

REPORT
OF
THE
12TH PLAN
(2012-2017)

STEERING COMMITTEE
ON
RURAL LIVELIHOODS AND RURAL GOVERNANCE

(RURAL DEVELOPMENT DIVISION)

PLANNING COMMISSION

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CHAPTER 1

OVERVIEW

During its first meeting, the 12th Plan Steering Committee on Rural Livelihoods and Rural Governance constituted the following Working Groups:

- 1) Working Group on Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- 2) Working Group on National Rural Livelihoods Mission (NRLM)
- 3) Working Group on Area Programmes
- 4) Working Group on Panchayati Raj Institutions and Rural Governance
- 5) Working Group on Rural Housing
- 6) Working Group on Provision of Urban Amenities in Rural Areas

This report is based on the findings and recommendations of these Working Groups.

The centrepiece of the 11th Plan's battle against rural poverty was the MGNREGA. The MGNREGA has delivered the largest employment programme in human history, which is unlike any other in its scale, architecture and thrust. Its bottom-up, people-centred, demand-driven, self-selecting, rights-based design is new and unprecedented. Never have in such a short period so many crores of poor people benefited from a government programme.

In 2010-11, nearly 5.50 crore families were provided over 250 crore person-days of work under the programme. Over the last five years, MGNREGA has generated more than 1,000 crore person-days of work at a total expenditure of over Rs.140,000 crores. The share of SC/ST families in the work provided under MGNREGA has been 53 per cent and 47 per cent of workers are women. Average wages of workers have gone up by 54 per cent over the last five years and wages have now been so indexed that workers will be protected from the ravages of inflation. Nearly 10 crore bank/post office accounts of our poorest people have been opened and around 80 per cent of MGNREGA payments are made through this route, an unprecedented step in the direction of financial inclusion.

In many parts of the country, spectacular successes have been recorded in water harvesting. Distress migration has been arrested in several areas. Some State Governments have been leaders in this and the National Consortium of Civil Society Organisations on MGNREGA has also set up examples of excellent work.

Many critics and skeptics of MGNREGA who were extremely vocal during the years leading up to its passage by Parliament and in the early years of its implementation have been silenced, especially after it was recognised that the purchasing power the programme created in rural areas and the operation of the Keynesian multiplier played a crucial role in generating demand for industry during the dark days of the recession and assisted in our comparatively faster emergence out of it.

However, it remains a fact that the true potential of MGNREGA as an instrument of rural transformation is yet to be fully realised. Since the programme marks a radical departure from earlier efforts of a similar kind, there have been many problems in infusing the system with the new culture of demand-driven, rights-based, decentralised decision-making. The MGNREGA provides a historic opportunity for strengthening Panchayati Raj in India but the experience so far also alerts us to the need for doing much more in this direction. There are problems that arise from the humungous nature of the programme, quite unprecedented in its scale. At the same time, new opportunities have arisen because of advances in Information Technology that allow us to get rid of inefficiencies and corruption in a manner quite inconceivable in the past. The MIS currently used by MGNREGA is already the best we have ever had. More than 7 crore muster rolls and nearly 12 crore job cards have been placed online. But there is huge scope for further improvement in overcoming systemic delays as shown by the software being used, for example, in Andhra Pradesh.

Finally, we have to view MGNREGA as a programme whose success will, in itself, pave the way for its downscaling. The fact is that a large proportion of MGNREGA workers are small and marginal farmers, the productivity of whose lands has been so decimated over the years, that they have been compelled to work under MGNREGA. The real success of MGNREGA will lie in raising the agricultural productivity of millions of these farmers who will then be able to return once again to farming and will no longer need to depend on MGNREGA for their survival. Urgent measures are required to convert MGNREGA into a productivity-enhancing instrument that will also allay the falsely perceived conflict between MGNREGA and agriculture – for MGNREGA is the foundation for solving the problems of the poorest farmers of our country.

Ever since work on MGNREGA was launched in 2006 there have been two divergent perceptions about its relationship with agriculture – one, as a relationship of positive synergy and the other, of a potential source of conflict. The sources of synergy

are many:

1. The MGNREGA has led to major increases in wages of rural workers and when we recognise the fact (attested by NSSO data on “landed labourers”) that the majority of MGNREGA workers are impoverished small and marginal farmers, especially in our tribal areas, we can see the direct impact MGNREGA has made on raising incomes of our small and marginal farmers.

2. The tightening of the labour market post-MGNREGA is a positive indicator of poverty alleviation and also signals a pressure for technological advances that raise farm productivity in areas of relative labour shortage. This is the process of agrarian transformation the world-over.

3. What is more, since a very large proportion (80%) of the works under MGNREGA are also focused on soil and water conservation on the lands of the small and marginal farmers, it is clear that MGNREGA is making a potential contribution to raising their incomes through improved agricultural productivity, and also reducing the need for small and marginal farmers to continue to work on MGNREGA sites. Studies conducted by Indian Institute of Science (IISc), Bangalore; Indian Institute of Forest Management, Bhopal; Administrative Staff College of India, Hyderabad and University of Agricultural Sciences, Bangalore have all concluded that MGNREGA works have had a positive impact on agricultural productivity. In one of the studies conducted in Chitradurga District of Karnataka, IISc found that MGNREGA works, besides enhancing agricultural productivity, successfully reduced water, soil and agricultural vulnerability.

As far as the perception of conflict between MGNREGA and agriculture is concerned, this is based on a number of misconceptions and exaggerations. Let us first remember that the average annual person-days of work generated under MGNREGA since inception has never exceeded 54 days. Surely this in itself indicates the critical but still small and supplementary nature of this employment for our self-selecting poorest people. And if we closely examine the question of seasonality of this work, an analysis of the quantum of MGNREGA works provided across the year indicates a powerful seasonal fluctuation, with a disproportionately higher share of works being done during the off-season in agriculture. The month-wise employment data under MGNREGA during FY 2010-11 indicates that it is in the lean agricultural season (January-June), that around 70% of person-days of work were generated. And if we were to correct for the fact that in major MGNREGA States like Tamil Nadu this is actually not the lean season,

the proportion of MGNREGA work provided in the off-season in agriculture would be even higher.

The need of the hour is to allow the largest possible number of works which help strengthen the synergy between MGNREGA and agriculture without compromising on the fundamental features of the Act or its architecture, which have been celebrated across the globe.

The Steering Committee, therefore, unveils a comprehensive agenda of reforms for MGNREGA even as it proposes that during the 12th Plan it will be the NRLM that will emerge as the centrepiece of our battle against rural poverty. The foundation of water infrastructure and agrarian stability provided by MGNREGA will be built upon through the NRLM that will work simultaneously on five critical dimensions that have been lacking thus far in rural India:

- Strengthening the package of credit-cum-technology support that would strengthen rural livelihoods
- Empowering institutions of the poor that will fundamentally alter the balance of power in rural India
- Facilitating the poor to compete on more equal terms in the market so that they can derive real benefits from the new opportunities opening up in rural India rather than be at their receiving end
- Enabling human development programmes such as drinking water, sanitation and housing to attain better levels of quality by making higher investments possible through a credit component being added to the inadequate subsidies being currently provided
- Imparting the much needed skills to the rural population to meet the demands of both the growing rural and urban economies

Allied to these initiatives will be the work to be done on building rural infrastructure, including housing, drinking water and sanitation, building towards a broader rural habitat development approach. The PURA programme should set the benchmark for rural infrastructure towards which all rural habitations must progress over time. The Steering Committee strongly advocates a strategy that simultaneously promotes drinking water and sanitation recognising the inextricable links between the two, which make it impossible for one to succeed without tackling the other. We also believe that we must adopt a “habitation saturation” approach moving beyond the APL-BPL distinction. In order to effectively raise the resources devolved to these

programmes, we recommend both an increase in allocations but also an integral link with the NRLM so that through the medium of powerful Self-Help Groups (SHGs), we are able to convert this into a loan product, especially in the “intensive blocks” of the NRLM where such powerful SHGs indeed exist. A renewed emphasis on Solid and Liquid Waste Management involving convergence with the MGNREGA is also strongly advocated. The Working Group has outlined below a number of steps that would infuse the programme with quality as also sustainability, both of drinking water sources and in adoption of improved sanitation.

As far as housing is concerned, the central issue is of quality. This requires a much broader range of technology options being made available for housing to appropriately reflect the socio-ecological diversity of India. But it also necessitates a higher volume of resources per unit. The best route for this is loans under Differential Rate of Interest (DRI), which must be enhanced to Rs 50,000 at 4% rate of interest along with extended repayment tenure to up fifteen years. It is imperative that provision of DRI loans for Indira Awas Yojana (IAY) beneficiaries should be made obligatory on the part of the banks given the investment that the government commits when sanctioning an IAY house.

The Steering Committee is of the clear view that our rural development programmes would be best implemented if we were to strengthen our Panchayati Raj Institutions (PRIs). Governance failure has emerged as a central national concern and also lies at the heart of difficult challenges such as Maoism. While functions were devolved to PRIs through the 73rd Amendment and allocation of funds has dramatically improved through the MGNREGA, the provision of adequate human resource support to PRIs remains a cause of concern. One of the most important innovations of the 12th Plan must be to link all Centrally Sponsored Schemes (CSS) to a Management Devolution Index as proposed by the BK Chaturvedi Committee on Restructuring of CSS. States will be incentivised to follow the principle of subsidiarity and would receive greater funds from the Centre to the extent they do so.

The 12th Plan needs to make a massive break from the past in providing resources for professional and systems support to PRIs. A concern often raised by Central Ministries and State Governments regarding devolving programmes and activities to Panchayats is that Panchayats have poor capacity and may not be able to deliver. It is a fact that the weakness in terms of manpower and technical capacity within Panchayats is a major constraint in their effectiveness. This leads to a vicious cycle, i.e. low capacity,

leading to inadequate devolution, leading to disempowered institutions. This vicious cycle can only be broken with a national thrust to systematically build the capacities of Panchayats. Research across the globe strongly supports local and community driven development (LCDD) as the most effective means of improving implementation and fostering a sense of inclusion, thereby strengthening the roots of the democratic edifice at the same time.¹

The 12th Plan must also adopt a new strategy regarding the Special Area Programmes based on the evaluations and feedback from the ground regarding the experience so far. There has been a tendency towards proliferation of “packages” in an ad hoc manner under political pressure. While it is important for a government to be sensitive to needs and aspirations of regions that feel a genuine grievance about being left out of the national mainstream development process, it is also equally important to devise robust and transparent criteria for inclusion of areas under the coverage of such programmes. This is important for the very *raison d’être* of these programmes – to overcome a sense of exclusion that certain regions feel. If the criteria are neither robust nor transparent, such grievances are likely to be exacerbated rather than assuaged. The World Bank evaluation of the BRGF clearly shows that the per-GP allocation of the BRGF is too low to make any real difference to outcomes on the ground. It ii, therefore, proposed, that block-wise allocations within BRGF districts may be made on the basis of objective criteria of deprivation, so that the really deprived blocks get the requisite attention and resources. On the Integrated Action Plan for Selected Backward and Tribal Districts (IAP), the Working Group for Special Area Programmes is of the clear view that the “IAP represents a huge paradox. On the one hand, the Planning Commission has been espousing the cause of decentralized planning, yet the IAP has put in place exactly the opposite approach. This system is totally against the letter and spirit of the 73rd & 74th Amendments and considerably dilutes the stand of the Planning Commission in favour of decentralized participative planning. We suggest strongly that the implementation mechanism under the scheme should not in any way differ from that prescribed by the Planning Commission in its own Decentralised Planning Guidelines. Any continuance of the current mechanism of the three-member committee, acting in isolation of the district planning process is a travesty of the constitutional system.” Indeed, the approach in the 12th Plan must incentivise moves in the direction of devolution by making additional support in later years of the Plan dependent on

¹ Hans P. Binswanger-Mkhize, Jacomina P. de Regt and Stephen Spector (eds) (2009): *Scaling Up Local and Community Driven Development – A Real Word Guide to Theory and Practice*, World Bank

fulfilment of conditionalities during the first two years of the Plan. The conditionalities would include measures to strengthen PRIs, deployment of the best officers in challenging areas, implementation of PESA and FRA and improved implementation of flagship programmes.

Overall, the Steering Committee believes that the rural development sector has undergone significant positive changes in recent years. The 12th Plan should be a period of consolidation and innovation in the architecture of implementation of our major flagship programmes, with special emphasis being placed on strengthening institutions of local government. This will strengthen both inclusion and the democratic fabric in the remote hinterlands of our country.

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CHAPTER 2

MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT

2.1 INTRODUCTION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a landmark legislation aimed at strengthening livelihood security for the rural poor by guaranteeing hundred days of wage employment in a financial year, to a rural household whose adult members volunteer to do unskilled manual work. It has generated more employment for the rural poor than any other program in the history of independent India. It has the potential to transform the lives of the rural poor not just by guaranteeing wage employment through creation of productive assets, but also by empowering the rural poor through improved governance in rural areas and enhanced capacity and responsiveness of the Panchayati Raj Institutions. Despite all its achievements, it is plagued by several ills. Some of the major challenges facing the key processes, content and implementation structure of MGNREGA in the 12th Plan are as follows:

- MGNREGA provides a legal entitlement to manual work. If work cannot be provided on demand there is provision for unemployment allowance. This **demand driven legal entitlement** is not functional
- MGNREGS has been unable to substantially reduce **distress migration** from rural areas because workers do not have a timely assurance that work will be made available in the periods when it is required
- There are significant **delays in payments to workers**.
- The **number of days of work** provided under MGNREGS may not adequately meet demand
- The **quality of assets** created under MGNREGA and their relevance to the livelihoods of the poor is inadequate
- MGNREGS is unable to assure payments of wages at the **stipulated rate** (minimum wages)
- The works executed under MGNREGS are not based on a strong **participatory grassroots planning process**.

- There are limitations to the **current system of flow of funds** which constrain the effectiveness of MGNREGS.
- Grievance redressal mechanisms provided are weak

The Working Group on MGNREGA constituted by the Planning Commission has reviewed the planning and implementation of the scheme and made recommendations to address its limitations and ensure its effective execution in the 12th Plan. The recommendations of this Working Group can be discussed under three broad categories; Institutional Architecture under MGNREGS, Operational Processes and Plan Allocations required for the scheme during 12th Five Year Plan. These recommendations are expected to result in the following outcomes for MGNREGA by the end of the 12th five year plan:

- An increase in the number of days of employment per job card in response to potential demand for work
- Reduction in distress migration from the 2000 most backward blocks
- Improvement in the quality of the productive assets created under MGNREGS and their relevance for livelihood security of the rural poor
- Strengthened capacities of Gram Panchayats, enabling them to function effectively as institutions of local self governance
- Mobilisation and empowerment of poor and vulnerable communities particularly in remote regions of rural India

Next, we shall discuss these recommendations.

2.2 KEY RECOMMENDATIONS

2.2.1 IMPLEMENTATION ARCHITECTURE

The Working Group recommends that the implementation structure be strengthened at the national level, at the state level for all states, at the district level for 200 most backward districts and at the block level and below for 2000 most backward blocks. The recommendations below pertain to specific levels of implementation.

MGNREGS should be implemented by an autonomous society called the MGNREGS Mission. At the national level the Mission should be fully accountable to the Ministry of Rural Development. The Ministry of Rural Development should have a dominant presence in the governing body. The Governing Body should also include members from the Central Employment Guarantee Council (CEGC) and state representatives on a rotational basis. The Mission at the state level should be fully accountable to the state department responsible for executing MGNREGS.

A) AT THE NATIONAL LEVEL

- The **National Mission** will be headed by a senior IAS officer selected by a search committee with a fixed tenure of 3-5 years, as CEO of the Mission. The Mission will operate with adequate flexibility to provide technical and administrative support for implementation of the scheme. There is need to establish the **Technical Secretariat** of the CEGC as provided for in the NREG (Central Council) Rules, 2006. This Secretariat will enable the CEGC to fulfill its mandate under the MGNREG Act. The National Mission should set up a National Management Team with leading experts from fields relevant to MGNREGS implementation.
- A nation-wide **network of capacity building institutions** will be set up to deliver, in a cascading mode, with national, state, and district level units. The National Management Team will supervise the performance of the capacity building network.
- The network will include **CSO and academic/training institutions** which have a strong track record in field implementation, in addition to skills in training. The National Management Team will need to create an effective network by seeking and encouraging committed and capable civil society organisations (CSOs)/other institutions to participate.

B) AT THE STATE LEVEL

- State level Missions need to be established similar to the National Mission. The State Mission will provide support to the Nodal department on technical and administrative issues. The Mission will have adequate operational flexibility and a facilitative HR policy to recruit and retain a team of committed experts. The team composition may change over time in response to evolving needs.
- State Governments currently recruit staff on a contract basis to support the District Programme Officer (DPO) /Programme Officer (PO) in MGNREGS implementation. The Working Group recommends such contractual employment be made by the State level Mission.

C) AT THE DISTRICT LEVEL

- A **District level Technical Committee** (TC) headed by the DPO will guide the implementation of the Act at the district level and below. This Technical Committee will comprise of district officers from the relevant technical departments, representatives of leading NGOs with field presence in the relevant agro-ecological region and academic community.
- A technically qualified professional team is to be appointed on contract basis under the State Mission to support the DPC in awareness generation on entitlements, social

mobilisation, planning, all sanctions, monitoring & evaluation and social Audit.

- As part of the national network of capacity building there is need to set up a **district training unit**. The unit should comprise of full-time dedicated resource persons who will act as master trainers for MGNREGA and provide training and support to block and sub-block implementation teams. The expenditure on this unit may be met from the funds earmarked for capacity building.

D) BLOCK LEVEL

- Every Block should have a **full time dedicated PO or additional PO** with fully devolved authority for performing the role assigned in MGNREG Act. The additional PO could be on contract basis with the State Mission.
- The PO will have a team of 4-5 Junior Engineers or equivalent to assist in her tasks. The PO will also have a team of 2 to 4 members for administrative/ support functions.

E) CLUSTER LEVEL

- GPs will be grouped in **Village Development Clusters (VDC)** so as to have roughly 3 VDCs in a block. The cluster will cover approximately 15,000 job cards or an area of 15,000 ha, broadly corresponding to the boundaries of a mini-watershed or local aquifer.
- A fully dedicated professional support team, to be called **Cluster Facilitation Team** for MGNREGA needs to be placed at VDC level. These personnel should be recruited on contract basis under the state mission.
- Such Cluster Facilitation Teams should be set up in the **2000 most backward blocks** of the country including all IAP districts during the 12th five year period.
- The team will support GPs in their statutory role under MGNREGA and in their role as PIAs implementing MGNREGS works. The team will also extend support to other PIAs (line departments, NGOs) upon request in implementing MGNREGS works in cluster.
- The multi-disciplinary Cluster Facilitation Team will comprise 4 specialists, 1 each in community mobilisation, soil conservation & water harvesting, forestry and land use, agriculture and allied livelihoods. The cluster team will work under the overall supervision of the PO but will also be accountable to the GPs in the cluster. The cluster team will be located in the PO's office at the block level and will draw its expenses from this office.

F) GP LEVEL

- There is need to ensure that every GP has at least one Employment Guarantee Officer (EGA). For GPs with BPL/SC/ST population in excess of 3000, there is need to

appoint an additional EGA.

2.2.2 OPERATIONAL PROCESSES

A) NATIONAL LEVEL

- The National Mission should develop a format to be used by the State Employment Guarantee Councils (SEGC) for the submission of proposals for new categories of works to be included in the list of works permissible under MGNREGS. SEGC recommendations should be based on a thorough analysis of why the new categories are suitable for MGNREGS along with quality parameters and design details.
- The **Labour Material ratio** (60:40) should to be prescribed at the block level i.e. 60% of the expenditure of all MGNREGS works within each block should be expended on wages.
- Separate **SORs** for MGNREGA based on Work Time and Motion studies should be notified by each state.
- The National Mission should develop guidelines and provide guidance to the States to undertake time and motion studies for development of SORs.
- Effective working hours at MGNREGS sites should be pegged at 7 (i.e. 8 hours with 1 hour rest).
- Upward revisions of wages through the **Consumer Price Index for Agricultural Labour (CPI-AL)** should be made annually by 31st July of every year. This will align with the timing of supplementary budget estimates.
- The Ministry should develop a standard **chart of accounts** for MGNREGA (with a provision for customization by states) and integrate the same into MGNREGA application for effective accounting, online banking, reconciliation and updation of MGNREGA management information system.
- To address the issue of delayed payments of wages, computerization of post offices needs to be expedited.
- The Ministry should establish an inter-departmental task force to work with the Postal department on adopting biometric enabled Point of Transaction hand-held and/or a local system with related back-end technologies to service wage payments for MGNREGA.
- Post offices should be paid **commission** ranging from 1% to 2% of transactions for handling MGNREGA accounts.
- The **business correspondent model** may be considered for facilitating wage payments in regions not served by bank branches and post offices.
- The Ministry should draw lessons from the electronics funds management system of the government of Andhra Pradesh to draw up a detailed implementation process.

- The Ministry should provide specific budgets at 1% of total expenditure on works for training and capacity building of staff.
- The Ministry should set up a **Policy Evaluation and Research Service (PERS)**, as a continuous policy evaluation and research think tank of MoRD for effective and efficient implementation of MGNREGA. This unit will generate evidence based recommendations for guidelines and innovative approaches.

B) STATE LEVEL

- States must expand the list of permissible works under MGNREGA providing location-specific flexibility reflecting diversity in a) natural resource endowments, b) agro-ecological conditions, c) livelihood patterns and d) capacity of institutions responsible for planning and execution.
- SEGCs must be encouraged to specify the precise nature of works suitable for each agro- ecological region within their state.
- States should notify detailed time lines for completion of all interlinked tasks and processes for which detailed guidelines may be issued by the Union Ministry.
- States must undertake a systematic revision of SoR's based on carefully designed Work Time and Motion Studies.
- In blocks and GPs where there is inadequate provision of works under MGNREGA to meet the potential demand for works, the state government may proactively seek involvement of NGOs with adequate technical capacity and demonstrated presence on the ground, to function as PIA.
- Effective steps should be taken to increase the work being done under MGNREGA on forest land. The Forest Department (FD) must prepare a perspective plan and a Shelf of Projects (SoPs) on forest lands and propose these to the respective Gram Sabhas. This SoP may be executed by the Forest department as the PIA after due Administrative Sanction (AS) and Technical Sanction (TS). If the FD is unable to execute the SoP within a time frame of 2 years, the DPC should be required to appoint another PIA and allocate the works for execution to this PIA.
- State governments need to adopt comprehensive capacity development strategies ranging from needs assesment to monitoring the effectiveness of capacity building programmes.
- State governments must build a state wide network of capacity building institutions linked to the national network. The network should include key institutions which should have a combination of technical expertise, training capacity and field experience. State governments may seek assistance from MoRD for the empanelment of training institutions.

- Training of staff should be on a continuous basis so that they have requisite skills to perform even when systems and guidelines undergo change. This is important particularly for the MIS staff.
- In districts where training infrastructure is inadequate, funds from the capacity building component of BRGF should be used for creating such infrastructure.
- Recruitment of staff for the State mission, including district teams, should be based on clearly defined roles and responsibilities. These should be the basis for deriving the knowledge, attitude, skill and value (KSAV) set required for the position.
- Independent HR agencies need to be hired for recruitment and selection for state, district and block level staff.
- State governments should evolve norms for remuneration to Gram Rozgar Sahayaks, Technical Assistants, Trained Mates, Data Entry Operators, Resource Persons for Social audit etc., and pay accordingly.
- States need to design a system of performance management for staff of the State missions for MGNREGS. Performance appraisal should be based by defining key indicators and assessing progress through feed back from a wide range of stake holders including Gram Sabhas, GPs, PIAs, block and district teams and technical support teams.

C) DISTRICT LEVEL AND BELOW

- Each GP has to prepare a **five-year Perspective Plan** which will outline the development requirements of the GP.
- The Perspective Plan may be prepared at the cluster level rather than at the GP level because a) natural resource boundaries such as aquifers, streams, forests, and grazing land usually extend well beyond the boundary of one GP and b) market opportunities and challenges for livelihoods typically spread well beyond single GPs.
- The Perspective Plan for each cluster should be prepared by the VDC in close consultation with all constituent Gram Panchayats.
- Each GP must prepare a **base year assessment of demand for work** (as part of the Labour Budget) on the basis of a survey of job card holders within the GP, eliciting information on the seasonal demand for labour from each job card holder. States should define suitable methodologies for assessment of demand for work (as part of the Labour budget), and train the GPs.
- This detailed assessment of the demand for work should be done on the basis of a **primary survey** by the GP once every five years. This should be reviewed every year by the GP on the basis of annual factors such as the monsoon, changes in cropping pattern and local livelihood diversification.

- The GP must finalise and present the assessment of demand for work at the Gram Sabha meeting of August 15th every year.
- The GP must organise a Rozgar Diwas every quarter. This should be an opportunity to invite applications for work and to inform the village of the latest status on planning and execution of works.
- In states where SHGs and federations are well-formed, they should form the institutional base for MGNREGA. The state should organize **labour groups**, where these groups consist exclusively of the MGNREGA workers.
- Each PIA should be required to prepare a **Shelf of Projects** covering at least two years of implementation. This shelf of projects should be based on the GP Perspective Plan.
- The works listed in the **Annual Work Plan** should be drawn from the SoP on the basis of prioritisation by the PIA. Since these works would have received technical sanction as part of the SoP, approval of the Annual Plan becomes simpler.
- All PIAs including GPs should be released funds against the Annual Work Plan in two installments.
- **Convergence projects** designed on the basis of MoRD guidelines on convergence must be selected if they address priorities as expressed in the Perspective Plans prepared by GPs
- PIAs need to inform the respective Gram Sabhas of the convergence proposals and obtain their agreement. It should be ensured that convergence proposals deliver definite gains in terms of development outcomes which would not be available if the interventions are implemented separately.
- States must formulate a simple and accessible template of **SoRs**, which could be used by the GPs, EGAs and the mates during the execution of works.
- Whenever there is a revision in the SoR, the DPC must revise the approved estimates for projects in the Annual Plan which are yet to be started. This should be done on a *suo moto* basis by the DPC and the revised estimates conveyed to PIAs. For projects which are under execution when the SoRs are revised, the DPC must conduct a survey re-estimating the value of the unfinished portion of works. The entire process of re-estimation must be done within a period of one month of the revision of SoRs.
- For those PIAs that have **incomplete works** for more than one fiscal year after the year in which the works were proposed, no sanction is to be given for beginning new works
- There is need for a system for **automatic compensation** to workers for delayed wages.
- There should be an automatic generation of the **pay order** when muster roll is entered

in the MIS.

D) MANAGEMENT INFORMATION SYSTEM

- The MIS needs to identify those works which are to be executed over more than one year. Such works may be split into annual work elements, with each annual segment given a distinct work identity. Such works should not be classified as ‘incomplete’ at the end of the year
- To take full advantage of the capabilities presented by computer networks in terms of speed of information-sharing, it is necessary that MGNREGA moves towards a **real-time, online system** wherein each stage of planning and implementation is tightly integrated. This will help better realization of entitlements on the part of wage-seekers and better monitoring of these entitlements on the part of implementation agencies
- A crucial step forward in this respect would be capturing work demand. For example, a cellphone-based online work demand application system can be worked out wherein a short message from a wage seeker's cellphone in a pre-defined format lodges itself on a server at the state level. The system could be voice-based, with IVRS technology to make the demand register in the system.
- A system may be piloted whereby hand-held devices are issued to EGAs and muster rolls are directly updated online to the state-level servers by biometric identification of the workers who are present on site.
- The MIS platform can be designed to allow **non-standard estimations** for particular types of activity or for activities which are above a threshold level of cost. In such cases, a field or spot check should anyway be required to supplement the MIS system. Second, the MIS can also be used as a repository of a wide variety of estimates made in very different conditions over the years in different programmes.
- A **Janta Information System (JIS)** may be designed and put in place to ensure that the relevant information is available to those who do not have access to computers.
- An Electronic Fund Management System (EFMS), integrated with accounting and reconciled with Core Banking systems, should be adopted in all states for wage payments. This in itself will help to streamline many of the problems that are being experienced in the current system of monitoring MGNREGA.

E) NETWORK OF CAPACITY BUILDING INSTITUTIONS

- At the national level, an apex body or resource agency for MGNREGA training needs to be created to anchor the entire training effort. This organization will-
- act as a coordinating and anchoring agency between different state level resource

centres.

- It will help to define and refine, in coordination with state resource centres, training policy at both state and national levels and make training needs assessments.
 - It will identify and mobilize institutions which can play the role of training institutions for MGNREGA across the country.
 - It will identify and induct capable CSOs with proven track records, professional agencies, technical institutes and other institutions who can play the role of Lead Resource Centres or Anchor Organizations for MGNREGA training and support in different states, with the active participation of the state level training and support organizations.
- At the state level too, a coordinating resource institution needs to be set up with the same responsibilities.
- In districts where training infrastructure is inadequate, funds earmarked under BRGF for capacity building should be used for creating such infrastructure.
- At both the State and national levels, CSOs with track record and experience may be involved in this role.
- The State and National level institutions should further identify State level training organizations. These could be CSOs, technical resource agencies identified through a careful screening process. If CSOs are involved, the same CSO could also contribute to the resource agency in different states.

F) POLICY EVALUATION AND RESEARCH

- A Policy Evaluation and Research Service (PERS) must be set up as a continuous policy evaluation and research think tank for enhancing the capacity of MoRD in its effective implementation of NREGA by developing innovative participatory approaches and syncretic methodologies for impact analysis, anticipating policy research needs of key stakeholders and responding to specific policy analysis requests in the areas of innovation, convergence and capacity building on all current and emerging issues in MGNREGA.
- Additionally, PERS would also function as a forum and clearing house for the sharing of information as well as the dissemination of best practices through workshops, seminars, publication of journals, reports, bulletins, briefs and other literature.
- PERS would also help create an environment for imparting expertise to people interested in rigorous program evaluation and training to policy makers/implementers on how to conduct randomized and qualitative evaluations in social policies.

- Further, PERS is intended to breakdown the silos in social science research and deepen the sphere of participatory and informed dialogue between policy makers and civil society.
- PERS will be composed of three units (or sections): a) Independent Evaluation or Impact Assessment Unit; b) Research and Analysis Unit; and c) Publication & Communication Unit.
- The PERS should be linked to current system of National level monitors and the independent monitoring mechanism set up by the Ministry.

G) CSO INVOLVEMENT IN MGNREGA IMPLEMENTATION

- Multi-level involvement can be visualized for mobilization, transparency, vigilance, quality monitoring and social audits. The table below attempts an illustrative matrix of possible roles that civil society can play.

Particular	National	State	District	Block	Cluster
Resource Agency	*	*			
Training & Support		*	*	*	
Implementation Facilitation and Support Teams				*	*
Mobilization of Wage Seekers				*	*
Quality Monitoring				*	*
Vigilance, Social Audit		*	*	*	*
Interface with Implementation Architecture			*	*	*

2.2.3 FIXATION OF MGNREGA WAGES

- The Ministry should use CPIAL for all future upward revisions
- Such upward revisions should be made annually by the 31st of July of every year to be aligned to supplementary budget estimates, to serve peak demand requirements and to align with the practical working processes for the scheme.
- States that had wages notified at more than Rs 100/day at the time of the 1st of January 2009 notification should have their wages indexed to CPIAL with their notified wage as a base.
- Setting an upper limit on the number of revision that the State Governments can make each year (e.g., twice a year in exceptional circumstances), and once a year otherwise.

By default, wages should be revised once a year.

- To reduce delays in wage payments, all states adopt Nregasoft or other uniform software.
- The statement of accounts updated by the states/districts through Nregasoft should be used as the basis for timely release of funds.
- The Ministry should strengthen the capacity of financial accounting at all levels by establishing a competent accounting cadre.
- The MIS should track the entire process of fund flow below the State level including requests for funds and responses. The MIS should be accessible to all.
- Delays in measurement of work should be reduced by appointing more staff for this function.
- A clear timeline should be defined for the steps of submission of muster rolls, measurement of work, generation of payment order, transfer of payment order to payment agency and disbursement of wages. This timeline should be monitored through the MIS.
- There should be provision for automatic compensation to workers in case wage payments are delayed.

2.2.4. HUMAN RESOURCE MANAGEMENT SYSTEMS

- There is need for a systematic and purposive human resource policy to cover all staff employed to implement MGNREGS. There must be an expansion of the MGNREGA implementation teams at the National, State, District and Sub district levels.
- A systematic human resource policy is important to recruit and retain the appropriate teams at the respective levels. The HR policy will ensure that the teams perform effectively and remain accountable for performance.
- The recruitment process needs to be done in a professional manner and may be outsourced to credible agencies if required. The recruitment and selection must include the following steps
 - create a profile of the desired candidate with respect to knowledge, skill, attitude and values.
 - Devise a methodology for selection that assesses the skills, competencies, empathy with the poor, ability to work in teams and achievement motivation.
 - Administer the methodology in an impartial and transparent manner. This will require involvement of external individuals in the selection process.

2.2.5. PLAN ALLOCATIONS REQUIRED FOR THE SCHEME DURING 12TH FIVE YEAR PLAN (2012-13 TO 2016-17)

- The Working Group recognises that the above measures will help increase the person days of employment generated under MGNREGS.
- The Working Group assumes that
 - the number of person-days will increase at the annual rates of 5%,15%,5%,5% and 0% in five years, with 2011-12 as the base year;
 - the number of job cards is constant over the 12th five year plan period;
 - the additional job cards to be issued in the period to households registering under MGNREGA. However since many households holding job cards do not currently avail of employment under MGNREGS, the increase in the number of job cards to be a marginal influence on MGNREGS expenditure.
 - state wise labour-material ratio is constant at the levels existing in 2011-12. There are variations across states in labour-material ratios; and
 - wage rates will rise every year at the weighted average of annual increase in CPIAL over the period 2007-10. There are variations across states in the annual increase in CPIAL.
- On the basis of these assumptions the Working Group estimates that 1,59,124 lakh person days of employment will be generated over the 12th Plan period. This will require a financial allocation of Rs 3,22,147 crores for MGNREGS over the 12th Plan period.

Table 1
PROJECTED EMPLOYMENT GENERATION AND EXPENDITURE ON MGNREGS
IN 12TH PLAN PERIOD

Year	Estimated Person Days of Employment (in lakhs)	Estimated Expenditure (Rs crores)
2011-12 (Base Year)	25715.24	45353.18
12th Five Year Plan		
2012-13	27001	53725.57
2013-14	31051.15	70564.04
2014-15	32603.71	84652.07
2015-16	34233.9	101589.59
2016-17	34233.9	116151.96
Total for 12th Plan	159123.66	426683.23

- The Working Group strongly recommends that an increase in the number of staff deployed be made
 - in GPs, at the level of cluster of villages (sub- block) and at the block office for 2000 most backward blocks
 - at the district level in 200 most backward districts and
 - at the state-level in all states, with intensive support in 15 poorest states.

These recommendations will result in increased utilisation of the 6% provision for administrative expense.

- Hence, the Working Group recommends that
 - one sixth of the provision of administrative expenditure i.e. one percent of total expenditure be earmarked for capacity development activities;
 - the increased expenditure on additional human resources and on capacity development recommended above will be within the allocation of 6% of total expenditure for administrative purposes;
 - the ministry should create a National Capacity Building Fund (NCBRD) with an initial corpus of Rs. 1000 crores. This fund should be utilized for capacity building efforts for all programmes of the Ministry of Rural Development. All the unutilized capacity building funds should be credited to this NCBRD; and
 - additional resources be provided to the Ministry of Rural Development for social audit and to facilitate the expansion of financial services by commercial banks and post offices.
- Social Audit will cover all major schemes of the Ministry including MGNREGS. The annual expenditure for the Social Audit would be Rs 270 crores for the 1st year of the plan period. As the Social Audit process will anchor around MGNREGA, this grant should be made available as allocation for MGNREGA to begin with but later could become a grant to the Ministry as it will cover all schemes of the Ministry.
- The expansion of financial services will enable MGNREGS wage disbursements as well as financial transfers under schemes such as NSAP and Indira Awas Yojana through banks and post offices.
- The Working Group recommends the establishment of a National mission within the Ministry of Rural Development. This dedicated institution will guide and support states in implementation of MGNREGS. The technical expertise will improve the quality of implementation, continuously evaluate performance and share lessons. The annual expenditure for the National Mission is estimated to be Rs 10 crore with an annual increase of 20%.

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CHAPTER 3

NATIONAL RURAL LIVELIHOODS MISSION

3.1 INTRODUCTION

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

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

The Committee argued that while nearly two thirds of the total funds were given out as subsidy, thus making the whole program subsidy-driven, only 6 per cent of the total SGSY funds were utilized for training and capacity building during the past decade. The leverage ratio of bank loans to subsidy under SGSY was only 1:2.15². ‘Ill-trained groups’ in SGSY was a severe handicap in moving towards the Eleventh Plan goal of inclusive growth. Training is of vital importance in the management aspects of running both SHGs and their federations, as well as in improving existing livelihood options and also adopting new ones.

The magnitude of the task of rural poverty alleviation through direct interventions in self-employment is enormous. Out of the estimated 7.0 crore rural BPL households³, 4.5 crore households still need to be organized into SHGs. A significant number of these households

²The subsidy disbursed under SGSY is Rs12900 crore and Credit mobilized is Rs27800 crore since inception, i.e. a ratio is 1:2.15.

³ As per the Planning Commission constituted Expert Group to Review the Methodology for Estimation of Poverty (Suresh Tendulkar’s report), 41.8% of the rural population is poor. While estimated BPL families in rural India is around 7 Crore, as per the revised estimates it is likely to be around 9-10 Crore families. NRLM proposes to cover all the poor and the poorest of the poor families (“NRLM target group”) based on a participatory poverty assessment which would further increase the number of families to be covered under the mission over a 15 year period.

are extremely vulnerable. Even the existing SHGs need further strengthening, their own federations need to be promoted and building on this foundation, livelihood collectives need to be promoted to overcome rural poverty in a sustainable manner. It was in this background that Government of India approved the restructuring of SGSY as the National Rural Livelihoods Mission (NRLM), agreed upon the framework for implementation of NRLM in December 2010 and launched the same on 3 June 2011, to be implemented in a mission mode across the country.

Overview of NRLM

NRLM's mandate is to reach out to these poor families, link them to livelihood opportunities and nurture them till they come out of poverty and enjoy a decent quality of life. Towards building, supporting and sustaining livelihoods of the poor, NRLM harnesses the innate capabilities of the poor, complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to deal with the rapidly changing external world. Being conscious of the livelihoods activities being varied, NRLM works on three pillars – enhancing and expanding existing livelihoods options of the poor; building skills for the job market outside; and nurturing self-employed and entrepreneurs (for micro-enterprises). This multiple livelihood promotion strategy has been adopted to ensure that the poorest are covered to the farthest extent.

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

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

perspective plans and annual action plans for poverty reduction. The overall plans would be within the allocation for the state based on inter-se poverty ratios. In due course of time, as the institutions of the poor emerge and mature, they would drive the agenda through bottom-up planning processes.

3.2 RECOMMENDATIONS

On 31 March 2011, the Planning Commission (to support the Steering Committee of the Planning Commission on Rural Livelihoods and Rural Governance) constituted a 23-member Working Group on NRLM as part of the 12th Plan preparation for the period 2012-17. The Working Group had wide-ranging consultations and discussions across the country with key stakeholders to formulate its feedback on the NRLM and to make recommendations, before finalizing its report and recommendations. Working Group is in sync with the broad and overall philosophy of NRLM. It notes that NRLM is demonstrating a big paradigm shift in the poverty reduction effort in the country. NRLM is trying to address the poverty in the rural India comprehensively in the coming 15-16 years. Towards this end, NRLM Framework for Implementation has delineated a clear and robust way forward. This includes universal social mobilization of poor women into strong generic IOPs and other collectives driven by the poor themselves and access to adequate capital/resources to fight, come out and stay out of poverty.

We now discuss these recommendations.

3.2.1 Social Inclusion, Mobilization and Institutions

A) TARGETING

Working Group strongly feels that the whole focus of the NRLM needs to be on inclusion of all poor, especially vulnerable and most disadvantaged. Therefore, Working Group strongly advocates that NRLM has its own Target Households (NRLM Target Group – NTG), with clear focus first on the poorest of the poor and the most vulnerable and marginalised communities. This addresses the exclusion issues vis-à-vis BPL. NTG should include:

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

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

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

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

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

- Working Group urges NRLM to ensure that State Perspective Plans list all the vulnerable communities with suitable customised strategies (with modified processes, norms and provisions) to mobilise and work with, for each community. Working Group insists on a 'Social Inclusion Plan' as part of State Perspective and Implementation Plan (SIPs) to address the vulnerable communities.
- Working Group advocates participatory vulnerability assessment and ranking so that the poorest and the most vulnerable could be targeted first.
- Further, the state must develop sub-plans for the Poorest and Most Vulnerable, on an annual basis, by aggregating their household plans and integrating them into neighbourhood and village level plans. These plans should include water, food, nutrition and health security, amongst other things, for these families.

B) GENDER

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

C) INSTITUTIONS OF THE POOR

- Working Group endorses the philosophy of NRLM towards reducing poverty that poor need generic institutions of the poor (women SHGs and SHG Federations) that meet their universal multiple needs (savings, credit, water, food and nutrition security, vulnerability reduction, insurance, solidarity, local collective action, accessing rights and entitlements etc.) and specific livelihoods and social collectives around specific needs at a cluster level or beyond. The poor need knowledge, skills and financial inputs so that they fight their poverty through their institutions.
- The Working Group recommends universal mobilization of all the women in NTG into generic institutions of the poor (SHGs and their federations at various levels) first, followed by livelihoods and social collectives.
- Generic Institutions take up early thematic collective action around one or more of the value-chain gaps and opportunities. As these efforts succeed, the generic institutions mother/facilitate collectives around that collective action to expand to work on all the value-chain gaps and opportunities.
- Working Group feels that there is a need to make available a more correct legal frame (that meets complete needs of typical SHGs and SHG Federations) for SHG Federations in many states.

D) EXISTING INSTITUTIONS

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

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

F) INSTITUTIONAL CAPACITY BUILDING

- Institutional Capacity Building would ensure that the SHGs and their federations, and other forms of institutions of the poor would be able to become self-managed and self-reliant. Working Group underscores the importance of building the capacities of the community organizations, their leaders, staff, volunteers etc., and the support structures, with vulnerability and livelihoods orientation and field immersion to appreciate the best practices and failures.
- NRLM should be supporting the staff of the community organizations till they achieve modicum of financial self-sufficiency.
- Working Group endorses that the social capital (IOPs and community human resources) created through the NRLM processes is crucial for scaling up and sustaining NRLM. Importantly Working Group advocates the community to community learning method in NRLM which ensures a peer learning process and enables a much faster scale up.
- Sensitizing and orienting all other stakeholders, including Panchayati Raj Institutions, to be inclusive of the needs of the poor and to have a pro-poor perspective is a must.
- Working Group underlines providing soft skills and livelihoods skills to improve their existing and new livelihoods to members, apart from knowledge, skills and tools for managing institutions and participating in institutions; financial management (including savings and lending) skills; basic market skills; innovation and experimentation skills and sustainable production and NRLM skills.

3.2.2 Financial Inclusion

A) SEED CAPITAL AND FUNDS WITH IOPs

- Working Group is against subsidies or grants to individuals except in exceptional cases. Even these exceptional grants should flow through the Village level SHG Federations or Village Organizations. Further, Working Group would like the entire seed capital to stay with the second/third tier federations so that institutional architecture of the poor as a whole remains robust. However, Working Group seeks to have Vulnerability Reduction Fund (VRF) up to 50% of the seed capital provided for

addressing the needs of the vulnerable and the vulnerabilities of the poor that include food and health security.

- Thus, Working Group favors ‘institutional subsidy’ in the form of “seed capital” to facilitate institutions of the poor in servicing the poor sustainably and reduce/manage the portfolio at risk. Further, the release of the fund, directly into the bank account of the institution, should be linked to performance and achievement of milestones/triggers.
- Working Group recommends delinking District Rural Development Agencies (DRDA) from seed capital administration. DRDA can instead concentrate on improving the quality of the IOPs/groups, training and capacity building etc. The entire fund management can be outsourced, may be to an independent fund manager/bank/technical institution. The entire database of the IOPs and the transactions with them can be on the ICT-based/web-based architecture, accessible to all stakeholders.
- Working Group is keen that VRF release is contingent upon the community coming forward with their contributions in cash/kind and savings specifically linked to some aspect of the vulnerability like health savings, food security savings, emergency fund or even risks.
- Also, a substantial Livelihoods Support Fund (renaming the Infrastructure and Marketing Fund to include support for the entire gamut of activities, including acquiring individual resources and working capital), not less than Seed Capital, would be available to support/ supplement the funds for viable business plans of the IOPs.

B) SHG CREDIT

- Working Group appreciates that NRLM has to engage with Banks to fulfil the huge need of credit for poverty alleviation. The tentative estimate of the credit need is Rs. 1 lakh per household in 5-6 loan cycles. At the same time, there is an urgent need to focus on financial literacy under NRLM. The women need to be trained on the “significance of savings” and on “responsible borrowing”. Without any such training and counselling, with women and their households would to be falling into a debt trap as many of the commercially-oriented MFIs are targeting SHG women as easy target for multiple loans at high rates of interest.
- Working Group encourages providing additional human resource as Bank Mitra in IOPs (SHG Federations) to facilitate SHG-Bank credit linkage. Working Group

suggests to NRLM to proactively seek the use of latest ICT technology in disbursement of credit.

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

- **ADFC would be a dedicated mechanism/entity that addresses the two major concerns of the banks in lending to the poor [risks associated with lending to the poor; and low profitability of small loans but in large physical numbers]. It would catalyze the supply side (financial services to poor women particularly through their IOPs) in the form of product innovations, technology led channel innovations, and alternate business solutions (including risk sharing arrangements). Its efforts would bridge the huge gap between a bank branch and its poor clients. It would have strategic collaboration with partner financial institutions to leverage their current financial, technical and infrastructure strengths for meeting the goals of financial inclusion.**

- Interest subvention should be on par with and like the agricultural/farm credit. Lending to institutions of the poor is priority lending and it should be at 7% (currently) and 3% prompt repayment bonus should be available as it is available to the farmers. This incentive (interest subvention) should be provided to the institution and not to the individual.

C) MEMBER SAVINGS

- Working Group, in addition to bank linkages and community-owned financial institutions, NBFCs and Banks at various levels, urges NRLM to stress savings of the members. There is a need to develop and offer more savings products available to members from IOPs. Working Group sees savings as an important element in the sustainability of the institutions as savings of members will enhance their stake which improves their ownership of the institutions resulting in the institutions of the poor become self-reliant and sustainable.
- For women to trust their own institutions and use them for accessing a variety of financial services, a strong system of self-regulation is needed. A self-regulatory

system would ensure annual audit and rating of SHGs and SHG Federations, annual planning, regular elections and effective internal controls. Governance, management and control must remain in the hands of the members. Self-regulation system can promote autonomy of the institutions of the poor and reduce their dependence on the promoters.

D) MORE FINANCIAL PRODUCTS

- SHGs and federations need to constantly engage in developing more appropriate savings, credit, insurance and other financial products to the members and SHGs. Only then can multiple needs of the members be met.
- Under the guidance of RBI and NABARD, many more innovative loan products are needed for institutions of the poor to meet their needs. A combination of term loan and cash credit facility could be made available to SHGs. To effectively meet the livelihood needs of the households, innovative loans and savings products are to be developed by the Banking system.

E) RISK MANAGEMENT

- At the block level and beyond, there is a need to develop collective risk management mechanisms and mutuals directly or through appropriate insurance agencies for meeting life, accident, health, cattle, asset, crop, enterprise and livelihoods risk needs.
- Further, Vulnerability Reduction Fund at the village level could meet the emergencies. A livelihoods risk fund in the SHG Federation could be built with member contributions matched by NRLM.

3.2.3 *Livelihoods*

- Working Group appreciated the broad contours of work in livelihoods – vulnerability reduction, expenditure reduction, enhancing existing livelihoods and diversifying into new livelihoods, skills for jobs and self-employment and micro-enterprises.
- Working Group acknowledges that livelihoods planning is a continuous and iterative process and has to match the pace of the community. To aid this, Working Group insists that NRLM should initiate early and work on livelihoods mapping - area specific livelihood mapping of Resources, Skills, markets, technologies, enterprises etc., - gap analysis, and identifying existing and potential livelihoods. Further, value-chain analyses and subsector studies in a variety of local contexts need to be carried out very early in the area. These participatory assessments, carried out together with IOPs, throw up Gaps and Opportunities that need to be tapped/addressed through collectivization and/or products and service-based enterprises at various levels.

- These institutions then can evolve their viable business plans around the value-chain(s) of the sub-sector or activity and seek support under the **‘Livelihoods Support Fund’**.
- However, Working Group feels that livelihoods strategies are still in the formative stage. The challenges to the Livelihoods of the Poor are varied and are subject to market dynamics and climate changes. We do not have blue prints to roll-out. There are gaps that could be plugged and there are opportunities that could be tapped. The portfolios of livelihoods need to be climate change resilient, at least to some degree. The market linkages need to be established at the local level, with other poor and in the distant markets. The dependence on non-renewable energies has to come down and shift to renewable energies need to be accelerated. The science and technology is improving productivity and offering new opportunities. ICT technology is giving new livelihoods opportunities for many. Yet, we are not sure how to take it forward. We are not sure which models would work. We are not sure which institutional architecture meets takes us forward.
- This calls for a lot of experimentation, trials, and pilots on some scale across various dimensions in various local contexts with care. Therefore, Working Group seeks augmentation of Innovation Fund to Rs.10,000 Crore, over 10 years, for attempting innovations in a variety of dimensions including developing value-chains for myriad small livelihoods, products and services for the poor, public-community-private partnerships, social enterprises, special purpose vehicles so on and so forth. Further, thematic/sectoral/issue-based/area-specific allocations within the innovation fund ensure that all the ‘items’ across the spectrum that require attention are catered to.
- Working Group notes that the livelihoods for the three layers of the poor (less poor, middle poor and poorest/vulnerable poor) are not identical. Further, Livelihoods are context specific (such as sector, area, social, caste, ethnic, gender, occupation etc.). In order to target them correctly, there is a need to map their livelihoods, vulnerabilities and social reality. Then the strategies to counter these vulnerabilities need to be evolved.
- Working Group also seeks NRLM to invest in value-chains for larger/distant markets that take a decade or two to consolidate (as in Milk across the country) right away. This investment has to be climate change resilient and builds on the natural competitive advantage of the locale, region and the country. Green livelihoods need to be integrated into this. Of course, these have to build on local resources significantly and have to be feasible, viable and sustainable lasting a while. At the same time, they should not threaten the water, food and social security of the people. They should

offer maximum proportion of consumer rupee in the hands of the producers and end service providers. Thus, Working Group is seeking holistic livelihoods approach. Working Group underscores the need for efforts in convergence directly by the IOPs at various levels, as much as possible.

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

A) MAHILA KISAN SASAKTHIKRAN PARIYOJANA (MKSP) AND OTHER MAHILA SASAKTHIKARAN PARIYOJANAS

- Working Group endorses that rationale of MKSP in quickly generating large-scale proofs of value-chain based livelihoods interventions that worked in agriculture and allied projects across the country. MKSP would also produce multiple tested solutions, materials, manuals, costing, processes that can be taken across the entire country based on the local need early so that the states can scale-up.
- MKSP is an integral part of NRLM and is envisaged to be assimilated within the NRLM core strategy over a period of time.
- It needs to be appreciated that under MKSP the targeted women 'farmers' would include every poor woman dependent for their livelihoods on agriculture and allied activities, livestock rearing, fisheries, non-timber forest produce (NTFP) collectors and labour engaged in these activities.
- MKSP would recognize the costs involved in taking up such challenging activities and would consider increasing the administrative cost of MKSP to a minimum of 10% of the total project cost. Besides, for IAP district areas where cost of attracting good manpower and the cost of transport and other logistics may be much higher than normal areas, an additional 4% administrative cost may be considered for the projects. Even the timelines may be set differently for implementing programs in IAP districts that may take more time for social mobilization and developing value chains.
- Working Group advocates mapping and assessment of various interventions across the country (government and non-government interventions) on some scale quickly. Whichever intervention that is successfully piloted and scalable/replicable can be

funded through the special window of Mahila Kisan Sasakthikaran Pariyojana (MKSP - agriculture, livestock, dairy, fisheries, Non-timber forest produce etc.) that service at least 20-30 thousand households; and other similar livelihoods verticals (Mahila Sasakthikaran Pariyojanas – MSPs) in non-farm products including khadi, handlooms and handicrafts and services in geographic clusters that service at least 5-10 thousand households.

- Further, similar verticals of MSPs in social domain (health, education, etc.) need to be introduced.
- Given the nature of livelihoods projects, the tenure may be 3-5 years with outlay up to Rs.20 Crore per project. These interventions are taken up across the country and the locations of the interventions should be treated as intensive areas/blocks. The interventions should integrate building up and mobilization of the poor into generic institutions simultaneously.
- Therefore, MKSP itself and other MSP verticals may have to continue for 5-6 years before fully mainstreamed into SPIP processes. In view of the increased scope and range, a budget of Rs.300 Crore per year for MKSP and Rs.200 Crore per year for other MSP verticals is proposed.
- Working Group also seeks NRLM to invest in value-chains for larger/distant markets that take a decade or two to consolidate (as in Milk across the country) right away.
- Working Group recognizes the need to invest in developing the competence of community, project staff and other stakeholders to take up livelihoods promotion in a structured manner. In this context, Working Group finds the need for mapping of relevant and credible livelihoods organizations in the country at the earliest, through an independent empanelling mechanism(s). Further, developing the spear head teams with vertical specialists in every district/state charged with responsibility to build producers organizations, based on the strategy worked out in consultation with multiple stakeholders, is critical.

B) LAND-RELATED

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

protection and enjoying the usufruct rights.

C) EMPLOYMENT CONTINUUM : PLACEMENT AND SKILLS

- Skills for Jobs sub-component includes mapping of the demand for jobs, counselling youth (identifying, assessing their aspirations and existing skill set and reality, and matching), skill development/training, placement and post-placement support. Training covers sector specific skills and 'soft' skills. This intervention provides rural poor youth to have better skills, higher wages, better terms of employment, and a sensitive support network.
- Working Group advocates special fund/outlay for Skills for Jobs from the generic NRLM work. However, it finds the target of 2.5 Crore Jobs for 10 years [1.0 Crore youth in 12th plan and 1.5 Crore in 13th plan, with an estimated budget of Rs.15000 per youth] ambitious but must be pursued. It endorses these scaling up plans, seeing a need for placing large numbers of unemployed youth and emerging widespread employment opportunities at the entry level in high growth sectors like textiles, construction, hospitality, retail, security, automobile, health, services etc.
- Working Group recommends that the states should take most of the funds under this component, leaving a modest 10-15% with Centre for multi-state and special projects/missions (Jammu and Kashmir, Integrated Action Plan Districts, Minority Concentrated Districts and North-east) eventually, over the coming five years.
- It is envisaged that Project Implementing Agencies (Training Institutions) set up their training centers at Block level. These training centers would also function as Block Resource Centers to support youth. These Agencies coordinate with IOPs in sourcing and recruiting youth.
- Further, as IOPs mature, they themselves would become Project Implementing Agencies, run the Block Resource Centres, train the youth in their own/hired training centres and place them.
- Working Group sees a potential in partnering with various Industry Associations to know their need for skilled youth on the whole and ensure their involvement in counselling, training, apprenticeship and placement, apart from cost sharing.
- Working Group, in this context, underlines the need to map the skills required in rural, semi-urban and urban areas and provide the skills to the youth and other members of the households so that they can 'sell' their skills and get jobs, become service providers and/or self-employed.
- In order to ensure 'end-to-end job solutions' to youth, the Support Services, in addition to training, skill development and apprenticeship and bio-metric MIS, need

to be put in place. These include - facilitation centres for counselling, mentoring, placement and post placement guidance including placement opportunities, accommodation, boarding etc., finishing schools to provide soft skills and personality development, alumni networks etc., in states/districts.

D) SELF-EMPLOYMENT AND MICROENTERPRISES

- Working Group observes that as on date, NRLM is pursuing four streams (successful and proven) to place 90 lakh youth in self-employment/microenterprises over two Plans (30 lakh in 12th Plan and 60 lakh in 13th Plan) through RSETIs and Micro-entrepreneurs at the village level.
 - Micro-entrepreneurs through RUDSETI trained entrepreneurs as a pilot [15 lakh]
 - Rural Self Employment Training Institutes (RSETIs) as the mainstream of establishing microenterprises [15 lakh]
 - Adopting the Microenterprise Consultant (MEC) model of Kudumbashree on scale [50 lakh]
 - Working with other training partners, including CBOs, CSOs etc.[10 lakh]

These models envisage transforming unemployed youth into confident self-employed entrepreneurs through a short duration experiential learning program followed by systematic long duration hand holding support/apprenticeship.

- Working Group advises NRLM to interweave the role of CBOs in the whole process from selection of the trainer-entrepreneurs, potential entrepreneurs, monitoring the training and apprenticeship, supporting the entrepreneurs in enterprise development, enterprise maintenance support/guidance etc., to ensure sustainability.
- Working Group reminds NRLM that enterprise development is a long-winding process and cannot be circumscribed by unit costs and limits. There is a need to plan for several doses over a period of time and the same trainer or training institute may not be able to offer all the doses.

F) PARTNERSHIPS IN LIVELIHOODS

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

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

3.2.4 Convergence and Partnerships

Working Group underlines NRLM’s thinking on Convergence and Partnerships - effectiveness of various programs can be vastly enhanced with linkages between the IOPs, PRIs and the respective ministries. These partnerships would enable them to develop different models for service delivery and allow the poor to access the services better. NRLM/SRLMs would work on developing these partnerships and build synergies. The guiding principles for convergence include: strengths of existing partners are leveraged; existing social and human capital is not lost; NRLM non-negotiable principles are not compromised; and duplication of effort is avoided. The SRLM would partner with appropriate government organizations and entrust implementation responsibilities to them.

A) PRIs AND IOPs

- Working Group believes that bringing about an organic linkage between PRIs and IOPs is both a constitutional obligation and a practical necessity. It is mutually beneficial for the organizations of the poor and the PRIs to work together with mutual respect – with PRIs treating the organizations of the poor as autonomous entities, having legitimacy of their own and giving them voice and space in local level development and the organizations of the poor treating PRIs as Local Governments. Therefore, Working Group suggests that NRLM must find ways to work with PRIs (traditional institutions where PRIs are absent) and Gram Sabha.
- Working Group insists that the states should develop their own operational guidelines that include partnership with PRIs very clearly. It is necessary for all States to work

out a phased program (with milestones and timelines) of bringing about positive synergetic working relationship between PRIs and the IOPs, participatory planning for poverty reduction and delivering on the plans.

- These linkages/synergies can be achieved only with massive sensitization and significant capacity building efforts for PRIs to enable them to work in partnership with IOPs and for IOPs to realize the need to work in close co-ordination with PRIs.
- Working Group recommends IOPs must present their plans consolidating household livelihood plans of the members in Gram Sabha. By the same token, they should present their annual accounts and activities in Gram Sabha and subject them to social audit.

B) PARTNERSHIPS WITH CSOs

- NRLM is conscious of the ambitious task before it, and endeavors to work with, involve and partner with various stakeholders. These stakeholders would share learning, expertise, costs and resources, and take up implementation and sensitive support roles and tasks at various levels, run pilots, showcase models, train and build capacities, be resource groups and centers, provide linkages, generate, manage and disseminate knowledge, advocacy, etc. Working Group endorses NRLM's intent to work and partner with NGOs, IOPs and other CSOs for a variety of purposes.
- Importantly, NGOs, IOPs and other CSOs should be field implementation partners in at least 10% of the Blocks in each state. The partnerships may be in a minimum of 50% Districts. At least 20% Blocks in each district selected may be partnered with NGOs/CSOs/CBOs. This is apart from short-term thematic and ad hoc services from them as resource organizations/service providers/training organizations. There are also possibilities of partnerships, without any financial implications.
- However, all the partners would be selected through a third party empanelling procedure as outlined in the framework of partnerships with CSOs. These partnerships are for building on the existing work of the NGOs on one hand and for the needy/difficult areas (blocks) on the other. Final selection is subject to the satisfactory block plans and presentations before a selection panel.
- NRLM Mission Management Unit (NMMU) should seek the services of a national empanelling agency to create a pool of empanelling agencies that can support State Governments. The State Governments can be advised to use any agency from this pool for selecting the NGOs for field implementation.

- NMMU should take responsibility for selecting multi-state NGOs & Resource NGOs. Then, the partnerships would be through tripartite agreements (SRLM, NRLM & NGO).
- Working Group also underlines the CSOs being in the various coordination and review committees at district, state and national levels. Further, Working Group envisages Joint Policy Advocacy and learning forums/platforms for continuous dialogue with NGOs and other CSOs to improve NRLM implementation.
- Working Group realizes the importance of convergence and partnerships in NRLM, and advocates for having an exclusive professional Partnership Management Cell within NMMU, with immediate effect. In addition, National Special Purpose Vehicle(s) to support and manage NGO/CSO Partnerships for field implementation and resource blocks should be explored and finalized soon. Working Group notes that retaining NGO/CSO partnership is more difficult (compared to getting the NGO/CSO on board) and requires special sensitive attention.

3.2.5 Support Structures

- Working Group appreciates NRLM setting up dedicated sensitive support units at the National, State, district and sub-district levels, to catalyze social mobilization, build institutions, capacities and skills, facilitate financial inclusion and access to financial services, support livelihoods and build convergence and partnerships with various programs and stakeholders.
- Given the gigantic task and the NRLM philosophy of dedicated sensitive support, Working Group is convinced that NRLM requires an exclusive full-time fixed and long tenure Mission Director for NRLM without any other Secretariat (Ministry) responsibilities. Working Group would also like the Sensitive Support Structures to be adequately staffed with professionally competent and dedicated human resources who go through rigorous induction, training, and immersion into mission, values and ethos of working with poor, their institutions and livelihoods.
- In fact, given the need for sensitive and dedicated support, even at the National level, Working Group is convinced that NRLM should be an independent, autonomous, adequately staffed, professionally managed and empowered agency.
- Working Group would like to reiterate that SRLMs should be similarly independent agencies at the state level with full-time fixed and long-tenure CEOs. The staff in support structures should be on fixed term contracts, even if they are deputed Government Officers.

- NRLM should have Gender policy in staffing in the NRLM Support Structures at various levels across the country and in institutions supported. Further a gender strategy for program design of how to incorporate gender while working with communities should also be formulated.
- Working Group would like NRLM to take the convergence at various levels for poverty reduction forward by encouraging IOPs to prepare comprehensive poverty reduction sub-plans and aggregated/consolidated at district level. A special professional team, specifically supported by NRLM, at the district level should be mandated to do this.
- Working Group also recommends NRLM to organize national and regional consultations to enable the identification and scaling up of specific, high-impact interventions within NRLM which have brought a significant improvement to the lives of the poor. An Annual Round Table over 3-4 days with senior staff in NRLM and SRLMs and the Civil Society Organizations and other senior practitioners outside would be useful.
- Working Group realizes that there is a need for building common platforms for livelihoods practitioners across the country, for sharing and learning. A national institute (gurukul) of livelihoods and development could be established for livelihoods learning, managing a national livelihoods resource centre, livelihoods e-portal and livelihoods multi-media centre [including TV channel(s)].
- Working Group finds the Mission Support costs (referred as administrative costs) provided to SRLMs and Project Implementation Agencies inadequate and recommends them to be raised to 10% (of the total outlay that includes Central Share and State share) in Category A [Building Strong IOPs]. Further, Working Group recognizes that Support Costs would be higher in terms of percentage of the total costs during the initial years and would gradually taper down. Therefore, Working Group insists that the provision of Mission Support cost should be allocated as a percentage of the total outlay for the entire perspective plan period rather than year-by-year.
- Also, Working Group is keen to link the outcomes/milestones of the perspective plan, to be detailed in the state perspective plans, with the costs and releases. Even their support/administrative costs have to be linked to the milestones.
- Since SPIP has distinct SC sub-plan (SCSP), Tribal sub-plan (TSP) and sub-plan for vulnerable communities, covering all aspects of SCSP and TSP components of NRLM, there should also be sub-plan-wise monitoring and review.

- Working Group endorses similarly NRLM at Central level retaining 10% of the Central Outlay [of Category A] of the perspective plan period, and applying these funds for providing incentives to better performing states, providing support weak states, apart from meeting the administrative costs including technical support, thematic assistance, ICT, panel studies and other monitoring and learning systems/activities/processes and capacity building. These funds would also be used to support resource blocks, special thematic projects directly administered from the Centre etc. Some funds would be available as discretionary funds at the Central level.
- Significant representation of the Civil Society in the NRLM coordination committees and task groups at the district, state and central level is critical. Also, bankers should be included in the District level Advisory Body. Further, different Task groups should be formed with the participation of CSOs and Academic institutions engaged in development work/education/Research/for documenting the existing experiences, knowledge dissemination and ensure right targeting.
- Working Group feels that NRLM Support Structures and Implementing Agencies should be accountable to IOPs. All the transactions of NRLM at every level should be for public scrutiny on internet. An 'NRLM ombudsman' may also be appointed.
- Government may consider establishing a National Rural (Oversight) Commission for convergence of all programs of Government of India for Aam Aadmi and Aam Aurat and bridge across the Ministries and Departments.

3.2.6 Phasing and Budgeting

- Working Group projects that NRLM reaches all - all districts in 5 years, all blocks in 8 years and all NTH households in 12 years. The tenure of NRLM itself cannot be less than 15 years.

Phasing

	2012-13	2013-14	2014-15	2015-16	2016-17	Total 12 th Plan	Total 13 th Plan	Total 14 th Plan	Grand Total
Districts	150		150		300	600			600
Cumulative Districts	150	150	300	300	600	600	600	600	600
Intensive Blocks	600		1,500		2,100	4,200	1,800		6000
Cumulative Intensive Blocks	600	600	2,100	2,100	4,200	4,200	6,000	6,000	6000
Non-intensive Blocks	5,400	5,400	3,900	3,900	1,800				
Households in Lakh	45	23	60	75	128	330	570		900

	2012-13	2013-14	2014-15	2015-16	2016-17	Total 12 th Plan	Total 13 th Plan	Total 14 th Plan	Grand Total
Cumulative Households in lakh	45	68	128	203	330	330	900		900
SHGs in '000s	360	180	480	600	1,020	2,640	4,560		7,200
Cumulative SHGs in '000s	360	540	1,020	1,620	2,640	2,640	7,200		7,200
Youth for Skills for Jobs in Lakh	5	10	25	30	30	100	150		250
Cumulative Jobs in lakh	5	15	40	70	100	100	250	250	250
Self-employed in lakh	2	4	6	8	10	30	60		90
Cumulative Self-employed in lakh	2	6	12	20	30	30	90	90	90

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

Budget – Rs. Crore

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

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

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

- A summary of the budget for the entire NRLM effort over 15 years is about Rs.175000 Crore - Rs. 52,722 Crore during the 12th Plan, Rs. 104,295 Crore during 13th Plan and Rs. 17,896 Crore during 14th Plan; i.e. a total of Rs.174,912 Crore. Broad budget allocation is -
 - A - Generic (IOPs): Rs.116000 Crore;
 - A1 - MKSP: Rs.1500 Crore; A2 - Other MSPs: Rs.1000 Crore;
 - B - Skills: Rs.37500 Crore;
 - C - Self-employment/enterprises: Rs.9000 Crore; and
 - D - Innovations: Rs.10000 Crore.
- Working Group reiterates that the provision for administrative costs for the generic category A is very less and recommends 10% of Category A (including A1 and A2) as provision for administrative costs as in watershed management, IRDP etc. However, administrative costs are pegged at 5% for category B, C and D. Across the categories, 1.5% can be considered as overall support and monitoring costs at the central level. 10% of the Central Outlay of Category A including 1.5% administrative costs are retained at the Central level for support activities at the National level.

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

NRLM Framework	Working Group Recommendations
BPL Vulnerable Communities	NRLM Target Households List expanded; Special Strategies for Vulnerable required
Pre-existing SHGs; Mapping	Pre-existing Institutions of the Poor; Mapping
Revolving Fund/Capital Subsidy	Seed Capital
Vulnerability Reduction Fund	Vulnerability Reduction Fund up to 50% at village level
Infrastructure and marketing Fund	Livelihoods Support Fund – support to IOPs against business plans
Administrative cost in tune of 5% of the total outlay	Administrative cost in tune of 10% of the outlay of Category A
Financial Inclusion: Institutions will be working with banks	Institutions will be working with banks and community owned financial institutions
Interest subvention (up to 7%)	Interest subvention – on par with farm credit
Partnerships with NGOs, CSOs	Partnerships: Mapping, Framework for NGOs; at least 10% Blocks through NGO partnerships
Skills for Jobs (15% of central outlay)	Skills for Jobs: Separate allocation -Rs.15,000/person
Self-employment (limited to establishing 600 RSETIs)	Self-employment: Separate allocation - Rs.10,000/person, in addition to RSETIs (1500)
Innovation Fund (5% of central outlay)	Increased funds for innovations: Rs.10000 Crore
Working with banks	Working with banks, plus community-owned banks/NBFCs/Banks at various levels
10% (central outlay) Centrally administered funds – discretionary	10% (Category A), 1.5% (Category B, C and D) – Centrally administered funds: Discretionary funds to incentivize states and needy states; Resource Blocks
MKSP – a budget provision in 2011-12	MKSP (Rs.300 Crore/year) and other verticals (Rs.200 Crore/year) for five years
Ceilings for IB, CB etc.	Ceilings for IB, CB remain as they are; Total outlay average – Rs.12,000 per HH (Cat A) or Rs.18 Crore per Block over 7-9 years including administration and other centrally administered funds under Category A

3.3 EXPECTED OUTCOMES OF NRLM

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

- 80% NTG households mobilized into functional women SHGs
- Their cumulative savings and own funds exceed Rs.100,000 Crore.
- 1.5 Crore women in the leadership of IOPs
- More than a million professionals, ten million community professionals/resource persons, and a tenmillion staff working in the IOPs

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

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

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CHAPTER 4

PANCHAYATI RAJ AND RURAL GOVERNANCE

4.1 INTRODUCTION

The Approach Paper to the Twelfth Plan states that the need and demand for good governance has increased with the rapid expansion of the economy and the growing awareness and assertion of rights by an increasingly educated population. The dramatic rise in expenditure on programmes of social inclusion in the Eleventh Plan has been accompanied by growing complaints about implementation, as the schemes continue to be implemented in a ‘business as usual’ mode, so that benefits do not reach the people. Plans and schemes are developed along the jurisdictional lines of the Ministries and Departments, based on vertical management decision systems which make coordination difficult, while solutions in several fields require collaboration across sectors. The Approach Paper states that:

‘An important reason for the relative lack of success of many flagship programmes in India is that the local institutions that should run these programmes are not adequately empowered’
(Para 15.6)

The Approach Paper emphasizes that rural local governance is critical for rural transformation. Empowerment of Panchayats will lead to social justice and economic development, through the social and political empowerment of communities, including marginalized groups, accountability of local functionaries to elected representatives and greater control of village communities over natural resources. The advantages of making Panchayats central to planning and implementation in rural areas include:

- Panchayats can assess local needs and priorities, and plan and allot funds accordingly, in contrast to Centrally Sponsored Schemes (CSSs) and Additional Central Assistance schemes (ACAs) planned and implemented in silos. This can lead to significant efficiency gains.
- Panchayats enable democratic oversight over government functionaries, which can counter bureaucratic insensitivity to people’s needs.
- People can participate in development programmes, which leads to need-based activity, local initiative and a greater role of marginalized groups.
- There is greater public scrutiny and visibility of all activities and management of funds at the Panchayat level, leading to increased accountability.

- Empowered Panchayats can make appropriate provisions for civic services including sanitation, drinking water, street lights etc., significantly improving the living conditions of ordinary people.

Panchayats are thus critical for improving governance, as well as the planning and implementation of CSSs and ACAs, highlighted as a priority area in the Approach Paper.

Since the 73rd Constitutional Amendment, a structure for democratic and participatory governance, with appropriate representation of hitherto marginalized groups, is in place. However, the Constitution leaves it to the discretion of the States to devolve funds, functions and functionaries (3Fs) to the Panchayats. States vary a great deal in the extent to which they have devolved powers to Panchayats and equipped them with manpower, building, infrastructure, training etc., to enable them to perform their functions. While States such as Kerala, Karnataka, Maharashtra and West Bengal have taken measures to devolve 3Fs and build capacities of Panchayats, the picture is not positive in most States. For example, in UP, there is one Panchayat secretary for 5 to 6 Gram Panchayats (GPs), and no accountant, so that GPs have very minimal capacity. Around 25% GPs across the country even lack buildings. As the GP is a critical institution for grassroots democracy, its lack of organizational capacity is a very serious lacuna in the whole governance structure and a major constraint in the implementation of CSSs and ACAs. In general, the States with the most acute problems of governance are characterized by the lack of a strong Panchayati Raj system.

Similarly, the Panchayat Extension to Scheduled Areas (PESA) Act 1996 lays a framework of self-governance and people's control over resources through the Gram Sabhas in Schedule V areas. Yet, the implementation of PESA has not been satisfactory, partly because of the lack of interest shown by States in amending State laws in compliance with PESA and also because adequate efforts have not been made to strengthen Gram Sabhas.

Government Programmes During 11th Five Year Plan

The main schemes of the Ministry of Panchayati Raj (MoPR) in the Eleventh Plan are

- **Backward Regions Grant Fund (BRGF)** which aimed to bridge critical infrastructure and other gaps in 250 backward districts through decentralized planning and through building capacities of Panchayats. The premise of BRGF is that the development of deprived regions can come about only through the active participation of people in planning and implementation through Panchayats. BRGF has two components: (i) a Development Grant in an untied form for bridging critical infrastructure and (ii) a Capacity Building component for

training and other activities.

- **Rashtriya Gram Swaraj Yojna (RGSY)** for assisting non-BRGF districts in building the capacities of Panchayat representatives and functionaries.
- Very small schemes for enabling Panchayats, i.e. building capacities and providing incentives for devolution and performance are as follows:
 - Panchayat Empowerment and Accountability Scheme (PEAIS) to incentivize States to devolve funds, functions and functionaries (3Fs) to Panchayats and for Panchayats to perform well.
 - e-Panchayats to create needed IT infrastructure and appropriate software
 - Panchayat Mahila Evam Yuva Shakti Abhiyan to build capacities of women and youth Panchayat leaders
 - Rural Business Hubs (RBH) to promote rural projects for livelihoods generation
 - Media and Publicity
 - Action Research
 - Management, UN projects etc.

Schemes of the 11th Plan have provided considerable impetus to the Panchayats. Through BRGF, District Planning Committees (DPCs) were established and annual plans were prepared in a participatory manner by the 250 BRGF districts. BRGF funds were used to create assets and undertake activities as per local needs. The scale of training of Panchayat representatives increased systematically through the plan period. The number of Panchayat representatives and functionaries trained under BRGF and RGSY was as follows:

Panchayat representatives and functionaries trained

Year	BRGF		RGSY		Other Schemes		
	PRs	Functionaries	PRs	Functionaries	PRs	Functionaries	
2007-08	328435	25076	106378	27480	428164	275570	1191103
2008-09	288149	56393	423874	67127	312992	375524	1524059
2009-10	46390	119455	29435	50666	34898	203977	148135

	7		9		7		1
2010 - 11	905129	93472	987880	87662	103994	261159	2439296
2011-12*	68291	19202	60682	14207	6396	30267	199045

*Upto 31/08/2011

In 2010-11, 66% Panchayat representatives and functionaries were trained in BRGF, RGSY and other CSSs. Between 2006-07 and 2010-11, 4002 Panchayat Ghars and 304 Block Resource Centres have been sanctioned under RGSY.

Under e-PRI, 12 Common Core Applications, covering a range of functions such as planning, budgeting monitoring, accounting, and citizen-centric services are being developed. PRIASOFT (accounting software), Plan Plus (planning software) and National Panchayat Portal have already been rolled out. Detailed project reports have been prepared to roll out all the 12 applications. Under PEAIS, States have been ranked on a Devolution Index (DI) every year, and the best performing States incentivized, which has helped focus attention of States on the issues of devolution. Since 2011-12, a system to incentivize Panchayats has been put in place, based on clear indicators and the process of ranking. This is expected to motivate Panchayat representatives, put in place a system of supervision, and feed into the capacity building process. Numerous media related activities including radio and television programmes, have been undertaken to generate awareness about Panchayati Raj.

In spite of the meager outlays, the 11th Plan schemes have introduced new ideas and processes in the Panchayati Raj system.

Limitations of 11th Plan Schemes

Many core aspects of Panchayati Raj remained unaddressed during the Eleventh Plan period, because of which, the impact of schemes has been inadequate. The main limitations are as follows:

- (i) Shortage of Manpower and Infrastructure: A severe shortage of manpower and infrastructure, especially in GPs, which lack even core staff, buildings, computer services etc. is the most basic constraint in their effectiveness. While GPs are expected to plan, collect taxes, implement and supervise programmes, they lack even the most basic administrative and technical capacity.

- (ii) Reluctance of States and Central Ministries to Devolve: In spite of continuous advocacy by MoPR, States as well as Central Ministries have been reluctant to devolve 3Fs and provide an adequate role to Panchayats.
- (iii) Lack of Institutional Infrastructure for Training: Though there are an estimated 28 lakh Panchayat representatives (including many from marginalized groups, and many who work in a public institution for the first time when they get elected to Panchayats) and 10 lakh Panchayat functionaries, the institutional structure to support the capacity building exercise needed is grossly inadequate or non-existent. There is no institute at the national level which can provide technical and intellectual support to the Centre and the States and generate knowledge about the emerging issues. At the State level, State Institutes of Rural Development (SIRDs) cater mainly to training for rural development. Panchayati Raj related capacity building is their secondary task. In fact, given the huge number of Panchayat representatives training has to be carried out at the district and block levels, as there are around 4,500 Panchayat representatives in a district on an average. Yet there is no institutional structure at the district and sub-district level.
- (iv) Identification of Backward Areas in BRGF: In BRGF, the district is the unit for identifying backward areas. However, there are often wide variations within districts in terms of various indices of backwardness, and it cannot be ensured that within the district, the most backward areas get the grant.
- (v) BRGF and other Area Development Programmes: While BRGF outlays translate into small amounts (around 2-5 lakh per Panchayat) at the Panchayat level, there is a high degree of overlap between the District Component of BRGF and other area programmes such as Integrated Action Plan (IAP), Bundelkhand Package, KBK and Bihar packages, geographically as well as in terms of activities. The main difference between BRGF and other area programmes is that while in the former, Panchayats are entrusted with planning and implementation, the latter are planned and managed by the bureaucracy.
- (vi) Capacity of Gram Sabha in PESA Areas: Though PESA envisages Gram Sabhas as key units of governance in PESA areas, Gram Sabhas are not adequately empowered to play this role.
- (vii) State Election Commission: After the 73rd Amendment, elections to the Panchayats have been held regularly through the SECs. But the general lack of requisite manpower and infrastructure with SECs constrains their ability to ensure free and fair elections.
- (viii) Panchayati Raj Departments: The Panchayati Raj Departments themselves have not been restructured to support a vibrant structure of Panchayats. They have few experts

and are tied up with basic housekeeping activities such as disbursement of salaries, maintenance of service books etc.

- (ix) Inadequate and Stagnant Outlays: The only significant funding available to MoPR has been under BRGF. Outlays under schemes for enablement of Panchayats, i.e. capacity building, incentivization, e Panchayat etc. has been so minimal as to have a very small impact.
- (x) RBH: The RBH scheme has not been successful as promotion of business hubs is not an activity that Panchayats are capable of undertaking successfully with their present capacities.

4.2 APPROACH IN THE 12TH PLAN

Given the significance of Panchayats and Gram Sabhas for improving rural governance and implementing PESA, strengthening them is a key national concern. Consequently, in the 12th Plan, the main thrust of MoPR will be on strengthening Panchayats i.e., improving their administrative and technical capacities, promoting democratic and participative decision making and putting in place accountability process of social audit etc. through an umbrella scheme, the **Rajeev Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA)**. It is proposed that during the 12th Plan, six existing schemes of MoPR be rationalized through (a) segregation of the Development Grant component of BRGF and (b) merger of RGSY, e-Panchayat, PEAIS, PMEYSA and Capacity Building component of BRGF into one scheme (while RBH will be dropped), which will also have some additional features, i.e. RGPSA. This rationalization will result in the following two schemes:

- **RGPSA**: For strengthening the Panchayats as effective and accountable units of governments in all districts of the country.
- **BRGF**: For providing adequate Development Grant for Panchayats in blocks identified as backward as per their own context specific plans.

Of the six schemes involved in this proposal, BRGF is an ACA, PMEYSA and PEAIS are Central Sector Schemes and RGSY, e-Panchayat and RBH are CSSs. As per the present proposal, BRGF will be an ACA to the State Plan while RGPSA would be a CSS. Media, and Action Research will be merged into one Central Sector Scheme, while Establishment and International Cooperation will continue as small Central Sector Schemes. While MoPR will restructure and rationalize its schemes during the 12th Plan as stated above, approval of RGPSA and revised BRGF may take time, and till all approvals are obtained, the existing schemes of MoPR are proposed to be continued.

4.2.1 RGPSA

A) GOAL

RGPSA will strengthen the Panchayati Raj system across the country and address the critical deficiencies that constrain the functioning of Panchayats. The goals of RGPSA are to:

- Enhance the capacities and effectiveness of Panchayats and the Gram Sabhas;
- Enable democratic decision-making and accountability in Panchayats;
- Strengthen the institutional structure for knowledge creation and capacity building of Panchayats
- Promote devolution of powers and responsibilities to Panchayats as per the spirit of the Constitution
- Specially strengthen Gram Sabhas in Schedule V areas to discharge their responsibilities as envisaged in PESA.

B) MODALITY

As the status of Panchayats varies across States, States need to undertake different activities to strengthen Panchayati Raj in their context. For example, in UP a major concern would be staffing at the GP level. However, West Bengal already has substantial staff at GP level and Karnataka has recently strengthened its GPs by appointing Panchayat Development Officers. The focus in these States may be on the creation of good quality training infrastructure, improving Panchayat processes of planning, accounting etc. RGPSA will allow a range of activities to be undertaken by States as per State needs, so that each State can bring about needed changes to strengthen their Panchayati Raj system.

RGPSA will encourage collaboration with existing resource institutions and NGOs. Existing best practices in personnel identification and development, capacity building, accountability processes such as social audit etc. will be adopted. For this, States as well as MoPR will build networks with resource institutions and NGOs. MoPR will play a supportive role to the States by locating expert institutions and taking their assistance in training State personnel, developing processes and training modules, promoting research and enabling cross-State learning.

RGPSA will be 100% centrally funded, as the investment it envisages is for long term institutional development to address the governance deficit, which States have so far been unwilling to address. To access funds, States will prepare perspective and annual plans for strengthening Panchayats, which will include the progress to be made on agreed conditions as well as activities to be undertaken within the scheme guidelines. For each State, an agreement will be reached between MoPR and the State about the measures to be taken by the State to strengthen Panchayati Raj over the plan period. MoPR will also prepare a plan for the activities it will undertake to support the States. State and MoPR plans will be approved by an

empowered committee at the Central level.

C) ACTIVITIES

Activities that can be included in State and National plans under RGPSA are as follows:

- Support to Panchayats
 - *Manpower:* Core staff at the GP level will be provided. It is envisaged that broadly, in a GP with a population of 5000 or more, the minimum necessary staff includes a Panchayat Development Officer (PDO), Accountant-cum-Data Entry Operator and Office Assistant, while a Technical Officer is needed for a cluster of GPs. While this will be the guiding principle, the actual staff structure may vary across States, depending on the size of the GP.
 - *Infrastructure:* Funds will be accessed from MGNREGS and other programmes for GP buildings, but if funds are not available, new GP buildings and repair of existing buildings will be funded.
 - *E- enablement:* Implementation of 12 core common software applications and over 20 State specific applications will be facilitated through computing infrastructure and professional manpower.
 - *Panchayat Processes:* Funds will be provided for Panchayat processes such as preparing plans, Gram/Ward/Mahila Sabha meetings, federations of elected representatives, maintenance of accounts, Nayaya Panchayat processes where these exist to Panchayats that do not have an adequate tax base to fund such activities.
 - *Strengthening of Gram Sabhas in PESA Areas:* Funds will be provided for strengthening Gram Sabhas in PESA areas including Gram Sabha mobilisers at GP level, PESA/Gram Sabha facilitator at block and district level, orientation programmes for Gram Sabhas and handholding support by NGOs.
- Capacity Building and Strengthening Institutional Structure
 - *Training:* Capacity building of Panchayat representatives and functionaries, including training, e learning, exposure visits to well functioning Panchayats etc. will be funded.
 - *Institutional Structure:* Capacity building will be undertaken in collaboration with existing NGOs and resource institutions, but a basic institutional structure to lead and manage this exercise will also be developed. State Panchayats Resource Centres (SPRCs) will be established in SIRDs to focus exclusively on Panchayati Raj and PESA. SPRCs will develop training curricula, train resource persons, prepare training materials, action research etc. Extension Training Institutes (ETIs) will be strengthened and District

Panchayat Resource Centres (DPRCs) will be established at the district level to provide continuous training and hand-holding support. As establishment of DPRCs in all districts will take time, in the 12th Plan, at least one DPRC will be set up for every three districts. A suitable institutional mechanism at the national level will be created for overall academic and technical support including capacity building of SPRCs and DPRCs.

- *Performance Assessment and Incentivization of Panchayats and Gram Sabhas:* During the 11th Plan, MoPR has developed a system for assessing Panchayat performance and ranking States along a Devolution Index and linked these with small incentives. These will be continued. While best performing Panchayats and Gram Sabhas will be given incentives, the DI study will be used to assess State performance and linked to allocation of funds.
- *Innovation:* Funds will be provided for innovative activities, such as developing processes of planning, strengthening of the Gram Sabhas, capacity building etc. to government and non government agencies.
- *IEC:* IEC activities such as television programmes, short films, newsletter etc. to raise awareness and information about Panchayats will be funded.
- *Strengthening State Election Commissions:* The SECs will be provided financial assistance depending on the needs of each SEC, as per their proposal. These proposals may include strengthening of infrastructure, purchase of EVMs, process development etc.

- Programme Management:

To assist MoPR and States to plan and implement RGPSA, Programme Management Units will be established at the National, State and District level.

4.2.2 BRGF

While BRGF provides a good model for participatory planning and implementation through Panchayats, the programme is proposed to be made more effective through several measures as follows:

- The annual outlay for BRGF has stagnated at around Rs. 5,000 crore per annum over the 11th Plan. This translates into a meagre allocation of Rs. 2 to 4 lakh per GP, which has reduced the effectiveness of BRGF in mitigating backwardness and attracting other programmes to converge on the BRGF platform. The grant to Panchayats needs to be at least doubled for the programme to be effective. It may be noted that the Inter Ministerial Task Group set-up by the Planning Commission had recommended

(January, 2005) an allocation of at least Rs. 6,000 crores for 2005-06 to be up-scaled to Rs. 8,000 crores per year as the programme picked up for the initially identified 170 backward districts, which have since become 250 along with high inflation. The doubling of the grant is therefore, fully justified.

- The lack of adequate empowerment of Panchayats and Gram Sabhas in BRGF areas is a constraint in its effectiveness, and the programme is therefore proposed to be repositioned to ensure the empowerment of Panchayats. The increase in the BRGF grant is proposed to be used as an incentive to ensure the empowerment of Panchayats by providing bigger grants only when States fulfill certain conditions for strengthening Panchayats including:
 - Amendment of laws and rules as per PESA in Schedule V districts and capacity building of Gram Sabhas
 - Substantial progress in capacity building of Panchayats in terms of manpower, infrastructure and capacity building.
 - Clear activity mapping and issue of orders for activities to be transferred to Panchayats in at least core areas including sanitation, education, health, drinking water and women and child development on the principle of subsidiarity.
 - Substantial control over functionaries in these areas.
 - Devolution of funds for the above activities.
 - Strengthening of planning process, and District Planning Committee (DPC) and issue of guidelines regarding planning and people's participation.
- In order to ensure that funds flow to the most backward areas, the block will be the basic unit for identifying backwardness. This would imply that while some blocks in the existing BRGF districts would be out of the purview of the programme, backward blocks from other districts would be added. The number of blocks in the purview of the programme will remain roughly the same.
- A transparent formula for allocation of funds to Panchayats and Urban Local Bodies (ULBs) will be formulated by States.
- BRGF guidelines will be amended suitably to remove any impractical processes, while retaining the basic principles for accountability to the Gram Sabha and decentralized planning.

It is proposed that the basic allocation, which is at present Rs. 10 crores per district, may be

enhanced to Rs. 20 crores per district or, as the block is to be the unit, Rs. 20 lakh per block, with an additional allocation of Rs. 10 crores per district/ Rs. 10 lakh per block for PESA and Extremist Affected Districts and Rs. 20 crores per district/ Rs. 20 lakh per block for Most Extremist Affected Districts. The basal allocation in this case would be Rs. 6200 crores. This would leave approximately Rs. 3800 crores over the basal allocation available for allocation to the districts/ blocks on the basis of population, area and degree of backwardness.

In addition, allocation for district programmes for other area development programmes i.e. BADP, HADP, IAP, Bundelkhand Package and the Planning Commission component of BRGF can be added to the grant.

4.2.3 CENTRAL SECTOR SCHEMES

The following small Central Sector Schemes are proposed to be continued in the 12th Plan as these provide for essential activities of MoPR:

- Action Research, Resources Support and Media: The existing schemes of Action Research and Media will be merged into one scheme to: (a) provide an analytical policy framework and impact evaluation through research, (b) promote devolution and empowerment through print, electronic media etc. and (c) provide academic and other resource support to States, through an appropriate institutional mechanism, on policies and processes related to Panchayati Raj.
- Establishment and Management: This scheme for funding the basic administrative expenses of MoPR will be continued.
- International Cooperation: The previous 'Externally Aided Projects' Scheme will continue as International Cooperation to enable international technical cooperation.

Total Fund Requirement in the Twelfth Plan

The total fund requirement for the Ministry will be as follows:

Outlays for the 12th Plan (Rs. In crore)

Scheme	2012-13	2013-14	2014-15	2015-16	2016-17	Total
(A)ACA						
1. BRGF ¹	5,000	8,000	10,000	11,000	11,000	45,000
(B) CSS						
2. RGPSA ²						
a. Manpower	2.00	750.00	5016.00	5016.00	5016.00	15800.00
b. Infrastructure	47.00	110.00	125.00	425.00	529.00	1236.00
c. e-enablement	55.00	100.00	580.00	909.00	1049.00	2693.00

Scheme	2012-13	2013-14	2014-15	2015-16	2016-17	Total
d. Support to Panchayat processes	2.00	500.00	1250.00	1550.00	1600.00	4902.00
e. Strengthening Gram Sabha (PESA)	2.00	100.00	168.98	168.98	168.98	608.94
f. Training of ER & PF	310.00	700.00	740.00	740.00	740.00	3230.00
g. Institutional Structure	2.00	90.00	264.00	264.00	264.00	884.00
h. Incentivization	50.00	70.00	300.00	300.00	300.00	1020.00
i. Support to innovation	2.00	10.00	11.00	12.00	12.00	47.00
j. Strengthening SECs	2.00	10.00	14.00	16.00	16.00	58.00
k. IEC	2.00	10.00	15.00	15.00	15.00	57.00
l. Programme Management	10.00	200.00	507.00	527.00	535.00	1779.00
Total (B)	486.00	2650.00	8990.98	9942.98	10244.98	32314.94
(C) CS						
3. Action Research and Media						
a. Action Research	4	4	4	4	4	20
b. Media	25	25	25	25	25	125
a. Resource support to States	10	10	10	10	10	50
4. Establishment	20	22	24	26	28	120
5. International Cooperation	5	10	10	15	15	55
Total (C)	64	71	73	80	82	370
Total D(B+C)	550.00	2721.00	9063.98	10022.98	10326.98	32684.94
Grand Total(A+D)	5500.00	10721.00	19063.98	21022.98	21326.98	77684.94

Panchayat and CSSs

The present practice of CSSs being planned and implemented in silos needs to be replaced with context specific plans that integrate sectoral initiatives for development, poverty alleviation and solutions to existing problems. As Panchayat capacities are systematically strengthened during the 12th Plan period, Central Ministries will be encouraged by MoPR to rely on them increasingly and give them a greater role in CSSs. In fact, during the 12th Plan, each Central Ministry may build in training components for Panchayat representatives, in their sector, and assign greater responsibilities to Panchayats. This will make planning in CSSs more context specific and as per the will of the people and implementation will improve with increasing accountability to the people. Each CSS/ACA may develop a 'Management

Devolution Index' (MDI) to measure the extent to which Panchayats have been involved in planning and management of the scheme and allot 10% funds as per the MDI.

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CHAPTER 5

AREA PROGRAMMES

5.1 INTRODUCTION

An important objective of the Five Year Plans has been to address the problem of regional imbalances. The main instruments have been the formula for distribution of Central Assistance to the States, Special Area Programmes and various Centrally Sponsored Schemes for poverty alleviation.

During the Tenth Plan, the GoI introduced the **Rashtriya Sam Vikas Yojana (RSVY)** in 2003-04 for reducing imbalances and speed up development. The RSVY had three components, namely, (i) Special Plan for Bihar, (ii) Special Plan for the undivided Kalahandi – Bolangir – Koraput (KBK) districts of Orissa and (iii) the Backward Districts Initiative covering 147 districts. This programme was replaced by the Backward Regions Grant Fund (BRGF), initiated in 2006-07. The BRGF continued the Special Plans for Bihar and the undivided KBK districts, but enlarged the Districts Component to cover 250 districts. In 2010-11, a new component was added, namely, the Integrated Action Plan for 60 Selected Tribal and Backward Districts.

Overview of Key Area Development Programmes of the Union Government

The Union Government has taken up interventions in the form of the following special area development programmes :

1. The Backward Regions Grant Fund (BRGF)
 - The District Component
 - The Special Plan for Bihar
 - Special Plan for the KBK districts of Orissa
 - The Integrated Action Plan for Selected Tribal and Backward Districts
 - The Special Package for Bundelkhand region

2. The Hill Areas Development Programme/Western Ghats Development Programme (HADP/WGDP)
3. The Border Areas Development Programme (BADP)

5.1.1 BACKWARD REGIONS GRANT FUND (BRGF)

The Backward Regions Grant Fund, launched in late-2006 aimed at catalyzing development in backward areas by converging, through supplementary infrastructure and capacity building, the substantial existing development inflows into these districts as part of a well-conceived, participatory district plan. The scheme inherited 3 components; a district component, which was a successor to the Rashtriya Sam Vikas Yojana (RSVY), the Special Plans for Bihar (Rs.1000 crore per annum) and the KBK Districts of Orissa (Rs. 130 crore per annum).

A) THE DISTRICT COMPONENT OF THE BRGF :

- The BRGF District Component provides financial resources to bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows, to strengthen Panchayat and Municipality level governance with more appropriate capacity building, to facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs, provide professional support to local bodies for planning, implementation and monitoring their plans and improve the performance and delivery of functions assigned to Panchayats.
- **Funding Pattern:** The BRGF consists of two funding windows, a Capability Building Fund of Rs. 250 crore per annum calculated at Rs. 1 crore per District and a substantially untied grant for the balance amount of the annual allocation, distributed among the identified districts in accordance with a formula comprising of a minimum of Rs. 10 crore per annum per district and 50 percent weightage given to area and population each for determining the balance allocation.
- **Implementation methodology:** Participative plans are to be prepared by each local government, taking into account all local development inflows. Untied BRGF funds can be used for gap filling as identified by the community. Such integrated local government plans are to be consolidated into district plans by the DPCs. There are no specific physical targets for gap filling, which might vary between local governments. Physical outcomes vary accordingly, and are to be measured against approved plans. The Financial Performance is as follows:

Table 1

Financial Year	Allocation (Rs. Cr.)		Expenditure Achievement		
	BE	RE	Rs. Cr.	Percentage of BE	Percentage of RE

2007-2008	4670.00	3600.00	3600.00	77.09	100.00
2008-2009	4670.00	3890.00	3889.75	83.29	99.99
2009-2010	4670.00	3670.00	3669.97	78.59	100.00
2010-2011	5050.00	5050.00	5050.00	100.00	100.00

B) SPECIAL PLAN FOR BIHAR:

- The Special Plan aims to improve power supply, road connectivity, irrigation, forestry and watershed development.
- Rs. 1000 crore per annum for the Tenth and Eleventh Plan periods was enhanced to Rs. 2000 crore for 2010-11 and Rs. 1468 crore for 2011-12. The Planning Commission is administering the Special Plan and funds are being released on a 100% grant basis.
- The total cost of all the projects under the Special Plan is Rs. 8753.01 crore. Most projects are being implemented through Central agencies. Only Rs. 1285.65 crore was released up to 2005-06. From 2006-07, the annual allocation of Rs.1000 crore was regularly released and during 2010-11, the entire Rs.2000 crore was released.

C) SPECIAL PLAN FOR KBK DISTRICTS OF ORISSA

- **Backwardness of the KBK region :** The backwardness of the region is rooted in its history. Recurrent droughts and floods have adversely affected lives of the people and their economies in these districts. Hostile agro-climatic conditions, poor connectivity and infrastructure and physical isolation characterize this region and have resulted in subsistence livelihoods and very adverse human development indicators in this tribal dominated area. (Details in Table 2)

Table 2

45.6% literacy rate against 63.3% state average (2001)
1.93% female tribal literacy in undivided Koraput district (1991).
High incidence of malaria; region accounts for about half of the total malarial deaths in Orissa.
87.1% population below poverty line (analysis of the 55 th round of NSS data -1999-2000).

- **Efforts made for development of the KBK Districts:** A seven year Action Plan was launched in 1995-96. In 1998-99 a Revised Long Term Action Plan (RLTAP) was put in place for a period of nine years. This RLTAP was a sum total of the allocations made by various Central Ministries for CSSs and ACAs allocated by the Planning Commission. This ACA was released as 70% loan and 30% grant. From 1998 to 2001-02, Rs. 243.95 crore was released.
- **Allocation for the Special Plan under the RSVY during the Tenth Five Year Plan :** On

the advice of the Planning Commission, the State Government started preparing the Special Plan for the KBK districts from 2002-03. Rs. 200 crore was allocated for the 2002-03. Special Plan was enhanced to Rs. 250 crore after approval in 2003-04. Thus, an allocation of Rs. 250 crore was made for the Special Plan during the Tenth Five Year Plan period, from 2003-04 to 2006-07, under the RSVY on 100% grant basis.

- **Allocation for the Special Plan under the BRGF during the Eleventh five Year Plan period :** The District Component of the BRGF covers 19 districts of Orissa, which include the eight KBK districts. The allocation of Rs. 250 crore for the KBK districts is protected during the Eleventh Five Year Plan period. Accordingly, an annual allocation of Rs. 120 crore is being made under the Districts Component of the BRGF for the eight KBK districts and the remaining allocation of Rs. 130 crore is being made through the Special Plan for the KBK districts from 2007-08. Allocation, releases and expenditure under the Special Plan from 2002-03 to 2010-11 is in Table 3.

Table 3

(Rs. In crore)

Year	ACA/SCA allocated	ACA/SCA released	Expenditure Reported*	Percentage of utilization
2002-03	200.00	200.00	131.99	66.00
2003-04	250.00	250.00	318.54	127.41
2004-05	250.00	250.00	279.11	111.64
2005-06	250.00	250.00	245.59	98.24
2006-07	250.00	250.00	258.32	103.33
2007-08	130.00	130.00	134.47	103.44
2008-09	130.00	130.00	147.76	113.66
2009-10	130.00	130.00	132.47	101.90
2010-11	130.00	130.00	134.51	103.47
Total	1720.00	1720.00	1782.76	103.65

* Includes unspent balance of previous years

D) INTEGRATED ACTION PLAN (IAP) FOR 60 SELECTED TRIBAL AND BACKWARD DISTRICTS

- An Integrated Action Plan (IAP) for 60 Tribal and Backward Districts in 9 States was approved by the Government on 25.11.2010 with a block grant of Rs. 25 crore and Rs. 30 crore per district for 2010-11 and 2011-12 respectively.
- **Institutional mechanism for implementation of the IAP:** IAP funds are placed with a Committee, which has wide expenditure flexibility, headed by the District Collector and consisting of the Superintendent of Police of the District and the District Forest Officer, The State Governments and the District Collectors/ District Magistrates are to consult the

local MP on the schemes to be taken up under IAP. The District-level Committee has to draw up a Plan consisting of proposals for public infrastructure and services. The Development Commissioner/equivalent officer in charge of development in the State is responsible for scrutiny of expenditure and monitoring of the IAP. The Progress of implementation is in Table 4.

Table 4:

Fund releases	
Date of release	Amount
First release (8.12.2010).	Rs. 25 crore per district (Rs. 1500 crore total)
Second release (12-5-2011)	Rs. 10 crore per district (Rs. 600 crore)
Third release (to 34 districts)	Rs. 10 crore per district (Rs. 340 crore)
Total releases	Rs. 35 crore each to 26 districts and Rs. 45 crore each to 34 districts (Rs. 2440 crore)
Expenditure details (http://pcserver.nic.in/iapmis)	
Cumulative expenditure (26-9-2011)	Rs. 1156.49 crore
Details of works taken up	

E) SPECIAL PACKAGE FOR IMPLEMENTING DROUGHT MITIGATION STRATEGIES IN BUNDELKHAND REGION

- In November 2009, the Union Government approved a special package for implementing drought mitigation strategies in the Bundelkhand region comprising of 7 districts of UP and 6 districts of MP at a cost of Rs.7266 crore (Rs.3506 crores for UP and Rs.3760 crores for MP), to be implemented over 3 years starting 2009-10. Rs. 3650 cr (Rs. 1696 crore for UP and Rs.1954 crore for MP) are additional allocations through an ACA (including Rs.100 crore each for UP and MP to provide drinking water in the region, approved on 19-5-2011). The balance funds are met by converging resources from the central sector and CSSs. The responsibility for implementation of projects is with the State Governments. The details of releases are given in Table 5.

Table 5

ACA for Uttar Pradesh	Rs. 1696 crore
Funds released to UP (till 31.07.2011)	Rs. 860.97 crore (50.77%)
Expenditure in UP (till 30-6-2011)	Rs. 214.21 crore (24.9%)
ACA for Madhya Pradesh	Rs. 1954 crore
Funds released to MP (till 31.07.2011)	1060.46 crore (53.78%)
Expenditure in MP (till 30-6-2011)	Rs. 416.60 crore (39.40 %)

- **Monitoring modalities:** Implementation is monitored by the Planning Commission and National Rainfed Area Authority (NRAA). An Advisory Committee under the Chairmanship of the Deputy Chairman, Planning Commission with all Members of the Lok Sabha from Bundelkhand as its Members reviews the progress of the implementation of the projects.

5.1.2 HILL AREAS DEVELOPMENT PROGRAMME/WESTERN GHATS DEVELOPMENT PROGRAMME (HADP/WGDP)

- The HADP/WGDP, in operation since the Fifth Five Year Plan in identified hill areas, (which now includes two hill districts of Assam-North Cachar and Karbi Anglong, the major part of Darjeeling district of West Bengal and the Nilgiris district of Tamil Nadu) aims to ensure ecologically sustainable socio-economic development. The main objectives are eco-preservation and eco-restoration with a focus on sustainable use of bio-diversity and the needs and aspirations of local communities particularly their participation in conservation of bio-diversity and sustainable livelihoods.
- Out of the total SCA outlay under the programme, 90% is a grant and the remaining 10% is State Share. These funds are allocated to hill areas under HADP and blocks/talukas under the WGDP. Funds are apportioned between the HADP and WGDP on a 60:40 ratio. Under HADP, funds are distributed to States implementing the programme on the basis of equal weightage to area and population. Under the WGDP, the weightage for allocation is 75% to area and 25% to population. The 1981 Census is taken as the baseline for calculation.
- The HADP supplements the efforts of State Governments, which are permitted to utilize up to a maximum of 15% of HADP allocation, for maintenance of assets created in the past under the Programme. The details of the allocation under HADP/WGDP are in Table 6.

Table 6 :Allocation under HADP/WGDP during Eleventh Plan Period (2007-12)

(Rs.Crore)

S.No	Name of State	2007-08	2008-09	2009-10	2010-11	2011-12
A.	HADP States					
1.	Assam	82.67	99.92	99.92	99.92	109.84
2.	Tamil Nadu (Nilgiris)	35.50	42.93	42.93	42.93	47.19
3.	West Bengal	31.83	38.48	38.48	38.48	42.30
	Total A (HADP)	150.00	181.33	181.33	181.33	199.33
B.	WGDP States					
1.	Goa	5.00	6.04	6.04	6.04	6.64
2.	Maharashtra	32.71	39.56	39.56	39.56	43.69
3.	Karnataka	24.18	29.24	29.24	29.24	32.30
4.	Kerala	20.57	24.88	24.88	24.88	27.49
5.	Tamil Nadu	17.04	20.61	20.61	20.61	22.77

	Sub-Total I	99.50	120.33	120.33	120.33	132.89
II.	Western Ghats	0.50	0.50	0.50	0.50	0.00
	Sectt./Studies/Trg.					
	Total B (WGDP)	100.00	120.83	120.83	120.83	132.89
	Grand Total (A+B) (HADP+WGDP)	250.00	302.16	302.16	302.16	332.22

- Western Ghats Development Programme (WGDP) :Increasing population on land and vegetation in the Western Ghats have put severe pressure on the fragile eco-system of these areas. The programme emphasizes environment protection and sustainable economic development.
- The WGDP was launched in 1974-75 to cover contiguous Talukas/blocks along the Ghats that have at least 20% of their area above an elevation of 600 meters above MSL. Currently, the programme is being implemented in 175 talukas in 5 states. As with the HADP, State Governments can utilize up to 15% of WGDP for maintenance of assets created in the past under the Programme.

5.1.3 BORDER AREA DEVELOPMENT PROGRAMME (BADP)

- This 100% Centrally Funded Programme was initiated in the border areas of the western region during the seventh five year plan period for ensuring balanced development through development of infrastructure and promotion of sense of security among the border population. The programme now covers 358 border blocks of 94 border districts of 17 States located along the international land border. Rs.635 crore was earmarked in 2008-09 & 2009-10 each and Rs. 691 crore in 2010-11. The outlay has been enhanced to Rs.900 crore for 2011-12.
- The BADP has created confidence amongst the people and helped Security forces to function smoothly and peacefully. The weaknesses reported are that the level of assistance is supplemental and that funds are utilized for small schemes and programmes. The allocations are too small to address the livelihood and other socio-economic issues and do not receive the focused attention of implementing agencies.
- The revised guidelines enable the involvement of local governments, communities, NGOs and Self Help Groups that are receiving foreign aid assistance, for executing schemes. Projects not exceeding Rs. 5 lakh are to be implemented through Local governments alone. State Governments are encouraged to involve the community in sharing of 10% to 15% of the cost of social infrastructure. Security related works can also be taken up under BADP up to 10% of the total allocation in a particular year.

5.2 RECOMMENDATIONS ON TACKLING REGIONAL DISPARITIES IN THE TWELFTH PLAN

General overarching approach: The persistence of backwardness cannot be solved with generous infusions of funds alone. Overcoming persistent under-development depends on robust governance institutional structures in these areas, which are typically lacking in these regions.

- Need for wholehearted and sincere implementation of Constitution mandated democratic decentralization:
 - The role of local governments in ensuring efficient and accountable delivery of basic services is well understood. Participative planning, as a strategy to energise local governments, has been repeatedly endorsed by the Planning Commission. Activity Mapping to bring about functional clarity, ensuring that each local government has a clearly defined budget envelope and that they are provided with, or given the flexibility to hire their own staff, have been enunciated repeatedly in key strategy documents, including the Eleventh Plan document. However, implementation of these intentions has been tardy, giving rise to the feeling that all these are stated only for effect, but not with any clear intention to implement them.
 - There is ambivalence about the desire to strengthen local governments. While there has been some forward movement in participative grassroots level planning through the centrality of Panchayats and Municipalities, with the Backward Regions Grant Fund emerging as a catalyst in the process, there has been little or no convergence at all, in ensuring that all CSSs implemented at the grassroots also adopt the local government-centred district planning methodology. In contrast, almost all Flagship schemes prescribe their own silo-like planning system. Most are run through District and sub-district level parallel committees such as the DRDA headed by the Administration, with little formal accountability to the local people through their local governments. When such is the disparate design of local level implementation, the effectiveness of programmes becomes critically dependent upon one or two messiahs within the administration, such as the District Collector, the CEO of the District Panchayat or the Project Officer of the DRDA. Planning Commission needs to take the lead in ensuring a coherent and coordinated pro-decentralisation approach by the GOI, or else the problem of persistent backwardness will remain.
- Need for effective Implementation of the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA) : A major governance deficit, is the poor implementation of PESA. Most States have not framed rules for implementation of

PESA. There are gaps in the compliance of subject laws with PESA.

There can be no further excuse for delays. The Act is a Central Act and no effort ought to be spared to ensure its full implementation in letter and spirit. We endorse the recommendations of the Working Group on strengthening Panchayats, in this regard.

- Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006: While implementation of the Forest Rights Act has commenced, and a large number of claims including those relating to primitive tribes settled and land distributed, further work needs to be done for supporting allottees to develop their newly assigned land. First, they will need to be given full land rights documents and such lands will need to be mutated in their names. The percentage of rejection of claims in some of the districts is very high. The conversion of forest villages to revenue village also needs to be monitored. The number of community titles given is also relatively small.
- Standards of Administration: Most reports regarding chronic backwardness point to the low standards of administration in these areas. Due to the remoteness of and lack of facilities in these areas there have been a large number of vacancies. A system of incentives and relaxations in administrative rules that may be needed to fill the vacancies are proposed. These include:
 - Permit contractual appointment of technical staff at the ground level.
 - Improve financial and other incentives for Government staff posted to these districts.
 - Filling vacancies at lower levels, including in the Forest, Police, and other line Departments as also in Para Military Forces by recruiting local youth.

5.2.1 RECOMMENDATIONS ON SPECIFIC AREA DEVELOPMENT PROGRAMMES

A) BRGF-DISTRICT COMPONENT

Overall, the assessment of the programme would show that the planning and implementation capacities at the panchayat level have been enhanced. BRGF has drawn attention to the constitutionally mandated planning process, ensured that DPCs have been constituted and kick started the discipline of local participative planning, by making available untied funds at the local government levels.

BRGF should continue with an appropriately enhanced allocation (about Rs. 10,000 crore per annum). To ensure smooth fund flow, BRGF funds can be “virtually” captured in the State Consolidated Fund while actual money transfer could be through a “just in time” system directed to the local government concerned. Regarding inter-se distribution of funds within a district, the States should develop the index of backwardness as required by the BRGF guidelines. The DPCs must consolidate the district plans and not just BRGF Plans. Ministries must align their scheme implementation modalities with the participative planning methodology suggested by the Planning Commission. Regarding the issue of spatial unit for the programme, blocks may be identified for more focused attention through a transparent formula using a robust data base and criteria which are acceptable to the States. Alternately, pending the availability of reliable data from the 2011 Census, the current practice of district level identification may continue and the 250 districts identified should be covered until new data is available. However, districts which have been bifurcated after 2001 may be considered a separate district for the purpose of allocation of funds under BRGF. BRGF may continue only as a development grant and the capacity building component may be built up as a separate CSS for all districts.

B) SPECIAL PLAN FOR BIHAR

Most projects are still incomplete and would require funding in the Twelfth Plan period. As the projects cannot be left unfinished, the Special plan would have to be continued for at least another 2-3 years as per the inputs received from the State Government.

C) SPECIAL PLAN FOR THE KBK DISTRICTS OF ORISSA

Inter-habitation and inter-village connectivity in the region is still poor. Public infrastructure such as schools, Anganwadi centres and health institutions are still not available in sufficient numbers. The implementation of national flagship schemes such as Pradhan Mantri Gram Sadak Yojana (PMGSY) has not yet been able to close the gap, because of the scattered habitations in the region; Human development gaps still exist. While there has been improvement in human development indicators, they are still far below the desirable levels. For instance, literacy is still below the state average of 73.4% (male literacy -82.4% and female literacy – 64.3%). Female tribal literacy rates are much lower than the state averages. Though poverty came down to 62.5% in 2004-05, that still is a high and perturbing level of incidence; Flow of Development Funds has not yet closed the gap of insufficient funding in the past: Though the flow of public investments has considerably improved in recent times, the region was grossly neglected in the past and did not receive any appreciable flow of development funds.

Thus, there are still several gaps which cannot be effectively filled under them. The momentum generated cannot be consolidated and sustained unless efforts continue for a longer period. Higher focused interventions are needed to address acute persistent, regional, social and gender disparities.

There is, therefore, a strong case for extension of the Special Plan for the KBK region for at least ten more years beyond 2011-12 with increased Special Central Assistance.

D) INTEGRATED ACTION PLAN

The IAP represents a paradox, as far as the implementation design is concerned. On the one hand, the Planning Commission has been espousing the cause of decentralized planning at the level of each Panchayat, and yet it puts in place exactly the opposite approach. The system of programmatic selection is decided by a Three Member Committee of officials is totally against the letter and spirit of the 73rd & 74th Amendments and considerably dilutes the stand of the Planning Commission in favour of decentralized participative planning. Moreover, it is odd that the direct monitoring system through regular video conferences is an exclusive conversation between officers; local elected representatives, such as the District Panchayat President and the DPC Chairperson are ignored. If the same care and attention were lavished upon the elected representatives of local governments in the area, not only would the results be equally impressive, but there would be a sense of ownership over development, which will be in the long term interest of such regions, which have been alienated from development over time. The implementation mechanism under the scheme should not in any way differ from that prescribed by the Planning Commission in its own Decentralised Planning Guidelines. Continuance of the current mechanism of the three member committee, acting in isolation of the district planning process is a travesty of the constitutional system. Any quick wins in this regard, however impressive in the short term, will have no ownership locally and will not sustain.

E) HILLS AREA DEVELOPMENT PROGRAMME/ WESTERN GHATS DEVELOPMENT PROGRAMME:

The Western Ghats Development Programme covers 175 talukas in five States while the Hill Areas Programme covers only four districts, namely, the major part of Darjeeling district, Karbi Anglong and North Cachar districts of Assam and Nilgiris district of Tamil Nadu. The two hill districts of Assam are covered by the Sixth Schedule and are particularly backward and affected by militant activities. Darjeeling district is compared with Sikkim which is a Special Category State and hence receives a much higher per capita assistance. The problem with Darjeeling also lies in the fact that most of the district is plantation area. The other

problem is severe shortage of space and water. Another problem is the lack of elected village level bodies in both hill districts of Assam and the fact that gram panchayat elections have not been held in Darjeeling. A time-line needs to be set and may be one of the conditions for release of funds after 2 years of the commencement of the Twelfth Plan.

There has also been a demand from the Department of North Eastern Region to transfer HADP in Assam to it. It may not be appropriate to divide a programme by region and operate it from different departments. On the other hand, good district planning involving the people would definitely prevent duplication. Further, more attention needs to be paid to transparency in the spending of funds which should be placed on the website and also through boards wherever schemes are taken up. Monitoring and evaluation are other weak areas which need to be strengthened.

Currently, HADP areas are allocated 60% and the WGDP 40%, although HADP areas account for only 4.48% of the population and 11.33% of the area of designated hill areas/talukas. A rationalization of funding is required so that the WGDP can be allocated a larger share of the resources. However, doing so, without increasing the overall allocation under the programme will have no effect. We therefore suggest that the allocation for the programme during the Twelfth Plan is increased to least Rs. 500 to Rs. 600 crore per year to ensure that the present level of funding to HADP districts is maintained. The ratio of allocation may be changed to 60% to WGDP areas and 40% to HADP areas subject to maintaining the present level of funding for each State covered under HADP.

At present, the main emphasis has been on watershed development with small gap filling infrastructure. The SCA may be used to a larger extent for livelihood schemes which preserve and increase productivity without disturbing the environment.

F) BORDER AREA DEVELOPMENT

Border areas should have a high standard of living so that they serve as a demographic buffer. Infrastructure should not only cater to the current needs of these areas but also include scope for further expansion. Based on the instructions of Planning Commission on formulation of district plans, participatory plans for border villages and blocks should be prepared. These village/block level plans should be part of the comprehensive district plan. The preparation of plans should be preceded by base line surveys in all villages in the border blocks to assess gaps in physical and social infrastructure. The district plans would help ensure convergence/dovetailing of Centrally Sponsored Schemes with BADP. It is also important

that the States ensure earmarking of due share of resources from Centrally Sponsored and State Plan Schemes to the Border Areas.

The current level of funding for BADP is inadequate even at the level of Rs. 900 crore in the current year. It may be raised to Rs. 1200 to Rs. 1500 crore per annum with the progressive increase annually through the Twelfth Plan period.

5.2.2 CONCLUDING SUGGESTIONS

- **More funds, consistent implementation and planning approach needed**

As each of these programmes fulfills critical gaps, it may be appropriate to continue these programmes with more funds during the Twelfth Plan period. As each backward region in the country has its own problems and needs its own sets of solutions, their untied nature should continue. The implementation and planning mechanism locally takes into account the centrality of local governments as envisaged in the constitution. Quick-fix solutions, such as the three member committee approach adopted in the IAP, should be eschewed, as they constitute a setback to the process of local government strengthening.

- **Better databases, benchmark surveys, monitoring and evaluation:**

There is a need for good baseline data and measurement of change accurately over time. Such data is not only for evaluation at higher levels, but also to create a culture of transparency locally. Simple steps can be taken in this direction, such as maintenance of basic data till the panchayat/village level in all cases, display of boards at work sites and panchayat offices, online reporting and maintenance of asset registers with photographs and GPS coordinates. Concurrent third party monitoring should be introduced for each programme and periodic evaluations should be funded by the State Governments and Planning Commission. These evaluation studies should provide feed-back into mid-course corrections, if required.

- **Coverage of more areas:**

The approach of area development should be used sparingly. As far as possible, it is better to keep the number of fiscal transfers to a minimum, with greater flexibility in implementation. If funds need to be given to a particular area to meet a particular requirement, it is better to tweak the inter-se distribution formula, rather than create a special funding instrument for the purpose.

- **Alternate model and its problems**

An alternate strategy for development of backward areas could be to divide regions into three-four major types, namely, rainfed areas, Central Indian Tribal belt, and mountain/hill areas

and other backward areas and Area Development Programme funds can be reallocated (excluding BADP) based upon the following principles: i. All areas currently covered by the area programmes described above will continue to be covered. ii. No area would receive ACA less than what it is currently receiving and iii. Areas would be covered under one programme only to prevent duplication.

However, there are problems in implementation of this because the choice of the Administrative Ministry can create particular bias in institutional design for implementation, sacrificing a holistic integrated view. The required emphasis on participatory planning through the PRIs and the DPC may also not get due emphasis. Furthermore, BRGF, which is really about grounding a certain way of doing things in a decentralized manner has also taken some time to ground and it may not be appropriate to make drastic changes at this point of time as any new scheme may disrupt the tempo of development which has been created. Therefore, the group feels that the current system may continue till a smooth transition to a new architecture can be ensured.

- **Incentives for accelerated development:**

The last issue is whether generous directed funding to take care of area specific development does not create an incentive to continue being backward. This argument does not have any value where the hardship in the area arises from a geographical characteristic, such as prone-ness to disasters, or extreme or harsh terrain. However, there is a possibility that a dependency syndrome might creep in, when funding is continued indefinitely. In such cases, incentives for good performance, applied judiciously, might accelerate development. In the current programmes there is no element for incentivizing districts/regions/states which improve their development indicators. In the Eleventh Plan certain monitorable targets were fixed for factors such as infant mortality, fertility rate, malnutrition, dropout rate and literacy rate, etc. A small component in the form of an incentive scheme could be built into the BRGF for rewarding those districts which reach or make good progress in terms of these monitorable targets.

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CHAPTER 6

RURAL HOUSING-IAY

6.1 INTRODUCTION

The Planning Commission of India has constituted a ‘Working Group on Rural Housing’ to provide a perspective and approach to rural housing under the Twelfth Five Year Plan. The key recommendations of the Working Group have been derived from an intent to enable meaningful collaborations between diverse stakeholders – Central and State Governments, Panchayati Raj institutions (PRIs), beneficiary families, Non-Governmental Organizations (NGOs) and corporate bodies to address housing shortage in rural India, estimated at 40 million households until the end of the twelfth plan period. The Working Group advocates measures to address the need for safe and sustainable housing by all segments of the rural population with the state governments taking a primary role in facilitating access, supported by other stakeholders such as NGOs and corporate sector for ensuring quality as part of a ‘holistic habitat development ‘ approach.

6.2 RECOMMENDATIONS

The following line of action is recommended by the Working Group :

6.2.1 ENABLING ACCESS TO FINANCE FOR RURAL HOUSING

The working group recommends a multi-pronged approach to service the financial needs of different segments of the rural population for house construction and up-gradation.

A) Support to Below Poverty Line households under Indira Awaas Yojana

- i. For Below Poverty Line (BPL) households, unit assistance for house construction under Indira Awaas Yojana (IAY) may be enhanced to Rs 75,000. Unit assistance may be enhanced incrementally each year to absorb escalation in cost of materials and labor. It is also recommended that loan under Differential Rate of Interest be enhanced upto Rs 50,000 at 4% rate of interest along with extended repayment tenure to up fifteen years. It is imperative that provision of DRI loans for IAY beneficiaries should be made obligatory on the part of the banks given the investment that the government commits when sanctioning an IAY house. It is also recommended that

BPL households that may not be covered under IAY but under any other rural housing scheme of the state government should be eligible for loan under DRI. For repair and maintenance of houses constructed under IAY, credit cum subsidy scheme may be explored for those houses constructed over fifteen years ago.

- ii. Given the developments in the rural landscape of the country, allocation of physical and financial targets under IAY need to be reworked. The Working Group recommends that Ministry of Rural Development may continue to fix IAY targets centrally for all the states based on housing shortage (75%) and poverty ratio (25%). However, district level targets may be fixed by the states based on housing shortage (75% weightage) and rural population in the district (25% weightage). It is recommended that the target coverage for Scheduled Caste (SC) / Scheduled Tribe(ST)households in the district would be twice the percentage of SC / ST population in the district with a ceiling of 80%. Target coverage for minorities other than SC / ST households would be twice the percentage of minority population in the district.
- iii. With a view to ensuring smooth flow of funds for IAY and easy reporting, it is proposed that a State Fund may be created on the lines of Mahatma Gandhi National Rural Employment Scheme (MGNREGS). Central releases as well as state contribution would be credited to the State Fund and the states would release funds to District Rural Development Authorities (DRDAs) on the basis of pre-determined criteria as defined in the guidelines.

B) Assistance to Above Poverty Line Families

The Working Group recommends additional instruments for easy housing finance for Above Poverty Line (APL) families in rural areas. For loans upto Rs 2 lakh for construction of a new house and 1 lakh for addition/up-gradation/repair of old houses, 5% interest subsidy is recommended. For a loan amount of 2-3 lakhs for construction of new house and 1.5 lakh for addition/up-gradation/repair of old houses loan, 4% interest subsidy is proposed. For loans of Rs 3-5 lakhs, priority sector lending rate without any subsidy is recommended.

C) Productive Housing loan for BPL and APL families

With a view to shifting the focus from 'housing' to 'productive housing' in rural areas, loan products are recommended for housing in combination with loan for income generation with an interest subsidy of 5%. Maximum loan amount for BPL families may not exceed Rs

90,000 for new construction or Rs 25,000 for upgradation in combination with a loan of Rs 10,000 for income generation. This provision would be independent of any other assistance received by the BPL family from the government. For APL households, maximum loan amount would be Rs 2,70,000 for new construction and Rs 50,000 for upgradation in combination with a, maximum loan amount of Rs 30,000 for income generation.

Flexible repayment schedules should be prescribed depending upon the periodicity of the cash flow of the borrower considering his/her source of income. There is also a need for policy changes with regard to linking of repayment of rural housing loans to crop cycle and permitting defaults of two crop season installments for housing loans of upto Rs.5 lakhs.

In addition, it is proposed that a “Rural Risk Fund” be set up with contributions from all stake-holders including beneficiaries to encourage insurance linked products with housing so as to reduce the cost of housing finance to various stakeholders.

In order to incentivize states actively pursuing rural shelterlessness in a saturation mode using their own resources, interest subsidy based schemes may not be limited to any priority population targets. States should be able to leverage these schemes based on the demand from rural areas as indicated in the State Action Plans submitted to MoRD at the beginning of each financial year. In addition, a corpus equivalent to 10% of annual allocation of Rural Housing at the national level may be reserved for distribution among the states in proportion to the resources committed by them for rural housing; this will work as incentive for them to put in more resources from their own budget. These funds would be available to the states to be used by them for rural housing purposes as indicated in their Annual Plans. Details of all of these financial instruments need to be worked out by Ministry of Rural Development in consultation with relevant financial institutions.

6.2.2 ENHANCING ACCESS TO LAND BY THE POOR

Given the ground level constraints faced by the states in the provision of homestead sites, the Working Group recommends that the unit assistance for purchase of homestead plots under IAY may be increased to Rs 20,000 on IAY assistance pattern, i.e. 75:25 contributions by the Centre and the State. In addition, supportive working arrangements need to be developed between various departments for land identification, allocation and development.

The Working Group also proposes that a dedicated officer at the district level may be designated by the state government to address various bottlenecks faced by beneficiaries in accessing homestead sites. Cluster approach needs to be adopted for developing homestead land for groups of homeless families. The designated officer would ensure that land identification is carried out as per guidelines, keeping in view principles of environmental sustainability and disaster risk reduction. Land of appropriate size needs to be provided in line with local ways of living so that livelihood and nutritional needs of the families are promoted through access to homestead plots.

6.2.3 IMPROVING QUALITY OF IAY HOUSES

A) Access to Appropriate Technological Solutions and Skills

To improve the quality of houses in rural areas, especially IAY, key recommendations of the Working Group are:

- i. Rural Building Centres/ NirmithiKendras at district or block level need to be set up in a Public -Private Partnership mode as a single window access for guidance to PRIs and home owners on quality construction, alternate materials, skill building of artisans, etc.
- ii. To enhance affordability, decentralised production of low energy yet high performance building materials suitable to the local geo-climatic conditions needs to be set up.
- iii. Large scale campaign for knowledge building is required to raise awareness on quality and safety features in habitat among different stakeholder groups.
- iv. A platform for providing comprehensive knowledge and experiences of application of alternate technologies for habitat development for various geo-climatic zones of India needs to be developed. Besides construction, technologies for other components of habitat such as rainwater harvesting, energy saving lighting solutions and clean cooking solutions also need to be identified and adopted.
- v. Proven alternate and indigenous technologies that are cost effective and environment friendly need to be standardized and included in Schedule of Rates for construction.

B) Emphasis on Disaster Risk Reduction

Multi-hazard prone districts as identified by the Vulnerability Atlas of India may be designated as “difficult areas” and provided higher unit assistance under IAY for incorporation of safety features. In addition, all new houses may be insured through group insurance to cover losses due to natural disasters and other calamities such as fires.

C) Training of Masons, Artisans and Others involved in Delivery

A program for large scale capacity building of masons and other artisans within the framework of IAY is recommended. For all design types developed for the varied geo-climatic vulnerabilities of different states, training and certification of sufficient number of masons and other artisans needs to be taken up for all future construction activity - irrespective of the nature of the initiative: IAY, state schemes or own initiative of the people. A partnership with the corporate sector for training, certification and possible absorption of trained workforce can be developed.

D) Collaboration with Self-help Groups, Non-Governmental Organisations and Panchayati Raj Institutions.

Given the scale of shelterlessness and the need for improving efficiency, it is important that local stakeholders are able to effectively participate in housing delivery. PRIs need to be supported to take a lead in micro-planning and prioritizing habitat development needs. NGOs can be professionally engaged to support PRIs to facilitate safe and sustainable habitat development in rural areas. A certain amount of budgetary allocation may be earmarked for engaging such agencies.

6.2.4 HOLISTIC HABITAT DEVELOPMENT THROUGH CONVERGENCE

It is recommended that for the purpose of habitat development, a 'hamlet' should be treated the "unit of convergence" rather than a village. Convergence of IAY with schemes delivering other elements of a holistic habitat such as sanitation, water supply, domestic energy and insurance cover need to be strengthened. Convergence also needs to be explored with MGNREGA and Backward Regions Grant Fund (BRGF) for physical development of habitats. It is suggested that upto 10% funds should be earmarked for infrastructure development through a habitat approach for clusters of families.

6.2.5 MONITORING AND REVIEW MECHANISMS

States need to adopt a strategic approach to addressing housing shortage in a time bound manner; therefore State Action Plans need to be developed and pursued rigorously. A strong and competent system of supervision, compliance and complaints redressal needs to be set up at the local level. Participatory monitoring and social audits with representation from the households, PRIs and civil society needs to be encouraged. Ground Positioning System (GPS)

based monitoring of physical targets with photographs to ensure correct reporting needs to be pursued.

A Programme Management Unit set up at the state and district level would be critical for effective monitoring of the scheme. 6% of the IAY funds may be earmarked for the same.

6.2.6 BUDGET

Given the current trends of housing in rural India, it can be safely assumed about half of the current shortage of 40 million houses would require financing through IAY and interest subsidy assistance. The rest of the 20 million households would be able to construct their houses through state schemes, their own sources or informal sources of finance such as money lenders, borrowings from family and friends or family gifts.

Thus the proposed budget for Rural Housing for the Twelfth Five Year Plan is Rs 150,000 Crores as per the details given below:

Sno.	Item	Rate	Units (Millions)	Proposed Allocation (Rs Crores)	Comments
1	Construction of Houses (Grant and Subsidy)				
	Grant for 15 million houses @ Rs 75,000 per house	5722.5	15	85,837.50	Av GoI share @ Rs 57225 per unit
	Subsidy for 5 million houses @ Rs 45,000 per house	3433.5	5	17,167.50	Av GoI share @ Rs 34335 per unit
	Total for construction component			103,005.00	
2	Infrastructure Development for Habitat Development of Cluster of Houses	20% of construction		20,601.00	
3	Capacity Building - training, sensitisation, IEC	5% of construction		5,150.25	
4	Management Costs (including contingency)	6% of construction		6,180.30	
5	Incentive Amount for states for committing state resources for rural housing	10 % of total allocation of Rural Housing Budget at the national level		14,992.95	
	Total (Rs Crores)			149,929.50	29,686.04 per annum
	Proposed allocation for XII Five Year Plan : Rs 150,000Crores.				

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CHAPTER 7

PROVISION FOR URBAN AMENITIES IN RURAL AREAS (PURA)

7.1 INTRODUCTION

Lack of livelihood opportunities, modern amenities and services for decent living in rural areas results in a sense of deprivation and dissatisfaction amongst a large percentage of population and leads to migration of people to urban areas. This is primarily due to the wide gaps in the availability of physical and social infrastructure between rural and urban areas.

In order to address these issues, the Government, in the past has launched various schemes at different points of time. However, due to several reasons the impact has not been very visible. The deliveries of these schemes were not simultaneous and although huge sums were earmarked for capital expenditure, very little resources were spent on the operation and maintenance of the assets. Also, each of these schemes operated autonomously and the standards set for infrastructure services delivery in the rural areas was far below those for the urban population.

Hence, in spite of several schemes, there continued to be a substantial flow of migration from the rural to urban areas. In order to catalyze the convergence between different infrastructure schemes and create a new model for management of urban services in the rural areas, the Provision for Urban Amenities in Rural Areas ("PURA") Scheme has been developed. The objective of the PURA Scheme is to provide urban amenities and livelihood opportunities in rural areas to bridge the rural urban divide thereby reducing the migration from rural to urban areas

Pilot Phase of PURA

The pilot phase of PURA was implemented from the year 2004-05 through to 2006-07, with the concurrence of the Planning Commission and a total budget of Rs.30 crores. There were seven clusters selected in seven states, with budget of Rs.4-5 crores per cluster. The identified agencies for the implementation of PURA projects were responsible for providing village level connectivity relating to transport, power, electronic, knowledge and market and providing drinking water and healthcare facilities.

The implementation of the pilot phase did not yield the desired results as it faced the following issues:

- The pilot projects lacked a detailed business plan, which would have identified the potential of each project. In addition the mode of delivery of the projects followed the Conventional mode of Scheme delivery. These two factors ensured limited participation by the private sector entities;
- The pilot projects were predominantly infrastructure oriented projects, with limited attention being given the implementation of economic activities, which would have improved the standard of living for the local populace;
- The criteria for selection of the clusters did not factor the growth potential for that area;
- In addition there was no ownership at the State Government level and the entire implementation lacked an appropriate institutional structure with dedicated professional support; and
- There was no convergence with other Schemes of the rural development or other Departments.

Given the experience of the pilot projects, the Planning Commission undertook an appraisal of the projects in the year 2007. The Planning Commission advised the restructuring of the PURA Scheme as a demand driven programme through Public Private Partnership (PPP) mode.

Restructured PURA Scheme

The mission of the restructured PURA Scheme is holistic and accelerated development of compact areas around a potential growth centre in a Gram Panchayat (or cluster of contiguous Gram Panchayats) through Public Private Partnership ("PPP") framework for providing urban amenities and livelihood opportunities to improve the quality of life in rural areas. The Scheme aims to provide urban amenities and livelihood opportunities in rural areas to bridge the rural-urban divide.

This aim of the PURA Scheme is proposed to be achieved under the framework of PPP between Gram Panchayats and private sector partner. Core funding shall be sourced from the convergence of Central Government schemes and complemented by additional support through the PURA Scheme. The private sector shall also bring on board its share of investment besides operational expertise. The PURA Scheme would be implemented and managed by the private sector on considerations of economic viability but designed in a

manner whereby it is fully aligned with the overall objective of rural development. To attract the private sector, the Scheme has a “project based” design with well defined risks, identified measures for risk mitigation and risks sharing among the sponsoring authority (Gram Panchayat), Government, State Government and the Selected Bidder.

7.2 WAY FORWARD: STRATEGIES FOR THE 12TH PLAN INTRODUCTION

The basic objective for the Twelfth Plan is aimed at faster, more inclusive and sustainable growth. The infrastructure investments have seen significant improvement during the 11th Plan, but the pace of infrastructure development needs further acceleration if the infrastructure gaps are to be bridged within a reasonable time-frame.

Extracts from the XIIth Plan Approach Paper

“Although PPPs have been successful in a number of infrastructure sectors, and efforts will need to be continued in further encouraging private sector involvement, it is felt that public investment in infrastructure, particularly irrigation, watershed development and urban infrastructure, will need an additional 0.7 percentage points of GDP increase over the next five years.

As per the approach paper skill development needs a major focus at all levels. We must involve PPP to ensure that the skills developed also lead to employability”.

Underlying this reason it shall be imperative for the government to upscale the PURA Scheme to cover several new towns and villages.

7.2.1 PERSPECTIVE FOR XIITH PLAN

MoRD is in the process of initiating the second pilot phase of 10 projects with a budget requirement of approximately Rs. 350 crores (based on the present requirement of PURA Grant suggested by the bidders). These pilot projects would provide the necessary inputs, which would be essential in upscaling of the PURA Scheme.

There has been a significant interest generated in the PURA projects being implemented through the PPP route. However, as mentioned above, there are issues, which require solutions to aid the successful implementation of the PURA projects. Further in order to ensure the upscaling of the Scheme there has to be an active role envisaged for the State Governments and the Gram Panchayats.

7.2.2 SCHEME OUTLINE

In order to achieve the scaling up of the Scheme, replication of the experience in the pilot phase has to be undertaken. In order to achieve a visible impact of PURA, the priority areas may be the locations witnessing higher migration of the rural youth. In addition the scale of the PURA projects should be increased and focus should be on linking infrastructure development to the prevalent rural occupation.

7.2.3 GEOGRAPHICAL COVERAGE

PURA Scheme has moved further after undertaking the exercise for a pilot PURA Projects and MoRD intends to expand the coverage of the Scheme to ensure that more and more potential areas can take benefit of the Scheme. Based on discussion held with Planning Commission it was suggested that PURA could focus on 3000 new census towns.

A census town is one which has:

- *a minimum population of 5,000,*
- *At least 75% of male working population engaged in non-agricultural pursuits; and*
- *a density of population of at least 400 persons per sq km.*

However the working group prefers that the focus of the Scheme should remain in rural areas and should not be confined to census towns. A cluster in a PURA project should comprise of a Gram Panchayat, which acts as a nucleus of development, with a population of more than 5,000 people.

In the event, the Planning Commission recommends the scope of PURA to cover 3000 census towns, the Working group prefers that the focus may be on non-municipal census towns, which are rural in nature. The objective is to ensure to preserve the rural character of the Scheme.

7.2.4 COMPOSITION OF PURA PROJECT

The infrastructure and amenities to be provided, operated and maintained under the PURA project by the private developer shall comprise of the following:

Mandatory - under MoRD schemes	Under non MoRD schemes as local conditions permit (Illustrative list)	Add-on projects to generate economic and livelihood opportunities* (Illustrative list)
<ul style="list-style-type: none">▪ Water and sewerage▪ Village streets▪ Drainage▪ Solid waste management▪ Skill development▪ Development of economic activities	<ul style="list-style-type: none">▪ Village street lighting▪ Telecom▪ Electricity generation, etc.	<ul style="list-style-type: none">▪ Village linked tourism▪ Integrated Rural Hub, Rural Market▪ Agri – common service centre and warehousing▪ Any other rural economy based project

** At least one such activity would be included in the project*

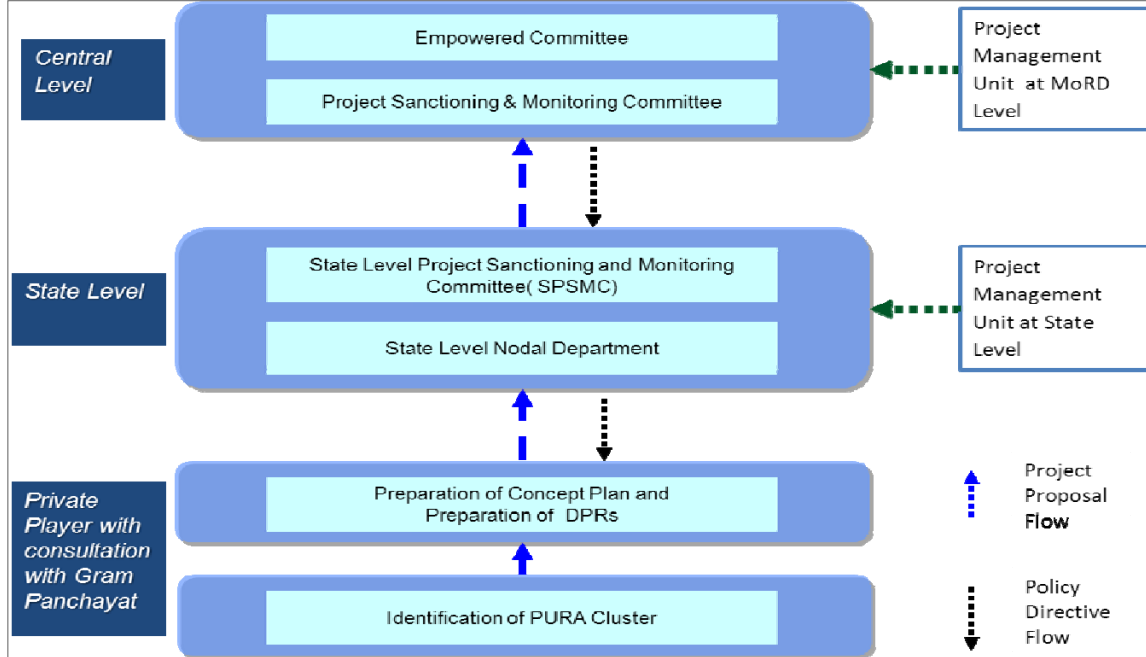
Currently the choice of selection of the Non-MoRD Schemes is left to the private player. This has resulted in co-ordination issues. Based on the experience in the pilot project, the Working Group has suggested the creation of basket of Non-MoRD Schemes covering several line Ministries. The private player will have the freedom to choose any number of schemes from this basket and integrate in its proposal.

This would facilitate MoRD to have a dialogue with these line Ministries to have necessary provisions in the relevant scheme guidelines to ensure a single window clearance of PURA projects and availability of scheme funds to the private player. With this initiative, convergence of Non MoRD Schemes would be easier and reduce the overall timeframe of project preparation.

7.2.5 IMPLEMENTATION STRUCTURE FOR THE PURA SCHEME

In order to ensure up scaling of the PURA Scheme, it would necessary for the State Governments to lead the entire process of managing PURA projects. The key activities would involve undertaking the procurement process for selection of private developer, facilitating /interacting with the private players in due course of preparation of Concept Plans and DPRs and undertaking its obligations under the Concession and State Support Agreements. Further the State Governments would need to identify their nodal departments and build capacities of these nodal departments to handle PURA Projects. In addition to ensure higher accountability from the State Governments, the Working Group recommends a funding pattern for PURA Grant in the ratio of 80:20, with 80% of the funding for PURA Grant coming from MoRD and 20% from the concerned State Government. The role of MoRD will be that of a facilitator and the final approving and monitoring authority of the PURA Projects.

The Working Group also recommends the adoption of an institutional structure on the lines of the PMGSY Scheme of the MoRD for the up scaling of the PURA Scheme. A possible structure that may be considered for implementation of PURA is as follows:



The entire implementation process has been categorized in three stages, which are enumerated as follows:

A) Project Preparation stage

- Private player shall identify the PURA Cluster and shall approach the Gram Panchayats for their consent;
- Based on regular consultations with Gram Panchayats and District Administration, the private player shall prepare a concept plan and other necessary documentation as required by the State Government;
- The proposal from the private player along with all the necessary documents and concept plan shall be submitted to the State Nodal Department for evaluation and approval.

B) Project Approval Stage – State Level

- The State Governments will constitute a State Level Project Sanctioning Committee to accord approvals and provide regular assistance to the private players;
- Once the concept plans are submitted by the Private Players, State level Committee shall review and approve the concept plan as per evaluation criteria's specified by MoRD;
- After the approval of the concept plan, the private player shall be asked to prepare detail project report for the PURA project. The final DPRs shall be submitted to the respective State Governments for their approvals;

- State Government shall be the monitoring agency for the bidding process and shall approve the DPRs for selection of the private developer;
- On the approval of the State Government, the project shall be sent to MoRD for approval.

C) Project Approval Stage – MoRD Level

- Once the proposal / DPR is approved by the concerned State Government it shall be placed in Project Sanctioning and Monitoring Committee (PSMC) at the MoRD. The PSMC shall approve the same and thereby it shall be placed in Empowered Committee (EC) for Final Approval;
- After the Project is sanctioned approval by the EC, Concession and State Support Agreements shall be signed;
- The transfer of funds shall be done as per Scheme guidelines.

D) Selection Process of private developer

The Working Group recommends the adoption of the current process of selection with a modification to ensure selection based on PURA Grant as a bidding parameter. The procurement process shall be managed by the State Governments and shall adopt a two-stage process for selecting Bidders for the award of the Project. The first stage (the “Qualification Stage”) of the process involved qualification of interested parties in accordance with the provisions of an Expression of Interest. The short-listed Bidders will be evaluated on the basis of their technical capability in terms of infrastructure experience and community oriented project experience.

The short-listed Bidders will be required to submit a concept plan detailing the components as envisaged under the PURA Scheme and in line with the philosophy of the PURA Scheme. The concept plan received from various Bidders will be evaluated, scored and ranked as per the criteria set out in the RFP.

On the evaluation of the bids, the qualified bidders who met the eligibility requirements of the RFP document will be issued the Letter of Intent and will be asked to prepare the Detailed Project Reports for their respective PURA projects. Post the submission of the DPRs the State Governments shall undertake the appraisal and evaluation of the DPRs. Post the evaluation, the DPRs will be approved by the State Level Project Sanctioning and Monitoring Committee.

Post the approval of the DPRs by the State Level Project Sanctioning and Monitoring Committee, the PURA project will be placed under Swiss Challenge bidding process. Once the DPRs are approved, they shall be placed to open tendering with project components being fixed and the bidding parameter shall only be the PURA Grant. The private player shall have the right to match the counter offer from the open tendering process. If the private matches the counter offer, then the PURA project shall be awarded to the private player, subject to the approval of the Empowered Committee at the MoRD level.

If the private player fails to match the counter offer from the open tendering process, then the new bidder shall be awarded the PURA project, subject to the approval of the Empowered Committee at the MoRD level. In the event the new bidder gets the PURA Project, then it shall pay the private player a fixed amount as consideration for the efforts undertaken under the project preparation phase.

This process would ensure a selection based on technical as well as financial parameters and ensure that the bids received are competitive and fair. *(A common system for introducing financial bidding into a competitive process is the Swiss challenge. This procedure is most well known in the Philippines, and also used in India (the states of Andhra Pradesh and Gujarat) it allows a third party to bid on the project during a designated time.)*

E) Awareness and Capacity Building Activities

During the next phase, it will be imperative that MoRD standardizes and facilitates the awareness and capacity building exercises for all PURA clusters. This will ensure adequate participation of the citizens from the inception of the Projects. There would be a need for capacity building programmes at the Centre, State and District Level. These initiatives need to be rolled out at the earliest to facilitate the entire process of implementation.

7.2.6 INVESTMENT REQUIREMENT

PURA has a great potential to be scaled up in the country. There is a possibility to ensure all non municipal census towns are covered as a part of PURA Scheme during the XIIth five year plan. It can be scaled to 3000 census towns.

The financing aspects will be governed by the extent of the scaling up of the Scheme. The sources of funds could be MoRD, State Government, Budgetary Resources or Multilateral Resources. The scaling up will also depend on the ability of MoRD to channel money from various government departments.

Based on the experience of pilot project, PURA Scheme would require around 600 projects to cover 3000 census towns, which would lead to overall investment of around Rs. 48,000 crores. This is based on the experience from the Pilot Projects that average each PURA Project shall cover 5 villages and will cost approximately Rs. 80 crores. In the current model, the source total investment would comprise of Rs. 31,200 crores from private investors and Rs. 16,800 crores of PURA Grant (PURA Grant is 35% of Project Cost).

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**No.P-12018/2/2011-RD
Government of India
Planning Commission
(Rural Development Division)**

**Yojana Bhavan, New Delhi
Dated the 19th May, 2011**

Subject: Constitution of Steering Committee on Rural Livelihood and Rural Governance.

In modification to the Planning Commission's earlier order of even number dated 9th February, 2011, it has been decided with the approval of Competent Authority that Shri Satya. N. Mohanty, Sr. Adviser (RD), Planning Commission will now be Member Secretary of the Steering Committee on Rural Livelihood and Rural Governance instead of Dr. Arbind Prasad, Sr. Adviser (P&E). The revised composition of the Working Group is as under:

1.	Dr. Mihir Shah, Member (Rural Development), Planning Commission.	Chairman
2.	Shri B.K.Sinha, Secretary Department of Rural Development, Ministry of Rural Development, New Delhi.	Member
3.	Shri A.N.P.Sinha, Secretary, Ministry of Panchayati Raj, New Delhi.	Member
4.	Shri C.S.Reddy, CEO, APMAS, Plot 20, Road 2, Banjara Hills, Hyderabad -500034.	Member
5.	Dr. Jean Dreze Member NAC, C/o Department of Economics, Allahabad University, Allahabad 211 002.	Member
6.	Shri Rangu Rao, Samaj Pragati Sahayog, Village Jatashankar, Tehsil Bagli, District Dewas, Madhya Pradesh - 455227	Member
7.	Shri Deep Joshi, Secretariat of the National Advisory Council, 2, Motilal Nehru Place, New Delhi-110011 OR P-22 South City-I' Gurgaon -122001	Member
8.	Shri Aloysius P.Fernandez Executive Director, MYRADA, 2 Service Road, Domlur Layout, Bangalore – 71	Member
9.	Shri A. Ravindra, Director Watershed Support Services and Activities Network (WASSAN), H.No. 12-13-450, Street No. 1, Secunderabad - 500 017	Member
10.	Shri T.Raghunandan Hosakarehallin, Main Road, BSK, 3 rd Stage, Girinagar, KPTCH Quarter, Bangalore.	Member

11.	Shri V.Ramachandran, G-4, Jawahar Nagar, Thiruananthpuram, Kerala - 695041	Member
12.	Shri Ved Arya, Member SRIJAN Delhi, 4, Community Shopping Centre, First Floor, Anupam Apartments, Mehrauli Badarpur Road, Saidullajab, New Delhi-110068	Member
13.	Shri R.Parasuraman, ACS, Department of Rural Development, SJ&E, Govt. of Madhya Pradesh	Member
14.	Shri Santosh Mathew, Principal Secretary, Rural Development, Govt. of Bihar	Member
15.	Shri R.Subramanyam, Principal Secretary, Rural Development, Govt. of Andhra Pradesh	Member
16.	Shri Manoj Kumar Singh, Principal Secretary, Rural Development, Govt. of Uttar Pradesh.	Member
17.	Shri F.Kharlyngdoh, Secretary, Community and Rural Development, District Council Affairs, Meghalaya	Member
18.	Ms.Sushma Iyengar, Kutch Mahila Vikas Sangathan KMVS, 11, Nutan Colony, Kutch District, Bhuj – 370 001, Gujarat.	Member
19.	Shri Satya. N. Mohanty, Sr. Adviser (RD), Planning Commission	Member-Secretary

2. The Terms of reference of the Steering Committee will be

1. Provide a critical review of the physical and financial performance of the MGNREGA during the 11th Plan and suggest strategies, priorities and allocations for the 12th Plan.
2. Suggest a blueprint for reform aimed at improving MGNREGA performance in all aspects.
3. Review the proposed NRLM Mission Document and NRLM Framework for Implementation and make suggestions for improvement.
4. Examine the Guidelines of the Mahila Kisan Sashaktikaran Pariyojana and make suggestions for improvement.
5. Provide a critical review of the physical and financial performance of the BRGF during the 11th Plan and suggest strategies, priorities and allocations for the 12th Plan.
6. Suggest a blueprint for restructuring BRGF aimed at improving its performance in all respects.
7. Provide a road map for strengthening District Planning during the 12th Plan period.
8. Suggest a comprehensive strategy for Capacity Building of PRIs during the 12th Plan period.
9. Set up Working Groups as considered necessary by the Steering Committee.
10. Any other issue considered relevant by the group.

3. The Steering Committee will devise its own procedure and may co-opt any other official/non-official Member, if necessary.

4. The expenditure on T.A./D.A. of official Members in connection with the meetings of the Steering Committee will be borne by the parent-

Department/Ministry/Organization as per the rules of the entitlement applicable to them. The expenditure in respect of non-official Members will be borne by the Planning Commission as per SR190 (a).

5. The Steering Committee will submit its report to the Planning Commission by 30th September, 2011.

(J.R. Meena)
Sr. Research Officer (RD)

Copy to:

All Members of the Steering Committee.

Copy also to:

PS to Deputy Chairman, Planning Commission.
PS to MOS (Planning), Planning Commission.
PS to Member Secretary, Planning Commission.
PS to Member (MS), Planning Commission.

Heads of all Divisions

All Officers of the Rural Development Division
PA to Director (Admn.)/Section Officer (Admn.I).
Reception Officer, Planning Commission.

**Details of Meetings of the Steering Committee on Rural
Livelihood and Rural Governance**

1st Meeting held on 7th March, 2011 at Yojana Bhavan, New Delhi.

2nd Meeting held on 13th October, 2011 at Yojana Bhavan, New Delhi

3rd Meeting held on 11th November, 2011 at Yojana Bhavan, New Delhi