

**SWARNJAYANTI
GRAM
SWAROZGAR
YOJANA**

GUIDELINES

**GOVERNMENT OF INDIA
MINISTRY OF RURAL DEVELOPMENT
NEW DELHI**

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PREAMBLE

Despite efforts made over the past few decades, rural poverty in India continues to be significant. While the anti-poverty programmes have been strengthened in successive years and while, in percentage terms, poverty levels have reduced from 56.44% of India's population in 1973-74 to 37.27% in 1993-94, the number of rural poor has more or less remained static and is estimated to be about 244 million persons. The effect of such a large percentage of poor on the country's development is not difficult to appreciate. Quite obviously, we need to redress the situation quickly. It is in this context that the self-employment programmes assume significance for, they alone can provide income to the rural poor on a sustainable basis.

To begin with IRDP was the only self-employment programme. Beginning with Training of Rural Youth for Self Employment (TRYSEM), a number of allied Programmes have been added over the years such as Development of Women & Children in Rural Areas (DWACRA), Supply of Improved Toolkits to Rural Artisans (SITRA), and Ganga Kalyan Yojana (GKY). The multiplicity of programmes, resulted in a lack of proper social intermediation, absence of desired linkages among these programmes inter se and the implementation being more concerned with achieving individual programme targets rather than focussing on the substantive issue of sustainable income generation. To rectify the situation, Government have decided to restructure the self-employment programmes. A new programme known as "swarnjayanti Gram Swarozgar Yojana" (SGSY) has been launched from April 1999. This is a holistic programme covering all aspects of self employment such as organisation of the poor into self help groups, training, credit, technology, infrastructure and marketing. SGSY will be funded by the Centre and the States in the ratio of 75:25.

With the coming into force of SGSY, the earlier programs IRDP, TRYSEM, DWACRA, SITRA, GKY and MWS are no longer in operation. The unspent balances, as on 1.4.99, under these erstwhile programs, will be pooled under the head SGSY and utilized as per the new guidelines.

The objectives of SGSY will be to bring the assisted poor families (swarozgaris) above the poverty line in three years, by providing them income-generating assets through a mix of bank credit and government subsidy. It would mean ensuring that the family has a monthly net income of at least Rs.2000. Subject to availability of funds, the effort will be to cover 30% of the poor families in each block during the next five years.

Quality will be the hallmark of SGSY, which has to be imaginatively used to bring people above the poverty line.

Salient features of Swarnjayanti Gram Swarozgar Yojana

- Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro-enterprises in the rural areas, building upon the potential of the rural poor. It is rooted in the belief that rural poor in India have competencies and, give the right support can be successful producers of valuable goods / services.
- The assisted families (henceforth known as Swarozgaris) may be individuals or groups (Self-Help Groups). Emphasis will be on the group approach.
- The objective under SGSY is to bring every assisted family above the poverty line in three years.
- Towards this end, Swarnjayanti Gram Swarozgar Yojana (SGSY) is conceived as a holistic programme of micro enterprises covering all aspects of self-employment, viz., organization of the rural poor into Self-Help Groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.
- In establishing the micro-enterprises, the emphasis under SGSY is on the cluster approach. For this, 4-5 key activities will be identified for each block based on

the resources, occupational skills of the people and availability of markets. Selection of key activities will be with the approval of the Panchayat Samitis at the block level and the DRDA/ZP at the district level. The major share of SGSY assistance will be in activity clusters.

- SGSY will adopt a project approach for each key activity. Project reports will be prepared in respect of identified key activities. The banks and other financial institutions will be closely associated and involved in preparing these project reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
- The existing infrastructure for the cluster of activities will be reviewed and gaps will be identified. Critical gaps in investments will be made under SGSY subject to a ceiling of 20% (25% in the case of North Eastern States) of the total programmes allocation for each district. This amount will be maintained by the DRDAs as SGSY – Infrastructure Fund and which can also be utilized to generate additional funding from other sources.
- The effort under SGSY is to cover 30% of the poor in each block in next five years through an efficient programme. In planning of the key activities, care would be taken to ensure that the maximum numbers of Panchayats are covered without jeopardising the quality of the programme.
- SGSY will also focus on Group approach. This would involve organization of the poor into Self-Help Groups (SHGs) and their capacity building. Efforts would be made to involve women members in each SHG. Besides, exclusive women groups will be continue to be formed. At the level of the Block, at least half of the groups will be exclusively women groups. Group activity will be given preference and progressively, majority of the funding will be for Self-Help Groups.

- The Gram Sabha will authenticate the list of families below the poverty line identified in the BPL census. Identification of individual families suitable for each key activity will be made through a participatory process.
- SGSY is a credit-cum-subsidy programme. However, credit will be the critical component in SGSY, subsidy being only a minor and enabling element. Accordingly, SGSY envisages a greater involvement of the banks. They will be involved closely in the planning and preparation of projects, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs selection of individual Swarozgaris, pre-credit activities and post-credit monitoring including loan recovery.
- SGSY will seek to promote multiple credit rather than a one-time credit injection. The credit requirement of the Swarozgaris will be carefully assessed. They will be allowed and, in fact, encouraged for increasing their credit intake over the years.
- SGSY will seek to lay emphasis on skill development through well-designed training courses. Those, who have been sanctioned loans will be assessed and given necessary training. The design, duration of training and the training curriculum would be tailored to meet the needs of the identified activities. DRDAs will be allowed to set apart upto 10% of the SGSY allocation on training. This would be maintained as SGSY – Training Fund.
- SGSY will ensure upgradation of the technology in the identified activity clusters. The technology intervention will seek to add value to the local resources, including processing of the locally available material from natural and other resources for local and non-local market.
- SGSY will provide for promotion of marketing of the goods produced by the SGSY Swarozgaris. This would involve providing of market intelligence, development of markets, consultancy services, as well as institutional arrangements for marketing of the goods including exports.

- Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7500. In respect of SC/STs, however, these will be 50% and Rs.10000 respectively. For Groups of Swarozgaris (SHGs), the subsidy would be at 50% of the cost of the scheme, subject to a ceiling of Rs.1.25 lakh. There will be no monetary limit on subsidy for irrigation projects. Subsidy will be back-ended.
- SGSY will particularly focus on the vulnerable groups among the rural poor. Accordingly, the SC/STs will account for at least 50% of Swarozgaris, women for 40% and the disabled for 3%
- SGSY will be implemented by the DRDAs through the Panchayat Samithis. The process of planning, implementation and monitoring would integrate the banks and other financial institutions, the PRIs, NGOs, as well as technical institutions in the district. DRDAs will be suitably revamped and strengthened.
- 15% of the funds under SGSY will be set apart at the national level for projects having a far reaching significance and which can also act as indicators of possible alternative strategies to be taken up in conjunction with other departments or semi government of international organizations. This would include initiatives to be taken in the individual districts or across the districts.
- Funds under the SGSY will be shared by the Central and State Governments in the ratio of 75:25.
- The central allocation earmarked for the States will be distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity and special requirement will also be taken into consideration during the course of the year.

ACTIVITY CLUSTERS – PLANNING AND SELECTION

1.1 The objective of Swarnjayanti Gram Swarozgar Yojana (SGSY) is to bring every assisted family above the poverty line within three years, through provision of micro-enterprise. Quite often, one finds that even when a person is brought above the poverty line during a plan period, his / her income may again fall below the poverty line in the next plan period. The poverty line in the VIII Plan period was Rs.11,000 per annum and during the IX Plan, the poverty line varies in different states and ranges from Rs.13000 to Rs.19650 per annum. It is probable that in the next plan period the poverty line will be about Rs.22,000 to Rs.24,000 per annum. It must be ensured that the income of the Swarozgari under SGSY is such that the family income is above the probable poverty line of the next plan period. To be on the safer side, therefore, the monthly income from the activity to be undertaken should not be less than Rs.2000, net of repayment to the bank loan. This may not always come in the first year itself. As indicated, the objective is to see that the assisted family comes above the poverty line in three years. Therefore, the selection of the activities should be such that it would afford the Swarozgari an opportunity to expand his asset and skill base in three years and at least in the third year, the net income should be more than Rs.2000 per month.

1.2 SGSY lays stress on cluster approach. What this means is that instead of finding diverse activities, each block should concentrate on a few select activities (key activities) and attend to all aspects of these activities, so that the Swarozgaris can draw sustainable incomes from their investments. These key activities should preferably be taken up in cluster so that the backward and forward linkages can be effectively established. This would facilitate not only monitoring but more importantly provision of various services required by the swarozaris.

Selection of Key Activities

1.3 The success of SGSY will therefore depend, to start with, on the choice of activities. The key element is that the choice of activity should be based on the local resources, the aptitude as well as the skill of the people. It is also necessary that the products have ready market.

1.4 The choice of key activities should not be an arbitrary or an ad hoc decision, and should be a carefully thought out process. The Block SGSY committee has a very important role to play. In identifying the key activities that can be taken in the next five years, the committee should ensure that this selection takes place through a participative process. Firstly, the effort should be to see that broadly 30% of the rural poor in the block are covered in the next five years. (This of course would be subject to availability of funds; but this number may be kept in view for the purpose of preparation of plans). For this, a profile of the poor families, as reflected in the BPL Census will be important. There will be poor families with assets, such as land. Effort should be made to see that those having a minimum extent of land are enabled to cross the poverty line by making additional investments on their lands, such as wells or other irrigation facilities, pumpsets etc., The Block SGSY committee should analyse the potential for farm activities. Care must be taken to see that they have access to short-term credit and other inputs. The next category is those that may have an inherent skill. These would primarily be the rural artisans who form a significant segment of the rural society. Under SGSY, the rural artisans should be covered in a significant manner. Another category would be the unemployed educated youth. A number of them would have been trained in the recent years under TRYSEM. An inventory may be taken of such people to find out which activities are best suited for the area.

1.5 The block SGSY committee may also look at the potential link plans prepared by NABARD as also any other survey carried out by different banks, industrial / technical organizations, etc., The local Khadi & Village industry officials as well as the District Manager of District Industry Centre may also be consulted.

1.6 The Block SGSY committee must interact with as many sarpanches as possible and also discuss with groups of rural poor such as the landless labour, the educated unemployed, those rural poor with lands, the artisan groups etc. where Self-Help Groups are in position, they should also be consulted. In their discussions, the committee should explore the various opportunities that are available (provided credit, technology, skill upgradation and marketing are assured) to enable the poor to cross the poverty line. While conducting this dialogue, the Block SGSY committee should be equipped with information relating to the performance of various activities in the village whether such activities are taken up under government programmes or otherwise. The committee should use that knowledge to supplement the traditional knowledge of the poor households and to facilitate in the identification of suitable activities. In this process, the traditional wisdom of the poor families is given value and the Block Committee builds upon the traditional knowledge of the poor families with their knowledge base. It must be ensured that the consultation process is genuine and not perfunctory or token in nature.

1.7 In so far as on-farm activities are concerned, provision of irrigation facilities continues to be important. These facilities can be provided either in the form of open dug wells or bore/tube wells or through lift irrigation or through check dams etc., In other words, the nature of source is not important for providing irrigation facilities under SGSY. Effort may be made to bring in as much of the land of the rural poor as possible under irrigation so that they can have sustainable incomes. Minor irrigation investments will include cost of well, lifting device and land development a composite investment. Working capital requirement can also be considered but would not be eligible for subsidy.

1.8 Minor irrigation projects may be group oriented or individual oriented. It is preferable to adopt as far as possible, as project approach under minor irrigation instead of spreading the investment in a scattered manner. Minor irrigation can also be basis for activity clusters or formation of SHGs.

1.9 As regards non-farm activities, care must be taken to identify only those activities that result in the production of goods/services that have a ready market. Separate guidelines will be issued in this regard.

1.10. Based on this consultation process, the committee may identify about 8-10 activities, which they may rank in the order of preference. This list should be placed before the general body of the Panchayat Samithi (Block Panchayat). The Panchayat Samithi should be asked to give its recommendations. The list of selected key activities, alongwith the recommendations of the Panchayat Samithi, should then be forwarded by the BDO to the District. SGSY committee for consideration. Before sending the list to the District SGSY committee, the Block Committee should prepare a brief project report, keeping in view the guidelines.

1.11 The District SGSY committee will receive the block-wise proposals and will vet them. The committee will select not more than 4-5 activities per block. In doing, so the District SGSY committee will ensure that the infrastructure already available in the district – in terms of production, service, training facilities as well as market are utilized and that the choice of activity does not require a new effort in all directions – production as well as markets. In other words, at least some of the key elements of the economic chain of the selected activity should be present and it is only the missing link that needs to be provided. Secondly, in choosing the activities, the district level committee will also ensure that Swarozgaris taking up the activity can realise the minimum income of Rs.2000 per month, after repayment of the bank loan. The committee will ensure that the views of the line departments have a commitment to the key activity being taken up in the respective blocks.

1.12 The District SGSY committee should scrutinise the proposals for each key activity separately in consultation with the concerned experts including the line department officials. In fixing the unit costs for the farm sector, the costs fixed by the regional committees of NABARD should be taken into consideration. In regard to the

loans for various purposes falling under ISB sector of SGSY, the responsibility of fixing the unit cost and other techno-economic parameters is of the committee.

1.13 It must be noted that identification of activities is a one time exercise. It is therefore necessary that it should be done in a careful manner and without converting it into a routine matter, since the choice of 4-5 key activities per block as per the procedure detailed above in this chapter would naturally take time, it would be preferable to identify quickly one or two activities in each block on an ad hoc basis only for the year 1999-2000, so that the implementation of SGSY can be started straight way. It should be easy to do so based on activities that have been found to be successful under IRDP. This should however be restricted to one or two activities and the earlier practice of taking up large number of activities should not be repeated. Care should however taken that the market is readily available for the products. As regards the final selection, this may be completed in about three months. A detailed time table may be drawn up by each DRDA for each Block and the schedule published so that everyone is aware of the selection of key activities.

1.14 The above key activities will be normally valid for next five years, however, it is always possible that at the end of two years this can be reviewed and re-evaluated with experience on ground.

Preparation of project reports

1.15 For each key activity there should be a project report indicating the various elements such as training, credit, technology, infrastructure and marketing. The project report should indicate how many people could be covered economically in a block number a key activity. The tendency to provide finance to a large number of similar units must be avoided so as to prevent creation of excess capacity.

1.16 The project report should also include the balancing infrastructure that needs to be

provided and the costs involved. The district level committee should ensure that it is well within the limits of the money that is likely to be available under SGSY infrastructure. Care should be taken to avoid an attempt to create infrastructure for line departments without concomitant benefit to Swarozgaris. The test of SGSY will be in additional incomes created to swarozgaris, the additional infrastructure being only an enabling factor. The project report should specifically include a chapter on the levels of investment required at individual Swarozgari's level or by a group. The economics for group lending should be shown distinctly from that of individual lending./ the project report shall be prepared for each activity and for each block separately. The project report should indicate that whether the key activity selected is for individual or group or both. The economics should also be clearly spelt out for each of these. The economics should indicate the details of investment required, the details of returns, the repayment schedule and the net income accruable to the Swarozgari.

1.17 The committee should undertake the entire exercise in a careful manner and not as routine exercise. All expenses relating to this exercise will be borne by the DRDA from their administrative expenses, which are provided for separately under the head 'DRDA Administration'.

1.18 The line departments have an important role to play in the entire exercise, for they will be responsible for implementation and monitoring of respective sectoral activities. SGSY would need a very close collaboration between the implementing agencies and the line departments. Presently, this is lacking or at least is not taking place to the desired extent. This collaboration must start with the identification of key activities and preparation of project reports. The line departments will be responsible for planning and creati9n of the infrastructure required making the key activity successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgaris. The line departments may also verify whether the Swarozgaris have the necessary skill requirement and take steps to rain them. The line departments should also satisfy themselves about ht quality of training that is being imparted. They should assist the DRDAs in ensuring that the

swarozgaris are duly trained in appropriate institutions. It shall be their responsibility to monitor the progress and whether swarozgaris are able to derive the expected levels of income. In other words, the line departments must recognise that promotion of self-employment in their sector as much their responsibility as that of DRDA / Panchayati Raj Institutions / Banks and it should be an integral part of their day-to-day functioning.

1.19 On approval by the District SGSY committee, the list of selected key activities as well as the project report of each key activity in respect of each block should be placed before the governing body of the DRDA. Where no DRDA exists, it should be placed before the Zilla Parishad. On approval, it should be circulated to the BDO and all the banks in the concerned block as well as the concerned line departments. All the banks in the district would be expected to follow the model set out in the respective project reports. Under any circumstances, under-financing of the key activity should not be allowed. This should be reviewed in the Block SGSY committee constantly.

1.20 The major share of SGSY assistance will be for the key activities. A minimum of 75%, both by number and funding, will be for the key activities identified in the block both as group assistance and individual assistance. However, assistance is not prohibited for other activities. There may be some instances where a Swarozgari may like to take up an activity by himself/ herself and where the nature of activity is such activities but subject to a limited 25% of the total number and funding of Swarozgaris in any given year. It must be noted that this is only an enabling provision for exceptional cases and it is expected that the funding of key activities will be the norm. Therefore, the figure of 25% is only the upper limit and should not be the norm.

Clusters

1.21 The key activities may be taken up for implementation preferably in clusters. It must be noted that the clusters are not mere geographic agglomerations but units where the backward and forward linkages can be effectively established. This will facilitate greater control of the progress of the programme, including setting up of infrastructure, raw material distribution, technology transfer as well as quality control. It is not essential

that SGSY should be implemented in each and every village of the Block. Advantage may be taken of the infrastructure already built up so that the results may be more definite. At the same time, care must be taken to see that maximum number of villages are covered under one or other of the activity clusters.

1.22 The clusters will be taken up for each activity separately. The idea is to select a few villages every year under key activity and concentrate the effort so that necessary linkages are available and also the monitoring becomes easy. It is not necessary that if a cluster of villages is taken up one year, it should be given up the next year. More Swarozgairs can be brought each year under the key activity in the identified clusters. However, in doing so, care must be taken to see that there is no undue concentration of a programme in only a few villages.

1.23 After the District SGSY committee communicates the list of selected key activities for the Block, the Block SGSY committee will identify the new villages to be covered under each activity. This is an exercise that needs to be taken up before the beginning of each financial year. This process is for identification of clusters for taking up each activity in a focussed manner. The list of villages so selected may be placed before the panchayat samithi, so that member of the panchayat samithi are aware of the selection and also the principles that underline the selection of villages. As already indicated, under SGSY the objective is to plan to cover 30% of the rural poor families in every block under self-employment and it is not necessary that all villages should be covered. However, it would also be reasonable to cover as many villages as possible without sacrificing the principle of a cluster approach. Therefore, the right balance must be struck by a Block SGSY committee. It is not necessary that each village should have only one key activity. Given the nature of villages, the infrastructure and economic opportunities that are available, it is always possible that a village may have more than one and even all the five key activities listed for the blocks. However the need to cover a larger number of villages must also be kept in view. A balance must be struck between the spread factor and efficiency factor. At any cost efficiency of the programme should be sacrificed.

II

PROGRAMME INFRASTRUCTURE

2.1 Proper infrastructure is essential for the success of micro enterprises. The infrastructure may be either for production, processing, quality testing, storage or marketing. The lack of proper attention to this item has been one of the drawbacks of IRDP. Although provision had been made for expenditure on infrastructure, the investments made did not necessarily correspond to the needs of the self-employed.

2.2 SGSY will seek to ensure that the infrastructure needs for the identified activities are met in full, so as to enable the Swarozgaris to derive the maximum advantage from their investments. Planning for infrastructure will be made in close connect with the banks. As indicated earlier, the project report for each key activity should clearly identify the existing infrastructure and the additional infrastructure that needs to be created. It should be noted that the creation of additional infrastructure should be meaning full and should only be in the nature of providing the missing critical links. The proposals for infrastructure development should be drawn up by DRDA in consultation with bankers and from part of the Annual Plan of the Block and District.

2.3 The provision of infrastructure is essentially the responsibility of the State Governments. Therefore, the States will strive to provide for necessary investments as part of their plan efforts of the respective departments. Where the plan funds of the line departments does not have adequate provision, recourse may be had to JGSY and EAS. Similarly, any other State and Centrally sponsored schemes can also be used for creation of infrastructure. Recourse to SGSY infrastructure fund should be as a last resort and only critical gaps in investments will be made under SGSY.

2.4 The District SGSY committee should review the infrastructure gaps and identify the areas of intervention for financing projects in activity clusters. Infrastructure needs and their fulfilment will be constantly and closely monitored by the DRDA, particularly

the Governing Body of DRDA, to ensure that infrastructure needs are met as per plan. Financing in sectors should be restricted where infrastructure is inadequate.

2.5 It should be noted that the funds available for providing infrastructure support under SGSY are primarily to bridge small gaps in infrastructure which can make the programme implementation more effective and not for creation of an altogether non-existent infrastructure in the area. Funds for infrastructure development should, in no case be used to augment resources of the State Government for development of general infrastructure

26. In order to meet expenditure on such critical infrastructure SGSY will provide for a fund, which will be known as 'SGSY- Infrastructure Fund'. 20% (25% in the case of North Eastern States) of SGSY allocation for each district will be set apart for this fund. DRDAs will maintain this fund in a separate account. The DRDAs are advised to utilise this fund to generate additional funding wherever feasible.

The following principles may be kept in view while framing the infrastructure proposals:

- (a) The infrastructure activities should enable SGSY Swarozgaris' full utilisation of their assets. Marketing linkages should be given priority.
- (b) The proposals should emerge out of the specific activities being taken up by the Swarozgaris and the location decisions should be made by the Blocks/DRDAs in consultation with Bankers.
- (c) Only village or Block or District level infrastructure should be planned. In no case should the proposals envisage development of infrastructure at the State or regional level.

- (d) Only the fixed cost and not the recurring expenditure should be met out of SGSY funds. There should be an undertaking that the State Government or the organisation concerned would meet the recurring expenditure on staff and other items.
- (e) In the case of assistance for development of infrastructure to cooperative societies, it should be ensured that at least 50% of the members are SGSY Swarozgaris.

2.6 The proposals should clearly spell out the time span envisaged for building up the infrastructure, its impact on the activities of the Swarozgaris in particular and economic environment in general, the agency charged with the implementation of the project are executed in given time at the given cost. The funds to the executing agency should be given in phases depending on the progress of the work. The decision on the phasing of ht release should be taken by the DRDA.

Other Admissible items of Expenditure under Programme Infrastructure

- (i) Expenditure on account of premium for insurance and risk fund to cooperatives could also be met under this head.
- (ii) Expenditure on account of commissioning studies for the purpose of local resource and skill based integrated projects for SGSY subject to a maximum of Rs. 50,000/- per annum per District approved by Governing Body of the DRDA could also be made.

Monitoring of Expenditure on Infrastructure Projects

2.8 Given the magnitude of funds allocated for infrastructure development, it is imperative that expenditure under this head he monitored more rigorously. Accordingly, suitable formats will be prescribed for monitoring purposes. The Districts are required to

send information in this format to the States every quarter. The data will be consolidated for all the districts by the State Government and sent to the Central Government on a quarterly basis.

III

SWAROZGARIS

3.1 Under Swarnjayanti Gram Swarozgar Yojana, the beneficiaries are known as Swarozgaris. The swarozgaris can be either individuals or groups. Swarnjayanti Gram Swarozgar Yojana (SGSY) lays emphasis on the group approach, under which the rural poor are organised into Self-Help Groups. In either case, the list of BPL households identified through BPL census, duly approved by the Gram sabha will form the basis for identification of families for assistance under SGSY. The self-help groups should also be drawn from the BOPL list approved by Gram Sabha.

This chapter is about the Swarozgaris and the linkages with the banks. Part 'A' of this chapter is about the self-Help Groups. Part 'B' is about individuals swarozgaris.

A. SELF-HELP GROUPS

3.2 SGSY will focus on organisation of the poor grassroots level through a process of social mobilisation for poverty eradication. SGSY's approach to organise the poor stems from the conviction that there is tremendous potential can be harnessed by organising them. Social mobilisation enables the poor build their own organisations (Self-Help Groups (SHGs)) in which they participate fully and directly and take decisions on all issues concerning poverty eradication. Simultaneously, SHGs have the advantage of the assistance- be it in terms of credit or technology or market guidance etc. – reaching the poor faster and more effectively.

3.3 Social mobilisation is not a spontaneous process; it has to be included. DRDAs are expected to initiate and sustain the process of social mobilisation for poverty eradication by formation, development and strengthening of the SHG's. Issues that are key to poverty eradication should be come entry points for DRDAs to organise the poor into SHGs. There could be different entry points for different SHGs depending on the local situation. The groups that are formed with thrift and credit as an entry point have demonstrated that the poor can secure greater access to credit and other support services for enhancing their income levels.

Self-Help Groups broadly go through three stages of evolution

- Group formation (formation, development and strengthening of the evolve into self-managed people's organisations at grassroots level).
- Capital formation through the revolving fund, skill development (managerial skill for management of their organisations as well as the activity).
- Taking up economic activity for income generation.

Formation of Self-Help Groups

3.4 SHG is a group of rural poor who have volunteered to organise themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a Common Fund. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management.

The group formation will keep in view the following broad guidelines:

- i. Under SGSY, a self-help group[may consist of 10 to 20 persons. In the case of minor irrigation, and in the case of disabled persons, this number may be a minimum of five(5).
- ii. All members of the group should belong to families below poverty line. The group shall not consist of more than one member from the same family. A person should not be a member of more than one group.
- iii. The group should devise a code of conduct (Group management norms) to bind itself. This should be in the form of regular meetings (weekly or fortnightly), functioning in a democratic manner allowing free exchange of views, participation by the members in the decision making process.
- iv. The group should be able to draw up an agenda for each meeting and take up discussions as per the agenda.
- v. The members should build their corpus through regular savings. The members themselves should decide the quantum of savings. The group should be able to collect the minimum voluntary saving amount from all the members regularly. The savings so collected will be the group corpus fund.
- vi. The group corpus fund should be used to advance loans to the members. The group should develop financial management norms covering the loans sanction procedure, repayment schedule and interest rates.
- vii. The members in the group meetings should take all the loaning decisions through a participatory decision making process.
- viii. The group should be able to prioritise the loan applications, fix repayment schedules, fix appropriate rate of interest for the loans advanced and closely monitor the repayment of the loan instalments form the loanees.

- ix. The group should operate a group account so as to deposit the balance amounts left with the groups after disbursing loans to its members.
- x. The group should maintain simple basic records such as Minutes book, Attendance register, Loan ledger, General ledger, Cash book, Bank passbook and individual passbooks.

3.5 50% of the groups formed in each block should be exclusively for the women. In the case of disabled persons, the groups formed should ideally be disability-specific wherever possible; however, in case sufficient number of people for formation of disability-specific groups are not available, a group may comprise of persons with diverse disabilities.

3.6 By the large, the SHG will be an informal group. However, the groups can also register themselves under the Societies Registration Act, the State Cooperative Act or as a partnership firm. The SHGs can be further strengthened and stabilised by federating them at, say village level. This would facilitate regular interaction and exchange of experiences including flow of information from DRDAs and other departments.

3.7 Social mobilisation and community organisations is a process oriented approach as different from target oriented approach. The group formation should not be driven by any targets but lend itself to a 'process approach'. The members of the SHGs should fully internalise the concept of self-help.

A large number of DWACRA groups have been formed and assisted by DRDAs in the past. Likewise, there are a number of self-help groups formed by NABARD, other Banks, by the Rashtriya Mahila Kosh etc. in the first year implementation of SGSY, where such groups exist, the DRDAs should put in concerted efforts to strengthen these groups and then take steps to form new groups.

Role of NGOs

3.8 The experience across the country has shown that group formation and development is not spontaneous process. An external facilitator working closely with the communities a grassroots level can play a critical role in the group formation and development effort. The quality of the groups can be influenced by the capacity of the facilitator. The facilitator may or may not be an official. In some cases NGOs can not only make available the facilitator and / or also help in building their capacity. DRDAs may support such sensitive support mechanisms in the shape of NGOs or community based organisations or a team of dedicated functionaries of the Government who are fully engaged in the task of initiating and sustaining the group development process.

3.9 Whether the support machinery (SHG promotion institutions) is offered by NGOs or DRDA itself, what is critical is the capacity of the support machinery. DRDAs will have to play very crucial role in facilitating development of the capacity to nature and strengthen the groups.

Linkage with the Banks

3.10 During the stage of group formation, the SHG should be brought into contact with the local banks. This may start in the 3rd or the 4th month and has a dual purpose. The SHG begins to realise the opportunities and also the mode of dealing with the banks. Likewise, the bankers get to familiarise themselves with the SHGs. Establishment of these linkages at the early stages will ensure the formation of strong SHGs, which will be mutually beneficial. The BDO and the banker may visit the SHG as often as they can and explain to the members the opportunities for self-employment. They may also explain to them about the process of graduation into taking up full-fledged self-employment activity.

3.11 The formation stage generally lasts six months. At the end of six months, it is necessary to subject each self-help group to a test whether it has evolved into a good group and is ready to go into the next stage of evolution. This is done through a grading exercise. The objective of this exercise is to identify the weaknesses, if any, and help the group to overcome the same so as to develop into a good group. Grading exercise thus should help to focus attention on weak groups so that DRDAs can assist them to overcome the weaknesses and graduate into good groups. Grading of the group should also enable the DRDAs To establish linkages for the good groups with the Banks.

3.12 The DRDAs will have to play an effective role in grading exercise. The capacity of the DRDAs will have to be enhanced to undertake this exercise professionally. Grading of the SHGs can be done by the same agency that is involved in the promotion and development of the SHGs or an independent agency contracted to undertake the grading exercise. It is desirable that the grading exercise is undertaken by an independent agency, as it will have objectivity and acceptance by financial institutions etc.

3.13 A number of Government and Non Government Organisations, working with SHGs across the country have evolved very effective strategies for grading the SHGs. The grading criteria should be consistent with the characteristics that are agreed to be essential for strong, self-managed and vibrant SGHs. In other words, clarity on the features to be promoted in a SHG should become the starting point for any grading exercise.

Following are the various processes that are involved the grading :

- Development of exhaustive list of characteristics of a good group by DRDA in consultation with its partners if any, involved in promotion and development of SHGs.
- Development of criteria for grading of the groups with appropriate weightage for various parameters.

- Identification of suitable agency to undertake grading exercise.
- Intensive training to the investigators who will interact with the members of the group to assess the group on various parameters. This training can either be conducted by the agency identified for grading or by DRDA.
- Facilitate the agency to visit the groups for assessing the status of the groups.
- Obtain SHG-wise reports with the rating awarded and the reasons.
- Develop an appropriate SHG-wise action plan for strengthening the groups identified as “weak” or average.
- Pursue with bankers for securing SHG linkage with such SHGs that are rated as “good”.

3.14. Grading exercise should not be a questionnaire-oriented exercise where the members become passive participants. It should provide an opportunity for the members to assess their own performance to a participatory approach and the investigator assumes the role of the facilitator to the process.

3.15. DRDAs should ensure active participation of the bankers in the grading exercise. In this context, NABARD and local banks will have to be involved very closely right from the development of criteria for grading the groups. The criteria, the strategy and operational details of the grading exercise should be discussed in the District SGSY committee.

3.16. Right from the beginning, it is necessary that the self-help groups should be nurtured carefully. The grading exercise must therefore be carried out at different stages. To start with, the objective of the SG in the first six months is to evolve as a viable group. Accordingly, the grading at the end of six months should be with reference to the objectives in the first stage of the evolution of the self-help groups. Grading exercise should be undertaken every quarter till all the groups obtain good grade.

Capacity building of the self-help groups

3.17. Every SHG that is in existence at least for a period of 6 months and has demonstrated the potential of a viable group enters the second stage, wherein it receives the Revolving Fund and also embarks on further capacity building of its entire team. DRDAs will arrange to provide the revolving fund to such groups, meeting their share from out of 10% of SGSY-SGSY Fund. The groups shall keep the following principles in view concerning the management of the revolving fund.

- The revolving fund is provided to the groups to augment the group corpus so as to enable more number of members to access loans and also to facilitate increase in the per capita loan available to the members.
- As the revolving fund becomes part and parcel of the group corpus, the group should follow same norms for utilisation as in the case of their own saving fund.
- The group should discuss the credit requirements of the members and advance loans from out of the corpus (savings + interest + revolving fund) to a few members and fix repayment schedule and interest rates. From the amounts recovered from the loanees, new members could be covered.
- The revolving fund imparts credit discipline and financial management skills to the members so that they become creditworthy and bankable in the eyes of the bank.
- On receipt of the revolving fund, the group shall utilise the fund in the manner and for purposes it deems fit. The idea is that the group should develop the capacity to utilise funds it has received from outside. The revolving fund can be used by the group for income generating activities. It can alternatively be used

for lending to individual members for their own purposes. The members shall inculcate the habit of prompt and full repayment of the loans taken by them from the revolving fund.

3.18 Those groups that have received the revolving fund under DWCRA or any other programme shall not be eligible to receive the revolving fund under SGSY. However, there is no bar on such groups receiving credit and subsidy under group loaning under SGSY, after they have demonstrated their functioning as a viable group.,

At the end of six months from the date of receipt of the revolving fund, the SHG will be subjected to another grading test to see if it has been functioning effectively and is capable of taking up an economic activity through higher levels of investment. It is important that the bank should be satisfied about the grading of the SHG at this stage. Therefore, the choice of the agency carrying out the grading as well as the criteria should be to the satisfaction of the bank.

1. The per capita loan amount availed by its members increases gradually over the years.
2. There is a shift from consumption loans to production loans.
3. The group is able to clearly identify its training needs to the members and give value to the training input received by its members.
4. The members are able to investigate into their poverty situation and are able to articulate clearly the opportunities. For overcoming their poverty.
5. The group is able to develop a portfolio of opportunities (investment opportunities) for the members and has a clear plan of action for meeting the the credit requirement of its members.

6. The group acquires the capacity to undertake participatory monitoring of assets created from the loans advanced to its members.
7. The group has implemented some community action programmes and is capable of continuing to do so independently.
8. The dependency on outside facilitating agency on matters related to group management would gradually come down and the groups emerge as self-managed in terms of managing various aspects of group and financial management.
9. All members have total clarity on the common activity, including the economics of the activity.
10. The members have clarity on the responsibility of each and every member and the management of the common activity.
11. The members have clear assessment of their training needs.
12. The members have evolved effective strategy for participatory monitoring of the common activity.

Taking up of economic activities

3.19 Once the SHG has demonstrated that it has successfully passed through the second stage, it is eligible to receive the assistance for economic activities. This is in the form of loan and subsidy. There are two ways in which an SHG can receive this assistance.

- 1) Loan-cum-subsidy of SGSY to the individuals in a group, provided the prospective Swarozgaris in the group are capable of and willing to take up income generation activities under these sectors

- 2) Loan-cum-subsidy to the group where all the members in the group want to take up a group activity.

Loan –cum-subsidy to the members of the Group

3.20 Though a few individuals are identified as beneficiaries under loan-cum-subsidy, it is essentially the group that is standing guarantee for the prompt repayment of the loan to the bank. The group also undertakes responsibility to closely monitor the asset management and income generation. The group also is expected to access services from the line departments concerned to enable the members to derive the expected income from the activities undertaken. Since the groups are constantly interacting with the banks, their initiatives to secure continuous line of credit to the Swarozgaris to access multiple dose of loan become critical. In any case, the members of the group who are assisted under SGSY's loan-cum-subsidy assistance want to avail the back-end subsidy nothing should prevent the members to do so. Considering multifarious support services Swarozgari is receiving by being member of a group it is natural that the group may like to charge a part of the subsidy provided to the Swarozgaris as individual contribution to the group corpus. The Swarozgari is expected to repay all the loan installments to the banks through the group and the group may keep to itself part of subsidy component. In any case, this is an issue that has to be left to the decision of the group.

Loan-cum-Subsidy for the Group Activity

3.21 Group activities stand a better chance of success because it is easier to provide back-up support and marketing linkages for group activities. SGSY will primarily follow the group approach. The groups should demonstrate minimum levels of group dynamism, as detailed above before considering for assistance with loan-cum-subsidy for the group under SGSY. The group loans are entitled to 50% subsidy subject to a limit of Rs.1..25 lakhs.

DRDAs should conduct training programmes to the members and the representatives of the groups so that the groups become fully self managed and evolve into strong groups. The cost of the group formation and development should be met from the SGSY Revolving Fund (10% of SGSY). Considering the experiences of the NGOs involved in development of SHGs in the country, it is estimated that an amount Rs.10,000 per group would be the investment required over 3-4 years.

B. INDIVIDUAL SWAROGARIS

Identification and selection

3.22 In case of individual Swarozgaris their selection will be as follows : Once the list of villages is finalised by the Block SGSY committee every year, the concerned Sarpanches should be intimated. The individual Swarozgaris are to be selected in the Gram Sabha. It is possible that the Gram Sabha held at the Panchayat headquarters may not have the participation of all the BPL families. Therefore in order to afford the maximum participation for the poor, a 3-member team consisting of BDO or his representative, the banker and the Sarpanch should visit each of the habitations in the Panchayat according to a schedule drawn up for this purpose and duly publicised. In each habitation, the team must then ascertain from the BPL families the persons who can be covered under the designated key activity. This process of identification of the potential Swarozgaris should be done carefully.

3.23 The selection of the Swarozgaris must be done in a an open and transparent manner. The poor should have the confidence that if they fulfil the requisite conditions they would be able to avail of the facilities under the programme. It is possible that number of such potential Swarozgaris would be more than the programme available to the bank / BDO. In such a case the fact may be made known and the best of the potential entrepreneurs can be taken up for final say. While SGSY is not a programme that targets

only the poorest of the poor, it should be the endeavour of the committee to cover the relatively poorer among the BPL families provided however they are otherwise eligible.

3.24 In case the committee is not sure of sufficient number of potential Swarozgaris being sanctioned the loan, it is open to the committee to select a higher number and leave the final selection to the bank. The effort in this exercise is two-fold. On the one hand, while the bank is to be free to choose the Swarozgaris, the effort is also to see that this is done in a transparent manner.

3.25 After the selection is made, the BDO shall arrange to have the applications filled by the selected persons. Since most of the potential Swarozgaris are illiterate and some of them would be very poor, it is necessary that the proforma prescribed by the banks should be simple while, however satisfying the legal requirements. It should also be in the local language. The DRDAs should particularly look into the matter and also take steps to familiarise the BPL families with the loan sanction process and the proforma so that the poor are not overawed by the process.

3.26 Once the banks have received the applications, they should sanction the application normally in 15 days and at any rate not later than one month. Every year the process of sanction by banks should normally be over by July. Further details are give in chapter IV.

3.27 The list of Swarozgaris finally selected (for the year) should be got printed by the BDO and the copies made available to the Gram Panchayat for placing it before the next Gram Sabha. This list shall also be made available to the DRDA, other block officials, bankers and all other concerned agencies

FINANCING THE INVESTMENTS – BANK CREDIT AND SUBSIDY

4.1 Financial assistance to Swarozgaris under SGSY comprises of two components viz. loan and subsidy. SGSY is a credit-linked scheme and credit is the key element. Subsidy is only a minor and enabling component. The major part of investment consists of bank credit from financial institutions comprising commercial banks, cooperative banks and regional rural banks. This chapter deals with the various aspects of the flow of credit and subsidy to the Swarozgaris.

Norms of Lending

4.2 The size of loan for project depends on the nature of project. The loan should, however, be a composite loan comprising both fixed and working capital. SGSY has no investment ceiling other than the unit cost (i.e. investment requirement) worked out for the project. The loan amount would be equal to the total project cost including the amount of subsidy admissible to the Swarozgari. Interest rates for SGSY loans will be as notified by RBI/NABARD from time to time.

Security Norms : The security norms will be as prescribed by Reserve Bank of India from time to time.

Sanction of Loans by the Banks

4.3 As indicated in chapters III and IV, the BPL families that are best suited for taking up a particular key activity are identified each year. From the date of the applications are received in the bank, the bank shall not take more than fifteen days to sanction the loan. The bank will there upon communicate this list to the Gram Panchayat, which shall place it before the Gram Sabha in its next meeting. The bank shall also communicate this list to the BDO as well as the concerned line department.

4.4 The bank will also consider the Groups for lending for a given activity. In such case too, the bank shall communicate the name of the selected group to the Gram Panchayat and others for action as above.

4.5 While sanctioning projects, the Bank, Manager should ensure that the unit costs, terms of the loan and repayment schedule are as indicated in the project files for the concerned key activity. Part-financing and under financing should not be resorted to under any circumstances. However, where the nature of the activity is such that the loan is to be released in stages, the disbursement may be made accordingly.

4.6 As soon as the selection is made and the list communicated to the line departments, the latter will proceed to test whether the Swarozgari has the necessary skill or not (refer to Chapter VI).

4.7 As soon as the Swarozgari completes the basic orientation or the skill-training programme, the banks shall proceed to disburse the loan and subsidy amount to the Swarozgari. This shall invariably be done immediately, so that the money is available to him/her for purchase or creation of the asset. The entire amount sanctioned shall be disbursed unless the amount is to be disbursed in designated instalments. The bank shall disburse the subsidy amount also as per guidelines governing the backended subsidy.

Asset creation by Swarozgaris.

4.8 Swarozgaris will be given the full amount (Loan and Subsidy) and they will have the freedom to procure the asset themselves. The Swarozgaris shall procure the asset within one month from the date of release by the bank of the money. He/she shall inform the BDO and the bank of the fact of procurement of the asset. The Swarozgari should subsequently furnish to the bank a receipt of the items purchased. The assets procured should be of standard quality, and at economic prices. Both DRDA and banks should ensure through proper monitoring and verification that quality assets have been procured.

4.9 In the case of Swarozgaris under the ISB sector, when a number of sundry items are to be brought, disbursement upto Rs.10,000 may be made in cash. This can be done either in one lumpsum or in stages depending upon the items to be purchased. This will give the Swarozgaris requisite freedom to negotiate and settle the price for the asset and will also give him the satisfaction that he has purchased goods of his own choice. In all cases, necessary documents relating to acquisition of assets should be obtained by the bank and also followed up through visits by the bank and also followed up through visits by the field staff of bank within one month of disbursement.

4.10 In the event of the Swarozgari does not inform the bank of the fact of procurement, the bank shall inform the BDO who shall enquire into the reasons. If the non-procurement is due to the negligence of the Swarozgari, the bank, in consultation with the BDO shall afford him reasonable opportunity of doing so after which the bank shall be free to cancel the loan and recover the money. The Swarozgari will be liable for civil as well as criminal proceedings that are likely to arise in such a case. In the case of the SHGs, all the members will be liable.

4.11 On receipt of the news of procurement, the line department as well as the bank shall verify the asset and satisfy themselves of its quality. Thereafter, the assets should be marked to check the misutilisation or transfer of the assets. This is also necessary in the eventuality of filing insurance claim and physical verification of assets etc.

4.12 While providing for a key role to the Gram Panchayats, SGSY accords certain discretion to bankers in the selection of Swarozgaris. The banker are therefore, expected to associate themselves in the entire gamut of activities so that development banking concept is taken to its logical end. The aptitudes of the Swarozgaris and their endowments should be weighed properly while selecting them for credit support. The Subsidy-Credit Ratio proposed by the Ministry from time to time should be taken as a floor ratio rather than an upper limit for credit sanction. In fact, SGSY guidelines do not provide for any ceiling for investment. The investment requirements have to be assessed based on the unit cost and the Swarozgaris needs and viability of the scheme.

Multiple Credit and Multiple Doses of Credit

4.13 SGSY will seek to develop close linkages with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit would mean assisting of Swarozgari over a period of time with a second and subsequent dose(s) enabling him/her to access higher amount of credit. The Swarozgari should have the confidence that so long as he/she proves her creditworthiness by way of proper utilization of the asset and prompt repayment, the bank will stand by him/her and will provide additional credit, whether or not this is backed by subsidy. As already indicated, while SGSY is a credit-cum-subsidy programme, the subsidy is only an enabling element and credit is the key component. The Swarozgaris will be allowed to stabilise and improve their credit absorption capacity and to increase their credit intake over the years either for the same activity or a new activity. The second / subsequent dose can be given even during the currency of first/earlier loan provided the banker is satisfied about the financial discipline of the first/earlier dose. Subsidy entitlement for all doses taken together will not exceed the limit prescribed for the category.

Further Loan to inadequately assisted beneficiaries under IRDP

4.14 As already indicated, assistance under SGSY should be on multiple doses and not a one-time activity. This will facilitate gradual improvement in the incoming earning capacity of Swarozgaris. Such second and subsequent doses of credit can be extended to IRDP beneficiaries if they have failed to cross the poverty line because of no fault of theirs. The second and subsequent loans may be granted by the same bank that gave the initial loan or any other bank.

Principles and Procedure for Disbursement of Assistance

4.15 The funds received by the DRDAs will be kept in saving bank accounts. The DRDAs can open these accounts with the principal participating bank branches in the field. The funds deposited in the savings bank account will earn interest at the usual rates

till the amount is disbursed to the Swarozgari. After assistance is disbursed to the Swarozgari, the participating bank will provide the particulars of the Swarozgari, the project and the amount will subsidy adjusted in his/her favour for the record of the Block/DRDA. These details should be made available in the monthly report on the adjustment of subsidy prepared by the bank and sent to the Blocks/DRDAs. While computing the figures of advances and recoveries, the banks are to exclude the amount of subsidy received so as to reflect the factual position. The banks are to report separately the amount of recoveries under SGSY. The accounts of the Blocks/DRDAs with the participating banks should be reconciled every three months and a bank reconciliation certificate should be issued by the Chartered Accountant in this regard at the end of the year.

Subsidy

4.16 Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7500. In respect of SC/STs, however, these will be 50% and Rs.10000 respectively. For Groups of Swarozgaris (SHGs), the subsidy would be at 50% of the cost of the scheme, subject to a ceiling of Rs.1.25 lakh. There will be no monetary limit on subsidy for irrigation projects.

Back-end Subsidy

4.17 Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy will also be available to Swarozgaris who prefer to avail themselves of required working capital in the form of cash credit. The operation of subsidy amount by the bank will be as follows:

- a) The subsidy admissible to the Swarozgaris under SGSY should be kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks should apply no interest on the Subsidy Reserve Fund Account. In view of this, for the purpose of charging interest on the loan,

the subsidy amount should be excluded. The balance lying to the credit of Subsidy Reserve Fund Account will not form part of DTL for the purpose of SLR/CRR.

- b) In the case of Working Capital advances also, subsidy may be kept in the Reserve Fund Account as stated above without any interest being offered. However, the amount standing to the credit of the account should be withdrawn and credited to a Cash Credit Account of the SGSY Swarozgaris after a period of 5 years.

4.18 The repayment schedule of loan would be drawn in such a way that the subsidy kept under Subsidy Reserve Fund would be sufficient for adjustment towards the last few minutes. Swarozgaris will not be entitled for any benefit of subsidy, if the loan is fully repaid before a certain fixed period specified by NABARD depending upon the activity. The availability of the benefit of subsidy to Swarozgaris would be contingent on their proper utilization of loan as also its prompt repayment and maintaining the asset in good condition.

4.19 Banks will issue loan passbooks to Swarozgaris. These pass books should, inter-alia, contain details such as the date of sanction of loan, amount of loan sanctioned, subsidy to be adjusted in the final instalment of repayment, rate of interest amount due under each instalment, due dates of instalments etc., the banks may issue loan books to Swarozgaris in regional languages. Banks should ensure that the branch managers fill in all the columns in the passbooks, as otherwise the purpose of issuing the passbooks will be defeated.

Repayment of Loan

4.20 All SGSY loans are treated as medium term loans with minimum repayment period of five years. Loan instalments will be fixed as per the unit cost approved by the NABARD/DLCC and there will be a moratorium on repayment of loan during the gestation period. Repayment instalments should not be more than 50 per cent of the

incremental net income expected from the project. Number of instalments will be fixed in accordance with the principal amount, the interest liability and the repayment period.

4.21 Swarozgaris will not be entitled for any benefit of subsidy if the loan is fully repaid before a certain fixed period known as the lock in period. The lock-in period for various activities under SGSY can be categorised broadly into three categories depending on the loan repayment period for 5, 7 and 9 years. The lock-in period corresponding to these repayment periods would be 3, 4 and 5 years respectively. If the loan is fully repaid before the currency period, the Swarozgaris will be entitled only to pro-rata subsidy.

Measures for Affecting Recovery

4.22 Prompt recovery of loans will be an important aspect of SGSY, not only to ensure a discipline but more importantly as it reflects the success of the self-employment programme. All concerned must therefore ensure that the recovery is hundred per cent. To ensure this, the following measures shall be undertaken:

4.23 The Block SGSY committee shall monitor, every month, the progress of different Swarozgaris. In particular, it should be seen whether the schemes have been grounded and whether they are giving the Swarozgari the intended income and also whether the Swarozgari is repaying the loan. Prompt action in case of defaults cannot be overemphasised. The bank shall furnish every month the list of defaulters, and the Block SGSY committee shall go into the reasons. The line departments and the BDO shall contact the Swarozgari and take such remedial measures as are necessary. In case of groups, there shall be a periodic meeting of the SHGs to monitor the performance. In addition, the Gram Panchayats will also be given the list of defaulting Swarozgaris and requested to take suitable measures to see that the loans are repaid. In Panchayats with high default rates, the BDO/DRDA shall organize recovery camps. It is necessary that the DRDA keep a close watch over the repayment position in each Panchayat. In addition, the district administration shall assist the banks in the recovery through designated legal processes, including appointment of Special Recovery Officer.

Enactment of the Model Bill as recommended by the Talwar Committee may be expedited.

4.24 The banks would take all possible measures, i.e., personal contact, organization of joint recovery camps with District Administration, legal action etc., In case, even after this, the bank fails to recover the entire dues, the process of forfeiture of subsidy for adjustment against dues will be taken up. For this purpose, a notice will be issued to the Swarozgaris and he/she will be provided reasonable opportunity to show cause why his/her subsidy should not be forfeited. Thereafter, the concerned banks will place before the District SGSY committee a complete report on action taken and a proposal for forfeiture and adjustment of subsidy. After getting the approval of the committee, the concerned bank will adjust the subsidy (including interest earned) against the Swarozgaris dues. However, if the bank is able to realize any amount from the Swarozgaris subsequently over and above the amount due to it, the amount will be returned to the DRDA.

4.25 Constant flow of information about every Swarozgari is necessary to ensure full recovery. Since the banks are also understaffed, they may engage the services of NGOs or individuals (other than government servants) as monitor-cum-recovery facilitators, on a commission basis. A processing-cum-monitoring fee of 0.5 per cent of the loan amount may be charged to the Swarozgaris to meet this expenditure.

4.26 In order to ensure recovery discipline, with effect from 1.1.2001, any Panchayat that registers a recovery of less than 80% under SGSY will not be eligible for consideration under SGSY. Likewise, any Panchayat Samithi registering a recovery of less than 80% will see the further programme suspended in the Samithi.

4.27 In order to ensure that Panchayats / Panchayat Samithis do not meet with such a situation, they shall keep a close watch over the situation. The report of the Block SGSY committee shall be placed by the BDO before the Panchayat Samithi. The District SGSY

Committee shall also review the recovery position every month and ensure that steps are taken to recover the loans.

Incentives and Disincentives for Recovery Performance

4.28 In order to promote credit discipline among Swarozgaris and also to bring about a sense of accountability of the community, the following incentive and disincentives system is introduced.

- a) At the Swarozgaris level, prompt repayment will entitle him/her to waiver of the 0.5% processing-cum-monitoring fee.
- b) At Gram Panchayat level and block level – a minimum of 80% recovery should be ensured by Panchayats and block. Those Gram Panchayats and blocks that do not fulfil the required recovery performance will not be eligible for any allocation under SGSY in the subsequent year.

Observance of Non-banking Day

4.29 Banks are required to observe one day in a week as non banking day to enable the bank officials to go to the field and attend to the problems of Swarozgaris.

Risk Fund for Consumption Credit

4.30 To meet the small consumption needs of weaker sections of society, a Risk Fund for Consumption Credit can be created with (one per cent) (1%) of SGSY funds at District level. The scheme is intended to enable commercial banks, Co-operative banks and Regional Rural banks to provide consumption loans, not exceeding Rs.2000 per Swarozgaris from weaker sections of society. “Weaker Section” means all SGSY Swarozgaris, small and marginal farmers, landless agricultural workers, rural artisans and other people of very small means like carpenters, barbers, washermen etc., who form an

integral part of the village community. Under the scheme, risk fund assistance is provided to the banks to the extent of 10% of the total consumption loans disbursed by them during the year to the above mentioned target groups.

Refinance for SGSY Loans

4.31 Commercial banks (including Regional Rural Banks and Cooperative Banks) are eligible to get refinance from NABARD for the loans disbursed under SGSY, as per their guidelines. The eligibility for refinance is related to the recovery position of the banks. In addition, insurance cover to Commercial Banks and Regional Rural Banks is also available through the Deposit Insurance and Credit Guarantee.

Service Area Approach

4.32 The RBI has introduced Service Area Approach with effect from 1.4.1989. It is applicable to rural and semi-urban branches of commercial and Regional Rural Banks. Under this scheme, each bank branch has a designated service area comprising certain villages in which it will concentrate its activities for productive lending. The financing for SGSY in those villages is, therefore, to be done by the Bank Branches to which they have been allocated.

4.33 RBI has clarified that if some RRBs are not in a position to sanction the applications sent to them on account of constraint of funds, inadequacy of staff etc., the designated branch of the Commercial Bank should extend financial assistance in such cases.

INSURANCE

Marking of Assets

4.34 The assets should be marked to check the misutilisation or transfer of the assets. This is also necessary in the eventuality of filing insurance claim and physical verification of assets etc.,

Insurance Cover for Various Assets

4.35 Insurance Cover at present is available for livestock assets given under IRDP (now SGSY). The General Insurance Corporation has agreed to provide this cover on the terms and conditions as reflected in the specimen Master Policy and Long Term Master Policy Agreement signed between the GIC and the State Government.

i) Livestock Insurance

The coverage and premium rates are to be fixed in accordance with the Master Policy Agreement

ii) Scope of Cover

The livestock policy provides indemnity in the event of death of animal/bird due to accident inclusive of fire, lightening, riot and strike, flood, cyclone, earthquake, famine or due to any fortuitous cause of disease contracted or occurring during the period of insurance subject to certain exclusions.

iii) Sum insured

The cost of the asset shall be treated as the sum insured for the settlement of claims. For permanent total disablement (PTD) claims 75% of the sum insured shall be payable.

Iv Claim Procedure

The claim procedure is simplified to secure expeditious disposal of claims. The Bank/DRDA shall forward a death certificate given jointly by any two of the following within 30 days from the date of occurrence.

1. Sarpanch / Upsarpanch of Village;
 2. President or any other officer of the cooperative credit society
 3. Official of Milk Collection Centre or Government Veterinary Surgeon/Veterinary Assistant
 4. Supervisor / Inspector of Cooperative Central Bank;
 5. Authorised nominee of DRDA
 6. Secretary of Panchayat
 7. Village Revenue Officer
 8. Village Accountant
 9. Head Master of Primary School
- iv) Adjustment of Insurance Claim Money

The procedure of adjustment of insurance claim of animals will be as follows:

- a) Whether the borrower has been regular in payment of interest/repayment of instalments and is willing to receive a replacement animal, the claim proceeds may be utilized to purchase a new animal.
- b) Where the Swarozgari was a wilful defaulter and has additional dues to the bank by way of interest, the claim proceeds would be adjusted to the bank loan liability and the balance may be paid to the DRDA. However, if the default was not wilful, replacement animal may be provided out of claim proceeds.

c) Where the Swarozgari has been regular in payment of loan and interest but is unwilling to take a replacement animal he may be offered assistance for some other activity and claim proceeds utilized for financing the same. If he is unwilling to take any other activity, the claim money may be utilized by giving to the bank an amount equal to the balance outstanding in the loan account. The DRDA will also get subsidy amount proportionate to the balance loan outstanding the balance, if any, may be given to the beneficiary. Here, the Swarozgari is entitled to share the claim proceeds to the extent of loan repaid by him because he has utilized the asset properly and has paid the banks dues until the death of animal and has fulfilled the programmes objective to that extent.

vi) Other facilities

The General Insurance Corporation of India have informed that if an IRDP (now SGSY) beneficiary has other milch animals where no loan subsidy is involved, such milch animals could also be insured at the concessional rates of premium i.e.2.25% per annum or 1.69% for three years. It has also intimated that IRDP (now SGSY) beneficiaries who have closed their loan account can insure the animals acquired by them through loan and subsidy at the concessional rates of premium for a further period of three years after closing the loan account if animals do not exceed the insurable age limit.

Expenditure on Premium

The expenditure on the premium is to be shared between the Government, bank and the beneficiary in the following proportions:

	When the banks do not participate	When the bank agrees to participate
Swarozgaris	1.25%	1.00%
Government	1.00%	0.75%
Bank	Nil	0.50%

The expenditure to be borne by the Government will be shared between the State and the Centre in the ratio of 75:25. It should be met out of SGSY funds but should not be included in the individual subsidy ceiling applicable to the beneficiary.

Group Life Insurance Scheme

4.36 A group life insurance scheme for Swarozgaris aged not less than 18 years and not more than 60 years was introduced w.e.f. 1.4.88. This scheme is operative from the date on which the asset is disbursed to the Swarozgari till the Swarozgari completes the age of 60 years or a period of 5 years from the date of commencement of the cover, whichever is earlier. A sum of Rs.5000 shall become payable by LIC to the nominee of the deceased in case of natural death. In the event of death due to accident a sum of Rs.10,000 shall become payable by LIC.

SKILL UPGRADATION

5.1 It has been well recognised that for success of self employment endeavours and also for their sustainability, the required skill to successfully run the enterprise is a pre-requisite. SGSY proposes a number of measures for upgrading the capacity of Swarozgaris both in individual as well as group oriented activities.

5.2 While developing the project profiles for the identified key activities, the District SGSY committee should in consultation with concerned technical personnel determine the minimum Skill Requirement (MSR), in terms of both the technical and managerial skills. Once the person or group of persons has been identified for assistance, their training needs also should be ascertained with reference to MSR. The assessment regarding technical skills may be made by the line departments while that of the managerial skills may be made by the banker while scrutinising the loan application. Such an exercise along with the Swarozgaris will help in identifying those who have the MSR and therefore need only a basic orientation and those who need skill training. Keeping this in mind two types of training are contemplated under SGSY.

Basic Orientation Programme

5.3 Where the Swarozgari possess the required skills, he/she may be put through a basic orientation programme after the loan is sanctioned and before it is disbursed. This mandatory programme may be organised at the block headquarters, not far from place of residence. The basic orientation programme will seek to familiarise the Swarozgaris with SGSY and its objectives, the responsibilities of the Swarozgari, as well as the behavioural aspects. It will also seek to infuse confidence in the Swarozgari by drawing his/her attention to the success stories in the given key or allied activity, as well as alert him/her to the possible risks. This programme will include elements of book keeping, knowledge of market, identification and appraisal, acquaintane with product costing and product pricing, familiarisation with project financing by banks as well as some basic skills in the

key activity identified. It will be of a very short duration, and should not normally be more than two days. BDOs, Bankers and line departments can act as resource persons for this training. Training expenses like training material, honorarium to resource persons, travel and food expenses of Swarozgaris can be met by DRDA from SGSY Training Fund. No stipend will be adimssible.

Skill Development Training

5.4 For the identified activities, Swarozgaris who need additional skill development/upgradation of skills appropriate training may be identified and suitable training programmes organised. Government institutions like engineering colleges, it is, Polytechnics, Universities and NGOs may be approached to imparting training. The objective of this training is to ensure that the Swarozgaris possess the Minimum Skill Requirement (MSR). Swarozgaris will be eligible for assistance only when they possesses MSR and loans will be disbursed only when they have satisfactorily completed skill training.

5.5 For this training, swarozgaris will be entitled for financial assistance if they require to undergo training for more than a week. The rate of assistance may be fixed locally. The bank will give this money to the Swarozgaris as a soft loan.

Identification of training institutions

5.6 Data on the available training infrastructure should be collected so as to make an optimal use of the existing infrastructure facilities at the district as well as the block levels. The facilities may include institutions such as ITIs Polytechnics, Krishi Vigyan Kendras, Khadi and Village Industries Boards, State Institutes of Rural Development, Extension Training Centres, reputed voluntary organizations and any departmental facilities available in that area. Private institutions shall not normally be used for training unless they are well known and have excellent infrastructural facilities that are otherwise not available. There is however no bar to utilize the private sector industrial units for

appropriate training. The selected training institutions should have adequate facilities in terms of faculty, buildings, etc. The DRDA will be entitled to meet the expenses, incurred by the training institution for conduct of the training programme, from out of the SGSY-Training fund, but such expenses should not exceed Rs.15/- per trainee per day.

SGSY Training Fund

5.7 Upto 10% of SGSY funds will be set aside as training fund and will be utilized to provide both orientation and training programmes to the Swarozgaris, as indicated above. A separate Head of Account should be opened for this purpose.

TECHNOLOGY

6.1 The effort under Swarnjayanti Gram Swarozgar Yojana is to ensure the development of sustainable micro enterprises. The self employment referred under SGSY is moving away from provision of some additional income generation to a well-defined goal in terms of output incomes and the time within which the assisted family comes above the poverty line. For any successful enterprise, appropriate technology of paramount importance.

The issues involved in technology management are primarily as follows:

- a) What technologies to be identified
- b) Who will be responsible for technology management, including issues of technology transfer, technology upgradation and most importantly, monitoring of the technology absorption.

6.2 The technology identified for each key activity should be such that it can be managed comfortably by the Swarozgari and at the same time leads to quality products, either in terms of goods / services. More importantly, it should be something that has been tested on the field. For, it is always possible to have an exhaustive list of technologies fit for rural areas but these may or may not have been proven commercially. Care should be taken to avoid giving unproven technologies to the rural poor, since they do not have the capacity to suffer losses arising out of experimentation. It is not as if technology has to be introduced afresh into each and every activity. Any given activity there is a certain level of technology. It is possible that introduction of certain technology may substantially alter the economics of working, in which case such new technology needs to be introduced. There could be in other cases where the technology can be

upgraded to produce better economic results. In any case the technology introduction / upgradation should be such as to suit the needs of rural poor for the given key activity.

6.3 The process of technology identification is closely interlinked with the identification of key activity itself. The technology itself should be such that support services and infrastructure are adequately available. The project profiles of the key activities should clearly state the present status of technology, feasibility and potential for technology upgradation. Technology options may be explored in the area of:

- Processing value addition and packaging
- Linkages with agricultural and animal husbandary extension services
- Productive enhancement, efficiency improvement, cost effectiveness, drudgery reduction etc.,

6.4 Under SGSY, it is expected that the assisted family would come out of poverty line in three years. It is therefore necessary that during this period the Swarozgaris be closely monitored. In the earlier self employment programmes the lack of such nurturing has been acutely felt. Typically in a block about 300-600 people would be assisted in one year. In other words about 900-1800 families need to be nurtured at any point of time. Since SGSY focuses on the group approach, the number of groups would not be far too many. Besides the Swarozgaris either individually or in groups would be distributed over the four or five key activities in the block. For each key activity it is necessary to have an institution capable of transmitting technology ensuring skill upgradation and monitoring the performance in terms of the quality of output as well as the recovery. The choice of such agency can vary depending on local situation. They can be the line departments themselves or any of the technical institutions such as Engineering Colleges, Polytechnics, ITI's having competence. This can even be a research institution, a Krishi Vigyan Kendra or even a major private sector unit. All the institutions that are available in a block/district should be considered and the best available option exercised. In this regard there are number of community polytechnics (442) in the country with the avowed objective of promoting employment in the rural areas. Each of these community

polytechnics has five extension centres. Similarly, there are 14 technology resource centres established by CAPART. The National Research & Development Corporation (NRDC) also has 52 rural technology demonstration-cum-training centres. In addition under TRYSEM itself a number of exclusive training centres have been established. Besides, the KVIC has also a number of training as well as research institutions. In the field of agriculture, a large number of Krishi Vigyan Kendra, Farmers Training Centres and regional centres of Agriculture Universities are available. Thus, a considerable knowledge already exist in the districts. The DRDAs must therefore strive to gather the existing knowledge and channelise this not only into identification of key activities but also into immediate transfer of technical knowledge to entrepreneurs, so long as its commercial viability is not in question.

6.5 The manner of communicating the technology, either in terms of introduction or upgradation would be important and this should be done in such manner that the Swarozgaris could fully understand the same. Since skill upgradation is already provided for the costs incurred in respect of technology management can be incurred from the SGSY training fund. Any assistance to be provided to an institution identified for transfer of technology should only be nominal and should not be such that it supports the institution as such. The expenditure is meant essentially for Swarozgaris.

MARKETING SUPPORT

7.1 For any goods or services that are produced, existence of a suitable market is essential. Traditionally, the self-employment programmes concentrated on the inputs rather than the outputs and their marketing. It was not uncommon to find production strategies in place overlooking the marketing aspects. One often finds that the recommendation of an activity is not preceded by the much needed market survey. There is a false notion that market surveys are not required in case of the self-employment opportunities for the rural poor. Infact, it is as critical if not more, for the poor. For, he/she cannot sustain the loss arising out of a lack of market even for short periods. It is therefore necessary that the project profile of every key activity identify the market availability. The forecast of the incomes to be earned by the Swarozgari must take into account this factor and forecast the incomes only on the basis of an assured market. This would be a critical factor in the choice of the key activity itslef.

7.2 It is possible that this might appear to be a formidable proposition and that the field functionaries might feel that they are unequal to the task. Happily, this is not so. While to most of us, market mechanism may appear unintelligible and a complex task, in reality it means checking out what sells and what does not. Goods and services are traded every day in all parts of the country. What is needed is to see that sells in the local markets. A study conducted some years ago for the Ministry of Rural Development indicated that the rural Haats (markets) play a significant role. An analysis of these markets therefore reveals the opportunities. Secondly, an analysis of the daily requirements, either for personal use or in agriculture and exploring ways of meeting the demand locally can lead to some useful results. At times, the product concerned might require some promotional activity in order to raise demand.

7.3 A study of the local markets might reveal that what the villagers purchase can as well be produced locally. The opportunities must be fully explored. At the same time, it must be remembered that is neither feasible nor desirable to produce all goods in all places. The choice of activity therefore must be governed by the possibilities that exist

on account of the resources of an area, the available skills and the market. It is always possible to develop the skills or even the markets but this must be weighed against the fact that it would require time and effort.

7.4 Next in importance are the markets in urban areas. There is an increasing trend towards urbanization in the country alongwith a change of consumer tastes and demands. The goods in demand could be in the primary sector or otherwise. An analysis of these urban markets would reveal the consumer preferences and the potential for the rural entrepreneurs. There can be a good potential for value added items, such as cleaned and packaged food items, processed fruit and vegetables etc., The emerging urban markets can be a good area for developing clientele for the rural products. Provision of marketing infrastructure in these areas can go a long way in enabling the rural poor to market their goods and at the same time building an identity for the products. The self-help groups can be encouraged to try out these markets on their own so that they slowly develop marketing skills. They can also start marketing the goods of the individual Swarozgaris. Infrastructure Fund can be used for strengthening marketing infrastructure and related activities.

7.5 The marketing of goods outside the district requires an intermediary agency. This can be in the governmental, non governmental or private sector. The one aspect that requires to be taken care of is the stability of the agency, their own competence and their capacity to ensure that the rural producer is getting his/her fair share of the profits. Care should be taken to see that only such agencies that do not exploit the rural producers and are well established in the business are chosen for the purpose. These agencies may market the products in the national or international markets.

7.6 Some State governments have established District Supply and Marketing Societies (DSMS) to provide non-credit inputs like procurement or purchase of raw material and also for sale of products. Wherever these societies are doing good work, they can be suitably strengthened. Similarly, in States such as Orissa and Kerala, there are marketing societies at the State Level. Their capacity and product range can be

suitably expanded. However, it is not always necessary to establish new agencies. It should be a felt need after a careful analysis of the existing infrastructure, and should be part of a strategy for promotion of marketing support to products under SGSY.

7.7 Organizations like Handicrafts Boards and Handloom Corporations and also KVIC/KVIB can play a prominent role in promotion of SGSY. The marketing outlets of KVIC/KVIB must be made use of for SGSY products. Keeping the market trends in view, linkages with apex bodies can ensure a stable market at remunerative prices. Such a link will also result in quality improvements while reducing the market risks to the poor. Bankers can also encourage such initiatives that liberal credit delivery since the loan recovery can be built into the project. There are several NGO and other independent institutions to market products from rural artisans / craftsmen across the country. DRDAs should strive to develop linkages with such groups.

7.8 A few states have organized Melas to give publicity to the range of products produced by the Swarozgaris. Such efforts need further encouragement so those SGSY Swarozgaris will be integrated with the regional markets. Organizing of Exhibitions periodically in urban centres will offer better price to the goods of SGSY Swarozgaris. This also serves as forum for sensitizing the SGSY group to the demand patterns of the market. The State level organizations and boards have to develop an organic link with the SGSY groups and provide virtual linkages. These professional bodies can guide the poor in supply of designs and in quality assurance. Attempts to establish State emporia for display and sales of SGSY Products in major urban cities need to be given a fair trial.

7.9 Quality of products is vital not only for the development of entrepreneurs but also for the nation as a whole. It must be the responsibility of the marketing agencies to ensure that the Swarozgaris are trained in quality control. The goods marketed must conform to a minimum and uniform quality so as to be able to develop a brand image. This is important even in respect of the goods that are produced for local consumption. The DRDAs must organize periodic meets of the Swarozgaris and ensure that they are given the necessary guidance in quality control. There must also be a system of the experts in the relevant fields visiting the work places and guiding the Swarozgaris.

IMPLEMENTATION

8.1 A close involvement of different agencies is essential for the success of Swarnjayanti Gram Swarozgar Yojana. SGSY is implemented by District Rural Development Agencies (DRDAs) through the Panchayati Samithis and, with the active involvement of other Panchayati Raj Institutions, the banks, the line departments and the NGOs.

8.2 The DRDA are expected to co-ordinate the implementation of the programme. In particular their role will be critical in organization of the self-help groups and their capacity building as well as in terms of coordination with the technical institutions for technology and training, the banks for planning and credit mobilization, the line departments for infrastructure and technical follow up as well as in co-ordinating the marketing activities.

8.3 The Gram Panchayats will play a crucial role in SGSY. The Gram Sabha will first approve the list of BPL families. Besides, at the beginning of each year, the potential Swarozgaris for taking up the designated key activities would be identified in each habitation by a 3-member committee including the sarpanch. The list of Swarozgaris who are sanctioned the loan by the banks would also takes steps to provide from its funds under JGSY or any other programme, the common infrastructure necessary for the key activities. The Gram Panchayat would actively monitor the performance of the Swarozgaris and in particular whether they are repaying the loan regularly.

8.4 The Panchayat Samiti (block level) will approve the key activities that are identified for the blocks before the list is sent to the BDO through the District Level Technical Group. The Panchayat Samiti would review every month the reports sent by Block SGSY committee. In particular, the Panchayat Samiti would review the recovery

performance. The Zilla Parishad will be reviewing the performance under SGSY in its general meetings.

8.5 The Bankers play a very vital role in the implementation of Swarnjayanti Gram Swarozgar Yojana. SGSY is a credit-um-subsidy programme. Credit is the key component and subsidy is only a minor and enabling component. SGSY envisages the closes association of bankers at all stages of the programme implementation, right from the identification of key activities, clusters, self help group, identification of individual Swarozgaris as well as planning for all the elements of the key activities. The bank has the final say in the selection of Swarozgaris. An elaborate mechanism has been put in place to ensure post-credit monitoring as well as for loan recovery.

8.6 The line departments have an important role to play in the entire exercise, for they will be responsible for implementation and monitoring of respective sectoral activities. SGSY would need a very close collaboration between the implementing agencies and the line departments. This colloboration starts with the identification of key activities and preparation of project reports. The line departments will be responsible for planning and creation of the infrastructure required to make the key activity successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgaris. The line departments may also verify whether the Swarozgaris have the necessary skill requirement and take steps to train them. The line departments should also satisfy themselves about the quality of training that is being imparted. They should assist the DRDAs in ensuring that the Swarozgaris are duly training in the appropriate institutions. It shall be their responsibility to monitor the progress and whether Swarozgaris are able to derive the expected levels of income. The line departments will treat promotion of self-employment in their sector as much their responsibility as that of DRDA/Panchayati Raj Institutions / Banks and it should be an integral part of their day-to-day functioning.

8.7 The NGOs have also an important role to play. They can be used in the formation and nurturing of the SHGs as well as in the monitoring of the progress of the Swarozgaris. Where feasible, their services can also be utilized for provision of technology support, quality control of the products. What the NGOs can do would depend on the nature of the NGO and its competence. Care must therefore be taken to ensure that only those NGOs are utilized in the programme as are capable of supporting the programme. At the same time, every effort must be made to ensure that all resources available in the district are made use of.

8.8 Similarly, care must be taken to ensure the participation of the technical resource available in the district, in the form of technical institutions. These technical institutions may not always have ready solutions to the problems but if they are properly oriented, they can come group with solutions to different problems. If they are made part of an ongoing process, their own capacity will be built up, with long term benefits. The district SGSY committee must pay particular attention to this aspect.

Co-Ordination Mechanism

8.9 A close coordination between different agencies responsible for implementation of SGSY is critical for the success of the programme. The programme should be treated as a joint programme with all agencies being conscious of their respective roles. In order to ensure the coordination the following committees are constituted under SGSY.

Block Level SGSY Committee

8.10 There shall be a block level SGSY Committee in each block. Its composition will be as follows

- | | | | |
|----|--------------------------------------------------------------------------------|---|----------|
| 1. | Project Director- DRDA | - | Chairman |
| 2. | Project Officer (Self-Employment) | - | Member |
| 3. | Branch Managers of all implementing bank
Branches in Block | - | Members |
| 4. | Block Level / Sub-Division level Officers
of the concerned line departments | - | Members |
| 5. | NGO representative (one) | - | Member |
| 6. | Block Development Officer | - | Convenor |

The meetings of this Committee shall be convened by the BDO. The Lead Bank Officer, DDM, NABARD, and the lead District Officer, RBI may attend the meetings as special invitees. They may attend as many meetings as possible in each block, so that they are familiar with the ground level problems and can help in sorting them out.

The main functions of Block Level SGSY Committee are:

- a) Selection of key activities at the beginning of the programme
- b) Selection of villages and number of Swarozgaris to be covered each year
- c) Distribution of the work among the bank branches
- d) Monitoring of the performance by different agencies
- e) Co-ordination issues in respect of infrastructure, credit, technology and marketing
- f) Review of incomes being earned by Swarozgaris
- g) Review of the recovery performance, fixing dates for recovery camps etc.,
- h) Drawing up of the monthly report (the monthly report may be drawn by BDO based on information furnished by the banks. A review of the report in the monthly meeting will help the block level committee in identifying different problems. It is however, not necessary to hold up the preparation of the report in the absence of this monthly meeting)
- i) Review of progress of Swarozgaris in crossing the poverty line.

The block level committee shall meet between 5th and 10th of every month. It must be ensured that meetings are held regularly. Branch Manager of financing institutions should report in a pre-determined format about the SGSY financing in the

Block and the same should be compiled by BDO. The proceedings of the Block Level SGSY Committee shall be sent to Panchayat Samiti for information and necessary action, if any. A copy should also be sent to the PD, DRDA and to the Lead Bank officer.

District Level

8.11 At the District Level, there shall be a District SGSY Committee under the Chairmanship of the District Collector/ Chief Executive Officer. This Committee meets every month to review the progress of SGSY and suggest corrective action wherever necessary. The composition of District Level SGSY Committee will be as under:

- | | | | |
|-----|-------------------------------------------------------|---|----------|
| 1. | District collector / chief Executive Officer | - | Chairman |
| 2. | DDM of NABARD | - | Member |
| 3. | LDO of RBI | - | Member |
| 4. | District level Coordinators of the implementing Banks | - | Member |
| 5. | Concerned Heads of district level line departments | - | Member |
| 6. | General Manager, DIC | - | Member |
| 7. | District KVIB officer | - | Member |
| 8. | Project Director, DRDA | - | Member |
| 9. | 2-3 NGO representatives | - | Member |
| 10. | Lead bank officer | - | Convenor |

The functions of District SGSY Committee include:

- i) Review of SGSY Plan
- ii) Monitoring and review of the overall progress in physical and financial terms
- iii) Sorting out inter-agency differences and to prepare item for consideration of State Level Committee
- iv) Assessing training needs of Swarozgaris and also to review the arrangements for training including identification of appropriate of State Level Committee.

- v) Monitor the recovery position bank-wise and block-wise so as to initiate corrective measures where necessary.

State Level

8.12 The Department of Rural Development or any other Department to which the subject of Rural Development has been allocated should be responsible for planning, implementation, monitoring and evaluation of the programme at the State Level . A State Level SGSY Committee has been provided to oversee the functioning and the performance under SGSY, its composition is as under:

1.	Chief Secretary / Development Commissioner	Chairman
2.	Secretary, D/o institutional finance	Member
3.	Secretary, D/o Planning	Member
4.	Secretary, In-charge of Women's development	Member
5.	Concerned heads of the Line Departments as and when required	Member
6.	Secretary in charge of welfare of SC/ STs	Member
7.	Representative of NABARD (local Head of Regional Office)	Member
8.	Representative of RBI	Member
9.	Representatives of concerned implementing banks at State headquarters	Member
10.	A representative of the Government of India, not below the rank of Deputy Secretary	Member
11.	Director, SIRD	Member
12.	Convenor, SLBC	Member
13.	Secretary, in charge of Rural Development	Member
		Secretary

Functions of the State Level SGSY Committee are as under:

- i) To provide leadership and guidance in the planning, implementation and monitoring of the programme.
- ii) To review the district-wise progress under SGSY and suggest remedial actions.
- iii) To monitor and evaluate the implementation of the programme with reference to the objectives of the programme.
- iv) To review the involvement of reputed NGOs in the SGSY and provide directions if necessary.
- v) To provide a forum for a meaningful dialogue between the policy makers at the state level and the implementers at the field level as well as the bankers.
- vi) To discuss any other issue relating to SGSY.

Central Level

8.13 The Department of Rural Development in the Ministry of Rural development, Government of India, New Delhi has the overall responsibility of policy formulation, monitoring and evaluation of the programme and for release of central share of funds. A Central Level Coordination Committee (CLCC) has been constituted as under to assist the Development. The CLCC will meet once in six months.

1.	Secretary, Ministry of Rural Development	Chairman
2.	Deputy Governor, Reserve Bank of India	Member
3.	Secretary, Dept. of Agriculture & Cooperation	Member
4.	Secretary, Department of Expenditure	Member
5.	Special secretary, Banking Division, Ministry of Finance	Member
6.	Secretary, Department of Women and Child Development	Member
7.	Secretary, Department of Small Scale & Agro-related Industries	Member
8.	Secretary, Department of Science & Technology	Member
9.	Secretary, Ministry of Welfare	Member
10.	Managing Director, NABARD	Member

11.	Advisor (Rural Development), Planning Commission	Member
12.	Additional Secretary & FA, Ministry of Rural Development	Member
13.	State Secretaries of Rural Development	Member
14.	Chairman-cum-Managing Director of all commercial sector banks	Member
15.	Director General, CAPART	Member
16.	Director General, NIRD	Member
17.	Chairman, Indian Banks Association	Member
18.	Joint Secretary (IRD)- Department of Rural Development	Member
		Secretary

Other officials/ non-officials may be invited to the meetings of this Committee if their presence is felt necessary.

The functions of CLCC are as under:

- i) To review and ensure effective implementation of the programmes.
- ii) To review linkages for support services for SGSY.
- iii) To review progress of these programmes in physical, financial and qualitative terms including credit assistance.
- iv) To consider concurrent evaluation reports.
- v) To provide a forum for a continuous dialogue with the State Governments and Bankers.
- vi) To review the credit arrangements and recommend changes and improvements as and when necessary.

Setting up of SGSY Cells in Banks

8.14 For the purpose of effective monitoring of the implementation of SGSY, the banks may set up SGSY cells in their controlling offices such as zonal / Regional offices. These cells should make periodical review of the flow of credit to SGSY Swarozgaris,

ensure the implementation of the guidelines issued by Reserve Bank of India, collect data from the branches and make available consolidated data to the Head Office of the bank.

IX

FUNDING PATTERN AND FINANCIAL PROCEDURE

Criteria for Allocation of Funds to the States

9.1 Swarnjayanti Gram Swarozgar Yojana is a centrally sponsored scheme and the financing of the programme will be shared between the Central and State in the ratio of 75:25. The central allocation earmarked for the States will be distributed in relation to the incidence of poverty in the States will be distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity (based on past trend in utilisation of SGSY funds) and special requirement will also be taken into consideration during the course of the year. Devolution of funds to the districts will be indicated by the States and approved by the Government of India. Government of India will release the funds directly to the DRDAs. Devolution to the blocks may be decided by the Governing Body of the DRDA based on level of poverty and other local factors. Re-allocation may be made by the DRDA within a district. This can be made during January for the remainder of the financial year.

Eligible Items of Expenditure

9.2 Each DRDA may incur expenditure on the following items only from the funds provided for SGSY:

- i. SGSY Training Fund (10% of the allocation)
- ii. SGSY Infrastructure Fund (20% of the allocation; 25% in case of NE States)
- iii. Provision for Revolving fund to SHGs (10% of the allocation)
- iv. Subsidy for economic activities

For administration, separate funds through a distinct Centrally sponsored scheme

of 'DRDA Administration' will be provided.

Release of Funds

9.3 The Central released funds in two instalments. In the case of cold snow bound Districts viz., Lahul and Spiti, Leh and Kargil where the working period is limited to a few months, the entire central share of assistance can be released in one instalment. These releases should be immediately followed with the releases by the States.

Release Procedure for Central Share of SGSY Funds

A. NORMAL AREAS

(i) Release of First Instalment

The release of first instalment of SGSY subsidy amount can be made without any formal request if the second instalment in the previous year had been released without any condition. If this instalment was not released at all or was released with some conditions, formal requests for release of first instalment are required from the DRDAs after the conditions have been fulfilled/ reasons for non-release of the second instalment have been met.

The release of the first instalment should ordinarily be completed by the end of the second month of the financial year.

(ii) Release of Second Instalment

The second instalment of Central funds is released on the request of the DRDAs in the prescribed proforma on fulfillment of the following conditions:

1. Budget provision for the current year may be indicated by the State Governments. The Central release will not exceed it proportionately.

2. The State Government should have released its contribution during the previous year. Deficiency in release of its share will be deducted from the second instalment.
3. The opening balance of the DRDAs should not exceed 15% (20% for the year 1999-2000) of the allocation of the year in which funds are being released. In case, the opening balance exceeds this limit, the Central share of the amount by which it exceeds this limit will be deducted at the time of release of second instalment.
4. Available funds including carry forward funds should have been utilised at least to 60%.
5. Audit reports, utilisation certificates for the previous year Body of the DRDA.
6. Annual plan should have been approved by the Governing Body of the DRDA.
7. Any other terms and conditions imposed at the time of the last release should have been met.
8. The states should ideally get the release of second instalment latest by the end of December. The quantum of second instalment releases while seeking the second instalment will be made dependent on the time of reporting of utilisation. Depending on the receipt of complete proposal for second instalment, the quantum will be governed as follows:

Proposals received

by the end of December	:	50% of allocated funds
by the end of January	:	40% of allocated funds
by the end of February	:	30% of allocated funds
in March	:	20% of allocated funds

B. COLD DESERT DISTRICTS

Funds will be released in one instalment but the following conditions should be satisfied before next release:

- (a) Condition laid down at the time of release of funds during the previous year should have been satisfied.
- (b) Budget provisions for the current year should have been indicated and Central releases should not exceed it.
- (c) State Government should have released its share during the previous year. Deficiency in the release of the State contribution would be deducted from the current year's release.
- (d) Carry forward balances should not exceed 15% (20% for the year 1999-2000) of the last year's allocation. Excess carry forward would be deducted from the current year's release.
- (e) 75 percent utilisation of available funds including carry forward funds.
- (f) Annual Plan should have been approved by the Governing Body of the DRDA.
- (g) Audit Report, Utilisation Certificate and Bank Reconciliation Certificate for the previous year should have been received.

X

MONITORING

10.1 For ensuring that Swarozgaris crosses the poverty line, it is not sufficient to provide him assets through subsidy and loan. The progress of management of his assets for generation of incremental income has to be continuously followed up, monitored and evaluated.

10.2 The follow-up on the projects to the Swarozgaris should be done by the

DRDA/Block officials, and bankers to see that the Swarozgari is properly managing his assets and is able to generate the projected income. All efforts should be made to remove any difficulties that the Swarozgari may be facing. Every Swarozgari should be given Vikas Patrika. Two copies of this document should be prepared of which one copy should be given to the Swarozgari and the other should be kept at the Block headquarters. Both the copies should be kept continuously updated regarding the health of the project.

10.3 An annual physical verification of assets may also be undertaken on a drive basis at the end of every year. The results of such verification should be incorporated in the Annual Plan for the next year.

10.4 Follow up and monitoring will also be done at the different levels and agencies like DRDA, BDO, panchayats, bank branches etc.

10.5 The performance of the implementation of SGSY is to be monitored continuously at all levels. At the Block and District levels this is done through reports and physical verification of the assets. At the Central Government level, the programme will be continuously monitored on the basis of monthly progress report. The States will send district-wise information received from the DRDA to the Centre as under:

(a) Monthly Progress Report

Monthly Progress Report should be sent so as to reach the Centre by the 20th of every succeeding month. The proforma for submission of above monthly progress report will be communicated to the States.

(b) Annual progress Report

The monthly progress report for the last month of the financial year i.e. March will be treated as the final Annual Progress Report for that year.

The annual progress report should be sent along with an analytical note on the implementation of the SGSY in the State particularly, on the following points:

- (i) The physical and financial progress during the year
- (ii) The linkages provided and availed of for various activities.
- (iii) General comments on the implementation of the programme including suggestions, if any.

Qualitative Monitoring of SGSY at Block / DRDA Level

10.6 For effective implementation of the programme, physical monitoring through field inspections is important. Officers dealing with SGSY at the State head quarters shall visit districts regularly and ascertain; through field visits that the programme is being implemented satisfactorily and is in accordance with the prescribed procedures and specifications. Likewise, officers at the district, sub-division and block levels must closely monitor all aspects of the programme through visits in the interior areas.

10.7 In order to develop a consistent system of monitoring the implementation of SGSY at Block / DRDA level through field visits and physical verifications of assets as well as progress of the Swarozgari towards income generation the following schedule of inspection of families by the various levels officers is suggested:

(i)	District Magistrate/ Chairman DRDA	10 per month
(ii)	Project Director, DRDA	20 per month
(iii)	Project Officer & Project Economist	40 per month
(iv)	SDMs	20 per month
(v)	BDOs	20 per month
(vi)	ADOs	20 per month

10.8 District Collector / Chairman DRDA should prescribe suitable number of field

visits for the officers of the line departments and obtain their inspection reports. On the basis of these inspection reports the Monitoring Wing at DRDAs will prepare a consolidated report. These reports should be discussed in the meetings of the Governing Bodies of DRDAs. Necessary corrective action should be taken wherever necessary. DRDAs will also send consolidated report on quarterly basis to States along with summary of comments on salient observations and follow up action taken on these issues.

10.9 The State Level SGSY Committee, should review quarterly the findings emerging out of qualitative monitoring of the programme as a standing agenda. Selected Chairman / Project Directors should be invited to such meetings.

Evaluation Studies

10.10 The States / Uts should conduct periodical evaluation studies on the implementation of the programme.

10.11 Evaluation studies may be given to the reputed institutions and organisations, on issues thrown up by the concurrent evaluation meriting detailed studies. These studies may be given by the centre as well as the States/ Uts. Copies of the evaluation studies conducted by the State should be furnished to the Central Government.

10.12 Remedial action shall be taken by the States/Uts on the basis of the observations made in these evaluation studies and also in the Concurrent Evaluation conducted by the Government of India.

XI

SPECIAL PROJECTS

Introduction

11.1 Under SGSY, funds are released to the DRDAs and are utilised as per the decisions taken at the local level. Sometimes, the poverty reduction efforts requires coordinated action by different departments and it may call for planning and coordination which may extend beyond the individual districts. There may also be occasions when the different departments or DRDAs or State Governments might want to try our new initiatives which are in the nature of pioneer projects, capable of triggering much needed growth impulses. Such projects would be indicators of possible alternative strategies. In order to take up such projects, 15% of the funds under SGSY will be set apart by the Ministry of such initiatives in conjunction with other departments, semi-government organisations such as, the Khadi & Village Industries Commission, Development Commissioner, Handicrafts, Commodity Boards, etc., or international organisations. This would include initiatives to be taken in the individuals districts or across the districts. If during the course of the year, such funds cannot be fully utilised, the balance funds will be distributed among the States along with the programme funds whose redistribution during the year will keep in view the absorption capacity of different States.

Objective

11.2 The objective of each special project would be to ensure a time-bound programme for bringing a specific number of BPL families above the poverty line through self-employment programmes. As per the programme guidelines, every assisted family must be brought above the poverty line in three years. The projects may involve different strategies to provide long term sustainable self-employment opportunities either in terms

of organisation of the rural poor, provisions of support infrastructure, technology, marketing, training, etc., or a combination of these.

Approval of Special Projects

11.3 The State Governments or semi-government organisations at the National level or international organisations may pose projects under this component. To consider the proposals received there be a two-tier committee system.

- a) Project Screening Committee
- b) Project Approval Committee

(a) Project Screening Committee

The projects submitted would be examined and considered by the Screening Committee before they are submitted to the Approval Committee with its recommendation. The composition of the Projects Screening Committee would be as under:

Joint Secretary (IRD), D/o Rural Development	Chairman
Director / Dy. Advisor (RD), Planning Commission	Member
Deputy Secretary (IFD), D/o Rural Development	Member
Director / Deputy Secretary / joint Director	Member
Dealing with the subject	Convenor

The Screening Committee would also be responsible for periodical review and monitoring of the projects sanctioned under the scheme.

The composition of the Projects Approval Committee would be as under:

Secretary, M/o Rural Development	Chairman
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AS & FA, M/o Rural Development	Member
Adviser (RD), Planning Commission	Member
Joint Secretary (IRD)	Member-Convenor`

A project being forwarded to Government of India under special projects of SGSY should inter-alia include the following details.

- (i) Likely beneficiaries / families of beneficiaries and year-wise details of long term and short term benefits (financial & in the nature of assets created and self-employment) expected to flow to the beneficiaries.
- (ii) An analysis of the activities proposed to be undertaken and the possibility of its replicability elsewhere.
- (iii) The approach proposed to be adopted for achieving the objective and the activities selected under the project proposal in relation to the available resources.
- (iv) Details of integration with other on-going rural development programmes in the area and arrangements for dovetailing funds from non-SGSY resources.

Special projects should be distinct from the normal projects/ schemes given to the individual / group prepared and taken up by the implementing agencies under SGSY.

Project of Implementation of Project

11.4 The period of implementation should not normally exceed three years.

Releases under the Special Projects.

11.5 Releases under the projects shall be made as per schedule of releases approved for each programme. Recurring expenditure such as certain of posts or vehicles maintenance expenditure shall not be admissible in the projects.

11.6 The reports and returns will be submitted to the Central Government by the implementing agencies as prescribed generally of for specific projects.

COMMON PRINCIPLES FOR WATERSHED DEVELOPMENT

1. Introduction

1.1 In the post Green-Revolution period the thrust of Indian Agriculture is on enhancement of agricultural productivity through sustainable practices. To achieve this end one of the major initiatives undertaken by the Government of India was the implementation of a national level project/programme for the development of rainfed areas through the watershed approach. The Watershed Approach aimed at augmentation and stabilization of production and productivity, minimizing ecological degradation, reduction in regional disparity, opening up of greater opportunities for employment of rural poor in the rainfed areas. A similar approach has been adopted for developing the more resource areas – drought prone, desert and wastelands – and to provide sustainable means of livelihoods to the rural poor in these areas.

1.2 A 25-Year Perspective Plan for holistic and integrated development of rainfed areas, prepared by the Planning Commission, envisages treatment of about 63 million hectares of land involving an estimated outlay of Rs.76,000 crore through various watershed development projects/programmes. These includes the watershed development projects of the three Central Ministries (Agriculture, Rural Development, Environment & Forest) as well as several externally aided projects.

2. Need for a Common Approach / Principles

2.1 For some time now the need has been felt to bring about convergence and harmonization in the implementation of various watershed development projects. However, this has not been possible so far as the aims and objectives of these projects are different and the watershed approach – because it is holistic, scientific and sustainable has been adopted under these projects to achieve their varied objectives. The latter include development of degraded arable rainfed areas, desert and drought prone areas,

wastelands, catchments of River Valley Projects and Flood Prone Rivers, reclamation of alkaline soils and ravine lands, shifting cultivation areas etc. While some of these projects had a very specialized focus resulting in special norms as well as delivery mechanisms geared to meet those needs, the six major projects / programmes, namely National Watershed Development Project for Rainfed Areas (NWDPR), Watershed Development in Shifting Cultivation Areas (WDSCA), Drought Prone Areas Programme (DPAP), Desert Development programme (DDP), Integrated Wasteland Development Project (IWDP), Employment Assurance Scheme (EAS) had elements of convergence and a considerable common geographical area of operation. Significantly, these six projects / programmes also account for about 70 percent of funds and area under watershed programmes in the country.

2.2 The Union Finance Minister in his recent Budget (1999-2000) Speech emphasized the need for unification of the multiplicity of watershed development programmes within the framework of a single rational initiative. Consequently, Planning Commission desired that the Ministry of Agriculture hold consultations with the Ministry of Rural Development to see whether it is possible to arrive at a common set of guidelines for watershed development.

3. Inter-Ministerial Meeting and Constitution of Sub-Committee

An Inter-Ministerial Meeting was held on 24.03.1999 under the joint chairmanship of Smt. Sathi Nair, Additional Secretary, Department of Agriculture & Cooperation and Shri S.B. Mohapatra, Additional Secretary Ministry of Rural Development with representatives from Planning Commission and the respective Divisions of the two Ministries. Various aspects of the watershed programmes were discussed in the Meeting. It was agreed that watershed projects with a specific focus and unique characteristics such as Reclamation of Problem Soils (MoA), and Integrated Afforestation and Eco-Development projects (MoEF) would required a different approach in keeping with their unique project components and special institutional requirements. The major watershed development projects namely, NWDPR and

WDSCA of MoA, DPAP, DDP, EAS and IWDP of MoRD which account for the major share of funds and geographical area would be considered for arriving at common Approach/Principles.

A four member Sub committee was constituted to formulate Common Approach / Principles for implementation of the selected watershed development programmes of the two Central Ministries within the following broad frame-work.

- Convergence on selected programme components / activities with commonality in approach
- Rationalization of unit cost norms depending on nature of programme content, work items and institutional arrangements.
- Feasibility of territorial delineation to be decided in terms of eligibility criteria, Ministerial mandate, programme focus and development objects.
- Scope for enlarging the process of capacity building involving local bodies/NGOs, community groups and extension functionaries.
- Broad-basing of financial resources through forging inter-institutional credit linkages
- Unified approach supporting programme measures and building suitable institutional framework for ensuring long-term sustainability.

The following is the composition of the Sub-Committee:

1. Dr. Rita Sharma, Joint Secretary, MoA
2. Shri Satish Chandra, Joint Secretary, MoRD
3. Shri J.D. Sharma, DIG(F), MoRD
4. Dr. A.N.Sarkar, Deputy Commissioner, MoA

It was decided by the Sub-Committee to co-opt the following members from the National Institute of Agricultural Extension Management (MANAGE) and the Ministry of Rural Development.

5. Dr. N.K. Sanghi, Director, MANAGE
6. Dr. D. Ramakrishnaiah, Deputy Commissioner, MoRD

4. Terms of Reference of the Sub-Committee

4.1 The mandate of the Sub-Committee was to examine the existing guidelines of watershed development projects / programmes of the Ministries of Agriculture and Rural Development with a view to identify the convergence and commonalities in approach in respect of specific criteria for selection of rainfed areas for treatment, programme components/interventions, institutional frame-work and modalities of implementation.

4.2 Three Meetings of the Sub-Committee were held on 21.4.99, 1.6.99 and 14.6.99 after which the Report of the Inter-Ministerial Sub-Committee on Formulation of Common Approach/Principles for Watershed Development was presented before the larger Inter-Ministerial Meeting chaired by Smt. Sathi Nair, Additional Secretary, MoA on 5.7.99. The suggestions provided in this Meeting have been incorporated in the Report.

5. The Common Approach / Principles to Watershed Development

A. Implementation Strategy

5.A.1 Participatory Approach for Empowerment of Community: People's participation will be the key to watershed development programmes. This will not only ensure long term sustainability of the watershed development process through ownership of the programme by local communities, but also empower the watershed communities to initiate activities on their own and take optimal advantage of other on-going development programmes of the Central and State Governments. The participatory approach will enable the programme to evolve into a "National Movement of Watershed Development that fosters implementation ability at the local level and creates community infrastructure

for micro watershed projects through active involvement of Gram Panchayats, Local Self Help Groups and NGO”.

5.A.2 Implementation of the Watershed Project through Watershed Community: The most critical step for empowerment of the local community and assurance of their active participation in the programme is to entrust the planning and execution of development works under the project to them. Under this approach it will be necessary to inform the watershed community about the total financial resources available to them before commencing the planning process. Likewise, they will need to be informed and educated in the mode of its expenditure before starting the implementation phase so that the entire process is facilitated thereby reducing to a minimum likely conflicts among community members.

5.A.3. Role of the Project Implementation Agency (PIA): While the main development activities will be carried out by the watershed community itself, the overall facilitation, coordination and supervision of the whole programme will be the responsibility of the PIA. The role of PIA shall be to motivate gram panchayats to pass necessary resolutions regarding implementation of watershed programmes; organize watershed communities at the village level; train office bearers and other community members on technological, management as well as accounting aspects; carry out Participatory Rural Appraisal (PRA) exercises for preparation of Watershed Plan; inspect and authenticate project accounts during implementation phase; undertake action research to identify low cost technology wherever possible; validate as well as build upon indigenous technical knowledge; create institutional arrangements for post project maintenance of the assets created under the project; assist community organizations in forging functional linkages with panchayats credit institutions, research organizations and on-going programmes of line departments etc., PIA's will be allowed adequate time to mobilize the community and generate awareness about the principles of watershed development in the community. Selection / nomination / election of office bearers of various community based organizations need not to undertaken immediately upon entry in the village. A capacity building phase may take from 6 to 8 months of the first year of the project during which

time the PIA may work with volunteers from the village. Formal institutional arrangements may be finalized after this phase.

5.A.4. Selection of PIA: Success of the watershed programme will depend upon the selection of a suitable PIA as well as a responsive community. The selection of PIA would be through a process by which potential PIA's would be required to prepare project reports/feasibility studies of identified watersheds. The project reports/feasibility studies would include assessment of the responsiveness of the community on the basis of their willingness to contribute towards watershed development; promote equity for poor and women; and to participate in shramdan, These project Reports and the PIAs would be assessed/evaluated for strengths based on fixed criteria and the final selection would be made by a selection committee.

5.A.5. Project Proposals to be Demand Driven and Reflect Felt Needs of the Community: To ensure that the involvement of watershed communities in the planning process does not remain merely passive, the formulation of the project proposal will be through a "bottom up" process. Subject Matter Specialists will orient the watershed community with respect to technological options and leave the final choice of technologies to the users. While exposing the participants to various options, particular attention would also be paid indigenous innovations evolved by the community itself.

5.A.6. Replication of Successful Watershed Development Projects: A number of successful and sustainable watershed development projects both under Government and Non-Government efforts have demonstrated the strength and utility of the watershed approach. In addition, innovative members of the community have also created replicable techniques in management of natural resources. Such success stories would be "shown" to the potential watershed communities and the extension functionaries involved therein and the community members motivated through focussed exposure visits to these examples. Action plans prepared by the community after exposure to such projects

would incorporate elements of their demonstrated successes thereby ensuring a higher likelihood of sustainability.

5.A.7. Development of Common Property Resources (CPRs) and Sharing of Usufruct Rights: Wherever there exist community lands in micro-watersheds the development of such lands, especially the contribution of the community in the form of cash or labour, will depend upon the sharing of the usufruct likely to accrue as a result. The usufructs after meeting the needs of the beneficiaries will be sold. Of the net proceeds 10 percent may be deposited in the village development fund of the Panchayat, 15 percent be deposited in the Watershed Development (Corpus) Fund of the Watershed Committee to meet future needs of maintenance of CPRs to ensure continuous generation of usufructs from such CPRs. The remaining 75 percent may be shared by the members of the Watershed Association, including the landless.

5.A.8. Development of Forest Lands in Watershed Areas: Some watersheds may encompass, in addition to arable land under private ownership, forest land under the ownership of State Forest Department. Since nature does not recognize artificial legal boundaries of forest and non-forest lands in watersheds, entire watershed is to be treated in an integrated manner. Though the criterion for selection of watersheds primarily remains predominance of non forest lands, the forest lands forming part of such watersheds are also to be treated simultaneously as per guidelines.

1. Technical sanction of the treatment plans should be given by the Divisional Forest Officer concerned.
2. The programme should as far as possible be implemented by Village Forest committees existing in that area. If no such Committee exists, their formation may be encouraged, or else the project activities in such watersheds should be taken up by the Forest Department.
3. Village Forest Committees should be treated at par with Watershed committee. Since village Forest Committees are registered with the Forest Department of the respective States, there would not be any need for getting them registered under the societies Registration Act.

4. The Micro-watershed Development Plan for the forest areas should be in conformity with the forest conservation Act.
5. Where a relatively larger proportion of the water shed is covered by forest lands, Forests Department at the district level should be encouraged to take up the work of development as Project Implementation Agency.
6. A forest official should invariably be included as a member of the Watershed Development Team wherever forest land falls within the watershed.

5.A.9. Linkages of Watershed Community with Panchayat Raj Institutions: An important element of long term sustainability is to forge linkages with permanent institutions in the area. Efforts will be made to strengthen linkages between watershed community organization and Panchayat Raj Institutions (PRI). Since PRIs are in varying degrees of administrative effectiveness in the States, the latter are likely to follow different mechanisms for linkages between the watershed institutions and the PRIs. Wherever possible Panchayats should be encouraged to undertake direct implementation of the Watershed Project. Elsewhere linkages should be forged between the Panchayats and the watershed communities. Some of the mechanisms being adopted at present include: (i) provision of nominating two representative of the Village Panchayat into the Watershed Committee of which one is a women; (ii) declaring Watershed Committee as a sub-committee of the Land Management Committee under the Panchayat Raj Act.

5.A.10 Linkages with Credit Institutions: During the project lifetime the PIA and WDT will work to develop linkages with the credit institutions such as the Regional Rural Banks, Cooperative Banks etc. The credit requirements of the Watershed Project would get reflected in the District Credit Plan. Watershed Projects would form a regular agenda item in the District Credit Coordination committee, the State Level Coordination committee as well as at the National Committee. Credit would flow to constituents of the watershed through (i) credit for production activities as reflected in the Watershed Plan such as short-term crop loans, medium term loans for Livelihood Systems such as dairy animals, etc., (ii) credit support to Self Help Groups (iii) Watershed Development Fund at NABARD.

5.A.11. Promoting Equity for Resource Poor and Women: In all watershed development project thrust would be on proving equity through special efforts at strengthening the socio-economic status of landless and women. The following specific steps may be considered while promoting equity under the watershed programme.

- Focus on development of poor quality and marginal lands owned by resource poor families.
- Preferential allocation of usufruct rights over produce from the developed common land to landless households / women groups
- Equitable right to all households in any new water resource developed under the project.
- Construction of new water harvesting structures near the land / recharged wells including drinking water wells owned by resource poor.
- Groundwater to be treated as a common property resource
- Equal employment opportunities and wage rates for implementation of watershed works.
- Due emphasis on livelihood support systems for landless households
- Utilizing the services of the landless poor and women in the post-project management of common property resources.

B. Programme Content & Components

5.B.1 The watershed programme is categorized into two major components.

- development component to be executed through the Watershed Association, for which the funds are to be released directly to the Watershed Committee
- management component to be undertaken by the project Implementing Agency (PIA) for which funds will be released to PIA.

5.B.2 Development Components consists of two sub-components namely natural resource management and production system management. The natural resource

management and production system management. The natural management sub-component includes management of private land, management of common land and management of rain water on the scientific ridge-to-valley approach; whereas production system management sub-component includes on-farm production system for land owning families and household livelihood support system for landless families. Overall allocation of funds for each of these components and sub components is under Section 5.F.3.

5.B.3. Management Components consists of three sub-components, namely, administration, community, organization and training. The sub-component of community organization includes activities not only related to organization of new institutional set up at the village level but also items such as entry point activities, infrastructure development, preparation of project proposal, adaptive research etc.,

5.B.4. Integrated Development of Natural Resources: Watersheds projects will aim at an integrated development of natural resources. This will be achieved through the preparation of a Watershed Plan which reflects the felt-needs of the watershed community in a holistic manner.

5.B.5. Approach for Problem Soil and Leased / Patta Land : Through the watershed approach, problem soils and marginal lands usually owned by or under lease to the poorer sections of the village community, will be suitably treated and developed leading to conservation of natural resources, enhancement of productivity and improvement of equity for poor. The process will be facilitated through the mobilization of farmers (particularly women members of the households) owning such land into Groups.

5.B.6. Water Harvesting Structures : Water harvesting structures for micro-level situations (village or part of village) are based on the different principles and perceptions compared to large sized structures for macro-level situations. In the former situation, indigenous structures are found to be more appropriate as they are low cost, easy to construct and maintain and are beneficial to resource poor families. However, for larger

structures which require higher financial investment, the State Watershed committee may set an upper cost ceiling for construction of such structures for the State. If, however, a watershed community desires to exceed the ceiling fixed by the aforesaid committee they may do so by making a community contribution in excess of the limit fixed. For preparation of estimates for larger water harvesting structures and supervision of its quality during implementation the services of a qualified person at the local level may be engaged by the watershed committee.

5.B.7. Strengthening Linkages between Conservation Measures and Production/Livelihood System : Soil and water conservation measures must necessarily be followed by appropriate production systems. Enhancement of rural incomes and long term sustainability can only be ensured through the development of natural resources. To achieve this end (i) the natural resources in the watershed area will be developed in accordance with their realizable potential and the ridge to valley approach; and (ii) simultaneously production /development activities will be undertaken on the treated lands through the use of appropriate technologies. Both conservation and development measures would be implemented in accordance with the Watershed Plan which reflects the need of both individual farmers for private lands, user community for common lands and water sources and the scientific input of subject matter specialists.

5.B.8. Flexibility in Choice of Technology : Taking account of the high degree of heterogeneity in the socio-economic and agro-ecological conditions in rainfed areas of high degree of flexibility will be provided in the choice of appropriate technologies at the watershed level. A menu of the technological options for each component and sub-component under the watershed programme will be available to the watershed community in the detailed Operational Guidelines of different Projects. Necessary additions, including indigenous, low cost technologies, could be incorporated by PIA at the watershed level based upon the location specific requirement. As far as production technologies are concerned these are being evolved through a number of sources namely public sector, private sector, NGOs, innovative farmers etc., The watershed community

may in consultation with subject matter specialists choose appropriate technologies from any of the above source.

5.B.9. Research Input in Watershed Development : In recognition of the fact that technologies for rainfed farming are more heterogeneous than technologies for irrigated systems, greater attention will focus on promotion of on-farm research. Under the watershed programme provision is made for Research Organizations such as ICAR research centres, Krishi Vigyan Kendras, Zonal Research Stations, State Agriculture Universities, lead NGOs with professional expertise, etc., to develop mini/microwatersheds ranging from 1090 hectares upto 500 hectares. The mini-watershed will serve as a field and action laboratory for the research organization where adaptive research on land and water management as well as on different production systems can be undertaken. Such a mini-watershed where new technologies can be developed, tested and demonstrated by the research organization may develop into a model watershed, which could be replicated elsewhere. The research proposals from eligible / competent R&D Institutions will be approved by a Selection Committee. The project Implementing Agency will forge linkages with research institutions, namely ICAR Institutes, State Agriculture Universities, Krishi Vigyan Kendras and others to ensure effective technical backstopping to the watershed programme.

5.B.10 Extension Support through Line Departments: Extension support to watershed Community will be provided partially by the members of the Watershed Development Team and more so by the Subject Matter Specialists of the Line Departments and KVKs in the execution of the Production System component of the Watershed Plan. Extension activities will comprise primarily of (i) conducting orientation training courses on the concept, strategy, technical programmes, implementation mechanisms and on the modalities of technology transfer of the improved package of agronomic practices and allied activities in the water shed; (ii) organizing frontline / on-farm demonstrations in the farmers field by the trained extension personnel in close supervision of local research institutions, (iii) conducting suitable training courses for framers, NGOs, Panchayats, etc., to help develop

participatory skill and technological know-how which can be effectively utilized for Watershed Development and (iv) organizing exposure visits to model watershed projects / success stories.

5.B.11 Convergence between Watershed Project and On-Going Production and Rural Development Programmes : Not all of the felt needs of the watershed community as reflected in the PRA exercise will be able to be financed through the Project resources. Advantages must be taken of the regular on-going production programmes of the Line Departments – Agriculture, Horticulture, Livestock, Fisheries, Sericulture, Forest as well as rural development programmes of the DRDAs/ZPs to bring about requisite convergence. The District Watershed Committee which comprises representatives from Line Departments and where the Watershed Plans would be coordinated and reviewed would be the appropriate forum wherein dovetailing with on-going programmes would be achieved.

C. Principles of Project Management

5.C.1. Size of Watershed Unit : Field experience indicates that smaller watersheds are simpler to manage particularly when developmental funds are to be operated directly by the watershed community. The average size of a watershed would be 500 ha. making it coterminous with a single village in most cases. In case of larger sized villages more than one watershed can be identified whereas more than one smaller sized villages may be considered part of a single watershed. Selection of micro-watershed should be based on the scientific principles of priority setting where watersheds with higher degree of degradation be accorded precedence. Use be made of land degradation mapping being undertaken by several national and state level organizations such as National Remote Sensing Agency and All India soil and Land-Use Survey.

5.C.2. Selection of Project Implementing Agency (PIA) : Reputable NGOs, Research and Training institutions, Krishi Vigyan Kendras, Panchayat Raj Institutions and state government line departments would be eligible to become Project Implementing

Agencies. In case of NGOs, experience of 4-5 years on watershed development would be requirement. In the event there is more than one NGO desirous of working as Project Implementing Agency, a selection procedure would apply whereby each PIA would submit a project / feasibility Report, which would be assessed and selection made by the Selection Committee. The number of watersheds managed by a PIA can range upto 10 in a district and should preferably be contiguous for effective supervision by the PIA.

5.C.3. Broadcasting of Watershed Development Team (WDT): Each PIA shall be eligible to engage (from the administrative funds provided) on a purely temporary basis four persons to work on a full time basis as members of the Watershed Development Team (WDT). In situations where the state government department is entrusted with the task of PIA. It may have freedom to either engage on an honorary basis or on purely contractual terms WDT members or to identify its own qualified persons to act as WDT on full time basis. One of the WDT members should be a women. A Sociologist may also be included in every WDT. The other three members should be at least graduates in subject disciplines of relevance to the watershed e.g. agriculture, forestry, animal sciences or related basic sciences, etc., Retired government officials with requisite experience in the area may also be considered. If requisite number of graduates of the aforesaid qualification are not available, then the District Watershed Committee may relax the qualifications. The latter may be done only in rare circumstances and only when the search for qualified graduates, as mentioned above, has not brought forth the desired result.

5.C.4. Approval of Watershed Plan/Action Plan by Community: The PIA shall help in organizing the watershed community, carrying out PRA exercises, arranging focussed exposure visits to successful watersheds etc., and assist individuals or User Groups to prepare their portion of the Action Plan. Later, the secretaries and volunteers of the Watershed Committees would help in synthesizing individual Action Plans into a consolidated plan for the entire watershed area. Each Watershed Plan would have a clearly identified withdrawal strategy for the last year of the Project which would ensure

the take over of the all project activities by the community. The overall would comprise of the following:

- Management of natural resources (private land, common land and water resource)
- Improvement of farm production system of the land owing families
- Improvement of livelihood support systems landless families.

The approval of the watershed plan would be given by the Watershed Association at the village level in a formal meeting in the presence of Watershed Committee members and the Watershed Development Team after which it will be submitted for Administrative Approval to the District Nodal Agency.

5.C.5. Administrative Approval of the Watershed Plan : The District Nodal Agency will accord administrative and financial sanction to the Watershed Plan after the Watershed association has approved it. After the above approval the Watershed committee shall become eligible for drawing the first installment of funds for initiating the developmental works.

5.C.6. Empowerment of Watershed Association : All decision-making power would vest with the Watershed Association. The Watershed Association would not only approve the Watershed Plan and the Annual Actions Plans of the watershed but also carryout review of progress during implementation phase. For this purpose meeting of WA may be arranged frequently.

5.C.7. Transparency in all aspects of project management : Transparency under the programme would be promoted as follows:

- Preparation of Watershed Plan / Action Plan through application by each user/user group.
- Approval of watershed plan / Action Plan at the open meetings of watershed association.

- Display of approved watershed Plan/ Action Plan on a Notice Board at the Watershed Association office and through prominent painting on the wall of village community hall.
- Review of physical and financial progress of work during implementation phase through monthly meeting of WA
- Payment to concerned labourers directly and through cheques, wherever possible.

5.C.8. Post project maintenance of community assets: Under the watershed programme various community assets are created such as water harvesting structures, community nurseries, community meeting halls. During implementation phase peoples contribution being collected for private works and community works and deposited under watershed development fund would be used for post project maintenance. The following specific steps / guidelines may be adopted for maintaining the community assets completion of the project.

1. All community assets created under the project would be formally transferred to the Wastershed Associations for its operation and maintenance.
 2. The community assets would be divided into two categories (i) those which are to be used by the same families on a regular basis (e.g. water tanks, field drains, etc.) (ii) those which are annually auctioned (eg fishing right, biomass from the common land / forest land etc.)
- A list of beneficiaries would be prepared for assets under category – I
 - The watershed Association shall have the right to decide the service charges to be collected from beneficiaries associated with first category of structures and also collect the amount through auction regarding use of assets under second category of structures. The amount from both the sources shall be deposited under Watershed Development Fund (WDF) account.
 - The Watershed Committee will maintain these community structures by using the money the Watershed Development Fund. In case of structure under category-I

WC shall meet 25 percent of the cost from WDF. The remaining 75 percent will be borne by the beneficiaries of these structures. In case of structures under category-2 the entire cost towards repair / maintenance may be borne out of WDF subject to its availability.

- For carrying out above requirements the Watershed Committee may engage the services of a watershed secretary on a regular or part-time basis depending upon the need and financial resources available.
 - The details about income and expenditure shall be presented in regular meetings of the Watershed Association and put on the notice boards of panchayat on six months basis.
3. In the event that the Watershed Association becomes defunct, the community assets and the Watershed Development (Corpus) Fund will transfer to the Village Panchayat.

D. Institutional Arrangements

5.D.1 Under the participatory approach the Watershed Development Project is to be implemented by the watershed community and funds for development activities are to be released directly to the community for execution of works. Similarly, preparation of the Watershed Plan and the annual action plans is to be undertaken with active participation of community members. Individually or through different User Groups, the following three organizations will be established / identified for the implementation of the project. (i) Community Based Organizations (ii) Project Implementation Agency for a cluster of 2-10 watersheds and (iii) Autonomous Support Organization on a pilot scale in districts where there may be several NGO Project Implementing Agencies.

5.D.2 Community Based Organizations: Community Organizations at watershed level would assist User Groups (Land & Water Resource based), Self Help Groups (consisting of women and landless families); Watershed Committee (consisting of representative members from UG, SHG, Panchayat etc.) Watershed Association shall be

registered under the Societies Act whereas User Groups and Self Groups would remain as informal groups.

5.D.3 Project Implementation Agency: PIA shall be selected for each cluster of 2-10 watersheds. PIA shall hire a four member watershed development team to work on full time basis for the above watershed. The headquarter of the WDT members shall be kept at one of the watershed villages and they may be encouraged to stay in these villages in order to provide opportunities for working closely with the community.

5.D.4 Autonomous Support Organization: Support Organization may be established / identified on a pilot basis where there are several NGO Project Implementing Agencies functional. These Support Organizations may be created in each director or for a cluster of districts or even at state level depending upon the number of PIAs. Each Support Organization would serve about 10 PIAs.

5.D.5 Management Committee: Under the project the following four types of management committees are envisaged to review and guide the programme at different levels. These include: National Watershed Committee, State Watershed Committee, District Watershed Committee and watershed Association.

5.D.6 National Watershed Committee: This Committee may be jointly chaired by secretary (A&C) and Secretary (RD) on rotation and have its members from various organizations including ICAR, Departments of Animal Husbandry & Dairying, Planning Commission, Ministry of Environment and Forest, Ministry of Rural Areas and Employment and Experts in the field. This Committee may meet once in a year for reviewing the progress and providing policy direction to the programme.

5.D.7 State Watershed Committee: This Committee may be chaired by Chief Secretary or Agriculture Production Commissioner and the members of the committee may be drawn from concerned line department of the state govt. including rural development and panchayat raj department representative of selected autonomous support organizations, NGOs and Presidents of selected Watershed Associations. The above committee may

meet once in six months to issue policy directives, review progress resolve management issues.

5.D.8 District Watershed Committee: This Committee may be chaired by District Collector or Chairman of District Panchayat / Zila Parishad. The committee may meet frequently depending upon the need. Its members would be drawn from concerned district line departments. KVK, Autonomous support organization in the district, selected PIAs from Government Organizations, Non-Government Organizations and peoples organizations; chairmen of selected watershed Associations etc. the committee would review the progress of the watershed project, assist in resolving management and administrative problems, guide in implementation, identify policy issues, if any, for reference to state and national committees.

5.D.9 Watershed Association / Watershed Committee: The Watershed Association (registered under the Societies Act) will be the General Body comprising all members of the watershed community who agree to participate in the watershed development project. The Watershed Committee shall act as an executive body of the Watershed Association and carry out the activities of the Watershed Plan through paid employees. The Watershed Association will be final decision making body. The Watershed Association may meet in respective watershed villages on monthly basis to plan and review the activities particularly during implementation phase.

E. Capacity Building

5.E.1 Orientation and Capacity Building: To overcome the constraint of inadequate capacity particularly at project implementing agency and Watershed Committee level a major orientation in the tools and techniques of participatory approaches and capacity programme is a pre requisite to finalizing the selection of PIA or watershed site. For this purpose the following specific steps are being proposed:

1. Orientation of members of various management committees and institution heads.

2. Training of state level trainers drawn from various organizations in the state
3. Training of faculty members of autonomous support organizations at district level.
4. Training of Project Implementation Agency/ Watershed Development Team identified for each cluster of 2-10 watersheds.
5. Training of office bearers of Watershed Association, Watershed Committee, User Groups, Self Help Groups etc.

5.E.2 Autonomous Support Organization at District Level: In districts where several NGO project implementation agencies are likely to be involved with implementation of watershed development projects, the district nodal agency may identify an Autonomous Support Organization at the district level to undertake responsibilities related to identification of appropriate NGO project implementation agencies; building the capacity of the PIAs / WDTs, coordinating and supervising the progress of work of concerned PIAs reviewing and evaluating performance; liaising between and district nodal agency. The Support Organization may hire a multi-disciplinary team of four persons to provide the services. These support organizations may be started on pilot basis in selected districts where there are likely to be a large number of NGOs.

5.E.3 Training of Personnel: Orientation / training of persons for persons under serial 1 and 2 above may be undertaken by national institutions such as National Institute of Rural Development (NIRD), Central Arid Zone Research Institute (CSWCRTI), Central Research Institute for Dryland Areas (CRIDA) and National Institute for Agricultural Extension Management (MANAGE) etc. Subsequently state level trainers may build capacities of faculty members of autonomous support agencies, wherever these may be established. These agencies in turn would train PIA/ WDT. Responsibility of training officer bearers of watershed committees. Watershed Association, User Groups, Self Help Groups would rest with project implementing agency/ watershed development team. Autonomous Support Organizations at district level can play a key role in building the capacity of PIAs. The funds for capacity building would be met out of training budget of the Project.

F. Financial Aspects

5.F.1 Unit Cost Norms: The unit cost norms will range from Rs. 4500 to Rs. 6000 per hectare depending upon the nature of location during the Ninth Plan period. With this provision the total amount for a 500 hectare unit watershed would range between Rs. 22.50 lakhs and Rs. 30.00 lakhs.

5.F.2 Exception of Unit Cost Norms: In cases where treatable forest area in the selected watershed is in excess of 25 percent, the unit cost norms as indicated in 5.F.1 may be modified upwards by the state watershed committee. In case of the Centrally Sponsored Scheme of watershed development for Shifting Cultivation Areas, being implemented in the North Eastern States, the unit cost norms would be in accordance with norms approved by the Cabinet Committee of Economic Affairs and not necessarily in conformity with those prescribed in 5.F.1.

5.F.3 Allocation of Funds by Component: The allocation of funds for major components is as given below:

Sl. No.	Components	Allocation of fund (%)
A.	Management Component	
	-Administration cost	10.0
	-Community organization	7.5
	-Training Programme	5.0
B.	Development component	
	- Natural Resource Management	50.0
	- Farm production system for land owing families	20.0
	- Livelihood support system for land-less families	7.5
	Total	100.0

5.F.4 Cost Norms for Structures: Keeping in view high variability in labour cost from place to place there will be flexibility in cost norms for each structure regarding natural resources management. The cost estimates would be worked out as per Standard Schedule of Rates (SSR) in the respective areas.

5.F.5 Financial Ceiling on Selected Items of Work: Development funds under the project are to be utilized primarily in three components (i) natural resource management (ii) production system management (iii) livelihood support systems. While considerable flexibility is provided in choice of individual technologies the overall unit cost norms are to be adhered to as indicated in 5.F.1 For large water-harvesting structures which require higher financial investment, the state watershed committee may set an upper cost ceiling for construction of such structures for the state. If , however, a watershed community desires to exceed the ceiling fixed by the aforesaid committee they may do so by making a community contribution in excess of the limit fixed. For preparation of estimates for larger water harvesting structures an supervision of its quality during implementation the services of a qualified person at the local level may be engaged by the watershed committee.

5.F.6 Ceiling on Entry Point Activity: Entry point activities may require high investment. For this purpose a ceiling of three percent of project cost, to be met from the management component (Section 5.F.3.) is considered appropriate for each unit watershed.

5.F.7 Ceiling on Sundry Other Items: Various other items under administration, community organization, training etc. may be determined by the District Watershed Committee at the district level.

5.F.8 Flexibility in Re-allocation of Funds: As far as possible the PIA shall restrict the fund utilization within the broad allocations indicated in the guidelines. However in special situations the budget maybe re-allocated to the extent of 10 percent from one sub component to another sub-component. No budget shall be transferred from development

to management component, however, any savings from the management component may be transferred to the Development Component.

5.F.9 Cost Sharing by Community: The project shall provide 100 percent grant for the management component as well as development component. However in case of development component the participating families are required to contribute at the rate of 10 percent for individual works and five percent for community work. In case of SC/ ST the contribution for individual work shall be reduced to only five percent. The same pattern shall be applicable for the natural resources management as well as farm production systems/ livelihood support systems. The entire contribution from participating families shall be deposited in the watershed development fund. In case of works related to natural resource management, the families may have the choice to contribute either in cash as labour.

5.F.10 Watershed Development (Corpus) Fund for Maintenance of Community Assets: One percent of approved project cost will be earmarked as Corpus Fund to ensure suitable maintenance of community assets created in the watershed under the project. The one percent project contribution will have to be matched by the contribution from the watershed community and partially from the state government. This fund may be further augmented from the sale of produce from common resources as well as borrowings from credit institutions as well as other sources of maintenance under Jawahar Rozgar Yojana, Panchayat Development Fund, etc. The Corpus Fund may be accessed from Community organization sub-component.

G. Monitoring and Evaluation

5.G.1 Monitoring of Progress at District Level: At the district level it is essential to review the progress of each Project Implementing Agency on a monthly basis. Likewise Project Implementing Agency may review the progress of each watershed before participating in the district level meeting. During implementation phase it may be advisable to prepare a monthly plan for achieving required financial and physical

progress in each watershed. Watershed Associations may also undertake monthly meetings to review progress. This approach would help in achieving a steady progress and also timely resolution of bottlenecks in implementation.

5.G.2 Monitoring of Physical & Financial Progress: Periodic review of progress during implementation phase at the district, state and national level will be undertaken regularly and suitable standard formats will be evolved so that a uniform system is developed for various levels.

5.G.3 Concurrent Evaluation by Internal as well as External Agencies: A system of concurrent evaluation would be evolved through internal as well as external agencies. In this evaluation, a critical assessment may be made of the relevance of technological content, involvement of people in the programme, equity for poor and women, facilitation of group action in addition to a physical and financial progress. Requisite budgetary provision will be made for the purpose from the project budget. On completion of project an impact evaluation will be undertaken. Use will be made of remote sensing satellite imagery and other modern techniques for evaluation of watershed project.

6 Issues Specific to Ministry of Agriculture & Ministry of Rural Development

6.1 Mandate of Watershed Programmes of the Two Ministers: The mandate of the Ministry of Agriculture is to enhance production and productivity of rainfed areas through sustainable agricultural practices. Mandate of Ministry Rural Development is development and maintenance of the natural resources base in rural areas for increased employment generation and improvement in the general socio-economic conditions of the rural poor on micro-watershed basis through people's participation.

6.2 Selection Criteria for Watersheds: The selection criteria of Blocks for the programmes of the two Ministries, namely, NWDPR, DDP, DPAP, EAS and IWDP are different and specific to each Ministry.

6.3 Project Specific Choice of Technologies : Technologies for the Projects will be specific to the nature of the project and the location where these projects will be implemented.

6.3 Fund Flow mechanism to District Level: Fund flow mechanism would be specific to each Ministry. In case of Ministry of Agriculture it would operate as follows:

- From Ministry of Agriculture, Government of India to the State Government nodal department namely Department of Agriculture / Soil & water Conservation
- From the State Department to the district head of Department of Agriculture / Soil Conservation
- From the district head of the Department of Agriculture / Soil Conservation to the concerned watershed institutions (PIA for the management component, WC for the development component and support agency, if any, for capacity building component).

In the case of Ministry of Rural Development it would operate as follows:

1. Central and State Government would release their share of funds directly to the District Rural Development Agency / Zila Parishad.
2. DRDA/ZP in turn would further release funds to watershed institutions (PIA for the management component, WC for the development component and support agency, if any, for capacity building component).

7. Territorial Delineation

7.1 Territorial Delineation between Projects: For new watershed projects to be taken up the following will be the territorial delineation:

- (i) All watersheds located in Blocks identified as DDP Blocks by the MORD will be saturated under the Desert Development Project. NWDPR and IWDP

would not operate in these Blocks.

- (ii) All Watersheds located in Blocks identified as DPAP Blocks by the MORD will be saturated under the Drought Prone Areas Project. NWDPRA and IWDP would not operate in these Blocks.
- (iii) In the remaining Blocks either NEDPRA, IWDP and EAS would operate.
- (iv) Reports of Land Degradation Mapping prepared by NRSA and AISLUS Watershed Atlas should be utilized by the State and District level agencies for identification of watersheds to be taken up under the watershed programmes of the MOA and MORD.
- (v) For the purpose of approval of new watershed project in a new project site in a block, necessary Certificate will have to be obtained from the component District Level Authority namely the District Collector indicating therein that no other watershed programme / projects will be taken up in the same Block / Watershed.

8 General Recommendations

8.1 Applicability of Common Approach Principles: Common Approach / Principles will be effective in respect of new watershed projects/ programmes being implemented by two Central Ministers, namely, Agriculture & Rural Development. However, for other centrally Sponsored Schemes which address special problems through the watershed approach and have unique institutional arrangements to address those problems and significantly different programme content such as reclamation of alkaline lands and the inter-state projects of Flood Prone Rivers/ River Valley Projects, separate approach and guidelines will be followed. The Common Approach / Principles will however, be applicable to the Centrally Sponsored Scheme of watershed development in shifting cultivation areas albeit with higher unit cost norms as approved by the Cabinet Committee on Economic Affairs.

8.2 Preparation of Detailed Operational Guidelines: Based on the Common Approach/ Principles each Ministry will prepare a Manual of Operational Guidelines for use of all institutions and agencies involved in the execution of watershed development

projects. The Manual of operational Guidelines will be made available in the local language to all implementing agencies.

8.3 Orientation Courses for Common Approach / Principles: Common Approach / Principles include uniform cost norms, size of watershed, project cycle, institutional arrangements, mechanism of monitoring, review and impact evaluation, cost and benefit sharing, post –management and financial management aspects. Common Approach / Principles should be universally adopted for implementation at the project / filed level. To ensure orientation of all concerned personnel in the New & Common Approach it will be useful to organize workshops and training courses for Central, State and District level officials to arrive at common understanding about the principles, approaches and implementation strategies of the new dispensation.

LIST OF ACRONYMS

CBO	Community Based Organization
CAZRI	Central Arid Zone Research Institute
CPR	Common property Resources
CRIDA	Central Research Institute for Dryland Areas
CSWCRTI	Central Soil and Water Conservation Research and Training Institute
DDP	Desert Development Programme
DPAP	District Prone District Programme
DRDA	District Rural development agency
DWCRA	Development of Women & Children in Rural Areas
EAS	Employment Assurance Scheme
FPR	Flood Prone Rivers
GOI	Government of India
ICAR	Indian Council of Agricultural Research
IRDIP	Integrated Rural Development Project

IWDP	Integrated Wasteland Development Project
KVK	Krishi Vigyan Kendra
MANAGE	National Institute of Agricultural Extension Management
MoA	Ministry of Agriculture
MoRD	Ministry of Rural Development
MoEF	Ministry of Environment and Forest
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
NIRD	National Institute of Rural Development
NWDPRRA	National Watershed Development Project for Rainfed Development
PIA	Project Implementing Agency
PRA	Participatory Rural Appraisal
PRI	Panchayat Raj Institutions
RD	Rural Development
RVP	River Valley Projects
SAU	State Agricultural Universities
SC	Scheduled Caste
SHG	Self-Help Groups
SMS	Subject Matter specialist
SSR	Standard Schedule of Rates
ST	Scheduled Tribe
TRYSEM	Training Rural Youth for Self Employment
UG	User Group
WA	Watershed Association
WC	Watershed Committee
WDT	Watershed Development Team
WDSCA	Watershed Development in Shifting Cultivation Areas
ZP	Zila Parishad
ZRS	Zonal Research Station