

**Deendayal Antyodaya Yojana
National Rural Livelihoods Mission**

Part-I : Master Circular

Guidance for Mission Implementation



सत्यमेव जयते

**Ministry of Rural Development
Government of India**

DAY-NRLM Master Circular

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Section-1¹

DAY-NRLM

1. NRLM

1.1 Launch

The National Rural Livelihoods Mission (NRLM), is a centrally sponsored programme launched in June 2011, after restructuring *Swarnjayanthi Gram Swarozgar Yojana* (SGSY). The Mission is implemented by the RL Division of Ministry of Rural Development (MoRD), Government of India (GoI) with the support of the State Rural Livelihoods Missions (SRLMs). The Mission has since been renamed as '*Deendayal Antyodaya Yojana*' (DAY-NRLM).

1.2 The Mission

The Mission aims to “reduce poverty through promotion of diversified and gainful self-employment and skilled wage employment opportunities resulting in appreciable increase in incomes of the rural poor on sustainable basis”. The Mission seeks to adopt a strategy of promoting and strengthening community institutions which are in turn expected to mediate the livelihoods of the rural poor.

1.3 Target

The DAY-NRLM seeks to reach out to all poor households in a phased manner and impact their livelihoods significantly by 2022-23. More specifically, the mandate of DAY-NRLM is to impact 70 to 80 million poor rural households spread across more than 647 districts, 6,559 blocks, 2,38,000 gram panchayat and about 6,40,000 villages across 29 states and 5 Union Territories.

1.4 Components of the Mission

The Mission seeks to achieve its objective through implementing four core components *viz.*, (a) social mobilization and promotion of sustainable community institutions of the rural poor (SHGs, VOs, CLFs *etc.*); (b) financial inclusion of the rural poor; (c) sustainable livelihoods; and (d) convergence and entitlements.

¹ See Detailed Annex in Part-II

1.5 Phased and Intensive Implementation Strategy

Given the target, the task of building sustainable institutions and the resources required, DAY-NRLM has adopted a phased but intensive implementation strategy covering select blocks in each year so as to cover all blocks by 2018-19 and all eligible households by 2024-25.

1.6 Dedicated Mission Implementation Structures

To facilitate intensive implementation, State Rural Livelihoods Missions (SRLMs) have been established as special purpose vehicles. Dedicated implementation support units have been set up at the state, district and block levels known as State Mission Management Unit (SMMU), District Mission Management Unit (DMMU) and Block Mission Management Unit (BMMU). Multi-disciplinary professional teams are engaged at each level to spearhead the Mission activities under different components. A National Rural Livelihoods Promotion Society (NRLPS) has been established under the MoRD to provide technical support to the SRLMs. The NRLPS has set up a National Mission Management Unit (NMMU), a multi-specialty team of experts to support the State Missions.

1.7 Geographical Coverage

All States and Union Territories which satisfy the conditions for transition from SGSY to NRLM implement the Mission in identified rural blocks. At present, all 29 States and the 5 Union Territories of *Puducherry, Andaman & Nicobar Islands, Lakshadweep, Dadar and Nagar Haveli and Daman and Diu* are implementing the Mission.

1.8 Financing of NRLM

Central assistance to the states for implementing NRLM was provided up to FY 2014-15 in the ratio of 75:25 in respect of all major states, while in the case of North-Eastern and Himalayan states as well as Jammu & Kashmir, the central assistance was in the ratio of 90:10. From FY 2015-16, the pattern of central assistance to major states has been changed to 60:40. The inter-state distribution of central assistance has largely been made on the basis of inter-state poverty ratio. However, from FY 2016-17, North-Eastern states have been provided funds on 'need' basis to enable them to cover two-thirds of the rural population in a time bound manner. In respect of Jammu & Kashmir too, allocation is made to cover two-thirds of the total households in the State. Further, out of the total budgetary allocation for NRLM, up to 25% could be used for skill development and placement support projects implemented by DDU-GKY. From 2015-16, the ceiling of 25% has been relaxed and the allocation for DDU-GKY made on 'need' basis.

1.9 Additional Financing

In addition to the central assistance, GOI has borrowed an IDA credit of an amount of US \$ 500 million to supplement the resources for 13 high poverty states². The assistance is specifically intended to: (i) create model blocks in all 13 states; (ii) promote professional management systems for NRLM; (iii) earmarked dedicated funds for innovative projects for financial inclusion, livelihoods and convergence; and (iv) support innovations and pilots for social inclusion and social development. This additional financing component called National Rural Livelihoods Project (NRLP) is available up to *June 2018*.

²Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Odisha, Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan, Tamil Nadu and West Bengal.

Section–2³

Social Mobilization and Inclusion

2.1 Social Mobilization

The Mission mandates that all eligible rural poor households are identified and mobilized into Self Help Groups (SHGs) and nurture the SHGs as grassroots democratic and financial institutions. The key elements of universal social mobilization and inclusion strategy are outlined below.

2.2 Identification of Eligible Households through SECC Data

All households with one or more deprivation, automatically included households as per SECC 2011 and all eligible households identified through a 'participatory identification of poor' (PIP) process and validated by *gram sabha* constitute the NRLM target group. The Mission is required to identify, sensitize and mobilize all eligible households into SHGs, which will in turn mediate the livelihood concerns of their members.

2.3 Mobilization of One Woman Member from each Rural Poor Household

The Mission will facilitate mobilization of at least one woman member from each eligible rural poor household into SHGs.

2.4 Priority to Mobilization of Vulnerable Households

While undertaking mobilization, special efforts are to be made by the State Missions to identify and mobilize vulnerable and marginalized households, particularly those belonging to the SCs, the STs, the PVTGs, single woman households and woman headed households, the disabled, the landless, the migrant labour, the minority groups and households located in extremist affected areas, hilly terrains, isolated and remote villages. Even among the identified households, priority is to be given to trafficked women, people engaged in unhygienic occupations, trans-gender, HIV/AIDS infected and affected families and households with persons suffering from chronic illnesses. Eventually, all eligible households are expected to be mobilized into functional SHGs.

³ See Detailed Annex in Part-II

2.5 Use of Social Capital for Mobilization – External and Internal CRPs

The Mission Management Units are required to use frontline staff, external Community Resource Persons (CRPs) (wherever possible and required), internal CRPs and active women for undertaking inclusive mobilization. Wherever internal CRPs are not adequate in number, the Mission units will identify active women and train and deploy them to undertake inclusive social mobilization. All frontline staff and different types of social capital are to be sensitized to the concept and methods to be adopted for ensuring social inclusion.

2.6 Saturation of Social Mobilization in 18 Months

As mobilization and inclusion are process oriented activities requiring time and effort, it is expected that the Mission units facilitate mobilization of up to 80% of eligible households within the first 18 months of entering a block/village/gram panchayat. The Mission units will also utilize the services of Village Organizations (VOs) to saturate mobilization and ensure inclusion of all hitherto left out households. Mobilization should be treated as complete only when the VO makes a declaration to that effect.

2.7 Women SHGs

NRLM will promote only SHGs of women from eligible households. A Self Help Group is an affinity-based, homogenous group of 10-20 members (up to 5 members in hilly terrain, desert and difficult areas) with certain common goals and functional discipline. As far as possible, the women members should belong to a similar socio-economic background.

2.8 Special/Exclusive SHGs

The State Missions are also required to promote special/exclusive SHGs of vulnerable groups such as People with Disabilities (PwDs) and the elderly persons with flexible norms that would facilitate their inclusion. Both adult men and women would be allowed to be members of such SHGs. In respect of PwDs, the guardians/ caregivers of the members would be permitted to represent in the SHG meetings and activities.

2.9 Promotion of New SHGs

The frontline Mission professionals, CRPs (external or internal), active women and other social capital are required to undertake mobilization of eligible women into new SHGs on an on-going basis until all the eligible poor households are mobilized, keeping in view the 'affinity' and 'social homogeneity' and 'neighbourhood' factors. Mobilization of eligible women into new SHGs will require a series of one-to-one

meetings with members, sensitization of the potential members to the advantages of joining the SHG and use of entry-point activities as well as appropriate IEC. A new SHG is said to be formed only when at least 10 women members from eligible households meet and record a resolution to that effect. While trained frontline professionals can provide support, the actual formation of SHGs is ideally undertaken by trained CRPs and active women. Building the capacities of CRPs and active women, therefore, assumes importance in the context of promoting new SHGs and thereby ensuring inclusion of all eligible households.

2.10 Validation of Pre-Existing SHGs

As part of the mobilization drive, the Mission units will be required to screen all the pre-existing SHGs in each village, including dormant SHGs and SHGs that can be revived and strengthened. This will include all SHGs promoted under SGSY, other government programmes and NGOs but not SHGs promoted by micro-finance institutions. The frontline staff, CRPs and active women are expected to undertake a thorough scrutiny of each SHG and their functional status with reference to books of accounts including bank pass book and regularity in observing basic group norms. The CRPs/active women will mobilize the members after analyzing the reasons for dormancy or non-functioning. Wherever necessary, the CRPs/ active women will update the books of accounts and resolve outstanding issues as necessary for reviving the groups. Further, change /rotation of leadership will be facilitated as part of revival. However, only SHGs with at least 70% of the members from the NRLM target group *i.e.*, households with at least one SECC deprivation and automatically included categories will be eligible for being brought under NRLM fold. The frontline staff will maintain a record of all SHGs brought under NRLM fold, besides the new SHGs.

Section–3⁴

Promotion and Functioning of SHGs

3.1 Promotion of SHG Functioning

SHGs are the building blocks on which the entire edifice of community institutional architecture under NRLM is built. The quality of SHGs promoted determines to a large extent the outcomes of the Mission. Mission staff and CRPs should carefully nurture the SHG functioning in the initial phase. The staff and CRPs should facilitate regular conduct of meetings, member participation and collective decision-making, inculcating the habit of thrift, regular savings and internal lending. Once the group attains a certain level of maturity, SHGs will have to be nurtured to access Mission funds and bank credit to meet their livelihood requirements. The Mission staff and social capital are expected to nurture SHGs to take up collective social and economic activities on a continuous basis. Well-nourished SHGs and their federations would emerge as institutions facilitating diversification of livelihoods and empowerment of women. Systematic nurturing and capacity building assumes critical importance in the context of enabling the SHGs to adhere to good democratic and micro-finance practices for financial inclusion, livelihoods promotion, skill development, accessing entitlements and public services.

3.2 Election of Office Bearers

As part of promoting SHGs, the Mission will facilitate all new SHGs to elect Office Bearers (OBs) viz., President (first leader), Secretary (second leader), and Treasurer (third leader). As far as possible, the leaders must be chosen by consensus for a fixed tenure of 1-3 years as decided by the SHGs. The principle of rotation of leadership among members is a non-negotiable principle that needs to be promoted in all SHGs. The frontline staff / CRPs/active women will also ensure that OBs are selected from vulnerable groups as well. A resolution shall be passed by the group clearly indicating the office bearer selected, along with the position.

3.3 Roles and Responsibilities of Office Bearers

The Mission staff and the social capital are required to promote clear understanding of the roles and responsibilities of each office bearer and the same must be recorded in the minutes book. The following specific roles are generally assigned to the OBs.

⁴ See Detailed Annex in Part-II

- **President/First Leader** – She is the custodian of the group and provides overall guidance and ensures regular conduct of meetings and participation of members. She also represents the group in primary SHG federation or village organization.
- **Secretary/Second Leader** – Custodian of all records and books of accounts of SHG and its assets and responsible for organizing meetings regularly.
- **Treasurer/Third Leader** – Responsible for all financial matters including accounts and audit. In the absence of Treasurer, Secretary takes full charge of all the responsibilities of Treasurer.
- **Bank Account Operation** – Any two of the elected OBs operate the SHG bank account with the approval of SHG.
- **Other Responsibilities** – Each SHG is expected to identify a person to lead gender and social development agenda. Further OBs, with the support of bookkeeper are expected to prepare and submit a monthly progress report on SHG transactions. Such progress reports submitted to VO for review and grading.

3.4 Opening of SHG-Bank Account

Opening of SHG savings account in a bank, preferably a service area bank is a significant step in the promotion of SHG. The frontline staff, *bank mitra* and CRPs will facilitate opening of SHG savings bank account soon after the formation of SHG. The frontline staff, CRP and the *bank mitra* will provide documentation support and introduce the bank manager to the SHG and facilitate opening of bank account.

3.5 Promotion of *Panch Sutras*

As grassroots democratic organizations, the SHGs will be guided to following certain democratic practices. These principles, referred to as *Panch Sutras*, constitute the essence of SHG functioning. They are as follows:

- conduct of regular meetings attended by all/most members;
- subscription of regular saving amount by members at agreed rates and frequency;
- regular inter-lending of common fund generated out of member savings and other grants and earnings for meeting credit requirements of members at terms and conditions decided by consensus;
- regular repayment of internal loans by members at terms and conditions agreed upon; and
- regular and transparent book-keeping of SHG accounts, by a trained member/book keeper.

The Mission staff/CRPs/active women will guide the SHG to understand the importance of these principles and adhere to them. The training of SHGs will include modules on *Panch Sutras*.

3.6 Rotation of Leadership

Further, as grassroots democratic organizations, the SHGs are required to rotate the leadership amongst the members at frequent intervals in order to inculcate leadership qualities among all members and to promote shared responsibility. The Mission will facilitate rotation of leadership among the members and also ensure that the leaders are selected from the vulnerable groups.

3.7 SHG Bookkeeping

Being transparent and democratic in their functioning, SHGs are required to keep accounts of all their transactions right from the beginning. This is essential to build mutual trust and give confidence to the members about the safety of funds contributed by them. The BMMUs/PFTs will be responsible for instituting transparent accounting practices by undertaking the following steps.

3.7.1 Standard Books of Accounts

The Mission implementation units will ensure that the following books of accounts and other records are maintained by each SHG under NRLM fold.

- meeting minutes book;
- attendance and savings register;
- cash book;
- loan ledger;
- general ledger;
- individual pass book; and
- monthly transaction cum information sheet (*Maasik Prativedan* / Monthly Progress Report).

The State Mission may supply these books free of cost or charge a price or subsidize the cost.

3.7.2 Identification of Bookkeepers

All SHGs should have a trained bookkeeper to maintain the books of accounts regularly. Ideally, one of the members should be trained to act as the bookkeeper. However, if there is no member with required education (up to class VII with numeracy skills) or willingness to act as bookkeeper, a bookkeeper needs to be engaged from outside by the SHG. In such cases, preference needs to be given to members of SHG households. The Mission staff will provide necessary guidance to the SHGs in this regard.

3.7.3 Training of Bookkeepers

Once engaged, the bookkeeper needs to be trained in correct and consistent bookkeeping. The State Mission is required to provide module based training to all the identified bookkeepers.

3.7.4 Support for Bookkeeping through Master Book Keepers (MBKs)

The MBKs/CRPs/frontline staff are required to provide handholding support to the bookkeepers, particularly, during the initial period. They will conduct periodic checks to ensure that books are maintained correctly.

3.7.5 Honorarium for Bookkeepers

All SHGs will be guided to making payment of honorarium to the bookkeepers for writing the books of accounts. For this purpose, the SHGs may seek additional contribution from members or pay the same from the group corpus.

3.7.6 Bookkeeping

The bookkeeper is required to record all the transactions in the SHG meetings. The bookkeeper should be guided to recording attendance, savings, minutes, credit transactions *etc.*, in the meeting itself. She is also required to update the individual passbooks, loan ledger and general ledger. At the end of each meeting, the bookkeeper is required to tally the cash and read out the minutes and obtain the signature of all members present. The cash book is required to be signed by the bookkeeper and Office Bearers. No overwriting is permitted in the books. Changes made in the books of accounts are required to be authenticated by the OBs.

3.7.7 Custody of Books

The SHG books of accounts, except the member passbooks, are to be kept with one of the SHG members on a rotation basis. The cash box and the keys to open the box are kept separately. It is important to note that the bookkeeper does not handle the cash either during the meeting or thereafter, which is the exclusive prerogative of the OBs.

3.7.8 Auditing of SHG Accounts

The BMMU will ensure that all SHG accounts are audited once in a year by the MBKs or teams of trained community auditors. The auditors will submit the audit report which will be discussed in the SHG meeting and steps taken to correct issues identified. The bookkeeper will facilitate conduct of audit by the community auditors or MBKs or peers.

3.8 Capacity Building/Training of SHGs

The Mission will organize training of all SHGs (leaders and members), preferably at the community level using the pre-designed modules. The Mission will deploy adequate number of trained resource persons or CRPs for this purpose. Each BMMU is required to develop a training calendar for this purpose and ensure that adequate funds are made available for conducting the trainings. The SHG leaders may also be provided training at the block headquarters or other locations where capacity building infrastructure is available. A record of training should be maintained by all BMMUs/PFTs. In addition, all SHG members are required to be trained as part of the regular meetings and village level programmes/events.

3.9 Training Modules

The Mission implementation units will organize/facilitate training of all SHGs in core modules, in a phased manner, using CRPs and other resources. These modules include:

- NRLM – the Mission objectives, strategy and targets;
- poverty analysis;
- social mobilization – philosophy and approach;
- women empowerment – why and what?
- village level institutions – formal and informal;
- SHG concept;
- SHG management – democratic and micro-finance norms;
- SHG meeting process;
- SHG meeting agenda;
- SHG books, bookkeeper and bookkeeping practices;
- Mission funds to SHGs;
- SHG-bank linkage;
- roles and responsibilities of group leaders and members; and
- SHG-VO democratic and financial relations.

3.10 Grading of SHGs

Self Help Groups that adhere to *Panch Sutras* are found to develop good bonding, mutual trust and support among members. In fact, adherence to *Panch Sutras* is insisted upon by banks as an indicator of the credit worthiness of the group. NRLM mandates that every SHG shall be graded for the first time by the village organization / Mission units (in cases where VOs are not yet formed) at the end of 3 months from the date of formation by following the defined procedure. The quarterly grading is expected to improve the performance of the SHGs, as only 'A' graded SHGs are eligible for RF, CIF and bank loan.

3.11 Grading Parameters

The following grading protocol is required to be adopted by all VOs / Mission units undertaking grading of SHGs. The state Missions will institute appropriate mechanisms to undertake grading of SHGs. The overall grading of a SHG will be the lowest score obtained by it in any one of the 5 parameters *i.e.*, only SHGs obtaining 'A' grade in all 5 parameters shall be graded as 'A'. Every SHG should therefore aspire for 'A' grade and sustain it, since only 'A' graded SHGs will be eligible for RF/CIF/bank loan. The Mission staff will be required to identify all SHGs which are not graded 'A' and provide additional capacity building and other forms of support.

Table- 3.1 : SHG Grading Parameters

S. No.	Grading Parameter (Preceding 3 Months)	Grade 'A'	Grade 'B'	Grade 'C'
1.	Regular weekly meetings	>= 90%	>= 75% < 90%	>= 60% <75%
2.	Regular savings (% of expected amount)	>= 90%	>= 75% < 90%	>= 60% <75%
3.	Regular internal lending (% of savings inter-lent)	>= 90%	>= 75% < 90%	>= 60% <75%
4.	Regular repayment (as % of expected repayment)	>= 90%	>= 75% < 90%	>= 60% <75%
5.	Transparent and regular bookkeeping	All books updated and		

		maintained regularly		
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3.12 Mission Funds to SHGs

The norms of financial assistance to SHGs are as follows:

- **Start-up Fund**—One time start-up fund of Rs. 2,500/- per SHG, Rs, 50,000/- per VO and Rs.3,20,000/- per CLF to meet the establishment / set-up cost.
- **Revolving Fund (RF)** – One time corpus fund to SHG with a minimum of Rs.10,000/- to a maximum of Rs.15,000/- per SHG. The fund is given to all SHGs under NRLM which were not provided RF earlier;
- **Community Investment Fund** – This core financial support is provided only to SHGs and their federations to advance loans to enable members to undertake socio-economic activities as per micro-credit/ investment plans. The maximum amount admissible for Community Investment Fund is Rs.2.50 lakh per SHG. However, CIF support to SHGs is provided through VOs and CLFs and in the absence of strong VO/CLF, this is also provided directly to SHGs who have completed 6 months and found fully observing the *Panch Sutras*.
- **Interest Subvention (Category-I)** - Interest Subvention to all women SHGs availing bank loans up to Rs.3.00 lakh to maintain the interest rate at 7% per annum in select 250 districts with an additional subvention of 3% for timely repayment of loans reducing the effective interest rate to 4%. This will be fully funded by the Government of India.
- **Interest Subvention (Category-II)** – In the remaining districts, subvention on interest rate above 7% per annum to all NRLM compliant women SHGs (i.e., consisting of at least 70% members from NRLM target group) to avail loans up to Rs.3.00 lakh from banks, subject to prompt repayment.

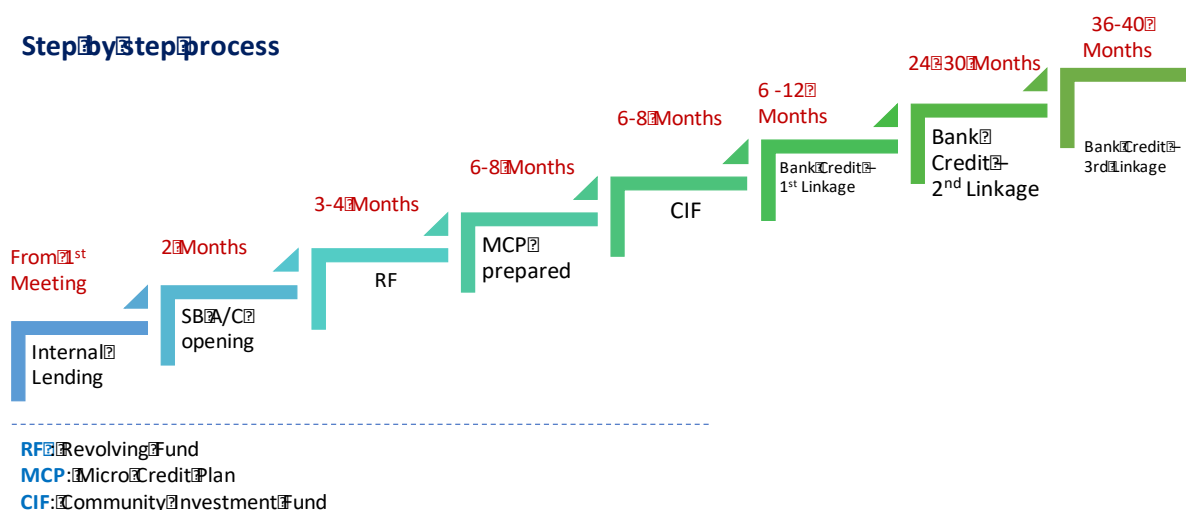
3.13 SHG Progression Cycle

SHG development is a long process. It requires continuous nurturing and financial and technical support to achieve the Mission objectives. The Mission implementation units will adhere to the indicative timeline in developing the SHGs (**Table-3.2**). The step-by-step normative growth process is presented in **Chart-3.1**.

Table-3.2
Indicative Timeline of SHG Development

S. No.	Months Since Formation	Expected Activities	Expected Outputs
1.	3	Institution and practice of <i>Panch Sutras</i> and orientation of members	SHG eligible for grading/ RF
2.	3 – 4	Grading of SHG	RF provided
3.	4 – 7	Preparation of MCP and its approval; Orientation on VO; Support for LH, SI-SD and insurance activities	SHG joins VO; CIF disbursed; 1 st credit linkage; Investment in livelihood activities; Enrolment in insurance;
4.	7 – 12	Support for livelihoods and social activities; Preparation of Vulnerability Reduction Plan	Provision of VRF as part of CIF; Convergence with other programmes;
5.	12 – 18	Repeat MCP; Livelihood support services; Social development support services	Second bank linkage; livelihood diversification; Convergence
6.	18 – 36	Repeat MCP; Livelihood support services; Social development support services	Third bank linkage; livelihood diversification; Convergence
7.	36 – 60	Repeat MCP; Livelihood support services; Social development support services	Subsequent bank linkage; Livelihood strengthening; Convergence

**Chart-3.1
SHG Step-by-Step Growth Process**



3.14 Pre-Requisites for Development of Sustainable SHGs

The Mission implementation units will ensure that the following key aspects are addressed as part of their efforts to promote SHGs:

- initial handholding and sensitive community professional support for mobilization;
- self-determined/voluntary group membership and group norms;
- homogeneity in group membership (through self-selection process);
- sustained capacity building of members in group dynamics, management and micro-finance;
- adherence to collectively determined savings and inter-lending norms;
- initial inter-lending from own savings for consumption requirements;
- support from social capital (social activists, community resource persons, book-keepers, etc.) for training, book-keeping and skill building;
- support to augment common fund in the form of revolving fund and other grants;
- access to loans from banks in multiple doses and their regular repayment;
- technical and financial support from higher order federations and sensitive support organizations;
- liaison with Panchayati Raj Institutions/line departments; and
- continuous support for livelihood strengthening and diversification including support for skill development, value chain development and market integration.

Section–4⁵

Promotion and Functioning of VOs

4.1 Promotion and Functioning of VOs

NRLM envisages that a primary level federation of SHGs, known as the Village Organization (VO), is formed in all villages /hamlets with a minimum number of 5SHGs. The VO is intended to create greater space and voice for SHG members in the village and outside and nurture the SHGs as grassroots democratic institutions. The federation is expected to enhance the bargaining power of the poor and serve as a platform for collective action. The VO is also expected to enhance access of the poor to markets through aggregation and value chain development. The federations of the poor are also needed to facilitate convergence with local institutions including PRIs and help redeem their rights and entitlements. More significantly, VO is envisaged as a community based financial intermediary undertaking the responsibility of managing Community Investment Fund (CIF) – a fund in perpetuity residing with the VOs. The functional effectiveness of the VO, however, depends on its democratic governance and the vigilance exercised by its federating units viz., the SHGs.

4.2 Role of VOs

The VOs are expected to play a catalytic role in the promotion of SHGs and development of the livelihoods of the poor. More specifically, the Mission will promote VOs to undertake the following activities:

- mobilize all poor and Poorest of the Poor (POP) households (including SECC automatically included and households with at least one deprivation) into SHGs;
- mentor, strengthen and assess the performance of SHGs;
- develop vulnerability reduction and convergence plans and support their implementation;
- manage community investment fund including its rotation among members as well as health risk fund;
- facilitate SHG-bank linkage;
- facilitate member access to various insurance and social security schemes as well as entitlements;
- manage community cadre in the village;
- facilitate/take up collective livelihood business, marketing initiatives and social and gender related activities;

⁵ See Detailed Annex in Part-II

- facilitate member participation in *Gram sabha / Aam sabha* and articulate the issues of the poor; and
- Provide capacity building, grading, audit and other services to SHGs.

4.3 Process of VO Formation

The Mission prescribes a process oriented approach for promotion of VOs. The process begins with the CRPs/active women undertaking initial mobilization drive in the villages. The CRPs seed the idea of VO during the process of reviving and strengthening pre-existing SHGs and formation of new SHGs and initiate discussion with leaders, active women and bookkeepers on the need for VO, its democratic features and potential relevance to the members. After 3 to 4 months of initial CRP round, the CRPs/ active women initiate formation of VO by facilitating passage of formal resolution by SHGs in the village. The democratic structure of VO is then explained. This is followed by a discussion on draft bylaws and their adoption by the general body comprising all members of the SHGs federating into the VO. Simultaneously, EC is constituted and OBs are identified and confirmed. A name is given to the VO in the first GB meeting. A resolution is passed in the same meeting authorizing the OBs to open a bank account and manage the day-to-day business of the organization

4.4 Governance Structures of VOs and their Functions

4.4.1 General Body

All members of SHGs which have formally joined the federation after paying prescribed membership fee constitute the general body. The VO is required to hold a GB meeting at least once in a quarter in the first few years and thereafter gradually reduce the frequency to annual meetings. The GB is presided over by the President of the VO. The GB can be summoned at a minimum notice of 7 days. The GB may invite PRI representatives and bank managers to the meeting.

4.4.2 Powers and Functions of GB

The GB is vested with all financial and non-financial powers. All decisions taken by the EC are required to be ratified by the GB. The GB is vested with the following powers:

- approval of social mobilization/inclusion plans;
- approval of vulnerability reduction plan and convergence plan;

- approval of expenditure/disbursement from funds received – start-up fund, CIF and VRF;
- ratification of engagement of CRPs and other social capital;
- approval of capacity building plan;
- approval of plans for collective livelihood activities and services;
- approval of all key decisions taken by the EC;
- appointment of auditors and approval of audited accounts;
- approval of annual action plan and budget for the following year/quarter;
- approval of amendments to bylaws; and
- dispute resolution.

4.4.3 Executive Committee

Executive Committee (EC) is the implementing organ of the VO. EC consists of 1-2 representatives drawn from each SHG. Each SHG decides these representatives. The EC is primarily responsible for management and execution of all day to day activities. The EC is required to meet at least once in a month. The following are the powers and functions of the VO-EC:

- VO-EC elects OBs and nominates members to the sub-committees for endorsement by the GB;
- prepares quarterly/annual action plans including vulnerability reduction plans for approval by the GB;
- undertakes review of performance of OBs, community cadres and SHGs;
- undertakes grading of SHGs at quarterly/half yearly intervals;
- undertakes and reviews expenditure on key activities included in the approved annual action plan using start-up fund, CIF and VRF;
- collects membership fees and savings from SHGs;
- authorizes OBs to represent the VO in various forums;
- nominates members to sub-committees and other forums/institutions;
- approves monthly progress report to be submitted to CLF;
- reviews performance of sub-committees;
- manages CIF received from CLF and ensures its regular repayment; and
- recommends auditor for appointment by GB.

4.4.4 Office Bearers

The EC elects four office bearers for a period of 2 to 3 years. These include President, Vice-President, Secretary, Joint Secretary and Treasurer. The OBs are rotated among the EC members as per the provisions of the bylaws. The President, Secretary and Treasurer are the authorized signatories of the VO and any two of them can undertake bank transactions.

President: President of the VO presides over GB and EC meetings. She finalizes the agenda of the meetings in consultation with the other members and conducts the meetings as per the agenda. She represents the VO at the CLF and other institutions. She is primarily responsible for ensuring that the VO functions as per the bylaws.

Vice-President: Vice-President supports President and performs the role of the President in her absence.

Secretary: Secretary is responsible for the convening of GB and EC meetings as per schedule. She is the custodian of VO records and property. She is responsible for updating the records/getting the records updated. She facilitates preparation of progress reports and places them before GB and EC.

Joint Secretary: Joint Secretary supports the Secretary in the discharge of all functions and performs the role of the Secretary in her absence.

Treasurer: Treasurer is responsible for all financial transactions including bank transactions of the VO and supports bookkeeping, auditing, social audit and preparation of financial reports.

4.4.5 Four Sub-Committees

The Mission units are required to promote four sub-committees of the EC to facilitate effective implementation and supervision of activities. These include sub-committees on: (i) social inclusion and mobilization and SHG monitoring; (ii) bank linkage and repayment; (iii) CIF and livelihoods; and (iv) social action. Additional sub-committees could be promoted as necessary by the VO. Each sub-committee could have 4 to 5 members. Each sub-committee is expected to undertake visits to the SHGs and perform the functions assigned and reports its findings to the OBs and EC of the VO.

4.4.6 Village Gender Forum

The Mission also envisages setting-up of a village gender forum comprising at least one member drawn from each SHG as well as social action sub-committee to promote gender equity and address gender related issues. The forum is also required to undertake gender sensitization of all structures and implement a gender based social action plan with the support of gender CRP.

4.4.7 FNHW Sub-Committee

More recently, a fifth sub-committee known as FNHW sub-committee has been introduced to promote activities in the areas of food, nutrition, health, water, sanitation and hygiene in the village. The committee is expected to facilitate access of eligible members to entitlements, motivate them towards healthy living, reduce health expenditure and encourage insurance coverage. Working in close coordination with public health and ICDS, the committee is also expected to play a pro-active role in the constitution and working of village nutrition, health and sanitation committee and monitor the work of health activists. Among the key activities of the committee, promotion of food and nutrition security, access to health care, water, sanitation and hygiene are central.

4.5 Capacity Building of VOs

The State Missions shall provide minimum capacity building inputs to all VOs (OBs, ECs and SCs) in the following areas using modules and films available. The state Missions are required to adopt a cascading approach to the training/ promotion of resource persons who would conduct training at the village/cluster/block levels. The duration of training in different modules could be up to 5 days for each VO, but could be conducted in two or three phases.

- concept and importance of VO;
- VO democratic structures – GB, EC, OBs and SCs and their roles and responsibilities and functioning;
- VO services – training and capacity building, financial services, technical services, social services;
- types and functioning of sub-committees;
- gender, health, nutrition, sanitation, water and women empowerment;
- financial services and CIF management;
- SHG bank linkage and CBRM;
- appraisal of micro plans;
- social action and convergence;
- participatory identification of the poor and participatory poverty assessment;
- community cadres/para-professionals – identification, training, deployment, performance monitoring and payment of honorarium; and
- convergence with village level institutions, programmes and services.

4.6 Source of Funds to VO

VO has three sources of funds *viz.*, funds from own sources, funds from the Mission and borrowings as outlined below.

4.6.1 Own Funds

The own funds of the VO include the following:

- **share capital** from member SHGs / SHG members –share capital can be collected by all registered VOs from each SHG or each member of the SHG. The value of each share is to be decided by the state Mission and adopted uniformly by all VOs;
- **annual membership fee/contribution** from SHGs/members as decided by each VO;
- **savings by SHGs** – Each VO may decide to institute compulsory or optional subscription of savings at monthly frequency by each SHG along with the facility for borrowing from the proceeds of such savings;
- **member savings for specific purposes** – Each VO may decide to institute specific individual member savings towards gender fund, food, nutrition and health risk fund etc., from out of which the VO can sanction loans to the members;
- **interest income** – Interest on loans advanced by VOs is another important source of receipt for the VOs. This also includes interest margin from CIF;
- **income/surplus** from collective activities constitutes another potential source of own receipt;
- **service charges** for services provided by VO to the line departments also constitute own receipt; and
- **grants** from other organizations including government agencies, PRIs etc., for specific / general purposes.

4.6.2 Borrowings

VOs can also borrow from external financial institutions such as banks for on-lending to SHGs as well as for own collective activities. The Mission envisages that mature and registered VOs eventually emerge as bulk borrowing institutions from the banks for on-lending to SHGs. Such bulk borrowing reduces the transaction cost to the banks and has the potential to transform VOs into an enabling credit facilitating entity for SHGs for improving livelihoods.

4.6.3 Funds from the Mission

The State Missions are required to plan and provide the following types of funds to the VOs.

4.6.4 Start-up Fund

The state Missions will provide a one-time grant of Rs.10,000/- to each VO for meeting expenditure on office infrastructure and related set up costs.

4.6.5 CIF

The state Missions will provide CIF support to eligible VOs which will in turn use the funds for advancing loans to eligible SHGs. The SHGs in turn will use the funds for lending among members based on micro-investment plan. The maximum CIF amount that a VO/CLF should be provided is dependent on the number of SHGs under the VO. The maximum amount admissible for Community Investment Support Fund is Rs.2.50 lakh per SHG, which will be released in installments to both VOs and CLFs. This amount on an average works out to Rs.6,000/- per member, for 50% of total eligible SHG members or 50% of total SHGs formed or to be formed in the village(s).

The State Missions can provide up to Rs.6,000/- per member in three forms *viz.*, CIF vulnerability reduction fund at the rate of Rs.1,500/- per member, CIF seed capital at the rate of Rs.3,000/- per member; and CIF livelihoods fund at the rate of Rs.1,500/- per member. In respect of SC/ST members, the total entitlement can be increased by 50% (i.e., Rs.9,000/- per member for 3 components) and in respect of PVTGs to Rs.12,000/- for 3 components subject to the overall ceiling of Rs.2.5 lakh per SHG for CIF. While this is the indicative entitlement, the actual fund available would depend on the overall funds sanctioned to each SRLM under their approved Annual Action Plan (AAP). Further, the indicative entitlements may be released in installments subject to the availability of funds. Finally, it may be noted that all financial assistance to community institutions shall be within the financial norms approved by the cabinet.

4.6.5.1 Vulnerability Reduction Fund

Purpose of VRF: Vulnerability Reduction Fund (VRF) estimated at the rate of Rs.1,500/- per member is required to be capitalized at the VO level. The fund is intended to address vulnerabilities associated with food security, health security, gender *etc.*, of the members in general and the requirements of vulnerable households in particular. The fund can be used to promote food security, reduce health risk, meet sudden sickness hospitalization expenses, and undertake rehabilitation of persons affected by natural calamities.

Households Eligible for VRF: The vulnerable households include the SECC automatically included households, the destitute, elderly persons, orphan children living with others, PVTGs, nomadic tribes, very poor SC/ST and minority households, the disabled, households with working children, human trafficking survivors, women in moral danger and victims of trafficking, single and unwed mothers and widows, released bonded labour, persons engaged in unhygienic occupations *etc.*

Release of VRF to VO: VRF will be released by the Mission to the VOs in two installments – 60% in the first installment and the balance in the second installment. First installment will be released to VOs completing at least 3 months of active functioning and having bank account, holding regular meetings and with updated books of accounts. The recipient of VRF will have a functioning Social Action Committee (SAC)/VRF sub-committee.

The second installment will be released only after at least 60% of the first installment is utilized for intended purposes and a vulnerability reduction plan is developed and approved by the VO. Before making the second installment, the number and type of vulnerability reduction activities undertaken and type of households benefited needs to be assessed by the CLF. ***It may be noted that a part of the VRF can be used for non-members as well.***

Release of VRF to SHGs/Members/Non-Members: The following procedure is recommended for utilization of VRF by the VOs.

Meeting Emergency Requirements: In case of emergencies such as accidents, sudden sickness, hospitalization and death in the family, members could approach the SHG with a demand and SHG-OBs along with SAC/VRF committee may assess the genuineness and extent of need and recommend up to Rs.5,000/- per member. In view of the urgency, the Secretary or the sub-committee of the VO may be authorized to release the amount.

Other Requirements: In respect of other requirements, the VOs will consolidate requests received and submit them to SAC/VRF sub-committee for appraisal and sanction in a day or two. The SHG in turn will release the funds to the members without any delay, but within 3 days of receipt of funds from VO.

Requirements of Non-Members: In respect of non-members, the VO will receive and consolidate all the requests for funds and submit the same to SAC/VRF sub-committee for appraisal and recommendation. The VO-EC will release appropriate amounts to such eligible non-members.

Terms and Conditions of VRF: VRF could be given to SHGs/members as an outright grant or loan without interest or loan with low interest for different periods of maturity (including moratorium) at the discretion of the VO. If interest is charged, the rate should be lower than rate applicable for CIF loans.

Augmentation of VRF: The VOs could take steps to augment VRF through member contributions, as collectively decided. Alternatively, VOs may also contribute some amount from their surpluses, if any. They may also access funds from PRIs and line departments.

4.6.5.2 CIF-Seed Capital (CIF-SC)

The second component of CIF is seed capital, capitalized at and managed by VOs/CLFs. SHGs are entitled to receive CIF-SC as loan on the basis of its approved micro plan, an aggregated and harmonized version of individual member plans for promoting livelihoods. The CLFs will transfer the CIF-SC loan to VOs and VOs in turn to SHGs. However, until CLFs come into being, the State Mission units may directly release CIF-SC as a loan to VOs which in turn transfer the amount to SHGs on the basis of approved Micro-Credit Plan (MCP). Wherever VOs are not in position, the Mission units sanction the CIF-SC directly to SHGs on the basis of MCP. But SHGs are required to repay the CIF-SC to VOs as and when they come into being. Similarly, VOs are required to recover and repay CIF-SC to CLFs as and when they come into being. Both the CLFs and the VOs are expected to recycle/relend the amount among other SHGs which have not received CIF-SC.

4.6.5.3 Eligibility of SHGs for CIF-SC

The following conditions are laid down for SHGs to access CIF-SC:

- adherence to *Panch Sutras* for six months preceding the application;
- holding live bank accounts;
- completion of three day training on group management for all members;
- agreeing to follow *Panch Sutras* in future; and
- submission of micro-credit plans.

4.6.5.4 Preparation of Micro-Credit Plan

Each SHG seeking CIF-SC needs to prepare a micro-credit plan, which is an aggregation of harmonized individual investment plans. The process of preparation of

MCP is so designed to encourage each member to recognize, understand and evaluate all household resources; analyze challenges the households faces; identify priority needs and come up with plans to achieve them by making optimum utilization of own as well as borrowed resources. The process of preparation of MCP promotes a sense of confidence among the members and enhances their capacities to understand and improve their livelihoods and quality of life. As pointed out earlier, only 'A' graded 6-month old SHGs are eligible to prepare MCPs and seek CIF-SC.

4.6.5.5 MCP Trainers

The State Mission units will identify, train and deploy adequate number of MCP trainers for facilitating preparation of MCPs by all SHGs. The state Missions will adopt a cascading method to ensure that adequate number of trainers is made available.

4.6.5.6 Training of MCP Trainers

The State Missions will develop protocols for and facilitate training of all SHGs in the preparation of MCPs and actually guide them to prepare the plans. The MCP trainers will be provided the following training inputs.

- concept and importance of MCP;
- advantages of MCP;
- criteria for selection of VO for MCP;
- criteria for selection of SHG for MCP;
- 7 steps to preparation of MCP;
- criteria for sanction of CIF;
- CIF management;
- Dos and Don'ts for preparation of MCP;
- MCP training plan; and
- documentation.

4.6.5.7 Steps in the Preparation of Micro-Credit Plan

The following steps are to be followed by all SHGs in the preparation of MCPs.

Step-1 – Preparation: Before preparing MCP, the following documents are required to be completed:

- profiles of SHGs in the village and socio-economic profiles of SHG members;
- member-wise statements of income and expenditure; and
- situation analysis (including resource map, livelihoods map/analysis and seasonality analysis) of our village with all the members of the eligible SHGs and important stakeholders in the village.

Step-2 – Two-Day Process: The actual process of MCP is conducted over two days as follows:

- **Day-1:** Preparation of member level plans;
 - initial individual household plans, based on the village analysis and member-wise income-expenditure analyses;
 - changes in plans, based on discussions and inputs from members in the SHG; and
 - final draft plans to take home to discuss with members' families.
- **Day-2:** Finalization of individual plans and consolidation of SHG plan
 - finalized individual plans, including repayment terms, with inputs from families of SHG members; and
 - consolidated Plan for the SHG, prioritized and ranked in the order of providing loans to the members.

4.6.5.8 Appraisal of MCP

- presentation to the SHG leaders for appraisal; and
- after the appraisal and revision based on the appraisal, the SHG leaders can approve the MCP. This revised plan is signed by the members, leaders and the facilitators. It is also entered in the SHG minutes book. This revised plan is submitted for sanction of loan. A copy of the approved MCP is kept with the SHG.

4.6.5.9 Sanction of MCP

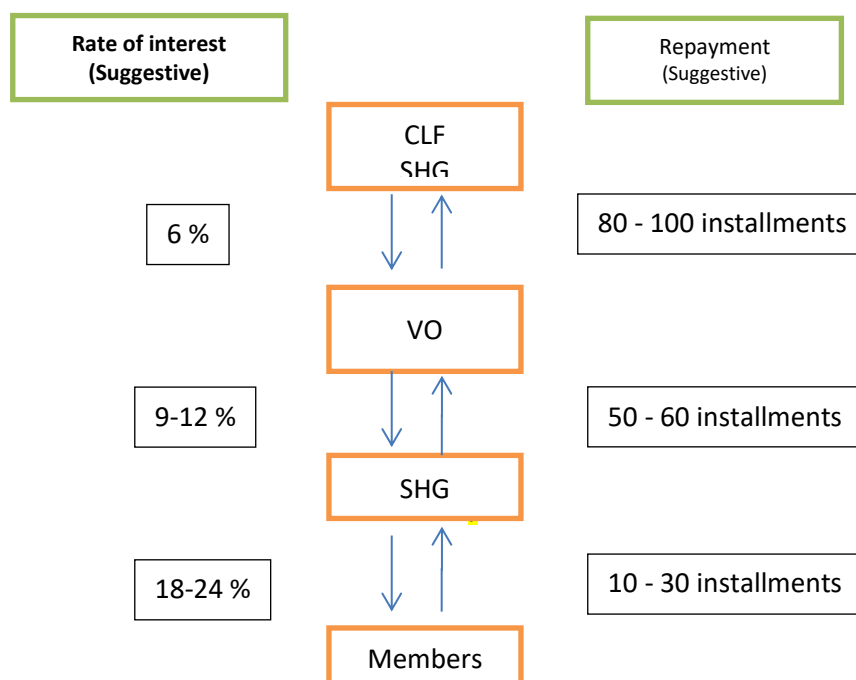
On the basis of appraised MCP, VO is required to release CIF as a loan to the SHG which in turn would disburse the CIF to individual members to implement their

individual livelihood plans. If the VO does not have adequate funds, it may seek CIF amount from CLF (from Mission in the absence of CLF) by submitting an aggregated MCP at the VO level. The CLF is required to pool up the entire repaid CIF amount with interest for further lending among VOs/SHGs. The CLF/the Mission units (in case CLF does not exist) are expected to release CIF to VOs/SHGs within 7 days of receiving the demand along with the MCP.

Once the CLF is formed, it receives the balance amount of CIF-SC from the Mission. In addition, CLF is expected to receive repayments from VOs. With these amounts, the CLF is expected to undertake further lending to VOs based on aggregated MCPs. Thus, it is important for the SHGs and VOs to recover the CIF loans for perpetual lending among the SHGs and members on the basis of MCPs such that all SHGs and members receive the fund.

On the average, each VO may receive up to Rs.5,00,000/- as CIF-SC and each SHG can access between Rs.50,000 and Rs.1,10,000 as CIF loan. Each SHG may initially sanction this amount among 3 to 5 members and the rest later on a rotation basis, giving due priority to the marginalized and vulnerable households. It may be noted that all the amounts indicated here are subject to the overall ceiling of Rs.2.5 lakh per SHG approved by the Gol.

Further, it may be noted that CIF-SC is a grant to CLF, but a loan down the line from CLF to VO, VO to SHG and SHG to member. As such, the model critically hinges on the recovery of loan at all levels and its recycling without holding idle funds. The suggested rate of interest and duration of the loan are indicated in the following diagram.



4.7 VO Bookkeeping

Books, bookkeeper and bookkeeping practices constitute three essential dimensions of quality bookkeeping. All the three elements are required to promote democratic governance, correct, consistent and transparent bookkeeping and downward accountability.

4.7.1 VO Books of Accounts

The Mission implementation units shall ensure that the following essential books of accounts are adopted and maintained by all VOs.

- attendance register to record attendance of members at GP and EC;
- minutes books to record all proceedings of GB and EC;
- share capital and savings register;
- cash book;
- loan ledger;
- general ledger;
- VRF and CIF registers;
- asset register;
- bank passbook;
- bank linkage register;
- D-C-B register for CIF and bank loans;
- sub-committee register;
- community cadre register; and
- social inclusion and poverty tracking register.

In addition, VOs are required to maintain receipts and voucher books, book of promissory notes, monthly receipts and payments and income and expenditure reports, monthly bank reconciliation statements etc.

4.7.2 Financial Transactions

All financial transactions including bank transactions are to be conducted by President, Secretary and Treasurer. Any two of the OBs can operate the bank account as approved by the GB.

4.7.3 Audit

The Mission implementation units shall ensure that the VO accounts are internally audited by Master Book Keepers (MBKs) every year and the audit reports are placed before the annual GB meeting of the VO.

4.8 Capacity Building of VOs

The State Missions shall provide minimum capacity building inputs to all VOs (OBs, ECs and SCs) in the following areas using modules and films available. The state Missions are required to adopt a cascading approach to the training/ promotion of resource persons who would conduct training at the village/cluster/block levels. The duration of training in different modules could be up to 5 days for each VO, but could be conducted in two or three modules.

- concept and importance of VO;
- VO democratic structures – GB, EC, OBs and SCs and their functioning;
- VO services – training and capacity building, financial services, technical services, social services;
- types and functioning of sub-committees;
- gender, health, nutrition, sanitation, water and women empowerment;
- financial services and CIF management;
- SHG bank linkage and Community Based Recovery Mechanism (CBRM);
- appraisal of micro–credit plans;
- social action and convergence; and
- participatory identification of the poor and participatory poverty assessment.

4.9 Identification and Training of Active Women/CRPs/Other Community Cadres

The State Mission implementation units shall also facilitate identification and training of social capital including community mobilizers, active women, potential CRPs, bookkeepers, MCP trainers, bank mitras, VO accountants, livelihood and social development resource persons (agriculture, animal husbandry, NTFP, micro enterprises, gender, health, nutrition and sanitation, social audit *etc.*). The Mission units are required to organize the training in a modular fashion (including refresher training), using the services of trainers/resource persons identified and trained through a cascading process and making use of capacity building architecture available at the district, block and cluster level. The total duration of training could vary between 3 to 7 days besides, refreshers. The training modules could include:

- SHG dynamics;
- SHG books and credit linkage;
- VO concept and management;
- CIF management;
- Gender and women empowerment;
- Health, nutrition, water and sanitation;
- VO bookkeeping;
- Participatory Identification of the Poor (PIP), Convergence, PRI-Convergence, Gram Panchayat Development Plan (GPDP);
- Participatory Poverty Assessment (PPA), Social Audit;
- Leadership and visioning; and
- Participatory training methodology.

4.10 Monitoring of VOs

The State Mission will promote a system of self-monitoring as well as monitoring by CLFs, based on monthly progress reports. Self-monitoring needs to be promoted as part of internal review by the EC of each VO, based on key performance indicators identified for this purpose. The Mission frontline staff and the CRPs and the VO-OBs will facilitate this process at monthly intervals. The objective of self-monitoring is to facilitate identification of key performance gaps and initiate steps to correct them. As self-monitoring has certain inherent limitations, the Mission shall promote monthly monitoring of VO performance by CLFs based on a *Maasa Nivedika* or a monthly progress report on extent of mobilization, performance of SHGs, financial and non-financial transactions of VO, progress of implementation of vulnerability reduction plan and convergence plans. The state Mission shall develop appropriate indicators and formats for instituting a system of monitoring of VOs by CLFs.

4.11 VO Development Cycle

The Mission implementation units will undertake close nurturing of VOs in line with a normative development cycle as indicated below:

Table-4.1 : VO Development Cycle

S. No.	App. Age of VO	Key Activities	Expected Outputs
1.	1-4 Months	<ul style="list-style-type: none"> ▪ Discussion on VO formation ▪ Exposure visit of key members ▪ Formation of loosely structured VO 	Firm decision on formation of VO
2.	4-7 Months	<ul style="list-style-type: none"> ▪ Agreement on bylaws ▪ Formation of VO ▪ First GB meeting ▪ Constitution of EC ▪ Election of OBs ▪ Formation of Sub-Committees ▪ Capacity Building of EC, SC, OB ▪ Identification and training of BKs, community cadre ▪ Receipt of start-up fund ▪ Receipt of CIF – CIF-SC ▪ MCP training ▪ Appraisal and approval of MCPs 	VO formed and become functional
3.	8 -10 Months	<ul style="list-style-type: none"> ▪ Management of CIF – recovery and relending ▪ Monitoring of SHGs ▪ Inclusion of left out poor and the vulnerable HHs including the PwDs, the elderly, PVTGs etc., ▪ Prepare plan for vulnerability reduction and convergence ▪ Seek VRF ▪ Initiate social action and social development agenda ▪ Join CLF 	VO firmly instituted
4.	11-15 Months	<ul style="list-style-type: none"> ▪ Implement vulnerability reduction plan and convergence plan ▪ Disburse VRF to SHGs, members and non-members ▪ Seek second tranche of VRFs ▪ Disburse CIF to SHGs ▪ Conduct Participatory Poverty Assessment (PPA) 	VO manages community funds efficiently.
5.	16-20 Months	<ul style="list-style-type: none"> ▪ Saturate all the poor and marginalized households ▪ Implement group activities for livelihoods and social development ▪ Access livelihood fund 	VO acquires features of self-sufficiency
6.	21 – 60 Months	<ul style="list-style-type: none"> ▪ Deepening of all activities ▪ Efficient recycling of CIF and VRF ▪ VO emerges as bulk borrowing institution ▪ VO meets all operational expenses from own earnings 	VO emerges as a sustainable institution

S. No.	App. Age of VO	Key Activities	Expected Outputs
		<ul style="list-style-type: none"> ▪ VO registered under appropriate State Act 	

Section-5⁶

Cluster Level Federations

5.1 Cluster Level Federations (CLFs)

CLF is the second level federation of SHGs, covering a cluster of villages, generally about one-third of a block. CLF is designed to serve as a platform for larger collective action required for the promotion of livelihoods and social development of the member households. It is expected to help the poor overcome deprivation and indebtedness as well as diseconomies to scale in individual livelihood activities. The CLF, by virtue of its large membership, can help the small producers and service providers gain through aggregation and collective marketing. Besides, CLF, if nurtured and developed effectively could become an effective platform for collective social action. CLFs could also undertake financial intermediation by acting as micro finance institutions leveraging bank credit and on-lending VOs and SHGs. The other potential advantage of CLF is that because of its scale, certain Mission initiatives such as capacity building/ training, insurance, convergence and sanitation promotion can be organized efficiently and economically.

5.2 Promotion of CLFs

Usually, a CLF covers 5 to 30 VOs, depending on the geography. The Mission implementation units will adopt a systematic approach to the formation of CLFs. As in the case of VOs, the process should start with informal discussions and meetings with the potential member VOs. The discussions should center around the advantages of a second level federation. To carry conviction with the VOs, some leaders may be taken on exposure visit to a functioning CLF. The VOs should be clearly informed of the financial and non-financial support services that will be made available to them through the CLFs. The BMMU staff should take the lead in organizing a series of informal discussions followed by formal meeting at the cluster headquarters to initiate formation of CLF.

All the matured VOs ensuring observance of *Panch Sutras* of its SHGs will be identified first to start a loosely structured CLF. Gradually, other VOs will be brought into the CLF. Once a minimum number of VOs are mobilized, a formal meeting of all EC members of VOs should be organized to declare the formation of a CLF by means of a resolution. This will be followed by a discussion on the bylaws and their adoption.

⁶ See Detailed Annex in Part-II

The next step is to constitute the EC and elect the OBs. Opening of a bank account will complete the process of setting up a CLF. This will enable the CLF to seek start-up fund from the Mission and set up the office.

5.3 Functions of Cluster Federations

The Mission requires the CLF to undertake the following activities.

- support VOs in the mobilization of all eligible households into SHGs;
- review the performance of VOs and provide support necessary to improve their performance;
- undertake grading of VOs and provide CIF support to them for implementation of vulnerability reduction, convergence and livelihood plans;
- facilitate access of the members to insurance, social security and other entitlements and public services;
- identify, train, deploy and monitor the performance of community cadres, para-professionals, bookkeepers, auditors, trainers etc;
- manage capacity building centers including infrastructure, resource persons and knowledge materials and organize capacity building and training to CBOs and cadres;
- undertake/support community procurement and marketing activities;
- undertake/support collective livelihood, business, gender and social activities;
- facilitate convergence of SHGs and VOs with PRIs, government agencies and CSOs;
- represent SHGs and VOs at the PRI, block level bankers committee meetings and convergence meetings;
- facilitate and support vision building, knowledge sharing and awareness building activities; and
- undertake monitoring and performance review of VOs and SHGs.

5.4 Governance Structures of CLFs and their Functions

The state Missions will promote a three-tier governance structure viz., GB, EC and the OBs. All VOs holding membership in the CLF will only be the GB members. Two members from each VO, generally the President and the Secretary, constitute the EC of CLF. The EC elects 5 OBs viz., the President, Vice-President, Secretary, Joint-Secretary and Treasurer. The CLF will also have sub-committees for undertaking / promoting different thematic activities. The CLFs will be governed by the bylaws approved by the GB. The bylaws will outline the roles and responsibilities of each organ and functionary. Further, the state Mission will facilitate the registration of CLFs under a relevant state Act following a process stipulated for this purposes. The CLF is generally located in a place where service area bank branch is located. The CLF shall

have one or more saving bank accounts operated by any two OBs approved by the GB. The Mission will hire the services of a CLF facilitator/assistant to manage the office under the direct supervision of the EC.

5.4.1 General Body

All the EC members of the VOs in the cluster holding membership in the CLF constitute the GB of CLF. The GB will be required to hold its meetings at least once in a year. The GB is the ultimate authority for approving activities undertaken by the EC and OBs. Day-to-day functions of the CLF would be performed by the EC. Annual audited accounts and the annual report will have to be approved by the GB. The GB will also appoint statutory auditors.

5.4.2 Executive Committee

EC of CLF consists of one or two representatives drawn from each VO. The EC will be guided to meet at least once in a month to plan and undertake all activities and manage its funds. The EC elects its OBs and constitutes sub-committees. Both the OBs and EC are to be ratified by the GB. EC is responsible for preparing and implementing annual/ quarterly plans approved by the GB. The other functional responsibilities of the EC are:

- enrolment of new VO members;
- selection and engagement of community cadre;
- review performance of community cadre;
- undertake grading of VOs and review their performance;
- manage finances including Mission funds received;
- implement quarterly/annual plans;
- collect membership fee, contribution and other receipts from member VOs and SHGs;
- authorize OBs to undertake all transactions including signing of legal documents;
- nominate members to represent CLF in higher forums;
- facilitate conduct of statutory audit, peer audit and social audit; and
- undertake performance review of VOs based on MPRs/*Maasa Nivedika*.

5.4.3 Office Bearers

A five member team comprising President, Vice-President, Secretary, Joint Secretary and Treasurer constitutes the OBs. They will be elected by the EC for a period of 2 to

3 years as per the provisions of the bylaws. The bank transactions of CLFs are undertaken by any two of the three OBs viz., President, Secretary and Treasurer.

President presides over GB and EC meetings and conducts their proceedings as per the bylaws. She represents the CLF in all forums. She is responsible for ensuring that the CLF functions as per the bylaws.

Vice-President performs the role of President in her absence.

Secretary is responsible for convening GB and EC meetings and will facilitate implementation of all decisions taken. She is the custodian of records and property of the CLF and reports the progress of implementation to EC/GB.

Joint Secretary supports Secretary and performs the role of secretary in her absence.

Treasurer will be responsible for managing the finances of CLF as per the bylaws. She facilitates proper accounting, timely statutory and internal audit, social audit and such other financial reporting.

5.4.4 Sub-Committees

In order to facilitate effective implementation of planned activities, the CLF will be guided to set up 5 sub-committees viz., bank linkage and repayment sub-committee, social action and convergence of committee, VO monitoring sub-committee, procurement sub-committee, gender and social action sub-committee/ forum. The EC should nominate members to the sub-committees and take action on their recommendations. The GB/EC could constitute more sub-committees as per need.

5.5 Registration of CLFs

The state Missions will facilitate registration of CLFs under appropriate State Act so that they can undertake activities such as bulk borrowing from banks and lending, collective procurement and sale, market aggregation, sale and purchase of properties/assets etc. However, the state Missions will guide and support the registered CLFs to discharge their statutory obligations under income tax, service tax, commercial taxes and such others, depending on the nature of activities undertaken by the CLFs. The registration will enable perpetual succession of the CLF and bring it public recognition and visibility. The Mission units will have to promote a clear understanding among the members of the statutory obligations that go with registration

such as conduct of annual statutory audit, holding of GB meeting for approval of audited accounts and reports etc.

5.6 Capacity Building/Training of CLFs

As the functional capacity of the CLF critically depends on the ability of its EC and OBs, it is imperative that the state Mission units provide adequate capacity building/training inputs to not only the OBs and ECs but also the sub-committees, using the modules developed/available for this purpose. Ideally, each block and cluster will adopt and implement a training calendar.

5.7 Sources of Finance to CLFs

The sources of finance fall under two categories *viz.*, own funds and Mission funds. In addition, the CLF may also borrow from other sources.

The **own funds** of the CLFs include:

- share capital from SHGs/members;
- membership fee/contribution from VOs;
- VO savings subscription to gender fund, food, nutrition and health risk fund and for other purposes;
- interest receipts;
- Unconditional grants from PRIs and government agencies;
- service fee/commission received; and
- income/surplus from collective business activities and enterprises.

The **Mission funds** include:

- start-up fund;
- CIF which includes Seed Capital and Livelihood Support Fund;
- fund for capacity building/ training;
- interest margin from Community Investment Fund (CIF); and
- other grants from NRLM/State Governments.

Borrowings

- Loans from banks and other agencies, if any.

5.8 Bookkeeping

The state Missions will institute appropriate books of accounts and promote bookkeeping practices by facilitating engagement of trained bookkeeper services.

The minimum books required for each CLF are:

- minutes book;
- attendance register;
- share capital and savings register;
- cash book;
- loan ledger;
- general ledger;
- asset register;
- community cadre register;
- capacity building register; and
- bank passbook.

In addition, CLF may adopt other books as required for collective activities undertaken by it.

5.9 Bookkeepers

The state Mission will also ensure that services of a trained bookkeeper are engaged by all CLFs for proper maintenance of accounts. The honorarium for the bookkeeper shall be paid by the CLF from its own funds. The Mission will also provide necessary orientation and training to the bookkeeper.

5.10 Auditing

The state Missions will ensure that the annual accounts of the CLFs are compulsorily audited by a statutory auditor and placed before the GB for approval. In addition, the Mission may also promote internal audit, social audit and peer audit as appropriate. The audit objections if any need to be followed-up by the Mission for rectification. The Mission may meet the audit charges from its own funds or advice the CLFs to pay for the auditing services.

Section-6⁷ Capacity Building Architecture

6.1 Capacity Building

The long-term self-reliance and sustainability of the community institutions critically depends on the knowledge, awareness and functional capacities of the members and leaders of SHGs and their federations. Building the capacities of the leaders and members of the community institution therefore assumes critical importance in the Mission implementation framework. This in turn calls for systematic training of a whole range of Mission staff at the SMMU, DMMU and BMMU. More importantly, the capacity building of CRPs, bookkeepers, MCP trainers, livelihood CRPs, gender CRPs and MBKs is important as these community cadres will in turn undertake capacity building of the institutions. Therefore, all SRLMs are required to institute appropriate architecture for capacity building of the Mission staff, social capital and community institutions.

6.2 Capacity Building Architecture

All SRLMs will implement capacity building / training of (i) SHG members; (ii) leaders of SHGs and their federations; (iii) CRPs, BKs, MBKs, MCP trainers, livelihood CRPs, gender CRPs and other social capital; (iv) Mission professionals; and (v) bankers and other stakeholders. The SRLMs will plan their capacity building/training in advance and establish the required architecture. This will include: (i) establishment of resource cells at state, district and block levels; (ii) identification, training and empanelment of resource pool; (iii) preparation/procurement of training modules and materials; and (iv) setting-up of training infrastructure including training centers and equipment. The SRLMs will convert the CB plans into month-wise training calendars to be followed at the state, district, block and community levels. The SRLMs will also estimate the training cost each year and seek allocation of funds as part of AAP to implement the training calendars.

6.3 Establishment of Resource Cells

Integral to CB architecture is establishment of state, district and block level resource cells and training centers. Each SRLM will establish a **state level resource cell** (with a team Lead, 2 to 3 training professionals and 4 to 5 CRPs) which will undertake preparation of CB plan and rollout calendar, preparation/procurement of training

⁷ See Detailed Annex in Part-II

modules and materials. The state Mission will also facilitate establishment of **district and block resource cells** for undertaking training of frontline staff, CRPs, senior CRPs, community trainers, PRPs and other professionals required for faster expansion of the Mission and saturation of the villages.

6.4 Creation of Resource Pools

The first task of the state CB cell will be **creation of a pool of resource persons** and trainers (40 to 50) from different thematic areas from among Mission staff, community cadres, best practitioners, thematic experts, bankers and resource persons from CB agencies and academic institutions. The state cell will also finalize deployment plan and the terms and conditions of payment for different types of resource persons. The cell could also partner with capacity building agencies.

6.5 Resource Fees

The SRLMs will also be required to finalize resource fee from different types of resource persons such that the state, district and block capacity building units will be able to hire the resource persons and pay their honorarium and travel cost as per approved norms. Different rates will have to be approved for resource persons with different skill sets and experience such that the right kind of professionals will be available for providing training. An indicative resource fee for different types of resource persons is furnished in *Table-6.1* and the SRLMs may determine actual resource fee rates and travel cost depending on the local context and resources available.

**Table-6.1
Suggested Honorarium for Resource Persons**

S. No.	Experience of Resource Person	Indicative Resource Fee/ Honorarium Per Day (in Rs.)
1.	15 years and more	7,500/-
2.	10 to 15 years	5,000/-
3.	5 to 10 years	3,000/-
4.	< 5 years/Sr. Community Trainer	1,500/-
5.	< 2 years/ Community Trainer	1,000/-

6.6 Capacity Building Modules and Material

The critical task for the resource cells and the core resource pool will be to finalize/ customize and adopt various modules and training material required for training Mission staff, community institutions, social capital and other stakeholders. The state

Mission will facilitate preparation/adoption of trainer handbooks/toolkits for different potential groups of trainees such as members and leaders of SHGs, OBs, ECs and sub-committees of VOs and CLFs, CRPs, bookkeepers and MBKs, and livelihood professionals in farm and non-farm areas. Further, the material could include stories, case studies, games, audio visuals, video clips, pictorial charts and material available on cloud, you tube and such other sources.

6.7 Establishment of Training Infrastructure

The other key element of the CB architecture is to establish training centers/partners having training infrastructure facilities for organizing different types of training. The training centers need to be set up at the district, block and sub-block levels, with infrastructure, equipment, materials and modules. The facilities should have residential accommodation as well. The state Missions need to ensure that training coordinators/teams are positioned at each center to rollout the capacity building/training calendar. The state Missions could also tie-up with local institutions for using training infrastructure, till dedicated infrastructure is created for the exclusive use of the Mission.

6.8 Release of Funds

The SRLM will also set up a mechanism to release advances to the resource cell/training centers, preferably on a quarterly basis to organize the training as per the approved CB plan.

6.9 Adoption of MIS Module

The SRLMs will adopt MIS modules designed to track progress on capacity building plans. The SRLMs will institute appropriate documentation and reporting systems to facilitate tracking of information on training through the MIS. The Mission units will institute a monthly review mechanism based on MIS and track progress on CB indicators.

6.10 Transfer of Management of Training Centers

The state Missions will initiate plans to gradually transfer management of the training centers to the cluster/block level federations. Towards this end, the CLFs will be gradually entrusted with the responsibility of planning and organizing capacity building of SHGs and VOs as well as community cadres. One of the first key steps will be to start community trainers at the CLF level and entrust its management to CLF.

Section–7⁸

Community Cadres

7.1 Importance of Community Cadres

The Mission envisages use of a wide variety of cadres to promote and sustain the community institutions and livelihoods and well-being of their members. SRLMs are therefore required to identify, train and promote engagement of the services of a large community cadre to:

- (i)* undertake social mobilization;
- (ii)* promote and nurture of community institutions;
- (iii)* undertake capacity building of members and leaders of community institutions;
- (iv)* train members in the preparation of micro plans;
- (v)* undertake bookkeeping and auditing of community institutions;
- (vi)* promote banking and insurance services;
- (vii)* provide different types of livelihood support services; and
- (viii)* promote social development activities including gender, health, nutrition, water and sanitation and convergence related activities.

7.2 Recommended Community Cadres

In pursuance of this strategy, all SRLMs will promote engagement of the following types of community cadres after necessary training and on payment of honorarium by the community institutions/ Mission units. The Mission units will facilitate the identification of the cadres by the community institutions, which will manage and pay for their services. As far as possible, the Mission units will facilitate their selection from among the community members with awareness, knowledge and right motivation and willingness. These persons are ideally drawn from among the best practitioners in different fields.

⁸ See Detailed Annex in Part-II

S. No.	Institution Level	Indicative Cadre	Resource Pool
1.	SHG	<ul style="list-style-type: none"> ▪ Bookkeeper 	<ul style="list-style-type: none"> ▪ Active woman, mobilizer/facilitator
2.	VO	<ul style="list-style-type: none"> ▪ VO Accountant/ Bookkeeper 	<ul style="list-style-type: none"> ▪ Community Facilitator/ Mobilizer/ Active Woman ▪ MCP trainers ▪ Activist (<i>gender, H-N, WASH, disability etc.</i>)
3.	CLF	<ul style="list-style-type: none"> ▪ CLF accountant/ bookkeeper ▪ CLF assistant/ coordinator ▪ MBK 	<ul style="list-style-type: none"> ▪ Community auditor ▪ Resource person (Livelihoods, Krishak Mitra, Krishak Sakhi, Pasu Sakhi) ▪ Bank Mitra ▪ Bima Mitra ▪ MP facilitator ▪ Trainer
4.	Other Collectives	<ul style="list-style-type: none"> ▪ Assistant (as per need) 	<ul style="list-style-type: none"> ▪ Resource persons (as per need)
5.	BMMU/PFT	<ul style="list-style-type: none"> ▪ Internal CRPs ▪ Community trainers ▪ Senior CRPs ▪ PRPs 	<ul style="list-style-type: none"> ▪ External CRPs ▪ Master trainer ▪ Other resources

7.3 Suggested Skill Set

The general eligibility criteria for selection of any community resource person include the following:

- aged above 18 years;
- education up to 8th class (12th class for PRP);
- member of 'A' or 'B' graded SHG;
- attended at least 60 SHG meetings;
- availed CIF and bank credit and made repayment as per schedule;
- participated in basic SHG training;
- possess communication and articulation skills; and
- willing to travel and work with other communities of all castes.

In addition to these general qualifications, specific experience criteria may be prescribed for different cadres. The community must be involved in the selection of all cadres. The community will be guided to make informed choice. The Mission staff will only act as facilitators. This will in turn require the Mission staff to provide necessary orientation to the community institutions before the actual selection is made.

7.4 Training of Cadres

The SRLMs will undertake systematic training of the community cadres as well as the resource pool, using the capacity building architecture (resource cells, training infrastructure and professional training resources) created at the state, district and block levels. The state Missions will ensure that all cadres are provided adequate capacity building inputs as per suggested norms before being deployed. The suggested mandatory training before actual deployment to the community resource persons and trainers include:

- (i)* a 35–45 day classroom training covering areas such as poverty and vulnerability, social mobilization and group management, three-tier institutional architecture, block protocols, participatory processes and training methods, specific thematic and need based training, team and institutional planning, management and leadership etc;
- (ii)* a 30–45 day apprenticeship / field work / attachment internship; and
- (iii)* a 5–15 day immersion/exposure visit.

7.5 Engagement of Community Cadres

The Mission units will facilitate engagement/deployment of trained cadre (after delisting of those who do not meet the minimum standards) at different levels. The engagement can be in teams or on individual basis as per protocols. The following steps are recommended for adoption by the Mission units.

- (i)* arrive at terms and conditions of engagement for each cadre including nature of engagement, place of work, honorarium payable, service standards, review and monitoring mechanism, role of community institutions etc;
- (ii)* enter into formal MoU or informal agreement with the cadres directly or facilitate MoU/agreement between CLF/VO/SHG and the cadre;
- (iii)* provide initial support to the cadres to understand and discharge their roles;
- (iv)* facilitate monitoring and review of community cadres; and
- (v)* ensure payment of honorarium and travel cost as per norms preferably through bank transfers by the community institutions or through Mission support.

7.6 Suggested Honorarium

Subject to approved allocation and taking into account the local conditions, the SRLMs will ensure payment of reasonable amount of honorarium and travel cost to the community cadres such that they deliver quality services. The suggested rates of honorarium are as follows:

- (i) SHG bookkeeper – Rs.50-100/- per meeting; active woman – Rs.150/- per day;
- (ii) village level activist/bookkeeper/CF/CM – Rs.1,500/- per month;
- (iii) village level service provider – service based free;
- (iv) CRP/trainer/RBK – Rs.300/- per day plus actual travel, stay, food costs as per norms;
- (v) senior CRP – Rs.600/- per day plus actual travel, stay, food costs as per norms; and
- (vi) PRP – Rs.10,000-15,000/- per month plus TA and DA as per norms.

Section–8⁹ **Financial Inclusion**

8.1 Financial Inclusion

Enabling access of each poor household to adequate, affordable and timely institutional credit and other financial services is central to NRLM strategy. The Mission units will therefore provide a wide range of support services including promotion of financial literacy, opening of bank accounts, savings, credit, insurance, remittance, pension and counseling on financial services. The core feature of NRLM strategy is to make the poor, preferred clients of the banking system and enable them to mobilize adequate bank credit. Towards this objective, the SRLMs will intervene on both demand and supply sides to promote financial inclusion of the poor in general and their access to bank credit in particular. This section incorporates the essence of all circulars, protocols and guidelines issued and are currently in force to promote financial inclusion.

8.2 Financial Literacy Campaign

8.2.1 Importance of Financial Literacy

SHG members in general have very limited knowledge about range of financial products and services available from banks and other financial institutions and the manner in which they can be accessed. Members also lack information on grievance redressal mechanism for service deficiencies. Besides, SHGs and their federations do not always manage their funds efficiently. High unutilized balances in saving bank accounts, frequent over dues, payment of penal interest, borrowing at high cost, premature closure of loans etc., are some of the symptoms of poor financial management of SHGs and their federations. On the other hand, members from the poverty groups generally discount the risk events and are averse to buying insurance products. The low preference for life, health and asset insurance among the poor is a reflection of this myopic vision. There is also a need to educate and encourage members to adopt new banking channels – Business Correspondents using micro ATMs; mobile banking; digital wallets and Pre-Paid Instruments (PPIs). All SRLMs will therefore undertake a systematic financial literacy campaign to improve not only the knowledge and awareness of SHG members of financial services but also to enable them to manage their institutions efficiently.

⁹ See Detailed Annex in Part-II

8.2.2 Methodology of Financial Literacy Campaign

SRLMs will adopt a cascading method of training to prepare the required pool of trainers at different levels. As part of the approved methodology, BIRD, Lucknow/ National Academy of RUDSETI (NAR), Bangalore will conduct TOTs (4-5 days) on financial literacy for first level trainers drawn from different districts including faculty member of select RSETIs, FLCC, SRLM staff and other practitioners. These trainers will in turn train Financial Literacy CRPs (FLCRPs) in the districts. Each FLCRP will be equipped with tools kits and materials on financial literacy. The FLCRPs will undertake training of SHG leaders/representatives in financial literacy. In the first phase the campaign on financial literacy will be implemented in 10 states viz., Maharashtra, Madhya Pradesh, Chhattisgarh, West Bengal, Uttar Pradesh, Bihar, Jharkhand, Odisha, Rajasthan and Gujarat. In subsequent phases, this will be expanded to remaining states

8.2.3 Financial Literacy Modules and toolkits

All the modules required for the training will be prepared by BIRD/ NAR in consultation with NMMU & SRLMs. Necessary customization in the modules/ toolkit will be made to suit local context and requirements. The SRLMs will adhere to the methodology of training, modules, duration and cost norms suggested. The core modules of training will *inter alia* include:(i) financial literacy and credit counseling initiatives of GOI/RBI/NABARD; (ii) various banking products and services (including payment systems); (iii) use of Banking correspondent and other technology enabled banking channels (iv) tools for financial planning – saving, borrowing, investments, insurance, banking, KYC norms, Aadhar seeding of SHG accounts, Rupay card, Atal Bima Yojana, MGNREGS and social security and PMJDY.

8.3 Promotion of Individual Bank Accounts under Jan Dhan Yojana

PMJDY aims at ensuring access of each household to various financial services like availability of basic savings bank account, access to need based credit, remittances facility and insurance and pension to the weaker sections and low income groups. A critical element of the PMJDY is to cover all households with at least one bank account with Rupay debit card having an in-built overdraft facility up to Rs.5,000/- and accident insurance cover of Rs.1.00 lakh. The account is also envisaged to facilitate direct benefit transfer under government schemes.

It is therefore imperative that all the SRLMs facilitate opening of individual bank accounts by every SHG member. This will require the Missions to formulate specific strategies for different geographies and achieve them through the financial literacy campaign.

8.4 Aadhar Seeding of SHG Member Bank Accounts

Further, the SRLMs will undertake seeding of Aadhar number as well as individual member saving bank account details in the SHG profiles uploaded on the Ministry's portal. The state Missions will adopt the following strategy:

- conduct a survey for mapping of SHG bank account details with individual member details including bank account number, Aadhar number and mobile number;
- facilitate SHG member without any saving bank account to open account under PMJDY;
- ensure seeding of Aadhar number into individual saving bank accounts of SHG member;
- ensure collection of both consent forms for bank and implementing department along with self-attested copy of Aadhar card; and
- ensure that the information collected is validated by the individual bank branches.

The SRLMs will prepare and implement an action plan for this purpose and facilitate entry of data into MIS portal at block/district levels. The state Missions will meet the expenditure incurred on this initiative from the budget head "Capacity Building" (Component B2).

8.5 Opening of SHG Saving Bank Accounts

Opening of SHG savings bank account in a nearest bank branch is an important step to be taken after promotion of SHGs to introduce the SHG to the banking system and is a pre-requisite for credit linkage of SHG. The Mission implementation units shall therefore ensure that all SHGs promoted open saving bank accounts (Basic Savings Bank & Deposit Account). The frontline staff/CRPs/bank mitra shall provide necessary documentation support and liaison with the bank for opening the account. The documents required for opening the bank account are: (a) a resolution by the SHG indicating the name and location of the SHG and date of formation; (b) names of leaders authorized to operate the bank account and their specimen signatures and photographs; and (c) initial deposit amount if any. The 'know your customer (KYC)

norms as specified by RBI are applicable for identification of the customer SHG. The services of VO/CLF could also be accessed by the SHG for the purpose of introduction and opening of bank account. The Mission implementation units shall also ensure that the inactive / dormant saving bank accounts of pre-existing SHGs revived and brought into NRLM fold are activated in consultation with the bank and the revived SHG. This may sometimes require change of leadership, updating of books of records and repayment of overdue loans if any.

8.6 SHG Credit Linkage

While the Mission provides only catalytic capital support to the SHG members, it is expected that the banks provide major chunk of funds required for meeting the entire gamut of credit needs of the rural poor households. It is in this context that the Mission implementation units should promote SHG credit linkage. But before approaching the bank, the Mission units should ensure that the groups adhere to the eligibility criteria. Prior to submission of loan application to banks, each SHG should prepare micro credit plan/ micro investment plan for each member willing to take bank loan and also passing a resolution for taking loan from the bank duly noted in their respective meeting register.

8.6.1 Eligibility Criteria

SHGs satisfying the following conditions will be eligible to avail bank loans:

- SHG should have been in active existence for at least 6 months as per the books of accounts of the SHG (and not from the date of opening of SB account with bank);
- SHG should be practicing *Panch Sutras i.e.*, regular meetings, regular savings, regular inter-loaning, timely repayment and up to date books of accounts;
- qualified as per grading norms fixed by NABARD ('A' grade). Further, as and when the VOs come into existence, the grading can be done by them to support the banks; and
- pre-existing SHGs revived and are eligible for bank credit only if they are revived and continued to be active for a minimum period of 3 months.

8.6.2 Grading of SHGs

The state Mission shall institute a system to undertake grading of SHGs at quarterly/ half yearly intervals using the NABARD prescribed grading tool.

8.6.3 Preparation of Loan Applications

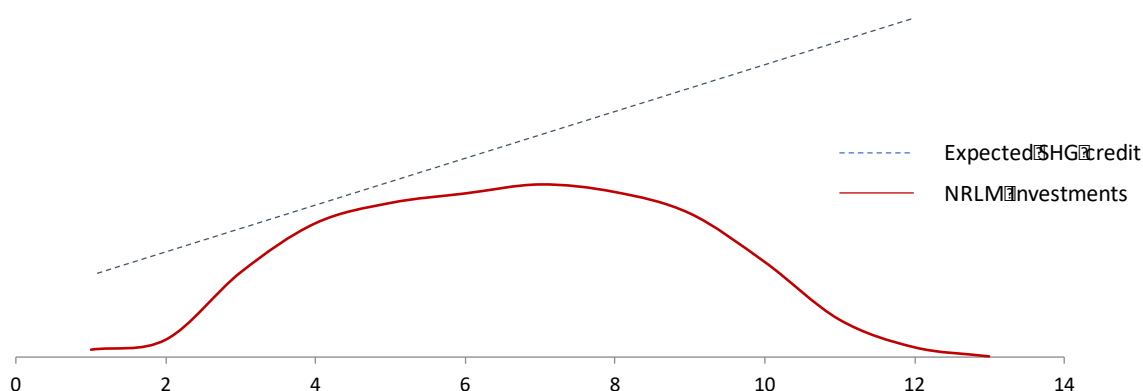
The BMMU/bank mitra/CRP/CLF/VO should support the preparation of loan application which should include: (a) filled-in bank loan application including inter-se agreement; (b) Member wise Micro Credit Plan; (c) grading details; (d) Financial Statement of the SHG

8.6.4 Loan Amount

NRLM envisages that banks provide loans to all SHGs, meeting the criteria laid down, in multiple repeat doses over a period of time to enable them to undertake sustainable livelihoods. The amount of credit that the SHGs can access from the banks as per the RBI Master Circular is as follows:

- **First Dose:** 4-8 times to the proposed corpus during the year or Rs.50,000/- whichever is higher;
- **Second Dose:** 5-10 times of existing corpus and proposed saving during the next twelve months or Rs.1.00 lakh, whichever is higher;
- **Third Dose:** Minimum of Rs.2.00 lakh, based on the micro credit plan prepared by the SHGs and appraised by the federations/ support agency and the previous credit history; and
- **Fourth Dose onwards:** Loan amount can be between Rs.5-10 lakhs for fourth dose and/or higher in subsequent doses. The loan amount will be based on the micro credit plans of the SHGs and their members. Eventually, NRLM is expected to leverage increasing amounts of bank credit to meet the livelihoods of the rural poor. The Mission investments are expected to gradually decline, while the leveraging grows year-after-year.

Chart-
Leveraging Institutional Finance of the Poor : NRLM



8.6.5 Withdrawal of Loan Proceeds

The Mission units / bank mitras will guide the SHGs to withdraw loan proceeds from the loan account within three working days of sanction. In respect of a CCL, SHG should be guided to withdrawing amount as required from time to time and repay as it pools up recoveries from members.

8.6.6 Purpose of Loan Utilization

The loan proceeds may be used by SHG members for meeting social needs, swapping of high cost debt and for taking up livelihood activities. The loans may also be used to finance any viable common economic activity started by the SHG. Members are expected to utilize the loans only for the purpose they have mentioned in the MCP or before taking of the loan from SHG.

8.6.7 Type of Loans

SHGs can avail either Term Loan (TL) or a Cash Credit Loan (CCL) or both based on the need. In case of need, additional loan can be sanctioned by the bank even though the previous loan is outstanding.

8.6.8 Repayment Schedule

The RBI Master Circular suggests the following repayment schedule for each loan.

- first dose of loan will be repaid in 6-12 installments;
- second dose of loan will be repaid in 12-24 months;
- third dose could be sanctioned based on the micro credit plans, the repayment has to be either monthly/quarterly /half yearly based on the cash flow and it has to be between 2 to 5 Years; and
- fourth dose onwards: repayment has to be either monthly / quarterly / half yearly based on the cash flow and it has to be between 3 to 6 Years.

8.6.9 Collateral Security

No collateral and no margin will be charged up to Rs.10.00 lakh limit to the SHGs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon by the banks while sanctioning loans.

8.6.10 Treatment of Defaulters

The Mission implementation units are advised to discourage willful defaulters of bank loans in the past from getting benefited through the SHG bank credit. However, they might be allowed to benefit from the internal loans from the corpus of the SHG. While preparing the loan applications, the Mission units are required to ensure that such loan defaulters are excluded.

8.6.11 Restructuring of Loans of Non-Willful Defaulters

Further, non-willful defaulters should not be debarred from receiving the loan proceeds. In case of defaults arising due to genuine reasons, banks are advised by the RBI to follow the norms suggested for restructuring the account with revised repayment schedule.

8.6.12 Issue of Loan Passbooks

RBI circular requires the banks to issue loan passbooks in regional languages. The passbooks need to record all the details of loans disbursed to them and the terms and conditions applicable to each loan sanctioned. The banks are obliged to explain the terms and conditions of loans as part of financial literacy campaign. Further, the banks should update every transaction made by the SHG. In cases where banks are unable to provide loan passbooks due to the non-availability of stationary at the branch, it is recommended that SHGs demand a statement of account from the branch every quarter which is provided free of cost. SRLM functionaries/ facilitators at the block level should match the entries in books of records of SHG and verify the correctness of the transactions made. Any discrepancy should be brought to the notice of the bank.

8.6.13 Field Visits

The block/cluster staff/bank mitra may facilitate visit of bank staff to SHGs on a fixed day in a fortnight, preferably on a day when the SHGs and VOs hold their meetings. This will enable the bank staff to observe the operations of the SHGs and keep a track of the regularity in the SHG meetings and performance.

8.6.14 Loan Repayment

The success of SHG-bank linkage critically hinges on prompt repayment of loans. The Mission units shall take all possible measures in coordination with the banks to ensure recovery of loans. Joint recovery camps may be organized where necessary. Keeping

in view, the importance of loan recovery, the Mission units and banks should prepare a list of defaulters under NRLM every month and furnish the list in the BLBC, DLCC meetings as well as in VO and CLF meetings.

8.6.15 Community Based Recovery Mechanism (CBRM)

All block Mission units shall undertake formation of an exclusive sub-committee for SHG-bank linkage at VO/cluster/block levels which will *inter alia* support the SHGs in accessing the loans, their proper utilization and timely repayment. These sub-committees, known as CBRM, could meet once in a month under the chairmanship of the Branch Manager in the premises of the bank and review:(i) opening of new SHG accounts;(ii) SHG bank linkage; (iii) trends in recovery; (iv) potential defaults; and (v) measures to be taken to prevent defaults. The Mission units will provide necessary orientation and training to the CBRM sub-committees.

8.6.16 Appointment of Bank Mitras/ Bank Sakhis

The state Missions are required to ensure that a *bank mitra/ bank Sakhi* is positioned in each rural bank branch to provide support to the SHGs in all bank transactions including preparation of loan applications/ agreements, withdrawal and repayment of loans, money transfer and other financial or non-financial transactions at bank branch. The bank mitras are also expected to guide and educate the SHG members on the norms and procedures followed by banks. The Bank mitra/ bank Sakhi are also expected to participate in the VO & CLF meeting. Bank mitra/ bank Sakhi will maintain basic records on list of SHGs having SB account in the concerned bank branch; list of SHG credit linked and details of repayment made by each credit linked SHG. The state Mission will undertake identification of Bank mitra/ bank Sakhi in consultation with VO/ CLF and conduct systematic training as per module recommended by NMMU. The Bank mitra/ bank Sakhi deployed may be paid honorarium based on the tasks performed. Initially the honorarium will be paid from the project which will eventually be transferred to the CLF.

8.6.17 Monitoring of SHG Loan Applications and Repayments

The Mission implementation units will ensure that SHG loan applications are sanctioned as early as possible. If there is any pendency of loan applications beyond a reasonable period, the same should be brought to the notice of higher Mission management units such that they take it up at the BLCC/DLCC/SLBC and with the concerned banks/principal banks. The VOs/CLFs/bank mitra should closely monitor the progress of loan sanctions as well as loan recoveries. Each VO shall maintain SHG

wise bank loan repayment register and the same should be updated every month. The federations may intercede on behalf of SHG with the banks for early sanction as well as for sanction of eligible amounts and resolve any bank level issues. They should also pursue timely recovery of loans to reduce NPA, if any.

8.6.18 Bulk Borrowing by Federations

SHG Federations promoted under NRLM will have Financial Intermediation as one of their core function. The spread of brick& mortar bank branch or other channels of banking in many areas particularly remote districts and difficult geographies still remains a challenge. In such circumstances, lending by federation becomes the only source of loans at fair interest rates. In the absence of such a facility, poor households are forced to rely on high cost informal sources. However, for this purpose, the federation needs to be prepared in terms of appropriate legal framework, systems and management. Lending by federations may also be bridge financing in nature to trigger and catalyze direct financing of SHG and their by mainstream banks. Federations taking up bulk borrowing should consider adoption of appropriate technology solutions to bring down the delivery and monitoring cost and consequently the interest rate on loans offered to SHGs and members.

8.6.19 Business Correspondent Model

Business correspondent (BC) using micro ATMs is one of the key channels for delivery of banking services on behalf of scheduled banks in rural areas, particularly in unbanked or under banked areas. Over 1.68 lakhs BCs have been deployed by various banks in rural areas.

It is pertinent that SHGs and their members also use these channels to access basic banking services. SHG Members having individual accounts can carry out transactions in these accounts (saving, withdrawal, money transfer) at the BC touch points without even physically visiting the bank branch.

Trained women SHG leaders/ members can also be deployed as Business Correspondent Agents (BCA) in consultation with banks. Such Business Correspondent Agents (BCA) termed as '*Bank Sakhis*' can deliver doorstep financial services using micro ATMs/ laptops enabled with biometric identification of customers. Their integration into the community ensures their commitment and long-term availability to serve the community sustainably. Bank Sakhis, as members of SHGs themselves, serve the whole community but especially SHGs, their member and other women as well as those households who did not have access to financial services

before. They are therefore able to overcome social and cultural (caste) barriers in the communities. Using the facilities of BC will enable SHGs to gradually shift from predominantly cash transaction to 'Less cash' transaction and eventually 'Cashless' transaction. Use of the BC channel will enable SHGs to record their transactions in the CBS of respective banks which will ultimately benefit the SHGs in their credit linkage.

8.6.20 Advocacy through SLBC, DLCC and BLBC

The RBI Master Circular requires each SLBC to constitute a sub-committee on bank linkage, comprising representatives of all banks in the state, RBI, NABARD, CEO of SRLMs, representatives of state rural departments, secretary – Institutional Finance and representatives of development departments. The sub-committee is required to meet once in a month with a specific agenda of monitoring, SHG bank linkage and resolving issues and constraints in the implementation of the programme and achievement of the targets. The decisions of SLBCs shall be based on the reports of the sub-committee. The state Missions shall bring all SHG bank related issues including unresolved issues to the notice of SLBC sub-committee.

The Master Circular also stipulates that a District Coordination Committee be formed to monitor the flow of credit to SHGs at the district level and resolve issues that constraint the flow of credit to the SHG in the district. Apart from LDMs, AGM of NABARD, district coordinators of banks and DPMU staff representing NRLM and select OBs of SHG federations are required to participate in the DCC meetings.

The RBI also stipulates that the BLBC meet regularly and resolve issues relating to SHG bank linkage at the block level. The representative SHGs and federations should be included in the BLBC to raise their voice in the forum. Branch wise status of SHG credit is required to be monitored by the BLBC.

The Branch Managers are also required to report progress of SHG bank linkage and the NPAs relating to SHG loans to the lead district managers (LDMs) every month.

8.6.21 Data Sharing & SHG Bank Linkage portal

The banks are also advised to share data directly from CBS with the NRLM/SRLMs on a mutually agreed format. NRLM has created an online portal on SHG bank linkage. Several monitoring reports prepared on analysis of data received from banks are placed on the portal. While NMMU deals directly with Public sector, Private banks for data sharing, SRLMs are advised to ensure monthly data sharing from RRBs and

Cooperative banks in respective states. The SHG Bank Linkage portal will be the only reference for all reports related to achievement in credit linkage.

8.6.22 SHG-Credit Targets

NRLM prepares and recommends state wise and bank wise credit targets. Each SRLM is advised to ratify the target from SLBCs in respective states. Respective SLBC sub-committee is advised to come up with state, district and block level targets for SHG credit linkage, taking into account the existing SHGs, new SHGs proposed and the number of SHGs eligible for fresh and repeat loans. The target approved by SLBC may be communicated to each bank & their branches; district and blocks. SRLMs in each state should be fully involved in this process of credit target setting. SRLMs are also advised to enter into MOU with leading banks to facilitate credit linkage of SHGs.

8.6.23 Pendency of Loan Applications

All SRLMs are required to submit information on pending SHG loan applications with different banks at monthly intervals to NMMU (10th of every succeeding month on the number of pending applications during the previous month) so as to enable it to take up the issue with the Department of Financial Services (DFS), Ministry of Finance (MOF), GOI. A format has been circulated to the states for reporting the information on status of loan applications and amount of credit applied for in the previous month, progress of sanctions during the reporting month and the cumulative situation at the end of the reporting month. The SRLMs are also advised to use the information collected to take up the issue at SLBC, DLBC and BLBC levels.

8.7 Interest Subvention

In order to reduce the effective cost of bank credit to women SHGs, interest subvention is provided with effect from FY 2013-14. The districts are divided into two categories for this purpose.

8.7.1 Interest Subvention in Category-I : 250 Districts

All women SHGs will be eligible for interest subvention on credit up to Rs.3.00 lakh at 7% per annum. All public sector banks, private sector banks and regional rural banks will provide such credit to women SHGs in 250 districts notified by the GoI. However, SHGs availing capital subsidy under SGSY in their existing credit outstanding will not be eligible for interest subvention under this scheme.

8.7.2 Reimbursement of Interest Subvention to Commercial Banks

All commercial banks (excluding RRBs) will be sub-vented to the extent of difference between all commercial banks the weighted average interest charged (WAIC as specified by DFS, Ministry of Finance) and 7% subject to the maximum limit of 5.5%. This subvention will be available to all the banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts.

8.7.3 Reimbursement of Interest Subvention to RRBs and Cooperative Banks

RRBs and Cooperative Banks will be subvented to the extent of difference between the maximum lending rates (as specified by NABARD) and 7% subject to the maximum limit of 5.5% for the year 2014-15. This subvention will be available to all RRBs and Cooperative Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts. RRBs and Cooperative Banks will also get concessional refinance from NABARD.

The scheme is limited to women SHGs in rural areas only. The funding for the scheme will be met out of central allocation.

8.7.4 Additional Interest Subvention

Further, the SHGs will be provided with an additional 3% subvention on prompt repayment of loans. For the purpose of interest subvention of additional 3% on prompt repayment, an SHG account will be considered prompt payee if it satisfies the following criterion as specified by Reserve Bank of India (RBI).

For Cash Credit Limit

- outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days;
- there should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month; and
- customer induced credit should be sufficient to cover the interest debited during the month.

For the Term Loans

- a term loan account where all of the interest payments and/or installments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment;
- the prompt payment guidelines would continue to be guided by RBI guidelines on the subject in the future; and
- all prompt payee SHG accounts as on the end of the reporting quarter will be eligible for the additional interest subvention of 3%. The banks shall credit the amount of 3% interest subvention to the eligible SHG loan accounts and thereafter seek the reimbursement.

8.7.5 Nodal Banks

The interest subvention scheme is implemented for all commercial banks (excluding RRBs) through Canara Bank which is operationalizing the scheme through a web-based platform, as advised by MoRD.

For the RRBs and Cooperative Banks, the scheme is being operationalized by NABARD along the lines of short term crop loan scheme.

All Commercial Banks (including the PSBs, Private Banks and RRBs) who are operating on the Core Banking Solutions (CBS) are advised by the RBI to avail the interest subvention under the scheme.

8.7.6 Interest Subvention Claim Procedure for Commercial Banks

In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, regular subvention, all commercial banks (excluding RRBs) are required to upload the SHG loan account information on the nodal bank's portal as per the required technical specification. Banks must submit the claims for 3% additional subvention also on the same portal. All commercial banks (excluding RRBs) are required to submit their claims, regular as well as additional claims, to Canara bank (nodal bank) on a quarterly basis. The claims submitted by bank should be accompanied by a Statutory Auditor's certificate (in original) certifying the claims for subvention as true and correct.

8.7.7 Interest Subvention Claim Procedure for RRBs and Cooperative Banks

In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, all RRBs and cooperative banks are required to submit their claims to respective NABARD - regional offices on a quarterly basis along with the statutory auditors certificate. All claims will be settled by the MORD only on receipt of the statutory audited certificate for the relevant year. RRBs and cooperative banks are required to adopt the same procedure for claiming 3% additional subvention.

8.8 Interest Subvention Scheme for Category-II Districts (Other than 250 Districts)

For category II districts, comprising districts other than the above 250 districts, all women SHGs under NRLM will be eligible for interest subvention and avail the loan facility at an interest rate of 7%. The funding for this subvention will be met by SRLMs from out of their allocation. The SRLMs will be permitted to utilize up to 50% of the total annual allocation for interest subvention. In the Category-II districts, banks will charge the SHGs as per their respective lending norms and the difference between the lending rates and 7% subjected to a maximum limit of 5.5% will be sub-vented in the loan accounts of the SHGs by the SRLM.

8.8.1 Role of the Banks

All banks operating on the Core Banking Solution (CBS) platform are required to furnish the details of the Credit disbursement and Credit outstanding of the SHGs across all districts to the MoRD and to the concerned SRLMs, on a monthly basis to facilitate the computation and disbursement of interest subvention amount to SHGs.

8.8.2 Role of SRLMs

SRLMs will provide interest subvention to the eligible SHGs which have accessed loan from commercial banks, RRBs and cooperative banks from out of their approved allocation. The amount will be directly transferred to the loan accounts of the SHGs which have repaid promptly through e-transfer mechanism on a monthly/quarterly basis. For the purpose of the interest subvention, an account will be considered as prompt payee if it satisfies the following criteria as specified by RBI:

For Cash Credit Loans

- outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days;
- there should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month; and
- customer induced credit should be sufficient to cover the interest debited during the month.

For the Term Loans

- a term loan account where all of the interest payments and/or installments of principal were paid within 30 days of the due date during the tenure of the loan would be considered as an account having prompt payment; and
- the prompt payment guidelines would continue to be guided by RBI guidelines on the subject in the future.

Women SHGs which had availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under this scheme.

SRLMs should submit Quarterly Utilization Certificate indicating subvention amounts transferred to the loan accounts of the eligible SHGs.

8.9 Unique Codes for SHGs

All banks are required to assign unique codes for women SHGs as well as unique code for NRLM SB and loan accounts of women SHGs. This will facilitate identification of SHGs for interest subvention and monitoring of bank linkage.

8.10 Harmonization with States Specific Schemes

The States with state specific interest subvention schemes are advised to harmonize their guidelines with the Central scheme.

8.11 Insurance

Social protection tools such as life insurance, health insurance, crop insurance, livestock insurance, and pension are critical components of any successful livelihood intervention programme. These tools prevent the poor from income shocks arising out of adverse incidents. Micro insurance is now widely recognized as a necessary condition in livelihood intervention. In India, different government initiated several micro insurance schemes for BPL segment and several identified target groups over the years.

NRLM will extend insurance services to the SHG households by using its institutional set up. Community level federations, promoted under NRLM, will act intermediary for delivery of insurance services. State Rural Livelihood Missions will support these community level federations in service delivery through an insurance IT architecture. The insurance IT infrastructure will enable policy enrollment, premium transfer, policy document printing, claim submission and tracking at block level. The project will be first launched in ten focus states under the Special Project Fund. However, the IT architecture can be made available to any other SRLM which wishes to offer insurance services.

8.11.1 Awareness Promotion

All financial literacy camps will incorporate module for promotion of insurance products. The standard facilitator guide and tool kit contains insurance awareness material and product details. Further, insurance leaflets, posters and pamphlets will also be made available. SRLMs will be advised to conduct mass campaign, video screening and workshop on insurance prior to enrollment. The campaigns will showcase the benefits of insurance services through events such as experience sharing of claim settlement by family members of deceased policy holders and scholarship distribution.

8.11.2 Types of Insurance

Initially, the Mission will offer life insurance cover under *Aam Aadmi Bima Yojana* (bundled with group term) with life coverage of Rs. 1 lakh. The scheme will also be made available to the spouse of the SHG member as well. Subsequently, other insurance products such as health insurance, crop insurance and livestock insurance will be added to the product portfolio. CLF identified for insurance intermediation will also be one stop information centre for all NSAP schemes such as Old Age pension, Widow pension etc.

8.11.3 Enrolment

Enrolment toolkit will contain standard formats and documentation. These will be filled during SHG meeting. After form fill up, VO will aggregate the document and forward it to the CLF along with premium collected in cash/cheque. Enrolment form along with scan copy of documents will be uploaded at the CLF office and premium will be electronically transferred to the insurer. Premium financing option can be explored through the VRF/RF fund to promote insurance culture. Policy will get issued within seven working days and the policy document will be made available at portal for printing and distribution. A toll free number will also be available for all queries related to insurance services.

8.11.4 Support for Claim Settlement

SRLM will create a pool of Bima Mitra for claim settlement. In the event of death, the Bima Mitra will facilitate claim settlement of policies-documentation and uploading at portal within a week and claim settlement within a month's time. They will also facilitate claim settlement of all other products including PMJJB and PMJSBY. SRLM will get circular issued from District Collectors to respective RDOs/MDOs to make death certificate issuance by gram panchayat within 24 hours of application done. SRLM will also ensure interim relief payout to deceased member household to meet funeral expenses. The interim relief payout will be part of the negotiation with Insurer.

8.11.5 Annual Renewal of Insurance

Renewal is a critical component of the insurance project. Regular renewal campaigns will be organized by SRLMs. During policy document handover, the community cadre need to highlight the renewal date. CLF will share policy renewal list batch wise, geography wise, two months prior to renewal date. In initial years rigorous renewal campaigns should be organized.

8.12 Dedicated Funds for Promotion of Financial Inclusion under NRLP

In order to promote financial inclusion, a dedicated fund has been earmarked for 13 NRLP states. However, states interested in making use of this dedicated fund are required to come up with specific project proposals, which will be subject to appraisal before sanction.

8.12.1 Eligibility Criteria

The dedicated funds under FI will be available to states satisfying the following criteria:

- at least 40% of the target households have been mobilized in NRLP blocks (more than 18 months old);
- at least 40% of 6 month old SHGs have been capitalized through RF/CIF/ bank linkage;
- dedicated full time professionals are position in FM, MIS and procurement at SMMU;
- demonstrated efforts for adopting new interventions in financial inclusion such as bank sakhi, BC model, bank kiosk model, digitalization etc; and
- dedicated full time FI professionals are placed at state and district levels.

Further, SRLMs accessing the dedicated fund should be willing to create a dedicated team to manage the proposed initiative, and institutionalized appropriate monitoring mechanism.

8.12.2 Eligible Activities

The following activities are eligible to be financed under FI funds:

- equipment/devices/infrastructures/assets for community institutions promoting FI;
- technical assistance including cost of services of technical support organizations and individual specialists;
- training and capacity building of staff, community and others;
- viability gap funding for meeting operational expenses of community institutions including honorarium, travel of community cadre like bank mitras; and
- initial capital and operating cost for technology interventions.

However, FI fund will not be available for financing individual assets / services, office infrastructure, working capital loans to individual households, purchase of land, construction and vehicles and activities already financed by SMMU and those for which SMMU funds are available. All interventions should primarily aim at benefiting NRLM target households.

8.12.3 Proposals for FI Fund

SRLMs will submit detailed proposals in response to specific notification by NMMU-MORD. The essential elements of the proposal are the following:

- details of the proposed project/ initiative;
- implementation strategy;
- plan to start full-fledged project operations i.e. taking up activities in all NRLP Intensive Blocks along the lines of Resource Blocks;
- operational architecture – SMMU, DMMU, BMMU, other support agencies;
- capacity building plan for various actors;
- results framework and Indicators up to 2017-18 (revised);
- plan for up-scaling, deepening and sustainability of the initiative;
- establishing MIS at DMMU/BMMU and sub-block level; including conduct of Baseline studies and Process Monitoring;
- procurement plan of new items (if any);
- preparation of half yearly/ annual progress reports; and
- budget along with quarterly plans in IUFR format.

8.12.4 Sanction of FI Fund

The proposals will be jointly appraised by the NMMU and the World Bank, based on pre-determined eligibility criteria and the viability, feasibility, scalability and sustainability of the proposed activity based on the appraisal, the executive committee of NRLPS will accord necessary approval. Each SRLM accessing FI funds will be required to adhere to all conditions of sanction including submission of quarterly implementation reports, MIS reports on key performance indicators, IUFRs and impact assessment reports. Any procurement involved will be undertaken through an approved procurement plan and as per the NRLM procurement guidelines.

Section–9¹⁰

Livelihoods

9.1 Promotion of Livelihoods

NRLM seeks to address the entire portfolio of livelihoods of each poor household and work towards stabilizing and strengthening the existing livelihoods and subsequently diversifying them. Thus, NRLM focuses on stabilizing and promoting existing livelihoods portfolio of the poor through: (i) promotion of farm livelihoods; (ii) promotion of non-farm livelihoods including micro-enterprises; (iii) training and support for youth for self-employment; and (iv) training and placement support for wage/salary employment.

9.2 Farm Livelihoods promotion

In view of the fact that more than 70% of the rural poor are dependent on agriculture, livestock and NTFP, NRLM has adopted a comprehensive strategy for promoting livelihoods in these areas with the following objectives:

- every poor household is supported on at least 2 farm sector livelihoods (agriculture, NTFP and livestock);
- assured annual incremental income of more than Rs.50,000/- per family per year after 2 years of intervention;
- year-long food and nutritional security for the household ;
- income streams throughout the year; and
- creation of social capital for agriculture, NTFP and livestock, from the best practitioners as extension workers.

9.2.1 Convergence for Farm Livelihoods Promotion

This is an important component to support farm livelihoods promotion. For individual asset creation, land leveling, nursery making, plantation in barren land, development of water harvesting structure etc. convergence with MGNREGA is essential. For soil health card, soil testing and agriculture tools convergence with Agriculture department is essential. For technical support in the Non timber forest produce and medicinal plants interventions convergence with local forest department, National Horticulture Mission, Bio-diversity Board and State Medicinal plant board is desirable. Convergence with *Rashtriya Krishi Vikas Yojana (RKVY)* is also important. Through a well designed and convergent implementation of interventions the poor can be served more efficiently.

¹⁰ See Detailed Annex in Part-II

9.2.2 MIS

Farm livelihoods interventions, including *Mahila Kisan Shasaktikaran Pariyojana (MKSP)*, need separate MIS modules. Livelihoods interventions need to be monitored with the help of dedicated software to capture roll out plan, outcome and impact assessment of participating households over a timeline. The SRLMs will adopt the software modules provided for this purpose and upload necessary information.

9.2.3 Knowledge Management

Under knowledge management, the SRLMs will identify and document best practices for replication and scaling-up the livelihood activities.

9.2.4 CRP Strategy

The SRLMs will ground the livelihood promotion strategy through the community resource persons. The SRLMs need to identify the best practicing farmers in their States. All the SRLMs will have to develop a pool of CRPs from the existing best practices from their home grown models and MKSP areas as well.

9.2.5 Training and Capacity Building

All SRLMs will develop a clear training and capacity building architecture. As part of the strategy, the SRLMs will develop a pool of trainers at three levels at State level, at block level and at block level. The SRLMs will make available training modules for all three levels. The trainers can be identified from the existing MKSP projects in their states or from other successful models.

An advisory has been issued on training and capacity building architecture for the livelihood interventions by the Ministry. The broad outlines are as below.

NRLM has a clear mandate to train and capacitate the poor and vulnerable women for enhancing their livelihoods skills. The primary focus of DAY-NRLM farm livelihoods is scaling up core livelihoods promotion models in all intensive blocks on sustainable agriculture, livestock and non-timber forest produce. In this context, a training and capacity building architecture has been developed. This architecture has been developed through a consultative process with SRLMs, MKSP partners and other stakeholders, for rolling out the training and capacity building of the community cadres, leaders, members and institutions. The schematic diagram is given below:

Schematic Diagram	
Body	State Resource Persons (SRP)
No. of members in each state to be identified by SRLM	30/40 members nominated/selected from SRLM/ DMMU/MKSP partners/ reputed NGOs / consultants
Composition	(a) Sustainable agriculture (15/20); (b) livestock/ animal husbandry (5/10) and (c) Non Timber Forest Produce (3/5)
Role	(a) Train Community Resource Persons, 1 CRP for 50 Mahila farmers; (b) 3/5 days training module, done twice a year

Keeping the need of the SRLMs to have a strong capacity building system, NMMU has worked out a structured and systematic approach in building the skills and capacity of community. The training architecture will be a three level structure to reduce the knowledge transmission loss. At the national level there will be a pool of National Resource Persons (NRP). The National Resource Persons would be identified by NIRD and NMMU jointly. NRPs would train the State level pool of State resource Persons (SRP) and the SRPs would in turn train the Community Resource Persons (CRP) and block staff and CBO leaders. CRPs would be responsible for directly training the community.

NIRD will be providing key and critical support to the SRLMs in ensuring the delivery of the training plan- training the state level resources persons and staff; and sending the anchor NRPs to support the SRPs in training the BMMU and CRPs.

A pool of National Resource Persons (NRP) has already been identified and most of the SRLMs have identified a pool of State Resource Persons to be trained by the NRPs. The training of the SRPs is starting from 16th November and will continue till the SRPs are trained in batches. Subsequently the refresher training for the SRPs will also be conducted. The SRPs would be responsible for training the Community Resource Persons.

9.2.6 Non-Negotiable Components of NRLM under farm livelihoods

NRLM has a clear mandate of implementation of farm livelihoods through sustainable basis. Under MRLM, the sustainable agriculture (without use of chemicals) is a non-negotiable.

9.3 Mahila Kisan Sashaktikaran Pariyojana (MKSP)

MKSP was launched in FY 2010-11 as a sub-scheme under DAY-NRLM to promote farm based livelihoods for the rural poor. SRLMs implementing MKSP are required to integrate MKSP into their livelihood action plans. In this context, the SRLMs are required to adhere to the following guidelines.

9.3.1 Change in Implementation Architecture of MKSP

All SRLMs, beginning FY 2015-16 will submit their MKSP projects in AAP mode in the prescribed format. The SRLMs will act as the project implementation agency for MKSP projects proposed under the AAP route.

9.3.2 Engagement of Partner Agencies

The district, block and cluster federations of women SHGs will be the implementing partners of SRLMs. The SRLMs however can contract the services of NGOs with proven experience in implementing sustainable agriculture, NTFP and livestock based livelihood programmes as technical support organizations to provide training and capacity building support to CBOs. In addition, the services of best practicing farmers promoted by the NGOs can also be utilized as CRPs by the CBOs on payment of a service fee.

9.3.3 Funding Pattern under MKSP

The share of central assistance for MKSP projects has been revised from 75% (75:25) to 60% (60:40) in respect of all projects implemented by all major states. In respect of NE States and Himalayan states including J&K, the funding pattern for MKSP projects will continue to be in the ratio of 90:10. The ceiling of administrative cost for MKSP projects will be 6% of the total approved MKSP project cost.

9.3.4 Value Chain Development

SRLMs can take up value chain development interventions for establishing market linkages as part of the on-going MKSP projects. Fresh proposals can be submitted for such interventions. A ceiling of 25% of the existing MKSP project cost could be set apart for such proposals.

9.3.5 Promotion of Medicinal Plants

States having significant forest area, should actively promote medicinal plants interventions through cultivation as well as collection from the forest. The SRLM can also build partnership with State Medicinal Plant Board and other line departments.

9.3.6 New Partnership with MKSP Partners

SRLMs may partner with MKSP implementing agencies to rollout the livelihood interventions as part of their farm livelihoods Annual Action Plans covering sustainable agriculture, livestock and NTFP. The main objective of such partnerships will be to access support for capacity building, CRP deployment and exposure of the stakeholders to immersion sites.

9.3.7 Technical Support Agency

To facilitate the States to hire technical support agencies (TSA) for development of commodity value chains and market linkage, four technically qualified agencies have been empanelled. The SRLMs may procure the services of the TSA for supporting them in implementing value chain based farm livelihood projects. The SRLMs may clearly define the role of the TSA and the desired team composition based on the commodity and scope of the value chain project.

9.3.8 Dairy Value Chain Development

NDDDB Dairy Services (NDS) has been recognized as a DAY-NRLM Support Organization by the Ministry for the promotion of Dairy Value Chain. NDS would be in a position to assist the State Rural Livelihood Missions (SRLMs) in the following areas:

- **Preparation of Project proposal and DPR:** Assist the SRLM is conducting the preliminary survey and estimation of marketable surplus.
- **Formation of Producer companies:** Assist the SRLMs in activities for incorporation of the Producer Company, preparation of Memorandum of Association & Articles of Association and the registration of the Producer Company
- **Community mobilization:** mobilizing SHG members engaged in dairying into the Milk Producer Companies.
- **Market linkage:** Assist the milk producer companies in establishing tie-ups with institutional buyers and supply to retail customers
- **Capacity Building:** Training of the staff and community members of the Producers' Company

9.3.9 Tasar Value Chain Development

The Ministry has recognized CSB as a Day NRLM support organization. Central Silk Board is a well-experienced organization in the field of Tasar based livelihoods promotion. CSB would be facilitating the SRLMs, to promote tasar based livelihoods interventions by providing technical support and implementation assistance in the States. SRLMs can enter into a MoU with Central Silk Board directly. CSB is expected to support the SRLM in the following areas

- **Project formulation** – Assisting the SRLMs in developing projects for promotion of sericulture as a livelihood promotion intervention.
- **Implementation Support** – Support the SRLMs in implementation of Sericulture projects such as designing technical protocol, value chain studies, project documentation.
- **Capacity Building** – Preparation of training modules, to give exposure on tasar cultivation to the livelihood anchor persons of SRLMs viz., Young Professionals, Block/District/State Project Managers

9.3.10 Prescribed Format for MKSP AAP

The SRLMs will adopt the format prescribed by the MoRD for submitting detailed proposals. The proposals will adopt the following template:

- livelihood situation analysis of the state;
- livelihood promotion strategy of the state;
- MKSP project management and monitoring plan of SRLMs;
 - readiness indicators;
 - MKSP process proposed;
- livelihood implementation plan under MKSP;
 - summary of on-going MKSP projects and the implementing agency details;
- MKSP project implementation plan and expected outputs;
- scale-up plan for livelihood initiative under MKSP; and
- proposed funding for MKSP plan (year-wise).

9.4 Universalization of Farm Livelihoods interventions in Intensive blocks

All SRLMs will promote sustainable agriculture, NTFP and livestock. Under agriculture, the focus will be on promoting productivity, food and nutrition security apart from net income through NPM and INM practices for a diversified poly crop model. Under NTFP, the SRLMs will focus on building the capacity of the NTFP dependent communities on improving harvesting and post-harvesting practices as well as value

addition. In respect of livestock, the SRLMs will focus on reducing morbidity and mortality of livestock by delivering livestock and animal husbandry services at the doorstep of the SHG member households through livelihood CRPs. The SRLMs will promote the following visions for an ultra poor targeted household and a village.

9.4.1 Strategy and Implementation Plan

Under Farm Livelihoods interventions the core focus will be promotion of sustainable agriculture, where the inputs are localized, risks are mitigated, productivity is enhanced, and food-nutritional security is ensured, hence net income of family is increased. In sustainable agriculture, SRLM will focus on agro-ecology by promoting low cost sustainable practices such as Non-chemical Pest Management (NPM), Integrated Nutrient Management, inclusion of cultural practices, climate resilient practices, soil health improvement/ management, in situ water conservation, diversified poly crop model and promoting indigenous variety of seeds.

The interventions around NTFP will focus on building the capacity of the community in modern harvesting and post harvesting techniques to increase their income, promoting value addition of NTFP to ensure higher returns, developing value chain, promoting regeneration of NTFP species to improve the bio diversity and enhanced productivity, introducing better cultivation practices etc.

NRLM recognizes the importance of livestock especially the small ruminant and poultry in the livelihoods of the poorest and started developing strategy to integrate livestock in the primary sector livelihood strategy of NRLM. Livestock not only contributes to the income stream of the households and enhances the nutritional status of the rural poor household but also plays a vital role in conserving the bio-diversity. Besides, promotion of livestock helps in meeting the need of draught power, farmyard manure, and organic inputs requiring cow dung and urine etc. Major intervention outcomes envisaged are reduction of morbidity and mortality of livestock and thereby improving the body weight gain and productivity. SRLMs will therefore promote livestock activity as an integral part of farm sector livelihoods through community based institutions and creating a cadre of community service providers for delivering livestock and animal husbandry related services at the door step of the SHG members.

9.4.2 Farmer Household Level

The household level interventions are categorized into following categories:

9.4.2.1 Soil Health: set of practices that could improve soil health

- composting-(Heap composting/NADEP), Vermi composting;
- dung based inoculants: *Ghanjeevamruth*;
- promotion of monocot/dicot crop combinations;
- green manure crops;
- tank silt application; and
- Azola in paddy field.

9.4.2.2 Moisture Regime Management (Water)

- land and water development: land leveling, rain water harvesting (farm ponds);
- *in situ* moisture conservation;
- mulching, weeds used in mulching; and
- zero tillage.

9.4.2.3 Seed

- seed replacement;
- seed selection, germination, priming and seed treatment using *Beejamruth*; and
- seed storage in raised platforms.

9.4.2.4 Pest and disease management

- eliminating chemical fertilizer usage;
- building of pest ecology;
- managing pests by understanding them (NPM);
- inter crop, border crops, white/ yellow sticky plates from nursery stage, and
- preparation and usage of bio-pesticides such as *Agnayastram*, *Neemastram* and *Brahmastram*.

9.4.2.5 Other interventions

- SRI/SWI/SCI;
- 36X36 model for round the year household nutritional security and regular income as well;

- homestead kitchen garden should be there which would be a replica of 36X36 model on smaller plots (2 cents or decimal of land); and
- integration of small ruminants or backyard poultry birds.

9.4.2.6 Post harvest practices

- sorting;
- grading;
- drying floor-Optimum moisture content;
- storage practices; and
- minimize post harvest loss.

9.4.2.7 Village Level

- INRM plan of the village (IPPE1 &2);
- progress on Resource development (land and Water) / additional area under irrigation/no of farmers benefitted ;
- annual resource mobilization plan under convergence;
- Av employment for SHG members to MGNREGA works (Job Card holders)
- NPM shop;
- custom hiring center (CHC);
- regular farmer field school (FFS);
- village grain bank;
- village seed bank;
- compact, contiguous block/patch of land;
- *Pashu Sakhi*;
- seed bank;
- wall writings and boards;
- maintenance of records;
- VO sub-committee;
- producers group; and
- at least one pico-projector for every group of 5 villages.

The SRLMs will ensure that social capital is available in every village in agriculture, NTFP and livestock to drive the interventions. Further, the SRLM will have to ensure that every targeted household receives at least two types of support in primary sector livelihoods.

9.4.3 SRLM Action Plan

All SRLMs will start livelihoods interventions in all the intensive blocks immediately in a programmatic manner with clear strategy and implementation plan. A very specific strategy needs to be adopted for those Blocks where IPPE-II exercise has been taken up. Based on the ground situation, the SRLMs can prepare a phasing plan of entering villages to saturate the Block. The following guiding principles will be adopted by the states by developing the strategy:

- start with the vulnerable and deprived households (refer SECC data) –landless, small and marginal SHG members, women headed household, widow, single women;
- mobilize them into their institutions-producers' groups;
- intensive engagement with them-promote Framers' Field School;
- focus on building the capacity of the poor to enable them becoming self- reliant;
- build Social Capital- create a cadre of Community Resource Persons (CRPs) out of the best practitioners who will be the vehicle for scaling-up in new areas;
- address needs of entire livelihood basket and integrate Agriculture, livestock and Non Timber Forest Produce (NTFP) intervention so that one household will receive support for at least two sub sectors;
- focus on convergence and partnership for assetization, capacity building, knowledge management etc;
- focus on sustainable climate change resilient practices which are local and scalable; and
- scale-up the successful models.

Some of the important components of the rollout of farm livelihoods strategy of SRLMs would be:

- **Identification of Blocks and Villages:** Each SRLM should plan the interventions in every Intensive Block. Within the Block state may work out a villages phasing plan and identify villages based on few objective criteria like extent of social mobilization, disbursement of RF and CIF, quantum of bank linkages, demand of assetization under IPPE-II *etc.*,;
- **Putting a Professional Team in Place at Block and State Level:** Each state would position a professional team comprising professional from sustainable agriculture, Livestock and NTFP background.
- **Identification of Community Resource Persons:** The core strategy of intervention would be to deploy a team of Community Best Practitioners of agro ecology in every intervention village. This would require a large number of

trained CRPs for reaching the scale that each state has to achieve. SRLMs may closely work with the MKSP partners from their state to identify and train a large pool of CRPs. A detailed list of each CRP and their deployment details may be maintained by the state.

- **Identification of Resource Persons for Training of CRPs:** All the identified CRPs are to be trained intensively in various aspects of agro ecology. Besides, they are also to be trained in the use of audio visual aids like pico projectors while training. Therefore, each state would develop a pool of resource persons for training the CRPs who can be selected from MKSP partners, KVKs, NGOs and line departments. Community training is a very specialized area and necessary care must be taken while selecting the trainers. For training on audio visual aids, partnerships may be explored with NRLM Support Organizations.
- **Development of Training Modules:** To train the CRPs and also the community a large amount of training material would be required to be developed. Each SRLM has to prepare the training modules for which support may be taken from the MKSP partners, KVK, line departments and other resource organizations. NRLM has also developed a training handbook on Sustainable agriculture which is uploaded in our website. The same may also be used for the same.
- **Preparation of Annual Action Plan:** Each state has to prepare Annual Action Plan outlining the following.

9.4.4 Implementation Outline

9.4.4.1 Geographic Coverage

It is logical and expected that the livelihoods interventions are initiated in all the intensive blocks including resource and partnership blocks where IB and CB activities have been started.

A large number of poor SHG members are likely to be benefited through improved agriculture assets from MGNREGA in the Blocks where IPPE II exercise has been taken up and NRLM has to work on enhancing the skills and capacities of the beneficiaries to maximize the utilization of these assets. Besides, a significant amount of survey data would be available for better targeting and more focused planning in these blocks.

Therefore, every state will prepare a specific Annual Action Plans for livelihoods for all Intensive Blocks, both IPPE II and non IPPE II. In each of these Blocks every village

where the Village Organization (VO) has been formed to be identified for the intervention.

All future MKSP-AAP proposals and proposals under Livelihoods Special Fund should preferably be concentrated in these intensive Blocks. Exceptions may be made in case of distressed districts.

9.4.4.2 Human Resources

The human resources required driving interventions of such large magnitude and high intensity and which is to be accomplished in a time bound manner needs to be of very high quality and the importance of hiring or positioning the right kind of people cannot be overlooked. There has to be proper mix of academic excellence with right attitude and in depth experience of handling grassroot implementation challenges.

9.4.4.2.1 Block Team

In each Block three people should be positioned to drive the livelihoods interventions. One Livelihoods Anchor Person, who would be the Block anchor person, has to be from agriculture or animal husbandry background with 2-3 years of experience. S/he would be managing the field implementation of the program including technical assistance, training and capacity building, formation of producers' organization. One person who has knowledge of supply chain management i.e. S/he has to look after market linkages and also to follow up on IPPE II. Another person would be looking after MIS, and financial matters including CIF disbursement.

9.4.4.2.2 State Team

The state team would be led by a State Project Manager (SPM) - livelihoods. S/he has to be from Agriculture, Animal Husbandry or allied field with combined experience of 7-10 years including 2-3 years of field implementation experience at the grassroots. The responsibility of a SPM would include high quality technical assistance provisioning to the community members, developing training modules, developing partnerships, developing market linkages, maintenance of MIS and reporting etc. S/he would be supported by two to three Program Managers/Project executives, one of them being an agriculture/animal husbandry expert (should complement the qualification of SPM) and the other an expert in development of training modules for agriculture interventions. Based on the size of the state and number of intensive blocks the team may be supported by one or two young professionals.

9.4.5 Monitoring

Every state would give adequate emphasis on developing a strong web based MIS so that the progress of the interventions is tracked on a day to day basis. MIS may focus on capturing the following parameters:

- no. of SHG members engaged with;
- no. of Women producer's groups formed;
- no. of women CRPs groomed;
- no. of women external CRPs groomed;
- no. of farmers adopted the new practices and continued in subsequent years;
- no. of acres under the new practices; and
- no. of HH with kitchen garden.

This is an indicative and not an exhaustive list. Besides, the necessary steps should be taken to evaluate the following outcomes:

- improved health, food and nutritional security status at Household;
- increase in production and productivity;.
- reduction of the input cost; and
- increase in market linkages.

Again this is an indicative list and not an exhaustive one.

9.4.6 Funding

- all the training and capacity building related expenditure may be budgeted under IB-CB budget head of NRLM. Priority should be given while preparing MCP to those HH who are planning for assetization to take up these farm Livelihoods interventions. Besides, VO can set up Common Facility Centre, Tool Bank, Seed Bank from the CIF; and
- in addition SRLM can submit their farm intervention plan through MKSP-AAP route.

9.5 Community Managed Sustainable Agriculture (CMSA)

The CMSA strategy of NRLM is designed to improve the profitability of agriculture for small and marginal farmers by eliminating the use of chemical pesticides with a combination of physical and biological measures, including eco-friendly bio-pesticides. The strategy uses the institutional platforms of SHGs and their federations to plan, implement, manage and monitor the programme and provide a single window approach for delivery of livelihood services for small and marginal farmers. The CMSA technology and practices are a combination of scientifically proven methods and indigenous knowledge. The first stage of adoption of CMSA involves use of Non Pesticide management (NPM) technology (IPM + Botanicals in place of Chemical pesticides as last resort is equivalent to NPM) popularized through farmer field school approach. In the second stage, soil fertility management is promoted to progressively replace the use of chemical fertilizers. Both the stages can run concurrently

9.6 Implementation Strategy

9.6.1 External CRP

Living in close proximity with the community, CRPs play a critical role in transmission of technology through method demonstration. The CRPs are in fact progressive farmers and best practitioners who have demonstrated success in the use of CMSA technology. Till the internal CRPs are identified, trained and deployed, external CRPs from other states will have to be used by the SRLMs. The external CRPs will be used to catalyze the identification, training and preparation of internal CRPs (practicing farmers) through a process of training and exposure visits. The SRLMs are required to facilitate the process of nurturing internal CRPs by attaching them with external CRPs drawn from AP and *Telangana* for a certain period. The CRPs will also help in preparing community video films on ideal CMSA practices for dissemination in the SHG meetings, using *pico* projectors.

If the SRLMs are getting External CRPs from States other than AP and *Telangana*, the following protocol needs to be followed:

- practicing farmers aged 30 to 50;
- minimum Education qualification 7th pass;
- in case of farmers of exceptional abilities education qualification can be exempted;
- best practicing CMSA farmer for the last 2 to 3 years;
- verification of field for adoption of non-negotiables;

- short-listing of candidates through interview; and
- training of provisionally selected farmers followed by final screening through a written test at the end of the training.

9.6.2 Internal CRP Strategy

Refers to active women/men among the farmers in the identified villages who show interest in practicing sustainable agriculture, who will be identified by CRPs and will assist the External CRPs in their work in the village and also undertake follow-up activities in the period between 2 CRPs rounds.

- assisting external CRPs in organizing meeting, mobilizing farmers for FFS etc;
- assisting external CRPs in maintaining various formats;
- follow up with farmers between two external CRP rounds;
- attending trainings organized by SRLM, NRLM CMSA Resource cell; and
- function as mirror CRP to external CRP in order to learn the work of CRP.

The engagement of the internal CRP through wage compensation needs to be decided by SRLMs. The SRLMs will have to decide the basis of compensation - task based or daily wage bases or monthly honorarium. In any case, there must be systems to monitor their performance and payment linked to measurable performance. A suitable template may be developed by SRLM and incorporate it in to MIS as is done by other components of the program. Monitoring/Measuring their performance during the period when external CRP is not present in the village is very critical. Experienced *Krishi Sakhi* can be used as external CRP for other states.

9.6.3 CRP Round

CRPs will be visiting the identified villages every alternate month, throughout the year and will be staying in the villages for about one month based on seasonality, every round. CRP working days per round can vary based on requirement (Not necessarily 30 days)

Each CRP round will focus on select villages and on identified farmers in the villages. The CRP work will be facilitated by block staff and supported by the federations. It will be the responsibility of the block manager to monitor the activities of CRPs as per the agreed plan. The block manager and the district managers will participate in the CRP briefing and debriefing meetings at district and State level.

Each team of CRPs will understand and assess the village agricultural situation, meet and interact with SHGs and federations, share good agricultural practices through

video films, help prepare action plans, train farmers and promote NADEPS, SRI, 36X36 model, kitchen garden etc., and facilitate conduct of FFS. Besides, the CRPs will also promote Sustainable agricultural practices of Soil fertility management, pest and disease management.

9.6.4 Village Saturation Strategy

All SHG farmers are expected to be mobilized and saturation completed in about 3 years as indicated below:

Particulars	Year 1	Year 2	Year 3
SHG Farmers	50%	75%	100%
Area	25%	50%	100%

9.6.5 States Implementing CMSA

The pool of internal resource persons trained in CMSA methodology will cover identified blocks and villages in a phased manner, saturating the selected blocks over a period of time. The states of Rajasthan, Chhattisgarh, J&K, Jharkhand and MP have been implementing the strategy since 2014-15, while Maharashtra, WB and Haryana since 2015-16. The MoRD has decided to expand the CMSA strategy into agriculturally distressed districts of *Vidarbha* region.

9.6.6 Approval of CMSA Plans

All SRLMs implementing or interested in adopting CMSA strategy will incorporate their CMSA plans in the AAP and seek approval of MORD. States with approved CMSA plans will be required to send CMSA staff for training at NIRD followed by exposure visits to field sites. Further, states implementing the CMSA strategy will initiate steps to promote convergence between CMSA and ultra-poor strategy (1/2 acre PoP model, Pashu Sakhi and NTFP).

9.7 Implementation of CMSA

9.7.1 NRLM-CMSA Support Cell

The NRLM-CMSA cell will produce CMSA material, deploy external CRPs (from AP and Telangana by following approved protocol mentioned above), support selection and training of internal CRPs, CRP debriefings at NIRD after every round, undertake visits to CMSA villages and provide technical backstopping, guidance for achievement of overall objectives of the programme.

9.8 SRLMs

9.8.1 Selection of Districts, Blocks and Villages

The SRLMs will facilitate selection of agriculturally distressed districts and blocks as well as on-going intensive blocks, Ultra poor strategy districts. Once blocks are identified, the Mission will facilitate identification of villages with a large presence of small and marginal farmers as well as those which have completed a good degree of social mobilization and institution building. The next task will be identification of small and marginal farmer households with SHG membership and willing to adopt and practice CMSA. Ideally, each SHG household should be selected for support to implement CMSA.

9.8.2 CMSA Staff

The SRLMs will identify/recruit at state, district and block levels for overseeing CMSA implementation and facilitate their immersion, induction and training at NIRD and other locations. The SRLM will designate one of the staff members as state anchor for CMSA. The state anchor will be primarily responsible for planning, coordination with CMSA cell, rollout of CRP programme, implementation and monitoring. Similarly, a district level professional will be designated as anchor person at the district level.

The district staff will be responsible for identifying appropriate blocks and villages, conduct of CRP rounds, preparation and implementation of village CMSA action plans, participate in Farmer Field Schools (FFSs) and crop cutting experiments, attend CRP briefing and debriefing sessions, oversee and monitor block staff and facilitate establishment of NPM shops and custom hiring centres.

The trained block staff will be responsible for planning for CRP rounds and making necessary preparations, organize CRP support work, provide botanical and other materials through NPM shops, organize FFS and crop-cutting experiments, document processes and report on progress.

9.8.3 Monitoring & MIS

- SRLM shall visit field in regular intervals when external CRPs are in field and guide field functionaries and CRPs in effective implementation of the program;
- SRLM shall conduct start up and feedback meetings with all the CRPs at State Level every month to review and monitor the progress;
- SRLM will send the progress reports of CRPs to the NIRD & PR immediately after CRP rounds for debriefing at NIRD&PR;

- SRLM will send one state representative (CMSA/Livelihood Anchor) to NIRD&PR for CRP debriefing after every round;
- SRLM shall review the work of CRPs in the templates designed and in use and duly approved by District mission management and State Mission management before making payments;
- SRLM shall ensure involvement of line department officials and PRIs for necessary coordination, convergence and support to the activities taken up;
- SRLM shall arrange for the mobility of the CRPs in the project area, and State Anchor for effective and efficient implementation of project activities as per the agreed plan;
- SRLM shall develop MIS for monitoring program regularly and measuring outputs and outcomes;
- SRLM need to maintain SHG member wise and production data base (in the templates given and getting collected by CRPs) for incorporating it in to State level MIS and finally integrated in to NRLM MIS:
 - SHG format (Enclosed); and
 - Production format (Enclosed).

9.8.4 Knowledge Products

The SRLM will undertake procurement of all knowledge products besides organizing translation of training materials. SRLMs will also undertake monitoring and assessment of CMSA using MIS and other evidence.

9.8.5 Community Video Films

Community videos will be produced on non-negotiable practices, botanical extracts, soil fertility management, success stories etc., and disseminate the same in villages during SHG meetings with the help of **Pico Projectors** (One Pico projector for every two CRPs) or DVD players. For producing videos VRPs will be recruited on temporary basis. Organisations specializing in this may be roped in for capacity building the VRPs in producing high quality videos. Required infrastructure for video production and honorarium will be provided from project.

9.8.6 Payment of Honorarium

The SRLMs will review external and internal CRPs and make timely payment of honorarium for services rendered by them at the agreed rates. SRLMs can directly make payments into CRP bank accounts through electronic transfer.

9.9 SRLM Annual Action Plan for Livelihoods

All SRLMs, beginning FY 2016-17 will start livelihood interventions in all the intensive blocks with clear strategy and implementation plan. Besides, a very specific strategy will need to be adopted for those blocks where IIPPE-II exercise has been completed. All villages in intensive blocks need to be saturated with the help of a phasing plan. While preparing the action plan, the SRLMs will be guided by the following principles:

- prioritize the vulnerable and deprived households using SECC data in each village;
- mobilize them into appropriate producer groups;
- undertake intensive engagement with them through Farmer Field School approach;
- focus on building the capacity of the poor to become self-reliant;
- build social capital – a cadre of livelihood CRPs out of the best practitioners to undertake livelihood promotion activities.
- address the entire livelihood basket of the target household – agriculture, livestock and NTFP;
- focus on convergence and partnership for asset creation, capacity building and knowledge management;
- focus on sustainable climate change resilient practices which are local and scalable; and
- scale-up these successful models.

9.10 Key Steps Required

SRLMs will undertake the following key steps as part of preparation and implementation of farm livelihood action plan:

- identification of intensive blocks and villages based on a phasing plan and extent of mobilization and capitalization of community institutions;
- putting a professional team (agriculture, livestock and NTFP) in place at block and state level;
- identification of adequate number of CRPs (best practitioners);

- identification of resource persons/agencies for training of CRPs;
- development/adoption / customization of training modules;
- organizing training of trainers and CRPs; and
- preparation of AAP detailing geographic coverage, human resources required at block and state levels, key component activities, outputs expected, monitoring/MIS indicators and arrangements and required funding support.

9.11 Dedicated Funds for Livelihoods Interventions

All SRLMs implementing NRLP component of the Mission and meeting the eligible criteria are permitted to access dedicated fund for livelihoods promotion on a project basis. The SRLMs may propose specific projects in the areas of agriculture, livestock and NTFP as well as non-farm sector. The fund is intended to help the SRLMs to develop a complete business model to provide the primary producers an end to end solution starting from organizing the producers into producers' organizations to productivity enhancement and building market linkages.

This fund would help the Livelihoods collectives to emerge as sustainable economic entities owned and managed by the poor producers. This fund should be utilized for scaling up an economic activity having the potential to become a bankable and sustainable business activity of the institutions of the poor.

It is important to note that the special fund is meant for group based economic activity rather than a standalone activity of an individual, who are expected to diversify their activity portfolio by accessing resources developed at the level of their community institutions. Ownership of any productive asset purchased under this fund should be vested with the producers' organization.

The economic activity under taken by the producers' organizations would be of any activity falling under the ambit of procurement, processing and marketing with clear value proposition for the primary producers.

9.11.1 Submission of Proposal

SRLM may submit a concept note and detailed business plan for the proposed activities to the NMMU, as per the prescribed template. The plan must exhibit clarity on the understanding of the existing value chain for the proposed activities, associated risks, and demonstrated capabilities of handling business activities in the past, which should be clearly articulated by the concerned state mission before submitting the proposal.

There is critical role envisaged for the state missions for driving investments through the community institutions of the poor. SRLMs will provide critical capacity building inputs, support and nurture social capital and undertake close monitoring of the activities. This will set suitable platform for the development of adequate entrepreneurial caliber amongst the community based institutions. SRLMs will exercise due diligence on the following aspects, before forwarding any proposal to the MORD.

- in case, handholding support is required, a definite plan with clear action plan, commitment of the stakeholders (SRLM/Support Agencies/CBO) with clear timelines should be part of the proposal submitted by the state mission; and
- similarly, the proposal should also present clarity on the monitoring architecture that will be placed to monitor the project progress. A detailed commitment from the side of SRLM, along with the review system adopted (half yearly/annually) should be mentioned in the report.

9.11.2 Framework for the Project Proposals

The MoRD has circulated a detailed framework to be adopted by the SRLMs for developing project proposals. The SRLMs will adhere to the following template while preparing the proposals. The detailed proposal submission template and the concept note are placed on the NRLM website.

- background and context
 - policy context;
 - supply and demand dynamics for the product/commodity proposed;
 - geography;
 - value chain and marketing mapping; and
 - prioritization of interventions;
- rationalize behind Intervention;
- objectives and key deliverables;
- target group;
- value proposition of the intervention;
- interventions strategy;
 - nature of intervention;
 - dimensions of the interventions;
 - inputs and outputs;
 - technology;
 - capacity building requirements;
 - marketing;
 - forward/backward linkages;

- risks involved; and
- collectivization/aggregation issues;
- community institutional architecture;
- market analysis and market strategy;
- location of physical infrastructure;
- licenses and statutory requirements;
- management;
- fund flow mechanism;
- implementation arrangements;
- expected outputs and outcomes;
- estimated cost and fund requirements;
- financial inclusion dimensions; and
- potential for convergence.

9.11.3 Monitoring

The SRLMs must place adequate monitoring systems to track utilization of special funds. A monitoring and evaluation plan should be submitted by the SRLM at the time of proposal submission. The M&E plan should include baseline indicators against which performance will be measured during the funding period. Also, the plan should mention systems envisaged for data collection, monitoring and reporting. In absence of adequate monitoring systems for the special funds, the appraisal team may decide to reduce or cancel the allocated amount. Monitoring of activities and related outcomes under the dedicated funds shall be the responsibility of both SRLM and agencies (if involved). For this purpose they will establish the following mechanisms:

- quarterly desk review of Implementation Status Reports (ISRs) submitted by the states;
- half-yearly Joint Review Meetings (JRM) with representatives from NRLM/SRLMs, The World Bank and external experts (if required) to review the progress under dedicated funds;
- review of procurement plans, expenditure statements and related audit reports submitted by the SRLM and to be reviewed by NMMU; and
- evaluation reports, assessment studies and internal reports prepared by States with support from NRLM.

9.12 Recommendation of the Empowered Committee

The empowered committee of MORD which met on 29th March, 2016 to consider proposals received from SRLMs for dedicated funds for livelihoods made the following essential conditions for all projects.

- for every 50 households or a village (whichever is smaller) one CRP should be groomed;
- subsidy to cover operational losses of producers' groups or such organizations is not permissible under the project;
- dedicated human resource team should be in place for these special fund projects for value chain interventions;
- every SRLM will submit the result framework with clear outputs and outcomes with measurable indicators;
- the fund will be released in three installments. The fund release ratio would be 50:40:10;
- every SRLM should submit the clear intermediary milestone for fund release;
- the 2nd installment will release on utilization of minimum 60% of 1st installment of both central and state share and the 3rd installment would be released with utilization of minimum 90% of the central and state share;
- in DPR, the SRLM has to clearly indicate the measurable milestone for release of 2nd and 3rd installment;
- the ratio of central and state share would be 60:40;
- use of chemical fertilizer and pesticides are against NRLM principles. Every SRLM should follow the same rules for these projects;
- for all the projects, the market exploration is needed with better understanding of market opportunity;
- all the SRLMs should target the larger markets;
- the SRLM who have proposed grading as a value addition intervention, should incorporate and define clearly all the specifications of grading;
- on completion of the projects, the SRLMs will have to submit the project completion report with clear achievement against the output indicators; and
- for all the projects there should be dedicated MIS to capture household level data; and the project period is 2 years.

9.13 Livelihood Expansion Strategy

As part of livelihood expansion strategy, the SRLMs are required to identify 5 to 10 commodities or products or services which have the potential to increase incomes of the poor households in the respective intensive blocks. As a prelude to designing appropriate strategy around the identified commodities/products/services in the areas of agriculture, livestock, NTFP and artisan based activities, all SRLMs are required to collect, compile and upload block wise information using NRLM-MIS module designed for this purpose. The SRLMs are required to deploy resource persons drawn from different blocks for the purpose of collecting most recent secondary data from published sources as well as primary data from government departments, PRIs, MSME units and other sources. All data collected and compiled will however have to be validated and certified by the District Collector/Dy. Commissioner.

Section-10¹¹

Start-up Village Entrepreneurship Programme

10.1 Start-up Village Entrepreneurship Programme (SVEP)

NRLM has been entrusted with the implementation of SVEP since FY 2014-15. The objective of SVEP is to reduce rural poverty and unemployment by supporting the rural poor to set up micro-enterprises, both individual and collective. The enterprises cover manufacturing, services and trading and could involve use of traditional and new skills for production of existing or new goods and services. The strategy is to promote knowledge about business feasibility and management, provide access to loan finance through CIF and banks including MUDRA bank, and handholding support for a minimum of 6 months post start-up, for start-ups as well as for scaling-up the existing enterprises. A core element of the strategy is to create a pool of trained Community Resource Persons – Enterprise Promotion (CRP-EPs) and use the services the CRP-EPs the SHG federations to support and handhold the start-ups in the initial six months post start-up.

During FY 2015-16, proposals received from 16 states have been approved. Situational analysis and market potential studies are being undertaken in these states to identify the number of potential, financially viable enterprises which can be supported. The experience of resource organizations such as *Kudumbasree*, Kerala, OMP LIS Andhra Pradesh, (Entrepreneurship Development Institute of India, Ahmedabad, (EDII) and National Academy of RUDSETI (NAR) is being leveraged by some of the states to rollout the SVEP strategy. It is estimated that 1.82 lakh micro-enterprises would be supported during the next four years under SVEP.

10.2 Key Elements of the Programme

- SRLMs will plan, implement, oversee and monitor the SVEP;
- SRLMs will identify select blocks and commission studies to prepare project reports;
- SRLMs will set up a Block Resource Centre-Enterprise Promotion (BRC-EP) in each of the selected SVEP blocks. The BRC will act as a nodal centre to implement SVEP. The Block level federation (BLF) could eventually take over the role of the BRC-EP. SRLMs will develop BRC-EPs as self-sustaining institutions;

¹¹ See Detailed Annex in Part-II

- SRLMs will identify and systematically build the capacities of a pool of CRP-EPs to extend multiple types of support to start-ups and existing enterprises;
- CRP-EPs will support BRC-EPs in building capacities of micro-entrepreneurs and help them prepare business plans, facilitate credit appraisal and track business performance;
- the CRP-EPs will help the micro-enterprises to access CIF to meet seed capital requirements before accessing the bank loan;
- BRC-EP to be assisted by CRP-EP and the bank coordination system, BRC-EP to provide resource and reference material including videos, manuals etc; and
- help enterprises get bank finance using tablet based software for making the business feasibility plan, doing credit appraisal and tracking business performance. Also actively source loans from banks under the *PM Mudra scheme*.

10.3 Two Implementation Routes

SRLMs may enter into a partnership with the 4 NROs identified by MoRD for promoting pilot enterprise development initiatives. The identified NROs for SVEP include: *Kudumbasree* (Kerala State Poverty Eradication Mission), OMPLIS (Orvakal Mandal Samakya), EDII (Entrepreneurship Development Institution, India) and NAR (National Academy of RUDSETI).

Alternatively, SRLMs may partner with identified project implementation agencies from NGOs, CSOs, technical institutions and CBOs to take up implementation of SVEP in select areas.

10.4 Types of Enterprises and Activities

The SRLMs will support the following types of activities in each identified block:

- new enterprise development;
- support for existing enterprises;
- block level activities – training, exposure visit, demonstrations *etc*; and
- other project activities.

10.5 Suggested Work Flow

10.5.1 Pre-Preparatory Phase

As part of this initial phase, SRLMs will deploy dedicated manpower: (i) to select blocks; (ii) identify PIAs (following one of the two routes); (iii) prepare a proposal for sanction by MORD. Following the sanction, a baseline /situational analysis study in each block and a market feasibility study for each enterprise type will be conducted. This will be followed by selection of entrepreneurs to be supported in a transparent manner. The selected enterprises will then be provided handholding support for a minimum period of 6 months after start-up.

10.5.2 Preparatory Phase

In the preparatory phase, SRLMs will:

- set up Block Resource Centres (BRC-EPs) in identified blocks;
- identify, train and position Master CRP-EPs in partnership with the PIA's in the identified blocks;
- screen, train and deploy potential CRP-EPs to undertake baseline study of the existing enterprises and to build database.

10.5.3 Enterprise Selection and Start-up Phase

In this phase, the SRLMs will scan and identify potential entrepreneurs, undertake feasibility, viability, market access, management and other features of the potential entrepreneurs. The feasible and viable enterprises existing will be identified and linked for financial support with SHG federations and banks. Similarly, the potential entrepreneurs with feasible business model will be helped to start enterprises and provide them handholding support by 6 months through CRP-EPs.

10.5.4 Enterprise Sustenance Phase

SRLMs will facilitate tracking of cash flow, profit and loss of the enterprises, creating in the process business and credit history for each enterprise which could form the basis for bank lending. The SRLMs will facilitate credit linkage of selected enterprises, while CRP-EPs continue to provide business monitoring support.

10.5.5 Cost Norms

The SRLMs will adhere to the cost norms suggested per block, while funding PIAs. The approved cost heads include:

- cost of skill building of entrepreneurs including the block level professional support cost (PIA/CRP cost and baseline study cost);
- community enterprise fund (*a la* CIF); and
- administration cost at the rate of 4%.

The scheme envisages provision of support to a maximum of 2,400 enterprises per block over a period of 4 years. The total cost per block for 4 years is estimated at Rs.597.76 lakhs. The cost of the baseline study shall not exceed Rs.10.00 lakhs per block. In addition, the scheme has a provision for innovations and value chain studies and centralized the support to the SRLMs and PIAs in the form of standardized training content, provision of software for baseline and market feasibility studies and monitoring. This portion will be directly administered by MORD. Further, software, ICD tools, training content, certification process developed by one NRO/PIA will be made available to other blocks for possible adoption.

The proposals will be subject to approval by the empowered committee of the MORD. A detailed circular on SVEP along with six attachments approved by IFD is placed on the NRLM website.

Section-11¹² Convergence

11.1 Convergence

SHGs and their federations promoted under NRLM are expected to support the members to access their entitlements and services provided by government agencies and PRIs. Apart from the guaranteed right to wage employment under MGNREGS, members of SHG households are eligible to access benefits from a large number of centrally sponsored and state government schemes. A list of such major schemes is presented in the following **Table-11.1**.

**Table-11.1
Major Schemes and Entitlements through Convergence**

Sector	Key Areas	Schemes/ Programs	Department
Health & Nutrition	HSC/SC/CHC VHSNC AWC PDS Mid-Day-Meal	NRHM ICDS TPDS MDMS	Health & Family Welfare WCD Food & Civil Supplies Education
Water & Sanitation	Safe drinking water Toilets Drainage	SBM (G)	RWS / RD
Employment & Livelihoods	Wage Employment Self-Employment Skills SME Land Irrigation Agriculture & allied NTFPs Non-Farm	MGNREGA RSETIs, KVIC DDU-GKY, PMKY ITI, Polytechnics Land distribution Watershed Mission ATMA, KVK, MKSP, SVEP	Rural Development MSME Agriculture Technical Education Revenue Irrigation Forest Department Industry Department
Shelter	Housing	IAY (Housing for all)	Rural Development
Violence & Protection	Law & Order Domestic violence Prevention of sexual harassment Violence against SC/ST	Police Mitra Social Justice Committee Free legal aid NCLP/Child marriage Bonded labour Rehabilitation scheme	Home Social Defence Social Welfare Women & Child Welfare Tribal Development Labour Department/ W & CD

¹² See Detailed Annex in Part-II

Sector	Key Areas	Schemes/ Programs	Department
	Child labour & Rights Bonded Labour		Labour Department
Social Security	Pensions Insurance Maternity entitlement	NOAPS, RSBY, IGMSY (Indira Gandhi Matritva Sahyog Yojana), NSAP, Atal Pension Scheme	Revenue Finance Social Welfare Health
Education	Literacy Schools Vocational & technical education ST/SC Education	SSA, RMSA SC/ST Pre & Post Scholarship Programme	Education Social Welfare/ Welfare
Financial Services	Savings Access to credit Insurance	MUDRA, RMK, KCC, Interest subvention PMJDY, PMJJBY, PMSBY, RSBY	Finance NABARD RBI Banks
Infrastructure/ Community Assets (road, energy, market etc.,)	Roads Energy Markets Community Buildings	PMGSY Village Haats RBMRS MGNREGA	Rural Development
Local Governance	Grama Sabha Mahila Sabha GPDP	PRI, GPDP, IPPE-II IAP (Integrated Action Plan), Poverty free GP	RD & PR
Forest & Environment	Forest protection and afforestation NTFPS	FRA (Forest Rights Act) NAP CAMPA	Forest Department

However, enabling the eligible households (all SECC households with at least one deprivation and automatically included households) to fully access all the public services requires comprehensive efforts on the part of the state Missions and their forward implementation units. More specifically, the state Missions are required to undertake the following steps as part of comprehensive convergent action:

11.2 Use of SECC Data

The SECC data provide an opportunity to simultaneously address the multi-dimensionality of poverty by addressing deprivation of households in respect of skills and education, housing, employment, health, nutrition, water and sanitation. All SRLMs will use SECC data to identify the households along with their deprivations and promote convergence plans.

11.3 IPPE

All VOs and other federations will be guided to participate in the labour budget and work plan as part of IPPE under MGNREGS. SHGs could help their members, access job cards, identify works, prepare labour budget and avail work opportunities.

11.4 Gram Panchayat Poverty Reduction Plan

The SHGs and VOs should be guided to play a key role in the preparation of GP poverty reduction plan. The plan should reflect micro-plans of SHGs, PIP/SECC data and vulnerability reduction plan of the VOs. The VOs should also support *inter se* prioritization of the households for various benefits under the poverty reduction plan with the support of PRIs and other on-going schemes. The poverty reduction plan should also include health, nutrition, sanitation, water, food, social security and other requirements of the vulnerable households.

11.5 Gram Panchayat Development Plan (GPDP)

The SHG federations will also be required to participate in the preparation and implementation of GPDP. The federations could participate in conduct of situation analysis and participatory planning, gram sabhas, identifying resources, preparation of projects and their implementation and monitoring. Effective participation of federations in planning and implementation of GPDP, could promote collective infrastructure, common utilities and services essential for the poor. Participation in GPDP could also enhance the access of the poor to individual household oriented benefits and services.

11.6 Training of Staff and Sensitization of SHG Members

All state Missions will undertake sensitization of their staff to the need for convergent action. This will involve training of all Mission staff on the rights and entitlements of the poor households and the public services and benefits provided through different state government departments and other agencies. The SRLMs will be required to undertake preparation of training/sensitization modules, identify and train resource persons at the state, district, block and sub-block levels and then organize sensitization of SHGs and federations through dedicated sessions and as part of scheduled meetings. This will in turn require systematic planning and implementation of the training and sensitization activities.

11.7 Identification of Eligible HHs Not Accessing Entitlements/Services

As a sequel to sensitization, the Mission implementation units will identify households which are not accessing their entitlements and services. This will in turn require the Mission units to collect GP/village-wise information on: (i) eligible households; (ii) potential eligibility for entitlements and public services of each household; (iii) current status of access of each household to different types of entitlements and public services; and (iv) eligible households not accessing specific services and entitlements. The Mission units will also identify village-wise gaps in collectively provided public goods and services such as drinking water, inter-habitation, mid-day meals for school children, ICDS for inter-habitation roles. Electricity, out-reach health services, public distribution outlets, maintenance of village commons etc. This information can be maintained in entitlements register at each VO.

11.8 Convergence Plan

After identifying the eligible households for different services as well as deficiencies in community level public services, the Mission units will undertake preparation of convergence plans with the support of SHGs and their federations, PRIs and forward line agencies. The convergence plans will outline the service/benefit gaps, strategy to enable the eligible households/villages to access such benefits and services and the key activities to be undertaken. The BMMU and the frontline staff will be responsible for implementation the convergent plans through the SHGs and their federations.

11.9 Key Recommended Activities for Promoting Convergence

The state Missions will implement the following activities to promote convergence.

- facilitate participation of SHG women in *gram sabha* and ensure that SHG women are appointed to the sub-committees;
- encourage members to demand services to be provided by gram panchayats;
- encourage member households to demand their rights and entitlements and public services directly as well as through SHGs/federations;
- facilitate SHG member participation in the preparation of Gram Panchayat Development Plan (GPDP), MGNREGS-IPPE, implementation of Swatch Bharat Mission, village health plan, ICDS *etc*;
- promote sub-committee of VO on convergence;
- leverage funds from line departments and PRIs to support common facilities and services that will benefit SHG members;

- facilitate articulation of community level public service deficiencies by SHG federations and their resolution through appropriate line departments and PRIs; and
- monitor and review performance of each gram panchayat on convergence.

11.10 Guidelines on Partnership between SHG Networks and GPs

The MORDC has issued guidelines on partnership between GPs and SHG networks for providing direction to SRLMs on how to facilitate the partnership for mutual benefit and for enhancing the participation of the poor in local governance. The convergence has become particularly necessary in the context of MGNREGS providing substantial resources to GPs, besides devolution of substantial untied funds to the GPs by XIV Finance Commission. Further under IPPE, SHGs and their federations are given a central role in the preparation of labour budget for MGNREGS. With substantial resources at their disposal, the GPs are now required to prepare and implement GPDP through a participatory process involving SHG networks.

11.11 Planning Partnership

The SRLMs are required to involve in and integrate the SHGs into the process of gram panchayat level planning as suggested below.

- SHGs and their federations will be encouraged to discuss their poverty and livelihood situation on the basis of SECC data and prepare a poverty profile of the GP along with the main causes and solutions;
- SHGs will be guided to developing a GP poverty reduction plan as part of GPDP, drawing resources from MGNREGS, Finance Commission grant and other GP funds as well as funds available for anti-poverty programmes; and
- SHGs and federations will be proactively involved in taking up development activities under GPDP which do not involve resources such as nutrition, health and education, sanitation and prevention of social events.

11.12 Role of GPs

The state Missions will facilitate the GPs to undertake the following activities as part of their partnership with SHGs and their federations.

- support PIP, inclusive mobilization and building of SHGs and VOs;
- encourage SHGs and VOs to strengthen *gram sabha* through informed participation;

- use the SHGs and their federations in the local level planning process – sensitization, mobilization, conduct of PRAs, PPAs, poverty reduction plan and GPDP - duly incorporating the priorities of the SHG members;
- entrust SHGs the task of identification of workers, works and preparation of labour budget under MGNREGS;
- utilize the services of SHGs for BCC, execution of appropriate works, delivery of services, O&M of utilities and assets and monitoring;
- identify, train and use CRPs from among SHG members to manage village commons, service centers and development works and elimination of social events;
- use services of SHGs for social audit;
- provide space for SHGs in the panchayat ghar and provide funds to their activities; and
- use SHGs for demanding downward accountability from schools, anganwadi centers, PDS outlets, health centers/sub-centers and line departments.

11.13 Role of SHGs and their Federations

The Mission implementation units will guide the SHGs and their federations to:

- support GP in the conduct of *gram sabha*;
- use support of GP for inclusive social mobilization and community institution building;
- involve GP in PIP process and get it endorsed by *gram sabha*;
- demand and access works and assets under NREGS and other benefits from GPDP for the members;
- participate in functional sub-committees of GP;
- act as service delivery agents for GP and maintain GP assets and commons;
- undertake IEC / BCC for PRIs and support implementation of SBM, health and nutrition and other programmes;
- participate in GPDP preparation and implementation; and
- facilitate inclusion of panchayat SHG partnership as part of regular meeting agenda in the SHGs and VOs.

11.14 Role of State Governments

The state governments are required to promote the partnership by (i) bringing in geographical congruence between VOs and GPs; (ii) providing office space for VO in panchayat office; (iii) enabling SHGs to benefit from village commons; (iv) lay down procedures to get poverty reduction plan of SHGs included in GPDP; (v) co-opting CRPs in GPDP preparation teams; (vi) using SHGs for identification of beneficiaries for anti-poverty programmes; and (vii) creating a forum for regular interaction of the

VOs with the GPs *etc.* The states are advised to issue detailed guidelines to actualize the partnership in the intensive blocks. The states may also develop beacon panchayats which have actualized the partnership for serving as schools of practice and learning.

11.15 Role of SRLMs

In addition to supporting the state governments in the roles indicated above, SRLMs will designate an officer / staff at SMMU, DMMU and BMMU to facilitate and oversee the partnership. The SRLMs will also provide necessary orientation/training to all stakeholders using the capacity building architecture, in a cascading mode. A common state resource team will also be put in place for promoting GPDP and MGNREGS. The SRLMs will also take necessary arrangements for monitoring the progress of partnership through MIS and internal reviews. The SRLMs are also free to take technical support from NMMU/NRO-*Kudumbasree* for actualizing the partnership.

11.16 Expected Outcomes

The partnership should result in increased access of SHG member household to individual entitlements and services, community services and public goods (e.g., job cards, MGNREGS works and asset works, access to pension, functional schools and mid-day meals, higher participation in *gram sabha*, funds provided by GPs to SHGs *etc.*). The long-term results of the partnership could be seen in terms of enhanced contribution of GPs in poverty reduction, greater sensitivity of elected representatives to issues of the poor, sustainable symbiotic relationship between GPs and SHGs and enhanced ability and confidence of women to access public institutions and offices including elected positions in local government.

11.17 Dedicated Fund for Convergence

A special fund has been earmarked under NRLP for promoting convergence between Mission activities and other programmes. Each eligible SRLM could access up to Rs.5.00 crores for approved projects, from this fund.

11.18 Objectives

The objective of convergence fund is to enable the community institutions to access potential entitlements and public services provided under centrally sponsored and state schemes as well as PRIs. The fund is intended to support SRLMs for developing appropriate approaches and implementation strategies for piloting convergence initiatives in select blocks (convergence model blocks) for demonstration and later replicate in other blocks.

11.19 Eligible Activities

The NRLP states could access this fund for the following purposes:

- preparation of comprehensive “Model Block Convergence Plan” outlining key strategies, activities and implementation arrangements for promoting convergence between NRLM initiatives including village poverty reduction plan and centrally sponsored schemes (NREGS, IAY, NSAP, SBM, ICDS, SSA etc.) and state schemes as well as PRIs;
- hiring services of resource/technical support organizations/resource persons for promoting convergence/capacity building/ IEC materials;
- procurement of appropriate IT-enabled systems for implementation, management and monitoring data collection;
- establishing implementation architecture for rolling out the convergence plan including setting-up of professional management teams at state, district and block levels as well as community cadre;
- sensitization and capacity building of the community to facilitate generation of demand; and
- provision of capital support to VOs which could be used as catalytic capital for leveraging benefits and services from central and state sector schemes.

All projects implemented are required to conform to Environment Management Framework (EMF) and Social Management Framework (SMF) guidelines of the World Bank.

11.20 Negative List

The fund cannot be used for the following activities:

- purchase of vehicles, renting premises of offices will not be permitted under this fund;
- support for individual assets creation of any kind will not be permitted under this fund;
- grant to individual members; and
- all grants given to VOs will be for setting-up revolving fund.

11.21 Eligibility Criteria

The dedicated fund will be available to NRLP states for a maximum of 4 to 6 intensive blocks which have completed more than 2 years of implementation and have mobilized 40% of the target households. Presence of functional VOs in the operational area is another pre-condition. The states seeking special fund must engage at least one

resource agency/technical support agency/ resource pool for developing model convergence blocks and to undertake capacity building of the staff and other stakeholders. Further, states should position dedicated fulltime staff/ consultant for IB, CB or SISD at the state, district and block levels to facilitate and oversee convergence.

11.22 Approval Process

SRLMs must submit the proposals in the prescribed format before the deadline indicated for this purpose. The proposals assessed by MoRD. will *inter alia* take into account demonstrated performance of the SRLM, comprehensiveness of the proposal, intended geographic coverage, database and analysis presented, feasibility of the proposal, target group identified, implementation readiness, results indicators and monitoring system proposed.

11.23 Monitoring Mechanism

SRLMs implementing convergence projects using special funds will institute appropriate monitoring mechanisms to track performance on approved output and outcome indicators as well as financial progress. For this purpose, the states will institute mechanisms to prepare and submit quarterly implementation status reports and facilitate conduct of half-yearly joint review Missions comprising representatives of the MORD, SRLM and the World Bank.

11.24 Fund Management and Review

The MORD will also undertake fiduciary review at quarterly/half-yearly intervals and commission or conduct evaluation/assessment studies as appropriate with the support of SRLMs. The SRLMs will designate a fund manager at the SMMU level, preferably SPM (SI&SD), who will also be responsible for facilitating implementation, coordination, monitoring and reporting (ISRs).

Section–12¹³

Food, Nutrition, Health and WASH

12.1 Food, Nutrition, Health and WASH Interventions

NRLM envisages Food, Nutrition, Health and WASH (water, sanitation and hygiene) (FNHW) interventions as universal and seeks to promote them upfront through the community institutions across the Mission geography. These interventions are intended to:

- Sensitize the community, SHG members, leaders, families and community cadres on FNHW;
- bring about behavioral change in terms of:
 - correct food storage, cooking and eating practices, especially for pregnant women and children below 2 years of age;
 - use of only iodized salt in food ;
 - practicing daily hand washing at critical times;
 - practicing menstrual hygiene;
 - using toilets;
 - adopting safe drinking water consumption practices;
- accessing food, nutrition, health and WASH entitlements and services; and
- achieving adequacy in food, nutrition, health and WASH security for all families.

12.2 Sensitization

The SRLMs will undertake sensitization of the following staff on FNHW in a campaign mode:

- all SRLM Staff at State, District and Block level by June 2017;
- cadres, leaders, members in all intensive villages by June 2017;
- cadres and leaders in new villages within 3 to 6 months of entry;
- nodal officers of all departments at block, district and state levels; and
- conduct of refresher drive after one year of this campaign.

¹³ See Detailed Annex in Part-II

12.3 Implementation

12.3.1 SMMU Level

All state Missions will undertake the following activities during the current financial year (FY 2016-17) to facilitate implementation of FNHW activities.

12.3.1.1 Appointment of State Anchor

All state Missions will appoint a state anchor for FNHW activities. Alternatively, a state project management professional could be designated as anchor person for rolling out FNHW interventions.

12.3.1.2 Activities to be Undertaken:

- the SRLM will undertake the following activities in the first three months:
 - form trainer resource pool at state;
 - form trainer resource pool at each intervention block;
 - develop customized training module and IEC material including posters, flip charts, videos *etc*;
 - orient trainer resource pools at the state and block levels to NRLM strategy, components and community institutions (3-day orientation);
 - sensitize SRLM staff at state, district and block on FNHW (4 days);
 - train Health Sub-Committee (HSC)/Health Activist (HA) on Food, Nutrition, Health and WASH (12 days); and
 - modify CRP protocol appropriately to accommodate FNHW.

- implement training calendar of Health Sub-Committee (HSC)/ Health Activists (HA) immediately after trainer resource pool is created at the block level;
- facilitate convergence with the Department of Education, ICDS, Agriculture, Horticulture, Animal Husbandry and Forests;
- capture FNHW interventions in MIS and undertake monitoring; and
- incorporate FNHW plans in AAP 2017-18.

12.3.2 At Cluster Level

The BMMU/PFT will undertake the following activities in all intensive villages under implementation.

- facilitate formation of Health Sub-Committee (HSC) at CLF level;
- ensure visioning of CLF to include Food, Nutrition, Health and WASH interventions;
- ensure sensitization of all cadres, leaders and members;
- work with VOs to set up rural sanitary marts;
- work with Departments of Education, ICDS, Agriculture, Horticulture, Animal Husbandry, and Forests to promote WASH;
- facilitate inclusion of FNHW in Vulnerability Reduction Plan (VRP), its roll out and monitoring; and
- ensure provision of VRF for appropriate FNHW interventions.

The BMMU will facilitate promotion of health sub-committee (HSC) at the CLF level. The HSC will in turn have to be guided to developing a FNHW plan covering sensitization, behavioral change, accessing entitlements and services for the cluster and monitor the progress. The sub-committee should also support VOs in planning, implementation and monitoring of the interventions.

12.3.3 At Village Level

Village Organization (VO) is the pivot around which most of the FNHW activities are designed. The first task of the frontline staff will, therefore, be to promote a health sub-committee in each VO to mainstream the FNHW agenda. The VO in general and HSC in particular will undertake visioning of SHGs and VOs to promote FNHW activities through the SHGs and the social capital. More specifically, the VO will undertake the following activities:

- formation of HSC:
 - within 3 to 6 months after the VO is formed constituting 3 to 5 members; and
 - train them with the help of mission staff to initiate FNHW interventions in the village.
- identify Health Activists and get them trained in FNHW interventions intensely as per the module;
- organize/conduct FNHW campaign every 3 month;
- provide funds/loan to implement vulnerability reduction plan (VRP);

- make Vulnerability Reduction Fund (VRF) to be made available for Food, Nutrition, Health and WASH; and
- take FNHW related vulnerability reduction plan (VRP) to GP and discuss with GP for inclusion in the GP Development Plan (GPDP).

12.3.3.1 Role of HSC and Health Activist

The HSC and the HA will undertake the following activities in each FNHW village with the support of Mission staff:

- promote and encourage cultivation of home vegetable gardens to manage food shocks;
- generate awareness on the importance of consumption of food rich in minerals and vitamins;
- generate awareness among children women, children and adolescent girls to consume IFA (Iron and Folic Acid) tablets;
- generate awareness among children to consume Vitamin A Syrup provided during the Village Health and Nutrition Day (VHND);
- inform villagers about next Village Health Nutrition Day (VHND) and support to organize it;
- monitor all women and children on their due list to attend VHND;
- facilitate/support on the need for ante, intra and post-natal care; and institutional deliveries;
- ensure that all children less than 2 years of age are completely immunized;
- facilitate members to get enrolled in Rashtriya Swasthya Bima Yojana (RSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY);
- ensure open defecation free (ODF) villages;
- engage AWWs (Anganwadi Worker)/ASHAs to roll out activities of FNHW; and
- develop AWWs/ASHAs as generic community resource persons (CRPs).

Section–13¹⁴

Human Resource Management

13.1 HR Management

All state Missions are required to set up a three-tier implementation architecture – SMMU, DMMU and BMMU/PFT – and hire the services of professionals from the market as per the provisions of approved HR manual.

13.2 HR Manual

All SRLMs will adopt an HR manual approved by the competent authority of the state. The SRLM may customize the model HR manual, which has been circulated by NMMU, to suit the requirements of the state. SRLMs having an HR manual of their own are advised to review and revise the manual along the lines of model HR manual. After obtaining approval of the competent authority, the manual will have to be placed in the public domain, besides making print copies available with all Mission units. The SRLMs will adhere to all policies, procedures and norms laid down in the approved manual.

13.3 Organizational Structure

All SRLMs will adopt the normative organizational structure suggested for SMMU, DMMU and BMMU as provided in the model manual with immediate effect. The number of professional staff at each level, however, may be increased gradually in accordance with the expansion in the coverage of the Mission in the State. Professionals found in excess of the normative limits at the DMMU and BMMUs may be deployed in the new districts and blocks. Wherever required young professionals/NRLM fellows could be appointed, particularly, at the field level. Task-based consultants also could be hired for short-term assignments.

13.4 Preparation for Communitization of Staff

NRLM envisages that the management of BMMU be handed over to community institutions in a phased manner and completely by third/ fourth year of implementation. In pursuance of this strategy, all SRLMs are required to place community professionals in lieu of CCs at the cluster level. Community professionals with right aptitude experience and skills may be given necessary relaxation in educational qualifications, without compromising on quality.

¹⁴ See Detailed Annex in Part-II

13.5 Adoption of Internal Staff Promotion Policy

All SRLMs will formulate and implement a policy for internal staff promotion as well as travel policy duly approved by the competent authority. The policy should also provide for redeployment of excess/surplus staff. Any hiring of additional professionals can be undertaken only after the existing surplus staff are redeployed as per norms. All SRLMs will have to adhere to the administrative expenditure norm of 6% (for SMMU and DMMU staff).

13.6 HR Hygiene Factors

All SRLMs are required to adopt and follow HR hygiene policy outlined in the HR manual without delay. The following hygiene factors will have to be adopted by all SRLMs.

- **Rates of Honorarium:** The rates of honorarium for different professionals as suggested in the model HR manual needs to be adopted. Further, the rates adopted need to be revised at annual/bi-annual intervals in tune with the market rates so as to attract and retain competent professionals.
- **Travel Allowance/Daily Allowance:** SRLMs will adopt travel norms (TA and DA/ fixed travel allowance) and other reimbursable expenses suggested in the model manual. Further, the reimbursement of travel and payment of honorarium will have to be done within the prescribed timelines.
- **Duration of Field Visits:** All frontline staff are required to spend a prescribed minimum amount of time in the field. The minimum field time prescribed for SMMU staff is 10 days, while it is 15 days for DMMU and 20 days for BMMU staff. About half of the indicative field time should be spent in the villages. The staff are also required to make night stays in the villages.
- **Group Insurance:** The SRLMs will also ensure that all staff and consultants are covered under group insurance for life, accident and health related risks.

13.7 Induction and Immersion of Professionals

All professional staff hired by the state Missions will have to go through formal induction, field immersion and village stay and training/capacity building. SRLMs will also organize a formal **induction** for all professional staff to enable them to understand the NRLM strategy, components and implementation processes through structured modules. The induction will include orientation, village stay, immersion, exposure to Mission activities in resource/intensive blocks preferably through attachment with CRP teams or peers. All professionals will have to undergo field **immersion** and village

stay. The suggested duration of induction and immersion process is 15 to 30 days for CEO/SMD, 60 to 70 days for SMMU professionals and district mission managers and up to 110 days for block and frontline staff.

13.8 Capacity Building of Professional Staff

The SRLMs will plan and organize capacity building programmes for all professional staff. However, the training content will be based on the identified skill gaps. The modules will include rural poverty analysis, institutional Mission architecture, community institutions, block processes and protocols, thematic areas, strategic planning, management and leadership and customized MDPs. The state Missions will also develop a suitable pool of trainers and resource persons and use their services as per the approved AAP. Further, all state Missions will ensure optimal utilization of their capacity building architecture. More importantly, SRLMs will facilitate experience sharing and cross-learning through weekly/ fortnightly /monthly/ quarterly meetings at block, district and state levels.

13.9 Mechanism for Redressing Grievances

All SRLMs are required to constitute grievance cells at SMMU, DMMU and BMMU to facilitate resolution of grievances. The SRLMs may adopt the GRM model proposed in the model manual. The cell will maintain information on the complaints received, resolved and pending.

13.10 Mechanism for Redressing Grievances of the Community

The state Missions will institute a mechanism to receive grievances and complaints from the community institutions and individual members at all levels. The complaints could include those that the professional staff gather from their field visits, video/ audio conferences and reviews, besides written complaints and representations.

13.11 Performance Management System (PMS)

All SRLMs are required to institute a PMS during 2016-17, following the model HR Manual. As part of institution of PMS, the Missions are required to finalize detailed job description for different categories of professionals and determine Key Result Indicators (KRIs) and Key Performance Indicators (KPIs) in a participatory mode. Thereafter, the Mission units will undertake performance review of staff based on KPIs (tracked through MIS) at 6 monthly intervals. While assessing the performance, due weights will be assigned to area anchoring responsibilities discharged, community level work done, duration of field work including night stays, team work accomplished,

achievements of key outputs etc. Further, based on the assessment of each individual professional, capacity building and mentoring needs should be identified and provided to the individual / team. The 360 degree feedback process will be instituted ensuring that appraisal is done by the self, the community and the team members as well as the line manager of the professional. Finally, the SRLMs will institute an incentive system to recognize and reward good performers.

13.12 Anti-Sexual Harassment (ASH) Policy

All Mission units will ensure the safety, security and dignity of women at the work place as per the provisions of Sexual Harassment of Women at Work Place (prevention, prohibition and redressal) Act 2013. The State Missions will therefore adopt ASH policy as indicated in the model HRA and constitute internal complaints committee. The policy also entails the Mission units to maintain a record of complaints received, resolved and pending and report the same to the statutory authorities.

13.13 Package of HR Processes and HR Audit

All SRLMs will adopt HR systems and processes outlined in the model HR, with necessary customization to suit local conditions. The SRLMs will undertake audit of HR management and processes jointly with MORD and professional agencies.

Section–14¹⁵

NRLM-MIS

14.1 NRLM-MIS

The Mission envisages adoption of a transaction-based MIS by all SRLMs which will be capable of tracking information on the transactions of both the Mission units and the community institutions on a continuous basis. Apart from generating information required for SRLMs and MoRD, the MIS is expected to facilitate generation of a wide variety of reports/dashboards at SMMU, DMMU, BMMU and community institution levels to facilitate implementation, monitoring and performance assessments.

14.2 Design and Development of Transaction based MIS

14.2.1 Modules Available

In order to facilitate adoption of a comprehensive transaction-based MIS in all states, MoRD has entrusted the task of designing and developing the system to NIC. NIC is in the advanced stage of development of a transaction-based system. It has so far developed and made available the following modules:

- **SHG Profile Module** – to track one-time information on the profile of each SHG including data formation, names of leaders and members and their social background, bank account details, funds received etc.
- **VO Profile Module** – to track one-time information on the profile of each VO including date of formation, bank account details, names of leaders and constituent SHGs, funds received *etc.*
- **CLF Profile Module** – to track one-time information on the profile of each CLF including date of formation, bank account details, names of leaders and constituent VOs, funds received *etc.*
- **HR Module** – to capture information on professional staff hired by all Mission units (SMMU, DMMU and BMMUs/PFTs) including names, sex, thematic area, date of engagement/leaving, contact details *etc.*
- **Monthly Progress Report Module** – to upload information on the progress of the Mission in all its components and collected from community institutions and BMMU/PFTs (designed to be used till transaction based system is fully implemented).
- **Fund Disbursement Module** – to facilitate quick filing of application for funds, if approved by competent authority as well as sanction and disbursement of funds from Mission units to eligible SHGs/VOs/CLFs.

¹⁵ See Detailed Annex in Part-II

- **SHG Monthly Report Card** – to capture summary information on transactions of each SHG during a month including details of all receipts and payments, conduct of meetings, attendance etc. This may not be used after the rollout of SHG transaction module.
- **Community Cadre Profile** – to capture information on different types of community cadres available and working for the state Mission units.
- **Module on Commodities, Products and Services with Livelihood Potential** – to capture block-wise information on commodities, products and services with potential for introducing livelihood interventions.
- **Capacity Building and Training Module** – to capture information related to all capacity building and training activities conducted by SMMU, DMMUs and BMMUs for staff, cadres and community institutions. Details of training activities conducted by federations for their members and leaders could also be captured through this module.
- **SHG Transaction Module** – to capture information related to financial and non-financial transactions undertaken at SHG level. This will help the SRLMs to monitor the financial and non-financial performance of SHGs through generation of appropriate reports. The performance of SHGs as well as their members can also be shared with formal institutions like banks to leverage additional financial resources. This module will be available in three variants viz., (a) My SHG APP (Mobile Application); (b) online web-based application; and (c) desktop based offline application.

All SRLMs are required to adopt and use the above modules and provide updated information as per the frequency suggested in different advisories. Further, all Mission implementation units are required to use the modules to generate several output reports for decision making, monitoring of progress and performance review of Mission units and staff. About 100 report formats can be generated using the information uploaded through the modules and the SRLMs are advised to make optimum use of the reports. States with pre-existing MIS are required to port the information from their systems to the relevant modules of NRLM-MIS, in particular the SHG profile module and VO profile module.

14.2.2 Modules under Development

The NIC is developing the following modules and the SRLMs will be required to adopt and use them when they are made available (during the next six months). Adoption of these modules and the associated output reports will make the NRLM-MIS fully transaction based

- VO transaction module;
- CLF transaction module;
- Interim Unaudited Financial Report (IUFRR) module to track Mission expenditure; and
- Module on SHG bank linkage proposals.

14.2.3 Other Modules

In addition, a standalone MIS has been rolled out for MKSP, a sub-scheme of NRLM. All SRLMs/federations implementing MKSP will adopt the MKSP-MIS and adhere to the requirements stipulated for furnishing information and using the output reports. The SRLMs will also be required to adopt livelihoods MIS and SVEP-MIS as and when they are made available to the SRLMs.

14.3 States with Transaction based Systems

SRLMs with transaction based systems of their own are required to dovetail/integrate their systems with the NRLM-MIS. Such states shall develop a bridge software to facilitate seamless integration with the national system.

14.4 SHG-Bank Linkage MIS

NRLM MIS also provides for a dedicated bank linkage portal (<http://www.nrlmbl.aajeevika.gov.in/>), with which every bank branch shares SHG-bank linkage data from its core banking application. The portal provides information on several aspects of SHG-bank linkage which helps the SRLMs to monitor and assess the progress of SHG-bank linkage including SHG-bank loan repayment performance. Further, SRLMs use bank linkage data for determining the amount of interest subvention to be released to eligible SHGs.

14.5 MIS Infrastructure and Manpower at DMMU

The state Missions shall establish / strengthen the following ICT infrastructure at DMMU level and position appropriate manpower for collecting and uploading information and generating reports for use by Mission units.

Infrastructure

The Mission will provide the following infrastructure at each DMMU:

- dedicated desktop computer;
- laptop for MIS professional;

- laser printer and scanner;
- internet connectivity (leased line-2 MBPS/Broad band-2 MBPS/Data Card as alternative);
- power backup facility (UPS/Generator); and
- annual maintenance contract for hardware.

Manpower Required

The state Missions will hire the services of the following professionals for each DMMU.

- One MIS/IT/M&E professional; and
- One data entry operator.

Functional Responsibilities of MIS/IT/M&E Professionals

The functional responsibilities of key staff include:

- overall coordination with BMMUs;
- capacity building and handholding support to BMMU data entry operators;
- collection, validation and uploading of block level information; and
- overall coordination and dissemination of information and preparation of reports for DMMU.

Functional Responsibilities of Data Entry Operators

- collection, compilation, digitization and uploading of data.

14.6 Infrastructure and Manpower Required at BMMU

The following infrastructure and manpower will be provided by the SRLMs for each BMMU:

Infrastructure

- separate room or space for data center;
- desk top computers at the rate of 1 per 500 SHG;
- 2 high end laser printers and scanners;
- internet connectivity (leased line-2 MBPS/Broad band-2 MBPS/Data Card as alternative); and
- power backup facility (UPS/Generator).

Manpower

- one data entry operator for every 300 to 500 SHGs (appointed or outsourced, preferably a graduate with computer trainer); and
- will be responsible for uploading all MIS data and preparation of cluster / block reports.

14.7 MIS Point Persons/CRPs

The SRLMs will identify, train and engage the services of MIS persons / CRPs who will undertake collection of data using pre-designed formats from the SHGs and VOs at monthly/fortnightly/weekly intervals and transmit the same to block level data entry operators after necessary compilation and consistency checks.

14.8 Use of Tablet-PCs

After the rollout of the transaction based system in all its dimensions, the SRLMs will provide Tablet PCs to MIS point persons/CRPs for collecting the data online/ offline from SHGs, VOs and CLFs, after necessary training. Once the transaction based system is introduced, the block MIS units will not be required to undertake entry of data relating to community institutions. However, the data centers will be responsible for inputting the Mission unit data and for generation of reports.

14.9 Books, Bookkeepers and Bookkeeping Practices

As all data for MIS is to be sourced primarily from SHGs and their federations. It is imperative that all state Missions institute appropriate books of accounts/ records and bookkeeping by trained bookkeepers. The state Missions shall identify, train and facilitate use of services of bookkeepers by community institutions and payment of their honorarium.

Section–15¹⁶

Monitoring and Evaluation

15.1 Baseline Livelihood Assessment Study

All SRLMs are required to commission baseline and follow-up studies through independent agencies to assess the impact of the Mission. The services of independent agencies shall be procured in accordance with the provisions of NRLM procurement manual. For NE and NW states, the MORD will commission livelihood assessment studies. In addition, the MORD will commission a third party assessment of NRLM and such other studies as it deems appropriate.

15.2 Positioning of State M&E Team

Before commissioning, baseline survey, each SRLM will ensure that a dedicated M&E team is in position at the SMMU level to facilitate conduct of baseline survey and to monitor its progress closely. The team will manage the contract as per the provisions of the TOR and contract agreement.

15.3 Identification of Outcome Areas and Indicators

Each SRLM will prepare a detailed TOR for baseline study incorporating the key outcome areas and indicators to assess them as part of the baseline survey. While preparing the TOR, the SRLMs will be guided by the list of potential outcome areas and indicators communicated by MORD.

15.4 Methodology and Sample Design

All SRLMs will ensure that the baseline survey agencies adopt **double difference** method to capture changes in household level outcome indicators. This would require the agencies to select **target** and **non-target (control) households** as well as **SHGs and VOs** for the study. For the selection of sample households and SHGs and VOs, the baseline agencies will be required to adopt a **multi-stage random sampling** method. Further, the agency will be required to adopt Propensity Score Matching (PSM) technique to ensure selection of appropriate control group.

¹⁶ See Detailed Annex in Part-II

15.5 Team Size, Composition and Time Input

The SRLMs will ensure that the agency deploys a core team comprising a full-time team leader (6 months), two full-time team members (6 months each), a part-time sampling expert as well as data analyst for the study, besides the full field team agreed upon. The SRLMs will also ensure that the agencies do not deploy team members indicated for one state concurrently in other states/ other studies.

15.6 Timeline

The study will be completed in 6 months from the date of commencement of the field worker training.

15.7 Quality Assurance of Field Survey

The M&E team of SRLM will work very closely with the agency to ensure that the entire survey is conducted as per agreed quality norms by undertaking spot checks.

15.8 Internal Cost Estimate

The SRLMs will make a realistic estimate of the cost of baseline study along with a suitable provision in the approved AAP and procurement plan.

15.9 Procurement Time

The SRLMs will complete the procurement of agencies within a span of three months from the date of issue of EOI.

15.10 Process Monitoring

The NRLM framework for implementation advises the states to commission third party process monitoring. The central purpose of process monitoring is to provide a continuous feedback to the Mission management units on the critical deviations in the implementation of the Mission and the internal and external factors responsible for such deviations so that corrective action could be initiated for improving the effectiveness of the Mission. All NRLP states which have implemented intensive block strategy at least for one year are required to commission process monitoring, following the sample TOR circulated by MORD. For NE and NW states, the MORD has taken up the task of commissioning process monitoring. Further, all SRLMs will contract third party agencies initially for one year and consider extension for one more year subject to satisfactory performance.

The SRLMs will determine the following as part of commissioning process monitoring:

- scope of process monitoring – key themes, sample size and distribution, number of rounds, duration of each round, methodology and tools, reporting and dissemination formats
- identification and documentation of best practices and filming;
- preparation of community guide on process monitoring;
- training of community monitors; and
- size and composition of the process monitoring team.

Further, the states are advised to commission process monitoring only when they fulfill the following conditions:

- a qualified and dedicated M&E person is appointed at the state level;
- Mission operations have been rolled out in at least 8 to 10 intensive blocks across the state; and
- at least 18 months of intensive implementation has been completed in these blocks.

15.11 Community Monitoring

The SRLMs are also advised to promote community monitoring under which trained community monitors visit select blocks and villages and undertake a participatory study of processes adopted in implementation and report to the Mission management and community institutions. Further, the state Missions are required to institute inter-institutional monitoring under which a higher level community institution such as VO undertakes monthly monitoring of the SHGs on the basis of a *Masik Prativedan* or a monthly progress report. An advisory issued to promote community monitoring is placed on the NRLM website.

Section–16¹⁷

Financial Norms and Fund Flow Arrangement

16.1 Allocation of Funds to the States/UTs

The grants-in-aid for implementation of NRLM are shared between the Centre and the States in the ratio of (i) 90:10 in the case of North Eastern States including *Sikkim* and *Himachal Pradesh, Jammu & Kashmir* and *Uttarakhand*; and (ii) 60:40 in the case of other States. The grants-in-aid to Union Territories are funded 100% by the Gol.

16.2 Inter-se Allocation of NRLM Funds among Sub-Schemes

The annual allocation approved for NRLM by Gol is distributed amongst its various components and sub-schemes such as NRLM, NRLP, Interest Subvention (Category–I), DDU-GKY, MKSP, RSETI, SVEP, DRDA Administration, SLACC, PMRDF, BRLF *etc.*

16.2.1 Allocation for Innovative Projects

Further, 5% of the total allocation under NRLM (excluding provision for DRDA Administration and PMRDF) could be utilized for innovative projects.

16.3 Inter-State Allocation

The state-wise allocation under NRLM for Grants-in-Aid to States/UTs is made on the basis of *inter se* poverty ratio fixed by the erstwhile Planning Commission, except in the case of Jammu & Kashmir and North Eastern states including Sikkim and excluding Assam (which is covered under NRLP) where allocation will be made on the basis of requirements to cover two-thirds of all rural households within a prescribed period.

16.4 Allocation for Interest Subvention

The states are authorized to use a portion of the NRLM allocation not exceeding 50% of the total allocation for Interest Subvention (Category–II) to NRLM compliant women SHGs to avail loans up to Rs.3.0 lakh from banks at the rate of 7% per annum.

¹⁷ See Detailed Annex in Part-II

16.5 Approval of State Annual Action Plans

Before commencement of each financial year, the States/UTs will prepare and submit an Annual Action Plan based on the allocation indicated to them for the year which will be appraised and approved by an Empowered Committee set up in the Ministry under the Chairmanship Secretary (RD) with the Financial Advisor as a member.

16.6 Allocation of NRLP Funds

At present 13 States also receive funds under the National Rural Livelihoods Project funded through the World Bank loan. The funding under this project is demand driven and not allocation based. The SRLMs will submit their Annual Action Plan for NRLP which are appraised and then approved by the Empowered Committee referred to in *Para 17.5*.

16.7 Procedure for Release of First Installment of Funds

After the Annual Action Plan is approved by the Empowered Committee, 50% of the State's Central allocation for the year under NRLM and 50% of the Central share of the allocation approved by the Empowered Committee under NRLP shall be released at the beginning of the financial year to those States/UTs who had received the second installment of previous financial year without any conditions. The States/UTs who had not lifted the second installment of the previous financial year are required to submit a proposal for release of first installment after utilizing 60% of available funds along with (i) Utilization Certificates for the current and previous year; (ii) the final Utilization Certificate, Audited Statement of Accounts and Audit Report for the year preceding the previous financial year; and (iii) a physical progress report *vis-à-vis* targets indicated in the Annual Action Plan.

16.8 Procedure for Release of Second Installment of Funds

After utilizing 60% of total available funds, the SRLM should submit the proposal for second installment in the prescribed proforma along with the following documents:

- (i) provisional Utilization Certificate for the current year showing expenditure of not less than 60% of total available funds;
- (ii) the final Utilization Certificate, Audited Statement of Accounts and Audit Report for the previous financial year;
- (iii) the Action Taken Report on audit observations, if any, should also be submitted along with the proposal. If the proposal is submitted before

- 30th September without Audit Report of the previous year, only 50% of the 2nd installment will be released. The balance portion of 2nd installment will be released on submission of Audit Report; and
- (iv) a physical progress report *vis-à-vis* targets indicated in the Annual Action Plan.

16.9 Further Release of Funds

Any condition stipulated at the time of previous releases should be fulfilled before submitting proposals for further release. A compliance report should be attached to the proposal for release.

16.10 Release of State Share

The State Government should release the due State share for the previous financial year before submitting the proposal for second installment. If there is any shortfall in the release of State share due for the previous financial year, proportionate reduction shall be made from the second installment (The reduction will be 1.5 times the shortfall where the funding ratio is 60:40 and nine times the shortfall where the funding ratio is 90:10).

16.11 Opening Balances

The opening balance under NRLM and NRLP should not exceed 10% of the allocation (Central and State share put together) of the previous financial year. In case the opening balance exceeds this limit, the Central share portion of the excess amount shall be deducted from the second installment.

16.12 Timeline for Submission of Proposals for Second Installment

The proposals for second installment should be submitted so as to reach the Ministry latest by 15th February. The proposal received after this date will not be entertained except in extraordinary circumstances beyond the control of the State.

16.13 Sanction of Additional Funds Out of Savings

Subject to availability of savings, an additional installment could be released to better performing States/UTs subject to the following conditions:

- the SRLM has utilized not less than 75% of the total available funds (including second installment) by 31st December;
- a specific request is made by the State/UT for additional funds over above the allocation for the year; and
- performance on key NRLM indicators is satisfactory.

Any balance fund still remaining out of the earmarked allocation to the States will be distributed to all those State who have lifted the second installment except those who have been already sanctioned additional funds for better performance. The distribution will be done on a *pro rata* basis with reference to the allocation of the States for the respective year.

The additional release in all cases will not exceed 50% of the allocation of the State for the year. The financial norms and fund flow arrangement for Skill Development Project (DDU-GKY), MKSP, RSETI and SVEP will be governed by guidelines notified separately.

16.14 Administrative Cost

Six percent (6%) of the NRLM allocation, net of the provision for DRDA Administration, PMRDF and NRLP, could be utilized to meet the administrative expenses of the Mission at National, State and District levels. The professional support cost at block levels will be treated as part of institution building/ capacity building cost and will not be counted against administrative expenses. The provisions for technical assistance under the Financing Agreement with the World Bank and other multilateral agencies will be kept outside the purview of the definition of Administrative expenses for applying the ceiling.

Further, 6% of the annual allocation for *Aajeevika* Skills could also be utilized to meet the administrative expenses for implementation of this component.

Total available funds for administrative expenses could be controlled at the Central level by the Ministry of Rural Development. State-wise allocation of this provision in such case will be made on the basis of an assessment of actual requirement with the approval of the Empowered Committee.

The expenditure under “Administrative Expenses” will be distinctly shown by the SRLMs in the Utilization Certificates.

16.15 Norms for Financial Assistance to Community Institutions

The norms for financial assistance under the programme are as follows:

- (a) **Formation and Development of SHGs** - Rs.10,000/- per SHG;
- (b) **Institution Building and Capacity Building** - Rs.7,500/- per member for Capacity Building;
- (c) **Revolving Fund (RF)** – As a corpus to SHG with a minimum of Rs.10,000/- to a maximum of Rs.15,000/- per SHG. This is given to all SHGs under NRLM who have not received RF earlier;
- (d) **Community Investment Support Fund** – This core financial support is provided only to SHGs and their federations to advance loan to undertake socio-economic activities as per micro investment plans. The maximum amount admissible for Community Investment Support Fund is Rs.2.50 lakh per SHG;
- (e) **Infrastructure and Marketing** - Up to 20% (25% in case of North Eastern states and Sikkim) of the allocation to meet critical gap in common infrastructure including marketing infrastructure;
- (f) **One time grant for corpus fund for sustainability and effectiveness of federations** -
 - Rs.10,000/- for Village/Panchayat level federation
 - Rs.20,000/- for Block level federation
 - Rs.100,000/- for District level federation
- (g) **Interest Subvention (Category-I)** - Interest Subvention to all women SHGs availing bank loans up to Rs.3.00 lakh to maintain the interest rate at 7% per annum in select 250 districts with an additional subvention of 3% for timely repayment of loans reducing the effective interest rate to 4%. This will be fully funded by the Government of India.
- (h) **Interest Subvention (Category-II)** – In the remaining districts, subvention on interest rate above 7% per annum to all NRLM compliant women SHGs (i.e., consisting of at least 70% members from NRLM target group) to avail loans up to Rs.3.00 lakh from banks subject to prompt repayment. The funding pattern in this category will be as indicated in Para 17.4.

16.16 Procurement

All procurements under NRLM for goods, works and services shall be regulated in accordance with the provisions of the NRLM Procurement Manual.

Section-17¹⁸

Procurement Management

17.1 NRLM Procurement Manual

All Mission implementation units including MoRD shall follow NRLM procurement manual while undertaking procurement of goods, civil works, non-consulting and consulting services. The procurement manual shall also apply to other government/ non-government agencies receiving Mission funds. The MoRD is in the process of revising the DAY-NRLM Procurement manual and has obtained necessary approvals from the Ministry of Finance, Integrated Finance Division of MORD and the World Bank. The revised Procurement Manual will be notified along with effective date of implementation of revised manual. After notification, all State Missions shall adhere to the provisions of the manual.

In the revised DAY-NRLM Procurement Manual, two new procurement methods for procurement of consulting services viz., (i) Fixed Budget Selection Method; and (ii) Selection Based on Consultant's Qualification (CQS) have been included. Further, the thresholds for procurement of goods, works and services and prior review thresholds have been slightly enhanced.

17.2 Procurement Professionals

All SRLMs will hire the services of a procurement specialist at the Mission level to oversee all procurement activities and guide the DMMUs and BMMUs in procurement related matters. In addition, one procurement executive may be hired by each SRLM. A procurement officer shall be positioned at each DMMU who will facilitate procurement of goods and services at the district level and guide the community institutions in procurement.

17.3 Procurement Plan

All SRLMs are required to prepare and submit annual procurement plan for goods, works and services, taking into account the funds available / likely to be available and procurement completed in each area. The plan should *inter alia* include: (i) procurement items approved for the previous year but dropped; (ii) Procurement items approved for previous year but carried forward to current year; and (iii) new items planned for the current year. The Procurement plan should also indicate method of

¹⁸ See Detailed Annex in Part-II

procurement, timelines for completion of procurement, estimated cost *etc.* The SRLMs shall adhere to all steps outlined in the manual for procurement of goods, works and services including notification of EOI and TOR, short-listing of eligible agencies, issue of RFP, pre-bid conference, technical evaluation, opening of financial bids, negotiations, conclusion of contract with necessary prior approvals and post-contract management. The contract agreement will include: (i) Terms of Reference; (ii) Key Experts and their time input; (iii) Breakdown of Contract Price; (iv) Minutes of technical negotiations; (v) Work plan submitted by the Consultant; (vi) Methodology submitted by the consultant; and (vii) Advance Payments Guarantee form should be attached to the final contract and shall be deemed to form an integral part of the contract.

17.4 Contract Management

The SRLMs will take all possible steps to review the contract from time-to-time and ensure that the consultants/suppliers deliver the required outputs as per the timelines. Further, the consultants should be provided necessary facilities and support for the execution of the contract, besides making timely payments linked to the deliverables. In respect of goods, the Missions will ensure that the technical specifications indicated are adhered to by the suppliers. As far as possible, procurement of goods shall be conducted in lots through a single bid to economize on the costs. Further, post-review procurement system needs to be instituted by all SRLMs.

17.5 E-Procurement

SRLMs are permitted to adopt E-Procurement method using NRLM funds, but following the guidelines including notification of EOIs, TORs, invitation for bids, receipt and evaluation of bids *etc.* SRLMs using the World Bank funds for NRLP will be required to obtain the prior approval of the World Bank, if they are adopting E-procurement.

17.6 Community Procurement

State Missions shall come up with community procurement manual to guide the community institutions in procurement of works, goods and services.

Part-II: Annexures to the Master Circular
Placed on www.aajeevika.gov.in