized in different training institutions of the bankers. The leadership should be taken by the RBI and NABARD and their training institutions.

A policy decision may be taken by Government of India and implemented through RBI functionaries to write off the dues of SC/ST loanees under antipoverty programs. In the case of others, the interest and penal interest could be written off and dues by way of principal included in the new loan as an additionality to the eligible amount.

The documentation of the loans especially the passbook in the hands of the beneficiary, should clearly indicate the principal amount and the loan amount and the repayment schedules. It would be better to treat all loans as fixed interest loans.

However, Bank branches are understaffed and are not fully capable to serve high number of IOPs (SHGs, SHG federations and livelihoods collectives). Working Group encourages providing additional human resource as Bank Mitra in IOPs (SHG Federations) to facilitate SHG-Bank credit linkage. Further, SHG Federations can act as Business Correspondents for banks to extend the banking services to poor (SHG members and others). Also, Working Group suggests to NRLM to proactively seek the use of latest technology in disbursement of credit.

Credit Linkages hinge upon track record. Internal lending of savings and seed capital is the first step in building track record. This gets built-up from the first doses of credit from Banks. This will not always be forthcoming easily. NRLM should work with the banking sector for developing need-based financial products for SHGs, SHG federations and livelihood collectives. These products could be a combination of cash credit facility and term loan. A given SHG could have a term-loan to meet their livelihood investment needs and simultaneously offer a cash credit loan (CCL) to meet their supplementary financial needs. In effect, each SHG would be given two loans at a time, one as term-loan and the other as a CCL.



To facilitate this, Working Group recommends strongly to NRLM to study the feasibility of setting up special Banks/Non-Banking Financial Companies/Community Financial Institutions at national, state, district and sub-district levels as special purpose vehicle(s) for delivery of credit to poor through SHGs, SHG Federations and other collectives. In line with this, Working Group endorses the need for having Aajeevika Development Finance Corporation (ADFC) in place within a year.

### **Setting up Aajeevika Development Finance Corporation (ADFC)**

The basic premise of NRLM is that there are two conditions for a poor family to come out of income poverty - (i) an intensive and continuous handholding support over 6 – 8 years; and (ii) an accumulated investment of about Rs.1 lakh from formal financial institutions, through repeat loans, at affordable cost. NRLM would cover 7+ crore poor households and therefore, this would translate into a market opportunity of over Rs.7 lakh crore from formal financial institutions over the next 10 - 15 years.

The present trends in banking sector development in high poverty regions show low rural branch footprint, very low credit deposit ratios and huge disparities in performance under SHG-Bank Linkages. The rural branch organization of banks in the current form is not geared to deal with the special needs of the rural poor households, especially in the high poverty regions. The situation for the poor is further exacerbated by the lack of appropriate products meeting their specific lifecycle and livelihoods needs. This level of deficit in financial inclusion significantly lowers potential impacts of anti-poverty efforts.

It is clear that in high poverty regions, demand side initiatives (creating good quality IOPs, aggregating credit demand and mitigating risks through community based monitoring systems, etc.), alone will not suffice to achieve poverty reduction goals. The huge gap between demand and supply of credit for the poor that exists now would increase further as NRLM intensifies demand for credit. They have to be matched by coordinated response from the supply side of credit availability.

**Towards this, a dedicated mechanism/entity that addresses the two major concerns of the banks in lending to the poor [risks associated with lending to the poor; and low profitability of small loans but in large physical numbers] is needed. It would catalyze the supply side (financial services to poor women particularly through their IOPs) in the form of product innovations, technology led channel innovations, and alternate business solutions (including risk sharing arrangements) and its efforts would bridge the huge gap between a bank branch and its poor clients and enhance access to finance at affordable cost for rural poor women SHGs, leading to improvement in their livelihoods.**

This dedicated mechanism would be in place in the form of **Aajeevika Development and Finance Corporation (ADFC)** as a Section 25 Company (not-for-profit company with limited liability), with an initial equity of Rs.500 crore to be contributed wholly by Government of India. It will further raise further resources to the tune of Rs. 2,500 Crore, eventually, the corpus would be increased up to Rs.10,000 Crore to cover all women SHGs throughout the country under NRLM. Its focused objective is to catalyze access to finance and providing innovative financial instruments for rural poor households and women SHGs nurtured through intensive approaches of NRLM.

**ADFC would be positioned as an institution for catalytic initiatives that have a multiplier effect as opposed to being an actual player in the lending space. It would have strategic collaboration with partner financial institutions (PFIs)<sup>12</sup> to leverage their current financial, technical and infrastructure strengths for meeting the goals of financial inclusion.**

The key functions of ADFC are:

- a. Provide technical and financial support to PFIs for developing new products, new channels, and implementing large scale pilots as 'proof of concept';

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<sup>12</sup> Partner Financial Institutions (PFIs) include commercial banks, Regional Rural Banks, alternative financial institutions, special purpose vehicles focused on BPL households partnering with ADFC.

- b. Encourage PFIs to enhance exposure to IOPs, etc. by instituting risk sharing mechanisms like co-financing, partial risk guarantees, first loan default guarantees, etc.;
- c. Partner with PFIs to expand their coverage by establishing dedicated branches, network of business correspondents, etc. in NRLM intensive areas through suitable financing mechanisms including cost sharing, viability gap funding, etc.;
- d. Promote, support and extend financial assistance to PFIs, particularly community focused alternative financial institutions, for expanding financial access to the rural poor households or their institutions; and
- e. Provide inputs to policy formulation in conjunction with NRLM on financial inclusion.

**ADFC's initiatives would be over and above the coordinated efforts of the DFS for Financial inclusion. It would complement and build effective linkages with all the initiatives of the DFS for financial inclusion like 'Swabhimaan', mobile banking, UID enabled banking, etc. It would closely coordinate its activities with DFS, RBI, NABARD, SIDBI, etc., for economic activities of all rural poor and marginalized women. Additionally, its linkage with banks enabling the last mile connectivity of the poor would greatly benefit in disbursing social security pensions, NREGS payments, cash transfers/benefits etc.**

In addition, Working Group is fully in sync with the idea of bulk financing role of SHG Federations at village, cluster and block levels. These institutions need to become professional community finance institutions so that they meet the various financial inclusion needs of the members of SHGs on a sustainable basis. As argued elsewhere in the report, these SHGs and federations need to constantly engage in developing more appropriate savings, credit, insurance and other financial products to the members and SHGs. Then only, the multiple needs of the members could not be met.

At the block level and beyond, there is a need to develop collective risk management mechanisms and mutuals directly or through appropriate insurance agencies for meeting life, accident, health, cattle, asset, crop, enterprise and livelihoods risk needs. There are large scale examples in the country to see and try out. This becomes important when we work with the vulnerable. There is a dearth of suitable insurance products for these people. NRLM will facilitate designing of appropriate products. NRLM will sponsor participatory market research studies for designing of appropriate insurance products for poor. Further, Vulnerability Reduction Fund at the village level could meet the emergencies. A livelihoods risk fund in the SHG Federation could be built with member contributions matched by NRLM. Further, there is also a need to develop models for remittances while away on work. It is possible to build and nurture remittance service organizations or providers. These are ideas that need to be piloted on scale before universalization.

Working Group realizes that growth of the capital of poor is an important mechanism of reducing poverty. Therefore, it underlines focus on savings. It advocates NRLM to promote 'saving led models', rather than 'credit led models'. There is great potential among the institutions of the poor to save and use that as their equity to leverage loans from the banking system. At the level of the SHG federations, particularly those which are registered, the possibility of voluntary savings, purpose-based savings like health-savings, education-savings, marriage-savings and gold-savings, etc. could be promoted. Undue dependence on loans make the women lose interest in their own institutions making them less sustainable. Savings builds their stake which builds their ownership resulting in much greater self management.

Working Group advocates with NRLM, as it targets vulnerable people, to facilitate research and designing appropriate insurance and risk mitigation products.

**Seed Capital:** Working Group categorically advocates for change of the names of funds to be made available to the IOPs. The funds that go to the SHGs and SHG Federations may be termed as “Seed Capital”. All IOPs with more than 70% NTG members should be eligible for this seed capital. Working Group is of the opinion that such seed capital should be with the second/third tier SHG Federation as far as possible and the lower tier IOPs may take loans and repay. This ensures better financial inclusion. Also, Working Group recommends further that the seed capital be directly given by the State Society (SRLM), on satisfactory grading of IOPs (SHGs and SHG Federations) by a third party and independent agency/panel that includes community auditors/graders/resource persons. Thus, Working Group recommends delinking DRDA/DRLM/DMMU from seed capital administration. DRDA/DMMU can instead concentrate on improving the quality of the IOPs/groups, training and capacity building etc. The entire fund management can be outsourced, may be to an independent fund manager/bank/technical institution. The entire database of the IOPs and the transactions with them can be on the ICT-based/web-based architecture, accessible to all stakeholders. NRLM should search for a suitable organization for taking up this responsibility. It is possible that NABARD or its subsidiary organizations can take up the entire management of the SHG/SHG Federation database and regulate the fund management on behalf of NRLM.

Working Group reiterates NRLM’s resolve not to provide subsidy to individuals except in extraordinary circumstances and vulnerability. Individuals can access loans from IOPs based on the membership in the institution. It is possible that the IOP may take a decision to provide grant to an individual on its own volition. Thus, Working Group favors ‘institutional subsidy’ to facilitate institutions of the poor in servicing the poor sustainably and reduce/manage the portfolio at risk. Further, the release of the fund, directly into the bank account of the institution, should be linked to performance and achievement of milestones/triggers.

Working Group further advocates retaining up to 50% of the seed capital at the village level SHG Federation/IOP as the “vulnerability reduction fund” (VRF) for taking up vulnerability reduction

The Jeevika Project, Bihar has set up a social service fund at the Village Organization level to meet health, education, and risk management needs and employ gender, health and education activists. The VOs, with the support of the project, have ensured ration cards, job cards and other entitlements to the poor so that the poor could access their entitlements easily and in a transparent manner.

efforts towards accessing services, safety nets and entitlements, potable water, food, health and nutrition security, debt restructuring, price stabilization, supporting in times of accidents, death of bread winner, and minor calamities/disasters, providing small grants/soft loans to the poorest and the

most vulnerable and for bringing in 100% social inclusion of the ultra poor and vulnerable families within the village etc. These efforts are to address the differences among vulnerable communities, vulnerabilities of the poor and emergency needs. Whenever there is a need for grant or low/no interest loan to a vulnerable family or to cope with an emergency/risk, VRF may be used. VRF would develop need-based products for this purpose.

Working Group visualizes that VRF as the first seed capital reaching the SHG federation at the village level. Working Group is keen that VRF release is contingent upon the community coming forward with their contributions in cash/kind and savings specifically linked to some aspect of the vulnerability like health savings, food security savings, emergency fund or even risks.

Working Group advocates considering the credit to the Institutions of the Poor (SHG et al) as priority lending and treated as such. Currently, the Banks are charging different rates of interest from them and it ranges from 10%-13%. Government of India has been providing short term agriculture loans to farmers at 7% interest, for loans up to Rs. 3 lakhs. In addition, there is another 3% subvention for prompt repayment. The women SHG members are mostly poor and from the most vulnerable sections of society. Their economic status is very poor. Therefore, Working Group strongly advocates for Government extending an interest subvention for loans extended to SHGs/IOPs, up to Rs.1.0 lakh per member on an average, on the lines of interest subvention for crop loans, from the budget of Ministry of Finance directly. This incentive (interest subvention) should be provided to the institution and not to the individual. Further, Working Group insists on RBI to make a mandatory provision for banks to lend a minimum percentage of credit within priority sector but outside the mandatory agriculture lending through SHGs.

Banks should be encouraged to do the linkage on the basis of institutional appraisal and SHGs and SHG federations will then be extending the credit to SHG members who will be using the credit for various needs including livelihoods.

Working Group would like Infrastructure and Marketing Fund to be renamed as Livelihoods Support Fund (LSF). LSF has to be substantial, not less than Seed Capital, to support the entire gamut of activities in the livelihoods domain, including acquiring individual resources and working capital.

LSF would be available to support/supplement the funds for viable business plans of the IOPs. Other funds include community contributions, loans from banks and other financial institutions, venture equities and grants from other sources, including individual loans from SHG Federations/other IOPs.

Further, Working Group is conscious that capacity building of the individual members of the community, their organizations, their leadership and other human resources in these organizations is like an indirect subsidy reaching the community. Sensitive support, technical assistance, support in achieving linkages, skill development, provision of tools etc., are also part of this and should be made available generously. In the wisdom of Working Group, this creates the most lasting impact towards reducing poverty.

## **2.3 Livelihoods**

Working Group appreciated the broad contours of work in livelihoods – vulnerability reduction, expenditure reduction, enhancing existing livelihoods and diversifying into new livelihoods, skills for jobs and self-employment and micro-enterprises.

Working Group advocates an articulation of clear livelihoods strategies for the poor, the poorest and the vulnerable, building on the universal generic institutions of the poor (SHGs and SHG Federations). What would be done, through the generic institutions and what would become part of the livelihoods collectives including producers' groups, cooperatives and producer companies, needs articulation. This becomes more important when we appreciate the fragility in the livelihoods of the poor. What works here and now may not work somewhere else and later. Further, the process is iterative. Thus, there is a need for building the meta-skills of the community in figuring out the gaps and opportunities on their own in a dynamic way, responding to acquire skills, capacities and resources to tap/access them and being ready to move on given their fragility at a 'short' notice. This calls for having generic institutions that meet some needs that are irrespective of livelihoods activities on one hand and some needs specific to livelihoods activities which may be better carried on through specific livelihoods collectives at some scale, on the other.

Working Group acknowledges that livelihoods planning is a continuous and iterative process and has to match the pace of the community. To aid this, Working Group insists that NRLM should initiate early and work on livelihoods mapping - area specific livelihood mapping of Resources, Skills, markets, technologies, enterprises etc., - gap analysis, and identifying existing and potential livelihoods. Further, value-chain analyses and subsector studies in a variety of local contexts need to be carried out very early in the area.

These participatory assessments, carried out together with IOPs, throw up Gaps and Opportunities that need to be tapped/addressed through products and service-based enterprises - Individual Enterprises; Group Enterprises at SHG level; Village Enterprises at SHG Federation Level; and beyond. Thus, this should result in promoting existing livelihoods at individual level, group level, village level, inter-group level and/or beyond. Collectivization can be promoted for purchases, sales, processing, and integrated. Management Development and Entrepreneurship Development Programs need to be offered to the individuals/institutions. Sustainable agriculture, tank-based and dairy based livelihoods, for example, are amenable to take to the scale through collective route. It is possible that some of the enterprises/interventions are beyond Cluster level – MACS/Producers' Company; and beyond - Company of Producers' Companies. These enterprises need support in terms of Market Development and Technology Assistance.

Working Group realizes that the collectivization action effort in the SHGs and SHG Federations in the beginning may transform into a collective institution with scale and experience, rather than the emergence of the livelihoods collective directly many a time. Thus, the collective action needs to be piloted in the SHGs/SHG Federation first on a very small scale and gradually build a collective around the collective action, deepen the collective action and scale it up.

Each of these institutions then can evolve their viable business plans around the value-chain(s) of the sub-sector or activity and seek support under the '**Livelihoods Support Fund**' [A part of the '*Livelihoods Support Fund*' is also meant for institution and capacity building, common infrastructure, revolving fund at the institutional level and risk management fund managed by higher order institutions and/or SRLM]. Of course, the business plans themselves come from the

participatory appreciation of current reality of the local economy, resources and farming/livelihoods system at the village level and cluster level and beyond. The plans would also include infrastructure that enables the poor to optimize the resource utilization for their betterment.

Further, Working Group notes that the livelihoods for the three layers of the poor (less poor, middle poor and poorest/vulnerable poor) are not identical. Further, Livelihoods are context specific (such as sector, area, social, caste, ethnic, gender, occupation etc.). In order to target them correctly, there is a need to map their livelihoods, vulnerabilities and social reality. These include food, water, health, entitlements, credit, resources, assets, skills, market, risks, etc. Then the strategies to counter these vulnerabilities need to be evolved. There is also the aspect of mainstreaming gender at all levels in the target communities as well as in delivery channels. These strategies should necessarily include collectivization. The institutions need to be legal entities. These strategies should have measurable indicators at household and area level.

Broadly, for vulnerable communities, the investment strategy may include grants, interest moratoriums, interest free loans, loans with flexible repayment schedules, equity, multiple loans, risk coverage/fund, community care (like CSR), access to entitlements etc., thus combining care/security and productivity approaches. As their confidence and productivity increases, next strategies would be akin to the strategies for middle poor. For middle poor, the bouquet of strategies include food security, health security, skills improvements, provision of tools and productivity enhancement, NRM improvements through watershed development, rain-fed farming interventions and backward linkages for input supply, user groups for water management, water harvesting structures, village commons etc., collective consumption smoothing, subsistence purchases and marketing, diversification of local economy, value-chain development etc. [specifically that pertain to the NTG households]. Then, they need to get latched on to the less poor strategies. For less poor, the strategies include preventing them from slipping back into poverty and diversifying the local economy planned on scale and on a longer time frame. These include improving local infrastructure, developing collective enterprises and pro-poor value chains on a sustainable basis, improving access to finance and venture capital, promoting local innovators and micro-enterprise etc.

Working Group is conscious that for economies of scale and derive benefit from the market, the livelihoods collectives may include non-poor. However, the funds of IOPs would be restricted and available only to NTG households. The larger loan support, linkage and capacity building support nevertheless would be available to all. Further, livelihoods promotion, apart from the economic activity, includes collective action, institution, rules, capacity building, and empowerment. With each step, capacity and confidence to take higher risks increases.

Further, Working Group urges NRLM to take up advocacy for regulation of local markets to reduce and eliminate social and other discriminations in the market. There is a need for facilitating the non-timber forest produce collectors to exercise their collection rights (with the forest departments, Forest Development Corporations and Tribal Development Cooperative Corporations) and realize the remunerative/competitive price for their produce (market).

Working Group is aware of the challenge of improving the lives of the bottom 10%. The way out is a combination of more responsive and caring community in general and the village SHG Federation in particular and ensuring their rights and entitlements reaching them fully.

Working Group would like the poor households to receive legal support in order to access their entitlements and resolve the land disputes that include land alienation, boundary disputes, non-demarcation of assigned lands etc. Para-legal professionals Para-surveyors could be of use here.

Many a landless household is desirous of having land. They can be assisted through purchase of land (0.5 to 1.0 acre) with irrigation facility. IOPs may own the land and transfer the ownership to the household on full repayment of the loan. IOPs may consider part of the amount as grant under Vulnerability Reduction Fund. Further, there are uncultivated abandoned lands due to the migration of land owners and purchase of such lands could also be facilitated. PRIs and Government may consider making the common lands, village lands and other revenue wastelands available to the IOPs for protection and enjoying the usufruct rights.

Working Group appreciates the fact that there is hardly any evidence for livelihoods collectives around pro-poor value chains on scale barring Anand Pattern Cooperatives. It also appreciates that the generic institutions could meet the credit needs to an extent for the individual livelihoods (and self-employment or enterprise needs), small group enterprises, collective purchases, collective sales and local value-addition. Further, it notes the scaling-up plans for Skills for Jobs (2.5 Crore Jobs in 10 years) and Self-employment through Rural Self-employment Training Institutes (90 lakh self-employed entrepreneurs in 10 years).

Working Group is keen on learning from and building on the best practices. However, Working Group is convinced that Livelihoods Work (vis-à-vis Social Inclusion and Financial Inclusion) is still less clear and needs to be unraveled more. This would mean that there is a need for allocating greater funds for innovation and pilot projects, so that suitable livelihood promotion models/prototypes for different contexts and communities could be developed, before scaling them up across.

Working Group hopes that a portfolio of well-structured livelihood promotion plans would emerge based on these pilots in the coming 3-5 years. These plans invariably would include a clear vision on how different value chains – Primary, Secondary and tertiary value chains would be linked in terms of promoting self employment and wage/job employment as well as developing microenterprises and linking with Micro, Small and Medium enterprises (MSME).

### **MKSP and other Mahila Sashaktikaran Projects**

Working Group advocates mapping and assessment of various interventions across the country (government and non-government interventions) on some scale quickly. What worked under what circumstances and what did not work and why need to be analyzed. Whichever intervention that is successfully piloted and scalable/replicable can be funded through the special window of Mahila Kisan Sashaktikaran Pariyojana (MKSP - agriculture, livestock, dairy, fisheries, Non-timber forest produce etc.) that service at least 20-30 thousand households; and other similar livelihoods verticals (Mahila Sashaktikaran Pariyojanas – MSPs) in non-farm

products including khadi, handlooms and handicrafts and services in geographic clusters that service at least 5-10 thousand households. The projects can be for 3-5 years with outlay up to Rs.20 Crore for a project. Similar verticals in social domain like health, gender, elderly, social security, education etc., are also to be pursued. These interventions are taken up across the country and the locations of the interventions should be treated as intensive areas/blocks. The interventions should integrate building up and mobilization of the poor into generic institutions simultaneously. MKSP Guidelines are discussed at length in Chapter 3.

However, NRLM must support decentralized/local value-chain elements that seek to plug the leakages, reduce the cost of productions, increase productivity and returns with skills, tools, appropriate technology, barefoot paraprofessionals, local storage, transport etc., and add value locally and reduce the chain of middlemen/intermediaries etc., that take a year or two through 'Livelihoods Support Fund', rather than through MKSP/MSP special windows. Supporting local product innovators/ champions, commissioning demonstration units, increasing the livelihoods portfolio of the poor through secondary livelihoods like small ruminant, backyard poultry, spare time crafts etc., could also be take up through the LSF window.

Working Group, therefore, suggests a substantial outlay of Rs.2500 Crore over the coming five years for MKSP (Rs.1500 Crore) and other similar verticals in livelihoods, education, health, disability, age care and other social issues (Rs.1000 Crore). Working Group envisages that within five years, this effort would be mainstreamed through State Perspective and Implementation Plans. In this context, Working Group finds the need for mapping of relevant and credible livelihoods organizations in the country at the earliest, through an independent empanelling mechanism(s).

### **Innovation Fund**

The challenges to the Livelihoods of the Poor are varied and are subject to **market dynamics and climate changes**. We do not have blue prints to roll-out. There are gaps that could be plugged and there are opportunities that could be tapped. The portfolios of livelihoods need to be climate change resilient, at least to some degree. The market linkages need to be established at the local level, with other poor and in the distant markets. The dependence on non-renewable energies has to come down and shift to **renewable energies** need to be accelerated. The **science and technology** is improving productivity and offering new opportunities. ICT technology is giving new livelihoods opportunities for many. Yet, we are not sure how to take it forward. We are not sure which models would work. We are not sure which institutional architecture meets takes us forward. This calls for experimentation, trials, and pilots on some scale across various dimensions in various local contexts.

In this context, further to build prototypes and pilot various items and facets within the value-chain gaps and opportunities anywhere, Working Group advocates at least Rs.10,000 Crore for the coming 10 years towards **innovations in a variety of dimensions** including developing value-chains for myriad small livelihoods, products and services for the poor, public-community-private partnerships, social enterprises, special purpose vehicles so on and so forth. Further, Working Group recommends thematic/sectoral/issue-based/area-specific allocations within the innovation fund to ensure that all the 'items' across the spectrum – social inclusion, institutions,



capacity building, learning, extension, financial inclusion, livelihoods planning, livelihoods individual and group enterprises, products and services, value-chains, storage, transport, packing, technology, processes, skilling, farming/livelihoods systems, commons and common infrastructure, livelihoods and other issues of the vulnerable, expenditure aspects, risk management, community resource persons, barefoot workers, etc., - that require attention are catered to. Working Group specifically seeks allocation of 25-30% of the innovations fund for the themes of institutions of the poor around livelihoods and interventions to build value chains (prior to production and beyond production) of 5-6 key livelihoods of the poor in each state.

Working Group also seeks NRLM to invest in value-chains for larger/distant markets that take a decade or two to consolidate (as in Milk across the country) right away. This investment has to be climate change resilient and builds on the natural competitive advantage of the locale, region and the country. Green livelihoods need to be integrated into this. Of course, these have to build on local resources significantly and have to be feasible, viable and sustainable lasting a while. At the same time, they should not threaten the water, food and social security of the people. They should offer maximum proportion of consumer rupee in the hands of the producers and end service providers. Thus, Working Group is seeking holistic livelihoods approach.

Working Group underscores the need for efforts in convergence directly by the IOPs at various levels, as much as possible. NRLM needs to facilitate these. It can be with PRIs. It can be with MGNREGS. It can be with RKVY. If there is a sub-component on farming systems for poor (as an NRLM Sub-Component) under district plan based RKVY, the federations can easily access budgets from mainstream agriculture - and this would pave way for natural integration of Agriculture and NRLM. Similar windows needs to be opened and spaces to be created so that convergence and integration would be sought after by the IOPs, line departments and the Ministries. Thus, there is a need to invest on the demand side (IOPs) to negotiate with line departments on one hand; and train and sensitize the line departments to work with IOPs on the other. It may be worthwhile to consider placing a person from IOPs (like Bank Mitra) in the line departments to facilitate the work of IOPs with the line departments.

Working Group recognizes the need to invest in developing the competence of community, project staff and other stakeholders to take up livelihoods promotion in a structured manner. Further, developing the spear head teams with vertical specialists in every district/state charged with responsibility to build producers organizations, based on the strategy worked out in consultation with multiple stakeholders, is critical.

Significant part of NRLM's efforts has to be towards integrating these various but simultaneous strands of work in the broad livelihoods domain. In view of the multiple dimensions, local variations and scale of the task that call for macro-perspectives and micro-insights at the same time with dynamically changing livelihoods situation all around, a **special purpose vehicle(s) specifically to pursue, support and nurture this broad-spectrum livelihoods agenda of the poor needs to be set up in the coming 1-2 years.**

## 2.3.1 Employment Continuum

### Placement linked Skills

Working Group advocates special fund/outlay for Skills for Jobs from the generic NRLM work. However, it finds the target of 2.5 Crore Jobs for 10 years [1.0 Crore youth in 12<sup>th</sup> plan and 1.5 Crore in 13<sup>th</sup> plan, with an estimated budget of Rs.15000 per youth] ambitious but must be pursued. It endorses these scaling up plans, seeing a need for placing large numbers of unemployed youth and emerging widespread employment opportunities at the entry level in high growth sectors like textiles, construction, hospitality, retail, security, automobile, health, services etc.

Skills for Jobs sub-component includes mapping of the demand for jobs, counselling youth (identifying, assessing their aspirations and existing skill set and reality, and matching), skill development/training, placement and post-placement support. Training covers sector specific skills and 'soft' skills. This intervention provides rural poor youth to have better skills, higher wages, better terms of employment, and a sensitive support network.

Under this component, Working Group notes that 50% of the funds would be provided to States and the balance would be with Centre to implement Special Projects. It further notes that the states are in a position to manage these projects within the states. They are coming forward to design and implement their projects directly or through local Project Implementation Agencies. It is envisaged that States would form an autonomous and professionally managed Missions/Organizations/Societies for implementing Skills for Jobs projects and staff them with multi-disciplinary teams at State and district levels. Once they are set up, these 50% of funds for Skills for Jobs would be devolved to States for funding placement linked skill development projects. They would plan and develop strategies for rolling out of skill development and jobs program in the states and also establish implementation structures at the district level to facilitate field implementation of the state mission. The role of the Centre in this regard would be to build capacities of the states, provide technical assistance for creating systems and standards, and work closely with the teams at state and district level so that end-to-end solution for the placement of rural poor youth is in place and operational.

Eventually, over the coming five years, the states would take most of the funds under this component, leaving a modest 10-15% with Centre for multi-state and special projects. Accordingly, SRLMs support Skills for Jobs Projects within the state. NRLM would, like in SGSY, continue to support and fund multi-state Skills for Jobs Projects, for a while.

*The proposals of the Project Implementing Agencies (Training Institutions) vetted by coordinating agencies (appointed for the purpose like NIRD, NABARD or IGNOU) or the consolidated proposals from the states will be screened by Project Screening Committee and approved by Project Approval Committee (as detailed in the NRLM Framework).*

It is envisaged that the unit of implementation is the Block where Project Implementing Agencies (Training Institutions) set up their training centers. These training centers would also function as Block Resource Centers to support youth in terms of career counseling, referral, youth database, etc. Further, it is envisaged that these centers will have a 3-5 year perspective

to cover all eligible and interested youth. Therefore, these Blocks may overlay with intensive Blocks with these Block Resource Centres partnering with appropriate organizations for Social Mobilization. These Agencies coordinate with IOPs in sourcing and recruiting youth.

Further, as IOPs mature, they themselves would become Project Implementing Agencies, run the Block Resource Centres, train the youth in their own/hired training centres and place them.

Further, NRLM directly undertakes to -

- **Set up and anchor Special Skills and Placement Missions in Jammu and Kashmir, Integrated Action Plan Districts, Minority Concentrated Districts and North-east.**

- Jammu & Kashmir [Union Cabinet cleared it in May 2011 itself as a 100% Central Assisted Scheme and it is getting ready for roll-out]

This scheme (Himayat Project) would cover all youth from rural and urban areas, both BPL and non-BPL categories in J&K. The target is to train 1 lakh J&K youth for Jobs and self-employment in the next 5 years. July 2011 - June 2012 is considered as a year of piloting.

It is also recommended that accreditation, certification, apprenticeship and quality management be integral component of the trainings.

Listing potential industrial hubs (district and state wise) and initiating collaboration with industries from the beginning and also customize skills development courses based on the demand of human resource in these hubs.

- Similar Special Skills Projects would be taken up in LWE districts, North-East and Minority Concentrated districts.
- NRLM would place professional teams in the field directly and exclusively to anchor the projects in these areas, given the challenging circumstances therein.

*Working Group is pleased to note that Professionals to anchor these projects at the Central level have already been recruited.*

- **Set up Support Services for Rural Youth:** In order to ensure 'end-to-end job solutions' to youth, the Support Services being set up include - facilitation centres for counselling, mentoring, placement and post placement guidance including placement opportunities, accommodation, boarding etc., managing the database of the skilled youth, quality cells to independently monitor the training centres and standards, call centres for social-emotional support to youth and youth grievance redressal, finishing schools to provide soft skills and personality development, alumni networks etc., in states/districts. These are in addition to training, skill development and apprenticeship; and bio-metric MIS.

These support services would work along with the private training providers to support their work and also help better monitor the services provided by them.

- **Set up MIS:** This would be developed in two phases - in phase 1, data is being collected from agencies till 31 March 2011 to develop an online static MIS to generate static reports on trainee, batch, placement, tracking and fund utilization, and make this data public; and in phase 2, a biometric based, real time and online MIS would be developed.

For this direct action portfolio at the Central level, Working Group endorses setting up dedicated professional Skills for Jobs Cell (within the NMMU) for effective design/fine-tuning, implementation/scaling up and monitoring Skills for Jobs and Self-employment in various states and its direct special missions/projects.

Working Group, in this context, underlines the need to map the skills required in rural, semi-urban and urban areas and provide the skills to the youth and other members of the households so that they can 'sell' their skills and get jobs, become service providers and/or self-employed. There are new jobs emerging in the primary occupation value-chains and new generation jobs based on ICT and local value-addition in the rural areas that need to be tapped by the youth. Working Group calls for a complete skills and placement model, based on this mapping, to be in place as part of Skills for Jobs effort of NRLM.

Working Group underscores the need to build strong partnerships and learning platforms to work in collaboration with –

- i) Ministries/agencies focusing on skill development;

These include NSDC, Ministry of Tourism, Ministry of Labour and Employment etc., to leverage our strengths and reduce redundancies.

- ii) Project Implementation Agencies; and

Learning Platforms could be developed to share their best practices, challenges and solutions so as to improve modules, curriculum and models. Thematic Learning seminars with PIAs and States/Districts to understand key issues and develop policy solutions to address them on a regular basis would help.

- iii) Industry players

It is important to partner with industries in each sector to understand their needs/ human power requirements and influence them to provide decent work environment and commensurate wages to the placed youth. Further, they may be involved in providing 'finishing' training so that they could be absorbed automatically. Potential industrial hubs need to be identified and industries in the area should be partnered with so as to initiate collaboration with industries from the beginning and also customize the training programs. Also, Working Group sees a potential in partnering with various Industry Associations to know their need for skilled youth on the whole and ensure their involvement in counselling, training, apprenticeship and placement, apart from cost sharing.

Working Group emphasizes on the need for evolving a set of common M&E indicators at component/sub-component levels, and standardized processes for collecting data and tracking progress on these indicators, using ICT. Further, quality standards of various elements of the entire training/skill development and placement cycle need to be clearly defined and monitored.

## **Self-employment and Microenterprise development**

Working Group appreciates the self-employment and micro-enterprise models pursued in NRLM.

These models envisage transforming unemployed youth into confident self-employed entrepreneurs through a short duration experiential learning program followed by systematic long duration hand holding support/apprenticeship. The need-based training builds entrepreneurship qualities, improves self-confidence, reduces risk of failure and develops the trainees into change agents. Banks are fully involved in selection, training and post-training follow-up stages. The needs of the poor articulated through the institutions of the poor would guide in preparing the participants/trainees in their pursuits of self-employment and enterprises. The entrepreneurs would receive support in identifying enterprises that they can pursue in a scientific manner. The training would be customized towards building this enterprise.

Working Group observes that as on date, NRLM is pursuing four streams (successful and proven) to place 90 lakh youth in self-employment/microenterprises over two Plans (30 lakh in 12<sup>th</sup> Plan and 60 lakh in 13<sup>th</sup> Plan) –

- Micro-entrepreneurs through RUDSETI trained entrepreneurs as a pilot [15 lakh]

15 RUDSETIs would take up TOTs for about 750 entrepreneur-trainers @50/RUDSETI/year. Of these 750, 300 entrepreneurs would be placed within the community, each providing training and handholding support to 100 micro-entrepreneurs each.

- Rural Self Employment Training Institutes (RSETIs) as the mainstream of establishing microenterprises [15 lakh]

Working Group is convinced that India needs more RSETIs/RUDSETs with higher and larger roles; and therefore, recommends NRLM to go beyond one RSETI, one district. 2-3 RSETIs per district [1500] is the minimum required to cater to the huge need at hand. These 1500 RSETIs could be established over 12<sup>th</sup> and 13<sup>th</sup> Plans. They train and support 750 candidates per year with at least 70% placement i.e. going for self-employed enterprise development successfully.

- Adopting the Microenterprise Consultant (MEC) model of Kudumbashree on scale [50 lakh]

As per the model, 300 - 350 barefoot entrepreneurs identified in each state, provided with rigorous and high quality training and they would handhold and support around 100 microenterprises each.

- Working with other training partners, including CBOs, CSOs etc.[10 lakh]

They would need to be chosen on agreed criteria, accredited and closely monitored.

Working Group advises NRLM to interweave the role of CBOs in the whole process from selection of the trainer-entrepreneurs, potential entrepreneurs, monitoring the training and apprenticeship, supporting the entrepreneurs in enterprise development, enterprise maintenance support/guidance etc., to ensure sustainability.

Working Group reminds NRLM that enterprise development is a long-winding process and cannot be circumscribed by unit costs and limits.

Experience shows that the poor require several doses of training to set up self-employment ventures for –

- Identifying an enterprise and starting the enterprise – skill, technology etc.
- Managing the enterprise – financial management, personal management, organizational management, marketing etc.

- Diversification and expansion, and remediation (as and when required).

Therefore, there is a need to plan for several doses over a period of time and the same trainer or training institute may not be able to offer all the doses.

## 2.4 Convergence and Partnerships

Working Group underlines NRLM's thinking on Convergence and Partnerships - effectiveness of various programs can be vastly enhanced with linkages between the IOPs, PRIs and the respective line ministries. These partnerships would enable them to develop different models for service delivery and the poor to access the services better. NRLM/SRLMs would work on developing these partnerships and build synergies.

*In some states, there are multiple agencies/departments engaged in activities aligned with NRLM objectives. These include externally aided projects, or the programs of departments of Women & Child Development, Tribal Affairs, Social Justice and Social Welfare, etc. NRLM presents an opportunity to converge all such initiatives. The guiding principles for convergence include: strengths of existing partners are leveraged; existing social and human capital is not lost; NRLM non-negotiable principles are not compromised; and duplication of effort is avoided. The SRLM would partner with appropriate government organizations and entrust implementation responsibilities to them.*

## Panchayat Raj Institutions

Working Group believes that bringing about an organic linkage between PRIs and IOPs is both a constitutional obligation and a practical necessity. It is mutually beneficial for the organizations of the poor and the PRIs to work together with mutual respect – with PRIs treating the organizations of the poor as autonomous entities, having legitimacy of their own and giving them voice and space in local level development and the organizations of the poor treating PRIs as Local Governments. Such working together would help the poor in gaining confidence and in moving from token participation onto higher forms of direct social action for collective good. This would enable people to assume responsibilities for management of utilities, create demand for services, and exercise effective social audit and control.

Local governments afford opportunities to the poor to grow in strength by continuous participation (learning by doing), constant observation of the exercise of power (learning by seeing) and accessing more information (learning by knowing). As barriers are weaker in the local situation, the poor can hope to break them with some effort. From (voice), the poor can move on to 'choice' i.e. more control over resource use. Slowly 'freedom' gets enlarged and 'capabilities' get enhanced. Thus they facilitate empowerment.

Therefore, Working Group recommends conscious structuring of the relationship between the PRIs and IOPs, intermediated by the Government(s) positively in the initial stages. There is every chance that mutually complementary and beneficial working relationship between IOPs and PRIs could be forged. Such a partnership can be visualized as the next step in democratic decentralization. IOPs can act as the community wings of PRIs or as thematic or cross sectoral sub-systems of PRIs to generate demand, suggest priorities and be a vehicle for convergence of

resources and Services. Of course, the autonomy of functioning of the IOPs should be insulated from any interference. IOPs should be transparent and accountable to Gram Sabha. As far as possible, public resources to the IOPs should be routed through PRIs for rule-based transfer to them without any space for discretion, patronage or pilferage. But the IOPs have to render accounts to the Gram Sabha for these resources.

In practical terms, Working Group, taking cue from the Kudumbasree model, recommends PRI leadership should be the invitees to the meetings of Village level SHG Federations so that they could link the Gram Panchayat's plans with the plans of the Federations. The Federation leaders must be members in the various committees/ sub-committees of PRIs. The Federations must present their plans consolidating household livelihood plans of the members in Gram Sabha to get them included in various schemes and programs. By the same token, they should present their annual accounts and activities in Gram Sabha and subject them to social audit. Of course, the NTH (the poor, the poorest and the most vulnerable) households need to be vetted by Gram Sabha in the beginning itself.

Towards improving working relationship between PRIs and IOPs, Working Group further suggests to NRLM to gradually as the PRIs and IOPs mature over a period of time to -

- Form Functional Committees within PRIs to work on poverty reduction;
- Set up joint committees of the Functional committees of PRIs and the Executive committees of IOPs;
- Build platforms and methods for mutual sharing of information, plans, accounts etc.;
- Facilitate guidelines to ensure that PRIs can spend their resources on consolidated community-based plans for poverty reduction;
- Facilitate guidelines so that PRIs could lease out common property resources to SHGs and their federations for economic development activities;
- Facilitate community contracting systems for PRIs could entrust work through SHG Federations;
- Facilitate community-based monitoring of PRIs so that SHGs/SHG Federations give feedback to PRIs on developmental programs and works.

Immediately, PRI Best Practices could be documented and good performers could be recognized so that these practices could be replicated.

Further, Working Group insists that the states should develop their own operational guidelines that include partnership with PRIs very clearly. It is necessary for all States to work out a phased program (with milestones and timelines) of bringing about positive synergetic working relationship between PRIs and the IOPs, participatory planning for poverty reduction and delivering on the plans. Subtle and not-so-subtle linkages need to be worked out.

#### Indicative Role of PRIs vis-à-vis IOPs

- Facilitate the formation and growth of IOPs and mentor such IOPs.
- Give primacy to such IOPs while taking decisions on matters related to poverty by involving them in planning for poverty reduction and converging resources and services meant for poverty reduction in response to the participatory plans prepared by them.
- Channel funds to such IOPs.

- Use such IOPs from outreach as well as for implementation including operation and maintenance of utilities and assets.
- Utilize the IOPs for feedback.
- Allow the IOPs to social audit expenditures related to poverty reduction.

#### Indicative Role of IOPs vis-a-vis PRIs

- Recognize PRIs as Local Governments to be engaged with and not confronted and hold frequent interactions.
- Provide necessary information on their situation and on their functioning.
- Take PRIs into confidence while preparing their plans for development.
- Work closely with PRIs as a medium for delivery of services and development.
- Participate actively, articulate demand for quality public services and ensure direct and continuing social accountability through functional Gram Sabhas.
- Assist in selection of beneficiaries.
- Monitor anti-poverty programs and poverty indicators.
- Submit regular reports to the Gram Sabhas/PRIs.
- Groom members especially women to contest PRI elections.

As of now, PRIs in many States may not be adequately equipped to take up the task. Developing a working relationship naturally is a process. Therefore, most States may launch pilots covering a few representative blocks to consciously push for bringing about such a relationship.

These linkages/synergies can be achieved only with massive sensitization and significant capacity building efforts for PRIs to enable them to work in partnership with IOPs and for IOPs to realize the need work in close co-ordination with PRIs. PRIs should be imparted training and exposure on issues related to poverty, livelihoods, social and financial inclusion and social justice.

Further, Government may consider establishing a National Rural (Oversight) Commission for convergence of all programs of Government of India for Aam Aadmi and Aam Aurat and bridge across the Ministries and Departments.

### **Partnerships**

Working Group is happy to note that NRLM is conscious of the ambitious task before it, and endeavors to work with, involve and partner with various stakeholders. These stakeholders would share learning, expertise, costs and resources, and take up implementation and sensitive support roles and tasks at various levels, run pilots, showcase models, train and build capacities, be resource groups and centers, provide linkages, generate, manage and disseminate knowledge, advocacy, etc.

Accordingly, Working Group notes that NRLM is keen to partner with Non-Government Organizations (NGOs) and other Civil Society Organizations (CSOs) including mature Community-based Organizations, within the ambit of the national framework for partnership [with NGOs and other CSOs], guided by NRLM core beliefs and values. As there is a serious concern among the major stakeholders about NRLM's willingness to partner with NGOs, the Working Group undertook considerable work to develop a detailed strategy and action plan for partnering with



NGOs. The Working Group is of the firm view that partnering with NGOs would be to the advantage of the NRLM as it will have access to considerable experience and expertise and can evolve innovative institutional models to address rural poverty on a sustainable basis. An outline of this framework is presented in Chapter 4.

This broad framework for NGO/CSO/CBO partnerships for field implementation needs to go through a dialogue between the SRLM and NGOs/CSOs/CBOs and agreed to. There is a need for sensitizing District Collectors, ZP CEOs and DMMUs on the rationale for involving NGOs in NRLM.

*Working Group advocates for NRLM partnering with NGOs/CSOs/CBOs for field implementation in at least 10% of the Blocks in each state. The spread of partnership may be spread over in a minimum of 50% districts. At least 20% Blocks in each district selected may be partnered with NGOs/CSOs/CBOs. Involvement of NGOs in each district is important to bring in variety and new ideas. This is apart from short-term thematic and ad hoc services from them as resource organizations/service providers/training organizations.*

Working Group calls for NRLM being open and flexible to hire the services of any NGO to play multiple roles depending on the work it has done, including or in addition to Field Implementation.

Working Group realizes the importance of convergence and partnerships in NRLM, and advocates for having an exclusive professional Partnership Management Cell within NMMU, with immediate effect. In addition, National Special Purpose Vehicle(s) to support and manage NGO/CSO Partnerships for field implementation and resource blocks should be explored and finalized soon. Working Group notes that retaining NGO/CSO partnership is more difficult (compared to getting the NGO/CSO on board) and requires special sensitive attention.

## **2.5 Support Structures**

Working Group appreciates NRLM setting up dedicated sensitive support units at the National, State, district and sub-district levels, to catalyze social mobilization, build institutions, capacities and skills, facilitate financial inclusion and access to financial services, support livelihoods and build convergence and partnerships with various programs and stakeholders. These units would be adequately staffed with professionally competent and dedicated human resources. Working Group reiterates that professionals recruited to run the support structures should be selected not only on the basis of their cognitive capacities but weightage should also be given to their attitude and values. Thus a full KSAV (knowledge, skills, attitude, and values) framework must be employed.

In line with dedicated and sensitive support structure at various levels, Working Group strongly feels that an **exclusive full-time fixed and long tenure Mission Director for NRLM** without any other Secretariat and Ministry responsibilities is required to do justice to the gigantic task at hand. NRLM Mission Director cannot be an ex-officio position. Given the need for sensitive and dedicated support, even at the National level, Working Group is convinced that **NRLM should be an independent, autonomous, adequately staffed, professionally managed and empowered**

**agency.** Ideally, it should be outside the Ministry of Rural Development. For secretarial functions within the MoRD, a small unit would suffice. Working Group would like to reiterate that SRLMs should be similarly independent agencies at the state level with full-time fixed and long-tenure CEOs. The staff in support structures should be on fixed term contracts, even if they are deputed Government Officers. All the staff at various levels in the Support Structures need to be rigorously inducted over a reasonably long period, say 2-3 months, through a well designed immersion program into the mission, values and ethos of working with poor, their institutions and livelihoods.

NRLM should have Gender policy in staffing in the NRLM Support Structures at various levels across the country and in institutions supported. Further a gender strategy for program design of how to incorporate gender while working with communities should also be formulated.

Working Group would like NRLM to take up the convergence at various levels for poverty reduction forward by encouraging IOPs to prepare comprehensive poverty reduction sub-plans and aggregated/consolidated at district level. A special professional team, specifically supported by NRLM, at the district level should be mandated to do this.

Working Group realizes that there is a need for building common platforms for livelihoods practitioners across the country, for sharing and learning. A national institute (gurukul) of livelihoods and development could be established for livelihoods learning, inducting and training staff of the support structures, building young livelihoods professionals, leading a portfolio of strategies to build local community professionals/service providers/entrepreneurs, sensitizing the development, bureaucratic and political leadership across the spectrum on livelihoods and poverty reduction, etc. It would be a national livelihoods resource centre and e-livelihoods portal. It could be communicating the best practices, modules, success/failure stories, case studies in a variety of media to the community as directly as possible, including newsletters, community radio, radio/television programs and channels.

Working Group also recommends NRLM to organize national and regional consultations to enable the identification and scaling up of specific, high-impact interventions within NRLM which have brought a significant improvement to the lives of the poor. An Annual Roundtable over 3-4 days with senior staff in NRLM and SRLMs and the Civil Society Organizations and other senior practitioners outside would be useful. These roundtables and other policy discussion/dialogues/workshops on a regular basis would feed the Government Policy at state and national levels.

Working Group endorses the NRLM thinking on having concurrent monitoring and evaluation of NRLM right from the beginning. It would be useful, if national level institutions of excellence are identified and a common methodology developed for regular monitoring and concurrent evaluation. NRLM should develop a list of mandatory disclosures to ensure absolute transparency at various levels. There could be social audit as well at various levels.

Since SPIP has distinct SC sub-plan, Tribal sub-plan and sub-plan for vulnerable communities, covering all aspects of SCSP and TSP components of NRLM, there should also be sub-plan-wise monitoring and review. Further, each SPIP has to articulate its outcomes vis-à-vis investments it

seeks, in a template. The performance of the state has to be evaluated in terms of outcomes with what investments/outlays. The releases to the SRLMs need to be linked to milestones. Even their support/administrative costs have to be linked to the milestones.

Working Group finds the Mission Support costs (referred as administrative costs) provided to SRLMs and Project Implementation Agencies inadequate and recommends them to be raised to 10% (of the total outlay that includes Central Share and State share), on par with provision in watershed management and other programs including IRDP earlier. Further, Working Group recognizes that Support Costs would be higher in terms of percentage of the total costs during the initial years and would gradually taper down. Therefore, Working Group insists that the provision of Mission Support cost should be allocated as a percentage of the total outlay for the entire perspective plan period rather than year-by-year. Also, Working Group is keen to link the outcomes/milestones of the perspective plan, to be detailed in the state perspective plans, with the costs and releases.

Working Group endorses similarly NRLM at Central level retaining 10% of the Central Outlay of the perspective plan period, and applying these funds for providing incentives to better performing states, providing support weak states, apart from meeting the administrative costs including technical support, thematic assistance, ICT, panel studies and other monitoring and learning systems/activities/processes and capacity building. These funds would also be used to support resource blocks, special thematic projects directly administered from the Centre etc. Some funds would be available as discretionary funds at the Central level.

Of course, there should be a sound Governance in the Support Structures and the Implementing Partner Agencies in NRLM. They should be accountable to the institutions of the poor and report the manner in which funds have been utilized and the work done. In order to ensure that the support structures function in a transparent manner, the Working Group suggests all the transactions of NRLM at every level would be for public scrutiny on internet. An 'NRLM ombudsman' may also be appointed.

Based on the spirit of National Policy on Voluntary Organizations and Civil Society, significant representation of the Civil Society in the NRLM coordination/managing committees at the district, state and central level is critical, at least one third of the members to be from NGOs/CSOs. At the field level, representative of CSOs involved in the implementation of NRLM should be part of the coordination and review. Also, bankers should be included in the District level Advisory Body. Further, different Task groups should be formed with the participation of CSOs and Academic institutions engaged in development work/education/Research/for documenting the existing experiences, knowledge dissemination and ensure right targeting.

## 2.6 Phasing and Budget

### Phasing

	2012-13	2013-14	2014-15	2015-16	2016-17	Total 12 Plan	Total 13 Plan	Total 14 Plan	Grand Total
<b>Districts</b>	150		150		300	600			600
Cumulative Districts	150	150	300	300	600	600	600	600	600
<b>Intensive Blocks</b>	600		1,500		2,100	4,200	1,800		6000
Cumulative Intensive Blocks	600	600	2,100	2,100	4,200	4,200	6,000	6,000	6000
Non-intensive Blocks	5,400	5,400	3,900	3,900	1,800				
<b>Households in Lakh</b>	45	23	60	75	128	330	570		900
Cumulative Households in lakh	45	68	128	203	330	330	900		900
SHGs in '000s	360	180	480	600	1,020	2,640	4,560		7,200
Cumulative SHGs in '000s	360	540	1,020	1,620	2,640	2,640	7,200		7,200
Youth for Skills for Jobs in Lakh	5	10	25	30	30	100	150		250
Cumulative Jobs in lakh	5	15	40	70	100	100	250	250	250
Self-employed in lakh	2	4	6	8	10	30	60		90
Cumulative Self-employed in lakh	2	6	12	20	30	30	90	90	90

Working Group projects that all the districts will be reached by 2017, all the blocks by 2019 and all households by 2022 and the NRLM's tenure is up to 2027.

### Budget – Rs. Crore

		2012-13	2013-14	2014-15	2015-16	2016-17	Total 12 Plan	Total 13 Plan	Total 14 Plan	Grand Total
<b>Category A</b>	<b>Building Strong Institutions of the Poor*</b>	<b>2,628</b>	<b>3,266</b>	<b>5,102</b>	<b>7,173</b>	<b>10,302</b>	<b>28,472</b>	<b>69,545</b>	<b>17,896</b>	<b>115,912</b>
<b>Category A1</b>	<b>MKSP</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>1,500</b>			<b>1,500</b>
<b>Category A2</b>	<b>MSPs</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>			<b>1,000</b>
<b>Category B</b>	<b>Skills for Jobs</b>	<b>750</b>	<b>1,500</b>	<b>3,750</b>	<b>4,500</b>	<b>4,500</b>	<b>15,000</b>	<b>22,500</b>		<b>37,500</b>
<b>Category C</b>	<b>Self-employment</b>	<b>200</b>	<b>400</b>	<b>600</b>	<b>800</b>	<b>1,000</b>	<b>3,000</b>	<b>6,000</b>		<b>9,000</b>
<b>Category D</b>	<b>Innovations</b>	<b>250</b>	<b>500</b>	<b>750</b>	<b>1,000</b>	<b>1,250</b>	<b>3,750</b>	<b>6,250</b>		<b>10,000</b>
<b>Grand Total</b>		<b>4,328</b>	<b>6,166</b>	<b>10,702</b>	<b>13,973</b>	<b>17,552</b>	<b>52,722</b>	<b>104,295</b>	<b>17,896</b>	<b>174,912</b>

\*Institution Building, Capacity Building including IOPs, staff, PRIs, and other stakeholders, Seed Capital, Vulnerability Reduction and Livelihoods Support Funds

Administration Costs of 10% of State Total NRLM Category A outlays; 10% of Central Category A Outlay as Central Discretion Funds for incentivizing performing states on demand, supporting needy states, resource blocks etc.

The budget estimates are Rs. 52,722 Crore during the 12<sup>th</sup> Plan, Rs. 104,295 Crore during 13<sup>th</sup> Plan and Rs. 17,896 Crore during 14<sup>th</sup> Plan; i.e. a total of Rs.174,912 Crore.

Working Group reiterates that the provision for administrative costs for the generic category A is very less and recommends 10% of Category A as provision for administrative costs as in watershed management, IRDP etc. However, administrative costs are pegged at 5% for category B, C and D. Across the categories, 1.5% can be considered as overall support and monitoring costs at the central level. 10% of the Central Outlay of Category A including 1.5% administrative costs are retained at the Central level for support activities at the National level.

### Expected Outcomes of NRLM

As a result of this investment and effort of reaching all NTG households and supporting each household and their institutions for at least 5 years, Working Group is visualizing the following outcomes/benefits to NTG households -

- 80% NTG households mobilized into functional women SHGs
- Their cumulative savings and own funds exceed Rs.100,000 Crore.
- 1.5 Crore women in the leadership of IOPs
- More than a million professionals, ten million community professionals/resource persons, and a ten million staff working in the IOPs
- 80% of women SHGs credit linked and received a cumulative credit of at least Rs.100,000 per household
- 1:10 bank linkages at SHG/SHG Federation level i.e.Rs.10 lakh Crore cumulatively
- Strong and vibrant economically viable and sustainable/self-reliant Nested Federations (3-tier) of SHGs in all 6000 rural blocks, with more than 7.0 Crore women in them as members
- 80% IOPs have clear vision-based roadmaps delivered fully or on the way towards delivery
- 80% households receive intensive livelihood support in agriculture, livestock and non-farm sectors
- At least 4.0 Crore households in livelihoods and other social collectives
- 80% households with income levels exceeding Rs.50,000/year - Rs.30,000 increased income and Rs.20,000 from supplementary livelihoods activities; and achieving Rs.10,000 in savings through reduced costs/expenditure
- At least 2.5 Crore youth placed in skill-based Jobs with salary exceeding Rs.3000/month in the organized sector
- At least 0.9 Crore youth in self-employment/microenterprises with incomes exceeding Rs.50,000/year/household
- 80% households achieve receiving 100% entitlements
- Food Security, Health and Nutrition Security achieved for 80% households

#### Expected Benefits to a Household in NRLM

- Mobilised into IOP institutional network
- A cumulative credit of Rs. 100,000 in 5-6 loan cycles.
- Own savings/funds in IOP – Rs.10,000.
- An income of Rs.50,000 per year
- Savings in expenditure of Rs.10,000 per year
- Food and Nutrition Security
- Health Security
- Insurance – Life, Health, and Assets
- Access to Vulnerability Reduction Fund
- Access to all eligible public services
- Access to all entitled Social Security Schemes

*Investment on the household is Rs.12,000 over 10 years.*

- SHG database, NTH household database and the households tracked using ICT
- Regular aggregated plans at district, state and national level from the household.

**Thus, the cost benefit ratio of NRLM, even if we take only the economic benefits and limited to only 80% households, would not be less than 400%. Thus, the NRLM would seed a new approach towards poverty reduction with poor themselves through their IOPs as the change agents. NRLM works on the demand side through building and nurturing strong IOPs so that the supply side responds to this demand. For NRLM, these IOPs are the end in themselves.**

### **Chapter 3: Review of MKSP Guidelines**

The primary objective of MKSP is to develop large proofs of concept on livelihood promotion that can then become models for livelihood scaling up under NRLM with a major focus on building livelihood collectives based on technologies and practices that are sustainable and climate change resilient. The MKSP guideline is, therefore, to be suitably modified so as to reflect this vision of MKSP being integrated with overall NRLM framework in due course of time.

Being within the larger ambit of NRLM framework, promotion of generic institutions of poor along with livelihoods collective becomes imperative and all the partners implementing MKSP may actively be involved in the formation and nurturing of women SHGs and federations as generic institutions as the building blocks for promotion of livelihoods organizations. NRLM may initiate this process under their intensive block strategy by recognizing these blocks as intensive blocks. Respective states would take the opportunity to build on the existing social mobilization work already taken up by the partners in these areas and start promoting the generic institutions of the poor like SHG and their federations. In case, the partner NGOs are found to be experienced in promoting such generic organizations they should be allowed to continue their work in close coordination with respective state/district units. The partner NGOs may be then be engaged as a partner of NRLM within the NRLM partnership guidelines and paid separately as per the NRLM norms for promoting generic organizations.

The MKSP guidelines overall are quite well aligned with the 'National Policy for Farmers 2007' (NPFF 2007) though it is also necessary to make few issues more explicit. There is a need to broaden the scope of MKSP and define 'farmers' to include the most vulnerable. Therefore, under MKSP the targeted women 'farmers' would include every poor woman dependent for their livelihoods on agriculture and allied activities, livestock rearing, fisheries and would also include tribal women engaged in collection, use and sale of minor and non-timber forest produce (NTFP).

Interventions like NPM, IPM, land and water resources development, promotion of low cost pro-poor technology, soil health improvement, seed sovereignty etc. would be given due preference as they go a long way to ensure climate change resilience and maintenance of bio diversity.

MKSP would try to deliver the proof of concept, based on successful pilots/practices, on a reasonable scale. The model of the concept gets stabilized. The training modules and material would be ready. The communication material would be there. The community resource persons would be available to go to other areas and work with the communities. Thus, these models would be mainstreamed in the areas of high incidence of poverty, tribal pockets and other marginalized areas.

MKSP interventions, in alignment with NPFF 2007, must consider, as their key outcome, substantial increase in the net income of farmers. Therefore, work on the value chain of the chosen economic activity to exploit the value chain gaps in favour of the producers would be

utmost importance. Value Chain development has to be designed to ensure better control of community over seed, extension services, inputs, finance and market. Building forward linkages to ensure market access and market information should be an integral part of any proposal considered for funding under MKSP. There are quite a few successful examples of partnerships with reputed corporate partners who have demonstrated strength in market end of the value chain. Proposals that have already tied up forward linkages with reputed corporate players may be actively encouraged. MoRD would consider setting up of a dedicated unit under NMMU of NRLM to provide advisory services to partner organizations on value chain development, promotion of producers' organizations, financial services to these organizations and development of forward linkages. Bringing in corporate players as the partners in the business models would be one of the key responsibilities of this unit.

MKSP also has to follow the partnership principles and guidelines articulated in the NRLM framework. Though, in difficult areas like hilly terrains and IAP districts consortiums having members from NGOs and bilateral and multilateral agencies already working in those areas on livelihoods promotion may be considered for direct funding by MoRD under MKSP. The 25% contribution may be brought in by the consortium and the balance 75% may be funded by MoRD. Caution should be maintained that the funding should no way be directly linked to the CSR activities of any commercial organization. A 'no objection certificate' from respective state governments may be mandatory for such considerations.

MKSP is an integral part of NRLM and is envisaged to be assimilated with the NRLM core strategy over a period of time. Therefore, State Rural Livelihood Missions (SRLM) should be entrusted with the responsibility of coordinating with the PIAs in their respective states for implementation of MKSP.

MKSP may also recognize the need for promoting an institutional mechanism for creation of a knowledge management cum learning platform. This institution would ensure documentation of best practices promoted under MKSP, disseminate success stories and also organize learning forums in regular intervals involving community and other stakeholders.

MKSP would recognize the costs involved in taking up such challenging activities and would consider increasing the administrative cost of MKSP to a minimum of 10% of the total project cost. Besides, for IAP district areas where cost of attracting good manpower and the cost of transport and other logistics may be much higher than normal areas, an additional 4% administrative cost may be considered for the projects. Even the timelines may be set differently for implementing programs in IAP districts that may take more time for social mobilization and developing value chains.

### **Recommendations**

Definition of Women Farmer within the MKSP guidelines to be broadened as suggested in the Working Group consultations. The current MKSP guidelines refer to the primary agriculture activities. The scope of MKSP may include a few more important livelihood activities of rural poor and vulnerable. Promotion of livelihoods around Non Timber Forest Produce (NTFP), fisheries and livestock may be included within the MKSP guidelines as they are some of the key



livelihoods of rural poor. By including these three livelihoods activities MKSP may bring more than 90% of the rural poor within their target group.

Working Group recommends organizing the women farmers into SHGs/Livelihood Collectives and Producer Companies for collectivization and marketing of the farm produce. This can also be put in the MKSP guidelines as an expected outcome of the program. The emphasis should be given on interventions that work on a substantial part of the value chain on a business model. MKSP should also provide assistance for business development and risk fund. Focus should also be there to achieve scale.

Wherever there is a marketable surplus, beyond the food security of the farmers, there is a need for building marketing through collective value-addition and sales. Working with business partners for marketing may also be considered. This needs to be incorporated in the MKSP guidelines.

Further, there are local consumers from within the ranks of the poor and distant poor consumers who see benefit in connecting directly with the producers. These linkages between poor producers and poor consumers, and IOPs of one area (producers) and IOPs of another area (consumers) need to be facilitated. Similar linkages are also possible between the producers, service providers and labour.

Project Implementing Agency: Emphasis should be given on partnership with NGOs and CBOs, within the context of the non-negotiable principles of NRLM, to implement various projects under MKSP.

Fund Allocation: There should be separate fund allocation of Rs.300 Crore earmarked for MKSP every year. This may be further re-allocated amongst agriculture, livestock, dairying, fisheries and NTFP.

Time frame: MKSP can be treated as flagship program within NRLM and should be continued for a minimum period of 5 years.

Outcomes of MKSP projects: The entire knowledge and expertise would be transferred to the IOPs. The IOPs (livelihoods collectives) would become self-reliant and continue to work on the model on a sustainable basis. The Community Resource Persons would be available to handhold communities in new areas. Thus, the IOPs/Livelihoods Collectives and the CRPs would be playing a key role in scaling-up the model across.

## Chapter 4: Framework for working with CSOs in NRLM

NRLM Partnerships with NGOs and other Civil Society Organizations is a win-win model as their synergy could maximize the benefit for the poor. Based on the discussions in Chapter 2 on partnerships with NGOs and other CSOs including IOPs in NRLM, Working Group appreciates that NRLM is conscious of the experience of CSOs in sustainable livelihood augmentation and dedicated NGOs having good track records could be actively engaged at all levels of NRLM implementation. They can be entrusted with complete responsibility of the poor in an area or specific tasks/components. These include - reaching poorest and socially excluded groups; forming and strengthening SHGs/SHG Federation; planning including preparing Business Development Programs; promoting and strengthening livelihood collectives, nurturing institutions of the poor engaged in social action, pilot testing of ideas through experimentation; collection, updating information and maintenance of a suitable MIS; facilitating and forming a bridge between Government and community; monitoring & documentation; transferring learning; conducting TOTs trainers etc.

Accordingly, this outline for the framework for working with CSOs has been developed.

### 4.1. Rationale

The success of NRLM is contingent on the success of the social mobilization that the program will be able to put in place. NRLM seeks to put in place a dedicated facilitation structure in order to create this social capital. Now there are examples of the state run mechanisms in promoting community based structures in large scale yet these are recent experiences. NGOs also have demonstrated large scale and good quality social mobilization of the poor across the country in different socio-economic conditions. NGOs have established innovative livelihood projects across the country especially in the endemic poverty regions. These are valuable experiences and experiments that the NRLM can ill afford to lose. There is need to build on these experiences and scale them up to much larger areas to a much larger number of people. The areas where NGOs have demonstrated good work need to be developed as training grounds for the NRLM personnel as the program rolls out in the States. Thus it is important for the NRLM to devise ways in which the NGOs who have established best practices on social mobilization and livelihoods promotion are given a place of prominence in the program and NRLM gains from their experience both in terms of drawing on the lessons from their programs as well as in adding to the numbers envisaged to be achieved in social mobilization and livelihoods. NRLM could also invite credible NGOs to work in those areas which are difficult work or reach. To begin with NGO partnerships will be building on what already exists and where they already exist.

NRLM Framework for Implementation finds the partnerships with NGOs and other CSOs to be critical and envisages they being within the ambit of the national framework for partnership with NGOs and other CSOs, guided by NRLM core beliefs and values. This outline leads to evolution of the national framework for partnerships in NRLM. Further, the NRLM

Framework for Implementation envisages that 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:

- ✓ Implementation of the program in a block or district, as an individual NGO or as a consortium of NGOs (polling their strengths)
- ✓ Up-scaling and deepening thematic interventions in areas of significant presence
- ✓ Service provision in their core competence areas- as a resource agency
- ✓ Joint Policy Advocacy and learning forums/platforms
- ✓ Continuous dialogue with NGOs and other CSOs to improve NRLM implementation

For strong and effective NGO partnerships:

- Aajeevika Mission must setup Partnership Management Unit.
- For driving the process of building partnerships, NMMU to empanel agencies that can support State Governments in empanelling NGOs. The State Governments can be advised to use any agency from the panel set up by NMMU as an independent agency for empanelling NGOs.
- In addition to the 10% blocks to be selected for the intensive phase of NRLM implementation, the NGO operated blocks would be additional (10% plus).
- NMMU to take responsibility for empanelling multi-state NGOs & Resource NGOs. State Governments to be advised to partner with empanelled NGOs. There could be tripartite agreements (SRLM, NRLM & NGO), where necessary.
- NMMU to send detailed guidelines (selection process, criteria, tools, model MoU and fund flow mechanism) to State Governments for selecting NGOs as field implementing agencies.
- NMMU to share with State Governments the list of blocks that have significant presence of NGOs engaged in building institutions of the poor and promoting livelihoods.

#### **4.2. Principles for partnerships with NGOs**

NRLM believes in further building on the work done by NGOs and thus would seek proactively to involve NGOs in the implementation of the NRLM activities in the field including in social mobilisation, livelihood support, developing large scale prototypes, innovations and so on. NGOs will also be called in to perform specific functions within their diversified areas of competencies, such as training, research, documentation so on.

Primarily there may be three major types of NGO partnerships in NRLM:

- Program/Field Implementation Agency (PIA): The NGOs who will be implementing the program in accordance with NRLM framework, starting with social mobilisation and livelihood promotion having coverage targets that will be laid out in the NRLM plan for specific blocks. The PIAs can be operating at two levels, implementing program either in an entire Block or in an entire District or even both
- Thematic support NGOs: NGOs with domain expertise that will be involved in implementation of specific activity in the field around livelihoods and value chain development including promotion of the producers' organizations or in any other specialised areas

- Resource NGO: NGOs can and will be involved in multiple activities ranging from provision of training inputs to the NRLM and community organizations and personnel to developing training and communication material and in various aspects like process documentation, monitoring and evaluation, research studies, action research, innovative field implementation, etc.
- Partner NGOs, without any financial implications.

### 4.3. Special Set of Guidelines

A special set of guidelines are required for those in the category of Program Implementation Agency as there are several small and large NGOs involved in social mobilization and livelihoods and will be interested in participation in NRLM. The Working Group strongly recommends that NRLM develop and circulated detailed NGO partnership guidelines, including selection criteria, tools & methodologies and suggested model MoU formats and monitoring system based on the outline recommended in this report. The performance standards, funding pattern and assessment methods for both NGO implemented areas and Government areas should be the same. The State Missions need a clear set of guidelines for developing these partnerships. The broad contours of this set of guidelines include -

- At the district/sub-district level, the work on NRLM will begin with a mapping of the existing institutions of the poor and social mobilisation that already exists there. The first effort will be to get an assessment of the quality of the work there and then the roll out plan will be chalked out wherever possible after discussion with the stakeholders.
- NRLM will make proactive and systematic efforts to ensure that a substantial component of the work in a given district is implemented by NGOs, where there are already NGOs present. The National Mission Management Unit (NMMU) will encourage the State Units to take up the mapping in the state to identify NGOs to partner with. While the State may prefer entering into partnership with larger NGOs, they also will be encouraged to partner with smaller NGOs who would be willing to form into a consortium mode for collaboration. The consortium as a whole will be anchored by a nodal NGO with substantial experience in management of large scale programs who would in turn ensure the desired outcomes.
- The engagement with NGOs will be based on outcomes. NRLM has a few key deliverables which will be converted to concrete targets in a given context in terms of outputs and these outputs are expected to result in a set of outcomes in terms of the rural poor families sustainably coming out of poverty and their institutions taking charge of the well being of the member families.
- A simple set of processes and criteria for assessment of outcomes and measurement of success will be laid out. The M & E framework that will be designed for the State Rural Livelihoods Mission will also be applicable to partner NGOs.
- The criteria and process will be the same for both the NGOs and the State Mission structure. It is envisaged that in a State there will be both NGOs and the State Mission structures implementing NRLM in their given respective areas, and the outcomes expected are the same from both the types of implementers. It is also expected that an independent monitoring agency will be responsible for monitoring the outcomes of both NGOs and SRLM. Therefore the norms for costs and other support also will be the same.

### 4.4. Outline of the set of Guidelines for Field Partnerships

Given that the National Rural Livelihood Mission is ready for roll out in states, it is an immediate need to evolve the guidelines for developing partnerships with NGOs for implementation of NRLM. These guidelines will be covering various aspects pertaining to management of projects/activities being implemented through NGOs. These guidelines address these issues and provide comprehensive direction for partnering with NGOs, particularly in field/program implementation. They will work on all the outcomes of NRLM and will deliver all the key deliverable-s in a given geographical area within a stipulated time frame.

Selection of NGOs for the other tasks that are more structured and defined such as livelihood sector support, design of training modules and material, training of NRLM and community personnel, and knowledge management is to be done as per the normal procurement procedure that has been laid out for hiring consultants.

Guidelines for NGO Field Implementation Partnership include:

- Selection of NGO partners
  - Method of Searching and Inviting NGOs
  - Setting up an eligibility criteria including a scoring system
  - System of Assessment
  - Setting up a Selection Panel
  - Formalities of Signing up a Contract or MoU
- Funds flow
- Procurement and financial management system adapted by NGOs
- Monitoring and evaluation

#### **4.5. Selection of NGO Partners**

##### **4.5.1 Method of Searching and Inviting NGOs**

As the NRLM will be rolled out in all States, Districts and Blocks in a phased manner, the processes are to be uniform across the states.

##### ***Initial short-listing***

The State Mission Management Unit (SMMU), with the support of the independent empanelling agency and based on the NGO partnership guidelines, would shortlist the names of the NGOs based on a simple set of parameters:

- NGOs that have a presence in the poverty pockets and have considerable experience in social mobilisation
- NGOs who are willing to work with NRLM and agree to achieve the NRLM outcomes as delineated
- The minimum unit for engagement is a Block
- An NGO who is taking up the role of a nodal NGO to support other NGOs in implementation must itself take up implementation independently in at least one block in the district for saturation as per NRLM framework.

The list of potential NGOs to be partnered with for implementing NRLM in the district can be identified through a scoping exercise by each state.

#### **4.5.2 Process for short-listing**

- The SMMU would announce the starting of the process of short-listing through all the relevant media possible in the state, newspapers, and word of mouth. The potential NGO will be given time (not less than 30 days) to apply in a given format as an Expression of Interest (EoI). The state would ensure that necessary clarification is available to NGOs through a dedicated helpline.
- The SMMU, with the support of the empanelling agency, will do a first round short-listing of the NGOs based on a set of primary criteria and the scoring sheets based on the expression of interest submitted by the NGOs to partner at block level and district level. It is preferable to take block as a whole individually or through a consortium.

#### **Essential qualification required in any potential partner**

- The NGO should have at least 5 years of relevant experience of carrying out social mobilization with poor women in rural areas and engaged in livelihood promotion.
- The NGO should have minimum annual turnover of over Rs. 20 lakh in the past three years [as evidenced in the past three year audited financial statements]
- Accounts are audited regularly and Governing Board meets regularly with satisfactory attendance
- NGO should be registered, non- political and secular in nature
- NGO should not have been blacklisted by any government department
- The NGO should be in agreement with the NRLM values and principles and ready to work for the NRLM deliverables

#### **The minimum criteria for selection of a NGO PIA at the block level**

Initiatives of CSOs/NGOs with IOPs as the platforms towards implementation of livelihood programs in different regions of the country in partnership with government agencies/banks are well known and documented. NRLM efforts in such blocks/districts instead of duplicating could rely on the existing work and structure of NGOs/CSOs to further consolidate and move quickly towards universalization. This would effectively mean that in regions where CSOs have proven presence and have been successfully engaged in forming institutions of the poor would be offered the charge to become the Implementing agency in a block under NRLM under intensive block strategy. In such blocks, the CSO would also be the designated BMMU. The CSO would have to set up a separate dedicated team to work as the BMMU and the fine tuned existing teams of the CSO in the block would function as the Project Facilitation Team. The team may have full-time, part-time and volunteer staff. The team should have expertise in social mobilization, institution building, micro-finance and livelihoods.

The minimum criteria for CSOs to function as a BMMU -

- Experience of implementing rural development programs in the concerned block with

experience of implementing SHG-Bank linkage, SHG-based livelihood programs and/or collective livelihoods activities for at least 5 years with a minimum of 2000 - 5000 members.

- Demonstrated relationship with District Administration/Zilla Panchayat / Block Panchayat/ State run marketing institutions
- Strong relationship of SHGs, their federations and other collectives with bank(s) in the block.
- Proven experience of working in close coordination with public sector banks on implementation of collective livelihoods activities.
  - CSO should have piloted at least one collective livelihoods initiative at the level of at least 500 members based on a business plan. The plan must clearly reflect dimensions of forward and backward linkages. It should not entirely be a grant based initiative and must provide ample evidence of involvement of financial institutions (local or external).
  - The business plan must provide a clear roadmap of how the business over a period of time will become sustainable and risk free. It should also include a clear strategy of how the local federation or collective institution will take over the entire operations and functions related to the enterprise.
  - Experience in creating other social security products such as life, accident, health, crop insurance etc
  - Proof of a positive record of loan and savings from banks

*Partnering with NGO/CSO/CBO may also be considered for field implementation at the district level too. These guidelines may suitably be modified in such a situation.*

The NRLM guidelines issued by NRLM at the Centre must provide clear directions to the states for active engagement with CSOs. An approach whereby CSOs / NGOs are also included as implementing agencies is very relevant for States where the work of agencies other than CSOs/ NGOs has been weak in the promotion of SHG, SHG federation and livelihoods collectives. This approach will also help in insulating the established work of CSOs / NGOs from adverse impact of recently launched NRLM. NRLM built on existing work of NGOs with proven capacities will enjoy a head start over other regions and such regions therefore would offer the best opportunity for rest of the State to learn from. This will be of extreme importance in weak states.

There are a number of CSOs/NGOs working in regions considered difficult and in such regions the implementation of development programs by the departments of the govt has always been weak, unmotivated and ineffective. In such areas it is important that NRLM strategy is entirely built on engagement with organizations which have a strong base in the region. NRLM should proactively seek partnerships with CSOs in such difficult regions by inviting strong NGOs to take up field implementation in such areas. It is important here that the guidelines are sensitive to the reality of the area.

### **SMMU and role of a neutral agency for selection**

To avoid biases and insulate the SMMU from unnecessary pressures and to avoid conflict of interest that may accompany the NGO selection process, the task of NGO final selection would be handed over to an eminent resource agency in the region, selected from amongst

a centrally created pool through an empanelling agency at the national level (an institution of excellence like IIM Ahmedabad).

The final selection of an NGO for implementation of NRLM would be based on a two-step process by the external agency -

- First is a desk review of the EOIs [expressions of interest] sent in by the NGOs. The field areas of all the NGOs who are shortlisted after this review are to be visited for a first hand understanding of the quality of work, the internal systems and a direct interaction with the staff members and the community. The external agency would use a score sheet for helping make an objective assessment of the suitability of the NGO.
- Field Visit - a lot of attributes we may want to assess of the NGO is not possible unless the assessors get a chance to visit the field area of the NGO. Thus the final step of creating the final list for awarding NRLM implementation responsibility is the Field Visit. The main attributes that are to be observed in the Field Visit are:
  - 1) Mission congruence
  - 2) Best practices
  - 3) Infrastructure
  - 4) Quality of CBOs promoted
  - 5) Quality of staff
  - 6) Quality of internal systems
  - 7) Quality of governance
  - 8) Linkages
  - 9) Assessment by peer group
  - 10) Quality of Community Resource Persons

#### **4.6. Selection Panel**

Finally, a team from shortlisted NGO (or a Consortiums for NGOs, as the case may be) represented by senior functionaries working in a decision making capacity may be called for a presentation and discussion. This interaction has to be anchored by the selection panel - the Chief Executive of the SRLM and the senior members in the SRLM, members of the Team from the Empanelment Agency (involved in the desk review as well as the field visit of the respective agency), and one or two representatives from the NMMU.

The discussion would focus on:

- The geographical area in which the agency is going to work
- The Area (Block) Perspective and Implementation Plan that includes detailed strategies, action elements, schedule and results to realize NRLM objectives in the stipulated time
- The plan for monitoring and review, and reporting

Based on this discussion, the selection panel would score all the NGOs shortlisted for a given area and the one that gets the highest score, but not less than a mandated minimum – say 75%, would be selected as the Field Implementing Agency.

#### **4.7. Memorandum of Understanding (MoU)**



A MoU has to be signed between the State Mission and the selected NGO clearly stating the objectives, payment systems, budget, outcomes with specific timelines, monitoring and evaluation practices and the processes for assessing performance of the MoU. It has to be clearly kept in mind that the outcomes and timelines may vary depending on the baseline conditions of the particular geography, e.g. in difficult areas like IAP districts, in difficult terrains like hilly regions, coastal areas, etc., it may take more time to ensure a complete social inclusion and it may also involve more costs. Further, the MoU should not restrict hiring and paying the professionals required for the partnership. The MoU for NGO as a field implementing agency would have to be for a period of 5 years with a possibility of extending the MoU for a further period of 3-5 years. The initial 5-year MoU could have an independent mid-term review to determine the partnership progress and future course of action.

#### **4.8. Fund Flow**

The fund flow mechanism needs to be worked in such a manner that the seed capital, vulnerability reduction fund, livelihoods support fund and any other fund meant for the community flows straight into the institutions of the poor and not to the NGO partners. For that, a necessary mechanism has to be evolved by the state mission. The NGO partner would be entitled for the expenses incurred on institution building and capacity building of the community and community based organizations promoted. The payment schedule may be worked out accordingly based partly as retainer basis, partly on outcomes and partly on process inputs like setting up of the BMMU office etc. An electronic fund flow mechanism can be developed to eliminate any delays in fund flows. The funds to the NGOs may be given as an advance in the first year without seeking any bank guarantees, and further fund releases would be based on progress reports and claiming the expenditure by submitting necessary statements periodically.

#### **4.9. Procurement and financial management system adapted by NGOs**

NRLM, in every state, would also have procurement and financial management norms/guidelines. NGOs need to follow these NRLM/SRLM Procurement and Financial Management norms. Further, the systems and processes need to be similar between NGO-run Block and other Blocks.

#### **4.10. Monitoring and evaluation**

The basic premise of the M & E for NGO partnerships would be on outcome based monitoring system that includes the health of the institutions and quality and sustainability of other outcomes. The process monitoring to see the due diligence in the processes with reference to the context of the local reality is also a necessary part. It is expected that every state would have their M & E systems and processes in place which can be looked into while designing the M & E system for such partnerships. The criteria and process for M & E would be the same for both the NGOs and the State Mission structure. It is envisaged that in a State, there would be both NGOs and the State Mission structures implementing NRLM in their given respective areas, and the outcomes expected are the same from both the types

of implementers. As explained earlier, it is extremely important that the ground level situations especially the difficulties to be factored in while designing the M & E system.

## Chapter 5: Summary of the Recommendations

NRLM is trying to address the poverty in the rural India comprehensively in the coming 15-16 years. Towards this end, NRLM Framework for Implementation has delineated a clear and robust way forward. This includes universal social mobilization of poor women into strong generic IOPs and other collectives driven by the poor themselves and access to adequate capital/resources to fight, come out and stay out of poverty.

However, Working Group through its wide-ranging consultations with a range of stakeholders and critical review, and intense brainstorming has arrived at this report with recommendations. These are summarized below for easy reference –

### Targeting

1. NRLM has its own target households (NRLM Target Group – NTG), with its clear focus first on the poorest of the poor and the most vulnerable and marginalised communities. This addresses the exclusion issues vis-à-vis BPL.
2. Working Group urges NRLM to ensure that State Perspective Plans list all the vulnerable communities with suitable customised strategies (with modified processes, norms and provisions) to mobilise and work with, for each community. An indicative list of vulnerable communities can be seen in Chapter 2. Working Group insists on a ‘Social Inclusion Plan’ as part of SPIP to address the vulnerable communities.
3. Working Group advocates participatory vulnerability assessment and ranking so that the poorest and the most vulnerable could be targeted first.
4. Further, the state must develop sub-plans for the Poorest and Most Vulnerable, on an annual basis, by aggregating their household plans and integrating them into neighbourhood and village level plans and consolidated at higher levels. These plans should include water, food, nutrition and health security, amongst other things, for these families.

### Gender

5. NRLM should inculcate in its structure a gender policy governing the staff and institutions.
6. Capacity Building on Gender, encouraging women in political participation in PRIs, partnerships with organizations working on women’s issues and initiating a gender learning portal are other measures NRLM can up the ante on women-centric development.
7. There should be gender analysis done at the level of the village or intermediate panchayat by the community leading to a simple Gender Status Report. At the block level, Gender Resource Centres could be opened utilizing the services of Community Resource Persons.

### Institutions of the Poor (IOPs)

8. Working Group endorses the philosophy of NRLM towards reducing poverty that poor need generic institutions of the poor (read as women SHGs and SHG Federations) that meet their universal multiple needs (savings, credit, water, food and nutrition security, vulnerability

reduction, insurance, solidarity, local collective action, accessing rights and entitlements etc.) and specific livelihoods and social collectives around specific needs at a cluster level or beyond. The poor need knowledge, skills and financial inputs so that they fight their poverty through their institutions.

9. Therefore, Working Group recommends universal mobilization of all the women in NTG into generic institutions of the poor (SHGs and their federations at various levels) first, followed by livelihoods and social collectives.
10. Generic Institutions take up early thematic collective action around one or more of the value-chain gaps and opportunities. As these efforts succeed, the generic institutions mother/facilitate collectives around that collective action to expand to work on all the value-chain gaps and opportunities, gradually.
11. Thus, Working Group endorses emergence of three categories of IOPs –
  - Universal mobilization of all the NTG into the generic institutions of the poor (SHGs and SHG federations of women) around savings, credit, risks and vulnerability, solidarity etc.;
  - Promotion of specialized livelihoods institutions (collectives) for deriving economies of scale, backward and forward linkages, and access to information, credit, technology, markets etc.; and
  - Promotion of social collectives (around health, education, social security, risk management, gender, etc.)
12. The institutions of the poor up to the village level, particularly the SHGs and SHG Federations, need to be accountable and render accounts to the Gram Sabha.
13. Working Group feels that there is a need to make available a more correct legal frame (that meets the complete needs of a typical SHG and a typical SHG Federation) for SHG Federations in many a state.

### **Existing Institutions**

14. Working Group advocates with NRLM to build on the existing institutions of the poor wherever such social capital exists. To facilitate this, Working Group suggests that these pre-existing institutions need to be mapped at entry and graded whether they meet the basic norms; whether they could be trained; or they could be ignored. A strategy, within the context of the non-negotiable principles of NRLM, for way forward then would be evolved.
15. However, if the existing institutions are not SHGs and SHG Federations, NRLM should encourage the formation of SHGs and SHG Federations (generic institutions) at the earliest, while strengthening/supporting the existing institutions.
16. Thus, Working Group is visualizing four streams for mobilizing the NTG into IOPs (both existing and those that need to be promoted under the mission):
  - i. Mobilising women SHGs and their federations initially, followed by other collectives;

- ii. Strengthening the existing SHGs and Federations, mobilizing the left out into SHGs and Federations, followed by other collectives;
- iii. Strengthening the existing livelihoods collectives of the poor, and mobilizing all the poor into SHGs and Federations, followed by other collectives;
- iv. Strengthening the existing social collectives of the poor, and mobilizing all the poor into SHGs and Federations, followed by livelihoods collectives.

### **Institutional Capacity Building**

17. Institutional Capacity Building would ensure that the SHGs and their federations, and other forms of institutions of the poor will be able to become self-managed and self reliant. Working Group underscores the importance of building the capacities of the community organizations, their leaders, staff, volunteers etc., and the support structures, with vulnerability and livelihoods orientation and field immersion to appreciate the best practices and failures.
18. NRLM should be supporting the staff of the community organizations till they achieve modicum of financial self-sufficiency.
19. Working Group endorses that the social capital created through the NRLM processes is crucial for scaling up and sustaining NRLM.
20. Importantly Working Group advocates the community to community learning method in NRLM which ensures a peer learning process and enable a must faster scale up.

### **Seed Capital and Funds with IOPs**

21. Working Group is against subsidies or grants to individuals except in exceptional cases. Even these exceptional grants should flow through the Village level SHG Federations or Village Organizations. Further, Working Group would like the entire seed capital to stay with the second/third tier federations so that institutional architecture of the poor as a whole remains robust. However, Working Group seeks to have Vulnerability Reduction Fund up to 50% of the seed capital provided for addressing the needs of the vulnerable and the vulnerabilities of the poor that include food and health security.
22. Working Group recommends delinking DRDA/DRLM/DMMU from seed capital administration. DRDA/DMMU can instead concentrate on improving the quality of the IOPs/groups, training and capacity building etc. The entire fund management can be outsourced, may be to an independent fund manager/bank/technical institution.
23. Working Group is keen that VRF release is contingent upon the community coming forward with their contributions in cash/kind and savings specifically linked to some aspect of the vulnerability like health savings, food security savings, emergency fund or even risks.
24. Also, a substantial Livelihoods Support Fund (renaming the Infrastructure and Marketing Fund to include support for the entire gamut of activities, including acquiring individual

resources and working capital), not less than Seed Capital, would be available to support/supplement the funds for viable business plans of the IOPs.

### **SHG Credit**

25. Working Group appreciates that NRLM has to engage with Banks to fulfil the huge need of credit for poverty alleviation. The tentative estimate of the credit need is Rs. 1 lakh per household in 5-6 loan cycles.
26. Working Group encourages providing additional human resource as Bank Mitra in IOPs (SHG Federations) to facilitate SHG-Bank credit linkage. Working Group suggests to NRLM to proactively seek the use of latest ICT technology in disbursement of credit.
27. To facilitate SHG-Bank linkages, Working Group recommends strongly to NRLM to study the feasibility of setting up special Banks/Non-Banking Financial Companies/Community Financial Institutions at national, state, district and sub-district levels as special purpose vehicle(s) for delivery of credit to poor through SHGs, SHG Federations and other collectives.
28. In line with this, Working Group endorses the need for having Aajeevika Development Finance Corporation (ADFC) in place within a year.
29. Working Group is convinced that interest subvention should be on par with and like the agricultural/farm credit. Lending to institutions of the poor is priority lending and it should be at 7% (currently) and 3% prompt repayment bonus should be available as it is available to the farmers.

### **Member-savings**

30. Working Group, in addition to bank linkages and community-owned financial institutions, NBFCs and Banks at various levels, urges NRLM to stress savings of the members. There is a need to develop and offer more savings products available to members from IOPs. Working Group sees savings as an important element in the sustainability of the institutions as savings of members will enhance their stake which improves their ownership of the institutions resulting in the institutions of the poor become self-reliant and sustainable.
31. For women to trust their own institutions and use them for accessing a variety of financial services, a strong system of self-regulation is needed. A self regulatory system that will ensure annual audit & rating of SHGs & SHG federations, annual planning, regular elections and effective internal controls. Governance, management and control must remain in the hands of the members. Self regulation system can promote autonomy of the institutions of the poor and reduce their dependence on the promoters.

### **More Financial Products**

32. SHGs and federations need to constantly engage in developing more appropriate savings, credit, insurance and other financial products to the members and SHGs. Then only, the multiple needs of the members could be met.

33. Under the guidance of RBI and NABARD, many more innovative loan products are needed for institutions of the poor to meet their needs. A combination of term loan & cash credit facility could be made available to SHGs. To effectively meet the livelihood needs of the households, innovative loans & savings products are to be developed by the Banking system.

### **Risk Management**

34. At the block level and beyond, there is a need to develop collective risk management mechanisms and mutuals directly or through appropriate insurance agencies for meeting life, accident, health, cattle, asset, crop, enterprise and livelihoods risk needs.

### **Bottom 10%**

35. Working Group is aware of the challenge of improving the lives of the bottom 10%. The way out is a combination of more responsive and caring community in general and the village SHG Federation in particular and ensuring their rights and entitlements reaching them fully.

### **Livelihoods**

36. Working Group appreciated the broad contours of work in livelihoods – vulnerability reduction, expenditure reduction, enhancing existing livelihoods and diversifying into new livelihoods, skills for jobs and self-employment and micro-enterprises.

37. Working Group (like NRLM) feels that livelihoods strategies are still in the formative stage. This would mean a lot of experimentation, piloting and scaling up with care. Therefore, Working Group seeks augmentation of Innovation Fund to Rs.10,000 Crore, over 10 years. Further, Working Group recommends thematic/sectoral/issue-based/area-specific allocations within the innovation fund to ensure that all the 'items' across the spectrum that require attention are catered to.

38. Working Group notes that the livelihoods for the three layers of the poor (less poor, middle poor and poorest/vulnerable poor) are not identical. Further, Livelihoods are context specific (such as sector, area, social, caste, ethnic, gender, occupation etc.). In order to target them correctly, there is a need to map their livelihoods, vulnerabilities and social reality. Then the strategies to counter these vulnerabilities need to be evolved.

39. Significant part of NRLM's efforts has to be towards integrating these various but simultaneous stands of work in the broad livelihoods domain. In view of the multiple dimensions, local variations and scale of the task that call for macro-perspectives and micro-insights at the same time with dynamically changing livelihoods situation all around, a **special purpose vehicle(s) specifically to pursue, support and nurture this broad-spectrum livelihoods agenda of the poor needs to be set up in the coming 1-2 years.**

### **MKSP and other Mahila Sashaktikaran Pariyojanas**

40. Working Group endorses that rationale of MKSP in quickly generating large-scale proofs of value-chain based livelihoods interventions that worked in agriculture and allied projects across the country. MKSP would also produce multiple tested solutions, materials, manuals,

costing, processes that can be taken across the entire country based on the local need early so that the states can scale-up.

41. Working Group advocates mapping and assessment of various interventions across the country (government and non-government interventions) on some scale quickly. Whichever intervention that is successfully piloted and scalable/replicable can be funded through the special window of Mahila Kisan Sasakthikaran Pariyojana (MKSP - agriculture, livestock, dairy, fisheries, Non-timber forest produce etc.) that service at least 20-30 thousand households; and other similar livelihoods verticals (Mahila Saskthikaran Pariyojanas – MSPs) in non-farm products including khadi, handlooms and handicrafts and services in geographic clusters that service at least 5-10 thousand households.
42. Further, similar verticals of MSPs in social domain (health, education, etc.) need to be introduced.
43. Given the nature of livelihoods projects, the tenure may be 3-5 years with outlay up to Rs.20 Crore per project. These interventions are taken up across the country and the locations of the interventions should be treated as intensive areas/blocks. The interventions should integrate building up and mobilization of the poor into generic institutions simultaneously.
44. Therefore, the MKSP itself and other MSP verticals may have to continue for 5-6 years before fully mainstreamed into SPIP processes. In view of the increased scope and range, Working Group proposes a budget of Rs.300 Crore per year for MKSP and Rs.200 Crore per year for other MSP verticals.
45. Working Group also seeks NRLM to invest in value-chains for larger/distant markets that take a decade or two to consolidate (as in Milk across the country) right away.
46. Working Group recognizes the need to invest in developing the competence of community, project staff and other stakeholders to take up livelihoods promotion in a structured manner.
47. Further, developing the spear head teams with vertical specialists in every district/state charged with responsibility to build producers organizations, based on the strategy worked out in consultation with multiple stakeholders, is critical.

#### **Land-related**

48. Working Group would like the poor households to receive legal support to access their entitlements and resolve the land disputes.
49. Many a landless household can be assisted through purchase of land. Further, there are uncultivated abandoned lands due to the migration of land owners and purchase of such lands could also be facilitated. PRIs and Government may consider making the common lands, village lands and other revenue wastelands available to the IOPs for protection and enjoying the usufruct rights.

#### **Employment Continuum: Placement and Skills**



50. Working Group recommends that the states should take most of the funds under this component, leaving a modest 10-15% with Centre for multi-state and special projects/missions (Jammu and Kashmir, Integrated Action Plan Districts, Minority Concentrated Districts and North-east) eventually, over the coming five years.
51. It is envisaged that Project Implementing Agencies (Training Institutions) set up their training centers at Block level. These training centers would also function as Block Resource Centers to support youth. These Agencies coordinate with IOPs in sourcing and recruiting youth.
52. Further, as IOPs mature, they themselves would become Project Implementing Agencies, run the Block Resource Centres, train the youth in their own/hired training centres and place them.
53. Working Group sees a potential in partnering with various Industry Associations to know their need for skilled youth on the whole and ensure their involvement in counselling, training, apprenticeship and placement, apart from cost sharing.
54. Working Group, in this context, underlines the need to map the skills required in rural, semi-urban and urban areas and provide the skills to the youth and other members of the households so that they can 'sell' their skills and get jobs, become service providers and/or self-employed.
55. In order to ensure 'end-to-end job solutions' to youth, the Support Services, in addition to training, skill development and apprenticeship and bio-metric MIS, need to be put in place. These include - facilitation centres for counselling, mentoring, placement and post placement guidance including placement opportunities, accommodation, boarding etc., finishing schools to provide soft skills and personality development, alumni networks etc., in states/districts.

### **Self-employment and Microenterprises**

56. Working Group observes that as on date, NRLM is pursuing four streams (successful and proven) to place 90 lakh youth in self-employment/microenterprises over two Plans (30 lakh in 12th Plan and 60 lakh in 13th Plan) through RSETIs and Micro-entrepreneurs at the village level.
57. Working Group advises NRLM to interweave the role of CBOs in the whole process from selection of the trainer-entrepreneurs, potential entrepreneurs, monitoring the training and apprenticeship, supporting the entrepreneurs in enterprise development, enterprise maintenance support/guidance etc., to ensure sustainability.

### **Partnerships in Livelihoods**

58. Working Group advocates strong partnerships with stakeholders in the value-chain, like Technology Institutions, Market/Business Organizations etc., both for forward linkages and backward linkages.

59. When these pilots on scale show results and mainstream NRLM would take them forward through the route of State Perspective Plans.
60. Working Group has found the Infrastructure and Marketing Fund is limiting in its name and scope and would like to call it 'Livelihoods Support Fund' to meet all the value-chain gaps and tap the opportunities through supporting viable business plans of the institutions of the poor. Therefore, the outlay needs to be increased significantly.
61. Similarly, the Skills for Jobs component has potential and ambitious agenda is set. Self-employment and micro-enterprise development needs to be stressed and the outlays need to be increased to meet this agenda. This outlay has to be separate.
62. Working Group underscores the need for efforts in convergence directly by the IOPs at various levels, as much as possible. NRLM needs to facilitate these. It can be with PRIs. It can be with MGNREGS. It can be with RKVY. There is a need to invest in IOPs to demand the line departments and to sensitize line departments to meet the needs of the IOPs. It may be worthwhile to invest in a person (like Bank Mitra) to be with line department(s) to specifically meet the needs of IOPs.

#### **PRIs and IOPs**

63. Working Group suggests that NRLM must find ways to work with PRIs (traditional institutions where PRIs are absent) and Gram Sabha.
64. Working Group insists that the states should develop their own operational guidelines that include partnership with PRIs very clearly. It is necessary for all States to work out a phased program (with milestones and timelines) of bringing about positive synergetic working relationship between PRIs and the IOPs, participatory planning for poverty reduction and delivering on the plans.
65. These linkages/synergies can be achieved only with massive sensitization and significant capacity building efforts for PRIs to enable them to work in partnership with IOPs and for IOPs to realize the need work in close co-ordination with PRIs.
66. Working Group recommends IOPs must present their plans consolidating household livelihood plans of the members in Gram Sabha. By the same token, they should present their annual accounts and activities in Gram Sabha and subject them to social audit.
67. Therefore, most States may launch pilots covering a few representative blocks to consciously push for bringing about such a relationship.

#### **Partnerships with CSOs**

68. Working Group endorses NRLM's intent to work and partner with NGOs, IOPs and other CSOs for a variety of purposes. Importantly, it recommends that NGOs, IOPs and other CSOs should be field implementation partners in at least 10% of the Blocks in each state. *The partnerships may be in a minimum of 50% Districts. At least 20% Blocks in each district selected may be partnered with NGOs/CSOs/CBOs.*

69. However, all the partners would be selected through a third party empanelling procedure as outlined in the framework of partnerships with CSOs. It is important that these partnerships are for building on the existing work of the NGOs on one hand and for the needy/difficult areas (blocks) on the other. Final selection is subject to the satisfactory block plans and presentations before a selection panel.
70. NMMU should seek the services of a national empanelling agency to create a pool of empanelling agencies that can support State Governments. The State Governments can be advised to use any agency from this pool for selecting the NGOs for field implementation.
71. NMMU should take responsibility for selecting multi-state NGOs & Resource NGOs. State Governments to be advised to partner with these selected through tripartite agreements (SRLM, NRLM & NGO).
72. Working Group also underlines the CSOs being in the various coordination and review committees at district, state and national levels.
73. Further, Working Group envisages Joint Policy Advocacy and learning forums/platforms for continuous dialogue with NGOs and other CSOs to improve NRLM implementation.

### **Sensitive Support Structures**

74. Given the gigantic task and the NRLM philosophy of dedicated sensitive support, Working Group is convinced the NRLM requires an **exclusive full-time fixed and long tenure Mission Director for NRLM** without any other Secretariat (Ministry) responsibilities. Working Group would also like the staff in the Sensitive Support Structures go through rigorous induction and training.
75. Working Group realizes that retaining NGOs as partners is more difficult than finding some as partners. In view of this, it seeks a dedicated and professional Partnership Management Cell within NMMU to support and nurture partnerships. In addition, National Special Purpose Vehicle(s) to support and manage NGO/CSO Partnerships for field implementation and resource blocks should be explored and finalized soon.
76. In fact, given the need for sensitive and dedicated support, even at the National level, Working Group is convinced that **NRLM should be an independent, autonomous, adequately staffed, professionally managed and empowered agency.**
77. Working Group would like to reiterate that SRLMs should be similarly independent agencies at the state level with full-time fixed and long-tenure CEOs. The staff in support structures should be on fixed term contracts, even if they are deputed Government Officers.
78. NRLM should have Gender policy in staffing in the NRLM Support Structures at various levels across the country and in institutions supported. Further a gender strategy for program design of how to incorporate gender while working with communities should also be formulated.

79. Working Group would like NRLM to take the convergence at various levels for poverty reduction forward by encouraging IOPs to prepare comprehensive poverty reduction sub-plans and aggregated/consolidated at district level. A special professional team, specifically supported by NRLM, at the district level should be mandated to do this.
80. Working Group also recommends NRLM to organize national and regional consultations to enable the identification and scaling up of specific, high-impact interventions within NRLM which have brought a significant improvement to the lives of the poor. An Annual Round Table over 3-4 days with senior staff in NRLM and SRLMs and the Civil Society Organizations and other senior practitioners outside would not be a bad idea.
81. Working Group realizes that there is a need for building common platforms for livelihoods practitioners across the country, for sharing and learning. A national institute (gurukul) of livelihoods and development could be established for livelihoods learning, managing a national livelihoods resource centre, livelihoods e-portal and livelihoods multi-media centre [including TV channel(s)].
82. Working Group finds the Mission Support costs (referred as administrative costs) provided to SRLMs and Project Implementation Agencies inadequate and recommends them to be raised to 10% (of the total outlay that includes Central Share and State share) in Category A [Building Strong IOPs]. Further, Working Group recognizes that Support Costs would be higher in terms of percentage of the total costs during the initial years and would gradually taper down. Therefore, Working Group insists that the provision of Mission Support cost should be allocated as a percentage of the total outlay for the entire perspective plan period rather than year-by-year.
83. Also, Working Group is keen to link the outcomes/milestones of the perspective plan, to be detailed in the state perspective plans, with the costs and releases. Even their support/administrative costs have to be linked to the milestones.
84. Since SPIP has distinct SC sub-plan, Tribal sub-plan and sub-plan for vulnerable communities, covering all aspects of SCSP and TSP components of NRLM, there should also be sub-plan-wise monitoring and review.
85. Working Group endorses similarly NRLM at Central level retaining 10% of the Central Outlay [of Category A] of the perspective plan period, and applying these funds for providing incentives to better performing states, providing support weak states, apart from meeting the administrative costs including technical support, thematic assistance, ICT, panel studies and other monitoring and learning systems/activities/processes and capacity building. These funds would also be used to support resource blocks, special thematic projects directly administered from the Centre etc. Some funds would be available as discretionary funds at the Central level.

86. Significant representation of the Civil Society in the NRLM coordination committees and task groups at the district, state and central level is critical. Also, bankers should be included in the District level Advisory Body.
87. Working Group feels that NRLM Support Structures and Implementing Agencies should be accountable to IOPs. All the transactions of NRLM at every level should be for public scrutiny on internet. An 'NRLM ombudsman' may also be appointed.
88. Government may consider establishing a National Rural (Oversight) Commission for convergence of all programs of Government of India for Aam Aadmi and Aam Aurat and bridge across the Ministries and Departments.

### Phasing and Budget

89. Working Group projects that NRLM reaches all - all districts in 5 years, all blocks in 8 years and all NTH households in 12 years. The tenure of NRLM itself cannot be less than 15 years.
90. A summary of the budget for the entire NRLM effort over 15 years is about Rs.175000 Crore - Rs. 52,722 Crore during the 12<sup>th</sup> Plan, Rs. 104,295 Crore during 13<sup>th</sup> Plan and Rs. 17,896 Crore during 14<sup>th</sup> Plan; i.e. a total of Rs.174,912 Crore. Broad budget allocation is -
- A - Generic (IOPs): Rs.116000 Crore;
  - A1 - MKSP: Rs.1500 Crore; A2 - Other MSPs: Rs.1000 Crore;
  - B - Skills: Rs.37500 Crore;
  - C - Self-employment/enterprises: Rs.9000 Crore; and
  - D - Innovations: Rs.10000 Crore.

Following table provides a snapshot of all the recommendations of the Working Group:

<b>NRLM Framework</b>	<b>Working Group Recommendations</b>
BPL Vulnerable Communities	NRLM Target Households List expanded; Special Strategies for Vulnerable required
Pre-existing SHGs; Mapping	Pre-existing Institutions of the Poor; Mapping
Revolving Fund/Capital Subsidy	Seed Capital
Vulnerability Reduction Fund	Vulnerability Reduction Fund up to 50% at village level
Infrastructure and marketing Fund	Livelihoods Support Fund – support to IOPs against business plans
Administrative cost in tune of 5% of the total outlay	Administrative cost in tune of 10% of the outlay of Category A
Financial Inclusion: Institutions will be working with banks	Institutions will be working with banks and community owned financial institutions
Interest subvention (up to 7%)	Interest subvention – on par with farm credit
Partnerships with NGOs, CSOs	Partnerships: Mapping, Framework for NGOs; at least 10% Blocks through NGO partnerships
Skills for Jobs (15% of central outlay)	Skills for Jobs: Separate allocation -Rs.15,000/person
Self-employment (limited to establishing 600 RSETIs)	Self-employment: Separate allocation - Rs.10,000/person, in addition to RSETIs (1500)
Innovation Fund (5% of central	Increased funds for innovations: Rs.10000 Crore

outlay)	
Working with banks	Working with banks, plus community-owned banks/NBFCs/Banks at various levels
10% (central outlay) Centrally administered funds – discretionary	10% (Category A), 1.5% (Category B, C and D) – Centrally administered funds: Discretionary funds to incentivize states and needy states; Resource Blocks
MKSP – a budget provision in 2011-12	MKSP (Rs.300 Crore/year) and other verticals (Rs.200 Crore/year) for five years
Ceilings for IB, CB etc.	Ceilings for IB, CB remain as they are; Total outlay average – Rs.12,000 per HH (Cat A) or Rs.18 Crore per Block over 7-9 years including administration and other centrally administered funds under Category A

***Working Group believes that NRLM has the potential to take India closer to achieving the MDGs, particularly Goal 1, 3 and 7 and contribute significantly in achieving the remaining Goals<sup>13</sup>, as early as possible and reduced poverty in general and the poverty of the poorest and the most vulnerable in particular.***

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<sup>13</sup> Goal 1 – Eradicate Extreme Poverty and Hunger; Goal 3 – Promote Gender Equality and Empower Women; Goal 7 – Ensure Environment Sustainability; Goal 2 – Achieve Universal Primary Education; Goal 4 – Reduce Child Mortality; Goal 5 - Improve Maternal Health; Goal 6 – Combat HIV/AIDS, malaria and other diseases; Goal 8 – Develop a Global partnership for Development

## **Annexure 1: Working Group on NRLM**

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## **Annexure 2: Summary of Regional Consultations**

A Working Group on National Rural Livelihood Mission (NRLM) was set up by the Planning Commission to review the NRLM framework for implementation. It was decided that the Working Group members will hold regional consultations with stakeholders (SHG members/ leaders; Civil Society Organisations, concerned departments of state government and others) and seek their inputs on the policy and implementation strategies of NRLM. The outcomes of the consultation will act as inputs for the approach paper of 12<sup>th</sup> Five Year Plan of India.

The objective of the consultations was to listen to the views of the different stakeholders, to understand from their experiences in rural development, what could be done for poverty reduction, and to share the learning from the success and failure based on which new recommendations could be formulated.

Together, more than 200 stakeholders, apart from the Working Group members, participated in these Regional Consultations at Patna, Jaipur, Mumbai, Hyderabad, and Guwahati and deliberated upon the intricacies of the NRLM framework and its implementation. Their focus issues included -

1. Methodology of identifying and working with vulnerable groups ;
2. Methodology of establishing Institutions of the Poor and also recognizing and working with existing ones like SHG federations, Producer's cooperatives and strengthening the same;
3. Capacity building of the IOPs as well as that of the sensitive support structure;
4. Livelihoods, Employment, Enterprises and Collectives, Support, and Livelihoods Practices that can be taken to scale;
5. Financial inclusion of the poorest of the poor;
6. Convergence of NRLM with the PRIs and other government programs;
7. Partnering with CSOs and NGOs for implementation of NRLM;
8. Phasing, Intensive and Non-intensive, Scaling-up.

### **Summary of the Discussions**

#### **1. Social Inclusion**

The BPL list does not guarantee that the poor and the vulnerable are included in the target group of the NRLM. NRLM should have its own target group and a participatory baseline needs to be there at the earliest. To begin with, the entry can be with the automatic inclusion (of the ongoing BPL survey) households without waiting for the baseline. Further, the poorest and the most vulnerable should be targeted first.

NRLM should make special efforts to include and address the poverty of the vulnerable groups and these include tribal communities, primitive tribal groups, non-timber forest produce collectors, differently-abled, single women/women headed families, elderly, migrants, nomadic tribes, people living with HIV and AIDS, so on so forth. The vulnerable and marginalized communities need special/customized processes, concessions, entitlements, structures, provisions etc. Also, we need to realize that the vulnerable groups have livelihoods and they require livelihoods support too. It is possible that their livelihoods needs are to an extent different. There is a need to mainstream targeting the vulnerable. There should be clear budget allocation for each named vulnerable group. For instance, an allocation of at least 6% for the differently-abled/physically challenged and 7% to the elderly in the NRLM is necessary.



NRLM needs to start with identifying the poorest of the poor, most vulnerable and poor households, rank them, organize and work with them (with livelihoods options, human development and social security). PRI/Gram Sabha needs to endorse the identified households.

## 2. Financial Inclusion and Assistance to SHGs

An average support of Rs. 1 lakh/family is achievable only with the proactive push of the banks. There is a need to monitor the banks' credit plans category-wise. Banks have not innovated products/instruments for the poor seriously except for term loans. The banks need to be worked on to be more responsive. Also, there should be Emergency Fund that can be accessed by the vulnerable.

**SHG Bank/NBFC should fund SHG Federations:** It is time to look beyond banks to lend to SHGs and consider establishing a bank exclusively to cater to the requirements of the SHGs.

**Credit Limit and Credit Card options** to SHGs/Institutions, apart from term loan, should be available. Also, SHGs/Institutions should be recommending individuals for loans from Banks. Institutions can be the business correspondents to expand financial inclusion.

**Funds need to flow to institutions of the poor** as directly as possible. No grant should be given to the individual households. Any relaxation in providing credit should be considered only after the establishment of strong federations.

The **savings** need to grow and in due course they will meet substantial needs of the members. There is a need to augment number of savings products, apart from credit products, in the institutions of the poor and the banks.

## 3. Institutions of the Poor

The backbone of the NRLM strategy is the institutional architecture of the poor. This is non-negotiable. There is a need to form exclusive institutions of the Poorest of the poor and most vulnerable. NRLM should begin with working with the poorest of the poor and end with the poor.

The process of forming institutions of the poor should be only targeting the poor & poorest of the poor. NRLM should be cautious of infirmities that come because of the entry of the non-poor and creamy layers into the fold of NRLM. NRLM should not include the non-poor as they will capture the institutions of the poor and all the benefit from that effort. There should be a valve that will not let the program go further unless the POP are organized.

NRLM should automatically work with the **pre-existing groups** if they have more than 70% of the target group of NRLM and if they are mixed groups, the groups need to set a demonstrable pro-poor agenda for support. A set of indicators and tools need to be developed for establishing that the groups have pro-poor agenda or not. Also, let us appreciate that mobilizing and working with poorest of the poor require multiple ways and strategies with varied emphases and intensities.

NRLM should not be wedded to one institutional form, SHGs of women and their federations. It should be open to a variety of collectivization instruments. Where required, it can also work with individual household, albeit on a miniscule scale.

We need to appreciate that there are SHGs and there is **multiple membership** in them. There are also SHG Federations promoted by NGOs. A mechanism to take stock of the existing and building on this foundation is required. However, there is also a need to make available a more correct legal frame for SHG Federations in many a state.

If there are SHG **federations** promoted by both government and NGOs, both the organizations should be recognized and supported under NRLM appropriately to maximize the synergies. There is no cap on the number of federation in a particular area.

#### **4. Capacity building**

##### *Of SHGs*

Capacity building of the SHGs and their Federations shall be in any or all of the following five main areas (based on any particular training needs assessment): (i) Group Management Skills, (ii) Internal Savings and lending skills, (iii) Basic Market Skills, (iv) Innovations and experimentation Skills, and, (v) Sustainable Production and Natural Resources Management Skills

##### *Of Staff*

More attention should be paid to recruit local talent, train & induct them and make sure that they go through a 1-3 months of immersion. The field teams should be made exclusive to the local talent. However, 6-month probation for new recruits and considerable period (say 3 months) of systematic induction and immersion are non-negotiable for all levels including those on deputation.

The numbers of Young Professionals can go up significantly to realise the extensive mandate of NRLM. Also, thematic YPs can be deliberated upon.

There is a need for more and more exposure visits for all staff to the NGOs and the community organizations. Building capacities of the staff of the NRLM implementation structures in a systematic induction & immersion is critical to ensure the reflection of the core values and process approach in promoting the institutions of the poor.

The Guwahati Consultation suggested that Gurukuls for Livelihood Practitioners be established with the aim to:

- Impart high quality rigorous training to youth of the region to deliver world class service to community issues
- To attract youngsters take up work in the development sector as serious business and as an career option
- To create a base of cadre available locally and aware of local context to stay engaged with community on a long term basis
- To create a cadre of leaders who are going to play important role in the development agenda of the region in the future.
- It should be a virtual hub where the resources could be pulled from various places and with a strong role for practitioners, thus having a strong balance between theory and practice. It would be a research and training ground for NRLM.

#### **5. Livelihoods**

NRLM needs to look at the entire village economy, resources and farming/livelihoods system and build infrastructure so that the poor could be enabled to optimize the resource utilization for their betterment.

It should begin with livelihoods mapping - area specific livelihood mapping of Resources, Skills, markets, technologies, enterprises and also conduct a gap analysis, and identifying existing and potential livelihoods. This should result in promoting existing livelihoods at individual level, group level, village level, inter-group level and/or beyond.

Collectivization can be promoted for purchases, sales, processing, and integrated. Management Development and Entrepreneurship Development Programs need to be offered to the individuals/institutions. Sustainable agriculture, tank-based and dairy based livelihoods are amenable to take to the scale through collective route.

These gaps and opportunities can be addressed through products and service-based enterprises - Individual Enterprises; Group Enterprises at SHG level; Village Enterprises at SHG Federation Level; Beyond Cluster level – MACS/Producers' Company; and Beyond - Company of Producers' Companies. A significant step towards encouraging these enterprises would be to enhance the role of the RSETIS.

**Feasible Business Plan Models** should be developed for SHGs which should be customized to local requirements. Promotion of livelihoods collectives would be critical for the success of the mission with focus on marketing and a value-chain approach. These enterprises will be community-owned and community-based.

## 6. Convergence

**Convergence with PRIs or traditional institutions:** At the village level, NRLM will work in tandem with the PRI or its counterparts to ensure the smooth implementation of the program.

The use of PRIs and their alternatives as an entry point contact has been very successful in the past. Using them for financial intermediation has given mixed results.

Convergence with other government programs including programs within Rural Development, Agriculture and also with research institutes, social entrepreneurs etc., is need-based and NRLM/SRLMs should keep on trying.

## 7. NGOs

In reaching the poorest of the poor, partnerships with NGOs/CSOs would definitely be a critical strategy. The program may map NGO availability and their competence in a particular region and develop objective selective criteria specific to the region for selection of the same.

MoRD, NRLM, Rural Development departments and SRLMs should have NGO/CSO cells within them to create and support a special window for CSOs/NGOs. The expertise and experience available with NGOs/CSOs and the existing community organizations are very valuable and needs to be tapped.

There is a need for NRLM to lay down **clear guidelines** for partnerships with NGOs/CSOs. Partnership with CSOs will be across the spectrum of activities/aspects in NRLM, as service providers/resource organizations and as implementation partners. As NRLM laid out the principle of building on what has already been done, NGOs that have been engaged in promoting livelihood organizations, including SHGs & SHG federations, need to be mapped, assessed and formal MoUs need to be signed with those organization.

**Transparent criteria** fixed at the national level should govern these partnerships. Empanelled NGOs/CSOs by an independent credible academic or resource agency/panel will only be partnered with [multi-state NGOs to be chosen by NMMU appointed empanelling panel/agency]. There is a National Policy on Voluntary Sector 2007 within which this partnership framework can be situated.

There is a need for grading NGOs/CSOs. The performance norms are to be customized to local context and situation. The innovative partnership models need to be documented. There should be a sense of partnership between the mission and the NGOs. There should be a shift from considering the NGOs as being on contract for a particular project.

Generally, government programs engage NGOs/CSOs initially and tend to overlook them later. Therefore, an institutionalized mechanism for NRLM's **continued engagement** with the CSOs is necessary. The Hyderabad consultation opined that the regional consultations should become a regular forum for the NGOs and other stakeholders to engage in sharing of experiences and exchange of ideas.

The mission ought to ensure adequate provisions for building the management capacities of the NGOs.

## **8. Phasing**

Remote and interior areas should be given priority. The intensive districts (25%) and blocks (10%) in the first phase should have a mix of districts/blocks that require utmost/urgent attention and districts/blocks that have social capital and best practices to build on quickly. This social capital could include a variety of institutions of the poor, not necessarily SHGs and their federations.

However, within this broad understanding, phasing would be state specific depending on the stage of evolution in the state. In South India, NRLM phasing would be different as there are strong people's organizations in most of the blocks. The strategies would vary based on the local contexts and the ground situation in each block/district/state.

There is a need to define very clearly what is available for non-intensive districts/blocks. A transition/preparatory phase needs to be clearly defined for them to be intensive districts/blocks. There should be a broad vision that 'no BPL' after 7-8 years. Knowledge generated in the pilots should serve as lessons for scaling up the implementation of NRLM.

Each phase needs to be monitored and evaluated in terms of process and outcomes.

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