

MADHYA PRADESH RURAL LIVELIHOODS PROJECT

(PHASE 1)

PROJECT MEMORANDUM

*Document of the Government of Madhya Pradesh, (India) for submission to the
Department for International Development, India for assistance*

March 2003

ACRONYMS, ABBREVIATIONS AND GLOSSARY

ADB	Asian Development Bank
BPL	Below Poverty Line
CEO	Chief Executive Officer (Zila Panchayat)
CFM	Community Forest Management
CIG	Common Interest Group
CPR	Common Property Resources
CSO	Civil Society Organisations
DANIDA	Danish International Development Agency
DEA	Department for Economic Affairs
DFID	Department for International Development
DoP&RD	Department of Panchayats and Rural Development
DPC	District Planning Committee
DPIP	District Poverty Initiatives Project
DPSU	District Project Support Unit
F/A	Financial aid
Gol	Government of India
GoMP	Government of Madhya Pradesh
Gram Kosh	Village development fund
GS	Gram Sabha
Gram Sabha	Village or hamlet general assembly
Gram Swaraj	Village autonomy
GVS	Gram Vikas Samiti (Village Development Committee)
ITDP	Integrated Tribal Development Plan
JFM	Joint Forest Management
MBO	Mass based organisations
M&E	Monitoring and evaluation
MLA	Member of Legislative Assembly
MP	Madhya Pradesh
MPRLP	Madhya Pradesh Rural Livelihoods Project
NGO	Non-Government Organisation
NWFP	Non Wood Forest Produce
OPR	Output to purpose review
Panchayat	Institution of local self-government
Panchayat Raj	Local self-government
PESA	Panchayat Extension to Scheduled Areas Act
PDS	Public Distribution Centre
£.	Sterling pounds
PFT	Project Facilitation Team
PM	Project Month
PMC	Project Management Committee (district level)
PMU	Project Management Unit (state level)
PY	Project year
Rs.	Indian rupees
SHG	Self Help Group
ST	Scheduled Tribes
T/C	Technical co-operation
TIFAC	Technology, Information, Forecasting and Assessment

TRI Council
ZP Tribal Research Institute
Zila Panchayat (District-level self-government)

Exchange rate: Indian Rupees 70.00 = £1.00

Contents

Section

1. Summary and recommendation	1
2. Project logical framework	2
3. Project rationale	
3.1 Background	3
3.2 Policies	4
3.3 Project Approach	6
3.4 Appraisal Issues	9
3.5 Evaluation	14
4. Implementation	
4.1 Project Management Arrangements	14
4.2 Timing	15
4.3 Inputs	15
4.4 Contracting and procurement	16
4.5 Accounting	17
4.6 Monitoring and evaluation	17
5. Risk analysis	17

Annexes

DFID Appraisal Annexes

1. Technical Appraisal Annex	2
2. Governance appraisal	11
3. Social appraisal	17
Appendix 1: Summary stakeholder analysis	25
Appendix 2: District-wise data on key indicators	31
4. Economic Justification	32
5. Environmental Appraisal	37

Government of M.P. Annexes

6. Project Approach	49
7. Technical/Livelihood Interventions	60
8. Budget and Management Responsibilities	72
9. Milestones, Monitoring and Review of Effectiveness	80

1. SUMMARY AND RECOMMENDATION

1.1 It is recommended that DFID approve £16.41 million (constant prices) over 3 years (2003 – 2006) to support Phase 1 of the Madhya Pradesh Rural Livelihoods Project. This comprises:

- £13.89 million of financial aid funds; and
- £ 2.52 million of technical co-operation funds.

1.2 The project will operate in six predominantly tribal districts: Badwani, Dhar, Jhabua, Mandla, Dindor and Shahdol, all amongst the poorest in Madhya Pradesh. It will support the GoMP to respond to poor people's livelihood choices in 600 villages (approximately 43,000 poor families) through multiple livelihoods strategies based on natural resources, enterprise development and non-farm livelihoods support including migrant labour support and access to information.

1.3 The proposal envisages a central role for the *Gram Sabhas* (village assemblies) in approving and monitoring village development plans. This project would therefore be pioneering in its support to the recent *Gram Swaraj* policy (2001) of GoMP and to national level guidelines that Panchayati Raj Institutions (PRIs) should play a stronger role in planning and monitoring participatory management of natural resource with the support of line departments.

1.4 DFID support will address a financial resource gap for livelihoods enhancement within the present schemes. This will be achieved through building capacity and providing direct funds to *Gram Sabhas* and contributing to the improvement of district systems for planning, implementation and monitoring service delivery in support of poor people's livelihood strategies.

1.5 A Rural Livelihoods Forum would be established at state level to evaluate experiences from rural development programmes in the state, commission analyses and make recommendations on actions that would improve the impact of GoMP policies and programmes targeting rural poverty. Issues of social exclusion would therefore be tackled both through the state and village level support.

1.6 The logframe is appended to this main section, in summary:

- Goal:** Livelihoods of poor rural people in Madhya Pradesh sustainably enhanced.
- Purpose:** Effective programmes and policies that sustainably enhance the livelihoods of poor rural people implemented in tribal districts of Madhya Pradesh.
- Output 1:** Ability of *Gram Sabha* (village assembly) and associated *Gram Vikas Samiti* (village development committees) to identify and implement more effective support to poverty reduction using direct funding improved in 6 districts

- 2: Livelihood strategies based on watershed and community forest management, and enterprise development implemented by functioning and inclusive community institutions in 6 districts
- 3: Ability of district level institutions to converge resources and respond to innovative and community driven initiatives for poverty reduction improved in 6 districts.
- 4: More effective mechanisms to inform policy-makers and implementers and enhance learning by action established within GoMP.

1.7 The Department of Panchayats and Rural Development, GoMP will be the nodal agency, although the project will be largely implemented by district authorities. The departments of Tribal Welfare, Forests, Agriculture, Animal Husbandry and the SHG Directorate will be closely involved at both district and state levels. NGOs and community-based organisations will have a substantial role.

1.8 An independent review of project effectiveness would be undertaken to inform a joint DFID/GoMP/Gol Output to Purpose Review at month 30. The OPR would consider the appropriateness of a second phase of DFID support, which would depend on effectiveness in enhancing rural livelihoods, the project contribution to wider policies and programmes of GoMP and on subsequent developments within rural sectors in MP.

2. PROJECT LOGICAL FRAMEWORK

2.1 The project logical framework is set out below. A more detailed framework will be developed during the project's inception phase, including agreement on project targets and indicators through a multi-stakeholder workshop.

3. PROJECT RATIONALE

3.1 BACKGROUND

3.1.1 Madhya Pradesh (MP) remains the fourth poorest Indian State with a per capita income of only three-fourths the national average. Out of an estimated population of 60 million, 75% are rural with 37% of the rural population estimated as living Below the Poverty Line (BPL). MP has a large population of Scheduled Tribes (20%) and Scheduled Castes (15.5%), who are amongst the most marginalised and vulnerable.

3.1.2 The ability of the rural poor to enhance their livelihoods is constrained by a range of inter-related structural, social, economic and institutional barriers. The situation of the poor is characterised by marginal and under-productive landholdings, periodic droughts, insecure land tenure and a reliance on seasonal agricultural and forest labour. The low population, relative isolation and inadequate reach of infrastructure in some districts increase the costs of delivery, resulting in poor access to agricultural inputs, extension services, credit and markets. The rural poor in forested areas, particularly tribal populations, are dependent on forest resources for subsistence, income and employment.

3.1.3 Districts with considerable tribal and scheduled caste populations typically represent the most deprived areas. Preliminary poverty and livelihoods assessments suggest three major challenges:

- i. Land based livelihood strategies are under productive and insecure;
- ii. The poorest depend upon daily wage labour and face difficulty in obtaining sufficient days' work in either their villages or in neighbouring areas to which they migrate;
- iii. Poor access to resources, markets, information and services, presents a significant constraint to realising the potential of available opportunities; and hinders diversification of livelihood strategies.

3.1.4 These challenges are made more difficult by the comparative lack of integration of tribal populations into mainstream Indian economy and society. In addition, funds available for rural development and poverty reduction are limited, tied and spread too thin, not allowing the necessary scale to be effective.

3.1.5 Due to the scale of poverty in tribal districts, the need for funds is acute. The existing funds available (mostly under the GoI schemes) are tied and do not allow prioritisation at the state or district level¹. GoMP intends to implement a programme that targets 17 of the most disadvantaged districts². The total population of these districts is about 22 million. This memorandum proposes DFID support to an initial 3-year phase targeting six districts³, providing additional resources and promoting

¹The GoI spending on rural development (plan and non plan) has decreased from 0.47% of GDP in 1990-91 to 0.24% in 1999-00 and 0.19% in 2000-01 (RE).

² Sheopur, Ratlam, Jhabua, Dhar, Badwani, Khargone, Khandwa, Betul, Chhindwara, Seoni, Jabalpur, Katni, Umaria, Shahdol, Dindori, Mandla and Balaghat and parts of Harda, Hodhangabad and Dewas

³ Jhabua, Dindori, Barwani, Mandla, Dhar and Shahdol.

convergence and improved effectiveness in support of poor people's livelihood choices.

3.2 POLICIES

3.2.1 The Government of India's (GoI) poverty reduction policies have evolved significantly over the years, although the pace of reform and their implementation in different states has been greatly influenced by political feasibility and commitment. The Planning Commission⁴ has outlined the broad thrust of '*what a future poverty reduction policy should include*', which broadly coincides with GoMP's policy direction:

- i. Increased investment by Government in the provision of efficient and effective health and education services and in rural asset formation.
- ii. Greater decentralisation of local planning to the district level and below through the *Panchayati Raj* (local self-government) institutions, with implementation managed at the village level and below.
- iii. Improved efficiency and effectiveness in delivery of social safety-related expenditure.
- iv. Accelerated reform to foster private sector growth and investment, with the government increasingly assuming a regulatory role and withdrawing from managing large-scale subsidies.

3.2.2 MP is committed and innovative in its approach to poverty reduction and participatory governance. It was the first state to prepare a Human Development Report and has formulated a state policy on Women. Significantly, MP was the first state in India to hold elections in response to the 73rd Constitutional Amendment for the *Panchayati Raj* institutions, with one-third of seats reserved for women. In 1999, the state government devolved planning to the District Planning Committees (DPCs), which include elected representatives (legislature and *panchayat*) and government officials. In January 2001, MP enacted the *Panchayati Raj and Gram Swaraj (Sanshodhan)* Act, which mandates further devolution of powers and resources to *Gram Sabha* or the village assembly. The second MP Finance Commission Award is likely to significantly increase the share of state expenditure placed at village level.

3.2.3 While the implementation of *Gram Swaraj* is still in its early stages, these measures potentially allow a greater degree of transparency, downward accountability, community participation, responsiveness to poor people's livelihoods priorities and needs; and hence the increased effectiveness of government investment in poverty reduction. Building capacity and links across *Gram Sabhas*, the three tiers of *panchayats* and newly constituted DPCs represents a significant challenge for the state.

3.2.4 Currently, GoI and GoMP commit significant financial resources through a large number of schemes and institutions that aim to strengthen rural livelihoods. Many of these schemes focus on reducing poor people's food insecurity through short-term wage labour opportunities, and hence

⁴ Mid-term review of the 9th Development Plan and the Approach Paper for the 10th Plan.

act more as social safety nets. Others aim to improve village infrastructure, resource productivity (through investments in agriculture, soil and water conservation, watersheds, and forestry) and support micro-finance and micro-enterprise development. However, given the scale of rural poverty and the current national and state fiscal stress, available resources are not sufficient to achieve the desired impact on poverty reduction. Their scale, effectiveness and impact will need to increase significantly.

3.2.5 Within MP, a significant initiative to enhance the effectiveness and co-ordination of government schemes and programmes has been the use of the Rajiv Gandhi Mission approach. Four missions are currently operational, including in watershed management and food security in selected tribal villages.

How does this support fit with DFID's policies and plans?

3.2.6 DFID's Country Strategy Paper for India (1998) identifies Madhya Pradesh (MP) as one of the four partner states for its bilateral support. Enhancement of livelihoods of poor people living in rural areas is one of the priority areas agreed with GoMP for DFID support in MP. According to the strategy Paper, DFID plans to support government initiatives that strengthen the ability of the rural poor to pursue diverse livelihood strategies, sustainably manage natural resources, access services and claim rights. Through this support, DFID would assist GoMP to strengthen district planning and implementation capacity, which promotes cross-sectoral co-ordination amongst line departments and responsive and accountable district and village governance.

3.2.7 This Project will have considerable synergy with the proposed DFID support to GoMP for (1) building capacity for decentralised governance and improved access to services for the poor and (2) to a new GoMP Community Health Mission, which includes support to strengthened district planning capacities amongst its aims.

Other donors' policies and plans

3.2.8 The World Bank's District Poverty Initiatives Project (DPIP) covers 14 predominantly non-tribal rural districts in MP. The Project is generating valuable lessons on how the poor respond to the opportunity to take direct control of expanding their range of livelihood options. There is also potential for synergy with the World Bank's proposed support for Community Forest Management, given the central role of forest-related livelihoods for many of the poor in tribal areas.

3.2.9 DANIDA currently has two Projects with the MP Department of Agriculture, supporting livestock and watershed development respectively. The IFAD/World Bank Project to support Women's Self-Help Groups through the MP Women's Development Corporation is also generating valuable lessons.

3.3 PROJECT APPROACH

What opportunities does this support address?

3.3.1 This Project aims to build upon the following opportunities in MP:

- The MP *Panchayat Raj and Gram Swaraj (Sanshodhan)* Act and associated GoMP investment in village development funds and capacity building plans for the newly established *Gram Sabha* committees;
- Recognition and commitment by GoMP of the need to address poverty by promoting more sustainable livelihoods. It has constituted a Task Force on Unorganised Labour to examine the particular problems of workers in the unorganised sector. A programme of land redistribution is also underway.
- Positive GoMP experience with a series of interventions that have demonstrated rapid and visible impacts on rural livelihoods; including watershed development, Joint Forest Management, micro-enterprise development and rural roads.
- The state-wide expansion of the Rajiv Gandhi Watershed Mission provides an important opportunity to demonstrate approaches that can bring increased livelihood benefits, particularly for the landless, tribal communities and women.
- In addition, a new state-wide Mission proposes to expand the number of village-level Self-Help Groups through a cadre of community youth animators.

3.3.2 To enable the Project to effectively build on the existing opportunities, there are certain constraints that need to be taken into consideration - although these are being lessened by the new architecture of decentralisation being put in place:

- The target oriented and uniform nature of most government initiatives;
- Relationships between district officials and communities that are largely based on hierarchical administrative systems and upward accountability;
- Lack of timely fund flows to the *Gram Panchayat*;
- Inadequate voice of the poor and socially excluded in *Gram Panchayat* and *Gram Sabha* meetings;
- Poor access to services and resources, exploitative power relationships, and lack of relevant and timely information; and
- Lack of evidence based learning channels to identify strategies to strengthen rural livelihoods and inform policy and programme development.

3.3.3 Evidence from Projects in Madhya Pradesh and elsewhere show that approaches that rely primarily on impacts from land-based investments can address only some causes of poverty and insecure livelihoods, particularly for households with small landholdings and limited access to forest. Almost 70% of tribal households use less than 3 hectares of under productive land; 20% have less than 0.5 hectares. Many of these

households rely on wage labour for much of the year to generate cash income for food security and other necessities. There is significant scope to increase agricultural productivity even for very small landholdings and the returns from forest based collection, marketing and processing activities. It should be possible to develop micro-enterprises for a proportion of households, although this process will be heavily constrained by limited entrepreneurial skills and market opportunities, and business support infrastructure.

What will the support be for? (Annex 1: Technical Appraisal and Annex 6: Project Approach)

3.3.4 The Project will support two sets of activities:

- Enhancing the untied funds available to support GoMP identified ‘best bets’ and their implementation under the developing system of *Gram Swaraj* in six predominately tribal districts;
- Operation of a Rural Livelihoods Forum at the state-level to undertake action research to identify evidence of what works when trying to address the structural, social, economic and institutional barriers to enhancing rural livelihoods and reducing rural poverty.

Supporting Best Bets at District level and below

3.3.5 The Project seeks to present a two-track strategy to address the livelihoods issue in tribally dominated districts of MP. The first track seeks to enhance livelihoods through improved access and productivity of land, water and forest resources of poor people through Integrated Watershed and Community Forest Management. The second track seeks to promote enterprises that lead to value-addition of agricultural and forest produce as well as other micro-enterprises, providing employment and income opportunities to the rural poor.

3.3.6 The key innovative institutional aspect of the approach is that the bulk of the Project funds will be channelled from the *Zila Panchayat* to the Gram Sabha (village assembly), which will hold these funds in its *Gram Kosh* (village fund). Gram Kosh have been set up in all the villages of MP under the *Panchayat Raj and Gram Swaraj (Sanshodhan)* Act. The Project will focus considerable efforts on the development and performance of the Gram Sabha as the key monitoring and implementing agency (under *Gram Swaraj*), as well as other organisations in which poor people are represented. Support will also be provided at the district level to build capacity and systems, strengthening district planning and facilitating greater accountability and responsiveness to village level plans.

The Rural Livelihoods Forum

3.3.7 The purpose of the Rural Livelihoods Forum would be to act as a high quality feedback loop within government, through the Project’s Empowered Committee, complementing traditional reporting and monitoring activities

within GoMP. Areas for analysis and action research would be expected to cover among others:

- Identifying how to increase the poverty focus of following interventions:
 - Watershed Development
 - Joint Forest Management
 - developing SHGs
- Testing of innovative ideas for poor people's livelihood enhancement;
- The key adaptations which district government and other public bodies need to make to respond to the challenge of *Gram Swaraj*;
- Working to establish how the roles and functions of key line departments match their evolving responsibilities as service providers and what might work in supporting departments, and their staff, evolve to better match their roles.
- Identify and recommend actions to address social, economic and institutional barriers to increasing livelihoods.

3.3.8 The Livelihoods Forum, to be housed in Tribal Research Institute of the state government, would be an autonomous association of development agencies, which will function as a think-tank for the Project. Overall direction and definition of the work programme would come from a Steering Group. The Steering Group's membership would include GoMP policy makers, development professionals, social scientists, NGO representatives, a DFID representative and key resource persons from outside MP.

What are the Expected Benefits?

3.3.9 A major benefit would be focused interventions to reduce poverty in the most disadvantaged districts of Madhya Pradesh. It is anticipated that around 43,200 households in approximately 600 villages would be targeted during the first phase. It should also lead to the identification of livelihood options on what works best or does not work and ways forward in improving the effectiveness of service delivery for GoMP.

3.3.10 DFID support will address a financial resource gap for livelihoods enhancement within the present schemes. This will be achieved through building capacity and providing direct funds to *Gram Sabhas* and contributing to the improvement of district systems for planning, implementation and monitoring service delivery in support of poor people's livelihood strategies. Since DFID funds are untied, they provide an opportunity to test and identify best practices/approaches and what lessons can be incorporated in the wider government system, thereby enhancing the effective investment of other funds available with GoMP.

Sustainability of Benefits

3.3.11 Sustainability of investments at village level is expected to be greater than through other presently administered schemes. This is due to improved participation and ownership by community groups and the key assumptions of improved accountability and responsiveness that underlies the introduction of decentralised planning and implementation. The Rural Livelihoods Forum will further investigate issues related to the sustainability of rural development interventions.

Participation of stakeholders

3.3.12 The primary stakeholders are the *Gram Sabha*, village- and group-level institutions and poor households in the Project area, as well as the village professionals. During the Project preparation consultations were held with these stakeholders. District livelihood plans drafted in consultation with key stakeholders also informed the design. Representatives from a range of line departments participated in defining the main elements of the Project.

Options for Review and Change During Implementation

3.3.13 The Project design offers a number of opportunities for review and change. Flexibility will ensure that the approach can respond to the viewpoint of beneficiaries and stakeholders. The Livelihoods Forum provides an important mechanism for refining the approach based on analyses and Project experiences. Regular reviews will be undertaken to monitor progress against agreed milestones. A joint GoMP/DFID appraisal of Project progress and lessons learned will be held in Project month 30, as a precursor for deciding the form and size of continued DFID support to rural livelihoods in MP. This will draw extensively on the Project Effectiveness Report and a review of the Project's intermediate level outcomes (to be reflected in the logframe's purpose) scheduled early in project year (PY) 3.

3.4 APPRAISAL ISSUES

Technical appraisal (Annex 1)

3.4.1 Innovative features are that the project adopts multiple strategies in support of poor people's livelihood options, works through and strengthens decentralised institutions at district and village levels, and plans to establish a Rural Livelihoods Forum at state level for experience sharing between rural poverty programmes and to inform government policies and programmes. The design is consistent with national level guidelines that Panchayati Raj Institutions (PRIs) play an increasingly key role in planning and monitoring participatory natural resource management with the support of line departments.

3.4.2 The project approach (annex 6) was prepared by GoMP and details how the project intends to identify and respond to the livelihood options of the poorest people in target districts. The MP context of the proposed livelihoods strategies and key technical issues that the project will need to address are summarised in Annex 1. In addition, issues related to poor people's rights and improving livelihoods outcomes from watershed and joint forest management programmes are further discussed in the environment and social annexes. Issues related to improving poor people's access to services and the effectiveness of government institutions/programmes are also discussed in the governance and economic annexes.

3.4.3 The project will need to monitor the quality of participatory planning processes, the impact on people's livelihoods and to reflect on the balance of support between the natural resource based and non-farm livelihoods strategies. The extent to which the type of livelihoods support and source of technical inputs is genuinely decided by people's local institutions rather than by line department functionaries will need close attention. Although the design is based on principles of innovation and learning, flexibility risks being lost if overly rigid implementation guidelines and physical targets are established at district levels.

Governance appraisal (Annex 2)

3.4.4 The project is potentially well positioned to support and take advantage of recent changes introduced as part of the government's decentralisation policy. However, hopes within the Government and by other stakeholders that *Gram Swaraj* will create greater opportunities for better and contextually relevant responses to poverty challenges, with improved accountability, are still largely untested. There are tensions within the present system, including:

- Resistance to changes that place more decision-making powers in the hands of village committees and panchayat bodies. The project will need to support line department staff to redefine and develop new roles.
- The emphasis that MP places on participatory democracy at village level (through *gram sabhas*) diminishes space for the two lowest tiers of *panchayat* established by the 73rd constitutional amendment. During project implementation, district officials and project facilitation teams will need to coordinate appropriately and manage any local tensions arising as a result.

3.4.5 Building the capacity of village based institutions to both plan and implement livelihood-improving investments will take time. The Project is designed on the assumption that supporting these institutions to strengthen capacity will be done most effectively *by doing*. Funds will flow directly to the *Gram Sabha* for implementation, while resources for capacity building of the *Gram Sabha* and other village based institutions will be made available within the Project. Districts will need guidance and support from the project to use the funds wisely.

3.4.6 A key challenge will be to see how far the Project, through the Livelihoods Forum, can identify lessons of what works and what is feasible to implement, and whether this can inform evidence based policy. Exploring how service delivery of rural development programmes/schemes can be made more effective would be a major theme in the work commissioned by the Livelihoods Forum.

3.4.7 A number of issues need to be addressed and resolved in the inception phase of the project, in order to meet project month three milestones for production of implementation guidelines and establishment of the Livelihoods Forum. These include the detail of organisational arrangements, especially roles, responsibilities and relationships connecting the Dept. of Panchayats and Rural Development, the Empowered Committee, Project Director, Livelihoods Forum, district administration, zila panchayat, gram sabhas, SHGs and CIGs. The detail of fund flow, accounting and accountability issues, as well as the project guidelines (including issuing authority, dissemination and timetable) will need to be addressed during the inception phase.

Social Appraisal (Annex 3)

3.4.8 The State Human Development Report highlights widespread poverty and marginalisation amongst rural populations in the Project districts. The six districts selected for Phase I have a high tribal population (over 45%) and five of the districts are amongst the lowest in terms of the Human Development Index, with Jhabua and Shahdol being among the lowest ranking districts in the Gender Development Index.

3.4.9 The situation of the poor is characterised by low levels of literacy, poor health status, food insecurity, social exclusion, low levels of economic development, inadequate representation in key decision-making bodies, and poor reach of development interventions and services. In the Project districts, the poor and vulnerable include; tribal populations, scheduled castes, women, landless and displaced households, and migrant and casual labourers.

3.4.10 Currently, GoMPs social policy articulation is supportive of poor and marginal segments like 'Dalits' i.e. tribals and Scheduled Castes, and women. Social appraisal issues focus on how livelihood constraints of poor people can be met by leveraging existing government programmes cascading from the progressive policy instruments.

3.4.11 The projects focuses on second-generation issues related to watershed management as a poverty reduction strategy. Equity concerns need to be addressed, as landlessness and insecure tenancy are constraints faced by the poor. The project will develop mechanisms to collaborate with the Task force on Land Issues and leverage the ongoing programmes of the Revenue department at the village level. The project will also need to develop a strategy to engage in forest villages, which are amongst the poorest as they cannot access regular development funds.

3.4.12 Recognising the vulnerability of migrant labourers, the planned support programme, will focus on developing bargaining skills, technical expertise and disseminating information on legislative rights will operate at the village level. The project also provides a good testing ground for putting into practice the action plan to be drawn up by the GoMP constituted Task Force on Unorganised Labour. Building on existing government apparatus for tribal development, the project will also seek to explore ways of strengthening the process of Tribal Sub Plan planning and implementation.

3.4.13 The project will need to develop and implement its gender strategy based on the GoMP women's policy, which is currently being revised. It will need to define a participation norm for women, reflecting not just representation but participation in decision making as well.

3.4.14 The project envisages collaboration with NGOs for capacity building, action research and information dissemination. Mass Based Organisations, working on tribal right issues are active in the project districts. It is pertinent for the project to develop a wider strategy for engagement with CSOs.

3.4.15 The project, through the livelihoods forum, offers a platform for giving 'voice' to the concerns of the poor and excluded in policy influencing forums. Mechanisms will need to be developed to allow such upward linkages to the livelihood forum, both directly by the poor and through the livelihood promoters/ project facilitation teams.

3.4.16 The project milestones will need to include design of mechanisms for linkages of the project with the learning forum, design and development of the gender strategy in conjunction with the State Women's policy, the guidelines for selection of beneficiaries, and the strategy for engagement with CSOs. Mechanisms for collaboration with various policy forums such as the Task Force on unorganised labour, Land Issues and The Dalit agenda also need to be reflected in project milestones as they are developed during inception.

Economic Appraisal (annex 4)

3.4.17 A variety of market failures give GoMP an important role in poverty reduction. And, as MP is predominantly rural, the correction of market failures associated with rural livelihoods is key. But in recent years a worsening fiscal situation has reduced the extent to which the government has the resources required to intervene, and specifically, has disproportionately reduced investment spending. This reduction in rural public investment spending is leading to deterioration in the rural economic infrastructure of the state. As MP's poverty is predominantly rural this drag on rural economic growth is creating a poor environment for present and future poverty reduction.

3.4.18 For the long-run GoMP is taking steps to address its weak fiscal position, and progress has been made in both reducing the overall fiscal

deficit and reallocation of resources to activities where there is a legitimate reason for government intervention. But in the short run there are insufficient funds for government to intervene in efficient ways to allow the rural poor to remove themselves from poverty. This project provides resources for a range of interventions so that work can begin on fostering rural economic growth without waiting for resolution of the fiscal issues.

3.4.19 There is little consensus on what the “best” interventions are. Perhaps because the most cost effective interventions are specific to particular areas and a range of other factors. However, there is consensus that optimal interventions will be chosen from a menu of primary education; reducing communicable diseases; improving water and sanitation; growth in agriculture and allied sectors; and reducing household insecurity. This project will intervene in these areas.

3.4.20 There is also broad consensus that resources must be well targeted and efficiently spent. In MP the key political change process that aims to ensure effective spending and efficient targeting is decentralisation. This aims to allow decisions about how to spend the resources, and monitoring of that spending, to be carried out at a political level where there will be strong personal responsibility. That said, the fiduciary risks of the project will still be mitigated against through a careful auditing process. In addition to the fiduciary benefits of decentralisation, work by the World Bank provides strong evidence that the poor know which interventions will most improve their livelihoods. So there is a strong case for giving the poor the power to make resource allocation decisions solely in terms of maximising the poverty elasticity of an intervention.

Environmental Appraisal (annex 5)

3.4.21 The livelihoods of poor tribal and scheduled caste populations in the Project districts are highly dependent on natural resources and are vulnerable to periodic droughts and environmental degradation (reduction in quality and quantity of forest resources, groundwater depletion, and soil erosion). The sustainable utilisation of groundwater reserves is currently constrained by imperfect policy framework and planning. In addition, constraints to the full implementation of existing GoMP legislation on land holdings in tribal areas limits poor people’s secure access to productive land.

3.4.22 The Project will support participatory planning and implementation of land and non-land based activities, which increase livelihood opportunities for the poor through watershed development programmes, community forestry management and micro-enterprises. Environmental impacts of Project activities could be positive or negative depending on the type of land and non-land based activities identified by communities, technical capacity of implementing agencies and development/Adaptation of appropriate technology.

3.4.23 The likely environmental benefits of watershed development and JFM range from hydrological, soil conservation, to the conservation of flora and fauna. Potential negative environmental impacts associated with

watershed development include local trade-offs in water use for agricultural practices and drinking water.

3.5 EVALUATION

3.5.1 The design of this Project is based on learning and evaluation of previous experience, especially:

- The experience of GoMP's Watershed and JFM programmes including the benefits to poor rural people derived through their participation in improving and sustainably managing the natural resource base.
- The recent reports of the Technology Information, Forecasting and Assessment Council (TIFAC) on the potential of markets for herbal and medicinal plants.
- DFID's Western and Eastern India Rainfed Farming Projects including the importance of careful training and support of village-level facilitators and volunteers and the significance of non-land based livelihoods and returns from migration.
- Evidence that ownership and participation by primary stakeholders in identifying, planning and implementing livelihood initiatives is essential to their effectiveness and sustainability⁵.
- The growing literature on how organisations can support learning, which emphasises that organisations cannot learn what works and what they're good at unless they test their assumptions, as well as separate design of what needs to be learnt from implementation.

4. IMPLEMENTATION

4.1 Project Management (*Annexes 6 & 8*)

4.1.1 The Project will be located within the Department of Panchayats and Rural Development. It will be responsible to an 'Empowered Committee' headed by the GoMP Chief Secretary. A GoMP officer will be appointed as the Project Co-ordinator, supported by a Project Management Unit (PMU), with primary responsibility for effective Project implementation and monitoring. Although the project is integrated within existing GoMP institutions at state and district levels, a limited number of new positions have been proposed (outlined in Annex 8, para 2.3). All Government staff involved in the project will be funded through the Rural Development Department budget.

4.1.2 Overall strategic direction for the Livelihoods Forum and development of the work programme will be by a Steering Group. The Project Co-ordinator will act as Secretary to the Steering Group. The Steering Group of the Forum would designate a member to be its convenor. Logistic, administrative and management support for the forum

⁵ E.g. Mainstreaming Participatory Watershed Development, Economic and Political Weekly, Jan. 2002. and The Approach Paper for the 10th Plan, National Planning Commission, New Delhi (2001)

and its steering group will be provided by a support unit/secretariat housed within the Tribal Research Institute (TRI) in Bhopal. DFID will provide support for accessing international resources.

4.1.3 Project Management Committees will be established at district level, chaired by the District Collector and with other members including the District Chief Executive Officer (CEO), district heads of the departments of Forests, Agriculture, Tribal Welfare, Industries, Lead Bank Manager and co-opted experts. The PMC will periodically report to the *Zila Parishad*. The CEO will be the district Project Co-ordinator supported by a District Project Support Unit (DPSU) for implementation of the Project.

4.1.4 At village level, Project support will be managed by the Gram Vikas Samiti (village development committee) and other relevant committees of the Gram Sabha.

4.1.5 DFID (I)'s Deputy Programme Manager for MP will act as the Project Officer. The MP Rural Livelihoods Adviser will act as Lead Adviser, supported by the MP Programme Social Development, Economics, Environment, Enterprise and Governance Advisers.

4.2 Timing

4.2.1 Phase I of the Project will run for three years. The decision on further funding under a second Phase will be taken after the OPR scheduled for Project month 30.

4.3 Inputs (*Annex 8*)

4.3.1 DFID will provide £13.89 million F/A funds as an untied grant. Project funds will complement State Finance Commission allocations. There are no direct financial inputs from the GoMP into this Project. However, management and implementation of the Project rests entirely with the GoMP since key personnel at State and district level will be heavily involved. Government staff will continue to be paid from the departmental funds of the Rural development Department. DFID funds would not displace resources allocated to a village under other government projects and schemes. Resources available for poor people would thus be scaled up.

4.3.2 DFID will provide £2.52 million as TC funds, including a contingency of £0.94 million which will be administered directly by DFID. A summary of the budget provided in Annex 8 is provided below:

Financial Aid	PY1	PY2	PY3	Total £ ,000
Output 1 – Gram Sabha level capacity building	214	429	643	1,286
Output 2 – Gram Sabha level support to livelihood enhancement	1,500	3,000	4,500	9,000
Output 3 – district level interventions	629	800	800	2,229
Output 4 – state level learning mechanisms	154	154	266	574
Project administration, training, monitoring, communications	314	243	243	800
FA sub-total	2,811	4,626	6,452	13,889
Technical Cooperation				
Capacity building & institutional development at district and Gram Sabha levels	129	129	129	387
State level learning and livelihoods forum	300	300	300	900
Project reviews and evaluations	17	17	91	125
Training and study visits	57	57	57	171
Contingency	314	314	314	942
TC sub-total	817	817	891	2,525
TOTAL	3,628	5,443	7,343	16,414

4.3.3 Funds at Gram Sabha level will be held in the *Gram Kosh* of the selected *Gram Sabha* and will be managed by the GVS. District level funds will be held in the ZP account.

4.3.4 The Project Co-ordinator will produce detailed budgets and plans on an annual basis, reflecting experience of what has worked in the previous year that will then be agreed by the DFID (I) Project Officer and GoMP.

4.4 Contracting and Procurement

4.4.1 The Project is required to carry out extensive procurement of local goods and services. The use of F/A funds will follow GoMP procurement guidelines following appraisal by DFID's Contracting and Procurement Advisory Service. The Project Authority's procurement committee will have a representative from DFID (I).

4.4.2 Procurement of goods and services with Technical Co-operation funds will follow normal DFID procedures, guided by DFID's Contract Unit, Delhi. A procurement agent will be contracted to support with the procurements of goods and services from TC funds.

4.5 Accounting

4.5.1 DFID India will reimburse GoI retrospectively against quarterly claims and achievement of agreed milestones.

4.5.2 GoMP financial guidelines require that Panchayat and *Gram Sabha* accounts be audited by the prevailing audit regime as a condition for further disbursements. The Comptroller and Auditor General of India will audit all Project expenditure and submit Annual Audited Statements for each financial year within one year of the close of the financial year. DFID may request these statements to be supplemented by independent audits, particularly of PFTs and the relevant accounts of Gram Sabha and associated committees.

4.6 Monitoring and Evaluation (*Annex 9*)

4.6.1 Monitoring and evaluation will be undertaken at three levels: i) participatory monitoring of livelihood and environmental outcomes at village level; ii) input and output monitoring related to Project activities; and iii) qualitative process and outcome monitoring undertaken by an independent organisation. An early project activity will be the development of simple monitoring systems at district and village levels. Periodic impact assessments would also be undertaken.

4.6.2 An independent review of project effectiveness would be undertaken and completed by project month 30 (see Annex 9). Effectiveness is defined as the contribution of Project support to the three livelihood challenges in para. 3.1.3. This would be a comprehensive review of the project approach and activities and would assess progress against the project's intermediate level outcomes (reflected in the logframe's purpose).

4.6.3 The Project duration is three years with reviews against agreed milestones undertaken on a six-monthly basis. A joint GoMP/DFID/GoI appraisal of Project progress and lessons learned will be held in Project month 30, which will also consider the appropriateness of a second phase of DFID support. This will draw extensively on the results of the independent review outlined in para 4.6.2. A formal output to purpose review of the Project will be undertaken in conjunction with this joint appraisal.

5. RISK ANALYSIS

5.1 The risks identified include:

Risk A: India and Madhya Pradesh have both reduced the incidence of rural income poverty, especially during the 1990s. What role public policies and programmes have played in that process is not clear, and is much debated. Evidence would suggest that, at least in rainfed areas of the country the combination of irrigation on whatever scale, publicly generated employment and the public distribution system with infrastructure

development has been enough to make a substantial difference.⁶ The risk is that existing programmes and schemes will not make a difference.

Risk B: On the other hand the risk that MP's exceptionally radical decentralisation policy, *gram swaraj*, will fail to deliver significant benefits to the poor and very poor is lower than that facing other decentralisation policies which do not devolve power to the village (and even hamlet, in tribal areas) to the same degree. However, *hostile politicians and officials may threaten gram swaraj itself*. The latter may use implementation guidelines to constrain the real autonomy of village institutions. Even if *Gram Swaraj* were discontinued (as occurred in the State of Chhattisgarh after its formation), the project approach is likely to continue through the Gram Panchayats and Gram Sabhas.

Risk C: The quality of village-level institutional development depends significantly on the skills of village professionals whether volunteers or recruits. While NGOs are able to recruit, train and support very good quality facilitators, it is not clear that government can do this. Cases where it has happened need to be learnt from in setting up this project.

Risk D: The public-private partnerships which are necessary to develop effective village micro-enterprise development processes may need to overcome hostility from both sides, and may need to confront collusion from both sides in monopolistic or oligopolistic economic arrangements.

Risk E: The MP policy culture does not have a strong tradition of systematic learning from experience, though there are significant openings evident. The project will have to contribute to the development of an evidence-based policy culture. This is necessarily a long-term change in which there will be setbacks. Neither policy makers nor researchers are used to the policy-research interaction, though a number of NGOs have recently begun to interact with government based on findings of research, and government has commissioned a number of evaluations of its major programmes.

5.2 Efforts have been made during design and appraisal to minimise these risks. Achievement of the purpose is adjudged as medium risk but high return.

5.3 Impact upon achieving project goal

	Negative impact on goal achievement		
Risk probability	Low	Medium	High
Low			
Medium		C, D	A,B, E
High			

⁶ Mehta, A.K. and Shah, A. *Chronic Poverty In India* Chronic Poverty Research Centre, Working Paper, 2001 (www.chronicpoverty.org)