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## **TC Assignment: Rural Non-farm Economy in MP Final Report ©**

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# Abbreviations and Acronyms

<b>BDS</b>	Business Development Service
<b>BDO</b>	Block Development Officer
<b>CBO</b>	Community Based Organisation
<b>CYSD</b>	Centre for Youth and Social Development (India)
<b>DFID</b>	Department for International Development, UK
<b>DIC</b>	District Investment Centre
<b>FAO</b>	UN Food and Agriculture Organisation
<b>FDI</b>	Foreign Direct Investment
<b>GoI</b>	National Government of India
<b>GoMP</b>	State Government of Madhya Pradesh
<b>GP</b>	Gram Panchayat
<b>GS</b>	Gram Sabha
<b>GSDP</b>	Gross Sectoral Domestic Product
<b>HH</b>	Household
<b>IGA</b>	Income generating activity
<b>INR</b>	Indian Rupee currency
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MED</b>	Micro-enterprise development
<b>MP</b>	Madhya Pradesh
<b>MPRLP</b>	Madhya Pradesh Rural Livelihoods Programme
<b>MSME</b>	Micro and small – medium sized enterprise
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>NGO</b>	Non Government Organisation
<b>NREG</b>	National Rural Employment Guarantee scheme
<b>NRI</b>	Natural Resources Institute
<b>NSS</b>	GoI National Statistical Service
<b>NTFP</b>	Non-Timber Forest Product
<b>PRA</b>	Participatory rural appraisal
<b>PRI</b>	Panchayat Raj Institution
<b>RNF</b>	Rural Non-farm
<b>RNFE</b>	Rural Non-Farm Economy
<b>SC</b>	Scheduled Caste
<b>SGSY</b>	Swarnjayanti Gram Swarozgar Yojana
<b>SHG</b>	Self Help Group
<b>SME</b>	Small medium sized enterprises
<b>ST</b>	Scheduled Tribe
<b>WB</b>	World Bank

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## Abbreviations and Acronyms

This report has been prepared by Dr. Junior R, Davis and Mihir Sahana and should not be taken to represent the views of Department For International Development, MPRLP and TCPSU / Enterplan.

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## **Executive Summary**

# Executive Summary

Agriculture remains the main source of livelihood in Madhya Pradesh (MP) but the RNFE is of slowly growing importance. Constraints acting upon the RNFE sector include the indirect effects of limitations on agriculture. At the micro level these agricultural constraints include the fragmentation of holdings arising from population pressure, poor and degrading soils, limited rainfall in some regions and poor access to irrigation. In some MPRLP tribal areas these constraints are acute and agriculture is unlikely to drive regional economic growth with a declining proportion of the population having agriculture as the main livelihood source, increasing wage labour and migration, and the reversion of former cultivated areas to grazing. Other areas of MP (e.g. Narshimpur and Ujain) are more dynamic as evidenced by increased mechanisation and more intensive cultivation practices.

Expansion in RNFE activity can be induced by both expanding and contracting agricultural activity. In areas of expansion, agriculture can drive new RNFE activities, e.g. those associated with mechanisation. Conversely sluggish agricultural growth as found in many tribal districts, leads to distress push wage employment that is often based on seasonal migration. Most rural livelihoods involve a combination of agricultural and RNFE activity in which there is growing diversification, especially in the RNFE.

MP sub-sectors in the RNFE reflect patterns of local resource constraints, opportunities, and patterns of access. However, construction and non-timber forest products (NTFPs) represent a major group of RNFE activity in MP and may be particularly important in regions of weak agricultural performance. In areas of more dynamic agriculture, agro-processing and mechanical repairs are also of significance. NTFPs represent a low income source but one which is accessible to the poor and to women and which may provide important cash incomes in the agriculturally slack season. However, NR based RNFEs as a whole are often limited by a dwindling resource base. The latter is explained largely by wider natural resource constraints with degradation of common grazing and water resource areas, or expropriation of the latter by the rich, and declining forest resources, and forest resource access for the poor, despite (or sometimes because of) conservation measures.

The main RNFE activities undertaken in MP are:

- Building and construction, e.g. brick making, tile manufacture, masonry (often a migration activity);
- Wood and NTFP products;
- Trade (grocery shops, kiosks, traders etc.);
- Agricultural labouring (not own farm);
- Manufacturing (furniture, handlooms etc.);
- Handicrafts, basket-making and weaving;
- Services (mechanics, domestic services, bicycle repairs etc.); and
- Salaried employment, e.g. school teachers, government employees.

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The RNFE may be seen as divided into much activity that is small-scale, uses little capital, but which is low productivity and offers low returns, little better than farm labouring if that; and that activity which operates at larger scale, with capital investment, and generates better returns to labour than can be had in most kinds of farming. Since the former category is accessible to the rural poor, the RNFE is essential in mitigating poverty and preventing destitution, but it is less clear that it can alleviate poverty completely.

It is clear that agricultural labouring pays poorly - in all cases there are few activities that give a lower return (Kleih *et. al.*, 2002). Traditional shoemaking and craftwork are the exceptions that actually pay less. But own-account farming and NTFP collection could be as remunerative as most RNFE activities, especially when cash crops and livestock are concerned.

In MP, human resources are constrained through endemic poverty in most tribal areas, such that scheduled castes (SC) and scheduled tribals (STs) generally represent around half or more of the population. Caste constraints interact with gender to effectively exclude women from access to many resources and livelihood opportunities and incomes, especially in RNF enterprise and marketing. SCs, STs and women have the lowest levels of access to formal education (especially beyond primary school) and achievement. Vocational training is of limited availability and in any event there are ingrained preferences for formal rather than vocational education amongst the great majority of rural people.

Most local level institutions offer little support or opportunity for the poor despite the ostensible poverty focus of some. Self-help groups (SHGs) represent a partial exception, with a focus upon women, but at present the great majority can mobilise little in the way of resources. There are a large number of other types of institution operating at village level but few work in co-ordination with each other, and most have no capacity for developing or supporting economic activity in either agriculture or the RNFE.

The promotion of access to finance via a variety of credit schemes has been a major area of government intervention, but programmes are often subsidised and target driven giving rise to inappropriate allocation, and growing delinquency in repayment. Systems are also often characterised by widespread fraud and corruption (Saxena, 2003). The poor may have limited access to formal credit because of regulations, hidden transaction costs and limited access to information, but they also lack complementary resources to use credit effectively. The short term nature of most informal credit means that it is often only a means for meeting emergency consumption needs rather than for investment in livelihood activities.

Infrastructural constraints are mainly related to road and transport access, and to electricity supply. Transport in particular is a major concern and both village access roads and district level roads appear as areas imposing constraints on both local and longer distance marketing, and on accessing inputs. Unreliable power supply is a major bottleneck for industries depending on electricity (e.g. food processing), resulting in some areas in enterprises now using diesel generators. There are generally few of such businesses in MP because of weakness in both agricultural and RNFE activity.

Markets and associated livelihoods are often poor. Local markets are constrained by limited purchasing power, whilst some longer distance markets, especially for "traditional" manufactures, confront increasing competition and growing consumer preference for modern alternatives. The ability to engage in longer distance trade is also constrained except for the wealthy few. The poor lack resources, are unable to produce significant surpluses and/or to afford storage, and lack organisational capacity e.g. for group bulking up of produce and organisation of transport.

As the RNFE in MP covers a lot of ground the above may be a little general. Few if any expected points are omitted. But a policy-maker might wish for more guides in prioritising

amongst the many good things that might be done. How do we go about prioritising? We need to be able to classify sets of policies by some criterion such as phase of development, or geographical characteristic of the RNFE - remote areas, middle countryside, peri-urban areas. The following is expressed as phases. The key principles, strategy, activity and rationale for MPRLP or GoMP intervention include, to:

- prioritise activities targeting attractive markets;
- support ST producers to meet market requirements;
- improve ST market access;
- whenever relevant and feasible, promote the development of common interest producer associations and co-operatives;
- develop flexible and innovative institutional coalitions;
- adopt a sub-sector approach; and
- develop sustainability strategies from the beginning.

# 1 | Introduction

# 1 Introduction

1 In this study the rural non-farm economy (RNFE) is defined as being all those income generating activities (including income in-kind) that are not agricultural but are located in rural areas. A key term in this definition of the RNFE is 'rural'. The Oxford English Dictionary (1996) classifies predominantly rural areas as those where more than 50 per cent of the population live in rural communities, and significantly rural areas as those where between 15 per cent and 50 per cent live in rural communities; but different studies include different definitions of 'rural'. 'Agriculture' is here taken to mean all primary production of food, flowers and fibres, thus it includes growing crops, rearing livestock, horticulture (flowers, fruit and vegetables), forestry and fisheries. It excludes any food processing (although this may take place on-farm), agricultural services (whether technical or commercial) and other primary sectors, such as mining or quarrying. Thus, rural non-farm activities might include manufacturing (i.e. agro-processing), services (bicycle repairs), and be accumulative (e.g. setting-up a small business), adaptive, switching from cash crop cultivation to commodity trading (perhaps in response to drought), coping (e.g. non-agricultural wage labour or sale of household assets as an immediate response to a shock), or be a survival strategy as a response to livelihood shock.

2 This definition is not solely activity based (waged work or self-employment whether full or part-time), as it also includes non-earned income (e.g. remittances) as well as the rural institutional framework (roads, schools, hospitals, etc.), which are an integral part of the rural economy. This also includes social payments (pensions, social insurance, etc.), which are often a significant source of unearned household income, but for which no activity is undertaken by household members (in contrast with remittances or asset income). However, social payments have a clear impact on the RNFE as they reduce poverty levels, influence household work-leisure decisions, and may create opportunities for investment. Thus, the RNFE might include agro-processing, the setting up of a small business, or the receipt of transfer payments such as interest, dividends or remittances from temporary, seasonal or permanent migration. The RNFE incorporates jobs which range from those requiring significant access to assets, such as education or credit, to self-employed activities such as the roadside 'hawking' of commodities which have low barriers to entry and low asset requirements (Davis and Bezemer, 2003). As regards the concept itself, it could be argued that the term 'RNFE', although in common usage is technically incorrect, as non-agricultural activities may actually take place on farms. Thus, although the *rural non-agricultural economy* would be a more accurate definition, the terminology in this paper conforms to usage in the literature, where the focus is often on 'farm' versus 'non-farm' or 'onfarm' versus 'off-farm' activities.

3 The promotion of diversification of activities is critical in fighting poverty in rural areas. The rural non-farm sector is of great importance to the rural economy for its productive and employment effects: it offers services and products upstream and downstream from agriculture in the off-farm components of the food system, which are critical to the dynamism of agriculture; while the income it provides farm households represents a substantial and growing share of rural incomes, including those of the rural poor. These sectoral contributions will become increasingly significant for food security, poverty alleviation and farm sector competitiveness and productivity.

4 India has a population of over 1 billion which is growing at a rate of 2.1 per cent per annum. Generating productive and sustainable employment for its people is therefore one of

the most urgent Government of India (GoI) concerns. This is particularly acute for the State of Madhya Pradesh (MP), the second largest state in India and the focus of this study. MP has a population of over 60 million, 77 per cent of which resides in rural areas. One-third of the geographic area of the state is under forests. Approximately 49 per cent of the total geographical area is under cultivation. Agriculture is the main economic activity in the rural areas of MP (MPRLP, 2006). It is estimated to represent about 70 per cent of rural employment, which is among the highest in India. Although subsistence agriculture dominates in most tribal areas of MP it is complimented by seasonal migration in search of off – and on-farm work (often involving the whole household) for three to six months per annum within MP and to other States (Deshingkar and Start, 2003). This reflects the insufficient development of the agricultural sector which has only partly developed backward and forward linkages which would contribute to the diversification of activities in the Madhya Pradesh Rural Livelihoods Project (MPRLP) rural areas. Conversely, the modernisation of the agriculture sector and its improved capacity to provide income for these farmers could also create opportunities for viable livelihood diversification (through backward and forward linkages) so that the labour force released by agriculture could derive a sustainable income in tribal rural areas. Poverty in tribal areas and agricultural development are therefore closely interrelated.

5 The Madhya Pradesh Rural Livelihoods Project (MPRLP) is a Government of Madhya Pradesh (GoMP) initiative managed by the Madhya Pradesh Society for Rural Livelihoods Promotion. It aims to: (i) enhance livelihoods through improved access and productivity of land, forest resources and water through more effective natural resource management; and (ii) seeks to promote enterprise development and provide support for non-farm livelihoods including migrant support and access to information. This report will focus on socio-economic aspects of RNFE growth and livelihood diversification in the rural areas of MP.

6 The report is comprised of the following elements:

- Identification of patterns of problems, constraints and weaknesses regarding rural non-farm employment schemes, the regulatory environment and activities in rural areas of Madhya Pradesh;
- Outline determinants of household and micro-enterprise access to the rural non-farm economy in Madhya Pradesh;
- Identify potential drivers of rural non-farm growth in Madhya Pradesh;
- Identification of the needs and constraints concerning capacity and capability of government, NGOs and other institutions to assist the rural poor to access employment, micro-enterprise development and livelihood diversification;
- Identification of possibilities for strategic inter-institutional, horizontal and vertical linkages and private-public partnerships;
- Proposed guidelines on appropriate and cost effective policies and interventions to assist in points four and five above will be proposed.

7 The report provides a coherent set of strategy measures and action programme for the diversification of activities in the rural areas of Madhya Pradesh. The main findings of this report will complement the Government of Madhya Pradesh (GoMP) and the Madhya Pradesh Rural Livelihoods Project (MPRLP) agriculture and rural livelihood development strategy delineating the main lines of an action plan for the promotion of activity diversification in rural areas. It is expected that the report will indicate priorities for the design of Phase 2 of

the MPRLP dealing with the diversification of activities and rural development. The report will focus primarily on the eight predominantly tribal districts of Jhabua, Dhar, Barwani, Mandla, Dindori, Annupur, Shahdol and Sheopur covered in Phase 1 of the MPRLP. It will also consider the second phase (2007 – 2011) districts, potentially covering an additional eleven districts: Katni, Umaria, Jabalpur, Seoni, Balaghat, Chhindwara, Betul, Khandwa, Khargone, Burhanpura and Ratlam and parts of Dewas, Harda and Hoshangabad.

8 The MPRLP (2006) baseline survey of the Phase 1 MPRLP districts summarises their key socio-economic characteristics:

- The average number of households (HHs) in villages surveyed was 178 HH; 49 per cent of which were classified as poor HHs, <sup>1/</sup> 36 per cent medium and 14 per cent better-off HHs. 6 per cent of HHs are women headed.
- Scheduled Tribes (henceforth STs) are the most dominant caste/social category across the MPRLP villages (77per cent of all HHs). 83 per cent of all the poor are Scheduled Castes or Tribal (SC/STs).
- The overall literacy rate in the MPRLP villages is 56 per cent. Male literacy is 64per cent as compared with a female literacy rate of 47 per cent.
- About 69 per cent of villages have land titles for women. In Barwani and Dindori, there are four villages each where women do not have land titles. In 50 per cent of villages, there is no practice of women inheriting land.
- Key livelihood options of the poor are: agriculture (63 per cent), wage labour (26 per cent) and migration (12 per cent). Most non-land based activities focus on basket weaving, the sale of carpentry goods, rope making, and tailoring and grocery shops. The key NTFPs are Tendu leaves, Mahua flowers and Mahul Patta.
- Anupur, Dindori, Mandla and Shahdol villages have 10-12 months of availability of drinking water while Dhar, Jhabua and Sheopur villages have water for only 4 to 6 months (MPRLP, 2006).

9 The authors have combined available secondary data sources<sup>2/</sup> from the Indian Statistical Service, the MPRLP baseline survey for the above nineteen districts and case study data from BASIX<sup>3/</sup>. Where possible the authors have utilised primary data sources from Natural Resources Institute (NRI) and Overseas Development Institute (ODI) RNFE surveys and studies in MP during the period 2002 – 2003.

10 The remaining sections of this report are organised as follows:

- Section 2 and 3 provides background information on the RNFE in Madhya Pradesh, consider the local drivers of growth, productivity and change, and outline a sectoral analysis of livelihoods, pattern of non-farm rural employment and income generating activities (IGAs) diversification in Madhya Pradesh (MP).
- Section 4 of the report considers potential constraints on growth and productivity.

1/

Source: Village FGD

2/

See Appendix 1.

3/

See Appendix 2 and 3.



## **2 | Local Drivers of Growth Productivity and Change**

## 2 | Local Drivers of Growth Productivity and Change

### Background

11 Since 1990 India has undergone a series of economic reforms which have focussed on liberalisation, macroeconomic stability, privatisation and growth (World Bank, 2005). Since then there have been several dramatic changes in the economic landscape. The Gol has made rural economic development in general and rural infrastructure development in particular, a key priority. The Gol has incorporated various schemes in all of its five year plans, most of which have focused on agriculture, industry (especially heavy industry), defence, unemployment, poverty reduction, the development of village and cottage industries, the mobilisation of natural resources and improving industrial productivity through technological innovation and adaptation.

12 The total geographical area of the state of Madhya Pradesh (MP) is 44.3 million hectares. It is divided into 45 districts. Districts are further divided into Blocks, which are the units for development activities. MP has 459 development Blocks. Despite its generally poor economic performance over the past 15 years, MP is very rich in natural resources. Forests occupy 14.6 million hectares or 32.9 per cent of the state's terrain while the cultivated area covers about 44.9 per cent. MP is primarily an agricultural state with above average rates of poverty and unemployment for India (see Table 2.1). About 77 percent of the MP population is rural and directly or indirectly depends on agriculture. Thus, the agricultural sector is the mainstay of the State's economy. The net irrigated area in MP has increased substantially as a percentage of net sown area over the last four and a half decades. There has also been an associated upward trend in cropping intensity. However, despite these advances MP has one of the least productive agricultural sectors in India due to the excessive fragmentation of holdings arising from population pressure, poor and degrading soils, limited rainfall in some regions and poor access to irrigation.

**Table 2.1: A Profile of Madhya Pradesh and India**

	Madhya Pradesh	All-India
Share of India's population	5.8	100
Poverty ratio (1999-2000)	37.4	26.1
Urbanisation rates	26.6	27.7

Source: Computed based on NSS and Census data

### Employment Data

13 The National Sample Survey Organisation (henceforth NSS) collects data on the characteristics of Labour Force (Employed and Unemployed) through various rounds of the NSSO. The persons surveyed are classified into various activity categories on the basis of activities pursued during certain specified reference periods as Usual Status, Current Weekly Status and Current Daily Status.<sup>1/</sup> The NSS defines employment as those persons engaged

<sup>1/</sup>

The above NSS specified reference periods are defined as: a) Usual Status: A person is considered working or employed if the person was engaged for a relatively longer period in any one or more work related (economic) activities during the reference period of 365 days preceding the date of survey. b) Current Weekly status: A person is considered working or employed if the person was engaged for at least one hour on any one day on any work related (economic) activity during the reference period of seven days preceding the date of survey. c) Current Daily Status: A person is considered working for the entire day if he had worked four hours or more on any day of the reference week preceding the date of survey.

in a gainful activity for at least one hour during the reference week. It includes people in the armed forces, but excludes the retired and people receiving a pension who also worked. Unemployment in the NSS is defined as those persons not engaged in a gainful activity but who had been seeking work or had been available for work (although not seeking) at any time during the reference period. Excluded are retired persons and pensioners. Underemployment is defined as those employed persons who, during the reference week, were willing to work additional hours. Those people engaged in a gainful activity for a longer period during the previous 365 days are usually considered employed. People either seeking or available for work for a longer period during the previous 365 days are usually considered unemployed.

14 The current daily status concept used in the NSS surveys reduces the length of the reference period to a day and therefore minimises the extent of oversight regarding the status of unemployment or the status of being outside the labour force. Because NSS unemployment rates are based on a time criterion and poor people are too poor to be unemployed for a long time, we have the concept of the 'working poor'. In other words many people are working at low wages and low working conditions in agriculture and the informal sector (Dev, 2002). Therefore, the challenge is to shift these workers to higher productivity (therefore higher wage) sectors and also create new jobs in the RNFE. Thus, the real nature of the unemployment problem is not that people are not 'employed' in some activity but that large number of those classified as employed are engaged in low quality employment, which does not provide adequate income to keep a family above the poverty line. The employment strategy we need therefore is not simply a strategy that ensures an adequate growth in the volume of employment, but one that also ensures a sufficient growth in quality employment opportunities.

### The Structure of Employment

15 Data from the NSS 55<sup>th</sup> round for the period 1999-2000 in Madhya Pradesh (MP) showed that the total number of unemployed persons was 9.96 lakhs (996,000) in 2000, using the "current daily status" approach. In addition the working age population has been growing as a result of which an additional 3.5 lakh (350,000) persons enter into the workforce every year.

16 The lack of diversification in the structure of employment in rural M.P is clearly evident from Table 2.2. Non-farm employment was 9.9 per cent in 1983. It increased to only 12.9 per cent in 1999-00. The corresponding figures for all-India rural are nearly two times these figures. The percentage of rural non-farm employment for females is nearly half that for males in rural MP and all-India rural. On the whole sectoral diversification is very limited in rural MP compared to all-India rural, particularly for women. Table 2.2 shows that the proportion of RNF employment of total employment in MP increased significantly from 7.2 per cent in 1983 to 12.7 per cent in 1987-88, and thereafter declined. Jobs in the RNFE of rural areas in MP grew slowly as compared to the all-India average. As rural labour absorption in the RNFE is crucial for poverty reduction, the data shows some marginal growth in the sector as compared to the all-India average during the 1990s.

**Table 2.2: Non Farm Employment in Rural MP and Rural India (per cent of total workers)**

Year	Madhya Pradesh			India		
	Males	Females	Persons	Males	Females	Persons
1983	12.8	6.1	10.0	22.4	12.2	18.4
1987	14.7	8.8	-	25.4	15.3	21.6
1993	13.2	6.2	10.1	26.0	13.9	21.7
1999-'00	15.8	8.6	12.9	28.7	14.6	23.8

Source: Dev, (2002); and Authors' estimate from NSS data on Employment and Unemployment.

17 Most of MP's agricultural activity is concentrated in the western part of the state, mainly in the Ujjain, Indore, Bhopal and Gwalior divisions. This makes the lack of diversification in rural employment, especially in the lower potential areas of the MPRLP, all the more an issue for concern, and heightens the importance of GoMP policy for livelihood promotion and employment growth. Partly in response to the great regional diversity of MP and the need for regionally specific policy, the GoMP has embarked on an ambitious programme of democratic decentralisation. This section provides an overview of the RNF sector on the basis of available aggregate data from the Census of India, and the National Sample Survey (NSS).

### The Current Status of Rural Non-farm (RNF) Employment

18 In rural MP RNF employment and IGAs are undertaken by many poor households to generate additional household cash and non-cash income. The RNFE is of particular importance to the small and marginal farmers, and the landless who cannot derive sufficient income from on-farm production activities. Those Indian states with the highest growth rates tend to have a large RNFE. For example, the RNFE accounts for 49.3 per cent of employment in Kerala, whereas in poorer economies such as MP and Bihar the share is just 10.7 per cent (NSS, 2000).

19 In MP, there were 21.89 lakh (2.1 million) workers in the organised sector in 1997. If we compare the workers in the organised sector with estimates of total workers in the state, the percentage share of organised workers to total workers was 6.2 per cent in 1993-94, and is estimated to be around 6 per cent today. Unorganised (informal sector) workers account for 94 per cent of the total workforce in MP. The vast majority of the workforce is involved in informal sector activities: agricultural labour, construction, traditional leather tanning, forestry, fishing, *bidi* rolling, cottage industry etc. These workers mainly come from the poorest segment of society and are largely unprotected by employment legislation. Several studies<sup>2/</sup> have noted that, in order to successfully promote the extension of employment legislation to the informal sector, a better understanding is needed of the overall structure of the sector, identifying the different sub-sectors and RNF activities comprising it and its functioning. Research could be undertaken on the application of existing legislation with a view to collecting and analysing the information forming the basis for the effective promotion of labour legislation for the informal sector.

20 As regards subcontracting arrangements between formal sector enterprises (e.g. spinning mills) and informal sector operators (e.g. village-based handloom weavers), work could be initiated to identify the best form of regulations to govern sub-contracting relationships. At the same time, Gol should be sensitised to the need to identify informal RNFE activities in which existing rules and regulations cannot be applied, and which hence require specific customised provisions, as well as informal RNFE activities in which existing rules and regulations could be applied progressively. Any projects or programmes in this field should give high priority to gender aspects, as women are often the most vulnerable for exploitation. Again, the challenge is to shift these workers to higher productivity (therefore higher wage) 'organised' sectors (therefore paying taxes) and also create new 'quality' jobs in the RNFE whilst securing the livelihoods of the poor during this transition.

### RNF Livelihoods and Diversification

21 Livelihoods in MP are largely agricultural, and or forest-based (non-timber forest product collection, NTFP). In what the NSS defines as the urban un-organised sector and rural areas the most vulnerable groups are: landless labourers, artisans, tribals, the urban unskilled and women (in both rural and urban areas). The rural poor are almost always, working or available for work, but often earn very low incomes (if self-employed) or at low

<sup>2/</sup> See Tokman (1992) and Maldonado, C. (1996).

wage rates (if wage employed). Indeed, in some cases (for example carpentry, blacksmith and pottery) the returns to labour off-farm are lower than on-farm (Kleih *et. al.*, 2002; Davis and Wiggins, 2003). A typical rural poor household in MP may be engaged in diverse and multiple livelihood activities: cultivation (own land, leased/ encroached land) – except for the truly landless; agricultural wage labour; non-farm wage labour (construction, services, etc.); livestock rearing /fishing; NTFP collection; non-farm self-employment (weaving, crafts, services); and migration.

22 Following the ODI Livelihoods Options Study (2003), there are a few clear livelihood diversification trajectories for the rural poor in MP that can be identified: RNF self-employment is on a downward trajectory, traditional castes (e.g., potters, carpenters, cobblers) are being competed away by the self-employed on an upward (modernising) trajectory: (i) oil pressers to ice-cream producers and traders; (ii) musicians to branded bands (for weddings etc.); (iii) blacksmiths to mechanics; (iv) fishermen to horticultural farmers (for example vegetable growers) due to evolved entitlements; and (v) barbers, tailors etc., due to rising local demand for their services. In order to develop and access these RNF opportunities, access to social capital, information, contacts, training (apprenticeship etc.) may be as important as access to finance.

### **The Rural Household Assets Base in MP**

23 Kleih *et. al.*, (2003) study on access to a number of key capital assets has been examined from an RNFE viewpoint. Their study on access to rural non-farm livelihoods in MP focuses on: Narshimhapur (favourable agricultural potential) and Betul (poor agricultural potential, remote and tribal). Access to land, other natural resources and livestock has been included given that these assets are often important for the development of non-farm livelihoods in rural areas. Agricultural production is also important for the development of the non-farm sector in that spin-off effects are created as a result of upstream and downstream linkages (Davis, 2004).

24 Access to education: Skills, knowledge and information are generally seen as a prerequisite for households to be able to take advantage of many new livelihood opportunities. In addition, it is accepted that access to education is generally required for the formation of this type of human capital. As Table 2.3 highlights, a major proportion of the rural adult population in survey areas is illiterate, but for women the situation is significantly worse (see Kleih *et. al.*, 2002). For example, in about one third of adult males and two thirds of adult females are illiterate. Of the households who are not literate, few have education levels beyond primary education and very few household members have obtained some form of formal vocational training (see Kleih *et. al.*, 2002).

25 The key issues in education are how to reduce the high level of illiteracy, and how to develop a curriculum that takes labour market requirements into account more effectively. Whilst the majority of children now go to school, some of the marginalised families are not able to send their children regularly. For example, migrant workers may take their children with them when they move or seasonally migrate to other districts or states.

**Table 2.3: Access to Selected Livelihoods Assets in MP (Betul and Narshimapur)**

<b>Human Capital – Access to Education</b>	<b>Percent of Sample Unless Otherwise Indicated</b>
Illiteracy – per cent of female adults	64
Illiteracy – per cent of male adults	35
Primary education - per cent of female adults	13
Primary education - per cent of male adults	18
<b>Social Capital</b>	
Membership of Self-help groups ( per cent of HHs with members of SHGs)	11
<i>Natural capital</i>	

## Local Drivers of Growth Productivity and Change

Human Capital – Access to Education	Percent of Sample Unless Otherwise Indicated
Land ownership ( per cent of households owning land)	58
Average size of land holdings <sup>1</sup> (mean, acreage)	8.4
Access to forest land ( per cent of HHs with access)	35
Access to common grazing land ( per cent of HHs with access)	19
<i>Livestock ownership ( per cent of households owning animals)</i>	
Dairy cows	34
Non-dairy cows	24
Oxen / bullocks	44
Buffaloes	20
Calves / heifers	40
Goats	10
Poultry	16
<b>Ownership of Physical Assets (per cent of households owning assets)</b>	
Tractor	6
Ox-cart	38
Plough	42
Irrigation equipment	27
Thresher	7
Flour mill	2
Motorcycle	11
Bicycle	41
Television	25
Radio	14
Sewing machine	9
Loom / spinning equipment	0
<b>Access to Electricity (per cent of households having access)</b>	
Electricity at home (e.g., for lighting)	83
Electricity at farm (e.g., for equipment such as pumps)	22
Electricity for household industry (e.g., for mills)	2

Source: Kleih *et. al.*, (2002). Only takes into account HHs that own land. Figures have been rounded.

**Table 2.4: MPRLP Livelihood Profiling: Pahatsara Village, Mandla District (2006)**

	Dependent			Total	Agriculture asset										Livestock				
	M	F	C		Land	Badi	Irri	N0Irri	WL	L/S	well	EM	DE	BC	Cow	Bull	Bflo	Goat	Hen
Mean	0.8	1.5	1.7	4.0	2.0	0.9	1.1	1.3	-	-	0.5	-	0.5	-	1.5	2.1	1.7	2.2	1.5
Maximum	3.0	3.0	4.0	8.0	4.0	2.0	2.0	3.0	-	-	1.0	-	1.0	-	5.0	4.0	9.0	5.0	3.0
Sum	51.0	91.0	107.0	248.0	124.5	30.0	38.5	56.5	-	-	1.0	-	1.0	-	82.0	108.0	45.0	20.0	16.0
Count	61.0	62.0	62.0	62.0	62.0	34.0	34.0	42.0	1.0	1.0	2.0	1.0	2.0	1.0	55.0	51.0	26.0	9.0	11

Source: Authors' calculations

**Table 2.5: Existing Livelihood sources: Pahatsara Village, Mandla District (2006)**

	Labour				Agriculture as a whole						Horticulture	
	Domestic		Migration		Kharif			Rabi			Veg	Fruit
	Agri	N/A	Agri	N/A	Paddy	Maize	KK	Wheat	Gram	Rai		
Mean	0.9	0.9	0.4	0.4	0.9	0.9	0.3	0.8	0.9	0.6	0.4	-
Sum	30.0	30.0	13.0	15.0	33.0	33.0	9.0	27.0	32.0	20.0	14.0	-
Count	35.0	35.0	35.0	35.0	35.0	35.0	32.0	35.0	35.0	32.0	35.0	34.0

Source: Authors' calculations.

### Rural Non-farm Household Income

26 In MP, Som *et. al.*, (2002) data from PRA findings generated through village household lists and social maps, indicate that three out of eight villages surveyed have a high degree of non-farm employment (30 *per cent* - 50 *per cent*), whereas five villages show a lower level of RNFE (10 *per cent* - 25 *per cent*) (Som *et al*, 2002). This takes into account both full-time and part-time incomes from the non-farm sector. The data presented in Table 2.6 indicate that the primary sector (i.e., mainly agricultural production) dominates the income sources of household heads and spouses alike. For small and marginal farmers this is in the form of both cultivation on the family farm and agricultural wage labour on larger farms. Table 2.6 shows the household heads that have declared themselves as income earners have on average about 1.5 sources of income i.e., jobs during the year, both on farm and off-farm. In 2001, according to the Kleih *et. a's.*, (2003) household survey, 49 *per cent* of the household heads in MP had an RNFE income source, but it needs to be borne in mind that these figures are not based on monetary values but simply on the basis of RNFE activities being carried out during the year.

**Table 2.6: Household Members' Activities by Sub-sectors in Madhya Pradesh (2001)<sup>3/</sup>**

Sub-sector Groups	Household Heads	Spouses	Other Male Earners	Other Female Earners
Total Respondents, Number (out of 799 Households)	732	415	352	125
Primary production	102.5%	136.6%	109.7%	131.0%
Agricultural and food processing	5.6%	2.2%	6.5%	7.1%
Other primary processing	0.5%	0.0%	0.6%	0.0%
Traditional manufacturing	4.2%	0.5%	0.9%	0.0%
Modern manufacturing	20.6%	5.8%	12.8%	1.8%
Services	15.6%	7.7%	19.3%	7.1%
Other	2.7 %	2.7%	2.3%	0.9%
Total RNFE	49.3%	18.8%	42.3%	16.8%
Total (all jobs/all sectors combined)	152%	155%	152%	148%

Source: Kleih *et. al.*, (2002).

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NB: RNFE includes agricultural and food processing, other primary processing, traditional manufacturing, modern manufacturing, and services. Percentages can exceed 100 per cent in one sub-sector group if individuals undertake several jobs (e.g. cultivation on the family farm, agricultural wage labour, and NTFP collection). The latter activity is very common in Betul District, in particular among women.

**Table 2.7: RNF Self-employment: Pahatsara Village, Mandla District (2006)**

Household RNF Self-Employment	No.s of HH
Builders Mason	5
Carpenter	7
Tailor	1
Cloth shop	1
Kirana shop	1
Bamboo worker	2
Herbal medicine practitioner	1
Diesel Mechanic	1
Vegetable trading	1
Cycle mechanic	1
Galla trading	1

Source: Basix PFT, Authors' calculations

27 Compared to the mid 1990's, the extent of the RNFE has increased, albeit at a relatively slow pace. Income from NF employment constitutes around 25-35 per cent of the total income of rural households (Dev, 2002; Kleih, 2003)

28 Table 2.7 lists the main RNF self-employed enterprises in our livelihood profiling of Pahatsara village in Mandla. Of the 61 families surveyed, 20 had non-farm enterprises and of those 10 were classified as landless households. However 31 households (50 per cent of the sample) reported some RNF income, typically through part-time employment in their district and 14 households through seasonal migration employment usually to other districts and States within India (see Table 2.5).

29 The collection of income data has proved to be difficult, in that households were often reluctant to provide specific information. However, Kleih *et. al.*, (2003) note that the mean, net household income across the two districts in MP is estimated at INR 21,200 per annum, compared to a median of INR 10,600<sup>4/</sup>. Total average income of household heads is of the order of INR 16,700, compared to a median of INR 7,200, whilst the average figures for spouses is INR 4,200 compared to a median income of INR 2,600. The median income reflects a more representative picture for the majority of households since means are affected by very high relative incomes earned by a very small number of individuals.

30 We have offered some suggestions on the links between livelihood strategies and income levels in MP. There have been no empirical investigations of this relationship. However Bezemer and Start (2003) in their study of rural livelihoods in Madhya Pradesh (based on a survey of 301 rural households in six villages in Ujain, Tikamgargh and Mandla) categorise livelihood opportunities as *distress-push* 'need motivated' and 'opportunity-motivated' if better-off households are more involved in them (*demand pull*). The assumption is that for such activities, the poor are excluded by barriers to entry. Activities are 'need-motivated' if participation in them is lowest for both high- and low-income households. In addition to barriers to entry, Bezemer *et. al.*, (2003) note that the rich are excluded from such lower-return activities by lack of interest in them. The familiar hump-shaped pattern obtains in both cases, but the peak of the curve is located more to the left in the case of 'need-motivated' / '*distress-push*' activities compared to 'opportunity-motivated', '*demand-pull*' activities (see Figure 2.1). Their findings confirm some of the suggestions from the exploration above. Activities such as regular jobs and livestock production are clearly the privilege of the better-off, while others such as casual labour or natural-resource based

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In 1993-94, the poverty line was set at INR 205.84 per capita per month (i.e. around INR 2,470 per year) for rural and INR 281.35 for urban areas (Mehta and Shah, 2003).

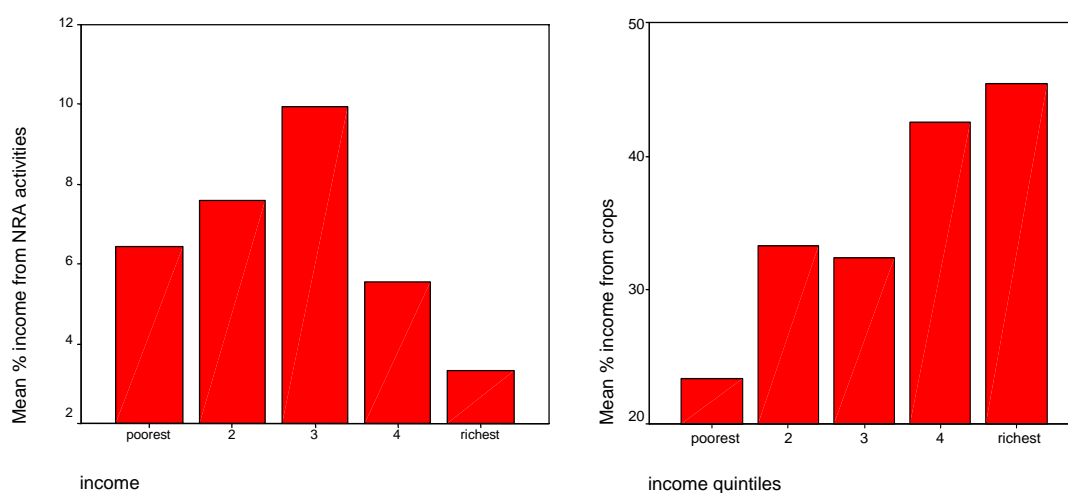
12

activities (e.g. NTFP collection) are apparently avoided by the richest, while also apparently less accessible for the poorest.

31 Figure 2.1 depicts a typical example of 'need-motivated', '*distress-push*' activities and 'opportunity-motivated', '*demand-pull*' activities in their sample (Bezemer and Start, 2003). Clearly the poorer households participate most in natural resource-based activities. However, in the lower half of the income distribution, medium income households take up this activity more than the poorer households. This suggests that at the top end, a lack of incentive diminishes participation, while at the bottom end, a lack of ability limits involvement (see Davis, *et. al.*, 2004 for similar trends in transition economies).

32 In the second example of crop production, insufficient incentive does not seem to play a major role. Involvement in it, measured by income share derived from it, continues to rise also in the top income bracket. Barriers to entry, indicated by less participation for poorer households, are still present.

**Figure 2.1: Income Shares from Natural Resources-based Activities (left) and Crop Production (right), Over Income Quintiles**



Source: Bezemer and Start (2003)

33 Taken together, the evidence presented, data and graphs suggest that livelihood diversity in MP is predominantly an economy of deprivation. Barriers to entry exclude the very poorest from livelihood multiplicity. Household needs drive individuals to adopt extra sources of income, the lower-income households more so than the higher-income households. Household heads that have declared themselves as income earners have on average 1.5 sources of income (Kleih *et. al* 2003; Davis and Sahana, 2006). According to a number of studies approximately 25 – 50 per cent of surveyed households have a non-farm income source (Kleih *et. al.*, 2003; Bezemer & Start, 2003; Davis, 2004). Nonetheless, agriculture remains by far the main livelihood activity, but there are diverging trends across MP. The main motivations / forces driving diversification vary across locations: e.g. *distress-push* migration and *demand-pull* diversification processes in different districts of MP. For example, in Shahdol the presence of coal mines is a key driver of local economic growth and guarantees access to steady employment for much of the district (also encouraging the development of production and consumption linkages within the local economy). In Shahdol we found seasonal migration rates of around 3-4 per cent per annum, whereas in the districts of Dindori, Anupur and Mandla 40 – 60 per cent of the population migrate seasonally. However, *distress-push* diversification is the main driver of migration and rural non-farm employment in the MPRLP areas; even in Shahdol where NTFP collection is a widespread

activity and an important source of income for the poor. The importance of construction and trading activities is increasing while NTFP collection potential is significant but untapped.

## **3 | Sectoral Analysis of Livelihoods in MP: Drivers of Growth**

### 3 Sectoral Analysis of Livelihoods in MP: Drivers of Growth

34 We interviewed several representatives of MPRLP Project Facilitation Teams (PFT) and DPSU from Dindori, Anupur, Mandla and Shahdol districts. In addition, we conducted field visits to interview National Bank for Agriculture and Rural Development (NABARD)<sup>1/</sup> district office staff, PFTs, Gram Sabha, NGOs and other stakeholders in Barwani, Dindori, Mandla, and Jhabua. On the basis of these discussions we have summarised some recommendations for the MPRLP in promoting the RNFE, employment and livelihood diversification in MP.

35 Most PFTs have initiated some RNF micro-enterprise development (MED) activities such as: barber shops, tailors, grocery shops, vending etc. In Dindori district for example, the PFT has initiated an 'intensive cluster development scheme' in partnership with NABARD. They identify "champion" products, develop a micro-plan for the product and submit this to NABARD. They develop micro-plans on the basis of participatory planning, local product and capacity perceptions and available data. The 'intensive cluster development scheme' has generated some small projects and micro-finance for honey collection, poultry, handlooms, sericulture and lac production. The PFT has also tried to create a business development services (BDS) unit termed the 'cluster livelihood integrated resource centre (CLIRC)' providing information on domestic commodity prices and training. It is unclear as to how sustainable the CLIRC is, or whether the services provided are of high quality.

36 In Anupur district as there are comparatively limited forest resources, PFTs have worked to develop horticultural production in mangoes, lemons and eucalyptus. In two Blocks, NTFP production is profitable for example *tendu* leaves, *amla* and *lac* production. However, there are limited storage facilities in these blocks and much of the potential value-added from NTFPs and horticultural products is not exploited by the ST communities. The PFT is providing some micro-finance support through the Gram Sabha to develop some NTFP storage capacity and first stage processing facilities in Anupur. Around 30 per cent of the population migrate for four months per annum to undertake jobs in MP cities, towns or other States. Most of the MED activities in Anupur focus on brick-making and retail trading. Again, much of the RNFE activity that is being promoted in the district focuses on low-return to labour activities which have limited growth and wider employment potential. A greater focus on skills upgrading and certification would assist the large number of seasonal migrants to secure more remunerative and sustainable jobs.

37 The PFTs in Mandla district are actively setting-up and promoting rural *hatts* (local markets) with the assistance of the Gram Sabha supporting skills training for small stallholders. Some of this is being done in partnership with PRADAN<sup>2/</sup> for poultry and CARD for honey. The Mandla PFT is also assisting ST construction workers to certify their skills and qualifications. However, despite some systematic work most PFTs are isolated. In Mandla much of the PFT supported MED IGAs have focused on small shops, bangle traders, tea

<sup>1/</sup> The National Bank for Agriculture and Rural Development (NABARD) is an apex institution, accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India.

<sup>2/</sup> Professional Assistance for Development Action (PRADAN) is an Indian NGO. It currently works in selected villages in 26 districts across 7 states through small teams based in the field. The focus of its work is to promote and strengthen livelihoods for the rural poor. This involves organising them, enhancing their capabilities, introducing ways to improve their incomes and linking them to banks, markets and other economic services.

stalls, brick-making etc., involving mainly landless STs. These are IGAs are almost totally dependent on local demand (village) and thus have limited employment generation and growth prospects. In Mandla, subsistence agriculture accounts for around 70 per cent of the local labour force. Around 50 per cent of the population migrate for 4 months per annum to undertake jobs in MP cities, towns or other States. NTFPs are particularly important in Mandla as agriculture faces tremendous economy of scale, low productivity and poor soil quality problems in the district. The PFT have been encouraging NTFP products such as bamboo, *mahua* and *lac* to help diversify rural livelihoods. The PFT have helped established a *mahua* group storage and selling schemes which has resulted in the community receiving higher prices.

38 In Jhabua the MPRLP has set-up village level livelihood centres as a one stop shop for information to meet the needs of migrants from the cluster. The MPRLP intend to expand these into other MPRLP districts. Given the MPRLP's structure it is well placed to strengthen the Gram Sabha. The Gram Sabha is implementing the micro plan and is catering to the needs of the poor. However, we note that the Sarpanch often prioritises decisions in favour of their home community/caste above others. Given the local scenarios outlined above – the MP ST and SC economy is mainly based on subsistence agriculture and forest produce collection. The remainder of their income is derived from a combination of RNF employment and migration (local or distant). Thus, the MPRLP PFTs need to work strategically, targeting key sub-sectors and linking ST communities with support into viable markets. Some of the key decisions taken by the Gram Sabha in the MPRLP areas regarding MED and RNFE activities over the past eight months are included in the following table.

**Table 3.1 MPRLP: Selected Gram Sabha MED and RNFE Sponsored Activities**

District	Gram Panchyat	Decision by Gram Sabha	Action taken
Anupur	Gaurella	Started the Ajeewika Hat in the village.	96 people took part and it has become a regular weekly hat.
	Jariyari	Support to women's group to start a spice business.	A grant was given to the group, where 5 women sell spices together in the hatts and are making profit.
	Padmaniya	Support to poor cobbler families in the traditional shoe making business.	A grant of INR 5,000 was given to a 5 member group for the purpose.
	Beejapuri	Purchase centre for Niger crop.	A grant of INR 10,000 was given to a group of 5 SC families
Barwani	Unchi	Convergence with other government schemes for the development of backyard poultry.	15 below the poverty line (BPL) families were supported.
	Salikalan	Widows supported for goat rearing activity.	After the death of her husband, a widow was supported by goat rearing.
Dindori	Ganesh Pura	Self employment for landless people.	Financial support to start a shop in the local rural hat.
Jhabua	Kalmora	10 entrepreneurs were identified by the GS and supported with a loan of INR 46,000 to start shops.	People are earning their livelihood and the shops are protected by the Gram Sabha too.

Source: Authors' fieldwork reports.

39 It is clear from Table 3.1 that most of the micro enterprises supported by the Gram Sabha were mainly low barrier to entry traditional activities accessible to the poor and landless, and for which the produce could be sold locally. In some cases training needs were

identified and provided for the community (e.g. scientific techniques for honey collection). We conducted sub-sectoral<sup>3/</sup> analyses using the Porter Framework during September 2006. The Porter Framework is used to analyse sub-sectors under the following headings: (i) Demand Conditions (size of demand, nature of buyers, growth rate of demand; demand refers to local, regional, national and international demand); (ii) Factor Conditions (raw material, human resources, knowledge base, capital, infrastructure); (iii) Size and Structure of firms (numbers, size, competition, entry barriers); and (iv) Related and Supporting Services and Industries (design/product development, training, research facilities, component suppliers, Institutions and policies).

### **Sectoral Strategy: Selected Sub-sectors for Promoting the RNFE**

40 In this section, we will identify sectoral strategies for promoting of the RNFE and sustainable livelihoods for the rural poor in MP. The criteria for selecting key sub-sectors has been i) sustained growth in demand for the final product or service of the sub-sector and ii) substantial impact on employment and income for the vulnerable segments. Using the above criteria we have identified the following five sectors:

- agriculture,
- livestock rearing,
- forest based livelihoods,
- manufacturing, and
- construction and services.

### ***Enhancing Agricultural Productivity as a Basis for Growth***

41 Within agriculture, the most important commodities with greatest pro-poor growth potential are soybean, wheat, gram, pulses, cotton (Dhar) and horticultural crops (Barwani). While the benefits of enhanced productivity would mainly go to large land owning farmers, indirect benefits will also accrue to small and marginal farmers, who constitute approximately 90 lakh of the total 2.5 crore work force of MP. The strategy for enhancing agricultural productivity also has potential benefits for landless agricultural labourers. In terms of gender, because a large number of the additional work opportunities in terms of additional number of days of employment, arise at or near the village, it also increases the scope for female employment. There is also the phenomenon of women from agriculturally prosperous households withdrawing from working on their family fields, thereby enhancing the demand for female agricultural labour. At the same time, opportunities can arise for much more skilled work by women, such as in seed production which needs to be increased given the low seed replacement rate for most crops and growing demand for crops.

### ***Livestock Rearing: The Preferred Livelihood for Landless and Women***

42 Goat rearing seems to be a preferred activity for a large number of landless as well as ST households. This is because feeding goats is possible without owning any land and the capital requirements for starting the activity are small. Moreover, the sale of one or two goats at a time enables them to bring in much needed cash in the lean season. Since the primary product is not milk, there is no need for relying on a daily collection system. Goats are easily

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A "sub-sector" may be defined as "the network of firms that supply raw materials, transform them and distribute finished goods to a particular consumer market." A sub-sector is thus a vertical cross-section of activities based on a primary resource, involving procurement, intermediate processing, manufacturing of finished products and their distribution, including related and supporting services. There is thus more to a sub-sector than just the core-manufacturing units. The analysis of the primary, secondary and tertiary sector in MP is done to understand the main and/or emerging sub-sectors.

sold in weekly markets and at festivals and *melas*. For all these reasons, sheep and goat rearing could be encouraged.

43 The role of the GoMP should be confined to inviting and encouraging qualified NGOs e.g., Bhartiya Agro Industries Foundation (BAIF) and the Indo-Swiss Goat Project from Rajasthan to establish local breeding veterinary care centres. In addition, youths from landless and tribal families should be provided training stipends to learn best practice in sheep and goat rearing by working in established projects in other states.

44 Sheep rearing is a potential activity, particularly as forest cover is beginning to be restored in the state and there is increasing possibility of pastures. A hybrid variety needs to be introduced for wool and spinning units. Existing infrastructure related to sheep and goat breeding farms and extension could be semi privatised by handing it over to select NGOs for management, with representation of primary producers on the management structure. This would be a real example of participatory institutional development.

45 Dairy activity is of particular interest to women as it is one of the few activities they can engage in without having to leave home. Thus for promoting dairy in MP we suggest the following:

- The already considerable network and infrastructure of the MP Dairy Federation and the Animal Husbandry department needs to be revitalised.
- These should be encouraged by offering incentives to "pioneer" dairy plants in poorer blocks, and providing support to activities such as breed upgrading and veterinary services.
- A large number of landless women could be trained as para-veterinarians, so that they can be skilled-up from being merely labourers to livestock service providers. The MPRLP could consider whether landless women might be provided with a stipend for their training as para-veterinarians.<sup>4/</sup>

#### ***NTFP-Based Livelihoods for Forest Households***

46 There is a MPRLP Position paper on NTFPs focusing in detail on forest based livelihoods. On the basis of our field interviews and discussions with MPRLP PFTs, the overall picture that emerges for forest-based households is that their average cash income is far below the poverty line. However, these communities do have substantial non-cash benefits from the forest in the form of food, fruit, fuel wood, fibre and construction material. However, due to the declining availability of forest produce and the increasing uncertainty about rights to collect and sell these, forest-based households are keen to diversify their livelihoods beyond traditional forest based activities.<sup>5/</sup>

47 They are however, placed at a severe disadvantage in diversifying, in view of the relative remoteness, lack of communication infrastructure and poorly developed market linkages. One promising way to help forest dwellers is to draft their support in the

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<sup>4/</sup> Programmes need to go beyond simply training village women in a non-traditional occupation such as livestock work. Women in conservative societies will have a harder time establishing profitable service ventures in these sectors, particularly if they have to compete with men. Therefore, follow-up among women trainees is needed so as to provide encouragement, help the women market their services and generally assist the women in getting started in a social setting in which their role is non-traditional and socially questioned (see for example, Maria Protz, October 2001, Gender Impact Analysis of the Mansehra Village Support Project and the Neelum and Jhelum Valleys Community Development Project, Rome).

<sup>5/</sup> See Appendix 2

regeneration of forests. Another way is to promote a set of economic activities on an intensive basis in selected clusters. An example of this is the promotion of household level broiler rearing and mushroom cultivation by PRADAN in the Kesla block of Hoshangabad district, or the promotion of *tasar* sericulture as done by the Sericulture Directorate in Dhindori and other districts.

48 The scope for various forest-based livelihoods is large, whether it is bamboo work or tamarind processing or medicinal plants. Within NTFP, there are two categories – those which are merely extracted and those which are increasingly being cultivated. In the latter category are NTFPs such as *ashwangandha*, *safed musli*, lemon grass and citronella. In the former category are *tendu* leaf, *mahua*, *sal* seed, *harra*, gum and *mahul patta*. Interestingly, *amla* falls in the middle – there being some areas where it is extracted from forests and other areas where it is grown in orchards.

49 Cultivable NTFPs provide an ideal livelihood opportunity for ST since it simultaneously provides income and a chance to regenerate the degraded forest. Although bamboo is not formally an NTFP it is another major forest item which can be regenerated using a vast quantity of degraded bamboo clumps. The technique of cultivating NTFPs has to be imparted to ST who have hitherto only been extracting or gathering these items. One promising approach for this is to establish a network of “para-botanists” who can be given intensive training by organisations specialising in cultivation of NTFPs and in turn they can provide extension and training to tribal cultivators of NTFPs.

50 As in many of the other interventions, technical issues are less of a bottleneck than institutional and financial constraints. The primary issue in forest based livelihood promotion is to establish an orderly arrangement for sharing usufructs between the forest department, the tribal producers and the investors. The corporate model of getting large tracts of land allotted for captive cultivation is as obsolete and impractical as the state model of ownership of forests without paying attention to the neighbouring communities. What is needed is a new institutional framework where the interests of all are mediated and lead to sustainable livelihood development based on forests. This could, for example, incorporate some amount of land under firewood and fruit species, which could then be shared as “payment in kind” with the neighbouring communities

51 The MPRLP Position paper on NTFPs will highlight key actions and actors in sustainably exploiting the commercial and livelihood potential of NTFPs in MP. In this paper we offer two additional options in the context of the RNFE:

- As SC and ST communities gain capacities and confidence, better access to unregulated markets can help them capitalise on new domestic and international opportunities. Clearly we need to improve our understanding of how the NTFP supply chain (and key actors within it i.e within traders) function. This requires an analysis of the social, economic and political economy which the trade in NTFPs operates. This will require a thorough sub-sector analysis adopting a value chain approach to address key institutional, political economy and social capital constraints which maintain relatively low returns to labour of NTFP collectors in MP, despite the strong demand for many NTFPs.
- Within MP given its relatively well-developed tourism sector, NTFP related tourism products such as forest tours or purchasable items, in which the harvest, preparation or sale of NTFP's form the principle tourist attractions of the product. NTFP related tourism products may be educational in nature, and have a high dependency on local knowledge systems. Making tourism products dependent on local knowledge and participation, acts as a mechanism, which enhances the negotiating power of the local communities over product development and profits. Incorporating this approach into pro-poor tourism will enable pro-poor tourism to facilitate the generation of higher

levels of local income from forest resources. This approach could also incorporate models of sustainable community forest management as these include ecological and economic risk assessments.

52 There is however a general lack of market access which includes the existence of 'predatory' intermediary traders blocking the flow of information on market prices and marketing opportunities, competition in the NTFP and RNFE sector rendering it unprofitable for small entrepreneurs, lack of organised collective marketing, inefficient Government *mandis* (i.e. markets), the existence of unofficial *mandis*, and inability to store products of the RNFE sector.

### **Manufacturing Sub-sector Clusters: Revival and Growth**

53 Within manufacturing, the vast majority of workers are engaged in "household manufacturing" comprising activities such as weaving, pottery, blacksmith and *bidi* rolling. Many of these activities tend to be concentrated in clusters. This tendency arises because input suppliers and produce buyers offer better terms if they can deal with a number of producers in the same location. Related and supporting services also tend to emerge.

54 MP has a number of traditional clusters where handicrafts or other activities used to abound. The Namkeen cluster of Ratlam district is well known though stagnant. The Bagh textile block-printing in Dhar district, traditional handloom weaving clusters such as the ones at Chanderi and Maheshwar; and smaller, lesser known ones at Waraseoni (Balaghat), Parana-Sahranpur and Khilchipur (Rajgarh), Mandsaur, Raghogarh (Guna) are other examples of manufacturing/processing activity. The Chanderi and Maheshwar clusters are two old, famous ones that have continued to prosper and grow. This has been due to a number of factors:

- a steady growth in market demand;
- diversifying the range of weave design;
- textile design and end use of the fabrics, effective promotion and market linkage by private players and the government; and
- the maintenance and growth of a high quality of craftsmanship and products.

55 There are around 3-5,000 weavers in business in each cluster, and the traditional skills and craftsmanship have survived and developed over time.<sup>6/</sup>

56 Moving on to non-household manufacturing, the primary sector possibilities in MP are in the processing of agricultural and forest produce, food-processing, textiles, wood and metal products. The other traditional artisan clusters have declined from their original size to now having only 5-20 potters, wood workers or metal workers. In most cases, artisans have discontinued their traditional activity and craftsmanship activities are in decline.

57 The strategy for revival of these clusters is built on two dimensions. The first part is to build a brand around the existing good will and awareness of the cluster among potential customers. The second dimension is to recognise that demand patterns change and there may be insufficient demand to sustain the earlier number of producers. The synthesis of these two approaches leads to the identification of a core number of highly skilled producers

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<sup>6/</sup> See Appendix 4 for an example of a declining cluster, the Waraseoni Handloom Cluster in Balaghat district.

in the cluster and “skilling” them up further by imparting commercial skills. This can be achieved through market exposure, interaction with clients and agents and visiting exhibitions and trade fairs. Building on these linkages, certain trial orders of newer products with the older motifs and designs can be put out in the market, creating a further demand-pull. The process then is repeated until all the core skilled workers become fully engaged and the cluster starts producing a certain minimum quantity of goods for the market. Then in the second stage, depending on demand, workers with lower skill levels can be engaged in production and skilled-up.

### **Livelihoods in the Informal Services Sector**

58 The number of livelihoods in the services sector is staggering and worth attention. As per NSS 55<sup>th</sup> Round data for 1999-2000 the service sector accounted for nearly 17 per cent of the total 236.9 lakh workers in MP, though only 6.9 per cent of the rural workers.

59 The *retail trade, hotels and restaurants* are the largest employers in the service sector. Apart from employment, retail outlets also provide the important service of acting as marketing channels for local produce, such as food grains, oilseeds, milk and NTFP, as also for manufactured items such as leaf-plates, ropes, baskets, and ready-to-eat food items. Many of them also provide provisions on a credit basis to their customers, and in that sense can be seen as effective channels for dispensing consumption credit without high transaction costs or risk. They are also important as distribution channels for the marketing of inputs such as seed, fertilizer and yarn. Increasingly, the marketing and distribution of products and services in MP will encounter a need to adopt HACCP<sup>7/</sup> and Sanitary and Phytosanitary Measures, (SPS). For example, processing plants producing ready-to-eat and ready-to-cook, frozen or chilled fruits and vegetables will in the future need to implement HACCP regulations and be audited by a third party. Wider rural service provision could also be envisaged such as hotel wedding services, conference facilities etc., RNFE development strategies need to recognise a degree of market differentiation.

60 What intervention if any is needed to support and promote these livelihoods? Doorstep delivery of financial services will be useful, probably through a micro-credit institution, since the business is often too small for a bank. Enhancing access to financial services will have a beneficial effect, leveraging the existing entrepreneurship and market linkages of these retail businesses. The improved delivery of financial services to rural clientele should also encourage and incentivise savings mobilisation for STs. Some support from urban planning authorities to earmark space for these essential service providers would also help.

61 In the *social services sector*, the greatest need is for training, both in skill upgrading and developing self-employed service providers rather than lowly paid contract employees. Some of them should be given rural entrepreneurship training so that they can become self-employed and role models to others. Thus the growth path of an EGS *Guruji* should be not be to become a permanent teacher in government school but to start his/her own private “unaided”, but independent school. Bank loans should be made available to them on a preferential basis. The MPRLP may wish to investigate the potential for developing models of social care (welfare) around health, child and elderly care provision linking bottom-up approaches with municipal strategic approaches. For example an NGO *Khanya-managing rural change*, has successfully been promoting the use of community-based planning (CBP) approaches, which build on community strengths, and link these integrated community level plans to the local government planning system in Southern Africa. Not only has this improved social care provision for rural communities, but it has also provided livelihood opportunities within the community by training nurses, care workers etc.

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Hazard Analysis and Critical Control Points (HACCP).

62 One RNFE activity that has location advantages that can attract the demand of urban consumers and resist urban competition is *rural tourism*. However, there are very few cases where tourism had been developed to a degree where it is the main driver of growth (Davis, 2004). Tourism had tended to develop as an enclave, with urban firms organising facilities using goods and services imported from the urban economy or even internationally. It may be that the supply of sufficiently attractive locations for international tourists and domestic demand for leisure is limited.

63 Nonetheless, MP has a large number of “remote” places with *tourism* potential. The State has over 30 wildlife sanctuaries and national parks, including Kanha and Bandhavgarh national parks. The predominance of wildlife sanctuaries actually provides a major opportunity for livelihood promotion particularly for tribal families who live in the vicinity. We discuss one of the key entry points for the support of this below, namely eco-tourism.

64 The successful development of rural tourism requires first and foremost community participation. Over a period of time, members of the forest or rural community where the tourism is based can be trained to become guides, drivers and staff the touristhotels, lodges and eateries. Some members of the community may start small curio shops for selling handicrafts and gift items. Hotels and restaurants and provision stores may also follow. Jobs arise in transportation, telecom and other tourist services.

65 MP has a readymade training school where tourism service skills can be acquired. This is in the Khajuraho cluster, which has become a substantial tourist destination, thanks to the vision of one private tour operator Mr. Shyam Poddar and the encouraging response of the GoMP and the GoI. Apart from wildlife sanctuaries other destinations for rural tourism in MP include the Gwalior-Shivpur-Orchha-Khajuraho circuit and the Indore-Mandu-Maheshwar-Omkareshwar circuit. The annual Narmada Parikrama, culminating at the Amarkantak Mountain could also be developed into a major rural tourism route. There appears to be limited lesson-sharing as regards what has worked and failed in rural tourism promotion in MP. A public-private shared learning platform on the provision of rural tourism and impediments to the sectors development needs to be established.

66 The role of the GoMP in *eco-tourism* development should be primarily one of creating the right policy framework to ensure community participation and attract investment on the one hand; whilst ensuring that equitable benefits flow to the local communities on the other. Thus, destination development would mean investments in roads, allotment of land at the right locations and perhaps even subsidies to pioneer units. The GoMP also needs to invest in eco-tourism promotion, information provision and building a state brand. In this context, the efforts by the GoMP to organise tourism conferences such as “Madhya Pradesh Mystique” are a good first step. In summary, the strategy for the eco/rural tourism sub-sector is:

- GoMP only invest in “public goods”- destination development through roads, airstrips, land development and generic marketing and publicity.
- These should be coupled with investments in the training of local tribal communities in eco-tourism services: wildlife guides, nature guides, trekking agents, drivers, cooks etc.
- Mandu could be marketed as a less crowded alternative to Uttaranchal/Himachal/ Kodaikanal/Ooty hill stations and the Amarkantak Narmada Parikrama as an alternative to Badrinath.
- There is scope for the development of joint-ventures international and national, and public-private which could assist in the provision of investment in appropriate tourist infrastructure (roads, power, water etc.), hotels, guest-houses etc.

- Clear codes of practice regarding conflict resolution and natural resource management will need to be developed and enforced.
- GoMP tourism promotion and information sharing.

### **Growth Vectors Across Sectoral, Spatial and Segmental Strategies**

67 Certain services are needed for the growth of all sectors and segments and in all spatial locations. These are:

- Entrepreneurship.
- Vocational Skills.
- Utilities (electricity, solar power technology, gas, water etc.,).
- Financial services (both savings and loan facilities).
- Information (market information, shared learning platforms and best practice).
- Institutional support and investment.
- Sub-sectoral and commodity/ service promotion strategies.

### ***Entrepreneurship: “Farmers’ Sons” as Promoters of Agro-Enterprises<sup>8/</sup>***

68 Our understanding of the community indicates that a very large proportion of the well-off farmers face a generational problem – their sons do not want to engage in agriculture, at least not in the traditional way. There is also the issue of land fragmentation as holdings belonging to a single patriarch are typically divided and sub-divided among sons of successive generations to a point where the divided parcel is too small for making a living. To enable farmers’ sons to establish agro-enterprises, they need to be equipped with the following inputs on a systematic basis:

- exposure to a number of existing successful farmers and agro service/processing entrepreneurs as role models, and as a counterpoint to the urban/services pull;
- assistance in drawing up business plans and raising bank finance;
- assistance in technical aspects including equipment selection and start-up;
- commercial training in procurement, accounting, management and marketing; and
- help with initial market linkages and on-going market information.

69 For much of the above, which focuses on coordination and facilitation, such support is commonly rendered by NGOs, GoMP institutions and donor-supported initiatives (e.g. DPIP etc.). It focuses on individual rural entrepreneurs or producers, groups, guilds and whole sectors of the local or regional economy. The role of coordination and facilitation is to identify, together with the entrepreneurs, the constraints to the successful operation of the businesses and to facilitate the provision of appropriate support. In terms of management and organisational support the professional competence of the rural entrepreneur needs to be strengthened with regard to decision-making, organisational development, and the acquisition of relevant business information about finance, technology, inputs and materials, marketing, etc. These skills can be obtained through formal training courses, experiential learning and the use of consultants, counselling and mentoring.

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See Appendix 2 for an example of a progressive farmer and his three highly educated sons, all fully engaged in developing their agricultural activity in a remote village in Dhar, as the business of the past and future generations.

### ***Market Linkages and Mutual Marketing by SHGs***

70 Establishing market linkages is a key function cutting across all sectors. It means much more than the physical infrastructure for trading in terms of market yards, warehouses, transport and telecom network. It also includes establishing information linkages by creating market-places such as the oilseed trading exchange established in Indore by SOPA. The GoMP needs to invest in promoting sector-focused market exchanges and export promotion houses, events such as buyer-seller meets and trader expositions. These should be spread around the major commercial hubs of the state, namely Indore, Bhopal, Gwalior and Jablapur. Local chambers of commerce and industry associations should be encouraged to establish reciprocal relationships with counterparts in various countries. The cost can initially be covered by GoMP.

71 Establishing a State brand image would also be a worthwhile investment. In this regard, the GoMP's use of services of Hindustan Lever Limited to build a brand for a range of unorganised sector products is a good first step. Individual producers find it difficult to market their products, and in some cases might benefit from dealing with competitive middlemen. Alternatively, some SHGs could become "middlewomen", by trading in local produce produced in their area and at the same time retailing essential commodities and products from outside to their members.

### ***Financial Intermediation for Livelihoods***

72 Though SHGs are often cited as a recent success story for providing micro-credit to the poor, it should be noted that promoting livelihoods for the poor needs much more than micro-credit. Indeed, they need the following types of financing, almost in sequence, though overlapping:

- Credit to take care of prior indebtedness.
- Savings and remittance services.
- Consumption loans during lean season.
- Loans for taking care of contingencies, illness and social obligations.
- Productive loans for acquiring assets such as livestock, land, a well, or a shop.
- Working capital loans for agriculture, artisan activity, petty trading, etc.
- Housing loans (repair, expansion, new construction).
- Loans for children's education.
- Equity/venture finance for starting new micro-enterprises.
- Infrastructure finance (for the area).
- Natural resource finance, for water, wastelands, forests, etc.

73 Taken together, these would have to be provided by a range of diverse financial institutions. As we discussed above, one of the routes out of the poverty trap is investment in human capital coupled with investment in physical and financial capital. Thus, the availability of credit becomes a crucial constraint for poverty alleviation and livelihood promotion. Because of the focus on the poorest communities (ST and SCs), policy focus has been mainly on production credit. The availability of investment credit has been low and declining. The availability of consumption credit and housing finance has been very low. Investments in natural resources and infrastructure have been seen as something that the government does, rather than as a financial sector activity. More recently, schemes for this have been developed.

74 Though a large network of banks exists in the state, the supply of credit in rural MP is well below demand. The following steps can be taken:

- To ensure timeliness of bank credit, which is particularly crucial for crop loans, the Kisan Credit Card scheme should be universalised in the state.
- Amending the Public Debt Recovery Act to enable banks to recover loans extended to farmers for irrigation, land development etc., so that banks feel they can get their money back.
- To provide term loans and start up finance for establishing small to medium sized units for commercialised primary activities (cash crops, horticulture, forestry, medicinal plants, dairy, fishery) and agro-processing in depressed blocks.

75 As the formal credit system of banks and cooperatives is either unable or unwilling to serve rural small borrowers, and the reach of micro-credit institutions is still negligible, it is appropriate to consider establishing informal financial service providers (FSPs) as franchise agents of banks and MFIs. For this, they will have to undergo some form of licensing, and not all may be willing to do so. The GoMP could learn from the South African experience, where there was no formal credit institution serving the Black population due to apartheid and had to bring informal lenders into the financial system. The usury law was amended to encourage these lenders to become licensed and make their books auditable, so that banks could lend to them for on-lending. Now South Africa has thousands of these informal but licensed FSPs all of whom are competing with each other to serve the market for micro-credit and thus driving down the interest rate, something which a century of usury laws could not achieve. There may also be lessons to learn from the Building Resources Across Communities (BRAC, formerly known as the Bangladesh Rural Advancement Committee) NGO in Bangladesh, which is providing innovative models of microfinance to rural dwellers.<sup>9/</sup> A similar experiment could be tried in MP, with an innovative bank or MFI.

76 The policy and operating environment surrounding financial institutions in rural MP also needs improvement. Rural households generally have no formal mechanisms to insure against risk, so lenders can be subject to acute credit risk in such areas. In addition, borrowers are often unable to offer suitable collateral and, even if they have collateral, weak contract enforcement makes it difficult to enforce loan covenants when borrowers default. Better mechanisms to manage agriculture-related risk are needed. Improved client and asset registries and stronger judicial capacity to register and enforce claims on collateral are also needed (Davis, *et. al.*, 2004).

77 Insurance and Warehouse receipt (WR) schemes appear to offer good potential (Davis, *et. al.*, 2004). For example, microinsurance allows borrowers to access finance for agriculture by reducing the risk of default arising from adverse weather. Warehouse receipt systems (when accessible to small-scale farmers) provide a way of turning agricultural produce into collateral. MPRLP might consider pilot funding to explore the feasibility of financial products that combine input credit with weather-indexed insurance and produce marketing using WR systems (Davis, *et. al.*, 2004). At the same time, MPRLP needs to work with GoMP and private sector players to integrate interventions that reduce rural credit risk with mainstream rural financial development programmes and policies.

78 Agribusinesses have an important role in providing input credit and financing commodity trade in rural areas, and links with financial institutions offer a promising way

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In addition to microfinance, BRAC provides sector-specific enterprise training and support to its member borrowers in poultry and livestock, fisheries, social forestry, agriculture and sericulture. It also provides supply of inputs essential for certain enterprises through its 'Programme Support Enterprises' that include Poultry farm and disease diagnostic laboratory, Bull Station, Feed Mill, Broiler Production and Marketing, Seed Production, Processing, Marketing and Soil Testing, BRAC Nursery, and Fish and Prawn Hatchery. BRAC's Vegetable Export programme started in 1998 is a venture that is aimed at bridging the gap between local producers and international markets.

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forward in extending agricultural finance. Efforts to promote competitive and reliable fund transfer services and to adopt technology that lowers the cost and improves efficiency of financial services delivery to the rural population have been constrained by a lack of infrastructure and supportive legal frameworks. The rural poor would benefit directly from regulatory systems that engender confidence in the role of MFIs and other non-bank financial institutions in rural savings mobilisation. They would also benefit if MFIs and banks acted as channels for rural payments and transfer of remittances (Davis, *et. al.*, 2004).

### **Potential Sub-sectors for Growth in MPRLP Clusters**

79 Adequate finance will be required by ST and SC households to invest in any or all of the above investment opportunities. Micro-credit may not benefit these households much in the long-term, even for a SHG promoting agency as micro-credit loans tend to be used to smooth consumption in those months when labour IGAs are not available. To improve the returns to labour of STs whether involved in forest-based NTFP activities or RNF employment to exploit better market linkages where for example larger quantities could be sold, better bargaining power and access to markets, training, infrastructure and supply chain support will be required. If the productive base of the MPRLP villages is to improve it has to be for a much larger number of farmers, through companies, farmers groups, cooperatives and SHGs. The following MPRLP sub-sectoral activities that have the potential for RNF growth and rural poverty reduction have been identified:

- Village based small and micro enterprises through the provision of loans and working capital.
- Seed multiplication for which there is a good market.
- Forest produce collecting and bulk trading (see for example Girijan cooperative).
- Mahula and Shal Leaf (leaf plate making).
- Poultry and mulberry sericulture following the PRADAN model.
- Honey promotion and processing following the CARD model.
- Tourism around Amakhantak, Kanha, and Mandvi (e.g. tourist guides, bar-boys, Dhabha, Wood and stone carving, food preparation etc).
- Skills development, training certification and upgrading for the construction industry, forestry, nursery, gardeners, and domestic help.
- The promotion of Beid, and Bagh print work.
- Tendu Patta collection and *bidi* rolling.<sup>10/</sup>
- *lac* cultivation, trading and processing.
- Medicinal plant linkage with urban markets.

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The role of NGOs such as the Self Employed Women's Association (SEWA) play an important role in the development of this sector. SEWA not only provides microfinance services to female *bidi* rollers, but also life and health insurance, In addition to microfinance SEWA offers multiple finance and insurance products and multiple premium options. The premiums payment pattern may also vary – they may be linked to a savings plan or may be collected annually.

- Minor millet sold and promoted in urban markets.

80 For most of the above to be financially viable, credit, training and market linkage support will be critical to their success. If investments were made on some of the above NTFP projects, a household would be able to increase its net annual income and diversify its livelihood portfolio, reduce risks and generate much needed work for female members of the family (wife, mother) while staying in their village. It could also generate wage employment for landless families in the same village. It would also have the potential to conserve land, water and increase the tree cover. The additional income would enable younger children to go to school and perhaps even pursue higher education.

81 The status of identified RNFE activities in MPRLP areas includes the following:

82 The *handloom sector* has a high potential for employment and value addition. A handloom commissioner is responsible for the development of the sector. The MPRLP could assist by focussing on upgrading skills, input assistance, managerial training, technology transfer, quality control, marketing assistance and consultancy. There is also a handloom corporation in MP for training and marketing assistance. The major handloom /handicraft activity in the MPRLP areas are:

- Tribal jewellery- in Jhabua;
- Alizarine /block print –Bagh Prints, batik prints, and Bell metal work in the tribal areas;
- Bamboo Crafts – some potential in Jahbua and Mandla; and
- Carpet weaving- some potential in Mandla and Shahdol.

83 Emergent sectors with potential for RNFE growth include the following: antique sculptures, embroidery work, Zari and Bead-work, Jute, and handmade paper work. The major constraint on the development of these emergent sectors is a lack of financial and marketing support. Both NGOs and MPRLP could play a role in addressing these constraints.

84 In terms of *khadi* and village industries there is a high demand for RNFE activities such as vegetable tanning, the manufacturing of leather shoes, bags and the processing of minor forest products. Some poor artisans did have access to microfinance.

85 MP has some potential for developing a cluster-based leather industry due to the availability of a large livestock population. Jabalpur and Ujjain are important technical markets for the raw material and machinery is available in Dewas district. The leather toy market is also increasing internationally. MPRLP, PFT and NGOs could help facilitate market linkage for manufacturers and the marketing of leather products. Critically the successful development of much of the above will require market chain assessments, the support of small-medium sized enterprises and enhanced rural-urban linkages.

86 The key constraints in development of the above sectors with potential for RNFE growth are as follows:

- the lack of an entrepreneurial culture among the rural poor;
- the lack of BDS, proper enterprise and management training in rural areas;
- the lack of appropriate technology and skills; due to a lack of modern technology and skills ST and SC's attain sub optimal prices for their produce and labour. A

programme for skills and technology upgrading in key sectors / clusters needs to be developed;

- marketing support is major hurdle; it needs to be developed in rural areas. BDS and information centres need to be accessible in rural hatts etc;
- a lack of credit: another key constraint on the development of the RNFE;
- a lack of inter-ministerial, NGO, bank and district level coordination; and
- a lack of basic infrastructure facilities such as roads, power, water etc., hampers the growth of the RNFE.

87 Potential regional and sub-sectoral clusters for RNFE development include the following:

- in Jabalpur – minerals, food processing, forest and herbal medicines, lac and garments;
- in Indore - auto component, information technology, Food processing, textile; and
- in Rewa – limestone quarrying, forest based industries.

## **4 | Tackling Constraints on Growth and Productivity**

# 4 Tackling Constraints on Growth and Productivity

88 In this section of the report we review some of the key constraints on RNFE growth, employment and productivity. Outside of the aforementioned constraints we focus on the lack of BDS support for MED in MPRLP areas.

## Rural – Urban Linkages and the RNF Business Environment

89 Wandschneider *et. al.* (2003) studies of local small towns (i.e. those at block level) in Betul and Bhimpur show that these do not generally represent very dynamic centres of economic activity – again a reflection of the relative poverty of many MPRLP project areas. We have found as part of our review that most enterprise is small scale and often service orientated. Employment per enterprise is small (< 4 persons) and profit margins usually minimal as a consequence of intense competition, the latter reflecting the low entry requirements of most businesses.

90 An exception is provided by agro processing activity, which is larger scale. However, only a few such businesses operate and these on a seasonal basis perhaps partly because of the limited scale of agricultural surpluses in the MPRLP localities. Overall there appear to be few linkages between urban businesses and the rural sector.

91 At the level of district towns there is more diverse activity but even here the business environment may be constrained. The latter may stem from the limitations imposed by macro level policies, but also from an absence of effective local support to enterprise development e.g. in terms of infrastructure, and support for enterprise creation, and in market development (including information services). The absence of business organisations was found to be even more marked at the small town level (see Wandschneider, 2003; CMS, 2003). Overall there is a lack of skills and capability in a variety of areas including analysis of enterprise and financial options at sub sector level, together with business management, banking and marketing. MPRLP could make a real difference in terms of generating RNFE growth through providing training and market-linkage services to ST dwellers in MPRLP districts.

92 Given the relatively high rates of seasonal out-migration and growth in service oriented micro-enterprises (shops, barbers etc.) the role of small and medium urban centres in local economic development processes could be built upon. In addition to their functions in the provision of administrative and social services, these locations provide a critical junction between the village and wider economies. Town-based enterprises supply consumption goods and inputs imported from other regions to rural households while channelling local farm and non-farm surplus production to distant markets. Small urban centres also constitute important market outlets and service provision centres for rural producers in hinterland areas and a source of local innovation and economic diversification. In areas where village households have access to reliable transport services, medium towns may also generate critical employment opportunities through commuting.

93 The potential contribution of small and medium towns has not been sufficiently recognised in rural development strategies and programmes in India (Fisher and Mahajan, 1997). These have often emphasised developments at village level, particularly in the agricultural and artisanal sectors and in the local governance sphere, without due consideration to wider realities. A more balanced and integrated approach, that recognises spatial links along supply chains and the key role of rural towns within such systems, is likely to be more effective from a growth as well as poverty reduction viewpoint.

94 The multi-sector nature of local economic development processes also poses major challenges, especially in contexts characterised by centralised decision-making systems and limited inter-agency and inter-department coordination. On the other hand, while decentralisation can facilitate effective planning, local governments must be supported by clear legislation regarding their relationship with central government, have sufficient resources for investment and service provision, and possess adequate planning and implementation capacity.

95 Most states in India, including MP illustrate these problems. There is a tendency amongst policy-makers, government officials, the voluntary sector, and some international development agencies with a presence in the country to equate rural development with the development of the agricultural sector and the village economy (Fisher and Mahajan, 1997). An excessive emphasis on the preservation of self-employment in traditional artisanal activities with limited growth prospects is symptomatic of this perspective. So is the neglect of wage employment promotion in rural towns and the lack of attention to sub-sectors with potential to act as engines of local economic growth.

96 Furthermore, recent decentralisation efforts in India have emphasised the devolution of a wide range of administrative and fiscal powers to local communities under the Panchayat Raj System, but less attention has been devoted to institutional change at district level, where government capacity remains very weak and inter-agency cooperation is still incipient (Dasgupta and Khanna, 2002). To date, the experience with the Panchayat Raj system and the MPRLP not only highlights the difficulties in bringing about effective change in local power dynamics, but also illustrates the challenges of building capacity for effective local resource mobilisation and planning with a view to improving the investment climate, economic and social infrastructure, and service provision.

97 The MPRLP may need to place greater emphasis on human development (training, education and skills), institutional development and capacity building, alongside a renewed interest in enterprise development as an engine of local economic growth. Flexible institutional coalitions and learning alliances involving a wide range of public and private stakeholders could be given a higher priority in this process. Such coalitions could be part of the current Gram Sabha and PFT focus on participatory planning and management of MPRLP initiatives, the development of demand-driven services, and the creation of an enabling institutional and policy environment.

### **Business Development Services (BDS)**

98 Despite the significantly different contexts in which enterprises in India (whether rural or urban) operate, some commonality exists in terms of entrepreneurs' prioritisation of needs for speedy development. In MP, a recurrent major constraint on business development is the lack of working capital and investment funds. In meetings conducted between the authors and the PFT's in four districts absence of collateral security, complicated bank procedures and a lack of information about credit sources often restrain firms' access to loans. In MP, enterprises show varying degrees of maturity and, consequently, their needs for business development services are diverse and evolving over time. An apparent pattern seems to indicate that during the early investment stages, enterprises are in general need of skills upgrading in areas related to overall management and business plan development. Later on in their evolution, however, businesses tend to become more concerned with issues of marketing, market linkage services and the development of new products and technologies. Although we have not investigated the supply-side of the BDS market, i.e. providers of services in MP, some evidence shows that BDS institutions mainly operate at the macro-level, the large-scale enterprise sector in India (Kleih *et al.*, 2003).

99 MP presents a more complex set of needs for BDS providers. It appears that, while there is a dynamic business environment at the large-scale enterprise level and households

at village level are targeted with some basic services, BDS providers are almost absent at the meso level, i.e. district, block and other small towns. There are also strong arguments in favour of targeting small towns as 'entry points' for the establishment of BDS institutions due to their intermediary status of linking villages and larger towns in the wider economy and their potential capacity to generate speedy and dynamic economic development for the whole local economy. In this way, some recommendations have been advanced in order to suggest mechanisms to create a business-friendly environment at the district level in MP, wherein BDS providers are placed as potentially key players:

- The Gram Sabha's role in providing small micro-finance loans to local firms is probably not the optimal location for providing wider BDS. Indeed, microfinance constraints are best addressed by larger, formal sector financial service providers.
- The role of the GoMP should be limited to establishing a comprehensive pro-business regulatory framework and building effective infrastructure facilities, such as roads and communications.
- In the context of the MPRLP, NABARD and/ or DRDA could be supported to include the following functions: technical facilitation for setting up BDS institutions in districts; provision of matching grants to local governments for establishing BDS; identification of emerging sectors and markets and dissemination of such information to the district BDS providers; and monitoring of district performance and rural enterprise creation. Some of the above could be done in partnership with PFTs and DPIP district level organisations.
- At the local government level, key players are the district collector, the panchayats, and the PFTs, where roles could include: identification of local development priorities; facilitation of enterprise creation; provision of funds for enterprise development; and monitoring of local markets and standards. Some of this is being done by PFTs in Shahdol, Dindori, Anupur and Mandla, but not in a consistent manner and with limited resources, and sharing of practical experience or lesson-learning.

100 With respect to actual types of BDS institutional arrangements, MPRLP could build on and support existing organisations that provide one or more business development service. For example, national banks in India such as NABARD and Small Industries Development Bank of India (SIDBI)<sup>1/</sup> combine credit with other BDS to promote enterprise development. Specific services include training for skill development, business counselling, marketing and cluster formation. In this case, rather than creating new BDS institutions, we recommend MPRLP help upgrade and improve current performance particularly by influencing government officials' perspective with regard to risk management and business approaches. Experience from Latin America, suggests that by setting up innovative training courses to help enhance the entrepreneurial skills of civil servants and young civilians, a business-oriented outlook within public sector actors has been unleashed and positive impacts on BDS delivery encountered.

101 Other potential BDS providers such as business incubators run by NGOs and private organisations, training centres, chambers of commerce, and business clusters would need to be thoroughly assessed before firm recommendations can be made. In all this, the analysis ought to be centred on the possibilities of promoting strategic linkages not only between

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<sup>1/</sup>

Small Industries Development Bank of India (SIDBI) was established in April 1990 under an Act of Indian Parliament as a wholly-owned subsidiary of Industrial Development Bank of India. SIDBI's mission is to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal financial sector to provide micro finance services to small-scale industries, the poor (especially women) and offers marketing and promotion services.

public and private institutions but also between local, national and international organisations, in order to support a lasting and sustainable assistance to enterprises from the moment they are conceived up until when they attain growth and gain access to non-local markets. Further research in this area will be necessary to demonstrate whether some of the strengths of particular institutional arrangements, can be enhanced and weaknesses lessened in the practical day-to-day life of tribal communities in MPRLP areas.

## **5 | Sustainability, Management Risk and Vulnerability**

# 5 Sustainability, Managing Risk and Vulnerability

## Review of RNFE Policies and Programmes

101 We now consider recent changes to relevant State and Central policies, schemes, programmes and impact on of their implementation; and lessons from other development initiatives in MP. As previously noted, the Gol has incorporated various schemes in all of its five year plans, most of which have focused on agriculture, industry (especially heavy industry), defence, unemployment, and poverty reduction. The Gol has a number of schemes meant to alleviate poverty in rural areas but their success rate has generally been low.<sup>1/</sup> It has been suggested that a major reason for the low rate of employment generation is the decline in the employment elasticity of agricultural growth (see Dev, 2002; and World Bank, 2005). To address the issue of unemployment various income generation schemes such as the *Jawahar Rozgar Yojana* (JRY), *Swarnajayanti Gram Swarozgar Yojana* (SGSY), *Swarnajayanti Gram Rozgar Yojana* (SGRY) and others were formulated. We categorise by sector/activity and summarise these schemes in Appendix 5 of the report.

102 The main rural livelihood and employment programmes being implemented currently by the Panchayats and Rural Development Department of the GoMP include the following: SGSY, the World Bank District Poverty Initiatives Program (DPIP), and Rajiv Gandhi Mission for Watershed Development (RGMWD). Besides these there are other important programmes, for example: the *Jawahar Gram Samrudhi Yojana* Employment Assurance Scheme; *Indira Awas Yojana* and *Samajik Suraksha* Pensions; Yojana, Rashtriya Bridhwastha Pension schemes; a National Maternity Benefit Scheme; a National Family help scheme; and a Grain Bank Scheme. All these programmes are implemented through the District Rural Development Agencies (DRDAs) at district level. The DRDAs are also responsible for the functioning of PRIs (ZP, JP, GP) and Gram Sabha.

103 *Swarnajayanti Gram Swarozgar Yojana* (SGSY) is a Gol sponsored, State run program for comprehensive livelihood promotion for the BPL families, providing credit, subsidies, training, infrastructure and market linkage support through SHGs. The subsidy component has affected group formation and dynamics in many areas. Politically motivated groups are being formed to tap the subsidy.

104 *Rajiv Gandhi Mission for Watershed Development* (RGMWD) began in 1994 with the aim of improving land and water resources and thereby productivity in 12 lakh hectares of degraded land in MP. Community participation to address issues of livelihood security and environmental rehabilitation are central to this programme.

105 The *District Poverty Initiatives Program* (DPIP) is a five-year, World Bank sponsored program which started in 2001. It is operational in 14 districts of MP focusing on the landless poor in 'pockets of poverty' within each district. The DPIP developed a Community Investment Fund (CIF) for the provision of local infrastructure and IGAs. The CIF provides a revolving fund instead of loans. The DPIP has autonomous, flexible operating resources, capacities and a framework which includes government and NGO project units. It aims to facilitate project formulation based on local needs, rather than "straitjacketed" schemes. The DPIP project interventions for ST CIGs has come to revolve round the twin planks of ground water harvesting for irrigation for landed tribal households and goat rearing for landless ones.

<sup>1/</sup>

See assessment by Nayak, R., Saxena, N. C., and J. Farrington (2002).

Microenterprise and forest based activities have also been supported where feasible. Even so the difficulties of identifying appropriate economic activities and ensuring impact on the tribal household economy remains compelling. Land based interventions are often marred by marginal land holdings among the ST. Even these marginal lands are highly contested due to persistent alienation, dispossession and land grabs by powerful peasantry. The ST households are unable to sustain heavy investments on land and often slide into debt and hunger. Unfortunately the major non-land based activity e.g. goatherds is witnessing serious setbacks due to disease and death across many districts.

106 A central issue of concern is the effectiveness of DPIP's ST development interventions within the conventional paradigm of poverty alleviation through creation of assets. This paradigm may be faulted on two grounds: (i) it does not give sufficient credence to wage labour as a means of livelihood. Wage labour remains the chief source of household income for tribal households (even landed ones); and (ii) this paradigm does not address the reality of low entitlements, a key cause of poverty. Nonetheless, the DPIP has developed some innovative models of employment exchange and information, whilst also engaging the private sector in delivering training in villages which are transferable to the wider labour market. The latter has seen the development of some exciting and innovative models of public-private partnership in providing jobs and training opportunities in Tribal districts. A good illustration of the generation of RNF employment through public-private partnership is the training centre of the Anant Spinning Mill unit at Mandideep. To date, Anant Mills Industries have trained and employed around 500 people from the poorest districts of MP. The firm intends to employ a further 3,000 people over the next 18 months as part of an industrial expansion programme. DPIP provides an employment search and screening function for Anant Mills, linking appropriately educated people with job and training opportunities provided through the private sector. We interviewed the Director and Chief Manager of Anant Mills to improve our understanding of how the programme works and could be improved. The company spends approximately INR 21,000 per trainee for the first 6 months of training (some village based and then later on-site at the factory). Anant Mills would like to see the DPIP scheme publicised more widely throughout MP to get more companies involved and GoMP incentives offered to share some of the training costs (Anant Mills estimate a training expenditure to date of INR 10,500,000; the equivalent of USD 228,000). DPIP have developed links with a few other private companies e.g., Maral Overseas Ltd., Khargone Mahavir Spinning Mill, Mandideep Diamond Cutting Factory, Peethampur Insulator and Electric Company. Nascent MPRLP schemes could look to learn from DPIP and partner it in supporting public-private partnerships of this nature, which are helping to revitalise low income neighbourhoods and promote broader social stability in MPRLP areas.

107 The *Rajiv Gandhi Mission for Tribal Livelihoods* (Earlier Food Security Mission) aims to provide sustainable livelihoods to the most vulnerable poor in 17 tribal-dominated districts of MP through improving the resource-base and IGA opportunities. It focuses on: macroeconomic frameworks, the legal environment, the articulation of rights; market development, and community capacity building to accelerate the enhancement of tribal livelihoods.

108 In general, the creation of durable assets / infrastructure at the village level, and development of productive assets exclusively for SC / ST for sustained employment and generation of supplementary employment for the un-employed poor living below the poverty line were key objectives of these schemes. However, most have failed to make a sustainable impact in terms of employment and poverty reduction although in addition to the above the GoI had created labour-intensive rural work programmes such as the National Food For Work

Programme (NFWP) (Nayak, Saxena and Farrington, 2002).<sup>2/</sup> The NFWP was initiated in 2004 in 150 of the poorest districts in India (and included districts in MP). Providing employment to the growing millions of rural unemployed is clearly a national priority.

109 The *National Food-For-Work Programme* (NFWP) is a precursor to the National Rural Employment Guarantee Act, and was intended to provide work to the poorest of the poor, to enable them to earn enough to eat. However, there were several problems in terms of implementing the programme on the ground, monitoring and evaluating the pro-poor impact and efficacy of the NFWP. There is widespread anecdotal evidence that the NFWP failed to benefit many of the poorest communities because many administrators and panchayat leaders maintained both 'pucca' (final) and 'kutchra' (rough) muster rolls, and that if any villager questioned why money was being siphoned off under the NFWP for fictitious (on paper) infrastructure projects they faced immediate dismissal. The muster rolls are crucial documents that are supposed to contain detailed information on the number of days of work completed, and payment made, to each labourer. The NFFWP guidelines clearly stipulate that muster rolls must be made available for public scrutiny. However, the lack of transparency in maintaining muster rolls is one example of the failure of the government to enforce the guidelines of the NFFWP. Another failure was its unwillingness to pay the minimum wage, which works out to almost INR 59 per day. Labourers were routinely paid INR 25 a day -- less than half the minimum wage.<sup>3/</sup> The NFWP is currently being phased out as part of a five year programme across India.

110 In recognition of some of the past failures in rural employment generation, the *National Rural Employment Guarantee (NREG) Act* was drafted and formally launched by the GoI in February 2006. It promises a job to every rural Indian in each household. The NREG scheme has great potential for providing income security, poverty reduction and the development of depressed rural areas, which will also help address issues of seasonal migration, unemployment and food security. The NREG act aims to provide productive employment, and not simply unemployment benefit. The rural poor are guaranteed 100 days of work per household every year. Under the NREG act employment is to be used to improve local infrastructure and is thus expected to improve local economic productivity. Also, there is universal targeting to remove bureaucratic discretion, which has been a major source of corruption, delay and leakage in previous poverty reduction and employment generation schemes (see Nayak *et. al.*, 2002).

111 All those who are registered in a village and offer themselves for employment are eligible. Only manual work is offered at the state minimum wage or 75% of the national minimum wage, whichever is higher. The NREG act also provides for: (i) the legal right to work; (ii) transparency with muster rolls of the eligible, and of those given employment; and (iii) lists of works completed are to be posted in public places. This complies with the Right to Information Act (October 13<sup>th</sup> 2005), which makes it mandatory for officials to provide information to citizens on request. The NREG act has incorporated the above measures to encourage citizen action, participation and to ensure delivery of public works schemes. The NREG act prohibits the use of contractors as they have often been a major source of corruption in public works schemes. Instead the local *panchayats* are responsible for identifying the works and implementing the NREG scheme. It should in theory, be easier and more transparent as per the MPRLP experience, to make lower levels of government more accountable to its citizens.

112 The NREG scheme provides for programme co-ordinators at district level and Block Development Officer (BDO) rank programme officers at the block level. Prospective plans

<sup>2/</sup> See Nayak, Saxena and Farrington (2002) for one of the few comprehensive surveys of these employment and GoI poverty reduction schemes conducted in recent years.

<sup>3/</sup> See Jean Dreze 'Loot for Work Programme' article published in the Times of India, <http://timesofindia.indiatimes.com/articleshow/1157838.cms>

have been replaced by requiring the programme officer to consolidate project proposals received from village and intermediate *panchayats*. This has the advantage of simplicity, but problems with progress, M&E and quality of work are inevitable in the absence of any technical or management support.

113 Perhaps involving teachers of local engineering colleges and management institutions for design and project management support could be a cost-effective solution? For example, their students could help with field work and data compilation. Rates and procedures for requisitioning this on a minimal cost-recovery basis could be proposed. This would also sensitise local educational institutions to local needs and realities. Advance guidelines and approved rates for local procurement of materials and essential skilled labour within specified limits are also necessary. However, the main problem is that rural MP's infrastructure is deteriorating (in many forest tribal areas it's virtually non-existent), and the poor continue to suffer from chronic and especially seasonal unemployment. The re-vitalisation of local self-government, the Gram Sabha and effective service delivery go hand-in-hand. Ensuring this and using funds to create good quality assets will be a major challenge. The NREG scheme, if successful, can create infrastructure, reduce distress-push migration (Deshingkar *et. al.*, 2003) and alleviate chronic poverty in rural MP.

### **Policy Initiatives by the GoMP**

114 MP was among the first Indian States to establish a separate department for rural industries in 1990 to focus attention on rural industries and for proper coordination. This was followed by setting up a separate mission known as the Rajiv Gandhi Gramodyog mission in 1994. Although the bifurcation of the Industrial Department took place in 1990 to this was not replicated at district and block level until 1996. The GoMP has since produced in 1999 an industrial policy focussing attention on rural industrialisation. A separate trade policy and a comprehensive policy on information and communication technology were also announced in 1999. The GoMP with a view to achieving double digit economic growth introduced a new industrial promotion policy in 2004. The objectives are to create an industry friendly administration and provide various incentives to encourage rural industrialisation in MP. The GoMP has also announced a separate rural industrial policy encompassing the RNFE. The key constraints identified by policy makers for RNFE development in GoMP are as follows:

- Lack of entrepreneurship culture especially among the rural poor and lack of proper enterprise development training in rural areas;
- Lack of appropriate technology and skills: The artisans due to the lack of modern technology and skills receive sub-optimal prices for their work. Programmes for the upgrading of skills and technology to be taken-up in all artisan clusters;
- Marketing support is the major hurdle for the promotion of the RNFE, there is a need for policy which encourages the development of marketing centres in rural areas e.g. rural hatts;
- Availability of credit and more so micro credit for the poor is among the key factor for non development of RNFE in MP;
- Non-coordination between various government departments /schemes and banks; and
- A lack of basic infrastructure facilities such as roads, power, water etc hampers growth of RNFE.

115 To remove key constraints to RNFE growth in MP, NABARD has promoted various grant based rural entrepreneurship development programmes (REDPs) which are conducted by NGOs in rural areas in order to develop entrepreneurship skill among rural people. To deal with the problem of rural infrastructure, various government schemes including the Rural Infrastructure Development Fund (RIDF) financed through NABARD have been developed. NABARD has been extending loans for rural infrastructure development and the RIDF covers institutions such as the PRI, SHG and the following activities: building roads, bridges, rural hatts, cold storage etc. Besides this various other policies and schemes under NABARD have been designed to give a boost to the RNFE in MP for example: District rural industries project (DRIP), Skill upgrading and design development for handloom weavers (SUDHA), Assistance to rural women in the non-farm sector (ARWIND); Assistance for marketing of non-farm products of rural women (MAHIMA). To ensure human resource development, GoMP, Department of Industries and Lead Financial Banks of the State has promoted a state level training institution termed the Centre for Entrepreneurship Development Madhya Pradesh (CEDMAP) for providing training to youths for self-employment, management development, training, research, and job processing etc., in the States of Madhya Pradesh and Chhattisgarh. The organisation trains around 35,000 – 40,000 participants under various programmes per annum.

## 6 | **Conclusions**

## 6 Conclusions

116 This report has focused on Madhya Pradesh, the MPRLP, the rural non-farm economy and livelihood diversification. At the macro level the strength of interaction between agriculture and the RNFE points to the need for more effective policies to promote agricultural production and incomes, perhaps through a progressive switch away from subsidised inputs and towards productive public investment e.g. in roads and water development, especially in the agricultural slack season. A series of conclusions and recommendations are presented below.

- The development of the NREG could be a useful aid to promoting greater livelihood security, releasing funds for investment in off-farm opportunities and reducing the need for distress-push migration. Such initiatives could also address a further need i.e. a switch towards policies that stimulate demand, since local wage employment in infrastructure can have multiplier effects on local markets.
- There also appears to be scope to progressively rationalise the regulatory environment to remove restrictions and transaction costs where these arise in the informal sector and both agricultural and RNFE production and marketing systems (Saxena, 2003).
- The GoMP needs to be committed to the creation of a more favourable framework promoting the development of both agricultural and RNFE enterprises. This should be reflected in the formulation and, more importantly, implementation of related policies. At the same time, there is a need to re-examine the capacity to implement policy not only at state level but also below.
- At GoMP level implementation issues relate in particular to those areas where it is both feasible and sensible to retain a degree of public sector participation or facilitation. Infrastructure such as transport, power and market facilities represent one such area. Transport infrastructure needs to relate to improvement in both many district level roads and selected village feeder roads coupled with appropriate and sustainable maintenance systems. To be effective GoMP level financial support and facilitation needs to incorporate more local level controls over setting of priorities, deciding upon required levels of improvement, choosing between the use of labour or capital intensive techniques and selection of sustainable maintenance options. It is not clear, that infrastructure provision decisions and investments should be made below the Block level authorities if transportation and civil services are to be strategically inter-connected to service both the market accessibility and commercial needs of ST forest based communities.
- Similar points apply to the provision of physical marketing infrastructure e.g. in terms of decision making over location scale and quality of facilities. Such physical components link to business development needs discussed above. Marketing systems may also represent areas for State level policy reform, specifically where direct GoMP intervention remains.
- NTFPs represent a sub-sector deserving specific attention, in particular the need to ensure that remaining public control in marketing does not lead in effect to a tax borne by villagers. An alternative would be to privatise marketing in association with

the development of local producer bodies. Policies that stimulate the development of more effective market information are important, but also need to be linked to the building of enterprise capability, either for individuals or for producer groups. The capacity to analyse sub-sector market opportunities is a key area for raising skills and capability.

- Power supply, notably electricity supply is problematic, partly because of subsidy elements in provision (although these are not universal) and because of slow movement in attempts to privatise supply and distribution. In the short and medium term the main options may lie in privatising elements of distribution, e.g. the purchase of power units by consumer groups who subsequently take responsibility for distribution.
- At district level there is scope for policies which can support and stimulate business development. A flexible approach is desirable that can adapt to local institutional capacity, working with existing agencies (PFTs, NGOs etc) where possible to strengthen business development services and raising capabilities e.g. in analysis of market opportunities and associated alternatives for local enterprise at sub-sector level. Additional skills are needed in management, finance and banking. Discussions with MPRLP PFT staff suggested that a change of mindset is needed at district level in order to create a more business friendly environment. This can also be linked to increased local fiscal capacity to raise revenue for infrastructure development, notably district roads, but also perhaps storage capacity. These types of activities suggest approaches that go beyond private/public partnerships and include NGOs, the banking sector, training agencies, not-for-profit companies, cooperatives and SHGs.
- Below district level there are opportunities to rationalise and improve local institutional (especially Gram Sabha) capability especially with respect to economic functions, but such policies will necessarily be fairly long term. PRI bodies have shown some capacity for development of needed social infrastructure. This could be built upon in the context of more effective real decentralisation of authority, and via progressive simplification (if not elimination) of much of the committee structures that have recently been introduced at village level. Village PRIs (e.g. the Gram Sabha), could also be rationalised such that where possible smaller units are avoided – since experience to date indicates that it is the larger PRIs that have been the most active, especially those able to tap revenue from market licensing. The promotion of such changes will require real political will and resources to train PRI members in civic responsibility and administrative processes (including the need for probity and transparency).
- Economic functions are likely to be better served by non-PRI bodies that include producers and other entrepreneurs. There is a need for flexibility in choices of appropriate (existing) institutions, and for a long term strategy that avoids overloading such bodies with multiple functions in the early stages.
- Finance, whilst important, is only one of a number of interlinked and complementary factors that include organisation of both input supply and marketing. For finance itself, there is scope to move away from public sector provision via purely credit based bodies and towards those that start on the basis of local savings which may subsequently tap parallel funding to extend loan capacity. This approach is similar to that intended for SHGs although the latter only represent one option – other CBOs, NGOs or producer and marketing bodies may be equally if not more appropriate.

- Input supply and marketing of outputs represent two key additional areas where local producer bodies and other institutions can play a role. By organising bulk purchase of inputs and sales of outputs such groups internalise costs and are in a much stronger position to negotiate with both suppliers and buyers. A strategy of progressively building up such activities from a relatively simple initial base is desirable, given current limitations in terms of local skills and experience.
- These initiatives will require inputs to strengthen human capital. For the poor, especially women, there will be a requirement for confidence raising and empowerment, and choices need to be made over the degree to which existing gender barriers can be modified or simply accommodated.
- Other needs can be met partly through training in basic organisational skills and also via vocational training for needed technical skills, development of basic business enterprise and other organisational capability, and generation of capacity to assess market opportunities.
- All these suggestions raise questions as to the source of training resources and trainers themselves. A presumption by some is that public sector provision (as in the past) is the answer. However the range of required skills, including many commercial components, suggests that more diverse approaches may be needed, including the private sector (again as highlighted through the DPIP experience). There may in fact be scope not just for public/private partnerships, but also promotion of coalition approaches in training and in development of local production and marketing agencies, that include NGOs, CBOs and hybrid bodies such as not-for profit companies etc. There is also scope for considering the development of apex agencies since village institutions, even with training and institutional support, will remain relatively weak in commercial terms in the short and medium term.
- All these activities will also need to incorporate specific gender sensitive components, and will need to attempt to overcome the bias towards formal education that is widely held, in comparison to vocational training. A mechanism that can help to overcome such bias is to link vocational training directly to private sector practical experience (via attachments as illustrated by the DPIP) and to realistic business and marketing opportunities coupled with input credit options if feasible.
- To engage women, it may be necessary to focus certain initiatives/ projects on women (for example, micro-credit for traditionally gender-specific income-generating activities) with women setting priorities, proposing solutions, and controlling the project, or to actively encourage women to participate in agricultural extension courses or training to work in credit unions.
- The under-capitalisation of the ST economy coupled with the inability of the STs to add value to their products and also limited holding capacity has contributed to low revenue realisation. This problem will have to be mitigated by providing assistance to set-up trade and/or value addition to their current agricultural, livestock and NTFP practices. Most STs in their individual capacity will not be able to undertake these income-generating activities, due to inability to mobilise required investment and limited management capacity to undertake these activities. Problems to be addressed by MPRLP and DRDA would include identification of the activities depending upon the natural and human resources available within a SHG and development of the required skills for managing the micro-enterprise. The MPRLP could support the development of non-farm activities through training in skill development, entrepreneurship and management, provision of worksheds and

facilitating linkages with relevant support agencies such as SIDBI and the District Industries Centre (DIC).

117 The suggestions above are not intended to impose a blueprint, but rather the basis for flexibility and experimentation to assess alternatives. Solutions may often be location specific, may require extended time periods for implementation and may not be straightforward – i.e. there are opportunities for win-win initiatives, but these generally require careful institutional and capacity development that will require time, flexibility and consistent commitment.

### **Policy and Programme Implications**

Implications for Policy and Programming are presented below:

- In MP there is a need to develop road infrastructure taking into special consideration links between villages and local towns, and between these and the wider economy (e.g. spatial product flows). Small rural towns (below district level) may constitute appropriate entry points for investment and programme/ project interventions: (i) enterprise development; (ii) market linkage and information services; (iii) reform of financial sector regulations and institutions; and (iv) the expansion and improvement of health services.
- In a context characterised by high transaction costs, group marketing for ST's can be an effective strategy for strengthening links between village producers and wider markets. Timely implementation of NREG and other cash-for-work schemes and improved targeting would reduce distress migration. Also, improvements in the marketing of non-timber forest produce would have a similar impact.
- MPRLP support to Gram Sabha and SHG development, with special emphasis on the building-up of technical and business/marketing skills, can contribute to addressing gender imbalances in access to markets, both rural and urban.
- In MPRLP areas there is a need to identify current and potential drivers of local economic growth for strategic support. These activities will typically cater for non-local sources of demand, enjoy favourable market prospects, add value to locally available raw materials, and generate significant direct and indirect employment. Moreover, local drivers of economic growth are likely to cut across rural and urban spatial boundaries. Thus, there is a need for interventions along value chains and to adopt sub-sector approaches to their development. It should also be noted that small and medium-sized enterprises in rural towns (as opposed to micro enterprises) have the potential to play a critical role as drivers of innovation and local economic growth.
- MPRLP in cooperation with other development agencies should continue working with national and state governments. However, contrary to recent MPRLP PFT and BDO experience, the private sector and other civil society organisations with a presence in rural areas need to be properly consulted and their views taken into account. Moreover, often these organisations have skills and experience that could usefully be drawn on by the MPRLP in both intervention design, training, finance and investment services.
- Although we did not empirically evaluate this, our fieldwork findings suggest that there is scope for positive institutional change at district level with a view to enhanced MPRLP efficacy and RNFE impact in rural areas: improve tax revenue, the local allocation of MPRLP and public expenditure and the running of local government.

Again, this will necessarily entail the development of mechanisms for genuine and effective inter-institutional dialogue and co-ordination between the public and other sectors across a wide range of government agencies, line departments and local governance institutions.

### Future Priority Areas for MPRLP Policy on RNFE

- The support of the RNFE for MED, poverty reduction and employment requires a significant programme of:
  - Ongoing analysis and policy dialogue to review MP and GoI cross-sectoral interventions which impact the RNFE;
  - Shared learning platforms and validated best practice in promoting local economic development, RNFE and poverty reduction. Are there examples of best practice in India – either regionally or sub-sectorally? What lessons can be learned from other Asian countries?
  - Impact assessments conducted on a bi-annual basis; and
  - Adoption of sub-sectoral approaches to interventions supporting rural growth and ST market linkage.

118 On the basis of our study we have identified the need for the following:

- A comprehensive rural business survey: this needs to cover a large sample of firms, and characterise these firms in terms of size, revenue, cost-basis, constraints to firm growth and finance on an annual basis to measure the degree of firm entry and exit into markets;
- Institutional analysis: MPRLP may need to consider whether the non-government and institutional environment (including credit and financial institutions) is an enabling one for employment creation and enterprise growth?
- The role of local government: the MPRLP may need to consider how policies of decentralisation of functions have affected and will affect the relationship and the functions that local government undertakes in support of the rural non-farm economy. How does the funding of local government and local revenue generation relate to the effectiveness of local development, with specific reference to RNF enterprises? What is the balance of effects on local stakeholders in terms of development benefits or disincentives? What is the reputation of local government among different local RNFE stakeholders in terms of the relationship between taxation and service provision?
- Evaluation of the role and services provided by NGOs in RNFE, MED and employment generation.
- MPRLP will need to research ways of supporting the informal sector “without killing it”. As discussed above in Section 3 there are some new models addressing this issue. However, whilst encouraging the transition from the informal to the formal sector, the poorest need to be protected.
- MPRLP may need to consider researching the educational provision and needs of migrant children within MP, or to other States from MP. There needs to be an

empirical evaluation of the impact of this on household labour and long-term employment outcomes of the migrant children affected.

- MPRLP may need to conduct case study based research on the use of remittances (how productively are they being utilised?), whether from urban to rural, or international to local environs. Financial intermediation is central to unlocking much of the potential of the RNFE, especially in ST areas. Thus, it may be useful for MPRLP to conduct a survey of smallholder farmer financial intermediation in MPRLP areas focusing on the determinants of access to finance (formal and informal), savings products and attitudes to risk.
- New thinking emphasises trying to integrate demand, supply, policy and governance issues into a single analysis that has practical application and can involve a range of stakeholders. This is expressed in ideas about supply or value chains, and in promoting industrial clusters (Davis, 2004). There are two elements here. One stresses the value of integrated analysis that cuts across issues of demand, supply, and policy; focuses on interactions and transactions; and seeks to improve competitiveness through negotiation on possible improvements and coordination. Included in such consultation would be representatives from the major stakeholders in the chain - including firms, government, consumer groups, and civil society organisations. The other stresses the potential of forming and fostering clusters of similar and associated businesses to create external economies, to coordinate and cooperate, while stimulating competition between firms that will deliver productivity and competitiveness (Davis, 2004). For this to be effective, MPRLP will need to improve its understanding of the political economy of the MP private sector whether traders, "middlemen" NTFP collectors, producers etc., and the linkages between them.

119 As the RNFE is heterogeneous and cross-cutting in terms of institutions and programmes, policy fora structured around key sub-sectors or themes may offer an appropriate mechanism for mobilising relevant stakeholders, improving co-ordination and co-operation, sharing information, identifying constraints and opportunities, and lobbying for change. This and other forms of inter-institutional engagement need to be accompanied by initiatives aimed at addressing the institutional and capacity gaps in the public and private sector charged with helping the poor diversify their livelihoods and promoting RNF employment, enterprise development and growth. MPRLP appears to be well positioned to mobilise a wide range of local stakeholders, develop local capacity, and promote much-needed cultural change within the public sector and at the Gram Sabha level. MPRLP has an important role to play as a potential catalyst of change. The following policy and institutional innovations are required for effective RNFE cross-cutting and sub-sector interventions at the local level. Progress in many areas will require positive change at the GoMP and district levels, e.g.:

- pro-poor rural employment generation programme and policy reform;
- improvements in public administration;
- creation of an enabling business legislative and regulatory environment;
- better prioritisation of public expenditure to encourage growth oriented sub-sectors;
- reform of rural financial systems;

- reorganisation of MP rural development agencies to more fully incorporate employment and enterprise development as part of a local economic development strategy;
- encourage public-private partnerships to exploit opportunities, lesson-learn and galvanise investment into rural areas; and
- the reform and rationalisation of GoMP rural development programmes to include improved job-search facilities, BDS, training and skill certification schemes (especially for seasonal migrants) for the ST forest based communities.

# A1 | **References**

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## **A2** | **Forest Based Households**

# A2 | Forest Based Households

## Forest-based Households

Madhya Pradesh has one third of its total area under forests and 27 percent of the state population is tribal. Out of the total 52,739 villages of the state, over 40 percent, that is 22,600 villages are located in or near forest areas. There are 1,300 notified "forest villages" or "*vangrams*". In these, almost the entire population derives their livelihood from the forests. Besides these *vangrams*, there are revenue villages that exist in the vicinity (generally a radius of five kms) of the forests. Here too, forests are a source of livelihood to the inhabitants. This segmental overview concerns the livelihood of the households residing in the above two categories of villages, that is the *vangrams* and revenue villages that are in close vicinity of forests. Incidentally, not all households in this segment are tribals.

## Social and Family Context

In a survey done by BASIX, Seven out of ten of the households were tribal. All were nuclear families with 5-6 members. Eight of the respondents were males and one household was headed by a woman. No households were found to be members in any committee, except one where a family member was on a *Gram Sabha* committee.

## Household Assets

Almost all households had mud houses, except a *Jatav* household, which had a brick house and one tribal family from Raisen, which was allotted a house under *Indira Awas Yojana*. Three had a cattle shed and five of the ten households had *badis*, where they grew vegetables for domestic consumption. Only three of the households possessed agriculture land (2-4 acres), which was allotted to them by the government. Five of the households possessed livestock. Most had goats and poultry, while a few had cows. One household had a pair of bullocks was used for sharecropping cultivation. Three households possessed a cycle, while only one had a TV.

## Overall Household Livelihood

Forests provided livelihood needs such as income, fuel, fodder and shelter to this segment. All the families under this segment were engaged in carrying out other activities to supplement their livelihood. Three out of the ten households studied were involved in more than two activities, while the rest depended on two livelihood activities. Livestock rearing, mainly goatery was the major subsidiary activity, while agriculture labour and non-agricultural labour were pursued in equal measure, followed by subsistence agriculture on own land and sharecropping.

## Segmental Context

Except for timber for house building, agricultural implements and carts, most of the items obtained from the forest can be classified as non-timber forest produce (NTFP), firewood and bamboo. Their livelihood security depends almost entirely on these. While the bulk of forest produce gathered was sold in its raw form (fuelwood, bamboo, honey) or after simple processing (*Mahua*, *Tendu*), there were a few that are made into finished goods (*Siali* leaf plates, *Nichtanthus* baskets, Ropes from *Bhabhar* grass).

Between 60-90 percent of the total household cash income was derived from collection and sale of forest produce. This activity provided employment ranging from 45 days in areas like Raisen to 200-270 days in areas with good forests like Mandla, Rewa, Panna. The major items gathered are fuelwood, Bamboo, *Mahua*, *Tendu*, Honey, Gum, *Aonla* and medicinal plants like *Satavar*. Usually the entire household is involved in collecting NTFPs as and when they occur, e.g. the adults in the family collect *Tendu* leaves while the children were engaged in making of bundles.

Collection and sale of fuelwood accounted for more than 30 percent of the income from forest produce. It was also the only activity that remained available almost for 9-10 months in a year. On an average 20-40 kgs fuelwood is gathered by a household in a day, which fetched them INR 30-60 for the lot. Fuelwood and *Mahua* were sold as well as consumed domestically. *Mahua* is an insurance against food crisis. The dried flowers are either eaten raw or are made into *Rotis*. The oil obtained from the *Mahua* seed is used for cooking. Liquor brewed from *Mahua* is consumed ritually by the community. Among the tribal communities in MP, it occupies a religious place. The other non-monetary benefits from the forests are in the form of fodder for livestock, thatch and timber for houses, fruits and medicinal herbs.

Most of the NTFPs collected were sold without any form of processing at the collector's end as they lacked processing skills, facilities and market intelligence. Only 2 households were involved in processing and selling of finished goods (*Siali* leaf plate and *Kirmich* baskets). Most of the produce with local demand was sold in the village *haats*. In many instances these were bartered for essentials like rice, salt and oil. The forest produce with outside demand was sold mostly to the middlemen. This was mostly in the case of non-nationalized NTFPs like *Achar*, and *Safed Musli*, while the nationalized NTFPs like *Tendu*, Gums and Myrobalans were sold to the cooperative societies of the collectors.

### **Details of Subsidiary Livelihood Activities**

Though the major portion of their livelihood was obtained from forests, it was often not enough to cover the entire livelihood need of the household. Though half the households possessed livestock, it provided cash income to only one household, contributing around 25 percent of the total household income, while one household used its pair of bullocks to carry out sharecropping. The rest of the families derived only food supplements (milk and eggs) from livestock.

Agricultural wage-labour was mainly done in the same village or in the nearby ones, providing employment for 30–90 days and generating INR 1,000-3,000. This is almost entirely available in the *kharif* season. The average wage rate for women was INR 25 per day while it was INR 35 per day for men engaged as agriculture labour. One member from a household migrated to a nearby town to work as construction labour, managing to find 120 days of employment cumulatively earning INR 4,800 in the process (@ INR 40 per day). Government programs (watershed, roads, Employment Guarantee Scheme) provided employment for 45 days to one household, the wage rate being INR 45 per day.

Two households were engaged in cultivating their own marginal land. One of them managed to earn cash income of INR 3,000 while the other derived food grains for domestic consumption. One household that possessed a pair of bullocks engaged in sharecropping, meeting the food needs of the family.

### Food and Financial Security

The annual cash income ranged from INR. 7,000-24,000, with half the households having an annual income of around INR. 7,500. The annual household expenditure ranged from INR. 4,000-17,000, with most of them spending in the vicinity of INR. 9,000 per annum, and often incurring debt to meet the consumption needs and contingencies. Only 20 percent of the households were marginally cash surplus while 60 percent were not able to cover their annual expenses. The remaining 20 percent managed to break even. The major heads of expenses were food, clothes, socializing, festivities, liquor and illness. Education figured as an expense head in case of SC households, while expense on socializing and intoxicants were found to be higher among the tribal households. The diet of these communities consisted of *Kanki* (broken rice), some vegetables, *Kodo*, *Kutki* and occasionally meat, fish and eggs. Some of the food items are bought from the weekly *haats*, while a few are cultivated (*kodo*, *kutki* and vegetables).

### Livelihood Constraints, Potential and Plans

With the forest cover depleting, these people are often required to cover larger distances to access the resources, thereby decreasing their productivity. For example, earlier people were able to sell fuelwood collected the same day but with its availability decreasing steadily over the past 20 years, they manage to sell only once in two days, as now an entire day is spent in just collecting the wood. As per the government policy, the State remains the owner of the forest and its resources and usufruct *Nistaar* rights are granted to forest-dependent communities at its discretion. There were complaints that forest department staff often misuse their authority and harass the forest-based households.

With the steady decrease in the quantum of availability of NTFPs, fuelwood and bamboo, the number of days of employment and the returns, 9 out of 10 households expressed a desire to switch to more regular and surer means of livelihood. Six of them wanted to take up cultivation on a regular basis and wished for some land and other input assistance from the government. Three expressed their desire to scale up this activity, again with government assistance. It is remarkable that only one household was positive about the prospects of forest-based livelihood. It was engaged in the collection and sale of honey and wanted to scale up the activity through processing and desired government support for the same.

Thus the overall picture that emerges for forest-based households is that the average cash income of INR 7,500–12000 per annum for most of these households is far below the poverty line, but they do have substantial non-cash benefits from the forest in the form of food, fruit, fuelwood, fibre and construction material. However, due the decline in the availability of forest produce and the increasing uncertainty of the rights to collect and sell them, forest-based households are keen to diversify their livelihoods beyond their traditional forest-based ones.

# A3 | **Overview of Segmental Household Case Studies**

# A3 | Overview of Segmental Household Case Studies

## Overview of Segmental Household Case Studies

In order to get a detailed understanding of the livelihood situation of households engaged in various economic activities, BASIX carried out a field survey of 200 households in 16 districts. The survey was carried out by field based NGOs, mostly working in the district they surveyed. The study team developed the questionnaire after an initial round of case studies at the time of the Interim Report. After this, a workshop was conducted for the NGO field investigators. In addition to administering the detailed questionnaire to each household, the surveyors also profiled the block and village in which they carried out the household case studies in, to get an overall economic context.

We summarise below the data from 200 household case studies spanning 15 categories of principal livelihoods. As can be seen from the below, the total household cash income ranged from a minimum of INR 4,000 per annum in household manufacturing to a maximum of INR 216,000 per annum for a large cultivator.

In virtually every category except medium and large cultivators and financial service providers, the minimum level of household income was well below the official poverty line of nearly INR 24,000 per annum per household. The majority of households surveyed lived below or just above the poverty line. Those households, which had very low cash income also had some amount of in-kind income from forests, other common property resources and in some cases, even through begging. Many households had some agricultural land and therefore had food grain availability to that extent.

Virtually all families were engaged in multiple activities and thus the classification is based on the principal livelihood activity. The main activity provided between 17 to 100 percent of the total income of households, but in most cases, the range was between 30 to 60 percent, with the rest coming from 2 to 4 activities, including wage labour, both local and migratory.

Let us look at the maximum cash income earned from the main livelihood activity. We find that it is below INR 30,000 pa in the case of Forest-based households, Agricultural Labourers, Household Manufacturing, Construction Workers and Marginal & Small Cultivators (appearing in ascending order of magnitude). This shows that the scope for poorer rural households to improve their livelihood position within this activity is very bleak. There is a desperate need to improve their productivity and income-earning capacity within the same activity, as well as improve the income from other sources available in their livelihood portfolio.

**Table A3.1: Profile of Segmental Household (hh) Case Studies**

S. No	Segment	Households surveyed	Cash income Range per HH (Min & Max) (in INR. per annum)		Common HH income (INR. per annum)
			Total Income	Income-main activity	
1	Agriculture Labourers	10	8,000 to 20,000	8,000 to 20,000	15,600
2	Marginal and Small Cultivators	22	6,300 to 73,000	3,500 to 37,000	25,000 to 35,000
3	Medium and Large Cultivators	11	43,000 to 216,000	32,000 to 144,000	45,000 to 60,000
4	Livestock Rearers & Fishermen	12	7,000 to 72,000	7,000 to 72,000	15,000 to 25,000
5	Forest Based Households	12	7,000 to 24,000	5,250 to 18,000	7,500 to 12,000
6	Mining and Quarrying Workers	10	8,000 to 72,000	8,000 to 72,000	25,000
7	Household Manufacturing	18	4,000 to 28,000	3,000 to 24,000	10,500 to 15,000
8	Workers in Non-Household Ind.	15	17,500 to 57,000	12,000 to 57,000	20,000
9	Construction Workers	11	8,200 to 30,000	7,600 to 26,000	16,000
10	Electrical Repair and Water	8	4,100 to 36,000	3,000 to 36,000	17,000
11	Workers in Retail Trade	16	19,400 to 10,5000	5,000 to 48,000	25,000 to 30,000
12	Transport, Storage and communication Services	14	8,400 to 63,000	3,750 to 48,000	10,000 to 20,000
13	Hotels and Restaurants	13	10,000 to 80,000	10,000 to 60,000	30,000
14	Financial Service Providers	10	45,000 to 100,000	6,000 to 60,000	50,000 to 65,000
15	Community Service Providers	20	5,250 to 88,300	4,500 to 84,000	15,000 to 20,000

# A4 | **Case Studies**

# A4 | Case Studies

## Case Study 1: Shridhar Patidar and Sons, *Musli* Farm and Research Centre, Jotpur village, Dhar District

Shridhar Patidar, in his sixties, has always been an enterprising, progressive farmer. He has regularly ventured with his farming practice and products to touch higher levels of productivity and returns. He has also persuaded his three highly educated sons to pursue the same occupation rather than go in for white collar jobs or contracting business. These farmers' ventures in horticulture crops both traditional and emerging, led them to start cultivation of safed musli.

The farm is a good 4-5 hours drive through difficult roads from Indore, in a remote, interior village. However, once on the farm, the results of years of progressive cultivation and that of musli cultivation over the past two years are there to see. In May 2001, around 100 labourers are employed in 'surgery' of the musli roots, whereas otherwise, being the month of May and a year of severe drought, there would have been no alternate employment for these women. Large storage godowns and telecom connectivity through fax, email and a website have been developed.

At present the *musli* is all sold to farmers nearby and some far away as Punjab, as planting material (seed material). Locally, *safed musli* is popularly given to women to recover after delivery. Internationally, *musli* is popular and consumed as a general tonic, laxative and revitalizer. The Patidars are also thinking in terms of providing other *musli* farmers a buy-back arrangement. They are also experimenting with lemon grass cultivation and distillation of the essence. For now, the Patidars entire *musli* production is in great demand and they are selling at a premium, being the early innovators. With the spread of *musli* cultivation however, metro and export markets will have to be explored.

Source: BASIX

## Case Study 2: "Our Way": Mutual Marketing Initiatives by SHGs in Andhra Pradesh (AP)

There are over 500,000 SHGs in AP and over half of these have been linked to banks for credit, having raised over INR 450 crore from banks, to supplement their own INR 1,500 crore worth of savings and interest from internal lending. Surveys showed that a large number of members of SHGs spend a substantial portion of their income in purchasing food grains, edible oil, milk, spices, consumer products such as soap, detergent and toiletries, clothing and footwear. Thus a number of initiatives have come up in the last 2 years to aggregate the demand from thousands of SHG members. This enables purchase of commodities and consumer products at bulk prices, which are then re-packed by SHG members and sold among themselves and to others in the village. This is termed "mutual marketing" and taking a cue from Amway, have named the idea "Our Way".

Examples include a mutual marketing unit at Moosapet by an SHG federation promoted by the Aadrasa Welfare Society in Mahaboobnagar with the support of AP Rural Livelihoods Promotion Project; a rice credit-line for enabling SHG members to purchase ration rice on credit piloted by the Society for Eradication of Rural Poverty and CEC in Chittoor district; by retailing of Hindustan Lever products by SHGs in Nalgonda district supported by the AP

Commissioner for Self-Employment of Women, with support from MART; and finally, SHG federations of Nizamabad district supported by GRAM, a local NGO. BASIX provided initial advice, exposure, training, and systems design support.

Source: BASIX

### **Case Study 3: Waraseoni Handloom Cluster, Balaghat**

#### **History**

Waraseoni is a traditional handloom-weaving cluster. It was once famous and thriving with 3,000 weavers and others involved in processing and marketing the cloth and textiles. Today the number of weavers has dwindled to 250. Of these, many are engaged in weaving for traders of Chanderi and Maheswari saris based on inputs supplied by them. The craftsmanship and weavers associated with the original traditional weaving has dwindled. Only 4-5 families are involved in the traditional weaving, that too with the support of the State handloom and Handicraft Development Corporation (HSVN).

#### **Major Constraints**

It is difficult to compete with the low-cost synthetic saris widely available in the market. At the same time, the market price for cotton saris is not very high, and weavers do not get reasonable remuneration in relation to skill and labour involved. The weavers feel there is no future in this activity, and are not interested in teaching the coming generations. In fine-count cotton sari weaving, sizing is an important process and the main time consuming activity. Sizing is not required in silk weaving. With lower skill and less labour the market price is higher, so the weaver prefers to weave a silk sari. Banks do not adequately meet the credit needs of weavers. Most of the weavers are bank defaulters, and so the bank does not lend to them. The Government is not in a position to continue providing subsidies and loans to the weavers. However, adequate micro-finance, delivered with other support services and market linkages, can play a role in developing the cluster.

#### **Strategy for Revival of Waraseoni Cluster**

It is important to accept that the consumer preference has changed and thus the market for the traditional Waraseoni saree is limited and cannot provide employment for 3,000 weavers, as it did at its peak. It may be worthwhile to conserve traditional skills and craftsmanship. For this, the weavers need to be linked with available market opportunities on a steady basis. The market segment is upper income groups in cities like Delhi and Mumbai. The remaining weavers, perhaps another 500, can weave tasar sarees. The cultivation of mulberry and sustainable harvesting of tasar cocoons from MP forests could provide a large number of livelihoods for the rural poor, particularly women in rearing and reeling. The work that has already been done by the Sericulture Department needs to be dovetailed with the efforts of the Handloom Commission. Instead of thinking of Waraseoni as a traditional fine-count cotton cluster, it may be better to reposition it as an emerging tasar weaving cluster.

**A5** | **Programme of Various Departments,  
Undertakings and Private Institutions**

# A5 | Programmes of Various Departments, Undertakings and Private Institutions

**Table A5.1: Programmes of Various Departments, Undertakings (GoMP, GOI) and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
<i>Panchayats &amp; Rural Development</i>	
Panchayats & Rural Development department GoMP	Handles programmes like SGSY, DPIIP, and RGMWD. Besides there are other important programmes like Jawahar Gram Samrudhi Yojana, Employment Assurances Scheme, Prime Minister Gram Sadak Yojana, Indira Awas Yojana, Samajik Suraksha Pension Yojana, Rashtriya Bridhwastha Pension Yojana, National Maternity Benefit Scheme, National Family help scheme, Grain Bank Scheme. All these are carried out through the DRDAs at District level. Also responsible for the functioning of PRIs (ZP, JP, GP) and Gram Sabha.
Swarnajayanti Gram Swarojgar Yojana (SGSY)	It is a Centrally sponsored, State run program for comprehensive livelihood promotion for the BPL families, providing credit, subsidy, training, infrastructure and market linkage support through SHGs. The subsidy component has affected group formation and dynamics in many areas. Politically motivated groups are being formed to tap the subsidy.
Rajiv Gandhi Mission for Watershed Development (RGMWD)	Started in 1994 with the aim of improving land and water resources and thereby productivity in 12 lakh hectares of degraded land in MP. People's participation to address the issues of livelihood security and environmental rehabilitation is central to this programme. The target was revised to 28 lakhs hectares in 1996 due to increased support under EAS and DPAP.
District Poverty Initiatives Program (DPIIP)	A five-year, world Bank supported program begun in 2001 in 14 districts focusing on landless poor in 'pockets of poverty' within each district. Creation of Community Investment Fund (CIF) envisaged for local infrastructure as well as income generation activities. Provides revolving fund instead of loans. DPIIP has autonomous, flexible

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
	operating resources, capacities and framework, which includes govt. as well as NGO project units. Aims to facilitate project formulation based on local needs, rather than straitjacketed 'schemes'.
Rajiv Gandhi Mission for Tribal Livelihoods (Earlier Food Security Mission)	Proposed with assistance from DFID. Aims to provide sustainable livelihoods to the most vulnerable people in the 17 tribal-dominated districts through improving resource-base and income opportunity. Includes intervention in the macro economic frameworks, legal regimes, articulation of rights and markets as well as capacity building of the community, developing innovative IGP and infrastructure development that can accelerate the enhancement of livelihoods.
<b>Women and Child Welfare</b>	
Mahila Arthik Vikas Nigam (MAVN)	Established in 1988 to facilitate access to self-employment for women. It provides information on marketing, guidance in obtaining bank loans and working capital, technical education, management and other basic facilities. Gramya Yojana and Photo Copier Yojana are the two popular credit linkage schemes provided under this program.
MAVN-Swashakti project	Started in 1999 with World Bank, IFAD and Gol support in six districts. Focus is on SHG formation and development through NGOs. It provides support to women in institution building, income generating activities, accessing social programs and leveraging funds for community asset creation and NGO capacity building. During the termination phase, the project will park funds with the MAVN for further use. About 2000 SHGs have been formed by 33 NGOs under this programme.
Integrated Women Economic Programme (IWEP) /Swayam Siddh Yojana (SSY)	Started in 2001 in 14 districts and 36 blocks. The target is developing 50 SHGs in old blocks and 100 in new blocks. Each block to get funds to the tune of INR. 14,20,000 for group formation and training.
<b>Rural Industries</b>	
Department of rural Industries (GoMP)	Development of traditional and non-traditional handloom and handicrafts, technology transfer, quality improvement, skill development and employment generation especially for women, SC/ STs and other minorities.
Directorate Handloom	Aims to develop the traditional handloom through improved IT intervention, technology development, and market linkage. Some of the <u>programmes</u> are Deendayal Handloom Promotion Scheme, Export of handloom cloth, Technical and skill

A5 - 2

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
	upliftment of weavers, Marketing of Handloom Products, Market study, Government cloth distribution Programme, Assistance to weavers, Welfare scheme for powerloom weavers etc.
<p><b>Undertakings:</b></p> <p>Hastshilp Vikas Nigam (HSVN)</p> <p>Handloom &amp; handicraft Development Federation</p> <p>Madhya Pradesh State Powerloom Weavers Co-operative Federation Ltd.</p>	<p>Was incorporated in 1981 to promote Handicraft &amp; Handloom production and artisans in the state. Provides advanced tools on subsidised rates, technical and design guidance through 31 development centres and marketing support through its network of 24 emporia, as well as through exhibitions organised by it. Marketing is done under the brand name Mrignayanee. HSVN runs various programmes for development of new designs, export achievement, handloom cloth production, collection and marketing facilities, permanent handicraft haat.</p> <p>Handloom federation runs cluster/regional level Weaver service centres where there are Handloom clusters. Marketing by Handloom Federation is done through its outlets in larger cities of MP and metros, under brand name Ropmati.</p> <p>Supply raw material to the poor powerloom weaver at reasonable price through coop. society and procure after weaving and sell through nine sale depots located in various cities in Madhya Pradesh. The Federation is also supplying cloth to various state level agencies and consumer Federations all over India.</p>
<p>Directorate Sericulture Sericulture Development &amp; Trading Cooperative Federation Ltd.</p>	<p>It was set up to encourage natural <i>tasar</i> silk production, enhance employment opportunities to workers especially women involved in this sector, undertake quality improvement and promote use of improved technology.</p> <p>To ensure fair returns for cocoon reared or collected, silk yarn produced and silk cloth produced to the person specially those persons belonging to and engaged in development and production of mulberry and non mulberry silk &amp; to arrange for the marketing of their produce on cooperative basis.</p>
<p>KVIB</p>	<p>Undertakes promotion of <i>Khadi</i> and village cottage/tiny industries covering a range of products mainly <i>khadi</i> textiles and garments, processed foods and medicinal and aromatic plant products. It also provides grants/subsidies/credits to producers. Marketing by KVIB is undertaken through a chain of KVIB outlets all over MP.</p>

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
Rajiv Gandhi Gramodyog Mission	Stated in 1994 to increase employment in the non-farm sector. It has introduced several initiatives including INR 749 crore assistance from OECF for a comprehensive sericulture modernization plan to benefit 50,000 families. 11 new craft centers have been developed for handicrafts.
<b>Agriculture</b>	
Department of Agriculture (GoMP)	Provides services like extension, transfer of technology, and distribution of crop inputs, training and subsidy for various agri-related schemes, which can be grouped under agriculture production groups, minor irrigation group, micro irrigation, production group, soil conservation and watershed development and macro management planning. However, the declining finances of the State have led to a curtailment of such activity. From a dedicated officer per 600 farmers, the number has been more than halved to one officer servicing 1500 farmers. In many areas, their services benefit medium and big farmers only.
<b>Undertakings:</b> Madhya Pradesh State Agro Industries Development Corporation (MPSAIDC)	Has a mandate for promoting Agro industries. However, its range of activities include Agri input Manufacturing, Sale of fertilizers, tractor, irrigation systems, running of food processing units, disbursement of all subsidized agri inputs i.e. tractors, drip and sprinklers irrigation systems, biogas plants. Manages a 3000-acre farm at Babai, Hoshangabad.
Marketing Federation (MARKFED)	It is the federation of cooperative marketing societies, which provides agri inputs and marketing facilities through its member societies numbering about 300.
M P State Seed and Farm Development Corporation (MPSSFDC)	Produces foundation and certified seeds of improved varieties of cereals, pulses and oilseeds and makes them available to cultivators at reasonable price. It has 61 seed processing centre and 52 agri farms. Marketing of the seed is done through societies, federation, and agri departments and authorized sales centres.
MP Small Farmers Agri Business Consortium (MP-SFAC)	It endeavours to develop value addition facilities for farmers. It is also dedicated to the creation of a platform for buyers and sellers of agri products.

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
MP State Agriculture Marketing Board (Mandi Board))	The board administers all 230 mandis of the state; it oversees the functioning of the markets and provides associated infrastructure support. It is also responsible for the sale of agri inputs and documentation of the market information.
<b>Universities/ Research Institutions:</b> Indian Council for Agricultural Research-  (ICAR) Indian Agricultural Research Institute (IARI)	ICAR is plans, coordinates and promotes education in agriculture, forestry, animal husbandry and fishery etc.  IARI is the premier Institute doing research in agriculture, horticulture, etc. There are several other research institutes working on specific products like sugarcane, tubers, cashew nuts, mushrooms, vegetables, dairy, wheat etc. In Indore there is the Wheat Research centre.
Jawaharlal Nehru Krishi Vishwavidhalaya, Jabalpur (JNKVV)	To provide diagnostic services for Soil, Water, Plant and Live stock health. Provides certified seeds and other plant materials, Poultry strains live stock breeds. Information dissemination through published literature, AIR and communication materials as well as audio visual aids. It has its smaller outfits in different parts of MP, each of which specializes in work on specific crops of the area – such as the unit involved in Medicinal/Aromatic plant/Ashwagandha R&D in Mandsaur.
Indian Institute of Soil Science, Bhopal	Conducts research, to improve nutrient cycle through legume/fallow/cash crops, enhance nutrient use efficiency, rational use of urban and rural wastes, improve soil quality, improve water, tillage and nutrient interactions, Conservation tillage and residue management, Improve carbon equilibrium in soil, Soil biodata and bio-fertilizer, Pollution in agro ecosystem and Information repository.
National Research Center for Soyabean, Indore	Seed breeding for longevity and tolerance for field weathering, for chemical quality characters, for suitability for food uses, for long juvenile period and high yield and for resistance against biotic and abiotic stresses. Undertakes technology transfer.
Central Institute of Agriculture Engineering (CIAE), Bhopal	Aims to develop appropriate technology and processes for modernization of agriculture utilizing draught and mechanical power sources. Involved in developing technology for reducing post harvest losses and value-addition of agri-produce. Research & Development and Technology Transfer in Farm mechanization, Agro-processing, and Renewable Energy & Draught Animal Power.

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
<b>Horticulture</b>	
Horticulture Department (GoMP)	Set up to specially promote cultivation, processing and marketing (inc. exports) of vegetables, fruits, spices, MAPs and flowers. Proposed programmes for 02-03 are: Village Horticulture, promotion of bio-fertilizers, Making of self sufficient nurseries, agri- export zones, establishment of horticulture college in Mandsaur, training for horticulture farmers.
<b>Undertakings:</b> Agricultural and Processed Food Products Export Development Authority (APEDA)	Its main function is to link Indian producers to the global markets. Undertakes the briefing of potential sources on government policy and producer provides referred services and suggests suitable partners for joint ventures besides arranging buyer-seller meets and business interactions. Development of Data Base on products, markets and Services, Publicity and Information dissemination are some of the other major functions.
Spices Board (Gol)	Was established in 1987 as an apex body for export promotion of Indian Spices. Has played a major role in the development of the Indian Spice industry. It plays an influential role as a development, regulatory and promotional agency for Indian Spices.
National Horticulture Board	Co-ordinates the activities of all the departments/agencies to ensure integrated development of Horticulture in the Country. It aims to develop high quality horticultural farms in identified belts and make such areas into hubs for developing commercial horticulture, develop post-harvest management infrastructure, strengthen Market Information System and horticulture database, assist R&D programmes, provide training and education to farmers and processing industry personnel for improving agronomic practices and new technologies and promote consumption of fruits/vegetables in fresh and processed form.
<b>Universities/ Research Institutions:</b> Fruit Research Center, Bhopal	Established in 1969 under ministry of agriculture, with the objective of research on orchards of Central India. Has since been merged with JNKVV, Jabalpur. The current activities of the center are mainly management and development of Mango, Guava, and lemon orchard, Horticulture nursery development and sale to farmers and institutions. It organizes training programme and Krishi Mela for farmers. Testing of Lemon grass, Pamarosa and Citronela grass growth under shade conditions is also being carried out.

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Department/ Institution/ Programmes	Program /Activity Description
Center for Entrepreneurship: Development Madhya Pradesh (CEDMAP), Bhopal	Involved in promotion of entrepreneurship in MP. Has identified MAPs as a high potential sector for self-employment. It regularly conducts training in cultivation, processing and marketing of medicinal and aromatic plants for potential farmers and also facilitates establishment of forward linkages. Have already provided inputs to set up around 90 processing plants all over MP and Chattisgarh.
<b>Forest department</b>	
Forest Department GoMP	<p>Responsible for development, management and administration of forest areas in the state. Runs several programmes aimed at various aspects of forests and forestry.</p> <p><b>Lok Vaniki</b> - World bank funded programme Promoting afforestation on private land/farms for socio-economic development of the farmers. Covers five district in the State and about 215.44 thousand plants has been planted on private land of 2000 farmers up to end of year 2000.</p> <p><b>Joint Forest Management (JFM)</b>: -Started in 1991 to involve the forest dependent communities in the protection and development of forests with support from World Bank and Union Government. Originally a ten-year programme has now been extended. Over 52.72 lakh hectares of forests have been put under JFM, with a provision to share the usufructs 10-30 percent with the community.</p> <p><b>World Food Programme (Grain for Green)</b>: -Ten-year program started in 1995, it aims to make sustainable improvements in household food security for the poorest especially women and children and invest funds in development of long-term sustainability. The Project activities involve eco-restoration, development of infrastructure, and socio-economic activities through participatory methods and SHGs. Food grain (wheat, rice, pulses and cooking oil) is provided to the rural poor for forest development work by the forest department.</p>
<b>Undertakings:</b> MP State Forest Development Corporations (MPFDC)	Engaged in improving the environment by converting less productive degraded areas into productive forests. It is one of the Largest Public Sector Producers of Timber and Poles, fuelwood & Bamboos in India. Is a leading Expert Agency to take up Afforestation of Wastelands, Mines, Overburden dumps, Private Holdings etc.

**Programmes of Various Departments, Undertakings and Private Institutions**

Department/ Institution/ Programmes	Program /Activity Description
MP State Minor Forest Produce Federation (MPMFPP)	MFPF is the apex body of MFP societies all over the state. It deals in procurement and marketing of nationalized MFPs . Director MFPF is chairman of the State Medicinal Plant Board. Recently, through National Medicinal Plant Board, State Medicinal Plant Board has started a grant /credit scheme for farmers to undertake production of 31 identified varieties of medicinal plants.
<b>Research Institutions:</b> Indian Institute of Forest Management	It is an autonomous education and research institution under the MoEF engaged in policy and operational level research into various aspects of forest management with special emphasis on NTFPs. It aims to become an International Centre for Community Forestry (ICCF). Criteria and indicators are being developed for Sustainable Forest Management (SFM). It is also houses a Regional Center for National Afforestation and Eco Development Board (NAEB)
State Forest Research Institute (SFRI) and the Tropical Forest Research Institute (TFRI), Jabalpur	Both (located in Jabalpur) have made efforts at identifying, collecting and standardizing the nursery, propagation and cultivation techniques for forest tree and plant species including medicinal plants. TFRI is under the Indian Council for Forestry Research and Education, Dehradun whereas SFRI comes under State Forest Department.
<b>Animal Husbandry</b>	
Department of Animal Husbandry GoMP	Main Activities/programmes of the department are Cattle breeding, development of goats, sheep and pigs and poultry development, Fodder development and veterinary services.
Dairy Development Department	It was established with a prime objective to increase per-capita availability of milk on one hand and to raise the living standards of rural milk producers. Its programme envisaged dairy development on cooperative lines in nine districts of Madhya Pradesh. The main aim is to provide employment to about 4 lakh people directly or indirectly involved with the federation, of whom 70% would be small and marginal farmers and people from the BPL families.

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Department/ Institution/ Programmes	Program /Activity Description
<p><b>Undertaking:</b> Dairy Federation (MP Dugdh Vikas Sangh)</p>	<p>Started in 1975 with the help of NDDB on Amul pattern. The aim is to increase the level of milk production, form producers co-operatives and market milk products augmenting income of the rural poor. Support in terms of necessary training, credit linkages, infrastructure development and supply of fodder are arranged. Small dairy units have been promoted in some areas and milk and milk products are successfully being marketed by the federation. Started the women Empowerment <i>Stree Shakti</i> Scheme, Women Dairy project. The project won the Global Development Networking award.</p>
<p>State Fisheries Cooperative Federation Rajiv Gandhi Mission for Fisheries Development</p>	<p>Started in 1994 to increase employment opportunities for fishermen as well as increase the fish production. Innovative measures like duck cum fish farms and paddy cum fish farms have been introduced.</p>
<p><b>Industries</b></p>	
<p>MP Small Industries Development Corporation (MPLUN)</p>	<p>MPLUN was established in 1961 to promote and operate schemes for development of Small Scale Industries. It acts as central purchase agency for the 196 reserved items and provides marketing assistance to the SSI units. Also Manages State Emporia, which provides a window for sale of handloom and handicraft items. Participates in Trade and Expo fairs. Also provides Tool Room and Testing Lab facilities for SSI units for spreading quality consciousness.</p>
<p>MP Industries Development Corporation (MPAVN)</p>	
<p>Madhya Pradesh State Textile Corporation Ltd.</p>	<p>The main objective is to uplift the weavers of the state by providing them jobwork. It organises its handloom production activities through 33 showrooms located at various places in the country known as Avanti Handlooms. Corporation is also managing 3 spinning mills.</p>
<p><b>Undertakings:</b> MP Tourism Development. Corporation (MPSTDC)</p>	<p>The mandate of MPSTDC is to develop and maintain places of tourist interest, establish and commercially manage tourist bungalows, hotels, and holiday homes and transport units. Organized a year long festival at Khajuraho. Is in the process of developing tourism infrastructure in and around Jabalpur for which a special grant has been received the center.</p>
<p>MP Heritage Development Trust</p>	<p>Constituted to ensure sustained heritage conservation efforts as well as to involve all stakeholders in the conservation process. It is currently involved with preparing a database of all heritage properties including natural heritage in the state. The first</p>

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Department/ Institution/ Programmes	Program /Activity Description
	phase of this process will involve listing out the heritages in Bhopal, Indore, Gwalior and Jabalpur. The private sector has been involved in the preparation of the Eco-Adventure Tourism Policy.
<b>Institutions /Programs for Specific Sub-sectors</b>	
<b>1) Soybean</b>	
Soybean Processors Association (SOPA)	SOPA has been working on Quality Standardization of Indian Soybean Products marketed both in domestic and International markets. It is also involved in training; survey and extension work in the soybean sub-sector. Though it is a purely training and research institute, SOPA at present has been working with two of the NGOs in Vidisha and Rajgarh district.
<b>Government Efforts:</b> Technology Mission on Oilseeds Oilseeds Production programme (OPP)	It works in mission mode at the national level to support and accelerate the oilseeds production. A Centrally sponsored Oilseeds Production programme (OPP) is under implementation in 24 State and major thrust envisaged the area expansion by means of additional area, inter cropping and sequential cropping.
Research and development ICAR, JNKVV, CIAE	All these institutes have been involved in overall development of Soybean sub-sector.
ITC Soya Choupal	Started by ITC ltd, it provides an e- forum (internet based) for soya farmers to exchange ideas, information and interact with experts and track the changes taking place in the market.
<b>2) Food processing</b>	
APEDA	Please see Under Horticulture

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Department/ Institution/ Programmes	Program /Activity Description
<b>Research and development</b> Bhabha Atomic Research Centre (BARC) and Board of Radiation and Isotope Technology_(BRIT)	Provides information on availability, cost and possible alternative of essential/critical machinery as well as on pollution and other environmental aspects and utilization/disposal of radioisotopes. Guidance on legal and regulatory aspects, techno-economic advantages, project configuration, financing and other relevant aspects, can also be obtained from them. BRIT has set up a plant at Indore (Centre for Advanced Technology) based on electron radiation, and has the capacity to set up the irradiation processing plant indigenously. BARC/BRIT can provide training to the staff on one of the existing plant on various aspects of operation and safety.
Central Food Technological Research Institute (CFTRI)	It is the premier research institute devoted to post-harvest management of foods including fruits and vegetables, food processing and development of indigenous technology for new products and processes. CFTRI has a training programme leading to M.Sc., in Food Technology affiliated to the Mysore University. The Institute also provides Consultancy services to entrepreneurs in the development of food processing industries. Indian Agricultural Research Institute also has a teaching Faculty upto postgraduate and post-doctoral level.
National Horticulture Board (NHB)	Please see under Horticulture
Ministry of Food Processing Industries (MFPI)	MFPI supports food-processing industry through food parks, cold chains, quality control laboratories, effluent treatment plants, and common irradiation facility and through development of infrastructure, provision of financial assistance in the form of loans and grants.
<b>Institutions related to Vectors/Infrastructure</b>	
<b>1) Credit</b>	
NABARD	NABARD provides short-term refinance for various types of production/marketing/ procurement activities in agriculture and allied sector. Its services can be classified under Seasonal Agricultural Operations (SAO) and Other than Seasonal Agricultural Operations (OSAO). Major schemes include financing of Weavers, financing of RRBs, refinance for Marketing of Crops, refinance for procurement, stocking and distribution of Chemical fertilizers. Other facilities are Conversion Assistance in case of natural calamity, long term loans to State Governments, financing of State Handicrafts Development Corporations (SHnDCs), Cooperative Societies and rural Artisan members of PACS/FSS/LAMPS, and Medium-term (Non-Schematic) to SCBs and

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	RRBs. New Schemes like Kisan Credit Cards have been launched .
SIDBI	SIDBI was established in April 1990 under an act of the Indian Parliament to serve as the principal financial institution for promotion, financing and development of industry in the small-scale sector and to coordinate with similar institutions. SIDBI, in its operational strategy emphasizes on enhancement in the flow of financial assistance to SSI and enhancement in the capabilities of SSIs at all levels, with focus on adoption of improved and modern technology.
<b>2) Power</b>	
<b>For Generation: -</b> NHPC/ NTPC	NTPC was set up in 1975 as schedule 'A' navratna company. It represents about 27 percent of the all-India thermal capacity.  NHPC was also set up in 1975 for development of hydroelectric power in the central sector. The corporation also undertakes consultancy work.
<b>For Transmission: -</b> Power Grid Corporation of India	Was established in 1989 It has been vested with the responsibility of developing the national and regional power grids, which is scheduled for completion in 2002. It has been recognised as a <i>mini-ratna</i> .
MPSEB	MPEB has nearly 32745 ckt km 33KV feeder lines, 182811 ckt km 11 KV feeders and 159059 distribution substations / transformers to transmit and distribute power to the end users. It is estimated that about 23 percent of loss power occurs during the process. MPEB has about 10.8 lakhs agricultural consumers who consume nearly 39 percent of the total power sold.
Rural Electrification Corporation Limited	It was set up in 1969 with the primary objective of providing financial assistance for rural electrification.
<b>3) Land</b>	
Land Revenue Department	The dept. has been focusing on restoration of land to the tribals and other landless /displaced persons as ordained in the Land Reforms Act. The current govt. has come out with a declaration earmarking 1976 as the cut-off date for allotment of <i>pattas</i> on forestland. According to new land development policy (F4-10/98/7-2A dated 17.09.98) the wasteland will be given to the private institution/ registered societies for forestry, horticulture and other plantation

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Department/ Institution/ Programmes	Program /Activity Description
	activities for maximum 30-year lease.
<b>4) Roads</b>	
Pradhanmantri Gram Sadak Yojana	Was launched on December 25 2000, with the objective of providing road connectivity through good all-weather roads to all unconnected habitations having a population of more than 1000 persons by the year 2003 and to those with a population of more than 500 persons by the end of tenth plan (2007).
<b>5) Research</b>	
Mahatma State Institute of Rural Development, Jabalpur (MGSIRD)	This comes under the Department of Panchayats and Rural Development. Mainly, it is a training institute for imparting training to representatives and functionaries of the PRIs. This includes aspects of trainings and activities related to livelihood promotion also such as SHG training, management of employment programmes, etc.
Small Industries Service Institute (SISI), Indore	This is a unit of the Ministry of SSI & ARI of GOI. It collects and analyses statistical data and qualitative data and provides information/report for entrepreneurs on potential in different sectors for small industry, both rural and urban.