

INDIA

Project Memorandum

**Madhya Pradesh Rural Livelihoods Project
(MPRLP)**

Phase 2

July 2007 – June 2012

Ministry of Rural Development
Government of India

Panchayat and Rural Development Department
Government of Madhya Pradesh

Department for International Development, India
Government of UK

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Abbreviations

ARM	Annual Review Mission
AsDB	Asian Development Bank
BC&RLIP	Biodiversity Conservation and Rural Livelihood Improvement Project
BMI	Body Mass Index
BPL	Below Poverty Line
BRGF	Backward Regions Grant Fund
CSO	Civil Society Organisation
DC	District Collector
DES	Department of Economic Statistics
DoF	Department of Forestry
DoTW	Department of Tribal Welfare
DPIP	District Poverty Initiative Programme
DPRD	Department of Panchayat and Rural Development
DPSU	District Project Support Unit
EoP	End of Project
EPA	Environment Protection Act
EPCO	Environmental Planning and Co-ordination Organisation
FA	Financial Aid
FRBM	Fiscal Responsibility and Budget Management
GDI	Gender Development Index
Gol	Government of India
GoMP	Government of Madhya Pradesh
GS	Gram Sabha or village assembly
GSDP	Gross State Domestic Product
GVT	Grameen Vikas Trust
HDI	Human Development Index
IFAD	International Food and Agriculture Division
ITDP	Integrated Tribal Development Programme
JFM	Joint Forestry Management
MFPF	Minor Forest Products Federation
MPREGS	MP Rural Employment Guarantee Scheme
MPRLP	Madhya Pradesh Rural Livelihoods Project
MPSRLP	Madhya Pradesh Society for Rural Livelihoods Promotion
MTFP	Medium Term Fiscal Policy
NFHS	National Family Health Survey
NREGA	National Rural Employment Guarantee Act
NSS	National Statistical Survey
NTFP	Non-timber forest product
OPR	Output to Purpose Review

P&RD	Panchayat and Rural Development
PACS	Poorest Areas Civil Societies Programme
PESA	Panchayat Extension in Scheduled Areas Act
PDS	Public Distribution System
PFT	Project Facilitation Team
PMCs	Project Management Committees
PMPSU	Poverty Monitoring and Policy Support Unit
PRIs	Panchayati Raj Institutions
PVS	Participatory Varietal Selection
RNFE	Rural non-farm economy
RTI	Right to Information
SC	Scheduled Caste
SGSY	Swarnjayanti Gram Swarozgar Yojana
SHGs	Self Help Groups
SLF	State Livelihoods Forum
SPMG	Strengthening Performance Management in Government
SPMU	State Project Management Unit
SRLP	Society for Rural Livelihoods Promotion
ST	Scheduled Tribe
TC	Technical Cooperation
TCPSU	Technical Co-operation Project Support Unit
TRWEP	Tejaswini Rural Women's Empowerment Programme
VAT	Value Added Taxes
WBR	Well-being ranking
WIRFP	Western India Rainfed Farming Project
WORLP	Western Orissa Rural Livelihoods Project

1. SUMMARY

DFID will allocate £45 million over 5 years (2007 – 2012) to support the Government of Madhya Pradesh's Rural Livelihoods Programme Phase 2 (MPRLP2). **Its purpose is to ensure sustainable improvement in the livelihoods of poor rural people in tribal districts of Madhya Pradesh.** This programme supports Government of India and State policies laying increased emphasis on decentralised rural development, and focuses on the poorest tribal people in Madhya Pradesh.

Phase 1, which started in June 2004 and is due to finish in June 2007, aims to target over 650 000 poor Tribal people in 8 districts. **Phase 2 will significantly scale up the approach within these districts, working in nearly 4000 villages. It will directly support the livelihoods of over 3.03 million poor beneficiaries, some 2.42 million of whom will be tribal people.**

MPRLP addresses the livelihood needs of the poorest people in Madhya Pradesh, mainly Tribal people, living in the areas with least access to natural resource endowments, services and livelihoods opportunities. The MPRLP approach, developed successfully during Phase 1, is based on working through the Gram Sabhas or village assemblies, to build their capacity to plan and manage development activities and to improve the lives and well-being of poor and vulnerable groups. Funds are transferred directly to the Gram Sabhas to support specific livelihoods enhancing activities. These include livestock and crop support, soil and water conservation, improved management of key natural resources, financial services and support for the development of sustainable rural enterprises.

Phase 2 builds on the basic approach developed under Phase 1, with the addition of new components or emphases. It looks at ways of protecting, and not just promoting, the livelihoods of vulnerable people. It includes a strong emphasis on social protection. This will involve improving people's understanding of their entitlements and ability to demand their rights – as well as identifying innovative mechanisms to reach the poorest. Resources are provided to achieve more equitable access for women and men to livelihoods opportunities. Phase 2 expands the scope for piloting, demonstrating and learning from new approaches, sharing these with the Government of Madhya Pradesh and working to ensure that they are mainstreamed within long-term schemes and programmes of the relevant line departments.

MPRLP2 aligns with the DFID White Paper on Eliminating World Poverty, with a strong emphasis on building local governance that works for the poor, and with DFID India's Country Assistance Plan. It reflects learning from other livelihoods programmes in India, as well as approaches adopted in other donor supported programmes in India.

MPRLP2 will last 60 months, starting in July 2007. The final year will be dedicated to sustainable exit, in particular to the preparation and transition to post-project structures under the Panchayat and Rural Development Department. There will be a total commitment from DFID of £45 million over the 5 year period (£42 million as Financial Aid; £3 million as Technical Cooperation).

2. Project Details

2.1 Project Description

2.1.1 What problems does the project address

Madhya Pradesh is one of the largest and poorest states of India. More than 37% of its population live in poverty. For Scheduled Tribes (20% of the State population) and Scheduled Castes (15%), the poverty levels are higher, at 57% and 40% respectively. Gender-based discrimination is reflected in the unequal sex ratio (916/1,000, against a national average of 933/1,000) and lower human development indices for women. Within the state, there are significant regional inequalities, with extremely high poverty levels in tribal districts, where natural resource endowments are very poor, and connectivity is at its worst. MPRLP2 targets this tribal area, and the poorest villages and people within it.

Decentralisation is seen by government as one of the main mechanisms for empowering rural people and improving service delivery. Tribal areas and villages have been granted specific additional powers, but in practice, local government institutions are often weak, with limited capacity to implement the provisions. MPRLP2 seeks to exploit the opportunities offered by these legal provisions for supporting democratic decentralisation particularly for Tribal people, by building the capacity of the *gram sabhas* or village level elected bodies, to manage resources and strengthen livelihoods.

Through MPRLP2 the Government of Madhya Pradesh seeks to improve the assets of poor people, improve their opportunities for income and employment, and reduce their vulnerability to shocks and stresses. The current range of services to support these options is either of poor quality or limited in scope. Poor people experience specific constraints in trying to access existing services and schemes. MPRLP2 aims to improve access to such assets, services and entitlements. It will also strengthen linkages to improve access to basic social services such as health, education and water, by building the capacity of the Gram Sabha to demand services. Specific activities will address the constraints that migrants experience in accessing services.

2.1.2 Goal, purpose and outputs

The goal is to enhance sustainably the livelihoods of the rural poor in Madhya Pradesh. The purpose is to implement in tribal districts effective policies, programmes and institutions that sustainably enhance the livelihoods of poor rural people. The outputs are:

1. Enhanced capacities of Gram Sabha to plan and manage resources in a transparent, effective and accountable manner in response to community driven demands;
2. Improved access to assets, employment and services that support the livelihoods of the rural poor;
3. Effective mechanisms for social protection which reduce vulnerability and build assets of the poorest, and reduce constraints to productive activity;
4. Women and men have equitable access to and benefit from resources, decision-making and opportunities to enhance livelihoods;
5. Project results, methodologies and structures inform State and Central level programmes and policies.

2.1.3 What will MPRLP2 do?

MPRLP addresses the livelihood needs of the poorest people in Madhya Pradesh, particularly Tribal people, living in the areas with least access to natural resources, services and livelihoods opportunities. The MPRLP approach, developed successfully during Phase 1, is based on working through the Gram Sabhas or village assemblies. With proper guidance and support, Gram Sabhas can plan and manage development activities which improve the lives and well-being of poor and

vulnerable groups. Project funds are transferred directly to the Gram Sabhas to support specific livelihoods enhancing activities. These include livestock and crop support, soil and water conservation, improved management of key natural resources, promotion of rural enterprise, and financial services (including savings, credit, insurance and money transfers).

MPRLP2 builds on the basic approach developed under Phase 1, with the addition of new components or emphases. Phase 2 will look at ways of protecting and promoting livelihoods of the most vulnerable. It includes a strong emphasis on social protection, by improving people's awareness of their entitlements and improving access – as well as identifying some new and innovative mechanisms to reach the poorest with regular transfers. This is combined with activities to improve the productivity of local livelihoods systems. Resources are provided to achieve more equitable access for women and men to livelihoods opportunities. Phase 2 expands the scope for piloting, demonstrating and learning from new approaches, sharing these with the Government of Madhya Pradesh and working to ensure that they are mainstreamed.

2.1.4 What will the money be spent on?

Of the total funds, about 68% will be spent on livelihoods related activities, prioritised through a demand-driven approach, and facilitated by trained project staff. Administration costs (12%) will finance the trained professional and support staff at village, district and state levels that are necessary to deliver the programme. Technical support costs (7%) are included, phasing out gradually over the project's life.

2.1.5 Who will benefit?

MPRLP2 will scale up the approach within the 8 districts (Sheopur, Jhabua, Dhar, Badwani, Mandla, Dindori, Shahdol, Anuppur). It will work in 4000 villages, with an estimated population of 4.04 million – over 50% of the rural population of those districts. The project will directly benefit the poorest people in these areas – an estimated 3.03 million. Of these, over 2.42 million are likely to be tribal people, constituting some 17% of the total tribal population of the State.

If additional resources become available, further expansion to new districts amongst the 14 which have significant tribal populations may be considered (see Map). However, any additional scaling up should be subject to scrutiny during the Annual Review Process, and must take into account issues of maintaining quality and impact of engagement.

3. Programme appraisal

3.1 Background:

Phase I, with a commitment of £16.4 million, began in June 2004 and will end in June 2007. It is targeting over 650,000 people in 8 districts with high populations of Scheduled Tribes. The project is now working in 822 villages with a wide range of livelihoods enhancing interventions. The institutional model of supporting Gram Sabhas to manage livelihood interventions has proved largely successful. Initial impact assessments are highlighting positive impacts in terms of income, diversification of economic opportunities, access to services, and benefits to poor households. Over 20% of beneficiary households reported an increase in income from farming; over 36% of the population reported an increase in income from migration; 45% reported an increase from other labour opportunities.

MPRLP2 fits well with both the emphasis of the Gol's 11th Five Year Plan, which has a strong emphasis on reducing rural poverty and on decentralisation as a vehicle to improve service delivery. Rural decentralisation is backed by strong Constitutional provisions, which give the responsibility to the *panchayati raj* (local government) to improve the wellbeing of its members. It provides specific provisions that guarantee the inclusion of traditionally excluded groups, such as women, and Tribal people, and guarantee transparency in local institutions. Many states, including Madhya Pradesh, have since enacted enabling legislation for strengthening decentralisation.

The Government of Madhya Pradesh (GoMP) is fully committed to improving the livelihoods of poor rural people in the state, and facilitates support to this goal through a number of major rural programmes, including rural roads.

DFID India is currently supporting GoMP's initiatives to address poverty reduction through support in rural livelihoods, urban services, environmental planning, health, and power sector reform. MPRLP2 is consistent with DFID's 2006 White Paper, reflecting in particular three strong areas of emphasis:

- Putting good governance at the heart of what we do, building capability, responsiveness and accountability to build states that work for poor people.
- Protect the very poorest through social protection – such as regular injections of cash – which can boost local growth and tackle inequalities.
- Ensure that growth is equitable and that natural resources are used sustainably.

It is also consistent with DFID India's Country Assistance Plan, through programmes to strengthen capacity of state governments to deliver pro-poor services; to create an enabling environment for sustainable and equitable economic growth and to improve the access of poor people to better quality services.

3.2 Project Approach

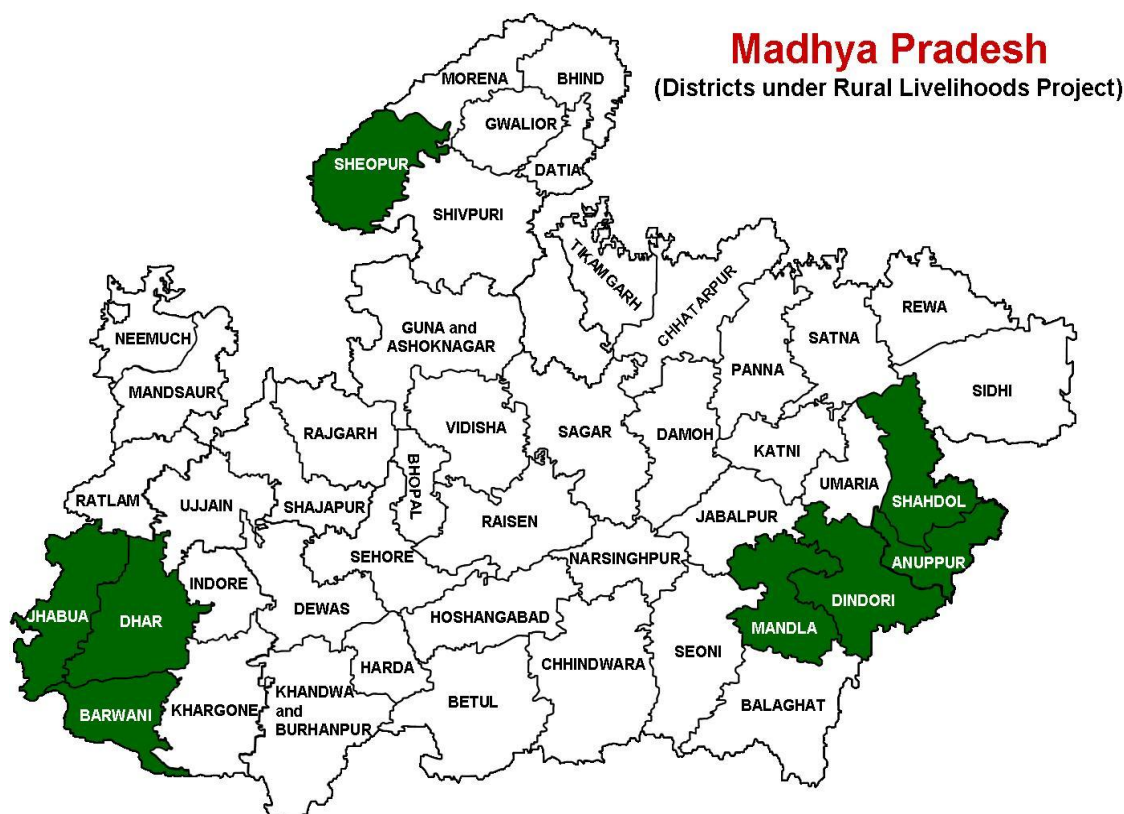
This section summarises the approach and shifts in emphasis from Phase 1 to 2. A number of studies of changes affecting livelihoods in Madhya Pradesh were carried out, which have provided a solid basis of evidence and experience from Phase 1 from which Phase 2 has been developed. They were followed by intensive consultations with Government of Madhya Pradesh, development partners and civil society.

MPRLP2 will build on the model developed successfully during Phase 1 of operating through Gram Sabhas. A significant focus is on **building the capacity** of the Gram Sabha to become a sustainable institution capable of planning and managing its own resources, and ensuring the inclusion of all members in the development process. The implications of various enabling pieces of legislation for Gram Sabhas in Tribal areas will be tested and explored.

Funds will be transferred directly to the Gram Sabha's bank account. These funds will be used to support implementation of livelihood activities identified by the Gram Sabha in its micro plan, with the facilitation and monitoring of Project Facilitation Teams. Social audit, public displays of information and other tools to ensure **transparency and accountability** will be used.

MPRLP2 involves **significant scaling** up within the original 8 districts, from 822 villages to a total of nearly 4000 villages. The project will continue with the policy developed in Phase 1 of selecting the **poorest and most disadvantaged villages**, on the basis of size, female literacy and proportion of Scheduled Tribes.

Map 1: MPRLP district coverage



MPRLP2 will support the development of a wide range of livelihood opportunities and choices for poor people (including farming, labour opportunities, small enterprises, gathering of non-timber forest products, and migration). The focus on strengthening demand for provision of responsive and accountable services which support livelihoods continues. Lessons learnt will feed into approaches for service provision which are sustainable and pro-poor. MPRLP2 also places a greater emphasis on interventions that focus on **protecting** the livelihoods of vulnerable households, such as crop or weather insurance, price stabilisation funds, and personal insurance. These can ensure shocks or stresses do not reduce resources available for productive activity.

This emphasis on livelihoods protection will be complemented by specific work to improve the access of the poorest to existing or new **social protection** schemes. Such schemes encompass programmes that address risk, vulnerability and chronic poverty. MPRLP2 will focus on improving access to existing social protection schemes, particularly the Public Distribution System, pensions and the Madhya Pradesh Rural Employment Guarantee Scheme (MPREGS), in addition to testing and developing innovative approaches.

Circular **migration**, much of it seasonal, is now an integral part of the livelihood strategies pursued by a large number of poor people, particularly tribal people, in Madhya Pradesh. Phase 2 gives greater attention to the centrality of migration as a livelihood strategy.

MPRLP2 has a strong focus on ensuring equitable **access to resources by both men and women**, and on specific activities to reach the poorest. An integral part of the approach is based on ensuring that in all its activities, the project takes into account social and economic inequalities that deprive the poor of access to natural resources, productive assets, government schemes and decision-making and planning processes. Gender and inclusion issues will be addressed both at the community level, as well as at a management level. Its importance under MPRLP2 is indicated in the log frame through a specific output area with dedicated resources.

MPRLP2 will **expand the scope for piloting, demonstrating and learning from new approaches**, sharing these with GoMP, other States and GoI, and working to mainstream effective approaches within Government. The **State Livelihoods Forum** will become the main platform for sharing experience on key issues that relate to tribal development, and to inform policies and practice relating to the protection and promotion of their livelihoods. It will act as a policy think tank for GoMP on sustainable livelihoods issues.

Sustainability of impact will be ensured through:

- I. Building the capacity of the gram sabha as a viable institution capable of planning and managing its own resources beyond the end of the project.
- II. Creation of sustainable natural, physical and financial assets at local levels.
- III. Building the State Livelihoods Forum as a mechanism owned by the Department of Panchayati Raj and Rural Development, which continues to feed lessons from local level into State level debates beyond the end of the project.
- IV. The development of a strong evidence base which can be drawn on by policies and programmes which enhance incomes and employment opportunities for poor people in Madhya Pradesh.

It is hoped that during the project life the emerging evidence base will generate commitment in support of sustaining emerging initiatives or approaches. The final year will also focus on the preparation for and transition to post project structures.

3.3 Economic Justification (see Annex 3)

High poverty, poor economic growth, and forest and mineral wealth that contribute little to state revenues, have resulted in a narrow tax base. Although the fiscal position of GoMP has improved in recent years, fiscal space is still limited. In 2005, GoMP adopted VAT and passed a Fiscal Responsibility and Budget Management Act. Together these should broaden the tax base considerably, and contribute to more effective resource utilisation.

India's recent experience suggests that growth depends in part on increasing agricultural productivity and reducing its volatility. The extent to which State level growth will lift rural people out of poverty will depend on the linkages between specific drivers of growth and remote and marginal areas, and specific policies which can support growth paths which benefit the rural poor. MPRLP2 will contribute both in terms of generating local growth opportunities, as well as building an understanding of the drivers of sustained growth which benefits poor people. Given the very poor resource endowments that are at the disposal of people in Tribal areas, agriculture on its own is unlikely to fuel substantive growth. However, assessing the potential of individual agro-ecological regions will present some specific local economic opportunities.

After participating in this project, it is estimated that direct beneficiaries will be able to generate significant economic benefits:

- Increase their annual income by 30 – 50%;
- Protect their livelihoods and diversify their sources of income thus spreading risk and making gains more sustainable;
- Increase their food security and nutritional status by affording more and better quality food and by improved access to basic services;
- Better access to markets and financial services.
- Improved social capital, through engagement in local governance structures.

Cost benefit analyses of similar approaches in areas of comparable economic potential, have shown good rates of return.

3.4 Social Appraisal (see Annex 4)

Tribal people suffer from **multiple forms of vulnerability and exclusion**, with economic, social, cultural and environmental factors all contributing to their extreme poverty. Their ability to enhance their livelihoods is constrained by a range of inter-related structural, social, economic and institutional barriers. The low population, relative isolation and poor infrastructure in these districts increase the costs of delivery, resulting in poor access to basic social services as well as agricultural inputs, extension services, credit and markets. Even within these districts, there are significant inequalities between tribal and non-tribal people. It is estimated that almost 50% of adult tribal women in Madhya Pradesh are undernourished. Women, and children, often experience deprivation more acutely than men, and many very poor households are female-headed.

This understanding of the nature of poverty, vulnerability and exclusion is reflected in the targeting criteria used in MPRLP. Within villages, MPRLP has developed tools to identify the poorest people, and to ensure that project interventions are targeted at the poorest households in that community. These project tools will be used to facilitate the revision of the official lists of below poverty line households, which are often inaccurate, and help in improving methods for identifying the poor.

Whilst there are several government social protection schemes, access to these is complex and poor people often have to pay to access benefits. Under Phase 2, efforts will be made to focus on improving awareness of and access to existing entitlements for selected schemes through the Gram Sabha. Social audit, the Right to Information Act, and other measures to increase transparency and accountability will be used and will help the Gram Sabha work more effectively and inclusively. Civil society organisations will have an important part to play in this agenda of building the capacity of the Gram Sabha as a channel for the voice of all its members, but particularly the poorest.

3.5 Institutional Appraisal (see Annex 5)

MPRLP2 is strongly aligned to state and central level policy and institutional directions. The forthcoming 11th Five Year Plan will endorse a strong emphasis on rural poverty reduction, and decentralisation. Central policy directives and initiatives have maintained or expanded the rights of the Panchayati Raj Institutions (PRIs) to play an active role in development planning and implementation. Specific legal provisions have provided for greater powers for local democratic institutions specifically in Tribal areas. The 2005 National Rural Employment Guarantee Act – backed with significant resources – is an important indicator of the commitment of the current Government to tackling rural poverty, and envisages a strong role for PRIs.

Gram Sabhas or village assemblies constitute the fourth tier of the PRI system in Madhya Pradesh. Experience in Phase 1 has demonstrated that Gram Sabhas, when provided with guidance and support, are an appropriate institution for planning livelihood interventions. Gram Sabhas have been activated, and are increasingly inclusive in their activities. Funds are being allocated to activities identified by community members, and are starting to have a demonstrable impact on the wellbeing of its members, particularly those from poorer groups. Phase 2 will therefore continue with the current approach of working through the Gram Sabhas, strengthening linkages with existing self-help groups and user groups within the villages, and contributing to capacity building of the PRIs. Gram Sabhas will be provided with the skills and guidance needed to assess livelihood needs of its members, prepare plans, prioritise and manage funds and to monitor implementation. This will enable PRIs to make more effective use of resources from other schemes, such as the Madhya Pradesh Rural Employment Guarantee Scheme (MPREGS). The programme will also build capacity of government staff working on livelihoods and PRIs.

MPRLP2 has a significant emphasis on strengthening partnerships. MPRLP is already working closely with the MPREGS. This partnership will be deepened. MPRLP works and shares lessons with the World Bank funded District Poverty Initiative Project (DPIP). Together, these programmes make a significant contribution to building capacity and evidence within GoMP on tackling rural

poverty. The State Livelihoods Forum will provide a shared mechanism to expand lesson sharing with other donor and government programmes.

3.6 Political Appraisal

Although the politics of MP is dominated by the two national parties, various Tribal and Caste based parties are also emerging as alternative forces. Political debates are driven only in part by development issues. Political incentives are sometimes geared towards creating situations where patronage can be offered, which may limit poor people's access to government schemes and services.

Government services and benefit schemes are often complex and under-resourced, and poor people may have to pay to access them. Programmes and schemes do not always succeed in reaching the poor. This happens in part because the poor are unaware of their rights and entitlements, do not understand how local government works and are unable to make their views known.

Madhya Pradesh has taken significant steps to strengthening the role of women in local government. It was the first State to conduct Panchayat elections with 33% reservation for women. However, lack of mobility, weak social support, low levels of literacy among women, negative attitudes of the officials towards elected representatives and women in particular often constrain the meaningful participation of women.

MP has a few large activist groups working in Tribal areas, particularly on access to and control of land and forest resources.

MPRLP2 will engage at different levels to increase the voices of the poor, by:

- Building the capacity of Gram Sabha and the Gram Panchayat as inclusive democratic institutions, responsive to the needs of all their members, particularly the poorest, women and other excluded groups, and capable of articulating their needs and rights, and holding service providers to account. This will include specific leadership training for women.
- Supporting the formulation and implementation of micro plans which reflect the needs of the poorest, women and other excluded groups within the community.
- Strengthening linkages between Gram Sabhas and line departments to ensure that service providers take account of the specific needs of poor people and are more responsive to them.
- Ensuring engagement of the project with social groups active in project areas to ensure that their views are taken into account.

3.7 Environmental Appraisal (see Annex 6)

Tribal areas generally have soils that are poorer than average and are prone to erosion and decline of fertility. The way these fragile natural resources are managed will determine the impact of the project both on livelihoods and the environment. Much of the project area is susceptible to drought, and local areas are at risk of flooding. Current predictions suggest that the frequency and severity of drought and floods is likely to increase as a result of climate change.

Natural resources are highly location specific, and village micro-plans need to identify opportunities for improving livelihoods based on sustainable natural resource management. These will also strengthen resilience to drought that may be exacerbated by climate change. Links with MPREGS will be used to develop soil and water conservation structures and to reclaim land that is already

degraded. Opportunities for sustainable harvesting of non-timber forest products are also location-specific. Women may have a comparative advantage in some of the natural resource-based opportunities.

Sustainable management of both surface and groundwater resources is essential to meeting the needs of the population. The project will ensure that any further groundwater development take account of availability and sustainability. Harvesting and utilisation of surface water in upland watersheds may impact on water availability downstream.

Domestic water supply and sanitation are areas of significant concern. Fluoride, salinity and iron affect water quality. Water borne diseases are present in 15% villages in the state. MPRLP2 will work closely with other agencies and programmes to integrate hygiene and sanitation plans into the village micro-plans, and to tackle drinking water quality.

The state has an Environmental Planning and Co-ordination Organisation (EPCO), which has prepared an Environmental Policy and a Biodiversity Strategy and Action Plan. However the mandate for regulation and sustainable utilisation of environmental resources is spread over a number of agencies, and co-ordination is weak. MPRLP2 will assist EPCO in realising its objectives. The State Livelihoods Forum will play a role in building the evidence base and linking this to policy making at the state level.

3.8 Monitoring, evaluation, and documentation (see Annex 7)

3.9.1 Milestones

The Inception Phase will take place in 2007, ensuring that operational strategies are outlined, and workplans developed. A final year of the project will be dedicated to ensuring transition and mainstreaming of structures, processes and project approaches developed by MPRLP to government. There will be a joint GoMP/DFID Review Mission every year, to monitor progress.

3.9.2 Monitoring and evaluation

Building on work undertaken under Phase 1, a detailed plan for monitoring and evaluation in MPRLP2 will be developed during the inception period. At the outset of Phase 2 a baseline survey covering the new villages will be commissioned, which will build on the existing Phase 1 baseline, and feed into the Management Information System. A mid-term impact review will take place in 2009. Towards the end of the project in 2012, there will be a final impact review. DFID will organise periodic events to share lessons emerging from livelihoods programmes in India for state and national level stakeholders.

MPRLP2 has an emphasis on lesson learning and dissemination (Output 5). The dissemination of lessons and information will follow appropriate methodologies enabling all stakeholders to contribute to evidence-based policy dialogue. The State Livelihoods Forum will play a stronger role in stimulating informed debate on development issues affecting tribal communities.

3.10 Lessons & Evaluation

A number of key lessons have emerged from Phase 1, which are reinforced by lessons from other donor projects in India. These include:

- The gram sabha can offer a successful model for democratic decentralisation, when backed by government and supported by focused capacity building, particularly in tribal areas;
- Greater impact and sustainability is achieved when institutional development programmes intervene simultaneously at policy, strategy and operational levels, and strengthen existing institutions;
- Ownership and participation by primary stakeholders in identifying, planning and implementing livelihoods initiatives is essential to effectiveness and sustainability;

- Clear targeting is essential to reach the poorest – community groups are not homogeneous and resources may be captured by more influential groups;
- The need to focus more on protecting livelihoods when dealing with the poorest households in fragile environments. Initiatives which encourage livelihoods promotion can be risky where people have minimal assets;
- It is essential to mainstream gender issues in order to ensure achievement of project purpose. Perspectives of both women and men need to be addressed to achieve gender equity;
- Sustainability and exit require detailed planning with stakeholders at design stage. Transition to post-project structures should be budgeted and planned for as a distinctive phase.

4. IMPLEMENTATION

4.1 Management Arrangements (Annex 8)

MPRLP is located within the Department of Panchayat and Rural Development. The project is responsible to an “Empowered Committee” headed by the GoMP Chief Secretary. GoMP appoints the Project Coordinator, who is supported by the **State level Project Management Unit (SPMU)**. The existing SPMU capacity will be enhanced with a number of new technical posts, reflecting the emphases of MPRLP2. MPRLP has dedicated considerable efforts to build systems for recruitment, induction and training of its staff.

A **Technical Co-operation Project Support Unit (TCPSU)** has played an important role in Phase 1 in providing technical inputs. In MPRLP2, this unit will be retained, with a focus on providing strategic guidance, as well as practical support to the implementation and scaling-up, enabling state and district teams to deliver a much expanded programme.

At a district level, Project Management Committees are established and will continue to provide project management guidance and to resolve issues where needed. This committee is chaired by the District Collector (DC). The Zilla Parishad Chief Executive Officer (CEO) and heads of departmental line agencies are members. The CEO is the District Project Coordinator, and is the principal point of contact for the District Project Officer and the **District Project Support Unit**, which coordinates activities within districts. They oversee the work of the **Project Facilitation Teams** who are responsible for livelihoods-related work at village level. These are the front line facilitators building capacity of the gram sabhas. Some are supported directly by NGOs, others are recruited by MPRLP.

4.2 Timing

The project will run for 5 years, with the final year focusing on transition and hand-over, ensuring that government structures and processes have the capacity to absorb systems, structures and approaches which have proven successful. The project will begin on 1st July 2007, and end on 30 June 2012.

4.3 Budget and Funding (see Annex 8)

The total project budget for Phase 2 is £45 million, of which £42 million is allocated to Financial Aid (FA), and £3 million to Technical Cooperation (TC).

Table 1: Budget allocations by Output areas

<u>Logframe Output</u>	<u>Phase 2</u>
Output 1 Support to Gram Sabha	12%
Output 2 Livelihoods	56%
Output 3 Social Protection	12%
Output 4 Gender Equity	4%
Output 5 Informs policy	4%
Administration and human resource development	12%

The FA component will support the programme activities, including transfers to Gram Sabhas, provision of training and staffing, and project operations. TC will be used to fund the TCPSU and its activities in support of implementation, cross-learning activities and project reviews.

FA will be routed through the GoMP Finance Department. DFID will reimburse GoMP following the submission of expenditure claims on a quarterly basis, in accordance with standard procedures.

4.4 Contracting and Procurement

A Technical Cooperation Project Support Unit (TCPSU) will continue to have responsibility for consultancy services for SPMU. Tendering arrangements for goods and services by TCPSU will be undertaken in accordance with standard DFID procedures. DFID India will tender for a service provider for the TCPSU for Phase 2.

4.5 Accounting/Audit

For FA financing, GoMP will provide an annual audited statement, not later than nine months after the end of the financial year, on the basis of an audit of project expenditure by an external independent auditor. Accounts will be also audited by the Comptroller and Auditor General of India, and the report sent to DFID. Provision has been made to employ independent auditors to audit programme expenditures including funds to gram sabhas, to provide an additional safeguard of public funds.

5. RISKS

Overall, there has been no change in the overall level of risk since Phase 1. The risks are deemed **medium**, but with prospects for high return. This section outlines the key external and institutional risks which may arise and specific mitigation measures that will be undertaken to handle these risks.

A. A major natural disaster occurs (Medium probability, medium impact). Major disasters (droughts in particular) occur in Madhya Pradesh, and with climate change, are likely to happen more often. Their impacts are likely to be localised and could adversely affect programme outcomes if a particular region is badly hit. MPRLP seeks to enhance the resilience of the poor to cope with such shocks.

B. Political priority to support decentralisation and the PRI structures is not sustained consistently either in time or across different line departments (medium probability,

medium impact). The central impetus behind decentralisation remains strong. However, there is a need for a more supportive governance environment. Decentralisation initiatives are often dependent on the response of specific politicians or officials. MPRLP2 seeks to demonstrate positive lessons from the engagement with Gram Sabhas, and to communicate this effectively to key decision makers at both state and district levels in order to broaden political acceptance. There will be a need to identify particular champions of change and build up a critical mass of support for decentralisation. The State Livelihoods Forum will have a particularly critical role to play in this.

C. Political interests, particularly in the run up to the 2008 State Assembly elections place pressures on resource allocations and decision making at the local level (medium probability, medium impact). This will be mitigated by a) presence of clear standard operating procedures and manuals within the project on decision making, resource allocations etc; b) clear selection criteria for recruitment of NGO Project Facilitation Teams and staff which screen out those without robust management experience or those most vulnerable to political influence.

D. Wider state policy is not open to influence by evidence on how policy, institutions and processes impact on the lives of poor people (medium probability, high impact). The communications strategy will need to explicitly address the issue of communicating the vision of MPRLP at all levels, as well as promoting regular updates of policy relevant information to key decision makers. Regular interaction with key decision makers at state level is envisaged. Civil society will play an important role in assisting MPRLP to build a consensus around what needs to happen if poverty and hunger are to be reduced for the poor Tribal people in MP. The State Livelihoods Forum provides a major means of mitigating this risk.

E. Rent seeking behaviour continues to constrain the abilities of poor people to access their rights and entitlements (medium probability, high impact). The livelihoods of poor people are constrained by rent seeking behaviour at local levels. Phase 2 proposes to use a number of tools to strengthen transparency and accountability both of the gram sabha to its membership, as well as between line departments, service providers and the gram sabha.

F. Key local service providers fail to respond to increased demand from Gram Sabhas or to adopt innovations in service delivery (medium probability, medium impact). Phase 2 envisages a number of close partnerships with other programmes which plan to make inputs which are complementary to MPRLP. Close partnerships will enable SPMU to flag up any weaknesses in implementation at an early stage. The State Livelihoods Forum and the Executive Committee at State level will provide a mechanism to raise and address these constraints.

G. The funds are not used for the intended purpose or are misappropriated (medium probability, medium impact). A 2007 assessment of financial systems of MPRLP has identified three areas where systems must be strengthened (internal audit, roll out of the Financial manual, and 6 monthly reviews of external audit recommendations). A plan of action is in place to strengthen systems and will be monitored by DFID India on a quarterly basis. A number of mitigating measures have been identified to improve accountability and transparency specifically at the Gram Sabha level.

Risk Matrix Summary

Impact	HIGH	MEDIUM	LOW
Probability			
HIGH			
MEDIUM	D, E	A, C, F, B, G	
LOW			

6. CONDITIONALITY

Partnerships between DFID India and GoMP are based on a shared commitment to poverty reduction and the MDGs, respect for human rights and other international obligations, and to strengthening financial management and accountability. Assessment of progress towards these objectives is carried out during the annual bilateral aid talks. These look at progress in these broad areas as well as specific programme impact. DFID's assistance to GoMP is not conditional on any specific policies.