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IN THE AMOUNT OF SDR 50.6 MILLION  
US\$ 82.4 MILLION EQUIVALENT

TO THE

GOVERNMENT OF INDIA

FOR A

ORISSA: RURAL LIVELIHOODS PROJECT (ORLP) – “TRIPTI”

June 24, 2008

Sustainable Development Department  
Agriculture and Rural Development Unit  
India Country Management Unit  
South Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2008)

Currency Unit = Indian Rupee (Rs.)

US\$1 = Rs. 40

US\$1.62895 = SDR 1 (May 31, 2008)

## FISCAL YEAR

April 1 – March 31

## ABBREVIATIONS AND ACRONYMS

AAV	Antyodaya Anna Yojana	MFI	Micro Finance Institution
ACA	Additional Central Assistance	MIP	Micro Investment Planning
APP	Anti-Poverty Programs	MIS	Management Information System
ARR	Action Required Report	MoRD	Ministry of Rural Development
ASCI	Administrative Staff College of India.	MoU	Memorandum of Understanding
ATMA	Agricultural Technology Management Agencies	MTR	Mid Term Review
ATR	Action taken Report	NABARD	National Bank For Agriculture and Rural Development
BLF	Block Level Federation	NCB	National Competitive Bid
BPFT	Block Project Facilitation Team	NCERT	National Council of Education Research and Training
BPL	Below Poverty Line	NFFW	National Food for Work
CS	Country Strategy	NGO	Non-Governmental Organizations
CBO	Community Based Organizations	NIFM	National Institute of Financial Management
CDD	Community Driven Development	NOAPS	National Old Age Pension Scheme
CEO	Chief Executive Officer	NREGA	National Rural Employment Guarantee Act
CFO	Chief Financial Officer	NRPEP	National Rural Poverty Elimination Program
CFAA	Coalition for Fair Fisheries Arrangements	OBC	Other Backward Class
CFO	Chief Financial Officer	OLRDS	Orissa Livestock Resource Development Society
CIF	Community Investment Fund	OMFED	Orissa State Cooperative Milk Producers Federation
CMIS	Computerized Management Information System	OPOLFED	Orissa State Poultry Products Co-operative Marketing Federation
COM	Community Operational Manual	OPRM	Orissa Poverty Reduction Mission
CRP	Community Resource Person	ORMAS	Orissa Rural Marketing and Advancement Society
CSS	Centrally Sponsored Scheme	OTELP	Orissa Tribal Empowerment and Livelihoods Project
CVO	Chief Vigilance Officer	PD	Project Director
CQS	Selection Based on Consultant's Qualification	PDS	Public Distribution System
DEA	Department of Economic Affairs	PFMA	Public Financial Management Accounts
DFID	UK Department for International Development	PID	Project Information Document
DGS&D	Directorate General of Supplies & Disposals	PIC	Public Information Center
DIR	Detailed Implementation Review	PIP	Project Implementation Plan
DPL	Development Policy Loan	PMU	Project Management Unit
DPMU	District Project Management Unit	PM	Process Monitoring
DRDA	District Rural Development Agencies	PMC	Participatory Monitoring Committee
DWCD	Department of Women & Child Development	PMRY	Prime Minister Rojgar Yojana

## FOR OFFICIAL USE ONLY

EA	Environmental Assessment	PPP	Public Private Partnerships
EC	Executive Committee	PRI	Panchayati Raj Institutions
EMF	Environment Management Framework	QBS	Quality Based Selection
FA	Financial Agreement	QCBS	Quality and Cost Based Selection
FBS	Selection under Fixed Budget	QPR	Quarterly Progress Report
FCI	Food Corporation of India	RLMIS	Rural Livelihoods Management Information System
FGD	Focus Group Discussions	RLTAP	Revised Long Term Action Plan
FMM	Financial Management Manual	Rs.	Rupees
FMTSC	Financial Management Technical Resource Consultant	RTI	Right to Information Act
FPS	Fair Price Shop	RTE	Ready to Eat
GAAP	Governance and Accountability Action Plan	SBD	Standard Bid Documents
GB	General Body	SCs	Scheduled Castes
GGY	Gopabandhu Grameen Yojana	STs	Schedule Tribes
GOI	Government of India	STEP	Sustainable Tribal Empowerment Project
GoO	Government of Orissa	SFAA	State Financial Accountability Assessment
GP	Gram Panchyat	SGRY	Swarnajayanti Gram Rozgar Yojana
GPLF	Gram Panchayat Level SHGs Federations	SGSY	Swarnajayanti Gram Swarojgar Yojana
GSDP	Gross State Domestic Product	SHGs	Self Help Groups
HH	Households	SIL	Specific Investment Loan
HRD	Human Resource Development	SNP	Supplementary Nutritional Program
IAY	Indira Awas Yojana	SOE	Statement of Expenditure
ICDS	Integrated Child Development Services	SO	Service Organization
ICB	International Competitive Bidding	SPMU	State Project Management Unit
IDA	International Development Association	SSS	Single Source Selection
IEC	Information Education and Communication	ST	Scheduled Tribe
IFC	International Finance Corporation	TB	Tuberculosis
IFR	Interim Financial Report	TDP	Tribal Development Plan
IRR	Internal Rate of Return	TEG	Technical Environmental Guidelines
ISDS	Integrated Safeguards Data Sheet	ToR	Terms of Reference
ISEA	Integrated Social & Environmental Assessment	TPDS	Targeted Public Distribution System
IRDP	Integrated Rural Development Program	TRIPTI	Targeted Rural Initiative for Poverty Termination and Infrastructure
KBK	Kalahandi, Bolangir and Koraput	UC	Utilization Certificate
LCS	Least Cost Selection	UFA	Umbrella Financing Agreement
MDG	Millennium Development Goal	WCD	Woman and Child Development
ME&L	Monitoring, Evaluation & Learning	WORLP	Western Orissa Rural Livelihoods Project

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Sector Director/Manager:	Constance A. Bernard/Adolfo Brizzi
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**INDIA**  
**ORISSA RURAL LIVELIHOODS PROJECT- “TRIPTI”**

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INDIA

ORISSA: RURAL LIVELIHOODS PROJECT (ORLP) – “TRIPTI”

**PROJECT APPRAISAL DOCUMENT**

SOUTH ASIA

SASSD

<b>Date:</b> June 24, 2008	<b>Team Leader:</b> Asmeen M. Khan & Samik S. Das
<b>Country Director/Senior Country Manager:</b> Isabel M. Guerrero/ Fayez S. Omar	<b>Sectors:</b> General agriculture, fishing and forestry sector (70%); Agricultural marketing and trade (20%); Other Social Services (10%)
<b>Sector Director/Manager:</b> Constance A. Bernard/ Adolfo Brizzi	<b>Themes:</b> Other rural development (P); Rural services and infrastructure(S); Participation and civic engagement (S); Gender (S)
<b>Project ID:</b> P093478	<b>Environmental screening category:</b> (B) Partial Assessment
<b>Lending Instrument:</b> Specific Investment Loan	<b>Safeguard Screening Category:</b> Limited Impact

<b>Project Financing Data</b>			
[ ] Loan [X] Credit [ ] Grant [ ] Guarantee [ ] Other:			
For Loans/Credits/Others: Total Bank financing (US\$82.4 m.): Proposed terms: Standard Credit, with thirty five (35) years maturity and ten (10) years grace			
<b>Financing Plan (US\$m)</b>			
<b>Source</b>	<b>Local</b>	<b>Foreign</b>	<b>Total</b>
BORROWER/RECIPIENT	4.26	0.00	4.26
INTERNATIONAL DEVELOPMENT ASSOCIATION	82.35	0.05	82.40
LOCAL COMMUNITIES	3.84	0.00	3.84
Total:	90.45	0.05	90.50
<b>Borrower:</b> Government of India/Government of Orissa			
<b>Responsible Agency:</b> Orissa Poverty Reduction Mission (OPRM), SIRD Building, Unit – VIII, Bhubaneswar – 751 001. Phone: +91-674-2560166 FAX: +91-674- 2401413, Email: <a href="mailto:opr_m_trip_t_i@hotmail.com">opr_m_trip_t_i@hotmail.com</a> , Web: <a href="http://orissagov.nic.in/panchayat/default.asp">http://orissagov.nic.in/panchayat/default.asp</a>			

Estimated disbursements (Bank FY/US\$m)									
FY	08/09	09/10	10/11	11/12	12/13				
Annual	2.64	6.70	14.65	23.20	35.21				
Cumulative	2.64	9.34	23.99	47.19	82.40				

Project implementation period: Start August 1 2008 End: July 31, 2013  
Expected effectiveness date: October 1, 2008  
Expected closing date: December 31, 2013

Does the project depart from the CS in content or other significant respects? <i>Ref. PAD A.4</i>	[ ] Yes [x] No
Does the project require any exceptions from Bank policies? <i>Ref. PAD D.7</i>	[x] Yes [ ] No
The project has received authorization from the Regional Vice President under OP/BP 6.00 for financing food, education and health needs and retiring high cost debts	
Have these been approved by Bank management?	[x] Yes [ ] No
Is approval for any policy exception sought from the Board?	[ ] Yes [x] No
Does the project include any critical risks rated "substantial" or "high"? <i>Ref. PAD C.2</i>	[x] Yes [ ] No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD D.7</i>	[ x ] Yes [ ] No

Project development objective <i>Ref. PAD B.2, Technical Annex 3</i> : Enhancing the socio-economic status of the poor, especially women and disadvantaged groups, in selected districts.
Project description <i>Ref. PAD B.3, Technical Annex 4</i> The Project has four components: <b>I. Component A: <u>Institution Building</u></b> : This component will have two sub-components (a) community level institution building and, (b) developing project staff capacity to implement the project effectively. <b>II. Component B: <u>Community Investment Fund</u></b> : The Community Investment Fund (CIF) will transfer financial and technical resources to Panchayat-level and Block-level federations of Self Help Groups (SHG). These resources will be transferred as grants to these organizations and they will be expected to use these funds to finance micro investment plans in the area of institution building, leverage micro-finance and livelihoods enhancement. A portion of these funds will be earmarked for the inclusion of the poor and ultra poor in SHGs. <b>III. Component C: <u>Livelihood Promotion Fund</u></b> : The Livelihood Promotion Fund will increase the share of SHG households in the value chain of key commodities or products. The component will: (a) primarily focus on enhancing livelihoods by strategic investments on a value-chain, (b) skills training linked to service sector jobs, and (c) support Development Market-place event and NGO groups. <b>IV. Component D: <u>Project Management, Knowledge Management and Replication</u></b> : This component will ensure the smooth implementation of project activities, monitoring of project implementation progress and outputs/outcomes achieved, and best practice/knowledge sharing from project experience, to be scaled up to other districts.



Which safeguard policies are triggered, if any? *Ref. PAD D.6, Technical Annex 11*  
Environmental Assessment (OP/BP 4.01); Indigenous Peoples (OP/BP 4.10)

Significant, non-standard conditions, **if any**, for:

*Ref. PAD C.3*

Board presentation:

None

Loan/credit effectiveness:

None

Covenants applicable to project implementation:

Throughout the duration of the Project, the Project Implementing Entity shall be responsible for the management and co-ordination of its Project Activities. It shall implement the project through the OPRM which shall:

- a. Have an EC and GB with broad representation from all key stakeholders as defined by the memorandum and Articles of Association;
- b. Have SPMU, DPMUs, BPFTs and cluster coordinators with the staffing and responsibilities as documented in the PIP and agreed with the Association; and a State Project Director from the Civil Service for a reasonable period of time;
- c. Implement the project in accordance with the PIP and the procedures, principles and practices set forth in the Community Operational Manual (COM);
- d. Prepare and furnish to the Association, not later than July of each year, commencing in July 2008, an annual work plan, budget and procurement plan for implementation of project activities;
- e. Establish by January 1, 2009 and thereafter maintain throughout Project Implementation in a manner satisfactory to the Association, a grievance redressal cell within OPRM;
- f. Maintain CIF for purposes of providing grants to the beneficiaries which may be used as revolving funds and enter with each beneficiary into a beneficiary agreement on terms and conditions set forth in the PIP and COM;
- g. Select support organization (inter alia NGOs, MFIs, Banks, and CBOs) for assisting in project implementation in accordance with the criteria established in the COM;
- h. Carry out the project in accordance with the EMF and the Tribal Development Plan in a manner satisfactory to the Association;
- i. Ensure that the project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of persons;
- j. Monitor and evaluate the progress of the project and prepare project reports in accordance with the provisions of section 4.08 (b) of the Association's general conditions on the basis of indicators agreed with the Association;
- k. Within six months or such later date as agreed with the Association, place in position a suitable internal auditor(s) pursuant to TORs acceptable to the Association;
- l. Maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association; and have these audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
- m. Procure all goods, works and services required for the Project to be financed out of the proceeds of the Financing in accordance with the provisions of Schedule 2 of the FA.



## A. STRATEGIC CONTEXT AND RATIONALE

### 1. Country and Sector Issues

1 Orissa is among the poorest of India's major states, despite its rich endowment of natural resources and coastline. Orissa has the highest proportion of poor persons in its population relative to all other states in India. However, there have been positive developments in recent years, and poverty rates in Orissa have declined from 47% to 39.9% between 1999-2000 and 2004-2005.<sup>1</sup> Despite this improvement, poverty rates in Orissa remain almost twice as high as rates in the rest of India, where the poverty head count ratio is 21.8%. Non-monetary indicators of poverty too confirm the low welfare status of households. For instance, infant mortality rates are 65 per 1,000 live births relative to 57 per 1,000 live births for India.<sup>2</sup>

2. Per capita income in the state today is the same as in Rajasthan and Madhya Pradesh 15 years ago, and Uttar Pradesh almost 10 years ago. About 17 million people live below the poverty line. While the poverty headcount declined by almost 17 % between 1983 and 1993, progress in poverty reduction stalled between 1993 and 1999. This pattern is in sharp contrast with the performance of all major Indian states, (except Assam), likely a reflection of slow down in growth: GSDP growth in Orissa averaged 2.6% annually in the 1990s, down from 4.7% in the 1980s and the state's economy is increasingly lagging behind the rest of India.<sup>3</sup>

3. In addition to the high rate of poverty, many households that are not chronically poor are vulnerable to different types of shocks affecting livelihoods and well-being. As a result, volatility of household incomes will remain a major issue even in better-off areas and even as chronic poverty continues to decline. Households in Orissa are vulnerable to shocks, some of which are predictable (like old age) and some unpredictable (such as ill health, an injury, death of a work animal). In addition, they are also vulnerable to covariate shocks, which in Orissa include cyclones, floods and droughts, as well as those arising from environmental degradation and climate change.

4. Some 85 % of Orissa's 37 million population is rural, and a vast majority of the State's poor live in rural areas.<sup>4</sup> There are substantial regional variations in the extent of rural poverty in Orissa. Across the three regions of the state, poverty rates vary from 87% in the Southern interior region to 50% in the Northern interior region to 32% in the Coastal region. On account of the very high population density in the Coastal region, the absolute number of rural poor is roughly equally distributed across all three regions of the state.

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<sup>1</sup> See Government of India Press Information Bureau (<http://planningcommission.nic.in/news/prmar07.pdf>) for the latest poverty estimates and details of its estimation. Poverty estimates based on a uniform recall period suggest that poverty rates have fallen from 36% in 1993-94 to 27.5% in 2004.

<sup>2</sup> National Family Health Surveys (2005-06) Fact Sheet – Orissa.

<sup>3</sup> Adapted from Orissa Policy Notes: Poverty and Vulnerability in Orissa: Diagnosis and Approach.

<sup>4</sup> Orissa has one of the lowest population densities among Indian states.

5. Against this backdrop, the Government of Orissa (GoO) has articulated a strategy to accelerate growth and poverty reduction which is reflected in its Tenth Five Year Plan and draft “Vision 2020” strategy. At the core of the vision and development strategy are efforts to: (a) encourage private sector growth to increase per capita incomes in Orissa so that the widening gap between the state per capita income and the national average is first arrested and then reduced; (b) enhance the quantity and quality of public investment in infrastructure (roads and irrigation) and human capital (education and health) so that rapid growth can be sustained and its benefits more equitably distributed than in the past; and (c) empower the poor through the formation and strengthening of user associations and women’s self-help groups (SHG).

6. Based on these core strategies, the Government of Orissa under the Women and Child Development Department has established *Mission Shakti*, an umbrella body for empowering the poor through formation and strengthening of Self Help Groups (SHGs). As in other states in India, SHGs are the predominant mode of channeling microfinance to the poor in Orissa. The total number of SHGs in Orissa is estimated around 300,000 with reported savings of Rs. 2.62 billion and SHGs have borrowed from banks over Rs. 6.73 billion since the start of the SHG-Bank linkage program. These outreach and credit figures place Orissa among the states with the highest SHG outreach and credit disbursement in India, ranking 4th after Andhra Pradesh, Tamil Nadu, and Karnataka. Nearly 52 Block Level SHG Federations (BLFs) and 2403 Gram Panchayat Level SHGs Federations (GPLFs) have already been formed in Orissa.<sup>5</sup>

7. The situational analysis of the SHG program in Orissa suggests that there are certain issues that are constraining the impact of the program. Some of the key issues are: (i) a significant proportion of SHGs are either defunct or functioning at very low levels of potential; (ii) a large proportion of SHGs are functioning in a manner that significantly deviates from self-help principles; (iii) quality of book-keeping is generally reported to be poor; (iv) on-time recovery of SHG loans has fallen to 93%; (v) a large number of GP level and Block-level federations have been promoted without clarity of purpose or need for financial viability; and (vi) a substantial number of poorer households are outside of the SHG fold.

8. Furthermore, despite the rapid growth of the SHG-bank linkage programs, outreach of financial, insurance and marketing services does not match demand and there is substantial scope to address this demand through effective provisioning of these services. While SHGs have provided access to financial services for a large number of people who previously did not have this opportunity, the services available through SHGs remain very rudimentary. Moreover, the livelihoods portfolio of a rural poor household<sup>6</sup> is sub-optimally developed due to various factors such as; a) low productivity of

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<sup>5</sup> Mission Shakti Report, Government of Orissa, April 2001 – July 2007.

<sup>6</sup> Can be categorized as small and marginal farmers, landless agricultural labors, migrating labors, people living in adverse social and physical conditions, destitute, widowed households and many other resource poor people.

livelihood activities<sup>7</sup>; b) limited capacity of producer organizations<sup>8</sup>; and c) inadequate livelihood support services<sup>9</sup>. SHG members predominantly invest in small scale agricultural and non-farm activities such as livestock and poultry rearing, production of lentils and other products for the Government's Mid-Day Meal Scheme for school children, and local handicrafts and weaving. Overall the quality and nature of livelihood activities undertaken by the existing SHGs is limited due to the lack of technical support services, ideas regarding new livelihood opportunities and access to technically qualified service providers and new markets.

9. This short-fall is further amplified for poor people who are living in a socio-political system that is exclusionary and does not allow them access to entitlements. For example, both inclusion and exclusion errors in Orissa for Below Poverty Line (BPL) ration card holders are large. Inclusion errors, defined as the proportion of non-poor being classified as BPL, are significant. For example, among all households carrying a BPL card, 18% belong to the top two quintiles (the richest). However, exclusion too is significant. Among the poorest 20% of households, around 35% do not possess a BPL or AAY ration card. Across caste groupings, BPL coverage is significantly higher for STs and SCs than for non-backward castes.

10. In this context, ORLP will adopt a three-pronged strategy which would include investment in processes to build "voice" (empowerment) of the rural poor, increase access to productive assets, and finally provide a platform for "scaling-up" of livelihoods activities. Building people's institutions of the poor for voice and scale will enable the poor to negotiate and bargain with market actors for better economic gains and subsequently, negotiate with service providers (government, private sector, civil society) for better service delivery. Several models have been initiated by the GoO, NGOs, private sector and Bank supported projects in India. These models have demonstrated innovative developmental and business practices to successfully deliver a variety of services to the poor; and also create opportunities for marketing their produce through value addition and economies of scale. The proposed project seeks to build on these existing innovations and provide an enabling institutional framework to scale-up more promising initiatives and innovations.

## **2. Development Programs Operating in the State**

### National Rural Employment Guarantee Act:

11. The National Rural Employment Guarantee Act (NREGA) was recently expanded by Government of India to all 30 districts in the state, and is the largest anti-poverty program under implementation. As of April 2007 some 2.7 million households registered

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<sup>7</sup> Agriculture, fisheries & livestock, handicraft & weaving are some sectors in Orissa on which large number of poor people depend on their livelihoods.

<sup>8</sup> Well-functioning producer organizations can help producers capture a better share of value in a product supply chain by increasing bargaining power of the producers and providing support services such as storage infrastructure, credit, and marketing.

<sup>9</sup> Lack of professional support to enterprises supported on appropriate technology, input supply, quality maintenance, and marketing as well as handholding of the enterprises during the initial stages of growth.

and received a job card. Of the households with a job card, 889,000 households requested employment under the program, and 832,000 were provided employment. Almost 73% of all days of work created under the NREGA are filled by SCs and STs.

#### Gopabandhu Grameen Yojana:

12. A new anti-poverty area-based program in Orissa which was introduced in 2006-07 is the Gopabandhu Grameen Yojana. It is significant for potential linkages to ORLP because the geographical focus of the programs is also on the proposed ORLP districts. The focus is on local infrastructure provision related to electrification, roads and water supply. The emphasis on link roads is of particular relevance in terms of market linkages for SHGs.

#### Other Livelihoods Initiatives in Orissa:

13. The UK Department for International Development (DFID) currently finances two projects focusing on improving livelihoods: WORLP and OTELP (jointly with World Food Program and International Fund for Agricultural Development). Both projects use a *watershed plus* approach, whereby the projects provide additional funds for improving livelihoods to complement funds available under the national watershed development program. OTELP focuses on 30 of the most backward blocks in 7 districts with tribal populations of over 60%. WORLP is implemented in 4 districts. SGSY is the flagship enterprise development program funded jointly by the central government and the state government. The program is implemented through the District Rural Development Agencies and has a state-wide budget of Rs.800 million for 2005-6. Special SGSY is a related program which is fully funded by the central government. This program finances proposals that are larger (up to Rs. 150 million). ORMAS is currently implementing a special SGSY project that is working with approximately 30,000 members of 2,000 SHGs to help improve marketing of rural products. Sustainable Tribal Empowerment Project (STEP) and Swayamsidha are two other central government funded livelihood improvement programs under implementation in Orissa. Both programs are fully funded by the central government. Other government initiatives to improve livelihoods of the poor through SHGs include procurement from SHGs of vegetables and other supplies for school lunch programs, encouraging leasing of small water bodies (Panchayat tanks) to SHGs, facilitating engagement of SHGs as retailers of cooking gas and consumer retail products, and engaging SHGs as licensees to supply kerosene and run fair-price shops.

#### Proposed National Rural Poverty Elimination Program (redesigned SGSY):

14. The Ministry of Rural Development (MoRD) Government of India, based on the experience of Andhra Pradesh Rural Poverty Reduction Project, which focuses on social mobilization and creation of federated organizations of the poor, has recast the overall SGSY program. As of next fiscal year the new NRPEP program will be implemented with the following salient features:

- A non lapsable entitlement in the form of a Poverty Elimination Fund created at the national, state and district levels (75: 25 cost sharing ratio). Financial resource allocations will be based on a State poverty elimination action plan and a MoU signed between the state and the central government;
- Funds will be allocated for social mobilization, capacity building and revolving fund;
- States and districts will be required to create a separate implementing agency with dedicated staff to implement and monitor the program;
- A universal approach will be adopted for social mobilization of SHGs, their formation and establishment of federations;
- Formation of SHGs, their training and capacity building, will be met from a government grant and a revolving fund placed with SHG federations to lend to their membership;
- Creation of a demand based skills up-gradation program linked to job placement;
- Support for livelihood clusters and federations to achieve economies of scale in marketing of products.

15. The program has many elements of the proposed ORLP: working through a society mode at State and designated agencies at District Level, focusing on capacity building of SHG village, block and district federations, financing of Micro Investment Plans (MIP), supporting livelihoods value addition and jobs creation through targeted skills development. During the ORLP's Mid-Term Review, possible convergence between the two programs in the ten districts would be reviewed based on a thorough risk assessment.

### **3. Rationale for Bank Involvement**

16. GoO has requested World Bank assistance for implementing a project under which innovative, scaleable and sustainable models for livelihoods enhancement of the rural poor be piloted which "build institutions of the poor." Since a key focus of the new NRPEP is supporting social mobilization and institution building, the World Bank is uniquely positioned to assist the State based on the "lessons learned" from the current suite of first and second-generation livelihood projects implemented in the States of Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Rajasthan, Tamil Nadu and Bihar. Key areas of comparative advantage for Bank financing, is the development of systems, which allow the programs to achieve scale. This includes: development of capacity building processes for groups, federation and their associative tiers, Producer Organizations around a common product, tested mechanisms for improving social inclusion, non-farm skills and employment generation, robust monitoring, evaluation and grievance redressal systems. In addition the project builds on the reforms promoted by the Second Orissa Socio-economic Development Program Policy Loan (DPL), including reforms focusing on enhancing agricultural productivity, security of land rights, and market access to farmers, improving public accountability, and reforms in service delivery. Self Help Groups (SHGs) and their federations are key beneficiaries of poverty-oriented reforms supported by the DPL. Many of the policy reforms required to support vibrant SHGs and their businesses are being supported through the on-going DPL.

#### **4. Higher level Objective to which the project contributes**

17. The India Country Strategy (CAS) (Report No. 22541) for FY05–08 (henceforth referred as the 2004 CAS) highlights that the Bank will work proactively to build a productive relationship with the four “lagging” states which includes Orissa. The project development objective is directly aligned with the 2004 CAS goal of investing in people and empowering communities. Moreover, the Country Strategy Progress Report – 2007 (Report No. 39796-IN), states that in terms of investing in people and empowering communities, strong progress has occurred in fostering empowerment and this project, like all other rural livelihoods projects in India, is designed for investing in the poor and empowering them. The report further highlights that Bank-supported rural livelihood projects are some of the best examples of scaling up and this project also contribute to scaling up and reaching out to the poor in Orissa.

18. The project directly supports the Millennium Development Goals of: (i) improving incomes of the poorest – reducing the proportion of the people living on less than \$ 1 a day (Goal 1, Target 1); (ii) promoting gender equality and empowering women (Goal 3, Target 4); and (iii) development and implementation of strategies for decent and productive work for youth (Goal 8, Target 45).

### **B. PROJECT DESCRIPTION**

#### **1. Lending instrument**

19. The lending instrument selected for the proposed project is a Specific Investment Loan (SIL). This instrument allows for the necessary support for development of rural livelihoods in Orissa through institutions of the poor in village Panchayats covering villages in 38 blocks in ten districts of Angul, Balasore, Bhadrak, Cuttack, Jagatsinghpur, Jajpur, Kendrapada, Khurda, Nayagarh, and Puri. The project is expected to directly benefit about 1.5 million people belonging to 300,000 households.

#### **2. Project Development Objective and Key Indicators**

20. The Project Development Objective is: Enhancing the socio-economic status of the poor, especially women and disadvantaged groups, in selected districts of Orissa.

*Project Outcomes will be:*

- 50% of the 30,000 SHGs (300,000 households) have saved at least Rs.2500/- in SHG/CBOs; availed at least Rs.10,000/- as investment credit annually from CBOs, and are insured for at least Rs. 20,000 worth of asset value.
- At least 60% of all type of CBOs score “Satisfactory” consistently in the Institutional Maturity Indicators (on parameters like organizational development, functioning, inclusiveness, accountability, transparency, resource mobilization, cost coverage, etc.).



- At least 50% of households (including the extremely poor and vulnerable groups) have increased their productive and sustainable asset base.
- At least 75% of households directly benefiting from the project reported reduced dependency on high cost private money lending sources.

### 3. Project Components

The proposed project includes the following four main components (details are provided in Annex 4).

#### **Component I: Institution Building:** (Base Cost US\$ 17.73 Million)

21. This component will have two sub-components: (a) community level institutional building and (b) developing capacity of the project staff. Sub-component (a) will finance start-up activities, including situational analyses; institutional development investments on capacity building and exposure; preparation and appraisal of micro-investment plans and activities related to strengthening and sustainability of poor people's institutions. Sub-component (b) aims at developing project staff capacity to implement the program effectively. Project staff capacity will be developed at state, district, block and cluster level. A key project principle is strong Cluster Coordinators and Community Resource Persons, who will be in the fore-front of the institutional building process and provide on-time support for SHGs and their federations. Capacity building activities will be developed and implemented by the state, district and block teams, who will support the cluster teams and CRPs.

#### **Component II: Community Investment Fund:** (Base Cost US\$ 45.58 Million)

22. The Community Investment Fund (CIF) will consist of two sub-components: (a) Community Investment Fund and (b) Pro-poor Inclusion Fund. Sub-component: (a) will transfer financial resources to Panchayat-level and Block-level federations<sup>10</sup> of Self Help Groups as grants for investments at the household level. This fund is also expected to help community-based organizations build institutional capacity, leverage additional funds from mainstream financial institutions, and develop new financial products that better address the needs of the poor and their organizations. CIF funds will be released in tranches to the SHG federations on the basis of their achieving certain pre-decided and agreed milestones. A process of Micro Investment Planning (MIPs) at the household-level, and the aggregation and prioritization of these plans at the SHG and SHG federation levels will be key milestones. Sub-component: (b) will provide bridging grants to support the extreme poor and vulnerable groups to organize themselves into SHGs. Technical assistance and pro-poor innovation funds to support investments to increase and enhance the productive capacity of the extreme poor and vulnerable groups will also be part of this sub-component. Around 10% of the CIF<sup>11</sup> will be earmarked for inclusion of the extreme poor and vulnerable groups (including the differently-abled) through 'bridging capital' and for financing innovative sub-projects to enhance their

<sup>10</sup>It is assumed that it will take 2-3 years from Block Level Federations to evolve.

<sup>11</sup> This amount may be adjusted on the basis of local assessment of needs.

productive capacity. Identification and assessment of needs will be a key first year activity under the project and funds will be allocated on the basis of inclusion plans produced by the Gram Panchayat Level Federations. Priority will be given to the inclusion of the left out poor (as defined by the 2002 BPL Survey List) in federations and funding the MIP of these groups as part of the assessment criteria for CIF graduation.

**Component III: Livelihood Promotion Fund** (Base Cost US\$ 15.59 Million)

23. This component has three sub-components: (a) value chain proposals; (b) skills development and jobs for rural youth; and (c) a livelihood innovations fund. Sub-component (a) will primarily focus on enhancing livelihoods by strategic investments based on a value-chain analysis. Livelihoods enhancement will include enhanced production, productivity and profitability in sectors like agriculture, horticulture, handlooms, fisheries and livestock key rural livelihoods in the coastal districts. This would be achieved through strengthening producer organizations, improvements in production technologies and management practices, better market linkages, more efficient and effective delivery of key support services, and augmentation of community-level productive capacities as well as infrastructure provided to production clusters. It is also envisaged that some of the value chain proposals will explore the possibility of carbon finance opportunities. Sub-component (b) would be available for SHG members and their households to receive skills training linked to service sector jobs, or to support migration; and sub-component (c) would support an annual “Development Market-place” event on the best livelihood innovations in Orissa to encourage community and NGO groups to innovate and present new livelihood ideas which could be scaled up through the project.

**Component IV: Project Management, Knowledge Management and Replication** (Base Cost US\$ 5.05 Million)

24. Financing under this component will mainly go for project staffing costs, monitoring, learning and evaluation activities and undertaking certain learning and thematic studies and pilots. Activities to be financed (with detailed costs) would include: (i) establishing and supporting project management units at the state and district levels; (ii) project MIS; (iii) internal monitoring, evaluation and learning activities including studies; (iv) information and communications support including establishment of a project website and documentation of project experience and its dissemination to the wider development community; and (v) thematic studies and pilots that can be tested in some project blocks for future scaling-up.

**4. Lessons learned and reflected in the project design**

25. Extensive lessons are available with GoO from implementation of various poverty alleviation programs such as SGSY and the Integrated Rural Development Program. Recent experience with the CDD approaches under IDA funded projects such as Andhra Pradesh District Poverty Initiatives Project, Andhra Pradesh Rural Poverty Reduction Project, Madhya Pradesh District Poverty Initiatives Project, Rajasthan District Poverty Initiatives Project, Gemidiriya Project in Sri Lanka and Nepal Poverty Alleviation Fund

in South Asia as well as from other countries such as the Philippines and Indonesia provide lessons for sustainability. The project has incorporated the following lessons into its design:

<b>Lesson Learned</b>	<b>Integration Into Project Design</b>
Create special mechanisms to reach the poorest of the poor.	Recognizing that the poorest of the poor may not be participating in self-help institutions through which they can improve their economic status, the project provides special funding to ensure their participation in SHGs.
Build core skills for long-term sustainability of economic organizations of the poor.	The project will focus on strengthening the capacity of various economic organizations of the poor in core operational and financial functions so as to ensure that SHGs meet NABARD's graduation criteria. This builds on the successful experience of the CARE-Cashe program in Ganjam District of Orissa.
Savings and credit groups do not necessarily function well as economic activity groups.	The project recognizes that individuals who come together to access microfinance do not necessarily have a common interest in an economic activity and the requisite skill set. The project is, therefore, promoting the establishment of affinity groups such as Producer Organizations, whose membership may continue to belong to separate SHGs through which they access finance.
Facilitate selection of economic activities to ensure they are market-driven.	The project will conduct a District-level livelihood assessment to identify a few high potential economic activities. Livelihood funds would then support interested SHG federations to formulate business plans and establish a livelihood-focused producer company.
Federate to ensure long-term sustainability, achieve economies of scale and increase returns.	The project will encourage SHGs to cluster and form panchayat and block-level federations, thus increasing the likelihood of these organizations continuing to exist beyond the life of the project and enabling them to benefit from lower transaction costs, and improved market access etc.
Reduce scope for corruption through direct transfers and participatory monitoring systems.	The project will reduce the scope for corruption at all levels through direct transfer of funds from the state unit to project beneficiary groups. Furthermore, a Complaints Handling System through which beneficiaries and staff may report on various types of irregularities will be adopted to increase accountability at all levels of implementation. This will build upon the Governance Accountability Action Plan prepared by the borrower, which builds upon existing departmental legislation and the Right To Information (RTI) Act.
Employ a competitive recruitment system to ensure high quality and commitment.	The project has adopted a competitive, merit-based and transparent recruitment system for both staff and specialists who will be sourced from government departments and the open market. This process will reduce the potential for nepotism while ensuring the project is led and implemented by

	highly motivated and suitably qualified staff. An overall HR strategy will be developed and agency hired to assist with recruitment.
Community resource persons/facilitators are effective social mobilizers, low cost and offer a sustainable option for scaling up.	A cadre of community managed functionaries will be trained who will then mobilize and provide support to the network of community based institutions.
Linkage with line departments and PRIs.	To ensure sustainability, linkages with PRIs and line departments will be developed at the outset. These linkages will be facilitated in terms of PRI service provisioning becoming more inclusive and their services to become more accountable. Interface between PRIs and SHGs will occur through gram sabhas for identification of the poor, social audits and access of services such as Mid-day Meals and grains through the public distribution system.
Decentralized implementing agency with high quality staff placed at block level.	Project staff will be decentralized to the block and cluster level to allow close supervision, facilitation and capacity building of SHG federation. Over time these staff will be directly recruited by the SHG federations, a key lesson learned from the design of the DFID, OTELP and WORLP projects.

## 5. Alternatives considered and reasons for rejection

26. The project considered the following alternative designs/approaches:

- *Funding of Productive Assets through Gram Panchayats:* The project considered providing funding for productive assets such as intra-GP roads, ponds for aquaculture, water harvesting structures for supplemental irrigation, secondary and tertiary drains, drinking water and sanitation, and intra-GP electricity distribution. This element was not included in the final project design since the scale-up of the National Rural Employment Guarantee Act (NREGA) to all project districts would provide sufficient funding for these assets. A further new anti-poverty area-based program in Orissa which was introduced by GoO in 2006-07 and is scheduled to continue till 2011-12 is the Gopabandhu Grameen Yojana (GGY). Its geographic focus is on 11 districts which include many of the project districts. The focus is on local infrastructure provision related to electrification, roads and water supply in areas. Thus, no strong rationale was found for channeling additional productive infrastructure funding through GPs given the scale of NREGA and GGY funding. Additionally, it was found that any such component would require a separate fund flow mechanism. The cost of establishing and managing this mechanism would outweigh the benefits since the volume of investments to be undertaken would be very small.
- *Institutional Strengthening of Panchayati Raj Institutions (PRIs):* This component would have built Gram Panchayat capacity in budgeting, financial management,

transparent procurement, effective implementation, operation and maintenance. Given the range and depth of services that would be required to catalyze and build economic organizations of the poor, it was decided that the objective of institutional strengthening of PRI institutions would be better addressed through a separate, focused state-wide project further down the road.

## C. IMPLEMENTATION

### 1. Institutional and Implementation Arrangements

27. The project would be implemented according to norms, rules and procedures outlined in the Project Implementation Plan (PIP) and Community Operational Manual (COM). These documents lay out roles and responsibilities of different stakeholders and provide details of project processes and the project cycle. They incorporate experiences gained through implementation of other community projects in India as well as the outcomes from various workshops, studies and analyses that were carried out as part of project preparation. The PIP and COM will be subject to periodic reviews conducted jointly by GoO and IDA, with stakeholder participation to address any constraints to the successful implementation of the project.

28. The project's institutional arrangements are built as support structures starting from the community level and going to the Block, District and State level. The primary agency responsible for the project's implementation will be the Orissa Poverty Reduction Mission (OPRM) established by the GoO, as the agency for rural livelihood promotion and poverty elimination in Orissa (details in Annex 6).

29. **Community and Village level:** The institutional arrangements at the community-level under the project are designed to enable women and other disadvantaged groups to form their membership organisations at group level and subsequently, federate at the panchyat and block levels. This three tier structure gives women and their organisations ability to achieve economies of scale and aggregate in terms of access to services, credit and markets. It also enables them to build good quality sustainable institutions with a financial base. These institutions also enable external institutions like commercial banks to reduce their transaction costs in dealing with a large number of small, dispersed and low transaction individual households.

30. **Block Project Facilitation Team (BPFT):** One BPFT will be established in each of the 38 project blocks and will play a crucial role in project implementation. A Team Leader supported by a Institution Building Facilitator, Livelihoods Facilitator, Financial Management, MIS Facilitator and Cluster Coordinators. The team leader will be in-charge of the BPFT. There will be two Cluster Coordinators per GPLF. This team will facilitate the formation and functioning of SHGs, GP Level Federations and Block Level Federation of the SHGs, along with a cadre of Community Resource Persons. The BPFT will be responsible for implementation of the project at the panchyat and block level. For the initial 3 years Cluster Coordinators will be directly placed under the BPFT as project staff, but it is envisaged that towards the end of the 3<sup>rd</sup> year and beginning of the 4<sup>th</sup> year

of the project their accountability will be gradually shifted from the project to the Block Level SHG federations. It is also envisaged that towards the end of the 3<sup>rd</sup> year the BPFT functions will be incubated into the Block Level SHG federations and like Cluster Coordinators their accountability line will be transferred to Block Level SHG Federations. This visualized transition of key functions will contribute towards the sustainability of the institutions beyond the project life.

31. **District Project Management Unit (DPMU):** In the ten project districts, a District Project Manager (DPM) will head the DPMU which will be responsible for coordinating, implementing and managing project activities in the district. The structure of the DPMU will be lean with the DPM supported by Accounting and MIS staff. Other relevant thematic specialists in areas like tribal development, livelihoods and micro finance will be added, based on district specific requirements that emerge during implementation.

32. **Orissa Poverty Reduction Mission (OPRM):** The GoO has established the “Orissa Poverty Reduction Mission” registered under the Society Registration Act XII, 1860. The State Society has a 21 member General Body chaired by the Chief Secretary which will formulate policies and guide project implementation. The management of the Society has been entrusted to an Executive Committee chaired by the Secretary, Panchyati Raj Department, GoO. It has representatives from the government, civil society, commercial banks and developmental institutions. OPRM will manage the project through a State Project Management Unit (SPMU). The Member Secretary/Chief Executive Officer of OPRM will be the Project Director (PD) of SPMU. The PD will head the SPMU and will work under the guidance of the Executive Committee for day-to-day operations and the General Body for policy decisions. The SPMU will constitute a team of professionals with expertise in institution building, capacity building, social development, livelihoods, microfinance, communication, monitoring and evaluation, human resources development, and finance who will be grouped into three broad functional units: Program Unit, Program Support Unit, and Financial Management and Procurement Unit. Job description, roles and responsibilities are detailed in the PIP.

33. OPRM staff and specialists will be selected through a competitive, transparent and merit-based process, and may be drawn from government departments on deputation or sourced from the open market on a contract basis at market-based remuneration rates. To ensure independent and merit-based recruitment, the GoO will hire a third party agency (through competitive bidding) to carry-out the recruitment and training of OPRM staff.

34. **Accountability Measures:** The project implementing agencies will adopt a disclosure policy in compliance with their duties under the Right to Information Act both for on demand information and *suo moto* disclosure. This would include development of a project website, information management systems, and a document management system. To the extent possible all project related information will be electronically disseminated through the project website. The project would also establish a grievance handling system. At the district and village levels, oversight would be developed through

social accountability mechanisms including participatory monitoring mechanisms and public displays of information. (See Annex 9)

35. **Fund Flow:** The funds will flow from the Bank to the GoO as per the prevailing policy of the GOI for transfer of external aid to the States. The fund requirement of the project will be budgeted in GoO's annual budget and made available to the project on a quarterly basis as per the approved annual work plan. Funds from SPMU will be directly transferred to the bank accounts of the village institutions.

36. **Disbursement Procedures:** Disbursements from the IDA credit would be based on quarterly interim financial reports. A segregated account would be opened in the Reserve Bank of India and would be operated by the Department of Economic Affairs (DEA) of GoI. US\$3,000,000 will be deposited at effectiveness of the IDA Financing. This initial ceiling may be increased to a maximum of US\$8,000,000 based on the needs of the Project. The Designated Account would be operated in accordance with IDA's operational policies.

37. **Retroactive financing** of up to US\$ 2 million equivalent (i.e. 2.4% of the total credit) will be available for financing eligible project expenditures incurred before credit/financing agreement signing, but on or after September 1, 2007. This will help the project in hiring of various services such as setting of the staff recruitment systems, project website, monitoring systems & MIS, field level testing of various manuals and various other similar initial activities. This will help the project save critical time and be ready to start implementation of core project activities immediately after the project is declared effective.

38. **Monitoring and Evaluation of Outcomes/Results:** Monitoring, Evaluation and Learning (ME&L) aspects of the project would broadly consist of five distinct activities, namely (i) Progress monitoring of project inputs, outputs and outcomes, (ii) Performance tracking of community institutions, (iii) Internal learning system of the project, (iv) Social accountability and transparency, and (v) Baseline and impact evaluation. Communication aspects for both internal and external audience would be part of the ME&L as a sub-system. Social accountability mechanisms will be promoted within and between the community organizations and community and service providers, and between the project staff and the communities. The system would be guided by the principles of collecting only relevant information required for decision making process, and involving stakeholders in the process of ME&L which ensures the horizontal spread of information and learning. Appropriate institutional mechanisms will be in place across all operational units of the project including cluster, district and state for implementation of the M&L system. In addition to internal staff the services of external expert agencies will be hired for certain M&L components. Overall M&E would be coordinated by a cell consisting of a monitoring specialist, a communications specialist and a person tracking and responding to grievances. Each district/block team would have a specialist with monitoring functions assigned as part of their responsibility.

39. **Sustainability:** The core of the project’s design is to build vibrant social and economic SHGs and their federations to whom the project transfers not only assets and skills, but also ownership over time. The institutional mechanism and systems supported and financed through ORLP may be used by the GoO to strengthen its other poverty alleviation programs, including proposed NRPEP.

40. Key project features which will ensure long term sustainability along different dimensions are the following:

(i) *Institutional sustainability:* The project will ensure institutional sustainability by an effective social mobilization strategy that builds a multi-tier system of community institutions (SHG, Panchayat and Block Level Federations), and builds their capacity to become self reliant and self managed institutions. As part of community institutions development, the project will transfer skills, knowledge, and management to these community institutions through a systematic process of leadership development and organization development. These ‘people’s institutions’ will be democratic, inclusive, and transparent and assume the role of a catalytic social organization beyond the project period.

(ii) *Economic Sustainability:* The different levels of community organizations will have a strong economic base through savings that are pooled together and rotated as equity, which forms the basis of an SHG. At a higher level these groups will be linked to the formal banking system in the country that is mandated to provide financial services to such groups. The creation of self assessment and rating mechanisms at different levels will ensure partnership with banks and financial institutions. This would enable the community groups to leverage financing for economic activities, independent of the project, on a continuing basis and ensure a sustainable flow of funds to the rural poor.

41. The sustainable and productive use of the assets created by the CIF at the household, group and village level will be ensured through the project creating permanent linkages with the market in which the community takes up livelihood based activities, through bringing in private and public players in different sectors and activities. As these assets and production processes will be fully owned by the groups, the community would address operations and maintenance from their own equity contribution.

## 2. Critical risks and possible controversial aspects

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
<b><i>To Project Development Objective</i></b>		
Federations are likely to develop in the latter half of the project period, leaving less time and resources for their	All capacity-building activities from the start would be carried out bearing in mind the ultimate goal of federating, thus building core skills of SHG members in this regard.	M



institutional strengthening.		
The Society is not able to build synergies with relevant line departments.	Annual plans will clearly outline potential areas for collaboration and challenges to achieving the same, enabling state level project staff to intervene and support field staff in addressing hurdles to collaboration Line agencies would automatically be involved through regular district coordination meetings	N
<b><i>To Component Results</i></b>		
SHGs may find it difficult to cluster and federate.	Project Facilitation Teams at the block and district levels would orient SHGs about the benefits of clustering and federating from the start, utilizing successful examples from around the country as well as through field visits to successful clusters and federations within and outside the project.	N
The poorest of the poor are not able to sustain their membership in SHGs.	Apart from strong capacity-building support for new SHGs formed by the poorest of the poor, the project would include demonstration visits to successful SHGs and other such mechanisms to encourage continued participation in SHGs and belief in their value.	M
Individuals availing of skills development training are not able to secure jobs.	Prior to undertaking skills training, the project would conduct a market study to identify skills that are in demand. Thereafter, partnerships with the private sector would be developed, and the number of individuals to be trained as well as the type of training would be as per the company's specifications.	N
Public-private partnerships do not materialize.	Business Plans presented by federations will undergo a rigorous evaluation to assess their viability prior to sanctioning funds. Support would also be provided to strengthen these business plans. These measures are likely to increase the confidence of potential investors/partners. Further, as the project matures, the state level society would assign a staff person with the responsibility of facilitating PPPs.	M
Poor procurement	Limited capacity at state district and	H

practices among CBOs	community level. This needs significant capacity building support, enhanced disclosure and strong complaints redressal mechanism will be established.	
Limited book-keeping and loan tracking skills	Limited capacity among self help groups and federations for book keeping and accounting. Strong capacity building and robust MIS loan tracking system will be supported by the project.	M
Inadequate capacity at the GP & Block level Federations to account for project funds, particularly to manage the Loan Funds.	For the Federations (GP & Block) to access start up funds under the project, they will need to demonstrate adequate capacity to account and manage the funds. The accounting and financial reporting requirements will be detailed in the COM. Access to CIF tranches for GP Federations will be based on achievement of milestones and will include parameters of quality of accounting and transparency of financial management decisions.	S
Issues of overall governance and accountability	The project has developed a governance and accountability action plan which identifies potential areas of fraud and corruption and has devised a comprehensive governance and accountability action plan which includes implementing RTI and establishing a grievance redressal mechanism for the project	M
Overall Risk Rating		M

Risk Ratings: N- low or negligible risk, M- modest risk, S- substantial risk, H- high risk

### 3. Loan/credit conditions and covenants

Effectiveness- Standard conditions.

#### 42. The main covenants are:

Throughout the duration of the project the project implementing entity shall be responsible for the management and coordination of project activities. It shall implement the project through the OPRM which shall:

- Have an EC and GB with broad representation from all key stakeholders as defined by the memorandum and Articles of Association;
- Have SPMU, DPMUs, BPFTs and Cluster Coordinators with the staffing and responsibilities as documented in the PIP and agreed with the Association; and a State Project Director from the Civil Service for a reasonable period of time;
- Implement the project in accordance with the PIP and the procedures, principles and practices set forth in the Community Operational Manual (COM);

- Prepare and furnish to the Association, not later than July of each year, commencing in July 2008, an annual work plan, budget and procurement plan for implementation of project activities;
- Establish by January 1, 2009 and thereafter maintain throughout Project Implementation in a manner satisfactory to the Association, a grievance redressal cell within OPRM;
- Maintain CIF for purposes of providing grants to the beneficiaries which may be used as revolving funds and enter with each beneficiary into a beneficiary agreement on terms and conditions set forth in the PIP and COM;
- Select support organization ( inter alia NGOs, MFIs, banks and CBOs) for assisting in project implementation in accordance with the criteria established in the COM;
- Carry out the project in accordance with the EMF and the Tribal Development Plan in a manner satisfactory to the Association;
- Ensure that the project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of persons;
- Monitor and evaluate the progress of the project and prepare project reports in accordance with the provisions of section 4.08 (b) of the Association's general conditions on the basis of indicators agreed with the Association;
- Within six months or such later date as agreed with the Association, place in position a suitable internal auditor(s) pursuant to TORs acceptable to the Association;
- Maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association; and have these audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
- Procure all goods, works and services required for the Project to be financed out of the proceeds of the Financing in accordance with the provisions of Schedule 2 of the FA.

## **D. APPRAISAL SUMMARY**

### **1. Economic and financial analyses**

43. *Economic Analysis:* Since the project is based on demand driven micro investment plans, the economic assessment does not attempt to evaluate all of the components in terms of quantifiable economic and financial returns. However, using the experience from similar projects elsewhere in India and based on informed cost-benefit estimates of some potential livelihood interventions, analyses was undertaken to determine net benefits of a few potential economic activities. In this regard, attention was given to the Community Investment Fund (CIF), which comprises of US\$45.58 Million. Seventy-five percent of this fund is set aside for productive livelihood activities. The evaluation of the CIF is based on a financial viability analysis of four selected productive livelihood activities which are expected to be included in the micro plans. These have been modeled in detail in Annex 10. Each of these potential activities possessed a

financial return within the range of 10 percent to 46 percent. The methodology used to analyze these micro plans will be used as part of the appraisal process to ensure that the Federations evaluate financial returns of a given micro plan prior to CIF financing.

44. *Fiscal Impact:* The total base cost of the project is estimated to be US\$83.95 Million and the project is designed in such a way that about 90 percent of this amount to be directly channeled to target communities. The project is expected to directly benefit about 1.5 million people belonging to 300,000 poor households. In this regard, some of the positive impacts of the project in Orissa include: (i) scaling up a cost effective anti-poverty program that synergizes with the State's own program. This would provide fiscal savings to allow the State to improve the quality and outcome of its anti-poverty programs; (ii) training and capacity building interventions of the project would provide job opportunities to the youth and unemployed with net benefits to the State in the form of tax return and economic dynamics; (iii) focus of the project to identify viable economic activities and cluster target groups to scale up with viable market connections would result in tangible fiscal returns to the State in the form of different income possibilities; (iv) improved transparency, accountability and governance of village institutions for effective use of public resources and related services; and (v) the project will contribute to local economic growth as the result of the aggregate income levels of the poor, which could potentially improve revenues at local and State levels. It should also be noted that the project would lead to a wide array of social, institutional, and economic benefits, mostly long term, that are not easily quantifiable. Thus, no attempt will be made to quantify these benefits resulting from the project.

45. The potential negative impact of the project to the State of Orissa arises from expenditure on counterpart funding. During the five year life of the project, contributions of the GoO are about US\$ 4.66 million or approximately US\$ 0.9 million per year. Since this is only a minor proportion of the 08/09 budget outlay of the government, it should not have a major fiscal impact. Most of the government's counterpart funding would finance recurrent costs of the project and government seconded staff. In the long term, the GoO would bear only incremental cost for government staff after project closure with no commitment for all other contractual staff. In addition, all recurrent expenditures for the sub-projects will eventually be met by the communities.

## **2. Technical**

46. In recent years, the World Bank has promoted livelihood projects in several states. They have demonstrated that community-driven development approaches are viable and effective options for catalyzing socio-economic change at the grassroots.

47. ORLP has sought to learn from these experiences and is seeking to balance a pure CDD approach with some top-down guidance. Thus, while the development of economic organizations of the poor would largely be driven by project beneficiaries, they would be steered towards taking up economic activities that have been identified based on a district level market study. Incorporation of the latter measure increases the likelihood of SHGs aggregating their small scale activities into sustainable, commercially viable enterprises.

In the absence of this stewardship, SHGs would not necessarily engage in scaleable activities implying lower financial returns. A strong business focus will underpin all scaling-up efforts i.e. SHG clusters interested in forming commodity based Producer Organizations and acquiring relevant productive assets would be required to present business plans prior to the sanctioning of funds.

48. Strong ownership of the project by the beneficiaries is also essential for success and experience has shown that total subsidies do not contribute to this objective. The project, therefore, requires individuals interested in forming Producer Organizations to raise 50% of the start-up funding for their activities. However, the ability to leverage finance would be strengthened through capacity-building support to SHGs. This is deemed necessary to assist SHGs with meeting bank graduation criteria, thus, providing members with access to institutional credit for their producer organizations.

49. The establishment of a separate activity to reach the poorest of the poor is considered necessary and acceptable given the significant caste and class inequalities in India. This component, however, does not provide grants in a vacuum. Instead, grants are provided to enable participants to develop their capacity and confidence to enter SHGs through which they may increase their capacity to save and eventually join the governance of panchayat and block federations.

### **3. Fiduciary**

#### **Financial Management**

50. The financial management arrangements are adequate to account for and report on the project's expenditures and to meet IDA's fiduciary requirements. At the State level an independent society (Orissa Poverty Reduction Mission) with units at district and block levels has been established and at the community level the primary implementing units will be the Federations and Self Help groups. Given that OPRM is a newly formed Society, the assessment of the adequacy of the financial management arrangements for the project is essentially based on the arrangements being put in place. The choice of a Society as the nodal level coordinating entity for the project at GoO is based on the good practice models from Andhra Pradesh, Madhya Pradesh and Tamil Nadu. The society model provides flexibility and autonomy in engaging suitably qualified staff and ability to be able to effect quick and smooth fund transfers across the state, the two key prerequisites for any CDD project of this nature. However, the concerns associated with the weak governance and oversight requirements for Societies in India also apply to this project. In order to mitigate this fiduciary risk, a number of steps are being taken and include: (a) the institutional and governance arrangements have been framed and documented. These define the responsibilities of the various committees tasked with the oversight functions of the Society and include the State level Steering Committee, Governing and Executive bodies of the Society; (b) roles and responsibilities of the various staff have been determined and documented in the PIP; and (c) the Society has developed its financial rules and regulations, based on Orissa General Financial Rules.

The Society Financial Rules will be uniformly applied from the date of approval by the General Body and the State Finance Department.

51. The financial management framework includes contracting of a qualified finance specialist as a CFO at the state level with support staff and appropriate staff at the district and block level. The accounting at the project level will be carried out using an off the shelf accounting package which is in use at the state level. The design of the chart of accounts will allow the project expenditures to be classified by project components and generate periodic financial reports both for internal and external purposes. The financial and administrative rules of ORPM, the project Financial Management Manual (FMM), the Community Operations Manual (COM) together with the MOU/Financing agreements with the SHG, GP & Block SHG Federations provides the overall internal control framework.

52. The main challenge to satisfactory project financial management arrangements are the ability of the project to develop the capacity of the various village institutions (SHGs, GP & Block SHG Federations and Producer Organizations), many of which are already in existence but with great degree of variance in quality. These institutions have limited exposure to basic book keeping and accounting. The community institutional building component envisages investing substantially in building the capacity of local communities in book keeping and accounting through training of SHG members, office bearers of the proposed federations and developing a cadre of para-professional and book keepers. Technical support including financial management support will be provided to the groups to build their institutional capacity. The release of funds to the SHGs and federations is also linked to achievement of certain milestones which includes financial management indicators.

53. The project will provide grants to federations which will in turn seek to revolve the funds (along with other sources of funding including own funds) by providing finance to fund investments and other proposals from SHGs and livelihood groups against appraised Micro Investment Plans (MIPs). The funds from the project will be released in tranches based on achievement of milestones by the SHGs, GP & Block Federations. Monitoring of the utilization of funds by the community groups will be carried out through a process of social audit and accountability, independent process monitoring and concurrent internal audit.

54. *Audit:* The external audit of the project will be carried out by a private Chartered Accountants firm (selected on a competitive basis) and will carry out the audit as per the TOR approved by IDA. This will cover the SPMU, 10 DPMUs and 38 BPFTs and provide an opinion on the financial statements of the project within six months of the close of financial year. This will be supplemented by concurrent internal audit which will essentially focus on the DPMUs and village institutions on a sample basis (SHG, GP & Block SHG Federations). This will include audit of GP and Block SHG Federations and a sample audit of records and accounts of SHGs, physical verification of assets procured by beneficiaries/federations and adherence to social accountability practices such as public disclosure/ transparency etc. The internal auditors will be appointed within six

months of effectiveness so that the auditors can provide early feedback on the overall design and operation of the project financial management system.

55. *Participatory Monitoring:* In addition to financial audit, participatory monitoring will be undertaken by the SHG federation sub-committee to monitor a) the utilization of funds; b) procurement of goods and services; and c) financial efficiency and accountability. For the CIF component implemented by SHG Federations the project has envisaged a process of building transparency by encouraging development of monthly summary report with cash, stock, (where applicable) which would be displayed on the notice board of the Federation Offices.

### **Procurement Arrangements**

56. The project's institutional arrangements are built as support structures starting from the community level and going to the Block, District and State level. The primary agency responsible for the project's implementation will be the Orissa Poverty Reduction Mission (OPRM) established by the GoO, as the agency for rural livelihood promotion and poverty elimination in Orissa.

57. The project would be implemented according to norms, rules and procedures outlined in the Project Implementation Plan (PIP) and Community Operational Manual (COM). These documents lay out roles and responsibilities of different stakeholders and provide details of project processes and the project cycle. They incorporate experiences gained through implementation of other community project in India as well as the outcomes from various workshops, studies and analyses that were carried out as part of project preparation. The PIP and COM will be subject to periodic reviews conducted jointly by GoO and IDA, with stakeholder participation to address any constraints to the successful implementation of the project.

58. The project has proposed guidelines for community procurement in the PIP and COM (as a separate booklet), as stated above, to enable procurement under the community investment fund. The project has also made provision for limited procurement at the state and district level. Such procurement shall follow Bank's Guidelines and procedures as defined in Procurement Manual finalized by OPRM and as agreed with the Bank

59. As this is the first such project in Orissa and there is limited capacity at all levels for procurement, a number of measures involving capacity building, disclosure and complaint redressal are proposed in Annex 8, including a detailed description of project procurement arrangements.

## **4. Social**

60. The project sets out to mainstream the process of inclusion through two main mechanisms. Targets for inclusion of the 'left out poor' (as per the 2002 BPL survey) are part of the federation graduation criteria, to be applied to all GPLFs for release of the

CIF. In addition, a special sub-component (Pro-Poor Inclusion Fund) will provide targeted assistance to the ‘extreme poor and vulnerable groups’ (including differently abled) who will be identified through a participatory process at the village level. GPLFs (supported by BPMU) will prepare a plan for pro-poor inclusion, which will finance both ‘bridging capital’ and innovative projects to enhance the capacities of the extreme poor and vulnerable groups. Tribal inclusion will be ensured through the implementation of the tribal development plan.

61. The project will also have a significant impact on empowerment of women in Orissa since it will provide institutional strengthening support for SHGs—generally women-based groups—and will feed project learning to other women’s empowerment projects in the state, notably Mission Shakti and the proposed NRPEP.

62. The monitoring system will be designed to track the participation of women, SCs, STs and the extreme poor in the different economic organizations supported by the project as well as to inform block-wise strategies to increase participation of these groups<sup>12</sup>.

## **5. Environment**

63. The project will provide technical and economic support to the organizations of the rural poor, for implementing livelihood activities in a demand-driven manner. Based on the nature and the scale of the activities that will be funded by the project, the project interventions are not expected to cause any significant adverse impacts on the environment. Accordingly, the project is classified as category B. The Government of Orissa has conducted an Environmental Assessment (EA) of the project, based on the list of activities that are likely to be supported in the project districts. An Environmental Management Framework (EMF) has been developed as a part of the EA, to address the environmental issues pertaining to the project-supported activities and to mainstream them in the planning, design and implementation of activities. The EMF includes activity-specific Technical Environmental Guidelines (TEGs), environmental management indicators for the project monitoring and evaluation plan, and capacity-building for environmental awareness and management. A simple organizational and process structure has been developed to ensure adequate and effective implementation of the EMF in the project and is described in the COM and PIP in detail.

## **6. Safeguard policies**

64. *Indigenous People’s (OP/BP 4.10)*: The project has developed an Indigenous Peoples’ Planning Framework to address the institution development and livelihoods

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<sup>12</sup> The Tribal Development Plan (TDP), Environmental Assessment (EA) and Environmental Management Framework (EMF) were disclosed at a workshop in Bhubaneswar on January 4, 2008. The documents are available on the Government of Orissa’s website ([www.orissapanchayat.gov.in](http://www.orissapanchayat.gov.in)) and a translated summary of the document was sent to all project blocks for public dissemination on February 10, 2008. These documents were also disclosed at the Bank’s Infoshop on February 8, 2008.



needs of the Scheduled Tribe (STs) population in the project districts to actively participate and gain social and economic benefits from the project interventions.

65. *Involuntary Resettlement (OP/BP 4.12)*: The project will not involve involuntary resettlement. For sub-projects involving change in land-use and/or ownership, this would be done on a voluntary basis determined through a set of criteria. The guidelines for this arrangement have been included in the Project Implementation Plan and the Community Operational Manual. Sub-projects wherein involuntary resettlement is likely to occur would be disallowed.

66. *Environmental Assessment (OP/BP 4.01)*: The project has developed an Environmental Management Framework (EMF) to address the environmental issues pertaining to the project-supported activities and to mainstream them in the planning, design and implementation of activities.

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property (OP 11.03, being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## **7. Policy Exceptions and Readiness**

67. The project has received authorization from the Regional Vice President under OP/BP 6.00 for financing food, education and health needs and retiring high cost debts. The project proposes to transfer grants to community federations against MIPs under the CIF component. These MIPs for livelihoods would be holistic in nature to include access to assets, income generation activities, skills development, access to education and health services, consumption needs (food) and retiring high cost debt. Support for this comprehensive range of livelihood support activities is essential, if the CBOs are to become self-managed and self-reliant over time.

68. The project complies with all other bank policies and there are no further policy exceptions requiring management approval.

69. The project will be ready for implementation at Board presentation. Core operational and financial staffs are on board and operations would start in the 38 blocks by October 1, 2008. The government has allocated adequate budgetary provision. A financial management system will be in place by August 1, 2008. The PIP and COM are ready. The first year implementation plan and eighteen month procurement plan have been finalized. A monitoring, evaluation and learning system is being put in place.

## Annex 1: Country and Sector or Program Background

### INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”

#### a. State Context<sup>13</sup>

1. Orissa is the tenth largest state in India representing nearly 5 % of the country’s total area. The state is rich in mineral reserves, and natural resources including fisheries and forests. With a total population of 36.7 million (2001 Census), some 40 % of the state’s population is below the poverty line. There are significant regional disparities with the highest poverty rates (87%) in the southern region. Despite the marked contrast in poverty rates across regions, the absolute number of rural poor are roughly equally distributed across different regions because of the very high population density in the coastal region. As in other parts of India, poverty among SCs (16.2%) and STs (22.2%) is much higher than other population groups. Approximately 40% of the state’s total poor comprise of STs.

#### b. Poverty Dynamics in the State:

2. There is considerable geographic variation in poverty rates, with higher rates in rural areas relative to urban regions and in the Southern interior region relative to the coastal regions (Table 1). Data from 1999/00 reveal that poverty rates are higher in rural areas (48%) than in urban areas (43%). Given, that 87 percent of Orissa’s 37 million population is rural, a vast majority of the poor live in rural areas.<sup>14</sup> Across the three regions of the state, poverty rates vary from 87% in the Southern interior region to 50% in the Northern interior region to 32% in the Coastal region. Not only are poverty rates higher in the Southern interior region, but poverty is also most severe in this region of Orissa.

3. Orissa has the third highest concentration of STs (after Madhya Pradesh and Maharashtra) of any state in India, but the poverty rates of SCs and STs are significantly higher than for non-backward castes. Although STs represent about 22% of the population of Orissa, they constitute more than 40% of the total population in poverty.

**Table 1: Headcount Index in Regions of Orissa by Social Group (1999-2000)**

<i>Region</i>	<b>Rural</b>				<b>Urban</b>			
	<i>ST</i>	<i>SC</i>	<i>Other</i>	<i>All</i>	<i>ST</i>	<i>SC</i>	<i>Other</i>	<i>All</i>
<i>Coastal</i>	66.6	42.2	24.3	31.7	63.5	75.7	34.3	41
<i>Southern</i>	92.4	88.9	77.7	87.1	72.3	85.0	24.6	43
<i>Northern</i>	61.7	57.2	34.7	49.8	54.4	63.1	37.8	46
<i>Orissa</i>	73.1	52.3	33.3	48.0	59.4	72.0	34.2	43

4. In addition to the high rate of poverty, many households that are not chronically poor are vulnerable to poverty both from idiosyncratic and covariate shocks. As a result,

<sup>13</sup> A major source for this section is adopted from E. Glinskaya and S.van Dillen, *Orissa Policy Notes*: World Bank, 2005.

<sup>14</sup> Orissa has one of the lowest population densities among Indian states.

volatility of household incomes remains a major issue even in better-off areas and even as chronic poverty continues to decline. Households in Orissa are vulnerable to multiple shocks, some of which are predictable (like old age) and some unpredictable (such as ill health, an injury, death of a work animal). In addition, they are also vulnerable to covariate shocks, which in Orissa include cyclones, floods and droughts, as well as those arising from environmental degradation. Health shocks, which affect households directly through out-of-pocket expenses and indirectly through loss of earnings, are among the most frequent shocks affecting household welfare.

5. Households in the poorest quartile are less likely to complain about drought, natural disasters (cyclones, floods, hailstorms, etc.) and livestock epidemic risks than non-poor households. The proportion of households reporting weather risks are lower for the poorest households because these households own less land assets that might be damaged during a weather shock. Household reports of health shocks, on the other hand, do not vary appreciably with household welfare quartile in Orissa.

**Table 2: Percent of households reporting types of risk events by welfare quartile, 2006**

	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Total
Drought	12.4	33.9	30.4	34.8	27.8
Cyclone/flood/hailstorm	5.3	14.3	11.6	13.4	11.1
Pest attack	1.8	6.3	20.5	17.0	11.4
Bad seed quality	0.0	0.0	1.8	3.6	1.3
livestock epidemic	6.2	13.4	11.6	10.7	10.5
Fire accident	0.0	2.7	0.0	0.9	0.9
Robbery/violence	0.9	0.9	0.9	0.9	0.9
Human epidemic	0.0	0.9	0.0	0.9	0.5
Death of household head	3.5	2.7	3.6	3.6	3.3
Death of other family members	4.4	5.4	7.1	3.6	5.1
sudden health problem	27.4	29.5	25.9	29.5	28.1
Family division/divorce	0.9	0.9	1.8	0.0	0.9
Others	0.0	0.0	0.0	0.0	0.0

6. Almost 36 percent of households have “no coping strategy” and almost a quarter of all households cope with risks by borrowing money (with “no coping strategy” interpreted in part as scaling back food or other consumption, and in part other undefined strategies). “No coping strategy” is somewhat more pronounced in the case of idiosyncratic shocks (41 percent of such households) than covariate shocks (32 percent), and the importance of labor as a coping strategy also varies significantly between idiosyncratic and covariate shocks. Also asset depletion and dependence on aid are important copying strategies adopted by households in Orissa. Labor market exposure is generally the most important coping strategy; but in Orissa, only 8.8 percent of households use this avenue to copy with income shocks.

7. The type of coping strategy which dominates varies across the distribution. Across welfare quartiles, the importance of a particular coping strategy varies especially for asset depletion and labor market exposure. Asset depletion is predictably a less

important coping strategy for the poorest households than it is for non-poor households, while the amount of labor market exposure is a very important coping mechanism for the households in the poorest quartile and less so for non-poor households.

**Table 3: Coping strategy adopted by households by type of risk, 2006**

	All risks	Idiosyncratic	Covariate	Poorest quartile	Q2	Q3	Richest quartile
Asset depletion	10.4	8.8	11.6	4.23	11.29	13.18	9.77
Labor market exposure	7.0	4.8	8.8	14.08	11.29	5.43	5.26
Borrow	24.7	26.2	23.5	26.76	27.42	18.60	26.32
Intra HH adjustments	7.0	6.5	7.5	1.41	2.42	8.53	9.02
Depend on aid	9.0	7.5	10.2	11.27	9.68	9.30	7.52
Others	6.3	5.4	6.9	4.23	3.23	9.30	6.02
None	35.7	40.8	31.5	38.03	34.68	35.66	36.09

**c. Key Livelihood Sector Issues in Project Districts:**

8. **Low Value Agriculture Constrained by Access to Markets and Credit:** Agriculture contributes about 30% to Orissa's Net State Domestic Product (NSDP). Orissa has a cultivated area - net area sown and current fallow - of 6.4 m. hectares as against a geographical area of 15.5 m. hectares. Irrigation facilities are available for ten percent of the total cultivated area. Agriculture largely remains a subsistence activity in the state. Low agricultural productivity is attributed to traditional farming practices, low use of yield stimulating inputs, small size of holdings, incidence of high tenancy, low capital formation and investment in agriculture, inadequate rural infrastructure and services and an inappropriate policy environment. Agricultural wage labor is a major source of income among the poor in Orissa (some 50% of households). A little over 25% are engaged in subsistence farming. Poverty in the state has been linked to low agriculture wages. Results from a World Bank study on agriculture marketing in India show that: participation of farmers in producer groups is very low at just 4.8%.; there is a great demand for improved market infrastructure, and approximately 18% of farmers surveyed have access to banks and credit institutions. *Sixty percent of farmers surveyed sited lack of credit as a major constraint to increased agriculture production.*

9. **Lack of Productivity in Fisheries and Effective Organization:** Fisheries provide a significant livelihood opportunity for the rural poor in Orissa. There are some 800,000 fishermen in Orissa producing 281,807 tonnes of fish. Orissa, still, however, needs to import around 42,200 tonnes to meet its fish consumption needs. Productivity is constrained due to lack of management, conservation, technology use and private investment in this sector. A number of schemes exist including the Fish Farmers Development Agency that provides a subsidy for the development of fish production; SGSY provides differential subsidies for below poverty line individuals/groups (SHGs) to develop fish production areas through excavation/renovation. A major constraint

remains the organization of the fisherman's cooperatives and their links to markets in urban centers.

10. ***Livestock Requirements for Value-addition Support:*** Nearly 80% of rural households own livestock through which they earn supplementary income. Small holders together with the landless own 60% of milch animals, 55% of draught animals, 75% of poultry, over 80% of goat and almost the entire sheep and pig populations. Despite high ownership among small holders, they have not been able to maximize returns from this sector. Orissa has a comprehensive Livestock Sector Policy Framework targeted at small holders. The program includes redesign of input delivery services with a particular emphasis on animal health and breeding services; adoption of a self-help approach to increase knowledge and skills of small holders and para-vets; promotion of grassroots bodies such as producers' co-operatives, breeders' associations, self help groups and voluntary organizations. Assistance is being provided by number departments/agencies such as the Orissa Livestock Resource Development Society (OLRDS), Orissa State Cooperative Milk Producers Federation (OMFED) and Orissa State Poultry Products Co-operative Marketing Federation (OPOLFED). There remains, however, great potential to link SHGs and their federations in a more strategic manner with these existing societies through MoUs on marketing and value addition.

#### **d. Government of Orissa's Strategy and Reforms**

11. With the goals of accelerating economic growth to 6-6.5% per year and reducing poverty by 7 % during 2002-07, and by 15 % during 2008-12, the State's development strategy focuses on three cross-sectoral components:

- The private and group enterprise development component focuses on (economic reforms for inclusive growth) – on improving agricultural productivity and market access for small farmers, non-farm income earning opportunities for women, improving the business environment for small and medium-scale enterprises, and on privatization, closure and restructuring of public enterprises.
- The fiscal, financial management and public accountability component includes a multi-year framework for correcting fiscal imbalances, to improve fiscal transparency, public expenditure management and financial accountability, with the objectives of restoring the state's financial health, creating additional fiscal space for high priority development expenditures, and promoting more efficient and transparent management of the government's financial resources.
- The public service delivery and human development component focuses on improvements in the effectiveness of education, health and social protection/anti-poverty programs through institutional reforms, better use of modern information technology and of poverty data for policy making, with increased emphasis on outcome monitoring and program evaluation.

12. The Government of Orissa has moved steadily with the implementation of reforms in irrigation management, public enterprises and in the regulatory environment

for private investment. Significant progress has also been made in enhancing public financial management and accountability. Service delivery reforms have been significant in some respects such as participatory irrigation management involving water user groups, empowerment of rural women through self-help groups and the finalization of a government approved Anti-Corruption Action Plan in December 2005.

#### e. Status of SHGs and their Federations in the Project Districts & Blocks

13. Mission Shakti, the state-level body that coordinates government's SHG support activities, reports 82315 SHGs in all the selected blocks of the Project Districts. The number of SHGs that are currently functional in the 38 project blocks is reported as 38311 out of these 17111 and 7282 SHGs are graded as A & B respectively as per Mission Shakti's grading parameters. Many of these SHGs are already federated at the cluster and GP level as per the guidelines issued by Mission Shakti. Nearly, 1102 cluster or GP level Federations are reportedly formed. Total cumulative saving with the federated SHGs in the selected project blocks is around INR 4.4 million. Table – 4 below provides details on the status of SHGs and Federation in Project Districts and Blocks.

**Table 4: Status of SHGs & federations in Project Blocks**

S No.	District Name	Total No. of SHGs in all Blocks of Project Dists.	No. of SHGs in Project Blocks	No. Project Block	Total No. of GPs in Project Dists.	Total No. of GPs in Project Blocks	Total No. of SHG Federation at GP & Cluster Level in all GPs	Total No. of SHG Federation at GP & Cluster Level in Project GPs	Total Saving with Federated SHGs (In Lacs)	No. of SHGs graded A & B	
1	Angul	10325	5638	4	422	116	422	232	1450.27	4153	709
2	Baleshwar	12518	5429	4	289	116	391	194	1614.6	2085	956
3	Bhadrak	6597	4657	4	193	122	193	122	296.46	1274	525
4	Cuttack	10626	1505	2	342	69	318	67	1318.68	244	644
5	Jagatsinghpur	4993	2996	4	194	109	167	105	823.97	1032	1632
6	Jajpur	6463	2565	4	280	114	243	112	654.73	1193	133
7	Kendrapara	7580	4260	4	230	102	223	95	978.13	2498	435
8	Khurda	10396	4014	4	168	70	162	68	2775.86	1008	1189
9	Nayagarh	3200	2604	4	179	105	32	12	262.12	718	170
10	Puri	9617	4641	4	230	97	230	95	1563.83	2906	889
<b>TOTAL</b>		<b>82315</b>	<b>38311</b>	<b>38</b>	<b>2527</b>	<b>1020</b>	<b>2381</b>	<b>1102</b>	<b>11738.65</b>	<b>17111</b>	<b>7282</b>

Source: Mission Shakti, Govt. of Orissa, December, 2007

14. The achievements of the SHGs in the state has been commendable, both on their core-function of providing financial services to their members and in their broader role as service-providers to their communities. Nevertheless, the gap between what SHGs and their federations can achieve as member-based organizations of poor people and what has been achieved is still very wide. Three major issues are identified.

- a. Large numbers of poor people are not members in SHGs. A recent national study estimates that around 58% of SHG members in Orissa are poor<sup>15</sup>. Taking this along with the reported number of SHGs in Orissa and families below the poverty line as per Government of Orissa estimates suggests that at least 40% of poor families in Orissa are not members in SHGs.

<sup>15</sup> EDA Rural Systems and APMAS. 2006. Self Help Groups in India: The Lights and Shades of SHGs. CARE, India.

- b. Significant proportions of SHGs that have been formed are defunct or are functioning poorly. A large proportion of SHGs are functioning in a manner that significantly deviates from self-help principles. Many SHGs collect and deposit savings in a bank in expectation of loans instead of conducting regular meetings, using savings for internal lending, and only approaching banks to get additional resources. Quality of book-keeping is reported to be generally poor. Only 13% of first-time borrowers from banks have borrowed again. This proportion is a good proxy for SHGs that have achieved a high level of performance since repeat borrowing often suggests both ability of the SHG to manage borrowed funds and also confidence of banks in having the SHG as a borrower.
- c. A large number of SHG federations exist without clarity of purpose, financial viability, or mechanisms for accountability. There is little understanding among SHGs on the need to have federations. Not surprisingly, only a small proportion of SHGs are members in these federations and even smaller proportion pay regular subscription.

**f. Issues to be addressed by the Project**

15. ORLP will address these issues and thereby help SHGs and SHG federations achieve their full potential as membership organizations of the poor and a key service provider to the broader rural community. ORLP envisages five key activities that are related to SHGs. The project will;

- a. Facilitate mobilization of poor families that are not yet in SHGs into the SHG fold, both by facilitating formation of new SHGs and by facilitating their induction into existing SHGs;
- b. Help transform SHGs into effective and efficient groups through a wide range of initiatives. SHG-level initiatives will include member-education programs on financial literacy and roles and responsibilities, skill-building of office-bearers and book-keepers, facilitation of periodic financial audit and grading, and development of sustainable bank linkages;
- c. Facilitate the development of a multi-tier, integrated network of SHG federations that will follow bottom-up institution building process, whereby formation of higher level federations will be facilitated after the lower-level federations have achieved measurable levels of institutional maturity. Support activities will include processes to develop role clarity between federations at various levels, skill-building of office-bearers and staff, development of computerized accounting and management information systems, and institutional processes such as regular elections, executive committee and general body meetings, and facilitation of sustainable external linkages, particularly with financial institutions such as banks and insurance companies;

- d. Provide SHG federations start-up capital grants that will indirectly strengthen SHGs and SHG federations. The SHG federations can use the capital grants to partially off-set their initial operational costs and as finances for a variety of purposes including bridge funding, as a means of leveraging additional funds from commercial sources, and to finance new activities that banks and other financial organizations have traditionally not financed (such as bulk procurement of food); and
- e. Support new product development in savings, credit, insurance, and remittances for SHGs and SHG federations.



**Annex 2: Major Related Projects Financed by the Bank and/or other agencies**

<b>Sector Issue</b>	<b>Project</b>	<b>Latest Supervision ISR Ratings (bank-financed projects only)</b>	
<b>Bank Financed</b>		<b>Implementation Progress</b>	<b>Development Objective</b>
Poverty Reduction and livelihoods	Andhra Pradesh District Poverty Initiatives Project (Cr.3430-IN)	S	S
Social and Gender Specific Programs	Rajasthan District Poverty Initiatives Project (Cr.3339 – IN)	S	S
	Madhya Pradesh District Poverty Initiatives Project (Cr.3430-IN)	S	S
	Chhattisgarh District Poverty Initiatives Project (Cr. 3749-IN)	MS <sup>16</sup>	MS
	Andhra Pradesh Rural Poverty Reduction Project (Cr.3732-IN)	S	S
	Sri Lanka Community Development and Livelihood Project (HO780-LK)	S	S
	Tamil Nadu Empowerment and Poverty Reduction Project (Cr. 31806-IN)	S	S
	Rural Women’s Development and Empowerment Project (Cr. 2942-IN)	S	S
<b>Bank Financed</b>	<b>Closed</b>	<b>OED Assessment of Outcome</b>	
Agriculture, Irrigation	Orissa Water Resources Consolidation Project (P010529) Closed 9/30/2004	S	
Other Donor Agencies			
DFID	Rural Livelihoods Programs in Andhra Pradesh, Madhya Pradesh, Orissa, West Bengal, Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka and Rajasthan		
IFAD	Orissa Tribal Empowerment and Livelihoods Program		

<sup>16</sup> Moderately Satisfactory.

**Annex 3: Results Framework and Monitoring**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

<b>Project Development Objective</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
1. Socio-economic status of the poor especially women and disadvantaged groups in selected blocks of 10 districts will be enhanced.	<p>1.1 50% of the 30,000 SHGs (300,000 households) have saved at least Rs.2500/- in SHG/CBOs; availed at least Rs.10,000/- as investment credit annually from CBOs, and are covered for the risk of at least Rs.20,000/- for life/asset</p> <p>1.2 At least 60% of all type of CBOs score “Satisfactory” consistently in the Institutional Maturity Indicators (on parameters like organizational development, functioning, inclusiveness, accountability, transparency, resource mobilization, cost coverage, etc.).</p> <p>1.3 At least 50% of households (including the EPVGs) have increased productive and sustainable asset base</p> <p>1.4 At least 75% of households directly benefiting from the project reported reduced dependency on high cost private money lending sources.</p>	At MTR the overall strategy will be reviewed if the progress against the PDO indicators is significantly less than planned
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
<p><b>Component I: <u>Community Institution Building</u></b></p> <p>1. Capacity of the CBOs of the poor and vulnerable in management of their own institutions and livelihood initiatives will be improved.</p>	<p>1.1 At least 60% of federations have at least 2 representatives from the extremely poor and vulnerable groups in their executive committees</p> <p>1.2 80% of the BPLs in the 2002 survey list are members of the CBOs</p> <p>1.3 At least 50% of the households of the GPLFs reported improved access to the Mid Day Meal schemes</p> <p>1.4 At least 60% of the CRPs providing technical support on self sustaining basis (either through CBOs or on their own)</p> <p>1.5 At least 60% of CBOs meet</p>	PY-3 evaluates the strategies of community mobilization and capacity building strategies if the targeting, inclusiveness and effectiveness of CBOs are found to be less than expected. The constraints will be analyzed in redesigning the strategies.

	graduation criteria of the project	
<p><b>Component II: <u>Community Investment Fund</u></b>  2. Target households plan and meet credit demand for household and investment needs.</p>	<p>2.1 At least 80% of MIPs are appraised, approved and financed</p> <p>2.2 At least 80% of the identified extreme poor and vulnerable persons are members of the CBOs</p> <p>2.3 At least 80% of the GPLFs have successfully implemented the inclusion plan</p>	<p>PY-3 will revisit the MIP appraisal strategy if less than 50% of the MIP investment is not generating sustained income.</p> <p>In PY-3 the strategies for capacity building and placement support for youth and migrants will be evaluated if the results are significantly less than the expected numbers.</p> <p>YR 2 onwards, assess if there is gradual improvement in insurance coverage and access to basic services and revise strategy if progress is stagnant</p>
<p><b>Component III: <u>Livelihood Fund</u></b>  3. Value chains, skills development for employment and livelihoods innovations are financed.</p>	<p>3.1 At least 10,000 direct jobs created through project facilitation &amp; at least 75% of the trained and placed rural youths are getting sustained income</p> <p>3.2 10% increased share of the poorer HHs in the financed value chain leading to enhanced income</p> <p>3.3 At least 50% of the producers' organization are commercially viable<sup>17</sup></p> <p>3.4 At least 15 no. of major business linkages established for producers.</p> <p>3.5 At least 9 local innovations<sup>18</sup> identified, financed and publicized.</p>	<p>PY-3, revise project's value chain, business linkage establishment strategies, business plan of producers' organization if progress is significantly less than the expected level</p> <p>PY-3, revise project's innovation initiative if less than 5 innovations have been financed</p>
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
<p><b>Component IV: <u>Project management, knowledge management and replication</u></b>  4. Effective project management and knowledge management system established and key learning replicated</p>	<p>4.1 On-time completion of project outputs<sup>19</sup> against the implementation plan</p> <p>4.2 Project implementation procedures and agreed business</p>	<p>From PY1 onwards intensify efforts to develop and establish Learning mechanisms and MIS</p> <p>From PY2 onwards monitor the HRD plan implementation and</p>

<sup>17</sup> Commercially Viable: Having balance sheets indicating positive turnover trends

<sup>18</sup> Innovations identified through the Development Market Place

<sup>19</sup> MIPs, review & update of work plan, progress reports, Financial Monitoring reports, procurement plans, etc.

	<p>standards are followed and compliance monitored</p> <p>4.3 Performance based incentive mechanism developed and implemented for project staff</p> <p>4.4 80% of the Block Team received positive scoring from the community during participatory monitoring</p> <p>4.5 Complaints handling mechanism established and complaints disposal rate is at 95% as per GAAP</p> <p>4.6 Harmonization of project's policies and procedures with Mission Shakti</p>	<p>staff attrition rate</p> <p>From PY1 monitor the implementation standards and make review strategy, conduct staff training, etc. for course correction.</p>
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**Table 1: Arrangements for results monitoring**

S.No.	Outcome/impact Indicators (related to PDO)	Baseline	End of year Target Values					Data collection and reporting		
			Y-1	Y-2	Y-3	Y-4	Y-5	Frequency & reports	Data collection instrument	Responsibility for data collection
1.1	50% of the 30,000 SHGs (300,000 households) have saved at least Rs.2500/- in SHG/CBOs; availed at least Rs.10,000/- as investment credit annually from CBOs, and are covered for the risk for at least Rs.20, 000/- for life/asset.	To be included after BLS			10	25	50	Twice-Mid term & EOP	Impact evaluation-HH survey & PRA	External agency
1.2	At least 60% of all type of CBOs score "Satisfactory" consistently in the Institutional Maturity Indicators (on parameters like organizational development, functioning, inclusiveness, accountability, transparency, resource mobilization, cost coverage, etc.).	-Ditto-		10	20	40	60	Annually	MIS & thematic studies	M&EL Splst. at state, dist. & Block level, & External Agency
1.3	At least 50% of households (including the extremely poor and vulnerable groups) have increased productive and sustainable asset base.	-Ditto-	10	20	40	50	50	Six monthly/Annually	Thematic studies/process monitoring	External agency
1.4	At least 75% of households directly benefiting from project reported reduced dependency on the high cost borrowing sources.	-Ditto-	10	20	40	75	75	Six monthly/Annually	Thematic studies/process monitoring	External agency

S.No	Result Indicators for each component	Baseline	End of year Target Values					Data collection and reporting		
			Y1	Y2	Y3	Y4	Y5	Frequency & reports	Data collection instrument	Responsibility for data collection
1.1	At least 60% of federations have at least 2 representatives from the extremely poor and vulnerable groups in their executive committees	-Ditto-	20	40	60			Annually	MIS & thematic studies	M&EL splst. at state, dist. & Block level, & External Agency
1.2	80% of the BPLs in the 2002 survey list are members of the CBOs	-Ditto-	30	60	80			Annual, Mid Term and Impact Evaluation	CMIS, HH survey	Internal & External agency
1.3	At least 50% of the households of the GPLFs reported improved access to the Mid Day Meal schemes	-Ditto-					Indication of increased uptake of services expected to be visible from Yr-3	Twice-Mid term & EOP	Impact evaluation-HH survey & PRA	External agency
1.4	At least 60% of the CRPs providing technical support on self sustaining basis (either through CBOs or on their own)	To be included after the BLS		15	35	50	60	Six monthly/Annually	Thematic studies/process monitoring	External agency
1.5	At least 60% of CBOs meet graduation criteria of the project	To be included after the BLS	10	20	40	60	60	Monthly	MIS	M&L officers at Block, district & State levels
2.1	At least 80% of MIPs are appraised, approved and financed	To be included after the BLS						Monthly	MIS	M&L officers at Block, district & State levels
2.2	At least 80% of the identified extremely poor and vulnerable persons are members of the CBOs	NA	80	80	80	80	80	Six monthly /Annually	CMIS & Process monitoring	M&L officers at Block, district & State level, external agency
2.3	At least 80% of the GPLFs have successfully implemented the inclusion plan	To be included after the	40	60	80			Six monthly /Annually	CMIS	M&L officers at Block, district & State

S.No	Result Indicators for each component	Baseline	End of year Target Values					Data collection and reporting		
			Y1	Y2	Y3	Y4	Y5	Frequency & reports	Data collection instrument	Responsibility for data collection
3.1	At least 10,000 direct jobs created through project facilitation & at least 75% of the trained and placed rural youths are getting sustained income	BLS NA To be included after the BLS		2,000	5,000	8,000	10,000	Six monthly/Annually	Thematic studies/process monitoring	External agency level
3.2	10% increased share of the poorer HHs in the financed value chain leading to enhanced income	NA			30	50	50	Six monthly/Annually	Thematic studies/process monitoring	External agency
3.3	At least 50% of the producers' organization are commercially viable <sup>20</sup>	NA			30	50	50	Six monthly/Annually	Thematic studies/process monitoring	External agency
3.4	At least 15 no. of major business linkages established for producers.	NA		2	5	12	15	Monthly/periodic	MIS, thematic & process monitoring	M&L officers at Block, district & State & external
3.5	At least 9 local innovations <sup>21</sup> identified, financed and publicized.	NA	3	3	3			Six monthly/Annually	Thematic studies/process monitoring	External agency
4.1	On-time completion of project outputs <sup>22</sup> against the implementation plan	NA	Established					The thematic and process monitoring studies will validate the establishment of the system and its effectiveness in the first year and subsequently report about its efficacy		
4.2	Project implementation procedures and agreed business standards are followed and compliance monitored	NA	80	80	80	80	80	Annual	Process Monitoring Studies	External Agencies
4.3	Performance based incentive mechanism is developed and implemented	NA	Established					The thematic and process monitoring studies will validate the establishment of the system and its effectiveness in the first year and subsequently report about its efficacy		

<sup>20</sup> Commercially Viable: Having balance sheets indicating positive turnover trends

<sup>21</sup> Innovations identified through the Development Market Place

<sup>22</sup> MIPs, review & update of work plan, progress reports, Financial Monitoring reports, procurement plans, etc.

S.No	Result Indicators for each component	Baseline	End of year Target Values					Data collection and reporting		
			Y1	Y2	Y3	Y4	Y5	Frequency & reports	Data collection instrument	Responsibility for data collection
4.4	80% of the Block Team received positive scoring from the community during participatory monitoring	NA	80	80	80	80	80	-Ditto-	-Ditto-	
4.5	Complaints handling mechanism established and complaints disposal rate is at 95% as GAAP	NA	Established	Established	Established	Established	Established	Established	-Ditto-	
4.6	Harmonization of project's policies and procedures with Mission Shakti	NA	On-going	On-going	On-going	On-going	On-going	On-going	The thematic and process monitoring studies will confirm that to what extent the harmonization is taking place on annual basis	



## **Arrangement of Monitoring and Learning System**

1. The Monitoring, Evaluation and Learning (ME&L) system would consist of the following components, namely (i) Progress monitoring of project inputs and outputs (ii) Performance monitoring of community institutions, (iii) Process monitoring, (iv) Thematic studies, (v) Social accountability and transparency, (vi) Internal Learning system, and (vii) Baseline and Impact assessment.

### **(i) Progress monitoring**

2. Progress monitoring would cover inputs and outputs of the project to assess resource accountability. The progress monitoring would track mainly quantitative indicators for each of the project components and sub-components. A Computerized Management Information System (CMIS) will be the main instrument for tracking physical progress against the annual and cumulative targets/activities of the project. The CMIS would capture information related to activities (and its immediate results or outputs) that are conducted under each of the project components. Efforts would be made to integrate the financial information with the physical progress to get a comprehensive view for easy analysis. The CMIS would process the data and make it available to all levels of project management in the analyzed form and also in aggregated and disaggregated form by operational units. The data would be collected on monthly, quarterly and six monthly basis depending upon the nature of inputs and its maturity.

3. The operationalization of the CMIS would be the responsibility of the ME&L Specialist of the SPMU with the support of the District ME&L Specialist and the Block Team. A consultancy firm would be hired to design and develop the CMIS software and to provide handholding support to the SPMU for operation and maintenance of the software for at least the first year of the project.

### **(ii) Performance monitoring of community institutions**

4. Under this component the performances of the various community institutions promoted by the project would be assessed against a set of Institutional Maturity Indicators which would be developed for each type of institutions. This is proposed to be carried out for all community institutions on an annual basis. The BLFT and the village level resource persons would be trained to facilitate the process of CBO assessment using participatory techniques.

### **(iii) Process monitoring (PM)**

5. Process monitoring (PM), helps in understanding the factors responsible, for deviation from the implementation process and actions necessary to increase management effectiveness. PM would, therefore, verify the quality of the project implementation on a continuous basis and give inputs for correction. The monitorable processes on which project needs qualitative assessment can be broadly divided into two categories – (i) field implementation related processes; and (ii) project management related processes. The

processes which are to be monitored would be identified on the basis of their critical importance to the project.

6. The PM would be carried out six monthly by an external agency hired for the entire project period. The rationale behind engaging an external agency for PM are (a) bringing objectivity to the exercise avoiding biases in the findings that might come into play, and (b) to deal with the constraints of lack of capacity of internal staff for undertaking such assignment.

7. The process of PM would start with the identification of monitor-able processes, process steps and their corresponding indicators of success. The processes will be identified on the basis of their importance to the project. The process of identification of issues would be done in consultation with the project staff in workshop mode. The PM should be objective in its findings and presented in a structured manner. The findings and observations of PM would be shared at the DPMU and SPMU level in a workshop mode and an Action Required Report (ARR) would be prepared for follow up action. The subsequent round of PM will review the actions taken of the previous ARR and document it in the form of Action Taken Report (ATR) in the current report.

**(iv) Thematic studies:**

8. Thematic studies would be commissioned regularly with the help of external consultants for detail understanding of some of the issues and also to verify the qualitative indicators of the Result framework. They will be evaluative in nature but will also capture the good practices of the project.

**(v) Internal learning and feedback**

9. Internal learning is crucial for the project to be responsive to the changing context of the project as it progresses. The effectiveness of internal learning would depend upon the degree of institutionalization of learning among the various levels of project organization. There are several actors in the project and therefore cross learning among them would play a crucial role in achieving project objectives. The mechanism of internal learning does not propose any additional institutional mechanism rather it encourages strengthening of the existing project review and coordination mechanism by incorporating the learning aspects to it. A systematic discourse at each of the project organization level on a monthly basis of findings generated out of the process monitoring studies and thematic studies, MIS findings, etc. would help the project in taking corrective decisions. It is envisaged that an expert organization/consultant would help initially to establish the system of internal learning and train key project staff to steer it.

**(vi) Participatory Monitoring & Learning**

10. The central objective of participation is to make the primary stakeholders an integral part of the overall M & L system. The self-assessment would involve the use of learning tools by the groups to assess their own organizational capacity development as well as progress towards sustainable livelihoods. Each SHG/GPLF would periodically

undertake self-assessment of the goals it set out for itself and measure progress towards indicators it selected. Self assessments would track levels of satisfaction/dissatisfaction of the groups to function as a collective, mobilize resources, promote bonding and bridge social capital, solve livelihood problems, manage collective activities and take responsibility.

11. In order for the group self-assessment to be useful and taken seriously by members, the SHG/GPLF would be empowered to take decisions on the basis of their collective self-assessment. They may also need to be effectively linked to a higher-level decision making body that would respond quickly and effectively as and when required.

12. Developing appropriate self-monitoring and learning tools is a critical step in the introduction of a participatory monitoring system. Simple, flexible and yet useful tools would be developed to enable the groups to undertake self-monitoring early on in the project. However, self-monitoring tools would be so designed as to capture certain basic information about the dynamics and development of the group, apart from groups' self-perceptions. The basic group information would be fed into input-output MIS system as well as process monitoring system. To enable the groups to undertake self-monitoring, appropriate capacity building of groups would be undertaken by the M&L staff at the district and BPFT level.

13. Key activities under this component would include:

- Development of participatory monitoring and learning tools for SHG/GPLF by the project;
- Training of frontline staff in facilitating the use of participatory monitoring tools by the CBOs;
- Capacity building of all CBOs in the use of participatory monitoring tools; and
- Monitoring the impact of the use of participatory monitoring tools on internal and external functioning of CBOs.

**(vii) Quality Monitoring**

14. From the second year of project implementation and onwards, the concept of quality monitoring will be introduced. Under this various key activities of the project would be reviewed by a specially contracted independent individual or agency to review and report to the project management and the Bank simultaneously on the quality of project implementation. The exercise will be conducted every six months. The report prepared from this exercise will be submitted to the Bank prior to the planed supervision mission of the Bank.

**(viii) Baseline and Impact evaluation**

15. The objective of the baseline is to establish the net contribution of the project to the sustainable livelihoods of the targeted families "before" and "after" the project and "between" the project and control areas.

16. Typically the baseline would consist of (a) hypothesis document for identifying key hypotheses regarding demand for different types of project interventions by specific groups and the impact of such interventions and the methodology to measure them; (b) sampling document for describing the methodology adopted for baseline survey including control and surveyed areas, justification for choosing samples and size of sample, basis for weights, etc.; and (c) questionnaires and FGDs for households, community, CBOs, existing service providers (banks, MFIs, market linking organizations, etc.) and the project area in general.

17. ORLP would mainly work with the existing SHGs which were formed under the Mission Shakti and would build their capacity to become an engine for socio-economic development of their members. It would therefore be imperative to prepare a detailed inventory of each of the CBOs it decides to work with before the actual interventions are taken up. It is envisaged that a simple template would be developed to capture the baseline information of the SHGs and other CBOs by the project team at the beginning of the intervention. A detailed baseline in the form of status report of the existing SGSY program in the ten project districts would be required to enable comparison of implementation quality and outcome before and after the project.

18. The indicators in the Results framework would provide the lead in designing the baseline questions and sampling as the project's outcomes would be measured against those indicators.

**(ix) Impact evaluation**

19. Impact evaluation would involve comparing qualitative and quantitative outcomes before and after the project. The outcome and output indicators would be the point of reference to establish the net effect of the project. The impact evaluation would consider major assumptions to establish causal relationship between activities, outputs and outcomes. The impact evaluation study would require a rigorous methodology and quality analysis. Two impact evaluations are planned during the project period. The Mid Term Evaluation would be commissioned at the end of PY-3, while the Final Impact study would be conducted at the end of the project.

20. An independent agency would do the baseline and impact studies and draft terms of reference have been prepared for the study and an expression of interest has been advertised.

**(x) Institutional arrangement for M&L**

21. The SPMU will be responsible for the overall ME&L. It will employ and maintain throughout the project period, a senior full-time M&L Specialist who will be assisted by a Communication Officer and an MIS Assistant. Besides the full time staff the PMU will hire the services of specialized agencies for (a) design and development of a Computerized Management Information System, (b) Process monitoring on six monthly basis, (c) Thematic studies, (d) baseline and impact studies. At the district level there

would be an MIS Officer who would coordinate the ME&L functions in the district along with the BLFT team member designated for the ME&L functions.

**(xi) Reporting**

22. The PMU would furnish to the Bank the following reports:

(a) Quarterly Progress Report (QPR). The QPR would include a prescribed pro-forma based report giving details of : (i) up-to-date progress on physical and financial aspects compared to annual and end of project targets; (ii) key highlights and constraints encountered during the reporting period and the coping strategy, and (iii) socio-economic impacts of the project.

(b) Six Monthly project performance report against the result indicators (as per Result Framework).

(c) Besides, there will be one MTR reports and final impact assessment report (Implementation completion report). Every six months the process monitoring report and thematic study report would also be available for the World Bank's review.

## Annex 4: Detailed Project Description

### INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”

#### Project Area:

1. The project will be implemented in ten districts. The table below provides further information on the project districts:

**Table -1: Project District Details**

District	Total Pop	BPL Pop (%)	SC Pop (%)	ST Pop (%)	No. of SHGs	No. of GPs.	No. of Blocks
ANGUL	981,587	59.36	17.7	12.2	9,909	209	8
BALASORE	1,804,140	73.72	19.8	11.6	12,046	289	12
BHADRAK	1,192,678	66.70	22.8	1.9	6,463	193	7
CUTTACK	1,699,964	52.38	21.2	4.5	10,197	342	14
JAGATSINGHPUR	953,180	52.75	22.2	0.5	4,945	194	8
JAJPUR	1,551,361	60.40	23.3	7.8	6,837	280	10
KENDRAPADA	1,227,868	59.89	20.6	0.5	7,496	230	9
KHURDA	1,071,689	59.17	16.7	6.1	8,609	168	10
NAYAGARH	827,450	67.91	13.8	6.1	4,270	179	8
PURI	1,298,654	69.13	19.6	0.3	9,482	230	11

2. The project will follow a saturation approach, meaning all the BPL households (as per 2002 BPL Survey) in all 38 blocks of 10 districts of Angul, Balasore, Bhadrak, Cuttack, Jagatsinghpur, Jaipur, Kendrapada, Khurda, Nayagarh, and Puri will be brought under the SHG fold. The project is expected to directly benefit about 1.5 million people belonging to 300,000 households. For ensuring sustainability and institutional development, implementation will be done in a phased manner. This would allow sufficient time for development of an HR strategy, staff recruitment, training and piloting of institutional delivery and monitoring systems.

#### Project Phasing:

3. All 38 Blocks will be covered in a phased manner in two batches of 19 blocks per batch over a period of one year. The project will work in 1020 GPs across 38 blocks and the project will be rolled out in a phased manner to all the 1020 GP over a period of 2-3 years. The detailed phasing for 1020 GPs is further elaborated in PIP. This would be around the project's mid-term.

**Table – 2: Name of the project Districts & Blocks with no. of project GPs**

District	Project Blocks	No. of GPs in the project blocks
1.ANGUL	Athmallik, Angul, Chhendipada, Palalahada	116
2.BALASORE	Balasore, Bhograi, Jaleswar, Khaira	116
3.BHADRAK	Bhadrak, Basudevapur, Chandbali, Tihidi	122
4.CUTTACK	Badamba, Narsinghpur	069
5.JAGATSINGHPUR	Tirtol, Kujungu, Ersama, Balikuda	109
6.JAJPUR	Dharmasala, Sukinda, Danagadi, Dasarathapur	114
7.KENDRAPADA	Pattamundai, Rajnagar, Mahakalapada,	102

	<b>Kendrapara</b>	
<b>8.KHURDA</b>	<b>Balianta, Begunia, Chilika, Tangi</b>	<b>070</b>
<b>9.NAYAGARH</b>	<b>Dassapalla, Nuagoan, Odogaon, Ranapur</b>	<b>095</b>
<b>10.PURI</b>	<b>Puri Sadar, Gop, Astaranga, Nimapada</b>	<b>097</b>
<i>Total</i>	<i>38 Blocks</i>	<i>1020 GPs</i>

4. In the first year the project will focus on establishing systems and process to achieve intensive coverage of institution and capacity building. The strategy includes immersion programs through exposure visits to best practices within Orissa and outside the state for SHG members and leaders as well as the ORLP project staff and use of resources already developed under similar project in States like Andhra Pradesh, Tamil Nadu, Madhya Pradesh, and Rajasthan.

#### **Project Strategy:**

5. The total number of SHGs in Orissa is estimated around 300,000 with reported saving of Rs. 2.62 billion and SHGs have borrowed from banks over Rs. 6.73 billion since the start of the SHG-Bank linkage program. These outreach and credit figures place Orissa among the states with the highest SHG outreach and credit disbursement in India, ranking 4th after Andhra Pradesh, Tamil Nadu, and Karnataka. However, situational analysis of the SHG program in Orissa suggest that there are seven key issues: (i) no definitive estimate of number of functioning SHGs and their quality are available; (ii) a significant proportion of SHGs are likely to be either defunct or functioning at very low levels of potential; (iii) a large proportion of SHGs are likely to be functioning in a manner that significantly deviates from self-help principles; (iv) quality of book-keeping is generally reported to be poor; (v) on-time recovery of SHG loans has fallen to 93%; (vi) a large number of GP level and Block-level federations have been promoted without clarity of purpose or need for financial viability; and (vii) a still substantial number of poorer households are out of the SHG fold.

6. Furthermore, it also points out that despite the rapid growth of the SHG-bank linkage, outreach of financial, insurance and marketing services is far below demand and there is tremendous scope to address this demand. While SHGs have provided access to financial services for a large number of people who previously did not have this opportunity, the services available through SHGs remain very rudimentary. Moreover, the livelihoods portfolio of a rural poor household is sub-optimally developed due to various factors such as; a) low productivity of major sectors; b) limited capacity of producer organizations; and c) inadequate livelihood support services. It is in this background that the project proposes to address the above challenges and opportunities in a holistic manner.

7. The core strategy of the program is to strengthen and build vibrant and bankable women's based community organizations in the form of SHGs and their federations at various levels. These community organizations through member savings, internal loaning and regular repayment become self sustaining institutions of the poor. SHG formation and strengthening would be based on self savings and revolving fund and not on a single dose of CIF funds for asset creation given as a subsidy. The primary level SHGs would be federated at the village panchayat level as GPLFs. These community organizations

would also partner a variety of organizations to provided back end services for different market institutions such as correspondents for banks and insurance companies, procurement franchises for private sector corporations and service delivery agents for a variety of government programs.

8. The GPLFs will receive investments from the project, for further on lending to the SHGs and members, through a second dose of the community investment fund to be used for asset creation at the household level and household needs. A large part of this capital inflow is likely to be for meeting immediate household needs, particularly health, education and food purchase, given the extreme levels of poverty in rural Orissa.

9. Subsequently, the GPLFs will be federated to form higher level community organizations at the cluster and block levels. These apex community level federations will be responsible for enhancing livelihood activities in a comprehensive manner acting as microfinance institutions for lower level GPLFs, and economic institutions that take up specific income generating activities based on the assets created at the family level, such as animal husbandry, micro-agriculture etc. For the sustainability of lower level institutions as both sustainable economic and social entities such aggregation is essential. In order to ensure that the investments made on asset creation by the poorer households have substantially increased their share in the value chain, the project will make investments in value chain proposals and organize the poor along the value chain as producer organizations. The project will also make provisions for encouraging innovations and piloting new ideas that have the potential for scaling-up with a greater chance of favoring and benefiting the poorer households.

### **Project Components:**

10. The four components of the project are: I) Institution Building; II) Community Investment Fund; III) Livelihoods Promotion Fund; and (IV) Project Management, Knowledge Management and Replication.

### **Component I: Institution Building:** (Base Cost US\$ 17.73 Million)

11. Financing under this component will be under two sub-components: (A) Community Level Institution Building; and (B) Developing Capacity of Project Staff.

12. Sub-components (A): Community Level Institution Building - The community level institution building sub-component will primarily focus on formation and strengthening of SHGs, GPLFs and BLFs. Specifically, this will support the strengthening of at least 30,000 existing and new SHGs in the project districts, benefiting approximately 1.5 million households. Additionally, the project will strengthen at least 1,000 GP-level SHG federations and 38 Block-level SHG federations<sup>23</sup>.

13. Part of these funds will be spent directly by the project through the BPFTs and part will be provided as start-up fund for the SHG federations. This component will

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<sup>23</sup> It is assumed that it will take 2-3 years from Block Level Federations to evolve and be operational.



finance situational assessment, social mobilization campaigns to bring left-out poor into the SHG-fold, need-based capacity building of members, office-bearers, capacity building for preparation and appraisal of MIPs and staff of SHGs and SHG federations, creation of a system of periodic performance review and grading of SHGs, creation of a computerized accounting and management information system for SHGs, and facilitation of increased and effective system of linkages with banks and insurance companies. The Project Implementation Plan (PIP) will describe the strategy for situational assessment for identifying and mobilizing the left out poor into SHGs, the institution building plan to strengthen SHGs, plan and process to create a computerized accounting and management information system for SHGs, and mechanisms for linkages with banks and insurance companies.

14. The start-up fund will primarily finance staff costs, costs of setting up office and office-systems, and capacity-building costs on a decreasing basis over a period of 1-3 years for GPLFs and BLFs. The start-up costs will be provided against proposals submitted to the project by the GPLFs and BLFs after going through a systematic process of formation and investment planning. The investment plans will be required to show how the federations will meet an increasing share of their costs from own revenue over time. The PIP will prepare clear guidelines for facilitating the formation of SHG federations, their preparation of investment plans, appraisal of business plans, release of start-up funds, and implementation and monitoring of their institutional development plan, including achieving of financial self-sufficiency. The PIP will also describe the functions, functionaries and funds (expected revenues and expenses) of SHG federations to be supported under this component and describe clearly the project cycle (Table 1 on next page) consisting of social mobilization, formation and strengthening of SHG federations, and exit strategy.

15. A key project principle is to develop strong Cluster Coordinators and Community Resource Persons (CRPs); these cutting-edge human resources will be in the fore-front of institution building and on-time support to SHGs and their federations. The project will invest in developing a cadre of good quality CRPs, community managed bookkeepers, livelihood associates and other functionaries. Capacity building activities will be developed and implemented by the state, district and block teams, who will support the cluster teams and CRPs. Specialized technical and training support, will be out-sourced to individuals and institutions based on demand.

16. The communities will also be provided skills and tools to develop social accountability mechanisms to ensure transparency and good governance in these grassroots institutions and build effective service delivery partnerships with local government.

		Table 2: GP & Block Level Project Cycle																								
		YEARS					Year 1				Year 2				Year 3				Year 4				Year 5			
S No	Key Activity	Broad Responsibility																								
		Quarters	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Situational Analysis																									
2	Project Orientation Workshop																									
3	Mobilizing & Training of SHGs																									
4	Formation, CB & Registration of GPLF																									
5	Preparation & Implementation of GPLF IB Plan																									
6	Consolidation of MIP for CIF 1																									
7	Implementation of CIF I																									
8	GPLF Strengthening & Sustainability Plan																									
9	Implementation of CIF II																									
10	Block Level Mapping of Livelihoods/ Skills																									
11	Dist Level consolidation & Sector/ Skills Identification																									
12	District Level Value Chain Analysis on Emerging Sectors																									
13	Finalization of Value Chain Proposals																									
14	Implementation of Livelihood Projects																									
15	Finalization of Skill Upgradation Proposals																									
16	Implementation of Skill Upgradation																									

**Box A: Strategies for institution strengthening and development:**

The various strategies that could be adopted for building the organizations of the poor are as follows:

- The institution building component aims at strengthening the organizations of the poor for ensuring their effective participation and facilitating their direct decision making on all issues affecting their life.
- The poor will play a key role in all project strategies and interventions, right from planning to implementation and monitoring. All project interventions are demand based and are in response to the proposals conceived and planned by the poor.
- The project will adopt a two track approach i.e. intensive and extensive approaches for strengthening the institutions of the poor. The project will initiate the institution building activities in a phased manner in different blocks
- An in-house system will be developed and implemented by the state, district and block teams, who will support the cluster teams and CRPs. Facilitators working closely with the communities at grassroots level, will play a critical role in promoting, strengthening and ensuring sustainability of these institutions.
- The capacity building approaches will focus on all opportunities of experiential learning including inter-active learning and exposure visits. Reviewing and sharing of project learning will be an important element of CB strategy.
- A key project principle is to develop strong CCs and CRPs for providing on-time and continuous support for SHGs and Federations.

\* The detailed strategy for institutional strengthening and development is elaborated in PIP.

17. Sub-component (B) Developing Capacity of Project Staff - will focus on capacity building and skill enhancement of project staff at state, district, block and cluster level to implement the project effectively. It is well acknowledged that the success of the project will depend to a large extent on the quality of human resource that the project can attract and retain. It is in this context the project has developed a human resource strategy, which will develop policies and guidelines for recruitment, induction to the project, incentive structure, performance management and skill and knowledge enhancement of project staff. This component will finance induction of staff into the project; concurrent trainings for enhancing staff skills and knowledge; thematic training programs are per the need of the project and exposure visits for staff members to learn from best practices within state, nationally and internationally.

**Component II: Community Investment Funds:** (Base Cost US\$ 45.58 Million)

18. The Community Investment Fund (CIF) will consist of two sub-components (A) Community Investment Fund and (B) Pro-poor Inclusion Fund.

19. Sub-Component A: Community Investment Fund - The Community Investment Fund (CIF) is designed to transfer financial and technical resources to the community based organizations (CBOs) on a demand driven basis through a participatory micro planning process for use as a catalyst to improve their livelihoods and build their institutions. Specifically, CIF will transfer financial resources to Panchayat-level and Block-level federations<sup>24</sup> for further on lending to the SHGs and members for asset creation and household need financing. The GPLF is expected to use this resource as providing finance to various self-help groups in the village based on the micro investment

<sup>24</sup>It is assumed that it will take 2-3 years from Block Level Federations to evolve and be operational.

planning process. The GPLFs will be free to fix terms and conditions under which the resource will be lent to SHGs. This fund is expected to help organizations build institutional capacity, leverage additional funds from mainstream financial institutions, and develop new financial products that better address the needs of the poor and their organizations. Details are provided in the Project Implementation Plan (PIP) and Community Operational Manual (COM).

20. The project will facilitate the preparation of household Micro Investment Plans aggregated at the SHG level, based on which funds available at the GPLFs will be provided to households for creation of assets and addressing household needs. CIF funds will be released in tranches to the GPLF on the basis of their achieving clear and transparent milestones. A process of Micro Investment Planning (MIPs) at the household-level, and the aggregation and prioritization of these plans at the SHG, and GPLFs will be key milestones. Other milestones will include extent of outreach achieved among the poor, the quality of functioning of the constituent entities of the federation, and the maturity and quality of functioning of the federation itself. Clear guidelines on process steps for preparation of MIPs and milestones for GPLFs and BLFs are elaborated in the PIP and COM.

21. Sub-component B: Pro-poor Inclusion Fund - This will finance activities for inclusion of the extreme poor and vulnerable sections – including differently-abled persons – who are to be identified by the GPLF with the assistance of the BPFT. The component has two sub-components a) bridging grants, seed funds other forms of financial assistance to support their involvement in SHGs and b) technical assistance and pro-poor innovation funds to support investments to increase and enhance the productive capacity of the extreme poor and vulnerable groups. Details on how this sub-component will be implemented are outlined in the PIP and COM.

### **Component III: Livelihood Promotion Fund** (Base Cost US\$ 15.59 Million)

22. The primary objective of this component will be to increase the share of SHG households in the value chain of key commodities or products. This component will have three sub-components for financing of activities (A) Value Chain Proposal; (B) Skills Development and Jobs for Rural Youth; and (C) Innovations on Livelihoods Enhancement and Promotion.

23. Sub-component (A): Value Chain Proposal – This will primarily focus on enhancing livelihoods by strategic investments based on a value-chain analysis. Livelihoods enhancement will include enhanced production, productivity and profitability in sectors like agriculture, livestock, horticulture, fisheries, and handlooms key rural livelihoods in the coastal districts. This would be achieved through improvements in production technologies and management practices, better market linkages, more efficient and effective delivery of key support services, and augmentation of community-level productive capacities as well as infrastructure. It also envisaged that some of the value chain proposals will explore the possibility of carbon finance opportunities. Operational details for this are articulated in the PIP.

24. Sub-component (B): Skills Development and Jobs for Rural Youth - Funds will also be available for SHG members and their households to receive skills training linked to service sector jobs. The objective of this activity is to a) increase employment and employability of rural youth from poor SHG households and b) to improve the bargaining power of youth through enhancement of market – based skills enhancement programs and certification through partnerships. Key activities which would be supported include – training on customized skills to get employment in the service sector, training on skills that have demand in the growing industrial sectors in Orissa and creation of centers of excellence on skills training at the district and state level. Details on this sub-component are outlined in the PIP and COM.

25. Sub-component (C): Innovations on Livelihoods Enhancement and Promotion - This will primarily focus on encouraging innovations and piloting innovations that have the potential for scaling-up with a greater chance of favoring and benefiting the poorer households. This will function as a development market place where innovators on livelihoods enhancement and promotion will be called to compete and demonstrate innovative ideas, which the project will finance based on certain criteria so that these innovations can be piloted and up-scaled. Operational details for this are in the PIP.

**Component IV: Project Management, Knowledge Management and Replication**  
(Base Cost US\$ 5.05 Million)

26. Financing under this component will mainly go for project staffing costs, monitoring, learning and evaluation activities and undertaking certain learning and thematic studies and pilots. Activities to be financed (with detailed costs) would include: (i) establishing and supporting project management units at the state and district levels; (ii) project MIS; (iii) internal monitoring, evaluation and learning activities including studies; (iv) information and communications support including establishment of a project website and documentation of project experience and its dissemination to the wider development community; and (v) thematic studies and pilots that can be tested in some project blocks for future scaling-up.

### Annex 5: Project Costs

#### INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”

Components	(US\$ Million)		
	Local	Foreign	Total
<b>I. Institution Building</b>			
Capacity Building of Communities	17.15	0.05	17.20
Capacity Building of Project Staff	0.53	-	0.53
<b>Subtotal</b>	<b>17.68</b>	<b>0.05</b>	<b>17.73</b>
<b>II. Community Investment Fund</b>			
Micro Investment Plan	41.75	-	41.75
Inclusion of non Federation members	3.83	-	3.83
<b>Subtotal</b>	<b>45.58</b>	<b>-</b>	<b>45.58</b>
<b>III. Livelihood Promotion Fund</b>			
Value Chain	10.51	-	10.51
Skill Development of Rural Youth	4.58	-	4.58
Innovations for Livelihood Promotion	0.50	-	0.50
<b>Subtotal</b>	<b>15.59</b>	<b>-</b>	<b>15.59</b>
<b>IV. Project Coordination</b>			
Project Management	3.09	-	3.09
Monitoring, Evaluation and Learning	1.59	-	1.59
Strategic Communications	0.37	-	0.37
<b>Subtotal</b>	<b>5.05</b>	<b>-</b>	<b>5.05</b>
<b>Total BASE COSTS</b>	<b>83.90</b>	<b>0.05</b>	<b>83.95</b>
Physical Contingencies	0.00	-	0.00
Price Contingencies	6.55	0.00	6.55
<b>Total PROJECT COSTS</b>	<b>90.45</b>	<b>0.05</b>	<b>90.50</b>

## **Annex 6: Implementation Arrangements**

### **INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

1. The project’s institutional arrangements are built as support structures starting from the community level and going to the Block, District and State level. The primary agency responsible for the project’s implementation will be the Orissa Poverty Reduction Mission (OPRM) established by the GoO, as the agency for rural livelihood promotion and poverty elimination in Orissa. The implementation arrangement is shown in Figure 1 below.

#### **Institutional arrangements at the State Level**

##### **Orissa Poverty Reduction Mission (OPRM)**

2. The GoO has set-up the “Orissa Poverty Reduction Mission” registered under the Society Registration Act XII, 1860. The State Society has a 21 member General Body chaired by the Chief Secretary which will formulate policies and guide project implementation. The management of the Society has been entrusted to an Executive Committee chaired by the Secretary, Panchyati Raj, GoO. It has representatives from the government, civil society, commercial banks and developmental institutions. OPRM will manage the project through a State Project Management Unit (SPMU). The Member Secretary/Chief Executive Officer of OPRM will be the project director of SPMU. The PD will head the SPMU and will work under the guidance of the Executive Committee for day-to-day operations and General Body for policy decisions. The SPMU will constitute a team of professionals with expertise in institution building, capacity building, social development, livelihoods, microfinance, communication, monitoring and evaluation, human resources development, and finance who will be grouped into three broad functional units: Program Unit, Program Support Unit and Financial Management and Procurement Unit. The person who will coordinate the activities and look after the day to-day management of the program unit will be drawn from the market on contractual basis. Where as for Program Support Unit and Financial Management and Procurement Unit will on deputation from the Government. Job description, roles and responsibilities are detailed in the PIP.

#### **Institutional arrangements at the District Level**

##### **District Project Management Unit (DPMU)**

3. At the district level a Project Steering Committee chaired by the district collector will be constituted with representatives from all line departments to provide policy guidance and convergence inputs and this committee will also monitor the progress in the district. In the ten project districts, a District Project Manager (DPM) will head the DPMU; who will be responsible for coordinating, implementing and managing project activities in the district. The structure of the DPMU will be lean with the DPM supported by Accounting and MIS staff. Other relevant thematic specialists in the areas like social development, livelihoods and micro finance will be added, based on district specific

requirements that emerge during implementation. Detailed job descriptions, roles and responsibilities are in the PIP.

### **Institutional arrangements at the Block Level**

#### **Block Project Facilitation Team (BPFT)**

4. One BPFT will be established in each of the 38 project blocks and will play a crucial role in project implementation. The BPFT – Team Leader will head the BPFT supported by an Institution Building Facilitator, Livelihoods Facilitator, Financial Management and MIS Facilitator and Cluster Coordinators, there will be 2 Cluster Coordinators per GPLF. This Unit will facilitate the formation and functioning of SHGs, GP Level SHG Federations and Block Level SHG Federations (BLF). Along with a cadre of Community Resource Persons, the BPFT will be responsible for Panchyat and block level implementation. For the initial 1-2 years Cluster Coordinators will be directly managed by the BPFT as project staff but it is envisaged that towards the end of the 2nd year and beginning of the 3rd year of the project their accountability will be gradually shifted from the project to the BLF. It is also envisaged that towards the end of the 3rd year and beginning of the 4th year of the project the BPFT functions will be incubated into the BLF and like Cluster Coordinators their accountability line will be transferred to BLF. This visualized transition of key functions will contribute towards the sustainability of the institutions beyond the project life.

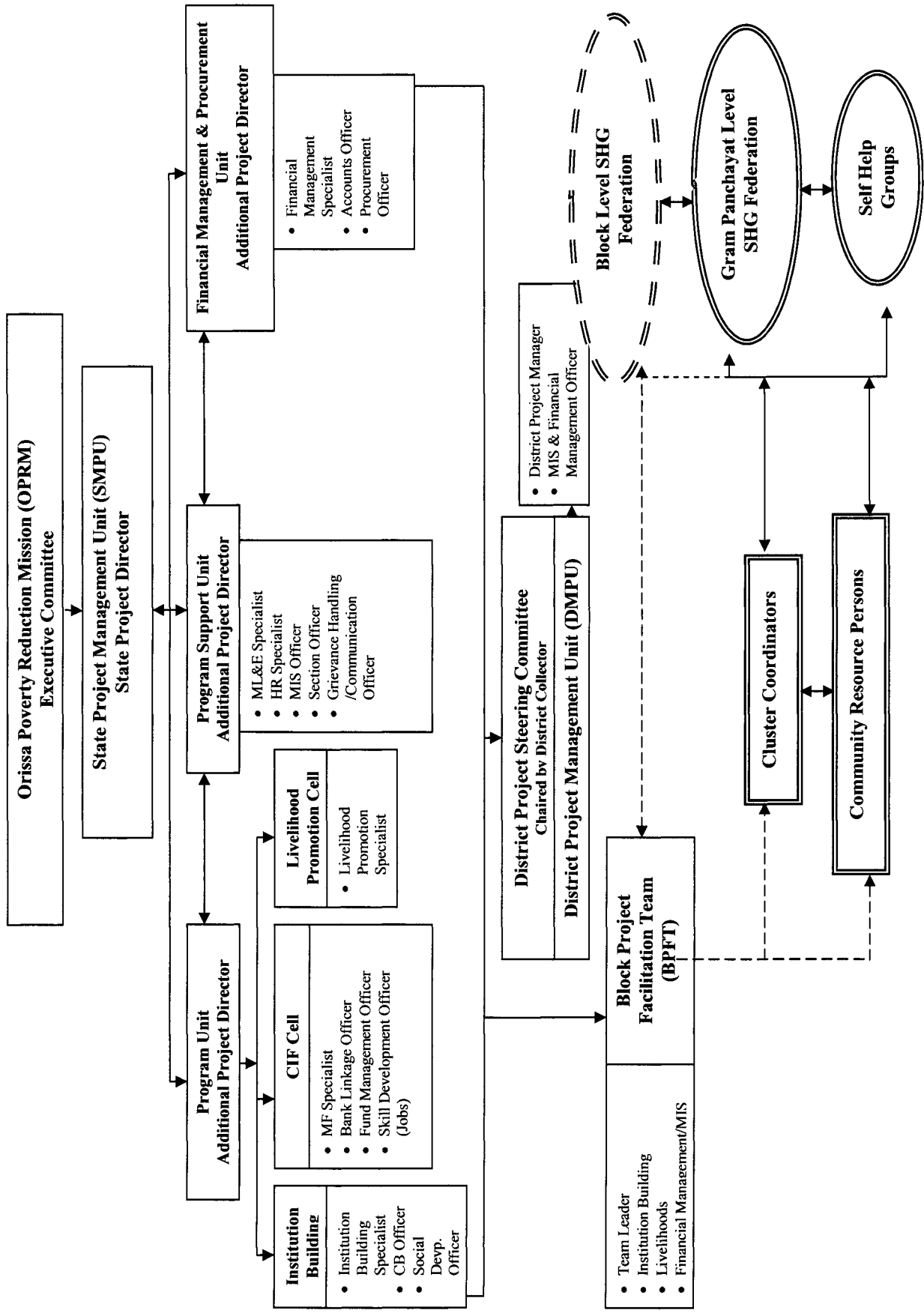
#### **Communities and Panchyat level**

5. The institutional arrangements at the community-level under the project are designed to enable women and other disadvantaged groups to form their membership organisations at group level and subsequently federate at the panchyat and block level. This three tier structure gives women and their organisations ability to achieve economies of scale and aggregate in terms of access to services, credit and markets. It also enables them to build good quality sustainable institutions with a financial base. These institutions also enable external institutions like commercial banks to reduce their transaction costs in dealing with a large number of small, dispersed and low transaction volume poor households. Table – 1 in page 54 summarizes the roles and responsibilities of project institutions at various levels.

6. A cadre of activists and para-professionals including community activists, book keepers, community resource persons, para-veterinarians, job resource persons, health activists will be supported by the project through investment in their knowledge and skills to provide services to and be accountable to the CBOs and be paid by them over a period of time.



**Figure 1: Project Implementation Structure**



**Table 1: Summary of roles and functions of Community Level Organizations**

Community Level Organization	Key Functions	Membership & Office Bearers	Supporting Functionaries	Project Inputs
<i>Self Help Groups</i>	<ul style="list-style-type: none"> <li>▪ Will be based on thrift and revolving their internal savings for providing credit to each other.</li> </ul>	<p>Women from poor and disadvantaged households will be mobilised to form affinity groups known as SHGs. The group membership will be from 10 to 15 households.</p> <p>President &amp; Secretary</p>	Book keeper	<p>These groups will be provided support in developing group norms, financial management capacity, development of solidarity and access skills, credit and services from a variety of service providers. These self help groups will be provided support to be federated into GP Level Federations involving 200 to 300 members at the GP level.</p>
<i>GP Level SHG Federation</i>	<ul style="list-style-type: none"> <li>▪ Will provide the SHGs technical assistance for preparation of micro investment plan</li> <li>▪ Facilitate access to financial and technical resources from the project, financial institutions</li> <li>▪ Take-up specific social and economic activities requiring collective action.</li> </ul>	<p>(25-40 SHG) (when more than 40 SHGs, 2 Federations)</p> <p>President &amp; Secretary</p>	Auditor Record Keeping	<p>These GP Level Federation will be the main receipts of the project resources. The GP Level Federations will be facilitated to evolve into Block Level Federations (BLFs) covering about 10 to 15 GPs.</p>
<i>Block Level SHG Federation</i>	<ul style="list-style-type: none"> <li>▪ Provide GP Level Federations with technical assistance, capacity building and facilitate convergence between CBOs and different agencies of development like local governments and line agencies.</li> <li>▪ Hire functionaries to provide support to GP Level Federations.</li> <li>▪ Arrange bulk finance for the GP Level Federations from commercial banks and support formation and promotion of livelihood based organisations and activities requiring linkages with comerecial sector organisations.</li> </ul>	<p>(300 – 350 SHGs) (when more than 600 SHGs, 2 Federations)</p> <p>President, Vice-President, Secretary Joint Secretary, Treasurer</p>	CEO 2 Functional Coordinators (IC / MIS / Book Keeper)	
<i>Producer's, Organizations and their Federations</i>	<ul style="list-style-type: none"> <li>▪ Purchase or procurement of inputs for production</li> <li>▪ Local processing and storing of inputs and outputs</li> <li>▪ Marketing and selling of produce</li> <li>▪ Develop commercial and direct relationships with private, cooperative and public sector agencies.</li> </ul>	<p>Members will come from different SHGs and will receive technical and financial support in areas of input and output procurement, extension services, technical assistance services and marketing services.</p>	Board of Directors CEO Functional Coordinators	<p>The project will promote livelihood based activity groups and federations of members who have similar livelihoods in sectors such as dairy, agriculture, fisheries, handloom etc.</p>

## Key Roles and Responsibilities of Key Institutions

7. Table 2 provides a summary of the roles and responsibilities of project institutions at different levels in the project.

**Table 2: Summary roles and responsibilities**

<i>OPRM - Executive Committee</i>	<ul style="list-style-type: none"> <li>▪ Providing overall policy guidance and direction to the project</li> <li>▪ Approving all annual plans</li> <li>▪ Representing the project at the state government level</li> <li>▪ Undertaking advocacy to ensure pro-poor policies are issued by the Government</li> <li>▪ Formulating policy regarding reducing poverty and enhancement of livelihoods of the poor</li> <li>▪ Providing strategic support and guidance to program implementation</li> <li>▪ Monitoring project implementation and achievement of performance indicators</li> <li>▪ Coordinating with different government departments and agencies</li> <li>▪ Approving overall Human Resource policies</li> <li>▪ Redefining and reformulating project strategies based on emergent experience from project implementation</li> </ul>
<i>State Project Management Unit</i>	<ul style="list-style-type: none"> <li>▪ Recruiting project team at the state level, district &amp; block level</li> <li>▪ Induction and training of all project staff and key stake holders</li> <li>▪ Developing and issuing service standards, guidelines for various component implementation, appraisal checklist and monitoring indicators</li> <li>▪ Developing strategy and action plan for strategic communications and institution building</li> <li>▪ Preparing and financing annual work plans and budgets, financial management and state-level auditing</li> <li>▪ Monitoring, Evaluation and Learning from project implementation and knowledge management activities</li> <li>▪ Coordinating activities at district, block, cluster and village levels</li> <li>▪ Converging with other government programs and developing partnership support</li> <li>▪ Providing periodic reports to the World Bank on project progress</li> </ul>
<i>District Project Management Unit</i>	<ul style="list-style-type: none"> <li>▪ Prepare annual work plan of project activities and ensure timely accomplishment of the same</li> <li>▪ Ensure operationalization of all financial, administrative and HRD guidelines at the district level</li> <li>▪ Conduct periodic reviews of project progress and report to SPMU and inform the District Administration as and when required</li> <li>▪ Conduct capacity building programs as well as other related activities for district, block level staff and other key stake holders</li> <li>▪ Establish strong linkages with district Government offices, line development departments, district resource agencies, private sector players, bankers and eminent public representatives for garnering required support for the project</li> <li>▪ Monitor and supervise Community Investment Funds routed to poor through GPLF or BLF or by the Block unit</li> <li>▪ Document project learning and disseminating the same to all relevant levels as well district administration</li> <li>▪ Extend handholding and ensure technical support to BPFT as and when</li> </ul>

	<p>required</p> <ul style="list-style-type: none"> <li>▪ Identification and promotion of producer organization based on value chain analysis</li> <li>▪ A District Project Manager will be appointed by the OPRM society to head the DPMU and based on requirement thematic specialists will be placed for providing the requisite handholding &amp; technical support</li> </ul>
<i>Block Project Facilitation Team</i>	<ul style="list-style-type: none"> <li>▪ Organize target community into SHGs and then federating them at the GP and Block level</li> <li>▪ Build capacity of SHGs and village organization</li> <li>▪ Identification and promotion of producer organization based on value chain analysis</li> <li>▪ Constitute the apex structure of the Community Institutions at the Block viz. BLF and ensuring functioning of the same through handholding and regular capacity building inputs</li> <li>▪ Manage the interface between banking system and community groups through membership in BLF and liaison with banks</li> <li>▪ Help community institution in preparing livelihood sub projects (value chain proposals), getting their approval from DPMU/SPMU and ensure their implementation with quality</li> <li>▪ Support community institutions in developing linkages with financial institutions, service provider agencies and line development departments</li> <li>▪ Facilitate community institutions to develop forward and backward linkages</li> <li>▪ Conduct regular interface of BPFT and BLF with Block Government officials and Panchayat representatives and garner support from them</li> <li>▪ Manage and monitor channeling of CIF to SHGs or commodity producers' organization</li> <li>▪ Furnish information through MIS and submitting progress report to DPMU</li> </ul>
<i>Block Level SHG Federation</i>	<ul style="list-style-type: none"> <li>▪ Facilitate provision of technical assistance to the GPLF and SHG members</li> <li>▪ Problem solving and conflict resolution</li> <li>▪ Review GPLF - SHG performance</li> <li>▪ Review micro investment plans for the social and economic development of the SHGs/ GPLF</li> <li>▪ Network and be a confluence for convergence between CBOs and the Government and other Agencies in their geographical area benefiting the target poor.</li> <li>▪ Act as a platform for sharing experiences and concerns of GPLF - SHGs</li> </ul>
<i>GP Level SHG Federation</i>	<ul style="list-style-type: none"> <li>▪ Provide technical assistance to SHG members</li> <li>▪ Problem solving and conflict resolution</li> <li>▪ Review SHG performance</li> <li>▪ Manage revolving funds</li> <li>▪ Facilitate formation of SHGs of the remaining poor in the village</li> <li>▪ Compile and finance micro investment plans for SHGs</li> <li>▪ Network and be a confluence for convergence between resource agencies and project staff in their geographical area benefiting the target poor.</li> <li>▪ Act as a platform for sharing experiences and concerns of SHGs</li> </ul>

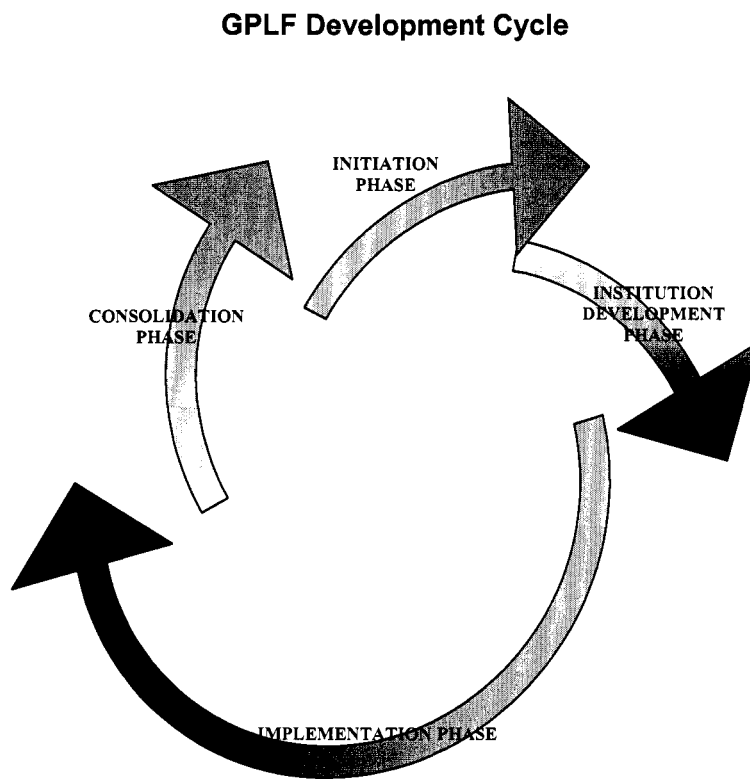
**Project Implementation Cycle:**

8. The project aims to work with 30,000 SHGs and strengthening 1,000 GP Level Federations and 38 Block Level Federation. The project implementation will simultaneously start to function in all 19 blocks in the 1<sup>st</sup> year with each block having a phasing plan for GPs and Villages, the details of the same will elaborated in the Annual Operational Plan that the project will prepare for annually. The PIP outlines the project cycle and the project implementation cycle specifying the key steps and sequencing of critical activities to be performed in implementing the project. The following figure is indicative of the various Project phases and spread out over the project period.

**Project Implementation Cycle at Block, GP and SHG Level:**

9. The cycle that the project will follow at the village level is presented below. The GPLF Development Cycle has four stages of Initiation and Stock Taking, Institutional Development, Livelihood Implementation phase of Value Chain Proposals; and Consolidation phase - Planning & Implementation and Federation Strengthening and Building. Table 4 provides details of activities at the village level and key milestones for each stage.

**Figure - 2: Implementation Cycle at the GPLF Level**



**Table 3: Key Implementation Stages**

<b>Stages</b>	<b>Key Activities</b>	<b>Key Milestone / Triggers</b>
<i>Situational assessment</i>	<ul style="list-style-type: none"> <li>▪ Preparation of clusters for placement of Cluster Coordinators</li> <li>▪ Placement of Cluster Coordinators</li> <li>▪ Training and induction of Cluster Coordinators</li> <li>▪ Mapping &amp; rating of SHGs in each GP and Block</li> <li>▪ Mapping &amp; rating of GPLFs and BLFs</li> <li>▪ Based on mapping exercise Institution Building plan for quality enhancement prepared</li> <li>▪ Identification of poorer household still outside the SHG fold</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multi-GP Clusters finalized</li> <li>▪ Cluster Coordinators recruited and functional</li> <li>▪ Cluster Coordinators inducted: well versed with project details and their role in the project</li> <li>▪ Based on mapping &amp; rating exercise: "Quality Index/Card" of all SHGs, GPLF and BLF developed and Institution Building plan for each prepared</li> <li>▪ List of poorer households out of SHG fold prepared</li> </ul>
<i>Institutional Development- Social Mobilization</i>	<ul style="list-style-type: none"> <li>▪ Identification, selection and Capacity Building of CRPs</li> <li>▪ Training of SHGs on Social Inclusion aspects</li> <li>▪ Mobilize identified left-out poorer households into SHGs</li> <li>▪ Formation of SHGs, introduction of capacity building and opening of bank accounts</li> <li>▪ Identification and training of community resource persons (CRPs) and book keepers</li> <li>▪ SHGs meet regularly, practice thrift and inter loaning according to group norms</li> <li>▪ Training to SHGs in development of micro investment plans for investments in productive assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Formation of SHGs with members from left-out poorer households</li> <li>▪ Opening of bank accounts for all new SHGs</li> <li>▪ Regular meetings and savings of groups</li> <li>▪ Substantial number of CRPs and bookkeepers trained and providing services</li> <li>▪ Micro investment plan approved and first tranche of CIF provided</li> </ul>
<i>Capacity Building of GPLFs</i>	<ul style="list-style-type: none"> <li>▪ Formation and strengthening of GPLFs</li> <li>▪ Establishment of accountability systems</li> <li>▪ Capacity building for GPLFs in micro investment planning and consolidation</li> <li>▪ Establishment of social accountability system and processes</li> <li>▪ Exposure visits for learning</li> <li>▪ Launching of skill building programs for rural youth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establishment of GPLFs and office bearers</li> <li>▪ Majority of SHGs have been credit linked</li> <li>▪ Accounting systems in place and functioning</li> <li>▪ Results from score cards and report cards consolidated and disclosed</li> </ul>
<i>Value Chain Proposals: Planning &amp; Implementation</i>	<ul style="list-style-type: none"> <li>▪ Mapping of value chains (livelihoods sectors) in which substantial number of SHG members are investing through MIPs</li> <li>▪ Formation of value chain specific producer organizations</li> <li>▪ Training on development of value chain investment plans</li> <li>▪ Preparation of value chain proposals</li> <li>▪ Establish partnerships and linkages with service providers and private sector</li> <li>▪ Establishment of procurement committee</li> <li>▪ Procurement of service provider for technical support on value chain development</li> <li>▪ Technical assistance and capacity building provided to producer organizations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Value chain identified and appraise for initiating investments</li> <li>▪ Producer Organization formed</li> <li>▪ Value chain investment proposal prepared, appraised and sanctioned for implementation</li> <li>▪ Procurement committee established</li> </ul>
<i>Block Level SHG Federations Strengthening &amp; Building</i>	<ul style="list-style-type: none"> <li>▪ Technical assistance and capacity building provided to BLFs</li> </ul>	<ul style="list-style-type: none"> <li>▪ BLFs functioning with strong networks with private and public sector as well as local governance bodies</li> </ul>

### **Human Resource Strategy:**

10. The project intends to build a team consisting of the best available human resources in the development sector. Hence it becomes imperative to design a recruitment process in a professional manner and offer a competitive working condition and remuneration package. The recruitment process has to focus on selecting competent individuals who have people skills, and a positive attitude, clear thinking, focused on helping the poor, ability to perform in a team and have commitment towards his/her job. To achieve this, a rigorous staff selection process will be adopted by ORLP.

11. The recruitment process of ORLP will comply with the Orissa Government roster of employment as and where necessary for contracting staff in the society. The appointment of Project Director, Additional PD – Program Support and Additional PD - Financial Management and Procurement will be done by the Government of Orissa and Executive Committee of OPRM will approve the same. To coordinate and execute related HRD interventions for the project, there will be a dedicated Human Resource Specialist (HRS) functional at SPMU level with the Project Support Unit.

12. The recruitment of remaining project staff shall be executed by a national level experienced and reputed employment agency, to be hired (through a competitive process) to conduct recruitment on behalf of ORLP. This process will require identifying and recruiting competent experienced professional from all across the nation. This process will also be required when large and specialized recruitment is to be done in stipulated time period.

13. The detailed HR strategy prepared separately for the project will elaborate further the recruitment process for ORLP and its details. An HR manual is proposed to be developed by the project during its preparatory phase. This manual is expected to establish the following procedures:

- Staff contract policy
- Process of recruitment
- Compensation package, incentives and reward to employee
- Grievance Redressal Mechanism:
- System of appraising staff capacity building needs
- Performance appraisal of staff
- Disciplinary control system
- Deputation, hiring and outsourcing of employee

## **Annex 7: Financial Management and Disbursement Arrangements**

### **INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

The project has an adequate financial management arrangement to account for and report project expenditures.

#### **Financial Management Assessment (State Issues)**

1. Improving public financial accountability has been a central part of the reform program in Orissa. A State Financial Accountability Assessment (SFAA) completed during the first half of 2004 concluded that the fiduciary risk in Orissa was significant, mainly as a result of weaknesses in the practice of financial management rather than from inadequacy of the rules - the framework for which is centrally-determined. These conclusions are by no means, substantively different from the results from other jurisdictions in India.
2. Over the last two years, Orissa has continued to make substantive progress in its path of enhancing financial accountability in management of public funds, partly driven by the need to meet the requirements of fiscal targets prescribed under the Orissa Fiscal Responsibility and Budget Management Act. While the turnaround in the deficit indicators have been largely attributed to the reforms in power sector and public enterprises, rightsizing of the bureaucracy, revenue generation augmenting measures etc. the impact of the rigor brought into financial management cannot be over-emphasized. The steps taken by Orissa to enhance accountability and transparency in public financial management include strict enforcement of expenditure controls, improvement in the quality of expenditure composition by prioritization using zero based investment reviews, increased verification/reconciliation of expenditures and receipts with the Auditor General, regular review of compliance to audit observations, ensuring timely submission of utilization certificates for centrally sponsored schemes, and enriching the Budget at a Glance with more comprehensive financial related information.
3. The computerized Orissa Treasury Management System has been implemented in the entire state, covering 30 Treasuries, 8 Special Treasuries and 125 Sub Treasuries from April 1, 2007. All Sub-Treasuries are now connected to the District Treasuries and the Directorate of Treasuries and Inspection at Bhubaneswar. This initiative will substantially enhance the state's ability to produce timely and reliable monthly financial reports.
4. Many of the steps taken in the areas of budget execution, monitoring and cash management have produced visible positive results, and provide a strong trajectory for project financial management improvement. The GoO has demonstrated its will to continue the project financial management reforms, evidenced by the scale and variety of actions underway.

#### **Summary Financial Management Assessment**

5. At the project level an independent society at the State level (Orissa Poverty Reduction Mission) with units at district and block level has been established and at the community level the primary implementing units will be the Federations and Self Help groups. Given that



OPRM is a newly formed Society, the assessment of the adequacy of the financial management arrangements for the project is essentially based on the arrangements being put in place. The choice of a Society as the nodal level coordinating entity for the project at GoO is based on the good practice models from Andhra Pradesh, Madhya Pradesh and Tamilnadu. The society model provides flexibility and autonomy in engaging suitably qualified staff and ability to be able to effect quick and smooth fund transfers across the state, the two key pre-requisites for any CDD project of this nature. However, the concerns associated with the weak governance and oversight requirements for Societies in India also apply to this project. In order to mitigate this fiduciary risk, a number of steps are being taken and include: (a) institutional and governance arrangements have been framed and documented. These define the responsibilities of the various committees tasked with the oversight functions of the Society and include the State level Steering Committee, Governing and Executive bodies of the Society; (b) roles and responsibilities of the various staff have been determined and documented in the PIP; (c) the Society has developed its financial rules and regulations, based on Orissa General Financial Rules. The Society Financial Rules will be uniformly applied from the date of approval by the General Body and the State Finance Department.

6. Situational analysis of the SHG program in Orissa and experiences from other states reiterate the need for strengthening the quality of book keeping at the SHG level. The key weakness in the SHG federations continues to be the absence of a robust financial management system that includes effective loan tracking mechanisms. As part of preparation of the project, an institutional study has been commissioned and includes an assessment of the book keeping arrangements at a selected sample of SHGs and SHG Federations. The findings of the study and recommendations will help in determining the adequacy of the systems and procedures and the improvements required thereof.

7. Notwithstanding the above, it is recognized that the project provides significant opportunities to strengthen the local capacities to satisfactorily undertake most of the activities pertaining to financial management, provided adequate capacity building efforts are undertaken in the area of financial management, accountability and transparency. Several good practice examples have emerged from the CDD experiences in World Bank financed projects which can be applied, including outsourcing of the accounting and oversight functions to Chartered Accountants firms and/or use of book keeping para-professionals (trained under the project).

8. The approach that will guide the design of the financial management arrangements at the SHG and their federations, will be to build financial management capacity to comply with the state's (Mission Sakthi) own framework of accounting, internal controls, financial reporting and auditing as laid down in the program guidelines. This will entail inclusion of key parameters of satisfactory financial management to be included as part of the system of periodic performance reviews and grading of SHGs to be developed under the project. Creating an enabling environment for enhanced fiduciary processes will allow the project related expenditures to be tracked from the SHG/Federations monthly financial reports and using their own fiduciary systems. This arrangement will help facilitate: (a) the use of a single financial management and disbursement system, thus reducing the transaction costs of parallel systems;

and (b) enhance the SHG/Federations' own fiduciary systems, thus strengthening ownership, internal capacity and program sustainability.

**Table – 1: Significant Risks and Mitigation Measures**

<b>Risk</b>	<b>Residual Risk Rating</b>	<b>Risk Mitigation Measures Incorporated into Project Design</b>	<b>Condition of Negotiations, Board or Effectiveness</b>
Governance and accountability of stand alone society	Moderate	A number of steps are being taken to mitigate the fiduciary risks and include: (i) institutional and governance arrangements have been framed and documented; (ii) roles and responsibilities of the various staff have been determined and documented in the PIP; (iii) the Society has developed its financial rules and regulations, based on Orissa General Financial Rules. The Society Financial Rules will be uniformly applied from the date of approval by the General Body and the State Finance Department	No conditions envisaged
OPRM financial management arrangements are being established and are yet to be tested	Substantial	A separate legal entity has been created to implement the project with its own financial management, delegation, transparency and disclosure arrangements	No conditions envisaged
Flow of funds to institutions at district, block and GP level.	Low	Orissa has since overcome the cash constraints, as a result of increased tax revenues and increased transfers from central government. This is reflected in the fact that the state has not resorted to any overdrafts since 2004-05. While this remains an inherent risk, the probability of the same is not high given the current fiscal situation of the GoO	No conditions envisaged
Capacity at the GP & Block level Federations to account for project funds, particularly manage the Loan Revolving Funds	Substantial	For the Federations (GP & Block) to access start up funds under the project, they will need to demonstrate adequate capacity to account and manage the funds. The accounting and financial reporting requirements will be detailed in COM. Access to CIF tranches for GP Federations will be based on achievement of milestones and will include parameters of quality of accounting and transparency of financial management decisions	Notwithstanding the eligibility conditions for OPRM to release CIF funds to the GPLFs (as documented in the COM), disbursements by the Bank against this component would be conditional on (a) OPRM developing an appropriate framework for grading of GPLF; and (b) OPRM puts in place a satisfactory financial management system for the management of the loan portfolio at the GPLF level.
<b>Overall Risk Rating</b>	<b>Substantial</b>		

**Overall project risk is rated as Substantial**

## **Strengths and Weaknesses**

9. Strengths: The project has the following strengths in the area of financial management:
- A project specific financial management manual (draft), Community operations Manual (draft) and finance and administrative rules including delegation has been developed. (to be finalized by negotiations)
  - A separate Financial Management & Procurement Unit has been established at OPRM and a suitably qualified Financial Management Specialist is in position.

**Table – 2: Significant Weaknesses and Mitigation measures**

<b>Significant weaknesses</b>	<b>Mitigation</b>
Identified weaknesses in book keeping at the SHG level	The arrangements for provision of accounting support by the project to GPLFs and SHGs entail (a) OPRM will undertake a market review of the various off-the-shelf computerized accounting packages available for GPLFs and SHGs; (b) Based on the findings of the market survey, OPRM will seek additional assistance (if required) to make a technical assessment of available software and the support services required for the implementation; (c) Data entry operators will be appointed at BPFT level to work under the supervision of the OPRM staff to set up and run accounting centers. (d) The accounting centers will provide accounting services for GPLF and SHG to enter primary data and generate financial reports; (e) The arrangement will be reviewed within six months of installation of the accounting centers to ascertain whether the arrangements are working to a satisfactory level (90% of the GPLF and SHGs are able to produce monthly financial reports within 15 days of the close of each month). In addition, project will invest in developing a cadre of good community managed book keepers who will provide on-time support to SHGs. Master book keepers engaged by the Block Federation level will supervise the quality of book keeping. The accounting forms and templates currently in use (developed under Mission Shakti program) will be reviewed and adapted (if required) for use under the project – these will be detailed in the COM
High attrition rates in accounting staff at DPMUs requiring continuous training inputs and resulting in delays in accounting and financial reporting	Options for centralizing transfer of CIF, service payments and salaries of DPMU/Block PFT Teams are being considered with an objective to simplifying the accounting requirements at the district level and facilitating the process of consolidation
In line with the CDD general principles, fund releases to Federations (for the livelihood sub projects) will be accounted for as expenditures. Systems to track the actual utilization of funds on an offline basis however, remain weak	The accounting system will require the actual utilization of funds to be brought into the books of accounts. This will help enhance levels of fiduciary assurance.
In all cases, project funds reach the individual end beneficiary, as members of the Self Help Groups (SHGs) as a loans - tracking the actual use of funds is difficult at the level of individual household (no accounting records can be expected to be maintained at that level).	Fiduciary assurance is primarily by way of asset verification by the federation managing the CIF and the signatory to the financing agreement. This will be supplemented by sample audits conducted by project external and internal auditors as well as independent review mechanisms instituted by the project at regular intervals
While the asset verification process adopted by the community may be adequate for productive assets, extending the same process to finances for household needs may be a challenge.	

10. **Fiduciary Framework for Community Investment Fund:** Fiduciary arrangements for the CIF component has been designed to seek assurance from a combination of the following two processes and will be applicable uniformly, regardless of whether the Federation passes the CIF funds onwards as loans or grants:

- (a) Robustness of the portfolio at the Federation level, monitored through rigorous processes and use of eligibility indicators of profitability, capital and portfolio quality, acceptable levels of loan collections, appropriate capacity for appraisals and supervision etc. The project will invest in (a) developing detailed assessment criteria for grading of SHGs and Federations; and (b) providing handholding accounting technical assistance (book keepers, accounting hubs etc) to the Federations to help maintain accounting records and prepare monthly/annual financial statements for the Loan portfolio. The Federation annual accounts will be subject to statutory audits as required by the State laws.
- (b) Strength of the community fiduciary oversight arrangements established at the Federation level to monitor and verify the use of funds for intended purposes, including verification mechanisms for assets and other uses of funds, as applicable.

11. Release of funds to the Federations would be predicated on an agreement to an institutional development plan, which would cover aspects of corporate governance as well. These plans will include a set of time-bound monitorable performance indicators and provide for a midterm review of progress.

12. The fiduciary framework as defined above will mean that actual end use of the funds at the household level, will not be tracked by the project, but will rely on mechanisms established by the Federations to verify the same. The project will in turn, review the adequacy of the appraisal and oversight arrangements at the Federation level through field visits and physical verification.

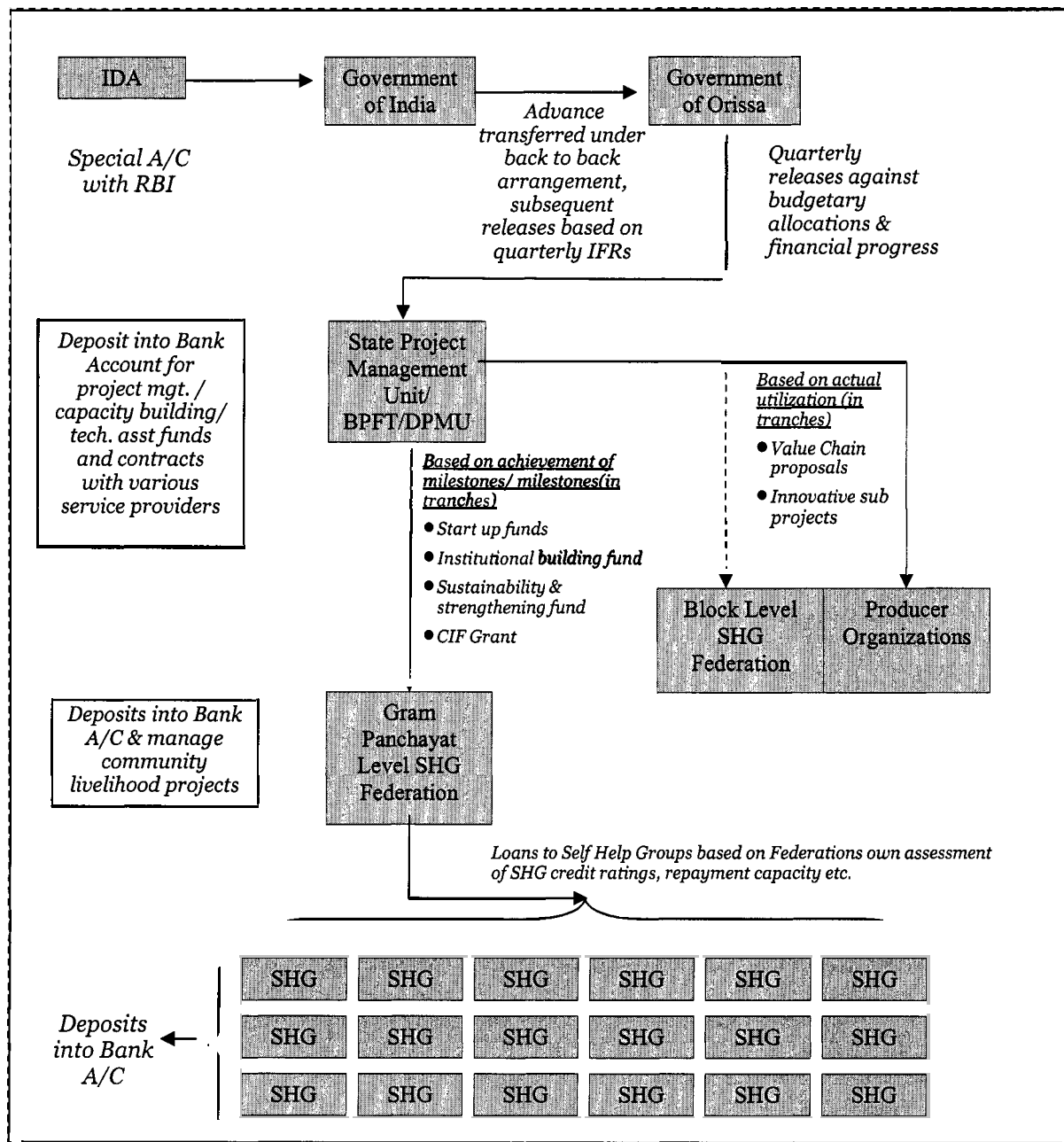
13. In the first year of the project, when the systems are expected to be built, the federation will be required to maintain a dossier for each MIP, including photographs of each individual along with the asset procured/created under the MIP, detailed specifications of the items with costs incurred etc. and make the documentation available to project staff, as required. In the hierarchy of the control framework for the component, the Block Project Facilitation Teams (BPFT) will physically verify and endorse on a sample basis 20% of all UCs submitted, DPMU 10% and SPMU 5%. These additional safeguards will be phased out as the Federation fiduciary oversight systems are implemented at an acceptable level. In addition, external and internal auditors will be required to review and comment on the adequacy of the oversight arrangements at the Federation level.

### **Financial Management Arrangements**

14. **Planning & Budgeting:** The project's planning process will follow a bottom up approach i.e. it will grow out of SHG and livelihood groups Micro Investment Plans (MIPs); business plans of GP & Block level Federations and will get consolidated at the BPFT and

DPMU levels. These will eventually be consolidated at the State level as part of the project Annual Work Plan. The project planning process will be dovetailed into the budgeting cycle of the Govt. of Orissa and will be completed in line with the state's annual budget process i.e. by February each year. The project will be budgeted as a separate line item in the state budget. Adequate budget provision for the project has been made in the State budget for the financial year 2008-09.

15. **Fund Flow Arrangement:** The funds flow arrangements are captured in the figure - 1 below.



16. **Project Level:** The funds will flow from the GoO to the OPRM – SPMU on a quarterly basis, based on the projections in the Annual Work Plan for the financial year. From the SPMU, funds would be transferred to the DPMU on a quarterly basis based on the approved work plans which will include both the program and administrative expenditures. At the BPFT level, the project will maintain an agreed amount of imprest to meet the operational level expenditures – the imprest will be replenished by the DPMU on an ‘as required’ basis or within 3 days of the close of each month, whichever is earlier, on the basis of submission of statement of expenditures, with supporting documents.

17. **Project to Village Institutions:** A Block wise mapping of the commercial and rural banks will be taken up for the 38 blocks in order to map the fund flow paths to the Village Institutions. Options to enter into agreements with bank/s which have a larger network and reach within the rural areas will be explored, with the objective to help find ways to reduce the time and the cost of transferring funds to the village institutions. The basis of fund transfer to the GP and Block SHG Federations and/or Producer Organizations will be:

- Initial capital fund and each subsequent fund release for CIF (financing of Micro Investment Plans), will be made through direct transfers into the bank accounts of the GP SHG Federations. All fund releases will be based on fixed price milestone based financial agreements and linked to achievement of milestones as prescribed in the COM and submission of utilization certificates prepared by the Participatory Monitoring Committees and Asset Verification Committees of GPLF and duly endorsed by its General Body, and verified by the BLFT/DPMU.
- Releases against ‘Start Up Fund’, ‘Institutional Building Plans’ and ‘Sustainability & Strengthening Plan’ for GP level Federations will be based on appraised and approved business plans and may be in agreed installments. For release of subsequent installments, the Federations will be required to provide utilization certificates prepared by the Participatory Monitoring Committee and endorsed by the General Body of GPLF and financial statements evidencing actual utilization of project funds;
- Financing of value chain proposals and innovative sub projects on livelihood enhancement and promotion will be based on appraised and approved sub project proposals. All fund releases will be based on fixed priced financing agreements and linked to specified physical milestones of activities as well as utilization certificates, duly endorsed by the General Body of the Federations.
- For Skill upgradation component, fund releases will essentially be made directly to the training or service providers against invoices/bills and will be defined in the sub project proposals.

18. **Accounting Policies, Procedures and Systems:** The SPMU, DPMU and BPFTs will maintain their accounts on cash basis following double entry book keeping principles. The project plans to install an off the shelf accounting package (TALLY) at the SPMU, to start with. This will be rolled out to the DPMU offices gradually as trained staffs are recruited to operate the system. At the BPFT level, simple petty cash registers or loose leaf cash sheets will be maintained.

19. A financial management manual (FMM) has been developed for the project level implementing units and a Community Operations Manual - COM has been developed for the community institutions. The FMM and the COM documents in detail the accounting and financial management processes such as funds flow, budgeting, internal control and audit arrangements at the project and community level. The key issues that have been addressed in the design of the accounting policies and procedures are as follows:

20. **Finance Staffing and Capacity Building:** A Financial Management and Procurement Unit have been established and a suitably qualified Financial Management (FM) Specialist to be responsible for the financial management function has been appointed. At the SPMU, s/he will be assisted by an Accounts Officer and support staff. At the DPMU and BPFT, the accounting and financial management function will be managed by FM and MIS Officer. The FM and MIS Officer at the BPFT level will also be tasked with the oversight and supervision of the book keeping and accounting at the community institutions. The finance and accounts staff will be trained in the requirements of accounting and reporting systems of the project.

21. Experience with CDD projects indicate the need for high level of investments in building the capacity of village book keepers and the need to work closely within the M&E framework. This will be a challenge in Orissa too given the low literacy level and fact that the project is working amongst the poorest of the poor. At the community level book keepers will be trained to assist the SHG, GPLF, Block Federations and Producer Companies<sup>25</sup>. A standard menu of training modules for each level of village institution will be developed (based on the COM) and this training will be carried out as part of the capacity building plan at different points in the project cycle. This will include standard training modules/ handbook for SHG, Producer Organizations, GP and Block Federations including detailed modules for the trainers.

22. **Internal Control Framework:** For the state and district units the applicable framework would be the delegation of financial and administrative powers and payment responsibilities are documented in the Finance and administrative rules. Additionally this will be supported by the approval process for specific project activities and various CIF as outlined in the project FMM/COM. These will be reviewed regularly to ensure that these remain valid and adequate during project implementation. Some of the other key control parameters are as follows:

- Each project accounting unit will close the books within a specified number of days at the end of the month, reconcile balances with the banks and forward the same to the SPMU for consolidation. The SPMU will have the responsibility for quality and timeliness aspects of financial reporting;
- Contractual agreements (MOUs) will be signed between the project GP and Block Federations setting out the obligations, milestones and with other service providers;
- At the SHG, GP and Block Federations recording of all financial decisions in the minute books, public display of financial information, access of accounting records to all members and social audit procedures will ensure that transparency and oversight functions are maintained;
- Financial controls are documented in the FM Manual.

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<sup>25</sup> CRPs from the other Bank funded projects will be providing book keeping training to the SHG members in this project.

**Table 3: Accounting framework for the various implementing agencies under ORLP**

<b>Implementing agencies</b>	<b>Legal status of agency</b>	<b>Nature of financial transactions</b>	<b>Accounted for in project books of accounts</b>	<b>Accounting convention</b>	<b>Conditions for release of funds</b>	<b>Means of Verification</b>
State Project Unit – Orissa Poverty Reduction Mission (OPRM)	Registered society	Fund releases to District Project Unit	Yes	Accounted for as advances (inter-unit) in the books of the State Society		Monthly/quarterly financial statements, consolidating district level financial statements
		Expenditures for services, studies, goods & equipment, training and operational costs related to project activities	Yes	Accounted for in books of accounts – Chart of Accounts to be developed in a manner that will allow project expenditures to be tracked by project components/sub components from monthly financial reports		Monthly/quarterly financial statements, consolidating district level financial statements
District Project Units – OPRM	District Units of OPRM	Imprest advances to Block Project Facilitation Teams	Yes	Accounted for in DPMU books of accounts as imprest advances – adjusted with expenditures on submission of monthly SOEs	Imprest replenished on submission of monthly SOEs	Monthly Statements of Expenditure submitted to State Unit of OPRM
		Expenditures for services, works, training and operational costs related to project activities	Yes	Accounted for in DPMU books of accounts – Chart of Accounts to be developed in a manner that will allow project expenditures to be tracked from monthly financial reports		Monthly Statements of Expenditure submitted to State Unit of OPRM



			Yes	<p>Grants to GP level Federations (GPLF):</p> <p>&gt; <b>Start up funds (Addenda 1)</b>  Funds for:</p> <ul style="list-style-type: none"> <li>- purchase of furniture,</li> <li>- IEC activities,</li> <li>- situational analysis and recurring costs for 3 years (on declining basis)</li> </ul>	<p>Milestone based releases (75:25) against Addenda 1 to UFA accounted for as advances in DPMU books of accounts, adjusted to expenditures on submission of utilization certificates and financial statements as evidence of actual use of funds</p>	<p><u>Conditions for fund releases:</u>  <u>1<sup>st</sup> tranche:</u></p> <ul style="list-style-type: none"> <li>- GPLF registration</li> <li>- Umbrella Financing Agreement (UFA) signed between DPMU &amp; GPLF</li> <li>- Copy of GPLF Executive Committee resolution approving proposal</li> <li>- Signing of Addenda 1 to Financing Agreement</li> <li>- Opening of bank account</li> </ul> <p><u>2<sup>nd</sup> tranche</u></p> <ul style="list-style-type: none"> <li>- Self certification of use of 80% of funds by GPLF endorsed by General Body</li> </ul>	<p>Utilization certificates for Tranche 1 &amp; 2 as verified by BPFT</p> <p>Utilization certificates are prepared by Project Monitoring Committee (PMC) of GPLF and General Body -- copies of resolution provided</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>
				<p>&gt; <b>Institutional Building Plan (Addenda 2)</b>  Funds for:</p> <ul style="list-style-type: none"> <li>- Training</li> <li>- Exposure visit</li> <li>- Grants for Inclusion</li> <li>- Grant for mobilization of left out BPL households</li> <li>- CRP (Community Resource</li> </ul>	<p>Milestone based releases (40:40:20) against Addenda 2 to UFA accounted for as advances in DPMU books of accounts, adjusted to expenditures on submission of utilization certificates and financial statements as evidence of actual use of funds</p>	<p><u>1<sup>st</sup> tranche</u></p> <ul style="list-style-type: none"> <li>- Approval of IB Plan by the General Body of GPLF</li> </ul> <p><u>2<sup>nd</sup> tranche</u></p> <ul style="list-style-type: none"> <li>- Signing of Addenda 2 to Financial Agreement</li> <li>- Completion of Training and Exposure visits</li> <li>- At least 50% of the left out formed into groups or included in existing groups</li> <li>- UC certifying 80% utilization of funds by</li> </ul>	<p>Utilization certificates for Tranche 1 &amp; 2 as verified by BPFT</p> <p>Utilization certificates are prepared by Project Monitoring Committee (PMC) of GPLF and General Body -- copies of resolution provided</p> <p>OPRM external &amp; internal auditors review on sample basis</p>

		<p>Persons) Identification &amp; training - Preparation of MIP</p>		<p>PMC &amp; GB for 1<sup>st</sup> Installment 3<sup>rd</sup> tranche - UC certifying 80% utilization of funds by PMC &amp; GB for 1<sup>st</sup> and 2<sup>nd</sup> installments</p>	<p>Supplementary independent reviews undertaken by OPRM</p>
		<p>&gt; <u>SHG Micro Investment Plan/s appraised and consolidated by GPLF – Addenda 3</u> Funds for: - Productive assets - Household consumables - Debt swaps</p> <p>For preparation of MIPs (productive assets), GPLFs will use Block level Rate Banks</p>	<p>Milestone based releases (need based) against Addenda 3 to UFA accounted for as expenditures in DPMU books of accounts.</p> <p>Chart of Accounts designed to track unaccounted fund releases as against funds utilized (on submission of acceptable UCs).</p>	<p>1<sup>st</sup> tranche - Approval of SHG MIP by the General Body of GPLF - Information on MIP approvals on public displays boards - Signing of Addenda 2 to Financial Agreement - To be eligible for CIF funds, SHGs need to meet criteria for Grade A - GPLF CIF bank a/c opened - Financial management systems at GPLF are in place (checklist to be determined) 2<sup>nd</sup> &amp; subsequent tranches - IB Plan completed and final utilization certificate submitted - Strengthening &amp; Sustainability Plan prepared by GPLF and 1<sup>st</sup> tranche of funds released - Approval of SHG MIP by the General Body of GPLF - Information on MIP</p>	<p>Utilization certificates for Tranche 1 &amp; 2 as verified by BPFT</p> <p>Utilization certificates are prepared by Project Monitoring Committee (PMC) and Asset Verification Committee of GPLF and will be endorsed by General Body – copies of resolution provided</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>

				<p>approvals on public display boards</p> <ul style="list-style-type: none"> <li>- UC certified by PMC &amp; Certificate from Asset Verification Committee for 1<sup>st</sup> Installment of CIF</li> </ul>	<p>Utilization certificates for Tranche 1 &amp; 2 as verified by BPFT</p> <p>Utilization certificates are prepared by Project Monitoring Committee (PMC) of GPLF and will be endorsed by General Body – copies of resolution provided</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>
	<p>Milestone based releases (40:40:20) against Addenda 4 to UFA accounted for as advances in DPMU books of accounts adjusted to expenditures on submission of utilization certificates and financial statements as evidence of actual use of funds</p>	<p>1<sup>st</sup> tranche</p> <ul style="list-style-type: none"> <li>- Approval of S&amp;S Plan by the General Body of GPLF</li> <li>- Signing of Addenda 4 to Financial Agreement</li> <li>- 2<sup>nd</sup> tranche</li> <li>- Performance indicators for assessment of capacity to manage Loan Revolving fund – to be determined</li> <li>- UC certifying 80% utilization of funds by PMC &amp; GB for 1<sup>st</sup> Installment</li> <li>- 3<sup>rd</sup> tranche</li> <li>- UC certifying 80% utilization of funds by PMC &amp; GB for 2<sup>nd</sup> Installment</li> </ul>	<p>approvals on public display boards</p> <ul style="list-style-type: none"> <li>- UC certified by PMC &amp; Certificate from Asset Verification Committee for 1<sup>st</sup> Installment of CIF</li> </ul>	<p>Utilization certificates for various milestones, as verified by SPMU/DPMU</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>	
<p>&gt; <b>GPLF Strengthening &amp; Sustainability Plan – Addenda 4</b></p> <p>Funds for:</p> <ul style="list-style-type: none"> <li>- Capacity Building for management of revolving fund</li> <li>- Inclusion of extreme poor groups</li> <li>- Conflict Resolution</li> <li>- Revenue generation plan</li> <li>- Involvement in social and development programs</li> </ul>	<p>Milestone based releases (to be determined) against Financing Agreements accounted for as expenditures in DPMU books of accounts.</p> <p>Chart of Accounts designed to track unaccounted fund releases as against</p>	<p>Yes</p>	<p>approvals on public display boards</p> <ul style="list-style-type: none"> <li>- UC certified by PMC &amp; Certificate from Asset Verification Committee for 1<sup>st</sup> Installment of CIF</li> </ul>	<p>Utilization certificates for various milestones, as verified by SPMU/DPMU</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>	
<p>Grants for Livelihood sub projects</p>	<p>Chart of Accounts designed to track unaccounted fund releases as against</p>	<p>Yes</p>	<p>approvals on public display boards</p> <ul style="list-style-type: none"> <li>- UC certified by PMC &amp; Certificate from Asset Verification Committee for 1<sup>st</sup> Installment of CIF</li> </ul>	<p>Utilization certificates for various milestones, as verified by SPMU/DPMU</p> <p>OPRM external &amp; internal auditors review on sample basis</p> <p>Supplementary independent reviews undertaken by OPRM</p>	

				Yes	Grants for Skill Upgradation sub projects			funds utilized (on submission of acceptable UCs). Payments may be made directly to training providers or private sector companies, as defined in the subproject proposal and accounted for as expenditures in DPMU books of accounts	- Invoices or bills submitted by training providers - Evidence of completion of training or other conditions as defined in the subproject proposal	
Block Project Facilitation Teams	Block Units of OPRM	Expenditures operational costs related to project activities	No	No		BFT maintains simple imprest cash books, summarizes the expenditures and submits all vouchers along with SOE to DPMU on a monthly basis				
GP level SHG Federations	Registered under Coop Act or as Societies	For sub components 1, 2 & 4 Expenditures on good, services and operation costs For sub component 3 Loans to SHGs against approved MIPs – loan refunds from SHGs are revolved as loans for non MIP activities	No	No		GPLF maintains books of accounts (including Loan registers, pass books etc), prepares monthly and annual financial statements. GPLF complies with statutory requirements of audit etc.			GPLF will submit copies of financial statements and audit reports to DPMU on a quarterly/annual basis	
Self Help Groups	Unregistered bodies	Loans to individual members for approved MIPs; SHGs continue to	No	No		SHG maintains books of accounts (including Loan Registers, pass books etc.)				

Individual members of SHG	Not applicable	access loans from GPLF to meet credit requirements of its members	No	Not applicable					
Producer Companies, Block level Federations, private sector institutions etc.	Registered bodies	Expenditures on productive assets, and household needs Expenditures on works, goods, services and operating costs as defined in the sub project proposal	No	Implementing agencies maintain books of accounts, prepare monthly and annual financial statements. Implementing agencies comply with statutory requirements of audit etc.					

## Audit Arrangements

23. **External Audit:** the external audit of the project will be carried out by a private firm of chartered accountants appointed by the Executive Committee of the OPRM. The firm would be appointed based on a competitive process and meet minimum criteria established in the FM Manual. The TOR for audit has been agreed with IDA and documented in the FM Manual. The annual audit report will consist of annual financial statements (ii) audit opinion and (iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. In addition, an audit report for the special account held at GoI would also be submitted in the usual manner. Thus, the following audit reports will be monitored in the Audit Reports Compliance System (ARCS):

Implementing Agency	Audit	Auditors
OPRM	Annual Financial Statements	Private CA firm
DEA / GOI	Special Account	Comptroller & Auditor General of India

24. **Internal Audit:** The project will appoint within six months of effectiveness independent firm(s) for carrying out internal audit of the project, GP & Block Federations, Producer Organizations and a sample of SHGs etc. Initially the sample size will be high and based on the experience and satisfactory progress of community oversight institutions, the frequency and sample size would be reviewed. The TOR for the same has been agreed with IDA and documented in the FM Manual.

25. **Other Audits:** The above mentioned audits will be in addition to the audit of OPRM conducted periodically by the C&AG's Office and the State Government or other audits of the SHGs, Federations etc. conducted under statutory legal statute or otherwise.

## Financial Management & Oversight at Community level

26. **At the village level:** Participatory Monitoring will be undertaken by the CBOs to monitor a) the utilization of funds; b) procurement of goods and services; and c) financial efficiency and accountability. For the CIF Component implemented by GP and Block Federations the project has envisaged a process of building transparency by encouraging development of monthly summary reports with cash, stock (where applicable), which would be displayed in the notice board of the GP Federation's office:

- Books of accounts for CIF will be maintained on a regular basis by individual SHGs and GP Federations. All key financial and physical information will be displayed at a prominent location or at the GP Federation office;
- A Participatory Monitoring Committee (PMC) will be nominated at the GP Federation level to monitor the project activities; and
- An Asset Verification Committee will verify the actual end use of CIF and will maintain photographic record of all assets procured/created from project funds.

27. **Financial Reporting and Monitoring:** Each accounting centre will compile financial information provided by the constituents in agreed formats designed to provide an audit trail. The summarized interim financial reports (by project components and sub-components) on a quarterly basis with break up of funds released to SHGs, GP Federations will be submitted to

IDA on a quarterly basis. The financial reporting will be done on a quarterly basis and will be submitted to IDA within 45 days of the end of the quarter. The reporting formats (IFRs) have been agreed and included in the FM Manual.

28. **Public Disclosure:** Necessary financial information including funds released to SHGs, GP and Block Federations as well as Producer Organizations and annual report for the program which will include program and financial information and will be available in public domain through the project website.

29. **Disbursement Procedures:** Disbursements from the IDA credit would be based on quarterly interim financial reports. A segregated account would be opened in the Reserve Bank of India and would be operated by the Department of Economic Affairs (DEA) of GoI. US\$3,000,000 will be deposited at effectiveness of the IDA Financing. This initial ceiling may be increased to a maximum of US\$8,000,000 based on the needs of the Project. The Designated Account would be operated in accordance with IDA's operational policies.

30. **Retroactive financing** of up to US\$ 2 million equivalent (i.e. 2.4% of the total credit) will be available for financing eligible project expenditures incurred before credit/financing agreement signing, but on or after September 1, 2007. This will help the project in hiring of various services such as setting of the staff recruitment systems, project website, monitoring systems & MIS, field level testing of various manuals and various other similar initial activities. This will help the project save critical time and be ready to start implementation of core project activities immediately after the project is declared effective.

31. **Project Covenants:**

- Hiring CA firm(s) for internal audit covering project and village level institutions within six months of effectiveness.

32. **Supervision Plan:** The project would require an in-depth and intensive supervision in the initial year especially for ensuring successful implementation of the FM arrangements and capacity building activities at the community level given the low level of capacity. This will include field visits to SHGs, GPLF etc on a six monthly basis and review of the training handbooks and consultations with the internal auditors. Mid term review would be conducted after two and a half years of the project to comprehensively review the FM performance of the project. Support will also be provided in the capacity building component for GP and Block Federations.

## **Annex 8: Procurement Arrangements**

### **INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

#### **A. General**

1. Procurement of all goods, works and services will be carried out in accordance with the World Bank’s "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004, revised October, 2006 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October, 2006 (Consultancy Guidelines) and the agreed procedures described in the Legal Agreements.

2. For procurement under the project, the project authorities (OPRM) have developed a draft Procurement Manual. This Manual, has been reviewed and found acceptable to the Bank, and will be disseminated to all agencies engaged in the implementation of the Project and all procurement under the project will be carried out following the agreed procedures as per the provisions of this Manual. The requirement to follow Bank’s Procurement and Consultancy Guidelines are clearly stipulated in the Manual.

3. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, if any applicable, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

#### **Procurement under the Community Investment Fund (CIF) component:**

4. The project will be implemented in ten districts and over its duration would assist approximately 30,000 Self Help Groups in 38 blocks. The project aims to build and strengthen self-managed institutions of the poor including Self Help Groups (SHGs), Federation of SHGs, Producer/Farmer Organizations and Livelihood Clusters; transfer financial and technical resources to the CBOs on a demand driven basis for use as a catalyst to improve their livelihoods; and develop increased Private Sector involvement and Public/Private Partnerships in improving the supply side of key livelihood services. A major portion of the total project cost will be devoted to the key component of Community Investment Fund. Under the component, funds will be transferred to federations based on SHG micro investment plans that are an aggregation of investment priorities of the members. SHGs will receive funds for providing loans to individual members for financing investment priorities. The investments would be for:

- Livelihood enhancement activities such as: cultivation of cash crops, animal husbandry (goats, dairy, backyard poultry etc.); non-farm activity (bee keeping, home industry such as weaving, pottery etc.);
- Food security, health or education needs;
- Increasing employment and employability of the rural poor households, including rural youths; and
- Productive community infrastructure such as small storage houses, drying platforms, milk chilling or processing units, village procurement centers, common work sheds for artisans etc.



5. In addition, the Gram Panchayat and Block level federations may also require hiring of technical service providers or individuals for technical and management support. The activities under this component would be community driven and most of the procurement would be carried out by members of the SHGs and their federations. However, unlike normal investment projects with predefined procurement needs, the nature of procurement under this component cannot be pre-decided or planned at this stage. Any technical support as mentioned above will be engaged by SPMU.

6. Procurement at the SHG or its larger federations level, if any, would be of very small value and shall be guided by “Community Participation in Procurement” as detailed in Para 3.17 of the Procurement Guidelines. In order that the procurement is guided by and meets the basic principles of efficiency, equal opportunity, cost-effectiveness and transparency of the process, the simplified and flexible procedures, corresponding simplified bidding and contract formats and safeguards applicable (participatory monitoring etc.) is detailed in the Community Operations Manual (COM) prepared by OPRM and agreed with the Bank.

7. The procurement procedures to be followed under the CIF component would be:

(a) **Works:** Small value works not exceeding US\$ 25,000 equivalent per contract may be carried out by: the GP or block level SHG federation members themselves, or (ii) by direct contract to registered CBOs or (iii) to a qualified local contractor selected through shopping (after inviting three quotations in response to a written invitation).

(b) **Goods:** Goods estimated to cost less than US\$ 250 equivalent per contract may be procured through direct contracting procedures in accordance with procedures specified in the COM and Goods estimated to cost less than US\$ 25,000 equivalent per contract would be procured through shopping procedures on the basis of at least three quotations.

(c) **Consultancy Services:** Contracts for technical service providers estimated to cost less than equivalent of US \$5,000 may be procured following Section V of Consultancy Guidelines in case of individuals and through single source selection method in case of firms following Clause 3.9 to 3.13 of the Consultancy Guidelines. Consulting services estimated to cost less than US\$ 10,000 may also be hired based on consultant qualifications.

8. Procurement by members of the SHG is expected to be on prudence since this will amount to using the proceeds of a loan from the seed fund on which the beneficiary will also pay interest. Thus it is in the borrower’s interest to ensure that procurement is carried out following the most economical and efficient manner and considering value for money. However, to ensure that the SHG members know of the best practices for prudent procurement and procurement is also done efficiently and transparently, a method of Participatory Monitoring and disclosure has been incorporated in the Procurement Manual/ COM. This will essentially mean that arrangements for the mandatory formation and prudent functioning of Procurement Sub-Committees for Village, Panchayat or Block level procurement will be ensured and these procedures will be clearly described and meticulously followed. As an ample safeguard, it will also be ensured that the procurement decisions will be taken on the basis of openly sharing of information at meetings, allowing all access to accounts and procurement documents and for

summary display of procurement information, costs etc. at appropriate location(s) in the village, GP and/or block.

## **9. Procurement under other components and by designated entities**

(a) **Works:** There may be requirements to award contracts for small civil works at SPMU/ DPMU levels such as refurbishing of offices at the state, district and block levels and for pilot initiatives such as rural information, knowledge and service centers, community stations for communications, mostly very small value contracts. These works may be procured following agreed procedures hereunder in this Annex and documents agreed to be used as applicable to the method of procurement. When following the NCB method, bids will be invited using updated NCB model document as agreed between GOI- Task Force and the Bank for use in India.

(b) **Goods:** Goods and equipment will include office equipment, IT/MIS equipment (desktop and laptop computers, printers, servers, software, GIS packages, scanners, UPS, photocopiers, fax machines, LAN, WAN, etc.) communication aids such as multimedia projectors, Audio visual equipment, digital and video cameras, mobile units; training materials, etc.; office furniture, generators etc. These contracts may be awarded following the agreed procedures hereunder in this Annex and documents agreed to be used as applicable to the method of procurement. When following the NCB method, bids will be invited using updated NCB model document as agreed between GOI/ Task Force and the Bank for use in India.

(c) **Hiring of Consultancies and training/ institutional capacity building activities:** The project involves substantial efforts for capacity building of SHGs and their federations, other village/block level institutions, cooperatives and community members etc. enabling them to function as efficient, accountable, transparent and self-managed institutions. Training of beneficiaries for skill development and for capacity building of state and district level teams would also be provided under the project. Technical assistance services would be obtained mostly from service providers with domain specialization in livelihoods. In addition, services of firms or individual consultants would be needed for other assignments that include baseline survey, monitoring and learning, environmental assessment, consultancies for developing training modules, issue based awareness campaigns etc. Services of certain specialized agencies to act as service providers or for partnership arrangements to promote or enhance livelihoods activities shall be obtained through methods agreed to and following agreed procedures.

(d) **Procurement under Livelihood Promotion component developed through Producer Organizations:** The sub-activity for value chain proposals will primarily focus on enhancing livelihoods by strategic investments based on a value-chain analysis. Livelihoods enhancement will include enhanced production, productivity and profitability in sectors like agriculture, livestock, horticulture, fisheries and handlooms key rural livelihoods in the coastal districts. This would be achieved through strengthening producer organizations, improvements in production technologies and management practices, better market linkages, more efficient and effective delivery of key support services, and augmentation of community-level productive capacities as well as infrastructure provided to production clusters. This is envisaged to be achieved primarily through enhancing livelihoods by strategic investments based on a value-chain analysis. Operational details for this are articulated in the PIP.

Procurement will be carried out by the identified entity as per the final approved project/ sub-project following agreed procedures as described hereunder in this Annex and documents agreed to be used as applicable to the method of procurement. When such procurement requires procurement on ICB basis, bids will be invited and contracts shall be awarded following *only* Bank's Standard Bid Documents (SBDs). When following the NCB method, bids will be invited using updated NCB model document as agreed between GOI/ Task Force and the Bank for use in India.

10. The **bidding documents for Works and Goods procurement** shall be drafted following the Bank's Standard Bidding Documents and shall be agreed to with the Bank, before issuing the same for invitation of bids. For ICB contracts *only* Bank's Standard Bidding Documents (SBDs) will be used.

The following conditions must be met in order for the bidding process under NCB to be acceptable to the Bank:

- i) Only the model bidding documents for NCB agreed with the GOI Task Force [and as amended from time to time], shall be used for bidding;
- ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
- iii) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;
- iv) Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder;
- iv) Extension of bid validity shall not be allowed without the prior concurrence of the Bank (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period (such concurrence will be considered by Bank only in cases of *Force Majeure* and circumstances beyond the control of the Purchaser / Employer);
- v) Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or "bracket" of prices shall not be used in the project;
- vi) Rate contracts entered into by Directorate General of Supplies & Disposals will not be acceptable as a substitute for NCB procedures. Such contracts will be acceptable however for any procurement under Shopping procedures;
- vii) Two or three envelop system will not be used.

**B. Assessment of the agencies’ capacity to implement procurement**

11. Though most of the procurement would be carried out by members of the community or the village level organizations, some procurement would also be carried out centrally by the State Project Management Unit (SPMU) at OPRM. SPMU as well as all the other community level entities undertaking project activities and implementation are newly formed entities. Thus, it is assessed that they have limited institutional experience in procurement.

12. Presently, OPRM has appointed a specialist with adequate knowledge of IDA procurement procedures as the procurement officer for project preparation activities such as Procurement Manual, Community Procurement Manual and Procurement Plan. However, this person has limited experience of Bank funded procurement. Secondly, once project implementation starts there will be a large number of concurrent procurement activities that need to be planned and implemented, with corresponding needs to administer and monitor the resulting contracts, to addresses the same the project has set-up a Financial Management and Procurement Unit with provision for a dedicated Procurement Office and support staffs.

13. In the later stages of the project, some procurement responsibility may be delegated to the functional field offices of the project. As these offices are yet to be set up, the capacity of such an office and of its procurement designated staff cannot be assessed at the moment. However, in Orissa there is a scarcity of government officials with demonstrated skills in public procurement, and almost no one with hands-on experience of Bank funded procurement. Thus it is envisaged that the designated procurement officers at the SMPU and DPMU may not have capacity for project procurement.

**Perceived Risks and Mitigation Measures:**

14. The main procurement risks that can be perceived at this stage, based on the assessment carried out, are those that could stem out of general lack of public procurement skills/ understanding of procurement processes, inadequate capacity in procurement planning, monitoring, evaluation and reporting aspects for the projects, perceived weak project implementation skills, inadequate record keeping, absence of an operating complaint monitoring systems, lack of appropriate dispute resolution procedures and lack of established system of public disclosure of information on procurement actions. These risks will need focused attention of OPRM, as are described in the Risk Mitigation Action Plan. Table-1 showing, in brief, some of the mitigation actions, are considered critical requiring monitoring during implementation. The following paragraphs summarize the risk perception and proposed mitigation measures, specifically dealing with the risks, as discussed and agreed to during preparation of the project.

**Table – 1: Procurement Risk Mitigation Action Plan**

Description of Mitigation Action	Date Due for completion of Action	Status as provided by OPRM, as the State Project Management Unit (SPMU)
<b>Record Keeping</b>		
Clearly describe in PIP what records should be kept in the contract file, and for how long.	During Project Implementation phase.	- In general, the contract file will contain all record pertaining to the contract pre-award and post award. - Such records will be maintained up to 5 years from the

		<p>date of end of the project.</p> <ul style="list-style-type: none"> <li>- A more detailed Records keeping and maintenance manual will be developed, if necessary using expertise procured under the project funding, which will provide support to develop an electronic filing system also, if considered appropriate.</li> </ul>
<b>Procurement Process</b>		
Build a system for the agency to implement future project by way of preparation of manuals and handbooks, based on work done and expertise gained during project preparation and initial phase of implementation.	During Project Implementation Phase	<ul style="list-style-type: none"> <li>- Following experience of the staff engaged on project implementation under Bank funding, systems will be developed for any future engagements in the sector.</li> <li>- Necessary resources will be provided and experts/consultants/ NGOs will be engaged during implementation phase of the project to meet the training needs. Bank's assistance will be sought where needed in this direction.</li> </ul>
<b>Capacity Building and Reforms</b>		
Develop and implement formal selection and recruitment system.	During project implementation Phase	<ul style="list-style-type: none"> <li>- An elaborate recruitment and skill development/training policy will be developed and adopted for future, clearly specifying skills-set for each category of professional and support staff. If, necessary this will be achieved through engaging an expert organization to assist the government on these matters.</li> </ul>
Establish code of ethics/conduct.	12/31/2008	<ul style="list-style-type: none"> <li>- Elaborative codes of ethics and conduct with a list of do and don't will be developed and published over web by June 2008.</li> </ul>
Establish complaints review process by approving authority.	12/31/2008	<ul style="list-style-type: none"> <li>- A quarterly report of all complains received will be submitted to the approving authority in Formats specifically designed for the same. For all pending complain the approving authority may ask clarification from the officer to whom the complain was submitted</li> </ul>
<b>Preparation for Project Procurement</b>		
Prepare acceptable sample bidding documents.	Completed at preparation stage	<ul style="list-style-type: none"> <li>- Project will adopt model Bidding Document of the Bank agreed to with the GoI for NCB. For any ICB procurement, Bank's Standard Bidding Documents will be used.</li> </ul>
Agree on appropriate dispute resolution provisions for contracts (at least for Bank financed ones, note that it is mandatory for ICB).	Completed at preparation stage	<ul style="list-style-type: none"> <li>- Procedures as specified in Bank's SBDs, as applicable, will be followed as the contracts will be awarded following these documents only.</li> </ul>
Intense supervision and prior reviews.	Completed at preparation stage	<ul style="list-style-type: none"> <li>- The procurement arrangements have provided for adequate supervision/ implementation support missions by the Bank, consistent with the assessed risk.</li> </ul>
Organize dissemination effort and improved accessibility to manuals and instructions.	06/30/2008	<ul style="list-style-type: none"> <li>- The procurement manual will be placed on web. Further each GPLF, SHG; BPFT will get two copies of the manual. In addition to this, a copy each, of the manual will be sent to all districts libraries and other important libraries.</li> </ul>

15. *At community level:* Since this is the first Bank supported CDD project in Orissa targeted at the rural poor, and who are mostly unaware of procurement procedures, the procurement risk is substantial, especially when contracting is carried out by the communities. Lessons from similar projects elsewhere indicates the need for continuous awareness raising and training on community procurement procedures combined with strong monitoring mechanisms such as social audit and enforcement of rules of conduct in the use of public funds. During the first year of the project, the emphasis of the project would be on the creation of self sustaining institutions of the poor which would be based on principles of transparency, fairness, economy and efficiency in the use of both community generated and external funds from the project and other financial institutions. This initial orientation phase is expected to take place over the first year of the project, resulting in very low level of disbursement rate during this period. With the gradual development of village and block level organizations and partnership arrangements with the private sector providers of livelihood enhancing services, procurement of works, goods and services are expected to increase substantially in value and size of contracts after this initial phase.

16. To ensure that individual members of the SHG, village and block level organizations are conversant with the procurement procedures they should follow, priority should be accorded to the placement of resource persons hired by OPRM to orient the members of the SHGs in prudent procurement practices, and to other village or block level institutions in procedures as detailed in the manual and in the social audit. This exercise shall be repeated periodically to account for the project being expanded to new blocks in a phased manner.

17. Mitigation measures for procurement related risks would include : (i) use of simple financial and procurement formats which can be easily understood by the rural poor communities; and training on community procurement procedures (ii) ensuring transparency by requiring that all financial transactions have at least three signatures and that all procurement information is shared publicly at community meetings; (iii) publicizing the details of all financial transactions in community, village, block, district and state notice boards and on web-sites where feasible; (iv) putting visible signs in sites where works are being carried out by contractors displaying their names, scope of works being carried out, project cost and completion dates; (v) ensuring that the use of funds are discussed in group meetings in which the members have the right to suspend further disbursements of funds if misuse and/or corrupt practices are found; (vi) developing mechanisms of appropriate channels of communication for complaints, (vii) carrying out independent monitoring of the project by watch groups, instituting score cards, etc., and (viii) intensive field supervision by project staff and Bank supervision teams.

18. At State Project Management Unit (SPMU) level: SPMU does not have the experience or capacity to carry out procurement, thus there is a strong risk that the critical procurement activities – specially the consultant services that need to be procured in the initial stages of the project, are not done efficiently. Further, once project implementation starts there will be a large number of concurrent procurement activities that need to be planned and implemented, with corresponding needs to administer and monitor the resulting contracts, and lack of capacity to do this efficiently will severely compromise project progress.

19. There is no formal body or clearly laid down procedure for addressing bidder complaints. Thus there is a risk that errors in procurement would not be corrected due to lack of sufficient oversight, or that in the absence of a mechanism to handle and efficiently deal with complaints

bidders would tend to go for litigation thus slowing down or completely stalling the procurement progress.

20. To address these risks, the following mitigation measures are proposed:

Capacity:

- SPMU to hire a procurement officer with sufficient knowledge and hands-on experience of Bank funded procedures including those applicable to procurement of consultants;
- SPMU shall hire at least one procurement assistant to support the work of the procurement officer,
- OPRM shall ensure that the responsible persons in district based offices have the capacity to carry out procurement as per agreed procedures by providing them necessary training and resource materials in time.
- Training shall be arranged for the staff in the procurement cell and a few other select staff, in Bank procurement procedures - with a focus on procedures applicable to this project. For this, SPMU will contact institutions like NIFM, Faridabad or ASCI, Hyderabad to tailor and provide training at Bhubaneswar itself.

Disclosure:

- Establish and maintain a website for the project.
- Place on the website (i) the procurement plan, even if incomplete due to early stage of preparation (ii) all SPN, Expression of Interest, RFP/Bid Documents and (iii) results of bidding/proposals (other than that carried out by SHGs) as soon as possible after opening (iv) all feasibility study reports

Decision making process:

- Ensure SPMU has an evaluation committee whose composition includes persons with necessary technical skills the type of contracts in question, and a decision making committee or individual with adequate delegation of financial authority,
- Posts and names of committee members to be made public on website.
- Timeline for decision making to be made public.

Complaints:

- Inform about where to address any procurement related complaints through a public notification and through the OPRM website,
- Make public the process to deal with complaints,

Training:

- Provide procurement staff with training (e.g. at NIFM, ASCI etc.) and follow up with refreshers if required.

Reporting:

- SPMU shall provide a simplified quarterly procurement reports summarizing the status of procurement as compared to the agreed procurement plan, reasons for

any actions that are delayed and remedial actions being taken to expedite the procurement.

21. Of the recommended mitigation measures, some key measures the project is putting in place are:

- Procurement Committee: The Gram Panchayat Level SHG Federation (GPLSF) and the Block Level SHG Federation (BLF) will have procurement committees whose members will be trained on procurement aspects to assist the community.
- Participatory Monitoring Committee: In order to ascertain the quality and cost-effectiveness and efficiency of procurement, the Participatory Monitoring Committee will have members who will undertake procurement audit and provide their opinion to the respective GPLSF or BLF.
- Procurement Audit along with Financial Audit: A rigorous procurement and financial audit will be needed in the initial two years at least till the community has understood and is confident about procurement.
- Public information display: Display of information on procurement in the GPLSF and BLF office will help community learn from each others positive and negative experience.
- Rate Charts: These are to be compiled by each BPFT and provided to all GPLSFs and BLFs, as guidance about the applicable rates in the local market. The data in these Rate Charts shall be updated every six months.

22. The overall project risk for procurement is, 'High'. However, implementation of mitigation measures is expected to reduce the residual risk rating to "Medium". The Risk Assessment, being a dynamic process, will be reviewed during implementation.

### **C. Methods of Procurement**

23. The following methods of procurement shall be used for procurement under the project:

#### **Works and Goods:**

- ICB contracts, above US \$ 10 million for works and US \$ 200,000 for goods
- NCB contracts, up to US \$ 10 million for works and up to US \$ 200,000 for goods
- Shopping, contracts up to US \$ 10,000 for works and goods.
- State rate contracts like Export Promotion and Marketing rate contracts are also acceptable as one of the quotations under shopping procedures. However, computers and peripherals can be procured using DGS&D Rate Contracts as substitute for shopping up to value of US \$ 25,000.
- Direct Contracting, proprietary items, such as spare parts, software, books, periodicals etc. up to US \$ 5,000 equivalent per contract meeting requirements stated in the Procurement Guidelines of the Bank and petty items costing up to US \$ 250 per contract may be procured through Direct Contracting



- Works and goods estimated to cost up to US\$25,000 may be procured following Community Contracting Procedures, described in Procurement Guidelines.

**Consultancy Services:**

The following methods of selection will be adopted depending upon size and complexity of assignment, as defined in the Consultancy Guidelines:

- Quality and Cost Based Selection (QCBS)
- Quality Based Selection (QBS)
- Selection under Fixed Budget (FBS)
- Least Cost Selection (LCS)
- Selection based on Consultant’s Qualifications (CQS)
- Single Source Selection (SSS)
- Individuals

**D. Review Requirements**

Prior review

24. Works and Goods: All ICB contracts, if any and the first two NCB contract of works and goods each and subsequent contracts above \$ 500,000 for works and \$ 50,000 for goods; and all contracts awarded on Direct Contracting method, exceeding US \$ 1,000 will be subject to prior review by the Bank.

25. Consultancy Services: First two contracts of any value and subsequent contract valued over \$ 50,000 equivalent for firms including NGOs and above US \$10,000 equivalent for individuals; all contracts over US \$ 20,000, to be awarded on Sole Source Selection basis will be subject to prior review. Additionally prior clearance for Terms of Reference (ToR) and in-principle clearance for such contracts, irrespective of value will be required from the bank for following this method.

Post Review

26. All contracts not covered under prior review will be subject to post award review/ review during supervision missions/ review by consultants to be appointed by the by Bank.

27. The thresholds will be periodically reviewed and revised as needed during project implementation based on forthcoming actions and client capacity.

28. Procurement at Community Level:

Post review of sample contracts shall be conducted, initially on a quarterly basis for the first year and the findings will be incorporated in the COM which shall also be revised simultaneously. This will supplement the findings of the regular participatory monitoring conducted by the communities.

## **E. Procurement Plan**

29. As stated above, a plan for procurement at the SHG or village and block level cannot be prepared, considering the demand driven approach to the procurement, if any, by the members of SHGs. For central level procurement, a list of project procurement requirements and a draft procurement plan for the initial 18 months has been prepared and agreed. The plan was reviewed during negotiations and the final plan, incorporating comments provided and describing the procurement actions and basis for the methods to be applied to procurement to be carried out at the central level has been agreed during negotiations. The agreed plan will be available in the project's database and in Bank's external website. Annual Procurement Plans shall be prepared at the beginning of each year to reflect the actual project implementation needs for that year and shall be reviewed and agreed by the Bank. The Procurement Plan will be updated in agreement with the Bank, as required, to reflect the actual project implementation needs and improvements in institutional capacity.

## **F. Frequency of Procurement Supervision**

30. Given the extremely low capacity of the implementing agencies, intensive supervision missions, at least twice a year is recommended. In addition to supervisions missions, the Bank will also carry out an annual ex-post review of procurement that falls under the prior review threshold.

## **G. Details of the Procurement Arrangements Involving International Competition**

### **Goods and Works**

31. Due to the relatively small value of almost all contracts that would be procured under the project, procurement is expected to be through NCB or lesser procedures, and currently no International Competitive Bidding (ICB) is envisaged.

### **Consultancy Services**

32. The shortlist for consultancies estimated to cost US\$ 500,000 or less may comprise of entirely national consultants in terms of Para 2.7 of the Consultancy Guidelines. There are no Consultancy Services Contracts envisaged to be procured using international consultants at this stage.

**Annex 9: Governance & Accountability Action Plan (GAAP)**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

1. The Government of Orissa has developed a comprehensive anti –corruption action plan in 2005. This action plan covers a number of areas including establishing better information management systems to facilitate the implementation of the Right to Information Act (RTI), business process re-engineering to support better accountability and transparency, procurement reform, and, the strengthening of preventive vigilance. Reforms under the plan are to be piloted in four departments including the Panchayati Raj department. A summary of the Orissa anticorruption action plan is given in Box 1. The ORLP provides the GoO a specific project vehicle to pilot and mainstream governance reform in the Panchayati Raj Department.

**Box 1: Orissa’s Anti Corruption Action Plan**

Orissa is the first state in India to articulate a comprehensive medium anti-corruption action plan. The Action Plan is divided along three broad categories; i.e. reforms that support better institutional transparency and accountability particularly by developing better systems and procedures that prevent corruption; reforms that support better enforcement and that serve as a deterrent to corruption; and processes that can generate better public awareness necessary to underpin both prevention and enforcement and make changes sustainable. While the strategy envisages a major expansion of enforcement machinery both across the state and within departments through the establishment of internal vigilance units and new special courts to try corruption offences it also recognizes that merely strengthening enforcement will not solve the problems of corruption and that accountability relationships need to be examined at different levels of government. Thus it also focuses on management reforms that will ensure better transparency and accountability in service delivery. This includes systemic reforms in procurement and business process re-engineering in areas where corruption is recognized to be a problem and where citizen- government interaction is intense. Equally important it aims at strengthening citizen “voice” through reforms in program implementation that aims to empower communities through providing information about their service delivery rights which will enable them to hold service providers accountable.

2. In addition Orissa has made the Right to Information (RTI) legislation operational across all government departments with the objective of enhancing transparency and accountability and reducing corruption arising out of asymmetric information flows. Implementation of RTI requires development of a disclosure policy, automated systems for record and document management, and information handling. It requires appointment of staff, their training, programs for citizens’ awareness, and annual progress reporting.

3. The Governance and Accountability Action Plan (GAAP) for the project builds on this existing government framework for tackling corruption in the state. It directly focuses on supporting the implementation of the Right to Information Legislation within the project and strengthening preventive vigilance and enforcements systems both at the level of the project as well as at the level of the department. Such departmental reforms will ensure that “corruption proofing” will be sustainable over the long term.

4. The GAAP will therefore comprise of (i) project specific actions that support transparent systems and processes for procurement, financial management and reporting as well as support to better quality assurance through expanding citizen voice and involvement within the project

boundaries and (ii) support overall reforms in the Panchayati Raj department in order to create an enabling environment for better enforcement and prevention of corruption. Key components of the GAAP include:

- Implementation of RTI to increase transparency and accountability
  - To comply with RTI agree on a **disclosure policy** of the project during preparation with the intention of allowing greater access to information, including disclosure of mid-term review reports, safeguards information, audit reports and selected information on the entire procurement process (Annex 2);
  - Developing **systems and procedures** to implement the disclosure policy including document management system and information management system;
  - Developing **organizational arrangements** and a **capacity building** plan to facilitate efficient, effective and accountable procurement execution, contract management and monitoring of project outcomes;
  - Plan **reporting and monitoring** arrangements to monitor implementation of the disclosure policy including oversight by civil society groups.
- Business process re-engineering to support better accountability and transparency
- Procurement reform including e-procurement
- Strengthening of preventive vigilance
  - There is already an Additional Secretary – Vigilance in the Department of Panchayati Raj who will be handling all complaints related to the project;
  - On-line complaints handling system; and
  - Dealing with delays in departmental proceedings.
- Third party monitoring – establishing a system of periodic social audits and report cards
- Develop monitoring indicators for compliance to the above agreements and for impact on outcomes
  - Disclosure of information indicators;
  - Complaint handling system indicators.
  - Perception surveys

**5. Business Process Re-engineering – Analysis of Corruption Prone Processes in the Department:** The anti-corruption strategy emphasizes the importance of simplification, rationalization and standardization of business processes in Departments and commits government to systematically analyze and reform processes that are vulnerable to corruption.

**6. Dealing with delays in departmental proceedings: Review of Pending Departmental enquiries:** The anti-corruption action plan has recommended that Review Committees will be set up to oversee the status of pending departmental proceedings. These committees are expected to review cases and agree on ways to dispose them efficiently. This will be of tremendous value in reducing backlog and also send a strong message about the efficiency of the administrative mechanisms that enforce integrity within government

7. The GAAP matrix (Table – 1) prepared as part of project preparation highlights the risks and the appropriate time-bound mitigation action to be undertaken by the project to reduce the specific risk. The detailed GAAP for the project is elaborated in Table – 2 in page 103 &104.) The GAAP will be reviewed annually during project supervision missions to ensure that “evolving risk areas” are covered by the GAAP.

**Table - 1: Governance Accountability Action Plan: Risk Assessment and Mitigation Measures**

<b>Risk Parameters</b>	<b>Risk Level</b>	<b>Mitigation Measures</b>
Governance Systems & Structures	High	All guidelines/ manuals on procurement, financial management and reporting, record keeping, complaints handling and M&E with provision for reviews are finalized, TORs have been prepared delineating the roles and responsibilities for all project units & key project personnel, Ensure stakeholder mapping and mobilization, Ensure effective coordination within PR Department, Project Implementation Plan (PIP), Community Operational Manual, Procurement Manual and Financial Management Manual with clear guidelines are finalized. Institutional arrangements at State, District, Block and GP level have been completed and recruitment of all project staff will be done through an independent agency using objective and transparent methods and a detailed strategy for capacity building plan for all staff is incorporated in the PIP. Terms and conditions and procedure for engaging service provider are completed. A computerized MIS and well as monitoring and review arrangements are finalized.
Institutional preparedness for project implementation	Medium	
Transparency	High	Steps to curb use of discretion in decision-making are ensured through a Governing Council and Executive Committee guiding the overall project implementation through an autonomous structure registered under the Societies Act. A proactive public disclosure policy system is in place all information will be available to the public on demand and will be put on the web-site of the project. An independent website is designed for the project to disseminate information. (Civil society involvement and oversight). The project will work with service provider from the civil society in implementation and periodic monitoring of the project.
Accountability	Medium	Standards & timeframe for physical and financial targets will be laid out under annual plans to be prepared for every financial year by the project. A score card method for judging institutional performance in periodic basis will be instituted.
Stakeholder ownership and participation	Low	State / District level orientation workshop for senior administrators/ key stakeholders, induction campaigns/ workshops in project areas, institutionalize multi-stakeholder dialogue and review processes, create adequate space for participation of PRIs, CBOs, Line Agencies and Technical/ Financial Resource Institution and encourage leadership of SHGs and Federations in project implementation is addressed in the community strategy for the project in PIP.
Arrangements for Tender & procurement	Low	A transparent procurement policy based on transparent is proposed for the project elaborated in the procurement manual and the booklet for community procurement guidelines , prospective procurement plan will be published in website, all procurement notices and contract awards of goods, works, and consulting services will publicized, repeated cancellation of bid invitation and corrigendum will be discouraged , eligibility criteria for bidders and product quality standards are laid out, Bidders who engage in misrepresentation of facts or fraudulent/ corrupt practices will be notified and disqualified
Priority on financial management plan	Low	A financial management system is proposed to ensure that funds are used only for the intended purposes in a transparent way, approval of Project financing plans and fund disbursement and audited financial reports and detail expenditure statements are proposed, case assessment by Project supervision missions inquiring corruption issues will be facilitated, if any. With a view to assess procedural adequacy, financial propriety and quality related issues process monitoring and a range of social accountability tools will be used.
Adherence to RTI requirements	Medium	A disclosure policy has been formulated with reference to RTI Act, systems and procedures to implement RTI is in place, a designate personnel as PIO and APIO will be appointed by the project for RTI management. All information as per recommended manuals will be in public domain. Training on RTI for staff, office bearers of SHGs/ Federations and beneficiaries will be carried out in the MIS database on RTI cases for follow up will logged and updated.
Complaint and Grievance redressal mechanisms	Medium	The procedures for user's access to register complaints will be published and notified through various mediums. A toll free phone number will be commissioned, a dedicated email address, PO Box or other effective means for submission of complaints will be institutionalized. An on-line complaint handling system is proposed with provision for ensure confidentiality and protection of Whistle-blowers. Complaints will be segregated in order of gravity and senior officers may be asked to process serious cases and report in given timeframe. During supervision mission regular review of progress in handling complaints will be undertaken.
Preparedness for preventive vigilance	Medium	Effective linkage with VO in PR Dept. Conduct periodic consultations to identify systemic vulnerabilities. Regular review of pending proceedings related to disciplinary deviations & embezzlement will be undertaken.
Delayed project implementation	Low	Annual, Quarterly & Monthly Action Plans will be formulated, progress will be reviewed through process monitoring delays and deviations will be addressed.

**Table - 2: GOVERNANCE ACCOUNTABILITY ACTION PLAN: TRIPTI**

<b>Anticipated Problem</b>		<b>Action To Be Taken</b>		
1. Business process designing to support better accountability and transparency				
Implementation of Anti-corruption strategy.	Implement best practice and advice on tackling corruption.	-do-	PD/ SPMU	
	Undertake comprehensive analysis of potential areas that may give rise to corruption under TRIPTI and devise effective safeguards to preempt or address such contingencies.	-do-	SPMU	
	Agree on a disclosure policy.	March 2008	PD/ SPMU/ PR Dept.	
	Develop organizational arrangements to implement RTI Act with provision of Appellate Authority and PIO/ APIO	March 2008	PD/ SPMU/ PR Dept.	
	Develop systems and procedures to implement RTI- Website, News Letter, Transparency Boards, wall writings etc	September 2008	PD/ SPMU/ PR Dept.	
	Conduct training on RTI for office bearers of SHGs, Federations and Beneficiaries for demand generation	From September 2008 onwards	SPMU	
	Regularly up-date and disclose information as per manuals prescribed by the RTI Act.	From start of the project	PD/ SPMU	
	Maintain proper complaint database and public disclosure of actions taken.	From start of the project	SPMU/ BPMU	
	2. Strengthening Preventive Vigilance			
	Safeguards against corruption	Lay down rules of business pertaining to use of administrative and financial powers at GP, Block, District and State level Design suitable checklists on subjects requiring approval underpinning specific benchmarks for executive decisions at GP, Block, District and State level Departmental Vigilance Officer has clear responsibility at project level. Notify project activities and benefits through locally suitable multi media campaigns Strengthen participatory audit and monitoring exercises to track problem areas Action plan for participatory review meetings at different levels Commission periodic impact assessment studies	By June 2008 By August 2008 By August 2008 From start of the project By October 2008 By October 2008 At least two per year	PD/ SPMU/ PR Dept. PD/ SPMU/ PR Dept. PD/ SPMU/ PR Dept. SPMU/ BPMU SPMU/ BPMU SPMU/ BPMU PD/ SPMU
3. Strengthening Complaint and Grievance handling at project level				
Effectiveness of complaint and grievance handling mechanism.	Pending commissioning of an online computerized system adopt a manual system for registering, tracking and monitoring of complaints.	By June 2008	SPMU	
	Devise criteria to segregate complains in order of seriousness and disposal in specified timeframe by designated authorities	By October 2008	SPMU	
	Formulate a transparent policy to initiate and complete disciplinary proceedings in specified timeframe Maintain an updated database on complaint received and action taken for Suo motto public disclosure or in reference to application received under RTI Act	By October 2008 From October 2008 onwards	SPMU SPMU/ DPMU/ BPMU	
4. Tender and Procurement				
Collusion in tenders and procurement processes	Project should have a transparent procurement policy based on established best practices and strict compliance with agreed Bank procedures.	By June, 2008	PD/ SPMU/ PR Dept.	
	The project will develop a prospective procurement plan and place it on its website	By June 2008 and annually thereafter	PD/ SPMU	
	The practice of cancellation of bid invitation and corrigendum should be discouraged to avoid unnecessary cost and confusion.	When needed prior clearance with the Bank required	SPMU	

	<p>Definition of eligibility criteria for bidders and product quality needs to be standardized restricting too many variations and subjective interpretations as regards to similar assignments.</p> <p>Notify details of the process for disqualification of bidders who engage in mis-representation/ fraudulent/ corrupt practices</p>	<p>Bidding documents as per model/ standard Bank documents</p> <p>Procedure to be firmed by December, 2008</p>	<p>SPMU</p> <p>PD/ SPMU</p>
<p>Absence of a comprehensive financial management plan to ensure transparency and accountability.</p>	<p align="center"><b>5. Financial Management</b></p> <p>The financial management plan should be in place to ensure that funds are used only for the intended purposes in an efficient and economical way as per budget approvals</p> <p>Deviations if any should be explained in stipulated timeframe.</p> <p>Block team, DPMU and SPMU should enforce safeguards at respective level and generate financial progress reports in prescribed format capturing relevant parameters as laid down in the project implementation plan (PIP)</p> <p>Regular Financial and Procurement-related audits</p> <p>Guidelines and procedures laid down for inquiry into deviation from norms / corruption issues.</p> <p>Feedback received from participatory monitoring exercises on financial matters should be incorporated in the financial reviews at quarterly intervals</p>	<p>By December, 2008</p> <p>By December, 2008</p> <p>By December, 2008</p> <p>By December, 2008</p> <p>By December, 2008</p>	<p>PD/ SPMU/ PR Dept.</p> <p>SPMU</p> <p>SPMU/DPMU/ BPMU</p> <p>PD/ SPMU</p> <p>SPMU/ Agency</p> <p>SPMU</p>
<p>Weak implementation arrangements may adversely affect project processes and results</p>	<p align="center"><b>6. Strengthening Systems and Processes for Project Management</b></p> <p>Finalize operational manuals and Project Implementation Plan (PIP)</p> <p>Complete institutional arrangements for project implementation at state, district, division/block level</p> <p>Finalization of recruitment and training plan for both deputation and contractual staff. Each position should have clearly defined job description and performance indicators</p> <p>Finalize registration, terms and conditions and working procedure of federations.</p> <p>Develop micro strategies for extensive outreach especially covering very poor, tribals and differently-abled persons</p> <p>Ensure timely flow of fund to the beneficiaries mobilizing internal and external resources</p> <p>Finalize terms and conditions and procedure for engaging support organizations (SOs).</p> <p>Finalize Project MIS design as well as monitoring and review arrangements. The database should be linked to online reporting arrangements for quick review and follow up action.</p> <p>Strengthen multi stakeholder coordination arrangements including line departments, financial institutions and technical resource agencies at Block, district State level</p> <p>Empanel consultancy firms and reputed research and evaluation institutions for studies and evaluations to be undertaken by the project</p> <p>Prepare withdrawal plan in advance and strengthen capacity of SHGs and federations for resource mobilization, business development, portfolio management, book keeping, accounting, audit and sustaining operations beyond project cycle.</p>	<p>By April 2008</p> <p>By August 2008</p> <p>By September 2008</p> <p>By December 2008</p> <p>By October 2008</p> <p>From start of the project onwards</p> <p>By April 2008</p> <p>By October 2008</p> <p>From start of the project onwards</p> <p>From start of the project onwards</p> <p>By 2nd year of project implementation</p>	<p>PD/ SPMU</p> <p>PD/ SPMU</p> <p>PD/ SPMU</p> <p>PD/ SPMU</p> <p>SPMU/BPMU</p> <p>SPMU/BPMU</p> <p>PD/SPMU</p> <p>PD/SPMU/ Consultant</p> <p>PD/SPMU</p> <p>PD/SPMU</p> <p>PD/SPMU</p>

## **Annex 10: Economic and Financial Analysis**

### **INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

1. A key feature of ORLP is that it will be based on demand driven micro-plans created in partnership with target communities in the selected districts. Therefore, the economic assessment does not seek to evaluate all of the components in terms of quantifiable economic and financial returns. Instead, it seeks to use the experience of similar projects in the country and forecasts by the concerned technical organizations relating to specific livelihood areas to make an informed estimate of costs and benefits of proposed interventions and net economic benefits from the selected focus livelihood activities.
2. Based on field visits, interactions with State Government staff and a desk review of government statistics, four key livelihood activities – Animal Husbandry (including poultry), Pisciculture (including Marine Fisheries), Horticulture and Handlooms – have been identified as focus areas. These focus areas have also been chosen on the basis of a scan of the current economic scenario at the state level as well as an assessment of the feasibility and market potential for expanding these activities and building value chains to help increase incomes of poor, marginal producers in the project districts. It is estimated that these four activities cover the livelihood activities of more than 60% of the poor in the project districts.
3. Different components of the ORLP will seek to provide livelihood support services to the poor to increase their income by increasing productivity and value-added and captured at the producer stage. The activities supported will include supporting organization and federating efforts (Institution Building component); creation of productive assets at the individual level (Community Investment Fund); creation of needed infrastructure at the village, block and district level (Livelihoods Promotion Fund); skill and technology up-gradation training efforts (Community Investment Fund); and creation of market linkages to ensure sustainability of economic activities past the project period (Livelihood Promotion Fund).
4. In conducting the cost-benefit analyses, the National Bank for Agriculture and Rural Development (NABARD) notified rates have been used wherever available. Projected IRRs in these four livelihoods areas range from 10% to 46%. In horticulture, Mango has been taken as the base crop in calculating the economic benefits, although there is also potential for growing all types of tropical, sub-tropical and temperate vegetables. Over a ten year analysis, the IRR for mango cultivation is relatively low (10%) as income streams start only in year 4 of the project. However, the IRRs increase to approximately 20% when extrapolated over a 15 year time frame.



**1. Net Household Benefit from Two Dairy Buffaloes**

<i>Fixed costs</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cost of Two Buffaloes	36,000									
Transportation to project area	2,000									
Cost of Shed and Chaffing machine*	7,500									
Training Costs	450									
<b>Total Fixed Costs (A)</b>	<b>45,950</b>									
<i>Variable Costs</i>										
Insurance	900	900	1,350	1,350	1,800	1,800	1,800	1,800	1,800	1,800
Medical Costs	1,000	1,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000
Fodder and Fodder Supplements	25,714	25,714	38,571	38,571	51,429	51,429	51,429	51,429	51,429	51,429
<b>Total Variable Costs (B)</b>	<b>27,614</b>	<b>27,614</b>	<b>41,921</b>	<b>41,921</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>
<b>Total Costs (A+B)</b>	<b>73,564</b>	<b>27,614</b>	<b>41,921</b>	<b>41,921</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>	<b>56,229</b>
<i>Income</i>										
Sale of Milk		39,600	68,400	68,400	97,200	97,200	97,200	97,200	97,200	97,200
Fertilizer Savings		4,000	4,000	4,000	4,500	4,500	4,500	4,500	4,500	4,500
Sale of Buffaloes								15,000		15,000
<b>Total Income (D)</b>		<b>43,600</b>	<b>72,400</b>	<b>72,400</b>	<b>101,700</b>	<b>101,700</b>	<b>101,700</b>	<b>116,700</b>	<b>101,700</b>	<b>116,700</b>
<b>Net Cash Flow (D-C)</b>	<b>-73,564</b>	<b>15,986</b>	<b>30,479</b>	<b>30,479</b>	<b>45,471</b>	<b>45,471</b>	<b>45,471</b>	<b>60,471</b>	<b>45,471</b>	<b>60,471</b>
<b>IRR</b>	<b>41%</b>									

**Assumptions:**

1. Cost of Chaffing machine shared between three CIG members

**Sale of Milk:**

2. Average Daily Yield of 8 liters per buffalo of which a total of 5 liters per day used for household consumption
3. 240 total lactating days a year; 120 non-lactating days
4. Average Procurement Price of Rs. 15 per liter of milk
5. Calving leads to growth in number of cattle to 3 in Year 3 and 4 in year 5
6. Homestead space limitation of 4 buffaloes
7. Sale of additional calves in year 8 and 10 at Rs. 15,000
8. Average cost of fodder and fodder supplements at Rs. 250 per week

**2. Net Household Benefit from one Handloom**

<i>Fixed costs</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cost of Handloom	10,000									
Shed Roofing	1,000									
Training Costs	8,000									
<b>Total Fixed Costs (A)</b>	<b>19,000</b>									
<i>Variable Costs</i>										
Asset Insurance	400	400	400	400	400	400	400	400	400	400
Loom Repair	500	500	500	500	500	500	500	500	500	500
<b>Total Variable Costs (B)</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>
<b>Total Costs (A+B)</b>	<b>19,900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>
<i>Income</i>										
Wages		9,000	9,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
<b>Total Income (D)</b>		<b>9,000</b>	<b>9,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>
<b>Net Cash Flow (D-C)</b>	<b>-19,900</b>	<b>8,100</b>	<b>8,100</b>	<b>11,100</b>	<b>11,100</b>	<b>11,100</b>	<b>11,100</b>	<b>11,100</b>	<b>11,100</b>	<b>11,100</b>
<b>IRR</b>	<b>46%</b>									

**Assumptions:**

1. SHGs linked to cooperative societies and Boyamka
2. Cooperative society gives raw material, takes back finished product and pays a wage to the weaver
3. Total Annual Production of 150 Meters in Years 2 & 3; growth to 200 meters for the rest of the years up to year 101

**3. Net Household Benefit from an Investment in 0.1 Hectare Fish Pond**

<i>Fixed costs</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Pond digging - Labor	15,000									
Inlets and Outlets	6,000									
Net and Fish Handling Tools	800									
Training Costs	1,000									
<b>Total Fixed Costs (A)</b>	<b>22,800</b>									
<i>Variable Costs</i>										
Fingerlings (Seed)	400	400	400	400	400	400	400	400	400	400
Lime	250	250	250	250	250	250	250	250	250	250
Manure (Organic & Urea + Phosphate)	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343
Mustard Oil Cakes	405	405	405	405	405	405	405	405	405	405
Feed - Rice Bran	96	96	96	96	96	96	96	96	96	96
Labor	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Insurance (4% of seed & fertilizers)	70	70	70	70	70	70	70	70	70	70
<b>Total Variable Costs (B)</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>
<b>Total Costs (A+B)</b>	<b>26,394</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>	<b>3,594</b>
<i>Income</i>										
Sale of Fish		9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Closing Stock										5,000
<b>Total Income (D)</b>		<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>14,000</b>
<b>Net Cash Flow (D-C)</b>		5,407	5,407	5,407	5,407	5,407	5,407	5,407	5,407	10,407
<b>IRR</b>	16%									

**Assumptions:**

- Costs calculated by dividing costs of establishing 1 hectare ponds
- Labor rate taken as prevailing minimum wage for unskilled labor in Orissa under Minimum Wage Act

**Sale of Fish**

Assumed annual yield of 300 kilograms sold at an average price of Rs. 30 per KG.

**Closing stock:**

Value of pond assumed at Rs. 5,000 at end of year 10

#### 4. Net Household Benefit from 0.1 Hectare Mango Plantation (Horticulture)

<i>Fixed costs</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Planting	220									
Sprayers and Implements	500									
Fencing	1,000									
Intercropping	150									
Irrigation Channels	1,000									
Training Costs	800									
<b>Total Fixed Costs (A)</b>	<b>3,670</b>									
<i>Variable Costs</i>										
Labor Costs (Ploughing)	320	120	120	120	120	120	120	120	120	120
Manures and Fertilizers	300	110	110	110	110	110	110	110	110	110
Irrigation	50	50	50	50	50	50	50	50	50	58
Pesticides	110	60	60	60	60	60	60	60	60	60
Miscellaneous	50	50	50	50	50	50	50	50	50	50
<b>Total Variable Costs (B)</b>	<b>830</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>288</b>
<b>Total Costs (A+B)</b>	<b>4,500</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>288</b>
<i>Income</i>										
Sale of Mangoes					1,250	1,250	1,750	2,500	3,000	3,500
<b>Total Income (D)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,250</b>	<b>1,250</b>	<b>1,750</b>	<b>2,500</b>	<b>3,000</b>	<b>3,500</b>
<b>Net Cash Flow (D-C)</b>	<b>-4,500</b>	<b>-390</b>	<b>-390</b>	<b>-390</b>	<b>860</b>	<b>860</b>	<b>1,360</b>	<b>2,110</b>	<b>2,610</b>	<b>3,212</b>
<b>IRR</b>	<b>10%</b>									

#### Assumptions:

1. Costs calculated by dividing costs of establishing 1 hectare plantations
2. Labor rate taken as prevailing minimum wage for unskilled labor in Orissa under Minimum Wage Act
4. Average yield per hectare in quintals: Year 6: 25q ; year 7:35q ; year 8: 50q; year 9: 60q; year 10: 70q

## **Annex 11: Safeguard Policy Issues**

### **INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

#### **a. Environmental Safeguards**

1. The project will support employment generation and livelihoods improvement for the poorest sections of the populations in the project districts, through a participatory and community-driven process. Based on the nature and the scale of the activities that will be funded by the project, the project interventions are not expected to cause any significant adverse impacts on the environment. Accordingly, the project is classified as category B.

2. Since the sub-project and cluster proposals arise at the households and federation level, exact information on livelihood that the project will support are not available a priori. Based on the list of activities that are likely to be supported in the project districts, the Government of Orissa is conducting an Environmental Assessment (EA) of the project. The objective of the EA is to identify the likely environmental impacts of the project activities and to design environmental safeguards for ensuring that:

- Project-supported activities are designed and implemented with adequate and appropriate environmental mitigation measures;
- Cumulative environmental impacts of project activities are addressed;
- Environmental benefits of project-supported activities are enhanced and environmental-enhancing livelihoods activities are promoted;
- Long-term sustainability of the benefits from the project-supported activities is assured by securing the natural resources base on which they are dependent.

3. To achieve these objectives in a comprehensive and coordinated manner, an Environmental Management Framework (EMF) has been developed for the project that will comprise of the following components:

- Technical Environmental Guidelines (TEGs) which have been developed to address the environmental concerns associated with specific subproject activities likely to be supported by the project;
- Process and responsibility structure for persons involved in the implementation of the EMF;
- Environmental Training and Capacity Building Plan for all concerned;
- Environmental Monitoring and Evaluation Plan.

4. In order to mainstream the environmental aspects into the process of appraising and sanctioning as well as implementing sub-projects, the EMF will also include, as mentioned above an environmental capacity building component, aimed at developing professional management capacity as well as promoting environmental awareness in associated project personnel, Community Based Organizations as well as the targeted communities.

#### **b. Indigenous Peoples (OP/BP.4.20)**

5. The state of Orissa has the second highest percentage tribal of population in the Indian State. As per the census 2001, the ST population of the State of Orissa stands at 8,145,081. This constitutes 22.13 % of the total population of the state and 9.7 per cent of the total tribal

population of the country. Despite a number of specific development initiatives, and some progressive policy moves, tribals have lagged behind in Orissa in terms of socio-economic development. These differentials are most apparent in the case of literacy rate of the STs, which is considerably below the national average at 47.1% and the state average at 63.08%. Male literacy has increased from 34.4 per cent to 51.5 per cent while female literacy has gone up from 10.2 per cent in 1991 to 23.4 per cent during 1991-2001. Poor social development outcomes reflect an embedded set of social and structural forces affecting tribal livelihoods. A small land base, low agricultural productivity and low incomes have led to rising indebtedness, trapping tribals into a vicious circle of exploitation. The life of the tribal is increasingly vulnerable due to a persistent lack of assured entitlements, intensified by a high level of dependence on forest resources. These have led to social discontent and unrest which provides fertile ground for extremist activities and violent protests.

6. Tribal populations are concentrated in the Western region of the state. It is important to underline the fact that the coastal district in which this project is located are among the lowest in terms of tribal population in the state, averaging 6.22%. Only two out of the ten districts have a tribal population above ten percent, Angul (16%) and Jajpur (15%). Two of the selected blocks have a tribal population higher than 30% and the majority (29 out of 38 blocks) have a tribal population below 10%.

%ST population at the Block Level in 38 Blocks (Project Area) - 2001 census	
Less or equal to 10%	29
>10 and <30%	7
30%+	2

7. Thus in accordance with the Bank policy on indigenous people outlined in its operational directive OP/BP 4,20 on indigenous people, the project has prepared a Tribal Development Plan (TDP) that ensures that the tribal communities participate in the project, are involved in decision making, and derive full benefits from project interventions. The TDP is based on information derived from the Social and Tribal Assessment commissioned by the project and consultations with key stakeholders.

**c. Tribal Development Plan**

8. The objective of the TDP under the project will be to ensure empowerment of the poor Tribal Communities and improve their livelihoods through: a) developing and strengthening SHGs among Tribal and ensuring representation at the federation level; b) transferring financial and technical resources to SHGs that include Tribals on a demand driven basis for use as a catalyst for livelihoods c) strengthening access to institutions – both private and public - by improving the supply side of livelihoods service. The project investments will promote due respect to the dignity, human rights and cultural uniqueness of the tribal community.

9. The TRIPTI project aims to promote inclusive people’s institutions, in the form of Gram Panchayat Level Federations (GPLFs), and enhanced livelihoods options among Orissa’s poor and has additional provision for assistance to the extreme poor and vulnerable social groups. As such, issues of tribal development – focusing on the poorest and socially excluded sections among the tribal population – are integral to the project design. However, safeguards are in place

to ensure that tribals receive development benefits and to ensure that tribal not left out of the community driven process.

10. The key operational unit of the project is the GP. Given the wide diversity of tribal concentration in the project area, the TDP has been designed in three modes (for GPs with populations lower than 10%, 10-30% percent and above thirty 30%) to reflect the differing needs for tribal integration in project process.

11. **Scope:** BPFT will categorize GPs and blocks for operation of the TDP, as part of the start-up activities (Situation Analysis) in project areas.

**d. Planning Framework:** Tribal development components will be mainstreamed as part of the broader objectives of inclusion in the project, supported by key safeguard measures set out below. In addition, the ORLP will develop processes of mutual learning with other livelihood projects in the state, and aims to develop new approaches that can be replicated in non-project areas. As such, the TDP is integral to all four components of the project.

## 12. Key Elements of the TDP

GP level tribal population			
Activity	0-10%	11-30%	30%+
Start up activity	Tribal leaders included in initial meeting Tribal Inclusion Analysis as part of Situation Analysis		Tribal Situation Analysis
IEC campaign	Specific tribal IEC campaign to be developed		
Institution formation	At least one CC received training in tribal development		At least one CC from tribal community
Mobilization	<i>(Left out poor criteria applied to tribals)</i> <ul style="list-style-type: none"> <li>▪ At least 40% of BPL households including tribals are in SHGs and are part of GPLF before release of CIF I</li> <li>▪ At least 60% of poorest households including tribals who are members of SHGs are financed by first tranche of CIF before release of CIF2</li> </ul>		
Representation	Priority tribals as part of Social inclusion fund	Sub-committee of tribal as part of GPLF	Tribal hold at least 4 posts on 11 member executive
	Provision for informal habitation level groups to support minority/weaker section inclusion		
	At least one tribal member on participatory monitoring committee		At least one tribal member of each five member GPLF sub-committee (participatory monitoring, procurement, asset monitoring, CIF etc)
GPLF strengthening	Monitoring of disbursement to tribal groups		
MIP and consolidation	District level workshops on tribal economic activities in tribal areas Consolidated appraisal of tribal MIPs		
Livelihood Fund (Block level)	Inclusion plan for tribal development as part of livelihood assessment		At least one sub-project aimed at tribal livelihoods <i>Where population 30%</i>
Skill training for rural youth	8% of job for rural tribal youth (15% for SC)		
Innovation Fund	At least 10% of fund to be used for activities that support tribal livelihoods		
Institutional Sustainability	<i>Project objectives to be applied to tribal groups</i> Project aim to promote 75% inclusion of the poorest (BPL) groups in sustainable federations.		
Coordination	Ensuring linkages to NGOs and Government Agencies at the Block/District Levels		

**e. Gender Strategy and Action Plan**

13. High levels of poverty, landlessness, limited livelihoods opportunities, low wage rates, and huge out migration of men from the poorest households, place a disproportionate burden on women in Orissa. Prevalence of high fertility, and maternal and child mortality rates are due to poor access to health services. Rural Orissa has low literacy and awareness levels, especially among the poorest households. Social and cultural practices of child marriages, dowry, and liquor consumption have added to indebtedness. Seasonal migration among men leads to a number of women headed households in the rural areas subject to exploitation, and food insecurity.

14. The Government of Orissa is committed to women's social, economic and political empowerment. Mission Shakti, launched in March 2001, is the umbrella body for providing institutional support and facilitating access to credit and micro-finance under the Women and Child Development Department. The GoO sees SHGs as an important vehicle for social and economic empowerment for rural households.

15. The World Bank's gender action plan promotes gender equality as smart economics, stating that women's economic empowerment is not only a question of rights but their empowerment actually benefits their families, communities and national development efforts, thus putting poverty reduction on a faster track.

16. The objective of the gender strategy is to advance the empowerment of women so they can fully participate in the larger growth and empowerment strategy of the state. The project aims to achieve the following gender related goals, including:

- Strengthen poor women's organizations, asset base, increase livelihoods opportunities and income
- Expand access of women to gender specific needs such, as child care
- Increase participation of women in local self-governance and local governance
- Increase access for poor women to social protection schemes and entitlement for food security, pensions etc
- Enhance the skill base among women

**f. Gender Action Plan:**

17. The project has mainstreamed gender into its objectives and design. A gender action plan will be evolved as a means to engender the project implementation by strategically involving women and incorporating their needs and demands into every component of the project. The Gender Action Plan will focus on:

- Identification of the poorest and most vulnerable women – women headed households, destitutes, orphans, aged – through participatory identification and needs assessment process;
- Building awareness of entitlements, legal and political rights;
- Awareness and support on issues relating to dowry, domestic violence and lack of mobility;
- Preparation of IEC material and strategies for low-literates;



- Improving access to services and institutions, including Mid-Day meals and PDS, panchayat etc.;
- Sensitization of all staff towards gender issues.

**g. Public Consultation and Disclosure:**

18 Disclosure requirements were fulfilled by organizing a series of disclosure workshops in Orissa (one State Level and two District level workshops) with key interest groups and civil society representatives, as well as other government stakeholders. In addition, key safeguard documents translated into the local language and sent to block offices in the proposed project areas and newspaper announcements were taken out. The reports were also made available online. Minutes and further details of these disclosure meetings have been documented as part of the final drafts of the safeguard documents submitted by the project and approved by the World Bank. Free and informed consent was taken from all participating stakeholders.

**Annex 12: Project Preparation and Supervision**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

	Planned	Actual
PCN review	03/31/2005	10/17/2005
Initial PID to PIC	03/15/2006	03/17/2006
Initial ISDS to PIC	11/17/2005	11/17/2005
Appraisal	02/11/2008	02/14/2008
Negotiations	04/14/2008	06/17/2008
Board/RVP approval	07/22/2008	
Planned date of effectiveness	10/01/2008	
Planned date of mid-term review	04/01/2011	
Planned closing date	12/31/2013	

Key institutions responsible for preparation of the project:

Bank staff and consultants who worked on the project included:

<i>Name</i>	<i>Title</i>	<i>Unit</i>
Asmeen Khan	Senior Rural Development Specialist (TTL)	SASSD
Samik Sundar Das	Senior Rural Development Specialist (Co-TTL)	SASSD
Manvinder Mamak	Senior Financial Management	SARFM
Manmohan S. Bajaj/ Sushil Bahl	Senior Procurement Specialist	SARPS
Parimal Sadaphal	Environmental Consultant	SASSD
Benjamin Powis	Social Development Consultant	SASSD
Philip O’Keefe	Lead Social Protection Specialist	SASHD
Samir Ghosh	Social Inclusion Consultant	SASHD
Parmesh Shah	Lead Rural Development Specialist	SASSD
Talib B. K. Esmail	Senior Operations Officer	SAROQ
Sanjay Pahuja	Environmental Specialist	SASSD
Ajai Nair	Livelihoods Finance Consultant	ARD
Ashish Mondal	Monitoring and Evaluation Consultant	SASSD
Vikram Menon	Senior Public Sector Specialist	SASPR
Sandra U. Sousa	Program Assistant	SASSD
Naseer Ahmad Rana	Adviser	SASSQ
Jacqueline Julian	Senior Program Assistant	SASSD
Philip Beauregard/ Raj Soopramanien	Senior Counsel	LEGES
Thao La Nguyen	Disbursement Officer	LOAF
Adrash Kumar	Economic Analysis Consultant	SASSD
Rukmani Datta	Strategic Communications Consultant	SASSD
Deborah L. Ricks	Program Assistant (HQs)	SASSD

Bank funds expended to date on project preparation:

Bank resources: \$393 K  
DFID Trust fund: \$121 K  
Total: \$514 K

Estimated Approval and Supervision costs:

1. Remaining costs to approval: \$20,000
2. Estimated annual supervision cost: \$140,000

3. The overall supervision strategy for Orissa Rural Livelihoods project emerges from the lesson's learned from the India health sector DIR report and best practice in supervising CDD project's in other countries. The project will use a "cascading" system of supervision based on using a combination of project systems developed to reduce corruption and strengthen internal governance, physical supervision by Bank teams with expert staff included on governance and anti-corruption, third-party monitors and strong monitoring, complaints handling and physical, financial and technical audit. Key lessons from the DIR incorporated in the supervision strategy are: (a) need for comprehensive site visits/physical verification by Bank-managed teams; (b) independent verification of project activities; (c) follow up on detailed fiduciary issues highlighted in aide-memoires; (d) strengthening of prior and post-reviews of contract procurement to highlight fiduciary red flags such as collusion and price-fixing; (e) verifying authenticity of bidders; (f) reconciling payments with contracts; (g) supervising large numbers of decentralized low-value procurement. Supervision teams will consist of 6-8 specialists including fiduciary (procurement/FM) specialists who will initially visit the project 4 times a year. These teams will split into sub-teams to ensure maximum coverage of the project area. Supervision teams will meet with SPMU counterparts to develop a sampling framework and check-list to review Community institutions and business processes in the field. The check-lists will ensure uniformity and standardization of the review process during physical review of activities in the field. In addition the WB will hire a consultant with background in FM and Procurement to spend 5 days a month in the project area reviewing activities at the SHG and GPLF. Additional supervision costs for enhanced fiduciary supervision are expected to be in the range of \$15-20K to cover the costs of the additional FM/Procurement specialist. The project will also emphasize social accountability measures at the level of Community Institutions. (SHG, GPLF). These social accountability measures will emphasize transparency and local level accountability in terms of decision making and grievance redressal. Issues that cannot be dealt with at the community level will be referred to the projects Grievance Redressal Cell.

**Annex 13: State – wide Review of Poverty Programs**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

1. A majority of anti-poverty programs in Orissa are designed and supported by the central government, which implies limited room for maneuver for the state with regard to its policy mix. SP programs implemented in Orissa cover the traditional mix of interventions that promote and protect livelihoods or provide safety nets. The main programs are summarized below:

**Table – 1: Main Poverty Programs implemented in Orissa**

Scheme	Start year	Source of funds + implementation	Brief description/program objective
<i>Pprograms which are meant to help households mitigate risks by facilitating income smoothing</i>			
IRDP/SGSY	1999	GoI 75%, GoO 25% Funds go to DRDA, implemented with PRIs, Banks, RD & NGOs	Micro-enterprise promotion for the poor. Program provides training, and credit-matching subsidy via Banks. Builds on SHG movement. 50% reservation for ST/SC
SGRY	2001-2006/07	Food provided by GoI; transport costs GoO. Cash costs split 75:25 GoI/GoO. FCI (food); Cash via DRDA, onto ZP (20%), PS (30%), GP (50%)	Additional wage employment for house hold food security as well as rural asset creation, esp. during slack agricultural season. Low, self-targeting wages paid in cash and food. Special component for natural disaster related relief (food only).
National Rural Employment Guarantee (NREG)	2006/07	330 priority districts nationwide, 90% GoI,	Cash for work, up to 100 days per year per rural house hold on a self-targeted basis
<i>Pprograms which provide direct support to the chronically poor, without an objective of lifting households sustainably out of poverty</i>			
Targeted Public Distribution System	1997	Grain procured by GoI and given to state. GoO bears transport costs. Distribution through fair price shops.	Provision of subsidized rice, wheat, sugar and kerosene to poor families. Quantity and price subsidy varies with poverty levels and location.
Antyodaya Anna Yojana	2001	Grain procured by GoI and given to state. GoO bears transport costs. FPS.	Additional rice subsidy scheme for poorest of the poor.
Annapurna Yojana	2,000	Initially GoI as CSS, transferred to state in 2002. Funded as ACA.	Monthly “gift” of 10kg. of rice to elderly (> 65yr) destitutes not covered by NOAPS
National Old Age Pension Scheme	1995	Initially GoI as CSS, transferred to state in 2002. Funded as ACA	Monthly payment of Rs.200 to aged persons (>65 years) with little or no income.
Indira Awas Yojana	1985	GoI 75%, GoO 25%. Implemented by DRDA & PRIs	Financial assistance (up to Rs.25,000) for housing construction and upgrading for BPL rural families. Initially only for SC/ST/rural bonded labor, but expanded in 1993.
<i>Programs which promote movement out of poverty</i>			
ICDS/SNP		CSS, supported by GoI. Under WCD.	Various supplementary nutrition programs are offered through ICDS, targeting young children, adolescent girls, pregnant and nursing mothers
Mid-day meal	1995	Almost 100% by GoI as CSS, but GoO has some costs; Under WCD, through DC’s office	Provision of cooked mid-day meal to all children in school up to class V

## Government Spending:

2. Largely driven by GoI spending increases, spending on anti-poverty programs in Orissa increased by 12 percent per annum in real terms for SGRY/NREG, IAY and SGSY (Table 1). Government expenditures on public work have increased dramatically, fuelled by the launch of NREG. In addition, expenditures on IAY increased significantly in the early years of the decade, while spending on SGSY appears to have fallen in 2005 and 2006.

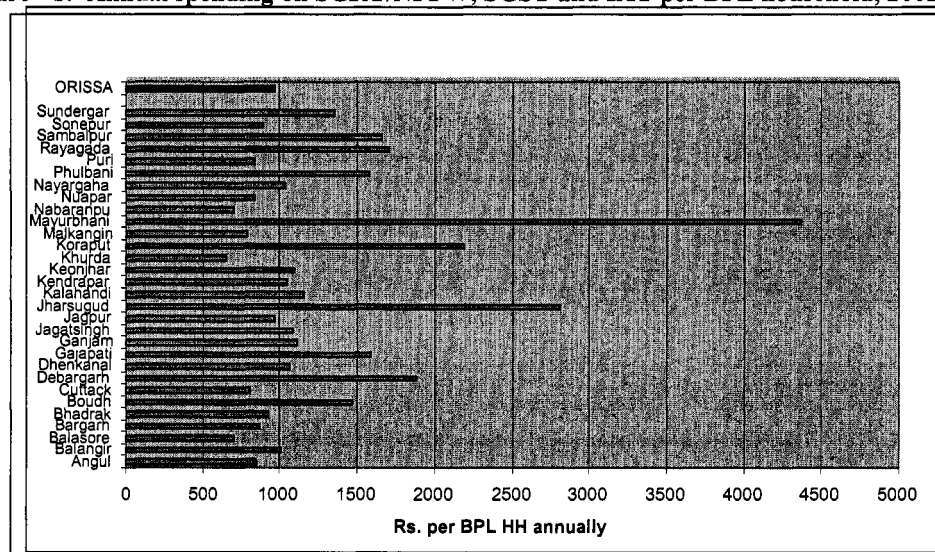
**Table 2: Total (GoO + GoI) spending on selected APP, various years (Rs. lakh nominal), excluding food rains**

Program	2002-03	2003-04	2004-05	2005-06	2006-07 (to 09-06)
SGRY	32,947	36,456	36,090	35,744*	4,873 <sup>+</sup>
NREG	-	-	23,014	34,717	26,543
IAY	8,061	12,636	18,194	19,484	4,903
IRDPS/SGSY	5,499	6,699	8,281	8,074	1,620
RLTAP		91,017	98,420		

Source: GoO, various years. Notes: \* - The SGRY numbers for 2005-06 are up to 03/06 for 11 districts and 02/06 for the other 19 districts. + - The SGRY numbers for 2006-07 are for 11 non-NREG districts.

3. The bulk of spending in Orissa on APPs comes directly from GoI, with central government accounting for about 70% and the state accounting for the remaining 30%.<sup>26</sup> In 2004/05, total spending on APPs as a fraction of GoO expenditures was 3.2% (0.75% of GSDP), up from 2.6% in 2003/04. However, total expenditures on APPs in Orissa increase to about 14% of the state budget when GoI cash contributions are included in calculations. Including the largest program in budgetary terms the Revised Long Term Action Plan (RLTAP) the state central spending ratio becomes 20:80. The RLTAP is an important program in Orissa that supports a range of interventions in the so-called KBK districts. District level spending on major APP exhibited significant variations in recent years, as seen in Figure 1 below.

**Figure - 1: Annual spending on SGRY/NFFW, SGSY and IAY per BPL household, 2002-2005**



Sources: Quoted in World Bank (2006) based on PRI Department, GoO for program and BPL data.

<sup>26</sup> These estimates do not include the value of the food provided by the Food Corporation of India.

4. The National Rural Employment Guarantee Act was recently expanded by GoI to all 30 districts in the state. Up to April 2007, of the 2.7 million households that registered for the job cards, 2.7 million received a job card. Of the households with a job card, 889,000 households requested employment under the program, and 832,000 were provided employment. Almost 73% of all days of work created under the NREG are filled by SCs and STs.

5. A further new anti-poverty area-based program in Orissa which was introduced in 2006-07 and is scheduled to continue till 2011-12 is the Gopabandhu Grameen Yojana. It is significant for linkages to the proposed project in that the geographic focus is on 11 districts which include many of the proposed project districts. The focus is on local infrastructure provision related to electrification, roads and water supply in areas. The emphasis on link roads may be of particular relevance in terms of market linkages for SHGs.

6. **Program Awareness, Coverage and Targeting**

(a) *Awareness:* There is considerable variation across programs in awareness among the population of the awareness of specific safety net programs. For the PDS and the IAY programs almost 90 percent of households in Orissa are aware of the program. On the other hand, the SGRY/NREG, IRDP/SGSY, AAY and ICDS have surprisingly low awareness. Based on a survey of 45 villages in Orissa, MP and Karnataka, Dev et al (2007) found that higher status of women, the presence of NGOs, and higher educational attainment by the population significantly increased program awareness.

**Table 3: Awareness of Programs by quartiles, caste and across states (%)**

	Quartile 1	Quartile 4	SC	ST	Orissa	M.P.	Karnataka
IAY	87.0	83.0	88.3	83.3	86.0	62.0	58.0
NOAP	64.0	70.0	76.6	63.3	69.0	62.0	---
Widow/disable pension	64.0	68.0	84.0	60.5	69.0	57.0	---
PDS	84.7	92.8	91.5	87.9	90.2	89.0	94.0
AAY	55.9	56.3	64.9	44.2	55.3	27.0	---
ICDS	50.5	60.4	56.4	50.7	57.2	23.0	19.0
Mid-Day Meal	64.3	70.9	76.6	70.2	73.6	64.0	82.0
Free text-book	56.9	63.7	71.3	58.1	65.6	50.0	87.0
Free uniform	49.0	60.4	60.6	51.2	56.8	38.0	83.0
SGRY	53.8	58.0	62.8	59.5	62.3	16.0	---
Food for work	30.7	37.7	35.1	40.0	35.4	31.0	---
<b>SGSY</b>	<b>26.5</b>	<b>46.9</b>	<b>36.2</b>	<b>36.3</b>	<b>39.0</b>	<b>--</b>	<b>---</b>

Source: Dev et al (2007), based on 3 state SP survey 2006.

(b) *Coverage:* Approximately 80 percent of all households in Orissa receive a benefit from at least one government sponsored anti-poverty program, while about 30 percent receive benefits from more than one program. This is slightly higher than the all-India average of 78 percent. However, a number of key programs have very low coverage rates, as seen below.

**Table 4: Proportion of households benefiting from programs (% of House Holds)**

	Orissa	All-India
Bought grain from Fair Price Shop (among all households)	25.6	26.3
NOAPS (among households with at least one member above 64 years old)	21.8	8.3
Annapurna (among households with at least one member above 64 years old)	6.6	1.6
Widow pension (among households with at least one widow)	20.2	6.2
Disabled (among all households)	0.8	0.3
Scholarship (among households with at least one member between 6 and 18 years of age)	3.2	9.2
IAY (among all rural households that ever received benefits)	20.0	12.6
IRDP/SGSY (among all households)	1.0	0.8
Health insurance (among all households)	1.7	2.5
Life insurance (among all households)	16.8	20.4

Source: Ajwad (2007), based on NCAER HD survey 2004/05.

(c) **Targeting:** Both inclusion and exclusion errors in BPL ration card holding are large. Inclusion errors, defined as the proportion of non-poor being classified as BPL, are significant. For example, 44% and 20% of households in quintiles 4 and 5 (the richest households) possess a BPL ration card. Among all households carrying a BPL card, 18% belong to the top two quintiles. However, exclusion too is significant. Among the poorest 20% of households, around 35% do not possess a BPL or AAY ration card. A similar proportion of under-coverage is observed for households in quintile 2. Across cast groupings, BPL coverage is significantly higher for STs and SCs than for non-backward castes.

**Table - 5: Incidence of ration card possession by households in Orissa, 2004/05 (% of HH in category)**

	BPL	APL	AAY
Poorest quintile	61.1	12.1	4.1
Quintile 2	57.3	17.0	4.9
Quintile 3	59.2	21.5	2.6
Quintile 4	44.2	34.5	2.0
Richest quintile	20.7	51.5	0.4
Brahmin	24.5	36.7	1.2
OBC	43.6	31.7	2.5
SC	60.1	18.2	4.5
ST	70.7	9.6	3.4
Other	40.6	29.2	1.9
Total	51.5	24.4	3.0

Source: Ajwad (2006), based on NCAER HD survey 2004/05

### **Implementation issues:**

7. As in other states, a key implementation challenge in Orissa is appropriate alignment of institutional responsibilities for different aspects of program delivery, and aligning this in turn with assignment of finances and personnel. Under the 73<sup>rd</sup> and 74<sup>th</sup> amendments, there is an expectation of increased devolution of service delivery functions to PRIs. To date, PRIs in Orissa – as in many states – remain for the most part weak and without a strong authorizing environment by way of statewide assignment of specific tasks in SP delivery. In contrast, Orissa has been quite active in assigning functions to SHGs and community groups.

8. The relative emphasis on the roles of PRIs and SHGs in Orissa in the SP sector can be seen in empirical findings on the determinants of program coverage. Dev et al find that safety net programs are likely to perform better when institutions (including PRIs, elected representatives and grassroots level bureaucracy) function well, but also when target communities are “active.” As a result, households preferred NGOs and Self-Help Groups (SHG) to improve the implementation of safety nets.

9. In addition, households were reliant on their social capital, sometimes in the form of caste-based networks, to access benefits from programs. Dev et al find that for most SP programs social capital (measures include participation in social/political groups, networking ability, and women’s empowerment) led to higher participation rates. In addition, programs relating to women and children are better accessed in villages that score better on women’s empowerment.

10. World Bank (2006) summarizes some of the main problems faced when anti-poverty programs are implemented in Orissa:

- **TPDS/AY**: fair price shops have irregular hours of operation, generally run out of gains (some households do not receive any grain while others cannot lift their total allotted grain), sell low quality grain, non-transparent requirements for FPS licenses, and FPSs are sometimes too far from habitation
- **ICDS**: supplementary food supply is irregular, the primary target group for nutritional interventions, the under 3 year olds, are not reached
- **SGRY**: delays in wage payment, amount of wage paid often below mandated amount, wage discrimination against women, contractors often used, although the program is intended to be unskilled labor intensive, tractors and other heavy equipment are sometimes used, corruption in selection process of beneficiaries, misuse of muster rolls, poor quality assets created.
- **SGSY**: development banking skills sometimes lacking, scope for fraud with payment of credit subsidy especially among less aware customers
- **IAY** – small number of beneficiaries and non-transparent selection process leads to divisions at the community level
- **NOAPS** – irregular payments; benefits are sometimes in cash and sometimes in grain
- **Midday meals** – irregular supply of staple food, misappropriation of food, selection of cooks and helpers not transparent, poor quality of meal, lack of potable water.

***Recent Initiatives by GoO to improve SP program implementation:***

11. GoO has been proactive in recognizing a number of SP program implementation issues and sees an important role for SHGs in addressing them. For example:

- The gradual transition in Fair Price Shop (FPS) management from private dealers to PRIs and/or SHGs continues. Over 6,200 FPS are now operated by PRIs, and a slightly higher number of SHGs operate the kerosene supply under PDS.
- Under the Special Nutrition Program of ICDS, the W&CD Department is expanding its ready-to-eat food (RTE) program, which now covers 11 districts of the state, with 6 mini-RTE plants operated by SHGs.
- W&CD Department is piloting a system with Midday Meals in schools whereby SHGs may receive funds either directly or through PRIs for purchase of the non-grain ingredients.



## **Conclusions:**

12. Fiscal space has started to emerge in Orissa due to deficit reduction and improved tax administration. Given that Orissa's expenditures on anti-poverty programs is currently a low proportion of the overall government budget, there is scope for scale up, but only if it can be accompanied by improved quality and efficiency of government expenditures to ensure that the money is well spent. State specific implementation issues are the key determinant of program effectiveness, and the major shortcomings have to do with implementation rather than design.

13. As noted, the overarching need for improved Social Protection (SP) program implementation is getting a clear alignment of functions, funds and functionaries across different institutions, both within and between levels of government and administration. A threshold need is for a framework for SP programs which unbundles service delivery functions and assigns specific activities to different actors. At the GP level, part of such institutional alignment will be guiding the roles and interaction of GPs and community groups such as SHGs.

**Annex 14: Documents in the Project File**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

1. Project Implementation Plan and Community Operational Manual prepared by ORLP
2. Bank Staff Assessments
3. ORLP Project Concept Note, Project Information Document
4. DIR Risk Mitigation Matrix and Supervision Strategy

**Studies undertaken during preparation of the ORLP**

1. Integrated Social and Environment Assessment – Varun Techno Infrastructure Pvt. Ltd, Bhubaneswar, Orissa.
2. Skills Development for Disadvantaged Rural Youth in Orissa: Creating Job Opportunities in the New Economy – SRIJAN, New Delhi.
3. Governance and Accountability Plan preparation study – Center for Youth and Social Development, Bhubaneswar, Orissa.

**Annex 15: Statement of Loans and Credits**  
**INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”**

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P105124	2008	HP DPL I	135.00	65.00	0.00	0.00	0.00	202.20	0.00	0.00
P095114	2008	Rampur Hydropower Project	400.00	0.00	0.00	0.00	0.00	400.00	5.00	0.00
P090768	2007	TN IAM WARM	335.00	150.00	0.00	0.00	0.00	461.72	3.33	0.00
P090764	2007	Bihar Rural Livelihoods Project	0.00	63.00	0.00	0.00	0.00	62.58	-3.36	0.00
P090592	2007	Punjab Rural Water Supply & Sanitation	0.00	154.00	0.00	0.00	0.00	152.79	34.85	0.00
P090585	2007	Punjab State Roads Project	250.00	0.00	0.00	0.00	0.00	190.60	-41.60	0.00
P071160	2007	Karnataka Health Systems	0.00	141.83	0.00	0.00	0.00	123.04	-16.33	0.00
P083187	2007	Uttaranchal RWSS	0.00	120.00	0.00	0.00	0.00	117.14	0.77	0.00
P078539	2007	TB II	0.00	170.00	0.00	0.00	0.00	147.98	-15.90	0.00
P078538	2007	Third National HIV/AIDS Control Project	0.00	250.00	0.00	0.00	0.00	224.89	-1.67	0.00
P075060	2007	RCH II	0.00	360.00	0.00	0.00	0.00	340.30	17.04	0.00
P075174	2007	AP DPL III	150.00	75.00	0.00	0.00	0.00	75.70	-77.33	0.00
P097036	2007	Orissa Socio-Econ Dev Loan II	150.00	75.00	0.00	0.00	0.00	75.54	-150.65	0.00
P096019	2007	HP State Roads Project	220.00	0.00	0.00	0.00	0.00	218.80	3.20	0.00
P099047	2007	Vocational Training India	0.00	280.00	0.00	0.00	0.00	290.64	0.00	0.00
P102768	2007	Stren India's Rural Credit Coops	300.00	300.00	0.00	0.00	0.00	609.01	0.00	0.00
P100789	2007	AP Community Tank Management Project	94.50	94.50	0.00	0.00	0.00	192.16	0.83	0.00
P078832	2006	Karnataka Panchayats Strengthening Proj	0.00	120.00	0.00	0.00	0.00	95.12	-33.44	0.00
P079675	2006	Karn Municipal Reform	216.00	0.00	0.00	0.00	0.00	191.69	11.36	0.00
P079708	2006	TN Empwr & Pov Reduction	0.00	120.00	0.00	0.00	0.00	111.44	1.58	0.00
P083780	2006	TN Urban III	300.00	0.00	0.00	0.00	0.00	242.62	48.37	0.00
P086414	2006	Power System Development Project III	400.00	0.00	0.00	0.00	0.00	202.16	-131.17	0.00
P090163	2006	FALG Brick Project	0.00	0.00	0.00	0.00	0.00	4.19	0.00	0.00
P093720	2006	Mid-Himalayan (HP) Watersheds	0.00	60.00	0.00	0.00	0.00	48.97	-1.76	0.00
P092735	2006	NAIP	0.00	200.00	0.00	0.00	0.00	191.41	-0.99	0.00
P091453	2006	VSBK Cluster Project	0.00	0.00	0.00	0.00	0.00	2.84	0.00	0.00
P077977	2005	Rural Roads Project	99.50	300.00	0.00	0.00	0.00	186.44	-3.83	0.00
P084632	2005	Hydrology II	104.98	0.00	0.00	0.00	0.00	91.95	49.31	6.03
P084790	2005	MAHAR WSIP	325.00	0.00	0.00	0.00	0.00	291.22	43.55	0.00
P084792	2005	Assam Agric Competitiveness	0.00	154.00	0.00	0.00	0.00	141.44	57.15	0.00
P086518	2005	SME Financing & Development	120.00	0.00	0.00	0.00	0.00	5.00	5.00	0.00
P094513	2005	India Tsunami ERC	0.00	465.00	0.00	0.00	0.00	405.40	309.12	0.00
P077856	2005	Lucknow-Muzaffarpur National Highway	620.00	0.00	0.00	0.00	0.00	396.26	-23.74	0.00
P073370	2005	Madhya Pradesh Water Sector Restructurin	394.02	0.00	0.00	0.00	0.00	354.25	105.12	0.00
P073651	2005	DISEASE SURVEILLANCE	0.00	68.00	0.00	0.00	0.00	60.97	32.83	0.00
P075058	2005	TN HEALTH SYSTEMS	0.00	110.83	0.00	0.00	20.06	74.38	33.14	29.97
P050655	2004	RAJASTHAN HEALTH SYSTEMS DEVELOPMENT	0.00	89.00	0.00	0.00	0.00	63.16	42.67	0.00
P073369	2004	MAHAR RWSS	0.00	181.00	0.00	0.00	0.00	31.49	-23.81	0.00
P082510	2004	Karnataka UWS Improvement Project	39.50	0.00	0.00	0.00	0.00	12.10	9.44	0.00

P073776	2004	ALLAHABAD BYPASS	240.00	0.00	0.00	0.00	0.00	81.99	59.99	0.00
P078550	2004	Uttar Wtrshed	0.00	69.62	0.00	0.00	0.00	59.06	1.40	0.00
P067606	2003	UP ROADS	488.00	0.00	0.00	0.00	0.00	233.43	188.58	0.00
P075056	2003	Food & Drugs Capacity Building Project	0.00	54.03	0.00	0.00	0.00	35.85	24.91	0.00
P071272	2003	AP RURAL POV REDUCTION	0.00	150.03	0.00	0.00	0.00	73.21	-13.49	0.00
P072123	2003	Tech/Engg Quality Improvement Project	0.00	250.00	0.00	0.00	40.11	36.16	-3.91	-74.29
P050649	2003	TN ROADS	348.00	0.00	0.00	0.00	0.00	205.37	114.24	0.00
P073094	2003	AP Comm Forest Mgmt	0.00	108.00	0.00	0.00	0.00	37.31	2.13	0.00
P076467	2003	Chatt DRPP	0.00	112.56	0.00	0.00	20.06	72.26	62.45	0.00
P050653	2002	KARNATAKA RWSS II	0.00	151.60	0.00	0.00	15.04	48.16	35.10	0.00
P050668	2002	MUMBAI URBAN TRANSPORT PROJECT	463.00	79.00	0.00	0.00	0.00	354.38	283.35	0.00
P050647	2002	UP WSRP	0.00	149.20	0.00	0.00	40.11	98.82	109.42	0.00
P040610	2002	RAJ WSRP	0.00	140.00	0.00	0.00	15.04	66.68	39.79	0.00
P074018	2002	Gujarat Emergency Earthquake Reconstruct	0.00	442.80	0.00	0.00	115.24	95.51	129.44	-26.20
P072539	2002	KERALA STATE TRANSPORT	255.00	0.00	0.00	0.00	0.00	107.98	71.31	0.00
P071033	2002	KARN Tank Mgmt	0.00	98.90	0.00	0.00	25.07	119.65	54.26	9.91
P069889	2002	MIZORAM ROADS	0.00	60.00	0.00	0.00	0.00	38.14	6.89	0.00
P071244	2001	Grand Trunk Road Improvement Project	589.00	0.00	0.00	0.00	12.53	121.08	133.61	0.00
P010566	2001	Gujarat Highways	381.00	0.00	0.00	0.00	101.00	5.91	106.91	5.91
P055454	2001	KERALA RWSS	0.00	65.50	0.00	0.00	12.27	7.32	10.62	-2.38
P055455	2001	Rajasthan DPEP II	0.00	74.40	0.00	0.00	0.00	19.00	7.41	-7.24
P059242	2001	MP DPIP	0.00	110.10	0.00	0.00	20.06	2.33	8.86	-11.56
P067216	2001	KAR WSHD DEVELOPMENT	0.00	100.40	0.00	0.00	20.06	35.90	37.45	25.47
P010505	2000	RAJASTHAN DPIP	0.00	100.48	0.00	0.00	0.00	10.10	-0.50	-0.48
P009972	2000	Natl Highways III	516.00	0.00	0.00	0.00	25.16	83.05	108.21	108.21
P049770	2000	REN EGY II	80.00	50.00	0.00	0.00	26.00	11.64	35.38	-2.99
P050657	2000	UP Health Systems Development Project	0.00	110.00	0.00	0.00	30.09	25.84	43.84	13.81
P059501	2000	TA for Econ Reform Project	0.00	45.00	0.00	0.00	12.03	13.85	20.88	10.22
Total:			8,013.50	6,687.78	0.00	0.00	549.93	9,189.57	1,966.61	84.39

**INDIA**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**In Millions of US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ADPCL	39.50	7.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	AHEL	0.00	5.08	0.00	0.00	0.00	5.08	0.00	0.00
2005	AP Paper Mills	35.00	5.00	0.00	0.00	25.00	5.00	0.00	0.00
2005	APIDC Biotech	0.00	4.00	0.00	0.00	0.00	2.01	0.00	0.00
2002	ATL	13.81	0.00	0.00	9.36	13.81	0.00	0.00	9.36
2003	ATL	1.00	0.00	0.00	0.00	0.68	0.00	0.00	0.00
2005	ATL	9.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Atul Ltd	16.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003	BHF	10.30	0.00	10.30	0.00	10.30	0.00	10.30	0.00

2004	BILT	0.00	0.00	15.00	0.00	0.00	0.00	15.00	0.00
2001	BTVL	0.43	3.98	0.00	0.00	0.43	3.98	0.00	0.00
2003	Balrampur	10.52	0.00	0.00	0.00	10.52	0.00	0.00	0.00
2001	Basix Ltd.	0.00	0.98	0.00	0.00	0.00	0.98	0.00	0.00
2005	Bharat Biotech	0.00	0.00	4.50	0.00	0.00	0.00	3.30	0.00
1984	Bihar Sponge	5.70	0.00	0.00	0.00	5.70	0.00	0.00	0.00
2003	CCIL	1.50	0.00	0.00	0.00	0.59	0.00	0.00	0.00
2006	CCIL	7.00	2.00	0.00	12.40	7.00	2.00	0.00	12.40
1990	CESC	4.61	0.00	0.00	0.00	4.61	0.00	0.00	0.00
1992	CESC	6.55	0.00	0.00	14.59	6.55	0.00	0.00	14.59
2004	CGL	14.38	0.00	0.00	0.00	7.38	0.00	0.00	0.00
2004	CMScomputers	0.00	10.00	2.50	0.00	0.00	0.00	0.00	0.00
2002	COSMO	2.50	0.00	0.00	0.00	2.50	0.00	0.00	0.00
2005	COSMO	0.00	3.73	0.00	0.00	0.00	3.73	0.00	0.00
2006	Chennai Water	24.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003	DQEL	0.00	1.50	1.50	0.00	0.00	1.50	1.50	0.00
2005	DSCL	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2006	DSCL	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005	Dabur	0.00	14.09	0.00	0.00	0.00	14.09	0.00	0.00
2003	Dewan	8.68	0.00	0.00	0.00	8.68	0.00	0.00	0.00
2006	Federal Bank	0.00	28.06	0.00	0.00	0.00	23.99	0.00	0.00
2001	GTF Fact	0.00	1.20	0.00	0.00	0.00	1.20	0.00	0.00
2006	GTF Fact	0.00	0.00	0.99	0.00	0.00	0.00	0.99	0.00
1994	GVK	0.00	4.83	0.00	0.00	0.00	4.83	0.00	0.00
2003	HDFC	100.00	0.00	0.00	100.00	100.00	0.00	0.00	100.00
1998	IAAF	0.00	0.47	0.00	0.00	0.00	0.30	0.00	0.00
2006	LAL	0.00	9.79	0.00	0.00	0.00	7.70	0.00	0.00
1998	IDFC	0.00	10.82	0.00	0.00	0.00	10.82	0.00	0.00
2005	IDFC	50.00	0.00	0.00	100.00	50.00	0.00	0.00	100.00
	IHDC	6.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	IHDC	7.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Indecomm	0.00	2.57	0.00	0.00	0.00	2.57	0.00	0.00
1996	India Direct Fnd	0.00	1.10	0.00	0.00	0.00	0.66	0.00	0.00
2001	Indian Seamless	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
2006	JK Paper	15.00	7.62	0.00	0.00	0.00	7.38	0.00	0.00
2005	K Mahindra INDIA	22.00	0.00	0.00	0.00	22.00	0.00	0.00	0.00
2005	KPIT	11.00	2.50	0.00	0.00	8.00	2.50	0.00	0.00
2003	L&T	50.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00
2006	LGB	14.21	4.82	0.00	0.00	0.00	4.82	0.00	0.00
2006	Lok Fund	0.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00
2002	MMFSL	7.89	0.00	7.51	0.00	7.89	0.00	7.51	0.00
2003	MSSL	0.00	2.29	0.00	0.00	0.00	2.20	0.00	0.00
2001	MahInfra	0.00	10.00	0.00	0.00	0.00	0.79	0.00	0.00
	Montalvo	0.00	3.00	0.00	0.00	0.00	1.08	0.00	0.00
1996	Moser Baer	0.00	0.82	0.00	0.00	0.00	0.82	0.00	0.00
1999	Moser Baer	0.00	8.74	0.00	0.00	0.00	8.74	0.00	0.00
2000	Moser Baer	12.75	10.54	0.00	0.00	12.75	10.54	0.00	0.00
	Nevis	0.00	4.00	0.00	0.00	0.00	4.00	0.00	0.00
2003	NewPath	0.00	9.31	0.00	0.00	0.00	8.31	0.00	0.00
2004	NewPath	0.00	2.79	0.00	0.00	0.00	2.49	0.00	0.00

2003	Niko Resources	24.44	0.00	0.00	0.00	24.44	0.00	0.00	0.00
2001	Orchid	0.00	0.73	0.00	0.00	0.00	0.73	0.00	0.00
1997	Owens Corning	5.92	0.00	0.00	0.00	5.92	0.00	0.00	0.00
2006	PSL Limited	15.00	4.74	0.00	0.00	0.00	4.54	0.00	0.00
2004	Powerlinks	72.98	0.00	0.00	0.00	64.16	0.00	0.00	0.00
2004	RAK India	20.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00
1995	Rain Calcining	0.00	2.29	0.00	0.00	0.00	2.29	0.00	0.00
2004	Rain Calcining	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2005	Ramky	3.74	10.28	0.00	0.00	0.00	0.00	0.00	0.00
2005	Ruchi Soya	0.00	9.27	0.00	0.00	0.00	6.77	0.00	0.00
2001	SBI	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1997	SREI	3.21	0.00	0.00	0.00	3.21	0.00	0.00	0.00
2000	SREI	6.50	0.00	0.00	0.00	6.50	0.00	0.00	0.00
1995	Sara Fund	0.00	3.43	0.00	0.00	0.00	3.43	0.00	0.00
2004	SeaLion	4.40	0.00	0.00	0.00	4.40	0.00	0.00	0.00
2001	Spryance	0.00	1.86	0.00	0.00	0.00	1.86	0.00	0.00
2003	Spryance	0.00	0.93	0.00	0.00	0.00	0.93	0.00	0.00
2004	Sundaram Finance	42.93	0.00	0.00	0.00	42.93	0.00	0.00	0.00
2000	Sundaram Home	0.00	2.18	0.00	0.00	0.00	2.18	0.00	0.00
2002	Sundaram Home	6.71	0.00	0.00	0.00	6.71	0.00	0.00	0.00
1998	TCW/ICICI	0.00	0.80	0.00	0.00	0.00	0.80	0.00	0.00
2005	TISCO	100.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00
2004	UPL	15.45	0.00	0.00	0.00	15.45	0.00	0.00	0.00
1996	United Riceland	5.63	0.00	0.00	0.00	5.63	0.00	0.00	0.00
2005	United Riceland	8.50	0.00	0.00	0.00	5.00	0.00	0.00	0.00
2002	Usha Martin	0.00	0.72	0.00	0.00	0.00	0.72	0.00	0.00
2001	Vysya Bank	0.00	3.66	0.00	0.00	0.00	3.66	0.00	0.00
2005	Vysya Bank	0.00	3.51	0.00	0.00	0.00	3.51	0.00	0.00
1997	WIV	0.00	0.37	0.00	0.00	0.00	0.37	0.00	0.00
1997	Walden-Mgt India	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00
2006	iLabs Fund II	0.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00
Total portfolio:		956.52	249.41	42.30	536.35	604.74	175.91	38.60	236.35

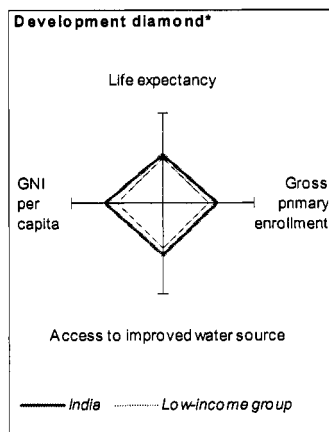
FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2004	CGL	0.01	0.00	0.00	0.00
2000	APCL	0.01	0.00	0.00	0.00
2006	Atul Ltd	0.00	0.01	0.00	0.00
2001	Vysya Bank	0.00	0.00	0.00	0.00
2006	Federal Bank	0.01	0.00	0.00	0.00
2001	GI Wind Farms	0.01	0.00	0.00	0.00
2004	Ocean Sparkle	0.00	0.00	0.00	0.00
2005	Allain Duhangan	0.00	0.00	0.00	0.00
Total pending commitment:		0.04	0.01	0.00	0.00

## Annex 16: Country at a Glance

### INDIA: Orissa Rural Livelihoods Project (ORLP) – “TRIPTI”

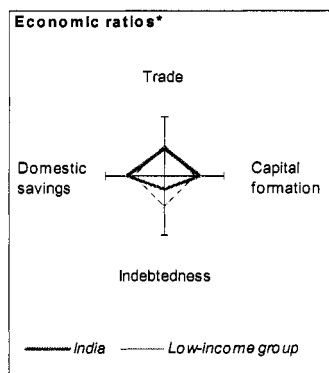
#### POVERTY and SOCIAL

	India	South Asia	Low-Income
<b>2006</b>			
Population, mid-year (millions)	1,109.8	1,493	2,403
GNI per capita (Atlas method, US\$)	820	766	650
GNI (Atlas method, US\$ billions)	910.0	1,143	1,562
<b>Average annual growth, 2000-06</b>			
Population (%)	15	17	19
Labor force (%)	19	2.1	2.3
<b>Most recent estimate (latest year available, 2000-06)</b>			
Poverty (% of population below national poverty line)	29	..	..
Urban population (% of total population)	29	29	30
Life expectancy at birth (years)	64	64	59
Infant mortality (per 1,000 live births)	56	62	75
Child malnutrition (% of children under 5)	..	..	..
Access to an improved water source (% of population)	86	84	75
Literacy (% of population age 15+)	61	58	61
Gross primary enrollment (% of school-age population)	19	10	10
Male	23	15	10
Female	16	10	9



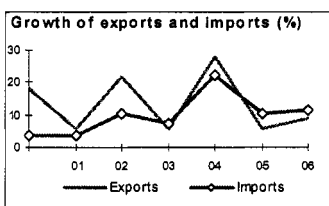
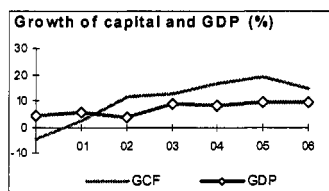
#### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1986	1996	2005	2006
GDP (US\$ billions)	246.4	388.3	805.7	911.8
Gross capital formation/GDP	23.0	22.1	33.4	33.9
Exports of goods and services/GDP	5.3	10.5	20.3	23.0
Gross domestic savings/GDP	21.2	20.9	30.4	31.1
Gross national savings/GDP	21.6	23.2	32.7	33.5
Current account balance/GDP	-2.0	-1.3	-1.2	-1.1
Interest payments/GDP	0.7	1.0	0.8	..
Total debt/GDP	19.5	24.1	15.3	..
Total debt service/exports	32.5	22.2	12.5	..
Present value of debt/GDP	..	..	13.7	..
Present value of debt/exports	..	..	56.9	..
	<b>1986-96</b>	<b>1996-06</b>	<b>2005</b>	<b>2006</b>
(average annual growth)				
GDP	5.5	6.4	9.2	9.2
GDP per capita	3.5	4.7	7.7	7.7
Exports of goods and services	11.8	13.4	5.9	8.6



#### STRUCTURE of the ECONOMY

	1986	1996	2005	2006
(% of GDP)				
Agriculture	30.0	27.4	18.3	17.5
Industry	26.3	27.0	27.6	27.9
Manufacturing	16.4	17.5	16.0	16.3
Services	43.7	45.6	54.1	54.6
Household final consumption expenditure	66.9	68.4	58.3	57.6
General gov't final consumption expenditure	11.9	10.7	11.3	11.3
Imports of goods and services	7.1	11.7	23.3	25.8
	<b>1986-96</b>	<b>1996-06</b>	<b>2005</b>	<b>2006</b>
(average annual growth)				
Agriculture	3.7	2.3	6.0	2.7
Industry	6.2	6.4	9.6	10.6
Manufacturing	6.5	5.9	9.1	12.3
Services	6.6	8.2	9.8	11.2
Household final consumption expenditure	5.2	4.7	6.1	7.5
General gov't final consumption expenditure	4.0	5.3	9.8	9.0
Gross capital formation	7.0	9.1	16.8	14.2
Imports of goods and services	10.8	9.9	10.3	11.4



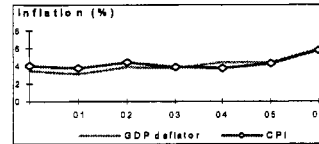
Note: 2006 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

\*The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

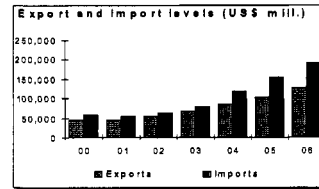
## PRICES and GOVERNMENT FINANCE

	1988	1996	2005	2006
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	8.7	9.0	4.2	5.8
Implicit GDP deflator	6.8	7.5	4.4	5.9
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	19.6	17.5	19.7	21.6
Current budget balance	-2.3	-3.5	-3.1	-1.9
Overall surplus/deficit	-9.9	-6.4	-6.8	-6.5



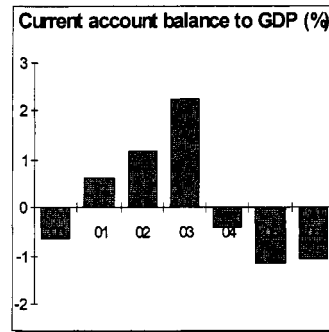
## TRADE

	1988	1996	2005	2006
<i>(US\$ millions)</i>				
Total exports (fob)	10,413	34,133	105,152	127,090
Marine products	434	1,128	1,589	1,744
Ores and minerals	478	1,172	6,164	7,033
Manufactures	6,564	24,813	72,583	82,818
Total imports (cif)	17,729	48,948	156,993	191,995
Food	1,028	1,214	2,767	3,291
Fuel and energy	2,371	10,036	43,963	57,074
Capital goods	4,914	9,922	37,666	52,944
Export price index (2000=100)	101	104	..	..
Import price index (2000=100)	119	115	..	..
Terms of trade (2000=100)	85	90	..	..



## BALANCE of PAYMENTS

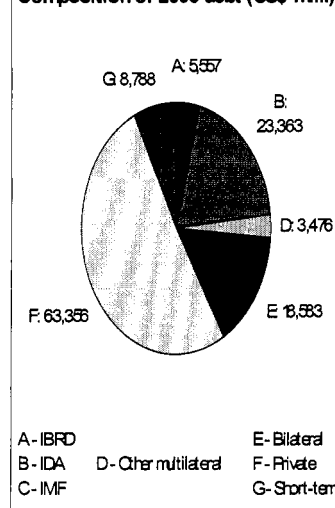
	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Exports of goods and services	13,630	41,607	166,556	208,420
Imports of goods and services	19,951	55,696	194,516	240,598
Resource balance	-6,321	-14,089	-27,960	-32,178
Net income	-977	-3,307	-5,510	-4,846
Net current transfers	2,327	12,367	24,102	27,195
Current account balance	-4,971	-5,029	-9,368	-9,829
Financing items (net)	4,397	1,847	23,562	45,164
Changes in net reserves	574	-5,818	-14,214	-35,335
<b>Memo:</b>				
Reserves including gold (US\$ millions)	6,574	26,423	160,866	198,710
Conversion rate (DEC, local/US\$)	12.8	35.5	44.3	45.2



## EXTERNAL DEBT and RESOURCE FLOWS

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	48,124	93,466	123,123	..
IBRD	3,475	8,768	5,557	6,177
IDA	10,529	17,616	23,363	24,068
Total debt service	5,273	11,981	24,335	..
IBRD	469	1,514	47	597
IDA	12	364	809	841
<b>Composition of net resource flows</b>				
Official grants	585	589	1,060	..
Official creditors	1,404	184	1,421	..
Private creditors	2,793	-146	379	..
Foreign direct investment (net inflows)	18	2,426	6,598	..
Portfolio equity (net inflows)	0	3,958	12,152	..
<b>World Bank program</b>				
Commitments	1,790	1,725	1,592	208
Disbursements	1,297	1,592	2,100	1,787
Principal repayments	235	1,074	843	942
Net flows	1,062	518	1,288	845
Interest payments	386	804	384	496
Net transfers	676	-287	904	349

## Composition of 2005 debt (US\$ mil.)



Note: This table was produced from the Development Economics LDB database.

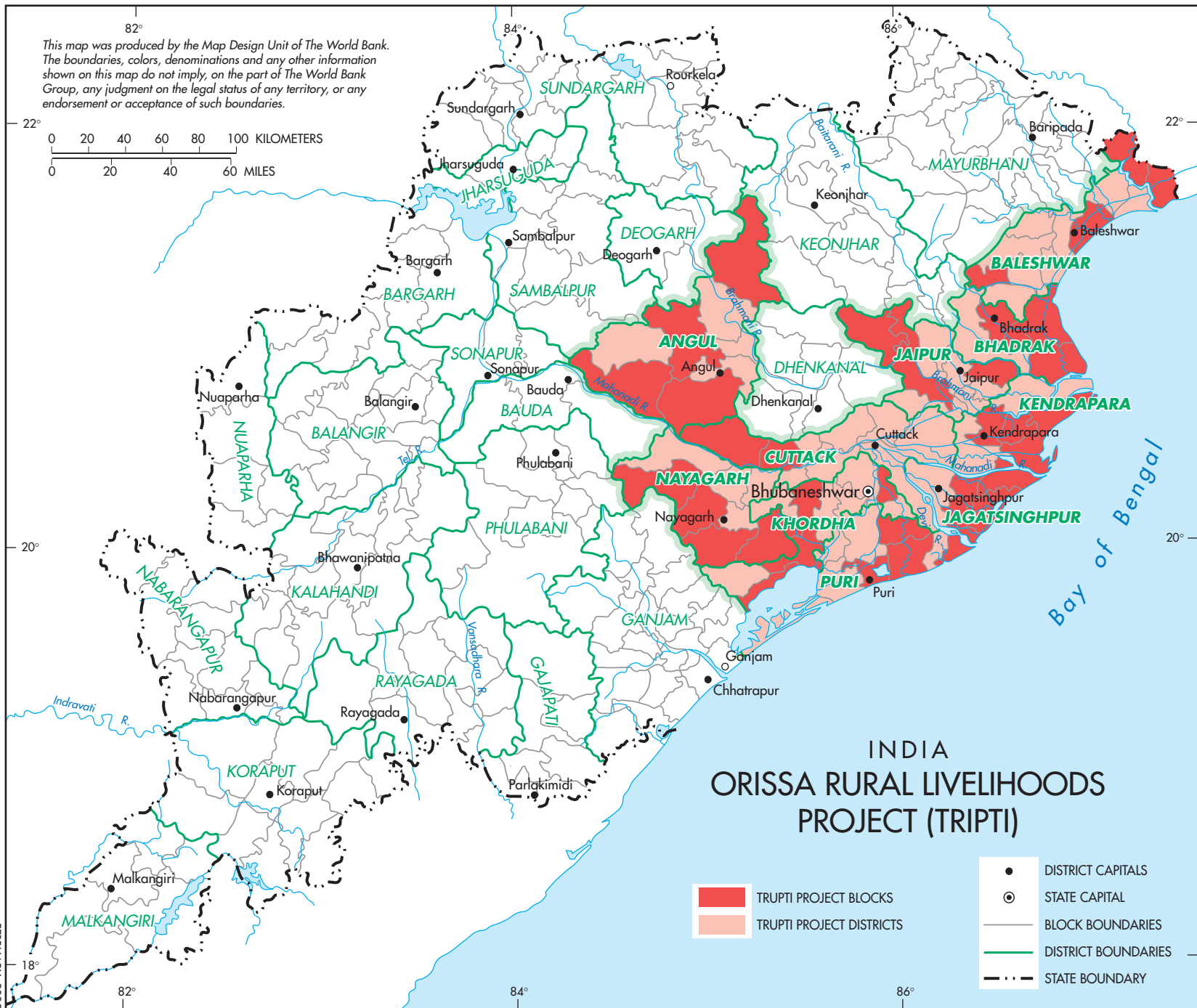
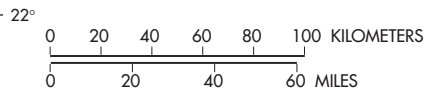
9/28/07



Map section



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## INDIA ORISSA RURAL LIVELIHOODS PROJECT (TRIPTI)

- TRIPTI PROJECT BLOCKS
- TRIPTI PROJECT DISTRICTS
- DISTRICT CAPITALS
- STATE CAPITAL
- BLOCK BOUNDARIES
- DISTRICT BOUNDARIES
- STATE BOUNDARY