ALC India
ISO 9001:2008

Basic Module on Business Planning for Livelihoods Promotion

Practitioners Guide

2008
February

Table of Content

Introduction to Training Manual

The training manual has been prepared as an induction guide for the participants who are working or have an interest to work on the livelihoods of poor. There have been many programmes on livelihood aspects and relevant literature already exists. This manual aims to fill that gap by covering the livelihood aspects in general at three levels – conceptual, practical and reflective levels. Apart from the general understanding of livelihoods concepts and principles this manual explores the world of business planning for livelihood enhancement projects. As the preparation of this manual required integrating the existing literature, adding new topics, dimensions and giving it a practical touch, has been a challenging exercise for ALC India. As it is a pioneering effort and no benchmarks available, the manual still has a scope for improvement and further modifications with inputs and experiences of the participants as well as the resource persons. The experience has been satisfying to the team of ALC India as it has tried to put together a comprehensive manual in a limited period. The team recognizes the need for further improvement in terms of presentation, more exercises and comprehensiveness of few topics, which will be improved upon in the due course. This manual has been prepared to enable experienced the participants for an exposure to economic aspects of development. Efforts have been taken to expose the participants to the art and science of business planning for livelihood enhancement.

Many of the traditional voluntary organisations especially the first and second generation ones, which have been initiated in the late 1960s and early 1970s, have not experimented and or slowly entering the field of livelihoods. Many have started their work with welfare orientation. However, a professional, systematic approach and economic orientation is needed to work on the livelihood issues of the poor that requires economic and market orientation. This calls for a shift in the perspective, processes and systems to understand the development programmes in the livelihood sector.

Given such a context the induction of staff in to these aspects will be critical. The manual attempts to sensitise the participants to the entire gamut of issues and basic concepts of livelihoods and business planning for this. Though exhaustive in nature, the manual is not an attempt to give expertise in the area of livelihoods and leaves it open to the participants to explore and delve deeper. In this manual, unless otherwise stated, poverty refers to rural poverty. The key indicators, which need to be kept in mind to utilize this manual, are presented in the box below. Finally with the hope that both the participants as well as trainers enjoy using the module, the team wishes them the very best.

KEY INDICATORS

- **Nature of Manual** – Trainers guide for conducting a basic induction course in the area of business planning for livelihoods enhancement.
- **Expected Facilitators Qualification:**
    - Must have worked on economic aspects and livelihoods issues for at least 3 – 5 years.
    - Is expected to have considerable training skills and should understand and practice Adult Learning Principles and Participatory Training Methodology.
    - Should also be able to adopt the manual according to the local requirements and develop relevant examples to be used as part of the training.
    - Facilitator is also expected to have good knowledge of accounting, financial management, business management and planning, collective institutions and concepts of development/poverty.
- **Expected Participants Profile:**
    - Program Coordinators or Chief Executives of voluntary organisations and internal staff.
    - The participants would have working knowledge of English, Economics, financial and basic accounting. The participants are expected to have decent calculation and numeric ability.
- **Outcomes of the Manual:**
    - The participants will be able to clearly explain the basic concepts of development, poverty and livelihoods and the inter-linkages.
    - The participants will be able to develop a picture of successful and sustainable livelihoods initiatives across India.
    - The participants will be familiar with livelihoods intervention development process and principles.
    - The participants will be able to understand importance of capacity building and communication needs and planning for livelihoods projects.
    - The participants will have clear understanding of business planning and implementation arrangements for livelihoods interventions.
- **Design of Training Module:**
    - The training module has been designed keeping the learning principles and process in mind. The process of learning as attempted in this manual is Reading/Observations – Discussions/Reflections – Facilitators Guidance – Field/Practice – Further Discussions and then Learning Reviews and tests.
    - The training program is for 5 days and has 23 sessions of which, 14 sessions demand discussions among the participants to be facilitated by trainer and few sessions where the trainer is expected to make presentation.
    - The module has been prepared with an idea to provide considerable freedom to the experienced trainers to evolve and adapt the entire process and contents.

Session Plan: 'Business Planning for Livelihoods Enhancement'

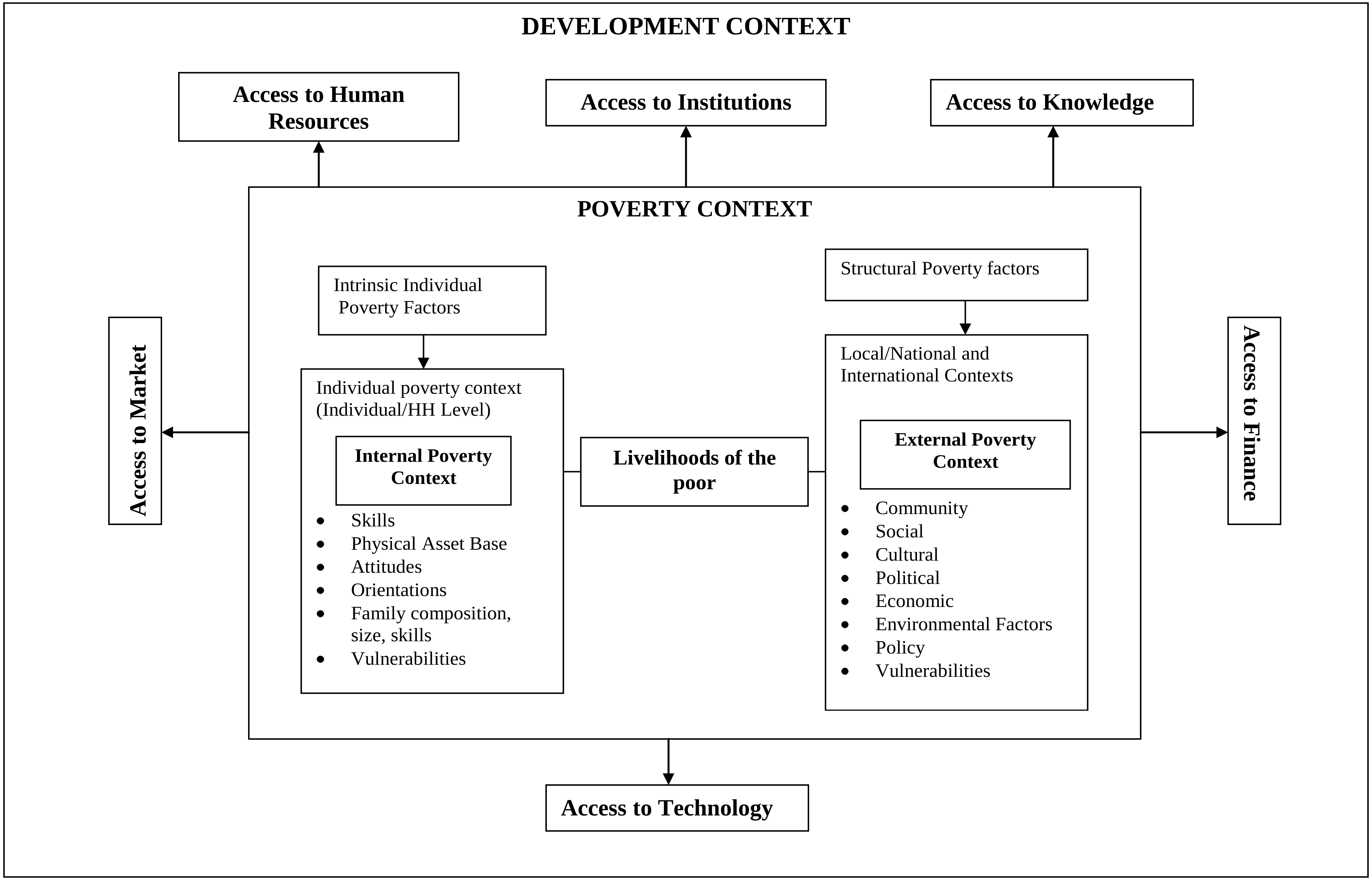
25th – 29th February 2008, Bhubaneswar, ALC India

#	Session 1		Session 2		Session 3		Session 4		Session 5
	9:30 - 11:00 Hrs	Tea Break	11:10 - 12:40 Hrs	Lunch Break	13:40 - 15:10 Hrs	Tea Break	15:20 - 16:50 Hrs	Tea Break	17:00 - 18:00 Hrs
Day 1	Introduction - Setting the objectives and Discussions on Development & Poverty		Discussions on Poverty reduction - Case Study		Business Planning in Livelihoods Interventions - Case Studies		Business Planning in Livelihoods Interventions - Case Studies		Business Planning Concepts (Review of day's learning)
	Session 6		Session 7		Session 8		Session 9		Session 10
Day 2	Business Planning Elements in Livelihoods Frameworks Structure of Business Planning		Livelihoods Analysis and Tools - Individual Level / Community / City Level		Livelihoods Analysis and Tools – Markets, Assessment - Value Chain and Sub-sectoral Approach		Strategic Planning		Business Planning for Collectives of Poor for Enhancing Livelihoods (Review of day's learning)
	Session 11		Session 12		Session 13		Session 14		Session 15
Day 3	Operations Management		Financial Planning		Monitoring and Controlling Quality		Marketing Planning		Communication planning (Review of day's learning)
	Session 16		Session 17		Session 18		Session 19		Session 20

Day 4	Human Resource Planning		Capacity Building Plan		Safeguards Planning – Environment Framework, Risk Management, Social Inequities Plan – Caste & Gender		Process of Intervention Plan development - Business Plan Development for Livelihoods Programs		Model Business Planning Preparation
Day 5	Presentation of Model Business Planning		Presentation of Model Business Planning		Review of the Learning from the training				

Baseline

1. *What do you understand by poverty and list 5 important indicators of poverty?*
2. *Define development and list 5 important dimensions of development?*
3. *Define livelihoods.*
4. *Explain the challenges in livelihoods of poor?*
5. *Why capacity building plan is necessary in a livelihoods project?*
6. *Why communication planning is necessary in a livelihoods project?*
7. *What is strategic plan? Is it important?*
8. *What is time-line or scheduling in a business plan?*
9. What are the five important aspects of a good business plan?


DEVELOPMENT CONTEXT
Access to Human Resources
Access to Institutions
Access to Knowledge
POVERTY CONTEXT
Intrinsic Individual Poverty Factors
Structural Poverty factors
Access to Market
Individual poverty context (Individual/HH Level)
Internal Poverty Context
Skills
Physical Asset Base
Attitudes
Orientations
Family composition, size, skills
Vulnerabilities
Livelihoods of the poor
Local/National and International Contexts
External Poverty Context
Community
Social
Cultural
Political
Economic
Environmental Factors
Policy
Vulnerabilities
Access to Finance
Access to Technology

CHAPTER: 1

Development and Poverty Reduction

Introduction

Livelihoods are sometimes narrowly defined as income generating activities. The first step in understanding the livelihoods of the poor calls for a holistic perspective to understand the broader issues of development and the overall context of poverty. Conditions of poverty in a way define the contours of the livelihoods of the poor. Thus, understanding poverty context is useful in affecting changes in the livelihood options of the poor that will lead to their development. Understanding livelihoods in the context of poverty with social, political and cultural underpinnings is necessary. Livelihood is a means of subsistence or support for physical and mental well-being. Also livelihoods of the poor are different from those of other social classes. So, an effort to understand the livelihoods of the poor begins at comprehending poverty itself. This section gives a brief about poverty in general and rural poverty specifically. Defining poverty, looking at inter-connections between rural and urban poverty, brief on rural poverty scenario, terms related to poverty and development and in conclusion definition of development is covered in this section.

Understanding Poverty

Poverty does not have a commonly agreed definition. From being a material concept in earlier times, it has expanded to include non-material and social shades in its definition. According to Oxford dictionary, poverty means "*the condition of having little or no wealth and material possessions; destitution, indigence*". Off late the definition of poverty has widened to include vulnerabilities, social exclusion, political and cultural deprivations. The terms that are used to describe poverty are:

- Income or consumption poverty
- Human Underdevelopment
- Social exclusion
- Ill-being
- Lack of capability
- Vulnerability
- Livelihood Un-sustainability
- Lack of basic needs
- Relative deprivation

Also while defining poverty, the other critical issues that need to be included are:

1. Understanding of poverty at the individual, household, community and at national levels
2. Poverty can be defined in terms of private consumption as well as income arising out/usage of the common property resources or public goods.
3. Equal emphasis to monetary and non-monetary components of poverty
4. Poverty to be measured at a point of time as well as across the time line to understand implications of people moving in and out of poverty, cyclic and seasonal nature of poverty
5. Poverty as to be seen in the perspective of flow of material goods as well as the stock of goods that a household controls. Hence, the stock and flow concept of material/assets needs to included
   (Ref: ODI poverty Briefing, February, 1999)

Poverty is divided into three types:

Absolute poverty, meaning the human being is not able to service even the minimum survival requirements/needs. Income of the individual/family is used as the yardstick.

Chronic poverty, is experienced where the people are left out from the economic development of the nation or are least benefited. This section of the population faces multi-dimensional deprivation – material and social.

Relative poverty is based on the position of the individual/family in relation to others in the community. Here the concept of poverty is relative and a person classified as poor in one country may have greater wealth than the rich in other nation.

Income/consumption level is the basic yardstick for measuring poverty. A person is considered poor if he falls below certain income level or the calorie intake is lower than the prescribed standard and is termed as living below the "poverty line". There are other methods of measuring poverty 1) Unsatisfied Basic Needs (UBN) method, 2) Sectorial Gaps Method, 3) Integrated Measurements Method and 4) Social Progress Index Method. (Ref: i4D, February 2005)

Urban and Rural Poverty

Though many of the underlying critical factors are same for urban and rural poverty, there are distinctions in terms of the resource base, social security issues, range of income. Understanding the inter-connections between urban and rural poverty is also essential to develop suitable livelihoods interventions. In many developing countries, urban poverty is accentuated by rural-to-urban migration, shifting resources, assets and access factors. Urban poverty is growing in city slums where poor from rural and peri-urban areas settle down in search of work with no access to any basic services. India currently has predominant rural population, but its population in urban areas is growing faster than in rural areas. It is predicted that nearly 50% of India's population will be urban by the year 2030. (Ref: India Together, September 2003)

Dimensions	**Rural Poor**	**Urban Poor**
Shelter	The rural poor at least have access to shelter	Cost of shelter is high for the urban poor to afford and they end-up in vacant areas and make-shift houses, which leads to proliferation of slums
Resources	The natural resource base is absent but rural poor may at least have access to CPRs	The natural resource base is absent
Range of income sources	The range of income sources is limited and in some cases cyclical	The range of income source is varied as the employment opportunities are also varied
Social Networks	Close-knit social networks that serve as fall-back option	Social networks are absent due to diverse population and spatial distribution
Accessibility to sanitation, water, education, health	Moderate	Low due to migrant nature of the population
Governance	Less reliance on civic institutions	Accessibility is comparatively high but the affordability is less
Women and Children	Relatively lesser vulnerability due to existence of social networks and varied	Vulnerability of women and children to sexual abuse, ill health is high. Sometimes the urban slums become source

	livelihood options	of trafficking
Identity	Rural poor are recognized by the concerned village Panchayat	Migrant poor are not recognized in the cities and do not posses any identity cards, place of origin proof
Occupation	Semi-skilled to unskilled occupations. Existence of producers and entrepreneurs	Un-skilled occupations. Poor are not the producers
Regularity of income and competition	Sources of income are stable and social norms prevent individuals from encroaching others' work	Highly instable income with adverse demand-supply conditions for the poor

Rural Poverty Scenario

Access and control of the assets and linkages are important in defining elements of poverty. To understand poverty, the access and control over the following four dimensions are important: 1) Assets, 2) Technology, 3) Institutions and 4) Markets

1. Assets:
Lack of assets is the distinctive feature of poverty. Rural poor have less or no access to, control over and ownership of assets. Assets empower the rural poor by increasing their incomes, increasing their reserves against shocks and increasing the choices they have to escape from harsh and exploitative conditions i.e. they serve as the 'exit options'. Control over assets of the poor is crucial in determining their ability to keep their heads above the poverty

line. The ownership of asset gives a fall back option for the poor and act as shock absorbers in the time of crises.

The assets are classified into 1) Land, 2) Water, 3) Health & Education and 4) Movable and intangible assets. The gap in asset ownership between urban and rural areas and between rich and poor is much greater than the gap in income and consumption and has not shrunk since the 1970`s. The natural resource asset base of the poor can be classified into i) Individual private asset holding and ii) Common Property Resources (CPRs) that are jointly owned by the village or a particular group e.g., Common grazing land, street bore wells, forest land, etc.

1.1. Land

The main issues related to land and poverty are:

- Ownership and control of land
- Quantum and quality of land
- Support services required to make the land usable
- Gender dimensions in access and control
- Access and usage of common property resources

Land is the most important natural resources and primary asset base in the rural areas. Most of the rural poor derive income from land either as owners or as agriculture labourers. Not only land gives them an option to increase their income but also helps them to be rooted in the village. To correct land ownership inequalities, the government has redistributed land but little emphasize was laid on the ownership at the household level, the quantity and the quality of land. Ownership by men in the household have further contributed to the gender divide making women more vulnerable to the shocks of poverty. Shift from joint family system to neutral families has also caused fragmentation of landholdings rendering the divided land too small for experimenting with new technology, new crops and also the economies of scale.

The policymakers and planners fail to understand the complexity of owning land. Giving a piece of land is only a first step; farm planning, training and other extension services for several planting seasons are necessary. In the context of urban poverty, the ownership and control of land does not arise as the poor depend on service based livelihoods like wage labour or as a worker in factories.

The marginalized decide to stand up for their rights

A unique Parliament of the Deprived, an initiative by a grassroots organisation, has urged the government to meet the livelihood needs of the rural poor before October 2007 or face a protest march by thousands of marginalised farmers to New Delhi, reports Grassroots Features. The Parliament of the Deprived, part of a wider initiative of the Ekta Parishad, was organised here on Human Rights Day Dec 10 last year. Representatives from tribals and social activists across the country gathered to discuss multi-sided exploitation, its causes and possible solutions. The Janadesh (People's Will), part of the Ekta Parishad's initiative, has stated that if by Oct 2, 2007, (Gandhi's birth anniversary) the essential land and livelihood rights of the rural poor are not recognised by the government, around 25,000 marginalised people will march for 22 days from Gwalior to Rajghat, in Delhi, Mahatma Gandhi's memorial.

People from other parts of India will also join them there, on the day of Gandhi Jayanti. They plan a gathering of 100,000 people who will stage a peaceful protest in Delhi till their essential demands are met.

Ekta Parishad, a grassroots organisation, works primarily for the rights of the rural poor to ensure that demands of rural workers and peasants are met in an effective way. This organisation is committed to non-violent, peaceful means of fighting inequality and injustice. P.V. Rajagopal, its convenor, is a senior Gandhian activist. Announcing the 'People's Will' march at the meet, he said that one reason for choosing Gwalior as the starting point is that it is the most centrally located town of the Chambal region. It was here that notorious dacoits surrendered, seen as a heart-warming example of the strength of the Gandhian peace movement.

Rajagopal said that essential land and livelihood demands of the poor, particularly tribals, have not been met even 58 years after independence. He called upon the government to make its development planning, village and poor-centric. He said there were massive displacements caused by giant projects that were snatching the homes and livelihoods of people. Where will they go, he asks? Even in cities there is an increasing intolerance to slum dwellers, and their colonies are being demolished. Stories poured in of atrocities across the country, during the Parliament gathering.

Gautam Bhai from Ektapura village in Chambal valley, Madhya Pradesh, recounted that his ancestors and those of his neighbours worked as bonded labour. The Ekta Parishad got them released and placed them in rehabilitation projects. They were given land but could never occupy and cultivate it. This struggle has continued for years now. Roshan, another tribal from Chambal, said that he had been in a land struggle for a long time in the course of which there was an attack on him with 'lathis' (rods) and spears. The medical report on injuries was tampered with due to corruption. He still hasn't received the land.

Tulsi Bhai from Satna, Madhya Pradesh, said that he had fought a legal battle for five years to protect the land. "How long can a poor person fight a court?" he asked. "It seems government exists only for the rich, not for the poor." Prabhu from the Gujarat Maldhari Samaj said that the Maldhari pastoral people were beaten, and asked to leave their settlements. Senior officials visited the site but could not settle the case. Poor people who are with organisations involved in struggles are sometimes deliberately denied land 'pattas' (land rights) to victimise them and discourage other people from becoming members of these organisations.

Sri Kumar from Kollam, Kerala, observed that reckless mining of black sand, important to the armaments industry was the cause for the December 2004 tsunami in and around his village. However, those who opposed this destructive mining were denied rehabilitation benefits because big business interests involved in this high lucrative mining were able to influence officials.

Jharkhand's Pritam Bhai said that dense forests had been destroyed by wrong government policies, including clearing of natural forest substituted by trees with low ecological value and lesser use for local people. Farmers displaced by coal projects have been reduced to the lowest forms of drudgery, and in some extreme cases were forced by their destitution to sell their daughters. Pariram, a youth employed in a mine in Gwalior district, helped two girls escape who were in danger of being molested at the mine. For this he was beaten and grease pushed into his anus with an iron rod. Pariram died and the cause of his death was known only before his cremation, said Bhai Mansharam from Ghati village. The bedridden father could not go to police and so went ahead with the last rites. Later, someone complained to the police and an investigation was started. Then, the mine contractor threatened to kill the father.

Dadri Behan said that in Dadar Ghugni area of Dindori district, Madhya Pradesh, tribals were first asked to give up cultivation and not allowed to settle down. Their ploughs and farm animals were taken away, huts burnt down, they were forced to pay fines at three places and their crops destroyed. They are still implicated in court cases.

Mantoo, an adivasi (tribal) from Madhya Pradesh, said, "I've spent a lifetime fighting for forest rights. We don't want palaces or pearls, we only want land that can provide us sustenance." (Ref: webindia123.com, January 31st, 2006)

1.2. Water

After land, water is an important asset for the rural poor. Control of the poor over water is essential, if they are to realize the full benefits from land. In a way, rural poverty reduction can be said to have a direct relationship with water availability for irrigation. Even green revolution was largely confined to irrigated lands. Water control is also vital for adequate, clean drinking water and for sanitation.

The main issues related to land and poverty are:

- Access to water
- Water user collectives – ownership, rights, usage
- Depleting water resources
- Privatization of water

Rural poor have even more difficult access to water when compared to land. Control over the common water resources is also minimal and the large farmers benefit the most even from CPRs. Apart from agricultural use, clean water is more cost-effective in improving rural health and productivity. Small farmer controlled collective water supply systems benefit the poor most. User participation in design, management and maintenance are proven keys to asset efficiency. Adequate supply of water for sanitation purposes is essential especially for women and children.

1.3. Health and Education

Access to health care and education that are intangible assets can improve child health, general nutrition level of the household and aid in moving out of poverty. Nutrition improvement raises subsequent learning, productivity, wage rates and cuts the risk of income loss due to illness. In human capacity development apart from improving the knowledge base, the three components – health, nutritional status and reproductive choices contribute to capacity enhancement. Good health and adequate nutritional standards directly affect the labour force participation, which in turn is directly tied to the economic development of the nation.

There are many interventions in this field in terms of providing physical infrastructure like hospitals, schools, providing trained human resources like nurses, RMPs and various capacity building initiatives. Though to some extent access issues in health has been addressed, trained and empathetic manpower is inadequate and this drives away the poor to expensive private options. This in turn makes health care and education a resource intensive proposition for the poor. Health care in many rural areas has still remained a curative option and not moved into the realm of preventive health care.

Education is a catalyst in the development process. Education of the poor in terms of formal literacy interventions to informal education to the farmers, women on livelihoods have remained inadequate. Lack of trained teachers, non-adoptability of the curriculum to the local needs and social factors have impeded the education process. Education has an indirect impact on poverty through offering varied livelihood choices and serves as a base to make informed decisions.

Main issues in health and education are:

1. Availability of the services
2. Quality of the services
3. Absence of teachers and doctors
4. Private practices by teachers and doctors
5. Inadequate infrastructure or absence of it

1.4. Other Assets:

Livestock, house, transport and communication are other important assets for the rural poor. Common infrastructure is also an important asset that defines the development of a community. Veterinary services, supporting structures and related infrastructure are inadequate and inaccessible. Private players have come in who offer these services at prohibitive costs.

2. Technology

Technology is defined as any process/product or mechanism through which enhancement in income, quality, reduction in expenditure, improved risk management and improved productivity can be achieved. Throughout the history technological revolutions have built and ruined many communities. Technology for poor includes infrastructure technology, process improvement technology to information technology. The technological development so far has been pro-rich and remained in the control of the rich. Investment in the common technological intervention has no takers as poor cannot pay. Also some of the useful technological breakthrough in medicine, agriculture and market information have been protected and distorted by the legal framework to benefit the rich.

Each technological break through brought with itself the following issues:

The main issues in technology and poverty are:

- Who will invest in the technology for the common good?
- Adoption of the new technology and its cost
- Capacity building for the technology
- Technology management
- User rights, benefits and access to the poor
- Developing pro-poor technology
- Creating infrastructure for technology
- Integrating traditional practices in new technology

A significant technological shift occurred in agriculture sector in 1965-85, called green revolution in Asia and Central America. Increased yields in rice, wheat and maize enhanced employment with resultant fall in poverty. But all these changes proved to be short lived. Market saturation coupled with raising costs, falling returns, growing indebtedness and damaged soil fertility due to excessive and indiscriminate application of chemical fertilizes and pesticides became the hallmarks of the agriculture-developed regions. Permanent indebtedness, bankruptcy and consequent loss of social status triggered suicides among farmers. Initial gains of green revolution technology seemed to have evaporated. The main shortcoming in this process is the way it bypassed the pockets of the poor and many crops that are staple to them. Research institutions are not ready to allow inclusion of farmers in the design of these interventions. Hence, many of the research have remained in the academic realm and did not yield any action.

Exploring how technology can be harnessed in a way that the poor can easily adopt and manage them, where productivity is increased without transforming the production into a capital intensive one is a critical factor. Information Technology that will be help poor know about the distant markets, best practices, details about the government schemes, land records, status of particular grievances filed with government, etc will go a long way in making information accessible to them. Some of the areas where technology can be used for the betterment of poor are mentioned below in the table. The table is not exhaustive as application of technology for the needs of rural poor is large and complex area.

#	Area	Some Areas of Technological Applications
1.	Productivity Enhancement	*Farm Productivity* • Improved varieties of seeds for yielding better quality and quantity outputs. Seeds, which can also withstand adverse agro-climatic conditions, are required for the poor. Rain-fed and dry land agriculture is

		what majority of them depend on. • Agricultural practices which will ensure higher returns even in water scarce areas are also an important area where technological improvements are required. • Research and technology improvements in food staples and improving crop diversity are very important. • Sustainable resource utilization especially land and water the key inputs of agriculture processes are to be developed. These include development of bio-pesticides, improved water management practices as advocated in watershed development and enrichment of land through correct crop rotation practices become important. *Artisan Production* • Improved productivity and reduced drudgery without affecting the natural quality is required. Applications like mechanization of the potters wheel and weavers loom movement are some of the examples. • Better inputs and input efficiency enhancing technology are also of need. These help improve cost competitiveness of their produce in the markets. • Technology, which will help artisan to understand the changing needs and also help them design new things are of

		importance. *Credit and other infrastructure for Production* • Credit availability – at lower cost and higher quantum is needed in rural areas to improve productivity. Technology which will reduce the transaction cost both for the financial delivery agencies and the rural poor are improvement • Infrastructure facilities which will reduce cost, duration and time of transport from interior rural areas are all important. Storage and processing facilities which will improve the marketability of the products and help achieve higher returns become important. *Productivity of Labour – Agriculture, Migrant and Earthwork* • Market information systems to identify the potential opportunities, provide remittance services, access to other services at the work place, contracting mechanisms and other have to be explored for application of technologies in favour of labour.
2.	Improving service quality – education, drinking water, sanitation, energy, health and other services	• Simple applications which will improve quality of education, delivery in classrooms, help reduce the learning burden of children, improve availability of the reference material, and help in improving teaching standards are required which can be obtained technological improvements

		• Health services where in the poor are able to access to specialty diagnostic services, obtain simple medical solutions without traveling to the nearest towns and obtain advices on nutrition, maternal care and other issues through technology. Any new medicines for the long standing problems and diseases become important. • In energy decentralized production and distribution units especially based on local and renewable resources will be important if the needs of the remote and interior villages are required. • Water purification devices especially those which will improve quality and reduce fluoride content and other major pollutants which are cheap are required.

Technology – SIFFS

Intermediate technology has helped the South Indian Federation of Fishermen Societies build new types of craft for artisanal fishermen

If you were to visit the beaches along the southern districts of Quilon, Trivandrum or Kanyakumari in south India, you are almost certain to see fishermen on plywood boats landing their catches. More likely than not, you would have seen a 'stitch-and-glue' plywood boat built by one of the boatyards under the network of the South Indian Federation of Fishermen Societies (SIFFS).

SIFFS has four boat building centres at Muttom, Anjengo, Quilon and Veil. Together they account for over half of the plywood crafts ever built in this region. SIFFS with considerable assistance from the Intermediate Technology Development Group, UK has been involved with boat building for the last ten years. In fact, the first craft built by the Muttom yard in 1982 is still in operation. Most of the fishermen who today use plywood boats were using the dugout or plank built canoes or the traditional 4-log *kattumarams.* (A kattumaram or catamaran is made up of logs of lightweight wood lashed together with rope. The most commonly used species of timber in south India is *Albizzia falcataria).* Plywood boats in this region are mainly of two types - the decked boats and the canoes or open *vallams.* The decked boats are unsinkable crafts. They are generally preferred by the erstwhile *kattumaram* fishermen for their hook-and-line operations. The open *vallams,* on the other hand, are used by the fishermen who earlier used the dugouts or the plank-built canoes to fish with gill nets or drift nets. In the 1980s, motorisation and an increasing difficulty in obtaining logs of the right size and quality to manufacture new dugouts forced the fishermen to look for alternatives. They then took to plywood crafts in a big way. The fishermen found that these were safer, faster, sturdier, easier to beach, had a greater carrying capacity and were more suitable for fishing in deeper waters than their traditional crafts.

The needs of the fishermen have been constantly changing. SIFFS has consequently been modifying the plywood boats or making new models depending on the demands from the fishermen. Not all modifications or new models have been successful. Some of the fishermen in the backwaters of Quilon wanted a substitute for their traditional plank-built crafts. For them SIFFS built the *thoni.*

The barrier of cost

While fishermen in general agreed that the *thoni* was a good craft, no one actually placed an order for the raft. This was because the *thoni* is a more expensive craft than the one they are currently using. The increased investment in a *thoni* would not translate itself into increased returns because they would still be working in the same fishery. When the fishermen of Pozhiyoor wanted a bigger craft that would enable them to carry large quantities of drift nets comfortably, SIFFS responded with the 28-feet long Pozhiyoor model. This has been a big success with the fishermen of this area and sin's now gets a large number of orders for this model. Concerned with the increasing signs of over fishing in the inshore waters, SIFFS attempted to promote fishing in deeper waters by building 'offshore crafts' and the 'PV series' of *ply-vallams.* These have not yet become popular with fishermen. SIFFS is now promoting the use of ice boxes and awnings these can double as sails and a few fishermen are currently using them for motor sailing and indigenously built diesel engines. These, SIFFS hopes, will eventually lead the fishermen to 'stay fishing', where they fish for a longer duration and do not return the same day. Changes in design have also been made depending on the availability of suitable raw materials for boat building. The plywood boats themselves were a response to the shortage of large logs of timber for building dugouts. Today, good quality marine plywood has become scarce in India and is increasingly difficult to procure. A large quantity of marine-grade plywood is manufactured m India using timber imported from Africa and Southeast Asia.

The result is that the prices of plywood have increased by about 20 per cent in the last one year alone. Last year, the Muttom boatyard (the largest under the SIFFS network) had to close down production of plywood boats for about three months, due to non-availability of marine-grade plywood. SIFFS is currently experimenting with a different technique of boat building called 'strip plank construction'. This uses cheap, locally available timber which is cut into thin strips of 40mm x 10mm and tooled so that they have a concave and a convex surface along either edge. These strips will then easily fit into one another and can be glued and nailed together. Strips of smaller width of, say, 20 mm, can be used while building around curves.

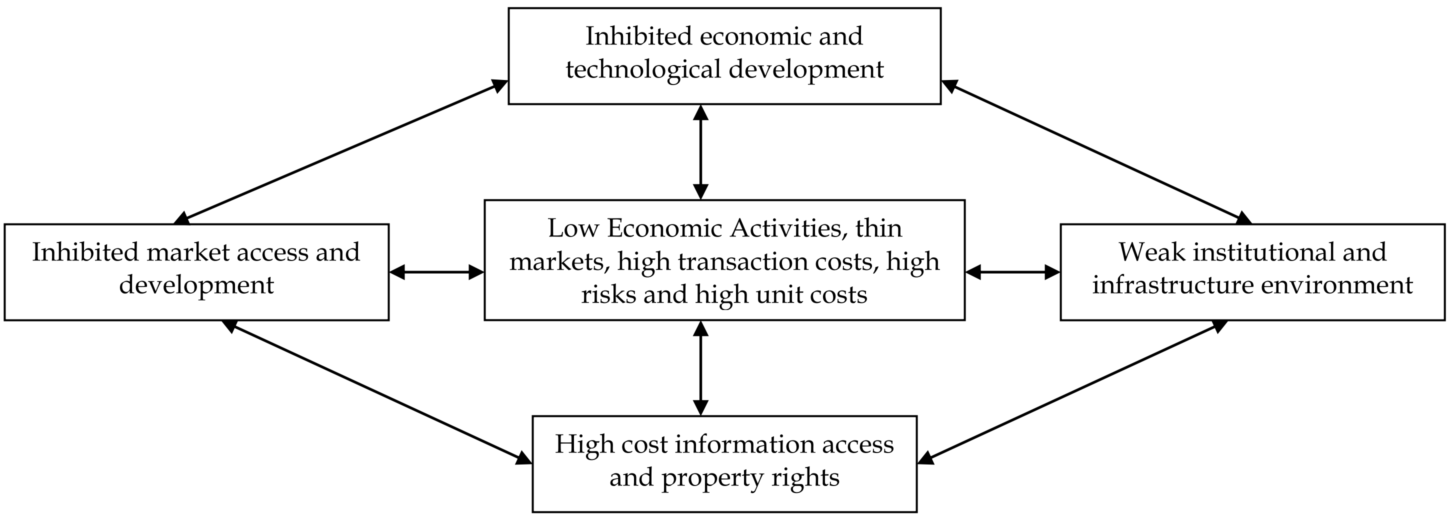
A sheathing of fiber glass is then given to the craft to protect the timber from marine borers and deterioration from prolonged direct contact with sea water. This is especially necessary when the crafts are not beached daily but are left anchored in harbours until the next trip. Strip plank construction results in crafts that are quite strong. Moreover, the building method is itself easy to learn.

3. Institutions

Institutions provide a framework to the activities of the association of persons. Institutions are the association of persons based on certain norms, common objectives and render services to its members. The institutional form defines the ownership, control and management of the institution. The institutions in the context of poor are 1) Institutions of the poor and 2) Institutions for the poor. In the first category, community based organizations like cooperatives, self-help groups and village forest committees, etc are covered. History shows that poor bear the greatest burden of institutional failure. Badly designed formal institutions like regulatory bodies distort the delivery channel and the benefits of common/pro-poor infrastructure never reach the poor.

Institutions or departments of the government, banks, NGOs and other service institutions come under the second category, which render services to the poor. The rural poor do not have access to many formal institutions. Despite manifold growth in banking sector in recent decades; the large numbers of poor rural producers are still heavily dependent on private moneylenders, landlords and traders to meet their credit requirement. This renders them not only economically vulnerable but also politically and culturally dependent.

Institutions and low-level equilibrium trap



The figure above explains the interconnections between technological, information and access issues that result in low equilibrium institutions that cannot service the needs of its members. Information asymmetry, high transaction costs, high cost of accessing the markets coupled with weak institutional structures and infrastructure affects the performance of the institutions.

The main issues in the institutions and the poor:

- Government controlled CBOs
- Lack of linkages of the institution
- Procedural difficulties rendering access to the formal institutions difficult
- Lack of institutions to address issues of the urban poor and the migrant population
- Policies and legal framework not in consonance to provide accessibility and transparency
- Lack of investment in building the capacities of the poor in managing their institutions

The problem for current mode of top-down approaches in institutional decentralization and participation is that the rural big men tend to run local institutional for their own interest. Cooperatives have become instruments of the government in channelising the schemes and act as ready vote banks for the political parties. The legal framework governing institutions is also restrictive. For example in Andhra Pradesh, 1964 Cooperative Societies Act is restrictive in nature, giving more power to the government rather than to the members who are the true owners. With the coming of new "Mutually Aided Cooperative Societies" Act, 1995, the member management and control of the cooperatives have led to the successful functioning of many thrift and milk cooperatives in Andhra Pradesh.

4. Markets

"The market mechanism which arouses passion in favour as well as against, is a basic arrangement through which people can interact with each other and undertake mutually advantageous activities. In this light, it is very hard to see how any reasonable critic could be against the market mechanism as such. The problems that arise, spring typically from other sources and include such concerns as the adequate preparedness to make use of market transactions, unconstrained concealment of information of unregulated use of activities that allow the powerful to capitalize on their asymmetrical advantage. These have to be dealt with not by suppressing markets, but by allowing them to function better and with greater fairness, and with adequate supplementation. The overall achievements of markets are deeply contingent on political and social arrangements." ***Amartya Sen (1999:142).***

Market in simple economic terms is defined as a place where buyers and sellers exchange services and goods. Thus there are transactions of exchange that takes place. Thus problems in market access severely affect livelihoods of poor especially in a global economy. The problem of market access may usefully be considered in three dimensions: the physical (the distance of the poor from markets); the political (their inability to influence the terms upon which they participate in the market); and the structural (the lack of market intermediaries). In the case of the poor they exchange labour-intensive services and products in markets. However, with the opening up of markets world wide there is increased exposure in terms of risk in price fluctuation and margin realization from the services and goods.

In the dynamic, liberalized and globalized markets, how much the rural poor have access to markets determines the ability of the poor to come out of the poverty. From localized markets in earlier times, now the whole world has become one single market where the market places, consumers, producers and middlemen are dispersed. The rural poor producers engaged in subsistence production have less marketable surplus. Even that little surplus cannot be exchanged profitably because:

- Small quantities,
- Quality, grading and value-addition issues
- Inaccessibility to the markets,
- High transaction costs,
- Non-availability and non-existence of the market information
- Non-existence of supporting institutions
- Lack of appropriate technology for accessing the market
- Lack of knowledge about the legal issues in different markets

These factors play an important role in limiting the growth of non-farm sector thus reducing the scope for new employment generation within rural sector. Inaccessibility to institutional credit, inputs and extension services, traps the producer in tying-up the sales with the local middle-men who renders the service of a money-lender and input supplier. This limits the price that a producer can get. Coupled with this, lack of storage facilities, grading and quality preserving processes further affects the price. At an individual level to gain access to these facilities is unviable for the producer. The macro level factors, government interventions further complicate the marketing processes. Hence, the risk of marketing the produce on their own for the poor is much higher due to anomalies existing in the market. This renders them in the hands of the middle-men who offer low prices and the producers are debt-trapped.

In the urban context, the condition of the migrant labourers is similar. The contractor is the middle-man who pays advance to the labourers and traps them in the exploitative cycle. Due to lack of knowledge about wider livelihood choices in urban areas, many of the migrants undertake unskilled labour work. Their own skill level, lack of capital and access to social security limits their negotiation capacity of the labourers. But this migration often takes the form of a blind journey guided by the sheer survival instincts, under the pressure of indebtedness and bondage. Limited and unhealthy space for living, remittance facilities to send the money to their families in the villages, lack of access to health care and legal recourse are the main problems of the migrant labourers. Organizing the producers/labourers is one of the key solutions. Providing the labourers with identity cards, registration of the migrating labourers at the village and at the point of entry in cities, helps in monitoring the movement of the labourers and this can lead to designing social security and legal systems for migrants.

Access to markets would thus mean focusing on the following points –

- improving physical access – in terms of roads, transportation and storage facilities,
- increasing information access and creating systems for the same,
- promoting decentralized networks of community based institutions for transacting with markets in favour of poor,
- training the poor with better skills, knowledge and information regarding the quality, ability to understand market changes and interpret the market information

CASE STUDY

Fish marketing. Mahalaxmi and Varlaxmi SHGs in Akkaram village were organized in 2001 with 20 members each. They were assisted by the NGO and linked with the Bank. The groups have accumulated savings of over Rs. 80 000 and took out loans of approximately the same amount to be used as capital for fish marketing. Repayment rates were reportedly at 100 percent. One of the major benefits in joining an SHG is freedom from moneylenders. With more capital at hand, fisherwomen in these groups have been able to upscale their fish trade by increasing the volume of fish they sell. Internal borrowings of members have also enabled them to provide for consumption needs, especially during closed or lean fishing seasons, and to take up other alternative income-generating activities such as milk vending, rice trading and other petty trade. They have also undertaken some group social activities for the improvement of their villages, such as clearing of drainage and the construction of toilets.

The access and control over the above four elements are crucial for development, the government has started its poverty alleviation programme in early 1950s through land reforms[1]. In this first phase, this strategy seemed ineffective. In the second phase, government started addressing the rural under-development though schemes like IRDP, JRY, DWCRA, etc which again failed to make dent due to implementation inefficiencies. Now in the third phase, the government is trying to see the spread off effects of its previous interventions and is focusing on non-farm opportunities as a strategy to alleviate poverty. In spite of the efforts, the government was not able to bring any structural changes in the society and still the access and control of poor over the resources remain unaddressed.

Gender and Livelihoods[2]

The livelihoods of the men and women are different and hence their impact due to their different roles, responsibilities and resources is also different. The inequality in participation and access of women in livelihood related decisions, policies and in creating economic structures has to be kept in mind during livelihood analysis. Also on the other hand, increased access to employment and income does not really translate into better bargaining power. Gender equity is multi-dimensional implying equality in legal, social, political, economic spheres and in personal relationships between men and women. Economic dimension is central to achieving gender equality, though it has to be supported by other measures. Economic equality between men and women means their equal ability to support a standard of living; abilities can be equal only if opportunities are equal. Though women may be fully involved in an economic activity, sometimes, access to market determines the control over earnings. The factors affecting women's participation in economic activities especially the market are lack of education and training,

[1] Extracts from *The Rural Non-Farm Economy in India – A Review of the literature"* by Daniel Coppard, 2001

[2] Extracts from *Employment and Sustainable Livelihoods: A Gender Perspective* by Rachel Masik with Susan Joekes

occupational segregation and discriminatory attitude. Some of the livelihoods activities promoted by NGOs/government – pickle making, pappad making accentuate the gender stereotypes about the role of women and their traditional work.

Box 3: Common Explanations for Women's Disadvantage in the Labour Market

Economic analyses of labour markets explain about gender discrimination in terms of:

Supply factors, which determine the quantity and quality of women workers in the labour market (family responsibilities and constraints; and inequalities in education, training and access to productive resources);

Demand factors (labour market segregation, discrimination in pay differentials and quality of employment, higher risks of unemployment) which are conditioned by specific structures of the economy; implicit policies that include or exclude women (discriminatory legislation and regulations, employment discrimination, unequal hiring standards and lower pay for equal work), and govern their treatment in the economy and labour market (World Bank, 1994, ILO, 1994).

Other analyses have distinguished market and production factors from household factors such as household structure, income, resources and decision-making. Neo-classical economists have argued that reproductive labour is a cause of female disadvantage in the labour market. This has been dismissed by feminists who have argued that female specialisation in child rearing and domestic labour is not 'natural but socially constructed and hence susceptible to change' (Stichter, 1990).

Feminist perspectives have pointed out that not only do definitions of work tend to exclude and underestimate much of women's work but that within a patriarchal family structure, women may not control the proceeds of their labour. They may be obliged, coerced or predisposed to allocate their own incomes towards household or family, rather than personal needs (Baden with Milward, 1995).

Recent trends indicate that there is increasing unemployment rate of women in developing countries, increased migration that was previously the realm of men and "feminization of agriculture" due to migration of men to cities.

The recent SHG movement across India and other financial initiatives involving women across the world in some cases has led to economic empowerment. Measuring the empowerment of women not just by the income earned and ability to spend but by her market knowledge, shifts the focus from her household status to her involvement with the market and thus to her demonstrated capabilities. Women's empowerment through economic equity can be achieved through putting women at the policy level and decision making position, through improving their property rights, making women key players in the market and through ensuring membership, participation and decision-making powers in the institutions.

ILO Strategy: Gender, Poverty and Employment

The ILO has identified the following means of action: research, laying down the rules (setting down standards, making recommendations and adopting conventions) and technical co-operation (promoting policy dialogue, policy advisory missions and pilot field programmes). The ILO closely links gender and employment to poverty issues arguing that the vulnerability of the poor (largely women) is largely due to underemployment and low returns to labour rather than open unemployment. A number of strategies have been proposed by ILO. The main priorities identified are:

Increasing women's access to land and other assets (rights over forests and common property resources) through a number of measures (land reform, resettlement schemes, legislating equity in land rights, safeguarding rights of forest dwellers, regeneration of forests and land improvement schemes).

Investing in human capital by focusing on training, particularly non-formal skills training (community-based training and self-assisted training approaches). Improving and expanding training opportunities of poor women for productive employments demand action in two major areas: overcoming or removing obstacles to women's access to training systems; and directing training investments into marketable skills.

Providing financial resources for the poor with a particular focus on credit. Improving women's access to informal sources of credit, special credit schemes run by banks, intermediary programmes run by non-financial institutions, NGOs and government agencies linked to micro-businesses and parallel credit schemes.

Expanding wage employment opportunities. Multi-pronged approaches are necessary (legal reform to remove laws and practices which discriminate against women, employment intensive infrastructure programmes, compensatory programmes and social fund.

Extending social protection by improving workers' protection and working conditions specifically in the informal sector (social insurance schemes).

Enhancing women's ability to initiate change through organizational and negotiating power. Empowerment through organisation (informal women's groups, formal women's associations, trade unions).

Empowerment

In simple terms, empowerment can be defined as a capacitating process where people have the ability and opportunity to control their resources. At another level it is the right to exercise one's choices. In the context of poverty, empowerment subsumes the issues relating to resources, market, technology and institutions. Access and control of the above factors enables the poor to make choices and decision that affect them favourably. On one hand it takes about the resources and on the other about the actors – women, poorest household, disabled who have to be included to make the development process empowering through providing access/control/enhancement and including all the actors.

Empowerment has been lightly understood in the development context by simply equating it to women able to talk in public. The development paradigm has essentially assumed top-down approach where the poor have been regarded as the beneficiaries and not the active participants in the development process. Empowerment process in its real meaning signifies the change of poor from being receivers to change agents.

Few of the important parameters that indicate the degree of empowerment are:

Socio-Economic Indicators

- Percentage of households with incomes above poverty line
- Percentage of household that have access to social services (health, education, water, etc)

- Control over resources
    - Land and forest resources
    - Capital
    - Infrastructure
    - Information technology

- Participation in policy and decision making
- Participation of women in the community activities
- Participation in law and policy enforcement and implementation
- Conflict resolution and management
- Position of the vulnerable sections in the community – women, destitute and resource-less families

Risk

Risk is defined as an uncertain event that may have negative outcomes. Perception of risk among the poor is determined not only by inaccurate information but also by the cultural norms, social relationships and their physical environment. Changes in demand, supply, technology, environmental conditions bring both opportunities and risks. Poor are more exposed to diverse forms of risk. The poor are more vulnerable to risks as the shocks have well-fare consequences. The risk also involves cost – cost of loss and coping cost. The sources of the poor households in meeting the costs can be classified into three categories (a) positive coping (examples are soft credit mobilization at zero or low interest rate, mobilization of kin-support), (b) negative coping (examples are distress sale of assets, borrowing at high interest rate), and (c) dissaving, which is an intermediate category. In case of the last categorization, it would get negative rating if the dissaver is a poor household dispensing with the already very low amount of savings in times of distress (being cut-off from credit market). Understanding risk become important as it plays an important role in determining the livelihoods portfolio of the poor. Vulnerability to risk is accentuated by economic failure, social exploitation and political powerlessness.
(Ref: Risks, Vulnerability and Poverty in Bangladesh: Issues and Evidence by Binayak Sen)

Risk can be classified into the following categories.

Partial and Total Risk: Total risk has wide-spectrum affect and partial risk affects only some of the determinants of well-being.

Generic and Specific Risk: Generic risk affects large number of people due to geographical implication or particular activity. There are certain types of risks that affect an individual or a household hold. This kind of risk can be divided into macro (international), meso (national) and micro (individual) levels.

Known and Unknown Risks: Known risks are predictable and hence to some extent can be provided for. Unknown risks are unforeseen and are not predictable.

To illustrate the link between poverty and environmental risk (one form of risk) induced vulnerability has been illustrated in the case study presented below:

Box 1: Adverse Ecology, Vulnerability, and Chronic Poverty: Experience of the 1998 Flood

Chronic poverty is often the result of vulnerable ecology. Bangladesh provides a striking illustration in this respect. Here the most persistent poverty has historically been found in the river-erosion areas, which in years of severe flooding have been susceptible to widespread starvation and even famine. The 1974 famine, for example, was particularly severe in the river erosion belts along both sides of the Brahmaputra. These form the most economically depressed thanas and unions of what are now Kurigram, Lalmonirhat, Gaibandha and Jamalpur districts. These were also the areas hardest hit during the massive floods of 1988 and 1998. In the later years, however the damage was not so great. In 1998 both the Government and NGOs were very active with a large-scale distribution of foodgrains via the Vulnerable Group Feeding program, the Cash-for-Works program, and a variety of lean-season food-assisted programs essentially aimed at preventing the potential entitlement failure that can lead to famine.

Amartya Sen in his famine-related writings has emphasized the importance of an active opposition and a free press– both factors were much in evidence in 1998. However NGOs also played an important role in publicizing the issues as well as providing initial help to the most needy. But compared to 1974 the rural economy itself was more resilient and the international aid climate was also more favorable. Apart from the impact of an immediate crisis those living in ecologically vulnerable areas also find it more difficult to recover. This is because apart from having few savings or other assets they tend to have less access than richer areas to non-farm employment and to microcredit. They also find it difficult to borrow the money to migrate. And since everyone is affected simultaneously the markets for both assets and credit also collapse – a consequence of ‘covariate risk’. While all households in these areas are exposed to ecological risk, those most vulnerable are small landowners and agricultural laborers.

The poor and the poorest living in these areas deserve priority attention during times of distress. They should get higher allocations of food to meet their short-term consumption needs as well as other assistance for rebuilding homes, roads, culverts, schools and clinics damaged by floods. Given the widespread credit and insurance market failures during times of disaster the microcredit agencies should also consider financing seasonal migration of the poor. But the longer-term future of such areas remains open to question. Should more attempts be made to protect them or should their populations be resettled elsewhere? The problem with resettlement is that it is not easy to change the way of life of a large community. In any case the problem is one of fluctuation between normal and flood-affected years rather than of a collapse of the economic potential of the area in general. In these circumstances it is probably better to think of arranging some forms of insurance. Traditional methods of informal insurance have been breaking down and poor communities have little prospect of arranging formal private insurance. This means that the public sector will have to find ways of guaranteeing food supplies, though how this is best done will need to be ascertained in close consultation with the beneficiaries themselves.

Is the cost of supporting the most vulnerable areas too high? No. The river-erosion belts in the three most vulnerable districts of Kurigram, Gaibandha and Jamalpur amount to only 15 of Bangladesh’s 484 thanas. With sufficient commitment it should surely be possible to mitigate the effects of excess flooding.

The sources of risk are:

- Environmental Risks (drought, floods, pests)
- Market Risks (price fluctuations, wage variability, unemployment)
- Political Risks (civil strife, change in subsidies)
- Institutional Risks (insecure property rights)
- Social Risk (reduction in community support)
- Health Risk (diseases that which prevent from work)
- Personal insecurity (death of earning member)

Management of risk involves understanding risk-induced vulnerability, origin of risk, lifecycle factors and structural changes in poor moving in and out of poverty. Some risks can be managed if markets can be made to work for the poor through institutionalizing and legalizing the processes with say contracts, insurances, etc. Institutional risks can be mitigated through pro-poor policy changes that are enforceable.

The strategies for minimizing risks are as follows:
Risk Prevention: Mechanisms that adopt preventive measures before the risk occurs
Risk Mitigation: Mechanisms to mitigate or remove the impact of risk after the risk occurs
Risk Diversification or coping: Spreading the risk across different activities or livelihoods. Savings and informal groups help spread the risk and are a good coping mechanism.

Development Definition and Discussion

Development includes economic, social and human development.
Economic development leads to increase in wealth and has to be supported by social development which deals with distributive justice. This in turn should

be supported by overall human development that includes human well-being in terms of literacy, life-expectancy and poverty.

"Development is a process by which a society transforms its institutions in ways that enhance the ability of its people to mobilize and manage resources to produce sustainable and justly distributed benefits consistent with their own aspirations".

From the above definition we can list out the following:

- Development as a process
- Development refers to the enhancement of the capabilities of the people to make their own choices
- Development involves sustainability of the benefits meaning the benefits are for the present generation and for the coming ones too without affecting the resources adversely
- Development that is just, works on the principle of equity. Because development without distributive justices has far reaching ramifications that can lead to large-scale revolution between poor and the rich
- Development of different levels – individual, societal and global

Development Fable - Does Development Generate Conflict[3]?

In her study of the people of Ladakh, Tibet, Helena Norberg – Hodge makes the case that increasing levels of violence between and within Ladakh's Buddhist and Muslim communities can be attributed to the 'the intensely centralizing force of the present global development model'. The displacing of people from rural areas to urban centers, the growing levels of competition and inequities in those urban centers, and the struggle for formal political power, together contribute to an exaggeration and distortion of religious or ethnic differences. The following text from the article 'The Pressure

[3] Reproduced from Vimukta Shiksha – A bulletin of Shikshantar Sasthan, 21 Fatehpura, Udaipur 313 004

to Modernize and Globalize' illustrates how the blame for increasing levels of violence and fundamentalism can be linked to modernity and global development:

"Most people believe that ethnic conflict is an inevitable consequence of differing cultural and religious traditions. In the South, there is awareness that modernization is exacerbating tensions: but people generally conclude that this is a temporary phase of the road to "progress", a phase that will end once development has erased cultural differences and created a totally secular society. On the other hand, Westerners assume that conflict always smoldered beneath the surface, and only government repression kept it from bursting into flames.

It is easy to understand why people lay the blame at the feet of tradition rather than modernity. Certainly, ethnic friction is a phenomenon that predates colonialism, modernization, and globalization. But, I am convinced that 'development' not only exacerbates tensions, but also actually creates them. Development causes artificial scarcity, which inevitably leads to greater competition. Just as importantly, it puts pressure on people to conform to a standard Western ideal – blond, blue eyed, 'beautiful' and 'rich' – that is impossibility out of reach.

Striving for such an ideal means rejecting one's own culture and roots – in effect, denying ones' own identity. The inevitable result is alienation, resentment and anger. I am convinced that much of the violence and fundamentalism in the world today is a product of this process.

Helena Norberg – Hodge's indictment on what is development exhorts us to think about:

1. Is every thing 'new' development?

2. Is modernization development?
3. Is economic growth development?
4. Is social change development?

Answers

A black and white "yes" or "no" can never give clarity on what is development. Taken in totality, development includes new processes, growth and social development that will ultimately promote equity. But the notion of development gets clouded by the stereotypes like:

1. The poor are lethargic and they need external push for mobility
2. They are responsible for their present state
3. The poor are more sentimental and superstitious and spend a lot unnecessarily on rituals and other social functions.
4. They are risk averse.
5. Development (read modernization) is important and has to be achieved at any cost.

Points to Ponder

- How to improve the access of the poor to the resources?
- What are the institutional structures that will improve accessibility, control and improvement of the resources?
- What are the current environmental concerns about the depleting natural resource base and its implications on the livelihood options of the poor?
- What are the emerging issues in the private control of the natural resources, for example corporates in mining?
- Who are the facilitators helping the poor in the control of their resources?
- What are the legal aspects associated with control of resources, especially forests that will empower or impede the poor?
- What is the meaning of rights-based approach to livelihoods?
- Can you name some of the major livelihood movements in Indian history?
- Think about increasing standardization in jobs, tastes, occupations, consumer patterns and its link to development

CHAPTER: 2

Livelihoods Concepts

Livelihood is the way in which people satisfy their needs or gain living. A livelihood should be sufficient to avoid poverty, and preferably, increase well-being for a family. A widely accepted definition of livelihood provided by Chambers and Conway is: "*a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and future, while not undermining the natural resource base*". The sustainable livelihoods approach rests on few core concepts listed below:

- People-centered
- Holistic – multi-dimensional, cutting across different sectors
- Dynamic – complex situations, iterative events
- Considering micro and macro factors

Livelihood means a system of how people make a living. In other words, it is a set of flows of income from various sources and activities, variable over time. It comprises of several different activities for each given household; it is determined by the type of strategies that household adopts and how it responds to changes. Although some households adopt strategies that rely on few activities, most of them adopt strategies that are complex, diverse and versatile. As rural households derive their livelihoods from different sources, adjustment measures are expected to affect them in a variety of ways. Thus, one has to examine not only the outcomes, but also the institutional mechanisms by which adjustment measures are translated into production and investment decisions by poorest of the poor households. In short, livelihood covers material aspects of living and non-material aspects – social and inner realities.

Although the phrase Livelihood Systems is not an uncommon term among practitioners and researchers, it is not easy to define or agree on how to understand the realities behind the livelihoods systems. In addition to this, the perspectives of rural households differ from that of practitioners and researchers. While working on Rural Livelihood Systems, RLS Research Forum (consists of researchers from Institute of Rural Management, Anand, Institute of Social and Economic Change, Bangalore and NADEL, Switzerland and a few individual researchers) realized this and efforts were put to develop a framework to understand the realities behind livelihood systems.

This recognition resulted in the development of the N*ine Square Mandala*[4] (by Ruedi Hogger, 1994) that sensitized the research partners to look at livelihoods system in a holistic manner. It not only considers the outer realities (material) but also the inner realities (non-material) that are equally important to our understanding of the livelihoods systems.

The *Nine-Square-Mandala* is a practical heuristic tool that helps one view livelihoods systems in a multidimensional way. With this nine fold focus, we can approach and understand rural livelihood systems from various angels, ranging from the outer (material) to inner (non-material) realities and from tradition bound to more future oriented perspectives.

Rudi Hogger conceptualized the *Nine-Square-Mandala* taking a typical rural home as the metaphor. The three rows of the Mandala – the Basic (physical and emotional foundation), the Space (living area including individual, familial and socio-economic space) and the Orientation (roof- individual,

---

[4] Abstract from the reading material for the course " Rural Production System" prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand. The original article is written by Ruedi Hogger.

family and community) – form integral part of the house and also the livelihood systems.

- The Base – is the primary foundation on which the entire livelihood systems rest.
- The Space – as the various types of enclosures differentiate the living space of a house, it helps to distinguish and understand the individual, family and community space.
- The Orientation – provides a sense of direction and comprises of aspiration, perspectives and ideologies.

In the words of Rudi Hogger, "the Base, the Space and the Orientation form the three complimentary levels of the reality. As we move through the Nine-Square-Mandala from right to left, we always go from the outer realities to inner realities. From the bottom to the top, it is a transition from the physical and emotional basis to the mental roof with its concepts and perspectives. None of the nine compartments are truly independent from each other. Every one of them is intricately linked with every other and the transition from one to the next is gradual, not abrupt."

To understand the usage of the tool in the analysis of the livelihoods in terms of - factors affecting the livelihood strategies, choices of livelihoods, process of decision-making in livelihoods, case study of *Kanu Bhai* is given below. This example will bring into focus various factors that have affected the livelihood strategies adopted by Kanu Bhai that comprise of both material, non-material, physical and mental realities, which the *Nine-Square-Mandala* will capture.

F U T U R E	**9. Individual Orientation** • Visions • Hopes • Aspirations • Fears • Self-image • "Gurus" Models	**8. Family Orientation** • Ancestors • Caste, social status • Aspiration to education, leadership, jobs, etc. • Aspirations to power, wealth, social mobility	**7. Collective Orientation** • Subsistence agriculture • Food security • Religion, tradition, values • State laws, Common property resources • World view, ideology
T R	**6. Inner Human Space** • Integrity, identity • Awareness • Selfishness-compassion • Task-people oriented • Curiosity, courage	**5. Family Space** • Gender relations • Nutrition distribution • Health, family planning • Work distribution • Solidarity	**4. Socio-economic space** • Production relations • Patterns of cooperation • Community organizations • Factors and good markets • Intermediation processes
A D I T I O N	**3. Emotional Base** • Memories • Attachment • Feelings • Anxieties • Boredom • Idealism	**2.Knowledge-Activity Base** • Technical skills • Agricultural patterns • Experiences • Traditional knowledge • Labour, crafts, service • Modern professions	**1. Physical base** • Natural habitat (climate, topography, location) • Natural resource base • Animals-population-trees • Distribution of wealth • Accumulation of wealth
INNER REALITY			**OUTER REALITY**

Case Study[5]

Kanu Visiya Katara – A Case of Successful Adoption

Kanu Visiya Katara (Kanubhai) is a farmer in Bhoraj faliya (hamlet) of Mahudi village. Mahudi is located in the Panchmahal district of Gujarat, India. His case analysis illustrates the multi-facetted considerations of a farmer in arriving at a decision to adopt a new technology. He perceives that his family is above the livelihood security threshold.

The family: Kanubhai (50 years) is the head of a joint family with 19 members. The three sons and their wives are living with Kanubhai on the farm. He has two unmarried daughters. None of the family members is literate. Only the younger children are in school. He has a small mud house on one of the elevations of the hills of Bhoraj faliya that is inadequate. To accommodate the large family, Kanubhai constructed another house for his younger son and his family to stay. Kanubhai, his wife, and 2 elder sons along with their families share the old house, which has 3 rooms and a kitchen.

Cultural Identity: Being a follower of "*Guru – Jyotisar*", he preaches the tribal community to speak the truth, to be self-reliant and self-dependent, to practice non-violence, to avoid superstitious beliefs, to maintain peace at home, to practice vegetarianism and non-alcoholism, to discourage bride price, etc. The white flag hoisted on top of his house indicates that he is a follower of the *Bhagat* ideology. Since Kanubhai did not accept bride price during the marriage of his 2 daughters, he encourages others to follow it. He believes that his belonging to the *Bhagat* Panth has enabled him to maintain

[5] Abstract from the reading material for the course " Rural Production System" prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand.

a cohesive joint family, to take collective decisions, to reduce wasteful expenditure and to make the family self-reliant and self-dependent.

Kanubhai's social, cultural and traditional responsibilities towards festival celebration, birth, death and marriage rituals prevent him from moving out of the tribal society. The tribal community also has strong emotional attachment towards their ancestor's stones, land and ritual with cattle, the temple, fast on particular festivals.

Resources: Kanubhai owns 2.5 acres of land out of which 2 acres are irrigated. On the 2 acres of irrigated land he grows crops and the other 0.5 acres of land are used for growing trees and for grazing cattle. He owns 2 bullocks, 1 cow and 2 goats. In addition, Kanubhai has a small kitchen garden near his house, where he grows chillies, brinjal, lady's fingers, beans, red pumpkins on the roof, bottle gourds, castor and tobacco to meet his family's needs. However, the land has not been divided among the children.

Personal Traits: Kanubhai is open-minded, innovative, extrovert and co-operative in nature. He would like to analyse a new technology before its adoption. As per his own perception, he has crossed the line of livelihood security and is willing to take more risk and to experiment with new crops. At the same time, he is thankful of having a joint family that is crucial for labour intensive agriculture. In recent years, he has started providing loans to other farmers as moneylender. Kanubhai undertook tomato cultivation on scientific line about three years back. The crop was grown under economic rationale and the motive was to maximize the profits – a deviation from the normal traditional approach towards growing staple food crop. To have a proper understanding of his decision-making behaviour, it is essential to note the background that led him to technology adoption.

Technology Adoption: The Sadguru water and Development Foundation (SWDF) built a check-dam across Macchan River in 1993. The Check-dam provides irrigation to the farmers living in Bhoraj hamlet. Irrigation co-operative was formed to manage the check-dam. The successful operation of the Bhopraj Irrigation Co-operative Society is attributed to the co-operative nature of Katara caste, which belongs to Bhagat Panth. The Bhagat Panth brings them together with a strong cohesive feeling. Kanubhai is one of the active members of the Irrigation Co-operative Society.

Before the check-dam was built, he used to grow a mixed crop of maize and pigeon pea (upland) and paddy (lowland) in the Kharif season and a mixed crop of maize and gram in the "*Rabi*" season. In summer, the land was kept fallow. Importance was given to the maize as this met the food requirement of the family and fodder for the animals. The cultivation practices were traditional and the use of the chemicals in the field to increase yield was minimal. The grain yield was low, about 350 kilos per acre. The income generated from the land did not offer a livelihood security for the family. He along with his sons had to undertake seasonal migration for generating enough income to the maintain family.

With the check-dam near Bhoraj faliya, some farmers started cultivating three crops a year. The availability of water not only reduced the risk of crop failure, but also increased the yield of crops sustainability (2-3 times). With the increased yields, the farmers were assured of livelihood security. Irrigation did not induce an instantaneous change in farmers' agricultural technologies or practices. The increase in yield was, mainly, due to the availability of water rather than improved practices. However, the increase in crop yield was sufficient to bring down the magnitude of seasonal migration. The various shifts observed in Bhoraj faliya are:

- Some farmers started growing two to three crops a year
- Cultivating a pure crop of maize rather than a mixed crop

- Adopting improved varieties of same crops
- Experimenting with various cash crops
- Shift towards commercial crops
- Increased application of fertilizers and chemicals
- Drop in the magnitude of seasonal migration

In the case of Kanubhai, the intervention by SWDF had two effects. The first was to give him an opportunity to do labour work on the construction site of the check-dam and thus not go for seasonal migration. He could save some money earned from such work and thereby increase his assets. The second facilitated him to take three crops in a year as against two.

"Things have changed. Earlier Kharif used to be dependent on monsoon rains and the Rabi crop was dependent on availability of leftover moisture in the soil. Now, we are assured of irrigation water and we can take up to 3 crops in a year."

Instead of growing maize mixed with other pulse crops, he started cultivating a pure crop of local maize. The yield increased noticeably. He could meet the food and fodder requirement of his family and animals from the increased production of maize. Once the basic food and fodder requirements were met, Kanubhai ventured to grow cash crops. The change was gradual. With the assured water supply, Kanubhai had the following options to increase his income:

- Growing high yielding varieties of staple crops using fertilizers and chemicals and going for a market-oriented agriculture, i.e. shift to cash or commercial crops.
- Diversify his activities by shifting to non-farm activities like flourmill, shops, etc.

He has used both the options in variation; Kanubhai did not go for high yielding varieties of maize. He still prefers to grow local varieties of maize on part of his land because of his families' preferences and needs take priority over the market consideration. On the remaining part of the land he continues to experiment with different commercial/ cash crops for the market. With the increased yield from agriculture due to water availability and the 'monetary cushion' provided by the migratory income. Kanubhai could pull himself out of the livelihood threshold level. Once livelihood security was assured he shifted to groundnut cultivation. Here also the technology package was not adopted in total. Kanubhai also experimented with Soya bean for one season. Although he succeeded in the experiment, he abandoned Soya bean due to non-availability of the market. He then decided to experiment with tomatoes and he succeeded. There was a ready market for tomatoes. At present, he grows tomatoes while he continues his experimenting with other crops like potatoes, green chillies, brinjal, etc. Not only availability of water and markets but also joint family (labour) financial means from irrigation, availability of technical know-how, negative effects of fertilizers on the soil among others influenced his decisions.

"Income from migration is used for cash and Chandla and for purchasing seeds, fertilizers and for irrigation."

The assets of Kanubhai increased with the increased income from his fields and the savings from migration work. He started lending out money against usury rights of the land. He found this venture to be more profitable than depositing in banks or diversifying in non-farm activities.
"It is better to cultivate the land by taking it on mortgage rather than investing it in other activities like opening shops. In the case you open a shop you will have to give material to others on credit items and the Bhil community is not very good in paying you back. This leads to fights within the community."

Kanubhai came to know about the cultivation of tomato crops during his migration to other areas before the check-dam, but he could undertake tomato cultivation in his own field, as the resources available with him were not adequate then. More importantly, at that time he was below livelihood security threshold. However, after the check-dam, he could experiment with his knowledge base once he was assured of food for his family (He never experimented with crop at the expense of maize and paddy). He diversified his profession (assuming the role of a moneylender) and agricultural practices (experiments with new crops and chemicals). Thanks to the stability and relative security of his livelihood system. Kanubhai's orientation changed from subsistence towards the market. The case study explains various external and internal factors, which affect the livelihood strategy as well as the livelihood choices. This case study also reflects on the fact that the poor have multiple livelihoods, which together provides the living to the family, as single livelihood is often not sufficient for them.

Classification of Livelihoods

The principal basis for the classification of the livelihoods is based on sectoral definition occupations. These sectoral definitions are based in relation to the natural resource base, form of the services and processes. The major sectors are defined as follows:

Primary Sector essentially refers to agriculture and agriculture allied production and farming along with fisheries and other basic livelihoods sources.

Secondary Sector includes manufacturing firms, which process the basic raw materials, natural minerals, agriculture and agriculture allied produce and other material. Some of the examples of these industries are - ready to eat food and drink manufacturing, tobacco, textiles, leather, wood, fuels, chemicals, rubber, glass, furniture, metals, machinery, and equipment.

Tertiary Sector covers service based industries - construction, distributive trade, accommodation, transport and utilities, wholesale and retail distribution, telecommunications, postal and courier services, food and accommodation, transport, utility distribution, financial and related services, finance, renting and leasing, business and professional services, repairs, telecommunications and data, community, social and personal services, public administration, education, health, entertainment and sports, personal services, and domestic services.

The growth trends in these sectors within India shows that the primary sector has almost stagnated while the service sector is growing at much faster pace and the manufacturing sector has remained stunted. In fact in the last few years the service sector has grown to occupy the major share of our GDP beating the manufacturing/secondary and primary sectors. Hence, taking the sectoral definition as base, the livelihoods of the poor are broadly classified as follows:

<u>Farm based and Off-Farm livelihoods</u>
Farm livelihoods are those, where income/employment is derived from primary sector, particularly from the production or gathering of unprocessed crops (food, flowers and fibers), rearing livestock, horticulture (flowers, fruit and vegetables), forestry, fisheries and from natural resources. Farm based livelihoods have natural resource base. It excludes any food processing (although this may happen on-farm), agricultural services (whether technical or commercial) and also other primary sectors such as mining or quarrying.

Income/employment based on activities away from ones own property, regardless of sectoral or functional classification are termed as off-farm and can be wage or self-employment. Activities in primary sub-sectors such as forestry, fisheries or hunting and gathering are sometimes called `off-farm´. Hence, the broad classification in farm-based livelihoods (both on and off farm) is:

- Primary Production: Farming, dairying
- Service Based: Agriculture wage labour

The employment growth in the agriculture sector is less than 1% per year in the last decade. But in the off-farm livelihoods, the employment growth has been 5%. Te main interventions in the off-farm livelihoods pertain to establishing forward and backward linkages, generating wage employment and catering to the local needs of the village. But also the challenges are many in promoting off-farm livelihoods-identifying market opportunities, managing linkages, responding to changing markets and capital requirements.

Non -Farm based livelihoods

Non-farm livelihoods are indirectly connected or not connected with the natural resources. The non-farm livelihoods can be classified into i) casual non-farm wage labour, ii) own-enterprises and iii) regular salaried employment. The poor families are engaged in the non-farm activities in the first category of casual labour while the rich earn from regular, salaried jobs.

The other broad classifications can be:

- Traditional and modern livelihoods
- Area-based livelihoods - coastal, dry land, industrial areas, migration intense areas, pilgrim areas, tribal areas, urban and rural, etc
- Steady and Migrant livelihoods

These classifications are over-lapping but they nevertheless help in identifying the peculiarities of a livelihood, reasons for its adoption and overall intervention points. If the finer points are not considered in intervention planning, it may lead to inappropriate identification of livelihood options.

The main livelihoods of the rural poor are

#	Sector	Livelihoods
1	Farm and Off-Farm Livelihoods	
	Agriculture (with resource base) Agriculture (Landless)	• Subsistence Crops • Cash Crops • Dry-Land Crops • Coastal Crops • Organic Crops • Horticulture • Non-Timber Forest Produce • Agriculture Wage Labourers
	Animal Husbandry	• Agriculture Processing • Dairying • Sericulture • Fishery
2	Non-Farm Based Livelihoods	• Artisan Livelihoods – Weaving, pottery, stone-cutting, etc • RMPs, washer men, barber, etc • Wage Labour in construction, hotels, factories, etc • House hold/own enterprises • Small-scale manufacturing activities • Regular salaried jobs

The linkage between the farm and non-farm sectors is symbiotic and the growth in one leads to positive change in other. There are production and consumption linkages between both the sectors. Production linkages will be in terms of demand for agricultural inputs, equipments and on the consumption side, increased agriculture income will increase the demand for goods produced in nearby villages and towns. Growth on the non-farm sector will increase the agriculture productivity through lower input costs, technological change and profits being invested back into agriculture. Hence, growth in both the sectors are re-enforcing with increase in employment and incomes.

Since early 1970s, the significance of the non-farm sector in rural economy has increased. There is a significant link between poverty and non-farm sector and a positive relation between unemployment and non-farm sector. It is particularly important for the landless, small and marginal farmers. When agriculture was unable to provide widespread employment opportunities, the non-farm sector has picked up the slack. Service and cottage industries dominate the non-farm sector in rural India various the shift is towards manufacturing industries and growth of services in towns. The access to non-farm occupation largely depends on the education which means greater access to educated population.

The opportunities, growth and the negatives in both farm and non-farm sectors are related and have reinforcing effect on poverty and consequently on development.

Chapter – 3
Livelihoods Interventions and Principles

To understand the various potential livelihoods interventions and the underlying principles in the choice of these interventions let us first understand some of the case studies give below and answer the following questions as we read them. After each question various dimensions have been given for you to look at the interventions keeping in mind these dimensions.

1. What is the livelihood intervention being described in the case study?
    a. Type of livelihood– whether it is Farm, Off-Farm, Non-Farm,
    b. What are the resources utilized – physical, intangible resources, local resources and external resources
    c. What is the target group – composition of the target group, size, homogeneous or heterogeneous nature of the target group
    d. What is the scale of the interventions – number of households/individuals, geographic reach, time-span
    e. Who are the main stakeholders and what are their roles?
2. What benefits are accruing to the poor because of the intervention mentioned in the case study?
    a. What are the benefits accrued at - Individual Level, Community Level?
    b. What is the nature of benefits - Economic, Non-economic?
    c. What is the time span throughout which benefits are accrued - Long-term, short term?
    d. What is the spread of the benefits to – men, women, poorest, vulnerable households?
    e. What are the new skills that the community acquired?
    f. Are their any attitudinal changes that the intervention brought about?

3. Are the interventions described in the case study useful to promote large number of livelihoods?
    a. What have been the spin-off benefits from the intervention?
    b. What are the institutional structures created?
    c. What are the new linkages created?
    d. What are the factors that have contributed for the Sustainability of the intervention?
4. What were the factors that have helped these interventions/peoples' efforts to be successful in terms of
    a. Design
    b. Structure for implementation
    c. Management of resources – finance, human and others
    d. Organizational Capacity
    e. Processes

Case let 1: MP Government Steps in to End Tribals Exploitation

The sour "Tamarind" a staple ingredient for South Indian Cuisine, has soured relations between the district administration and the "Koochiyas (money-lenders)" here. So intense is the battle of (vested) interests that the Congress (I) Chief Minister. Mr. Digvijay Singh is under attack from the Opposition (BJP) for allegedly playing a game of one-upmanship over his neighboring counterpart- Mr. Chandrababu Naidu, Chief Minister of Andhra Pradesh – now that both are bracketed as the country's two most visionary and progressive CMs.

Though Mr. Digvijay Singh dismisses it as a "figment of the local press' imagination." It is the BJP – backed traders in this backward district who are up in arms over the "assault on their freedom to trade". " For 50 years, when the Government was no where in sight. At least we lent a market support system to the poor tribal people for their subsistence. But now we are thrown out of business," is their complaint.

They were apparently making hay till an accidental discovery by the District Collector, Mr, Praveen Krishna. During an inspection of a 'haat' here, four months ago, he caught a 'koochiya' red-handed for bartering a basket of charota seeds (used in the manufacture of soaps) for a basket of rough salt drawn from a sack marked "unfit for human or animal consumption."

Close monitoring of MFP movements further revealed how the adivasis were losing Rs. 200 crores annually due to the malpractices of traders and their agents. In the case of tamarind, the koochiya buys a tree from the villager for a less than Rs. 300 and then hires the villager on a daily pittance of Rs. 2 to gather the crop, thereby reducing the rightful owner of forest wealth into a daily wager.

The tamarind that is procured so cheaply from the villager is sold at a price at least five times in the ready markets in the city. If the stock is held in cold storage, it sells for not less than Rs. 30 to 50 a kg. Mr. Digvijay Singh confident that the "imli andolan (tamarind revolution)" is Bastar's gateway to prosperity. "Gaon ka paisa gaon mein, imli ki chhon mein": is today's battle cry of the natives of Bastar, a district spread over 40,000 sq. km with 55 percent of its area under forest cover. Rich in natural resources, it is estimated that Bastar registers Rs. 1,000 crores worth trade per annum at its weekly bazaars – 'haats' – with over 30 Minor Forest Products (MFP). An equally large unregistered trade is also allegedly flourishing, and this has forced the district administration – with the full support of CM secretariat – to step in.

With an annual procurement ranging from 35,000 to 60,000 metric tones, tamarind comes third, after Kosa (silk) cocoons and bamboo, in the MFP list of Bastar and accounts for 60 per cent of the total tamarind production in the country. The popularity of the commodity is not only felt on the other side of the Vindhyas, but the Bastar "imli" even has a large international market in the Gulf, particularly in Dubai where it sells for a whopping Rs. 220 a kg and upward. But the irony is that aspirations of the Bastar adivasis – the rightful agent of a potential MF market – are crushed by the principles of manipulative market controlled by the 700-odd "koochiyas" in the district.

"The exploitative free market system had to be cleansed of foul-weighing, under pricing, swindling and distress selling". Says the District Collector who has been fondly rechristened" Mr. Imli Krishna by the Bastar natives. The tribal cooperative Federation's (TRIFED) intervention was sought to check the malpractices of traders, boost the ruling price of tribal produces and generate substantial employment for the local population in their homeland.

Today, TRIFED is the center of a network of village level cooperatives acting as its agents to procure tamarind from the forest-gatherers. The State Government aims at setting up at least 1,000 totally independent village-level cooperatives in the district and generating employment – 50,000 seasonal and 30,000 full-time for procuring and processing tamarind and thereby liberating the local adivasis from the clutches of money lenders-middlemen-traders.

It took the district machinery 200 workshops to convince the 20 lakh strong tribal population of the benefits of the State Government's "van-dhan (forest wealth) cooperative system", envisaging more outreach bodies and cooperative societies buying Tamarind at a higher rate of Rs. 7 a kg from the villagers. In this build-up of 10 weeks, 50 persons have already been prosecuted for illegal trade under the Agricultural Commodities Act, while two village committees have earned a profit of Rs. 80 lakhs, Mr. Krishna said.

With the villagers increasingly becoming aware of the wealth they were unwittingly letting up slip all these years, the State is confident of converting the region into an international mandi – probably the largest in Asia – for MFPs.

(*Reproduced from "The Hindu" dated April 24, 1999 article by Soma Basu.*)

Case let 2

Mini Dairy Farm Scheme – A Runaway Success

The mini-dairy farm scheme launched by the Rs. 44 crore Hatsun Dairy in Salem district has proved to be a runaway success. "We have already granted a loan of Rs. 2 lakhs each for 12 such dairies and 18 more are under process. So far, there has not been a single defaulter". Mr. K. Natarjan, Chief Manager, State Bank of India. Attur Branch "We now plan to provide them loans for purchase of two-wheelers also as we have been highly impressed with their performance", he added. It was Attur branch of SBI which boldly tied up with Hatsun Dairy to launch the scheme followed by Vijaya Bank in Mettur.

Plagued by chronic water scarcity, Salem and Namakkal districts have hardly any remunerative farming. Hence, they have been forced to look for avocations that could sustain them. Born were the lorry bodybuilding and poultry units, granite and magnetite quarrying. Animal husbandry has also been basically sound in this region.

This region, which has enormous potential for dairying, has a history of bankers' involvement in dairy development, points out Dr. A.M.V. Reddy. Basically a veterinarian and the Assistant General Manager, SBI, Salem Main Branch. "Our bank has come forward once again to help dairying in a big way and we are prepared to help to any extent, "Mr. S. Deivanayagaram, Regional Manager, SBI, Coimbatore, told this correspondent distributing assistance for mini dairies at Navakurichi, about 80 km from here, last November.

As a first step, it granted a loan of Rs. 50 lakhs to 25 farmers through the Attur branch to set up mini-dairies of ten animals each in a tie-up with Hatsun Dairy. It was the responsibility of the dairy to identify the beneficiaries, provide them all technical support, recommended them to the bankers and also to ensure recovery by procuring milk from them. "The system is much like that of sugar mills which register cane in advance," observed Mr. R. Chandramohan, Managing Director, Hatsun.

Salem is one of the districts where cooperative and private sector dairying has been on a sound footing. The Salem District Cooperative Milk Producers' union has already a handling capacity of three lakh liters a day and is trying to expand it by one more lakh litres. Hatsun, which has been operating here in the last five years, has a handling capacity of 1.3 lakh liters and has a more ambitious target. Such a competitive atmosphere, aided by dedicated bank assistance, has boosted the morale of dairy farmers. Mr. K.S. Dhanraj, Joint Managing Director, Hatsun, observes that the most interesting feature is that many educated men are also willing to take up dairying.

Navakurichi village alone supplies more than 5,000 litres of milk – about 2,200 litres to Hatsun, and an equal measure to the Aavin and the balance to a few private vendors. Mr. M. Selvaram, plant manager, Hatsun, points out that the contribution of per animal to a farmer is around Rs. 1,000 a month and the entry of Hatsun has had an immense impact on the rural economy.

Mr. Chandramohan said the dairy, which started with 750 litres now procured more than one lakh litres from 400 villages in Salem and Namakkal districts from about 16,000 farmers involving more than 61,000 animals. "By the turn of the century we are confident of enrolling 25,000 farmers involving at least one lakh animals" he said. Hatsun had not stopped with mere procurement and marketing but was interested in the "overall development" of dairying itself. Apart from providing veterinary assistance round-the clock on all milk routes, it had set up an R&D center at a cost of Rs. 6 lakhs wherein it was demonstrating latest technologies like "heat stress", milking machines, fodder development and the like. Already it had been arranging training classes in collaboration with TANUVAS. The Hatsun MD said the company was also organizing "camps" for the animal population to coordinate with the Animal Husbandry Department in organizing "camps" for artificial insemination. "We are trying for upgrading of both income and knowledge of our farmers. We propose to extend group insurance schemes also. Our objective is to make this a model dairy.

He said the concept of mini-dairy farms was born because most suppliers to Hatsun had just two or three animals. While mini-dairy farms could uplift these people economically, it would also help Hatsun in a big way in procurement. "Thus we started promoting mini-dairy farms. While SBI has already assisted launching of about a dozen such units, Vijaya Bank has assisted 11 and Lakshmi Vilas Bank is also interested. Besides, on seeing the success of the Navakurichi Project, enquiries are coming in from many other places as well. We are hopeful of launching at least 300 such dairies by the turn of the century".

He points out that the major assistance provided by Hatsun to mini-dairy farms was not only getting them bank loans but also providing them veterinary assistance. As their marketing is ensured and their proceeds deposited in the concerned bank branches recovery is also no problem. "Our next focus would be on Namakkal district", he adds.

Case let 3

Experiment in Cooperative Collective Farming – A case of Gambhira Wasteland Improvement Project

Anand district is known for Co-operative structure like Amul dairy in the state of Gujarat and country as a whole. A similar case is of co-operative collective farming started in the surrounding villages of Mahi riverbank in Ankalav taluka of Anand district. This has improved socio-economic condition of its members and also of the villages.

1. Evolution

Before independence, Gayakvad was the ruler of Vadodara Regional State. The villages like Gambhira, Kanthiakhad, Nani Sherdi, Bilpad etc. were under the administration of Anand taluka which was an integral part of Vadodara State. These four villages are located on the bank site of Mahi River. Due to frequent heavy floods and tide in Mahi River during 1927, 1941, 1948-49 and 1952 the surrounding bank site villages suffered devastation. As a result of constant sedimentation and infiltration of waste materials, the fertile layer of soil got washed away. Sand got deposited in deep layers and land got converted into desert form. As a result the farmers whose livelihoods depended upon agriculture and livestock became unemployed and were starving for food.

2. Ideas of Cooperative Farming

People in front of ruler of Vadodara put a request demanding reduction of land revenue tax forward. Land revenue settlement act was changed to reduce the land revenue tax. Again people made an appeal to Shri Morarji Desai for distributing wastelands to flood affected farmers. At the end

Bombay Government decided to give small islands to flood affected farmers. The villagers had stopped open auction of wastelands near Mahmadpura village. Farmers had opposed the contractual system of cultivating wastelands by few big landlord contractors. In fact, these landlord contractors were cultivating land with the help of farmers from surrounding villages.

In 1951, to help the distressed 176 cultivations from the above villages, government granted 246 acres of land. This helped them little since most of the cultivators were resource poor. Some of the land was salty and yielded nothing. Finally each farmer got 2 bighas of land, which was saline in nature. Initially, all farmers were cultivating their respective lands individually. However, land alone could not improve economic condition of these farmers, as they did not have capital to make necessary investments in land development, adequate agricultural implements and skill. Thus, despite of distribution of land, flood affected farmers could not get any concrete benefit from this.

A Gandhian social worker – Mr. Changanbhai Muljibhai Patel had put forward following proposal to the land distribution committee under the guidance of district collector. The proposal was to allocate wasteland on one side of Mahi River in each village to each and every flood affected farmer in that village. These respective village wise farmers should be allowed to cultivate the land collectively. The committee accepted his idea. And had given birth to co-operative farming society.

3. Establishment of Cooperative Farming Society

The farmers of different villages got together and registered co-operative society under the co-operative act. The Mahisagar Bhatha (wasteland) Collective co-operative Farming society was registered on 14-10-1953. At the time of inception there were 176 members recorded under the Presidentship of Mr. Changanbhai Muljibhai Patel. With the admission of 84 persons enrolled 160.75 acres of kharland to the society. 31 landless persons from Kanthiakhad village were also admitted as members. Members are predominantly from socially and economically backward communities. Caste composition of the members is as follows: Baria 272, Macchi 8, Harijan 3, Rawal 2, Muslim 1, Patidar 2 and others 3. About 274 acres of land were being cultivating by these farmers.

4. Crop Production Arrangements, Distribution Of Produce And Surplus

The society divided the total of 246 acres of land initially into 17 plots, similarly members were divided into 17 groups with a group size of 10 to 17 members. Each group had been assigned a plot. Each group elects its own leader with special consideration to qualities like integrity of character, experience in farming, economic status and ability to command etc. The group leader prepares the crop plan in consultation with the managing committee and Chairman of society. Group executes this plan under the general supervision of the group leader. Each group team leader and group members are responsible for their plot with a view to avoid laborious accounting within the group. The labour schedule is so devised that every member of the group puts more or less equal amount of labour. Absence from work gets penalized. The group leader distributes works amongst the members. He is supposed to see that all the field operations are efficiently carried out in time. Group leader in paid a special bonus in relation to the productivity of the group as a whole. The farmers were illiterate, but hard workers and honest. They produced grains and other crops and thereby helped the society mobilize resources.

Members of the society are not working on daily wage basis as is generally observed in other collective farming societies. Members of the group jointly cultivate the plots and the society supplies inputs such as seeds, seedlings, fertilizer, irrigation facilities, tractor services etc. Against this, the members give a proportion of their farm produce to the society and retain the rest as a reward for their contribution of labour etc. The portion retained by the group is shared equally among the members of the group. The responsibility of marketing the produce rests with the society. Members share the crop residuals among themselves equally.

6. Present Situation of Co-operative Society:

At present, society has 291 members – 120 from Gambhira Village, 112 from Kanthiakhad, 49 from Nani Sherdi and 6 farmers form Bitpad Village. The society cultivates about 526 acres of land on one side of Mahi riverbank. Out of 526 acres of land, 455 acres of land has been allocated for paddy, wheat, pearl millet, tobacco, sorghum crops. To maintain a healthy ratio between plots and members and to work effectively and efficiently members are divided into 30 groups. Each group contains 8 to 14 members.

Cost of Production: Each group does farming collectively in each plot. The society does not give daily wages for their daily work but distributes 60 percent of crop produced to each and every member. The remaining 40 percent of crop produced is kept for meeting production and administrative expenditure. The respective group team leader facilitates the distribution of work and crop production. The 40 percent of crop produced is used to buy agricultural equipment, irrigation equipment, improved seeds, chemical fertilizers, pesticides, gypsum etc. to hire tractors to cultivate lands and to pay irrigation charges, land revenue tax, leased-in land charges, marketing, transporting cost, godown cost etc. Some portion of the surplus money is used for development work of villages. The co-operative distributes bonus to members if there is any.

Income of members: On the share of 40 guntha, each member gets rupees 15000 to 20000 per year in the form of wage labour. While ploughing, harrowing, irrigation cost, seeds, fertilizers, pesticides expenditure are being met by co-op. They also get share in the surplus.

Financial status of co-operative: To bring society in better economic condition. Mr. Pankajbhai M Patel. (Present President) and Mr. Kanchanbhai S. Patel (Manager) are trying their best. In the year of 1997-98, the society generated Rs. 469,297 from crop production and Rs. 4,643,179 from tobacco production. As per its rules, 60 per cent of crop produce, Rs. 3,067,358 was distributed in the form wages to the members, and generated net profit of Rs. 807,580. At present the society has a reserve fund of Rs. 3,009,466.

Distribution of Net Profit: In the current year 1998-99, about 70 percent of net profit Rs. 807,580 means Rs. 443,582 has been distributed to members in the form of Bonus and 20 percent of net profit, Rs. 126,737 has been allocated for village development funds. Out of total development funds, Kantniakhad gets Rs. 48,507, Rs. 54,188 for Gambhira, Rs. 21,413 for Nani Shedi and Rs. 2,629 for Bilpad Village.

Development Activities: The money is spent on certain development activities of villages likes building rooms for primary and secondary schools, aanganvadi to construct small bridge across roads, river, nalla, canals, etc, to make drainage, sewage and gutter line, to buy medicines for primary health centres etc. So far Rs. 914,668 for Gambhira, Rs. 829,520 for Kanthiaikhad. Rs. 362,236 for Nani sherdi and Rs. 4,382 for Bilpad village have been made available by this co-op.

Gambhira cooperative is known for the impressive mechanism of groups within society to ensure good deal of incentive for the members. Merit lies in blending land resources with human labour under cooperative framework to accomplish viability and growth along with prosperity of the member households in a well-balanced way. Theoretically speaking, collective farming makes cultivation economically viable, technically feasible and practically meaningful to the small farmer families. But rarely its potential has been realized by the disadvantaged rural peasantry to come out of poverty trap and subsistence economy through sustained group action as demonstrated in Gambhira. This case has proved that small and marginal farmers through co-operative and collective farming institutions can meet green revolution technology requirements like capital investments in land development, irrigation, crop storage facilities etc. Thus collective farming makes cultivation economically viable, technically feasible and practically meaningful to the small farmer's families.

Case let 4

Bio-fuel Spell Prosperity Here

In Tumkur district, life is changing because of a development programme that hinges on the use of alternative energy fuels. SK Ramoo analyses a project that is erasing the stereotyped images of deprivation. Reproduced from THE HINDU

In semi-arid Tamkur district of Karnataka, the villages of Kodavathi and Yadavanne panchayats, Kunigal taluk, are witnessing a vibrant, silent revolution. Thanks to a package evolved by a group of scientists of the Indian Institute of Science (IISC), Bangalore, called sustainable transformation of Rural Areas (SuTRA). The package (currently involving five villages) is aimed at integrated rural development. And is based on bio-fuel options. It is designed to provide water for drinking irrigation and domestic lighting. Meeting the energy requirements of the rural population has led to increased production of crops, improvement of livestock and more tree cover. Electricity is generated locally form biogas plants and wood gassifiers using non-edible oils such as Honge, Neem, Castor, and Hippe. By replacing diesel they are used to power generators for providing domestic lighting and drinking water.

Only about one-third of the capacity to generate 80,000 MW is available to 73 per cent of the country's rural population. The remaining two-thirds is consumed by urban dwellers. The energy demand in the agriculture sector is growing and from a mere two per cent in 1970, it is around 45 per cent now. In about half a million villages, only about 27% of households have access to power. It only meets a portion of the annual energy requirement of rural areas. The yearly shortfall is made up using draft animal power, fuel wood, pumping water for irrigation, milling flour and agro-processing. Fuel wood is becoming increasingly scarce in recent years. Cow dung is used for cooking and heating water, although it is valuable organic manure. But transferring dung from the farm to the hearth results in the loss of a potential grain output of up to 50 percent. Further, its replacement by inorganic fertilizers will greatly push up the cost of agriculture production. It is estimated that over 100 million households use low-thermal efficient, traditional wood stoves for cooking. In addition to making cooking laborious, they emit smoke.

The people of Suggenahalli and Kageenahalli are happier lot today, mainly because they get drinking water from taps in their homes and in addition, uninterrupted power for domestic lighting for three hours in the evenings. Earlier, the women and children had to trek over a kilometre to fetch drinking water from an irrigation tank. According to Kullappa, a native of Suggenahalli, the women now spend more time on their lands. The villages have ceased to depend on the Electricity Board, which supplied power marked by frequent disruptions and low voltage. He says that the people are happy that their children study using lights powered by generators, using locally available non-edible honge oil (karani) and biogas. The three-hour daily power supply from 6.00 pm is mercifully free of problems. According to Mr. MS. Swaminathan, former Director General of Indian Council for Agricultural Research (ICAR), About 6,000 million tones of valuable topsoil is either washed or blown away annually, resulting in 2.5 million hectares of agriculture land becoming unproductive.

The daily piped water supply, tapped from bore-wells has improved health remarkably, scientists of the IISC let by Prof. Udupi Shrinivasa, Chief Programme Executive of SUTRA, have familiarised villagers with the benefits of bio-fuel-based renewable energy. This has led to the economic empowerment, as water is available while cooking. The advantages of bio-fuels or plant-based fuels are multifarious. In addition to providing non-edible oils (locally) for powering generators, they contribute to the spreading of tree cover, which checks soil erosion and stabilize groundwater levels. The emission of harmful carbon dioxide has been reduced and leaf litter, used as a feedstock for biogas plants, is available.

In addition to social and economic benefits help the soil retain moisture for several months. Mr. Kullappa says villagers have stopped felling trees. The completion of the first phase of the irrigation project, in addition to increasing crop production has prompted villagers to grow fruits are vegetables to augment their income. The SUTRA package is also teaching them the benefits of managing utilities and systems put of for their benefit. They have been motivated to establish village forums and *vikas kendras* manned by their own members to run the services provided and are made to pay a nominal charge village youth are taught how to maintain generators, gassifiers and other equipment.

Another component of the package is the setting up of a chain of driers, a common community facility used in processing fruits and vegetables to extend their shelf life. The greatest challenge is motivating villagers to grow the species of trees, which provide the bio-fuels. Plans are on to motivate villages to plant about three lakh saplings. A chain of 20 borewells has been sunk to provide water all round the right groundwater-bearing zones. The villages have been taught the benefits of recharging borewells by harvesting rainwater.

SuTRA has a sanctioned budget of Rs. 2.70 crores. Spread over a three-year period, provided by the Union Ministry of Non-conventional Energy Sources and the Department of Rural Development and Panchayat Raj of the State Government. The Karnataka State Council for Science and technology is also involved. The infrastructure established is capable of providing sustainable service for comprehensive rural development, based on eco-friendly parameters villagers around the area witnessing the prosperity of their neighbours are demanding a replication of the project in their regions. According to Prof. Shrinivasa, the SuTRA package can easily be extended to any other semi-arid region with minor modifications.

Case let 5

Mondragon – Humanistic Enterprise

Mondragon was a sleepy town of 8,000 inhabitants in Basque Province of Spain. Since 1950`s. It had one major industrial plant employing several hundred workers, the union Cerrajera producing locks and similar items. After the bloody Spanish Civil war and the extra reprisals of the revengeful Franco dictatorship, Mondragon, like the rest of the Basque areas, struggled with an economic collapse and almost hopeless poverty. Almost half of the population of Mondragon was unemployed.

It was in this gloomy situation that a twenty five year old young curate arrived to work with lock workers and youth. Shortly after arriving he encouraged the boys in his youth group to join together and using community contributions create a technical vocational school with small donations from a quarter of the Mondragon families and with father Arizimendi`s dedicated leadership the school opened in 1943. Some of the students went on to study for engineering at the university at Zaragoza. Five out of eleven graduated from there were to become the nucleolus of the Mondragon experiment.

After completion of engineering these five joined in local private companies. They tried hard to develop these companies. But attitudes there were rigid and all their efforts got frustrated. They decided to start on their own and bought a local bankrupt paraffin cooker business. They mobilized the money by pooling their saving and raising more than $130,000 in over 200 small local contributions. The new enterprise, which started in 1956 become the vehicle of their ideas of dignity of work and democratic enterprise. Initially operations were carried out informally without by laws, as a small self-managed firm; soon a new and bigger plant was built at Mondragon in order to produce butane gas stores. From 24 worker-members in 1956, it rose to 170 worker-owners by 1959. They built a new factory and daunted gas stores with their own brand name. Other new co-operative were created based on two foundries.

In 1958 Father Arizimendi came up with another idea: The formation of a co-operative bank. After initial hesitation it started. The new bank is called Caja Laboral Popular (CLP). It provided a badly needed source of outside capital for the expanding co-operatives. Families in Mondragon deposited their savings, enjoying better interest rates and also gaining from the local investments the bank made generating work and wealth for every body.

The New bank was also to assist in the formation of new co-ops and to provide and administer funds for a cooperative social security system. Any Co-operative that wants to access the financial resources and services of CLP needs to sign a contract of association, articulating principal that would regulate economic and operational relations among the associated member enterprises.

The CLP, as the center of the group expanded rapidly. After ten years it featured 54 branches all over the Basque region. In 1986 the number was 171 with an overall staff of 1,223. Under the leadership of CLP four to five new industrial co-ops were created every year, by 1986 all industrial co-ops together had almost 18,000 working members. A new consumer co-operative was set up in 1968. By 1980`s it has about 1,50,000 consumer members, a staff of 1,400 approximately 100 supermarkets spared all over the Basque region and annual sales of $300 million. A social security services co-operative was set-up in 1970 and provides its 50,000 associated members with comprehensive health and pension benefits.

In 1977 a separate research and development co-operative was established to ensure that the enterprise of the Mondragon group remain competitive in newest industrial technology. Recently a co-operative business school was opened to help the member co-operatives better respond to new challenges of increasing international competition. The co-operatives together have a workforce of 20,000 men and women, and it all happened in just three decades with no outside help. Mondragon is built upon the novel legal and economic structures, which borrows the best from capitalism and socialism. It is a case of labour employing capital.

Institutional innovation.

There are three new ideas the key to Mondragon`s success.

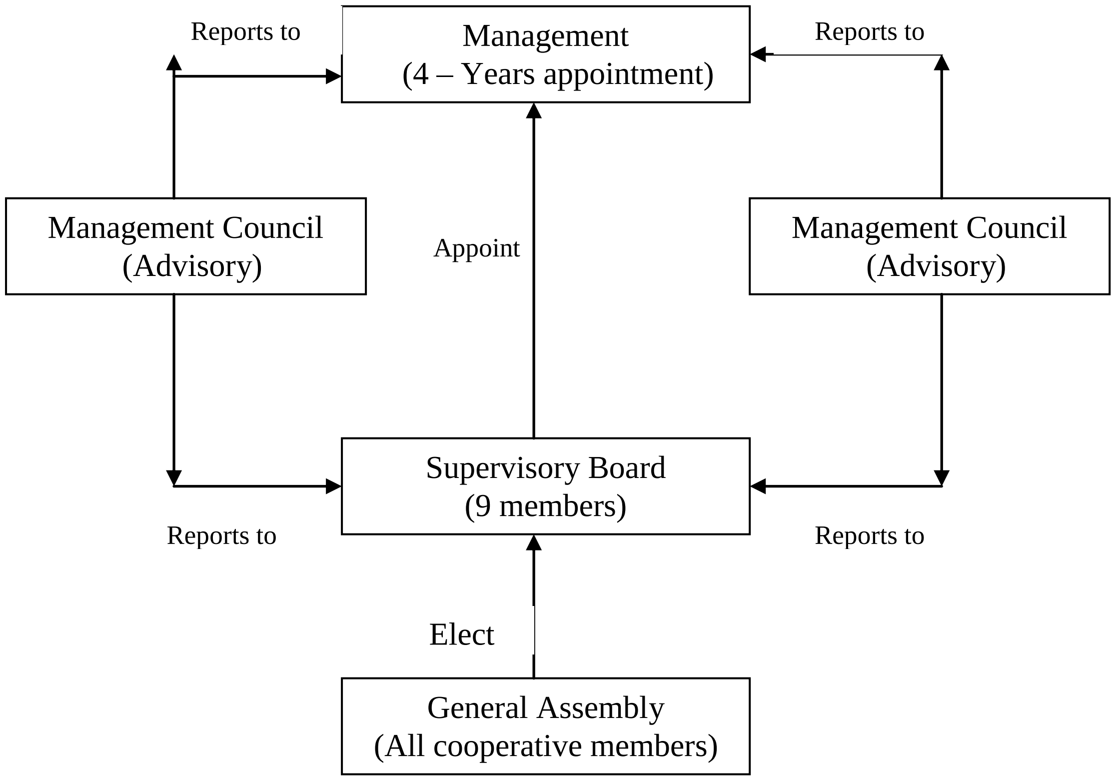
1. Management
2. Financial and legal structure
3. Financial support from the Co-op Bank.

Management structure

A democratic workers co-operative is different that its executive manage in the name and interest of all the co-operative members, rather that in the interests of absentee stock holders. A board of directors, which in turn is elected by the members of co-operative, appoints the executive. It is true, many co-operatives have failed, the main reason is a lack of discipline amount the member workers who often clashed with management orders. Father Arizmendi who was fully aware of this problem took adequate precaution to handle the problem. Paragraph 3 of ULGOR`S "Internal code of Rules" worked out by father Arizmendi reads like this.

> *"Human work must be subjected to discipline and its performance as a team effort requires order and thus authority. The members of this co-operative, once they have elected those most suitable for government, must show spontaneous and rigorous respect for the order of those who hold positions of command within their internal structure".*

The chart given below illustrates the Organizational elements of Mondragon co-operative.



A clear separation of functions made this structure highly effective. Management is appointed for 4-year term. Once appointed Management is free to attend to day-to-day business as seems fit as long as it stays within the general guidelines set by the bylaws and supervisory board. There is a **Management Counsel** comprising of three permanent members of advisory board, Chairperson, Vice-Chairperson and the secretary meet with the mangers several times during a month. But there meeting are advisory and consultative in nature where management can be criticized rather than voted. Like were there is a **Social Council** comprising the representative of various departments, that meet with management to discuss job charts, salary scales, grievance and safety matters.

Legal Structure:

Individualised internal capital accounts (IICA) are an innovative method designed by Mondragon. Membership entails a threshold payment, the level of which changes every year determined by the general assembly. 15-25% of the threshold payment goes into a non-refundable contribution to the cooperatives financial services. The rest is considered as member's initial deposit. Each year a large part of profits is divided in proportion to patronage. The net surplus is distributed into three components. A 'social fund' financing schools and retraining facilities for the community at large was created from the surplus. 20% goes into non-refundable collective reserves. Remaining 70% goes in to members IICA.

Financial Support in Cooperative Bank

Coja Laboral Popular (CLP) – literally means the working peoples' bank was set up in 1960. There are two divisions in CLP – banking division and entrepreneurial services division.

Baking Division: The assets of the bank have grown phenomenally from 50 million dollars in 1965 to more than 2 billion dollars in 1985. There are three main reasons behind the growth – one is the aggressive policy of branching out. Now CLP has more than 200 branches all over Basque region. Two, depositors have extra 1.5% of interest more than other banks. Three, an assurance that all the money invested in the new cooperative enterprises and jobs located in local region itself.

Because of the rapid growth of the financial power of the bank Mondragon Cooperatives not only withstood the general slow down of Spanish economy, and could do better even in the terms of recession defying all conditional wisdom that the workers cooperatives are severely handicapped in securing external sources of finance. But the basic purpose of the bank not to earn profits but rather it is about community job creation through generating economically viable new enterprises.

*Entrepreneurial Division***:** CLP has specialised systems for entrepreneur development. Who ever approaches with the intention of starting a new enterprise, CLP provides them with an expert to conduct a market study. Gives the aspirants handholding support for nearly 18 months. Different departments of Mondragon readily extend their help to them. Once the feasibility of the product is established CLP provides a seven-year loan based on assumption that cooperatives will turn profitable after three years.

Case let 6

Sarvodaya Sramadana Movement (SSM)

SSM is a large social movement covering 8000 towns and villages and 3 million people and with 40,000 full time workers. It was started in Srilanka. It believes in the key principles that rightly motivated people can change their lives themselves. Its methodology has 5 aspects –

1. Finding entry point in to the villages - based on the identified activity by the community, could be food security related or Sramadan program the activity is implemented.
2. Finding, nurturing the community leadership is second stage. Often SSM prefers leadership to emerge from the marginalized but efficient people. They form the core group responsible for leading various groups and training them. These leaders undergo a thorough process of induction into the methods of program management.
3. Institution building – Designing appropriate institutions and grounding them with active community participation is critical in the success of all the future programs in the village. These future institutions not only unite the people around a common purpose but also resolve the differences between the different social groups and create a favourable environment for achieving the common goals.
4. Identification and prioritization of needs – Identifying and prioritizing the needs keeping in view of the availability of the resources is important aspect. Without this process, development plans tend to become unrealistic and finally become unmanageable and unsuccessful. SSM identified 10 basic needs of the people. All of its development programs begin with one of them – healthy surroundings, water, clothing, food, proper housing, health, education, energy, infrastructure, cultural/spiritual needs.

5. Developing indicators to monitor the progress and implementation of development projects in yet another aspect of SSM.

SSM gave emphasis to motivate the people to become self reliant in all respects. The movement encouraged people to voluntarily contribute their labour, resources and time for collective good.

Some of other interesting aspects of the movement are that they have always worked with single village without any inter-linkages with other villages. But when they started economic activities they SSM realized that it is disadvantageous to have village as a unit –

1. Processing units are viable only servicing many villages together rather than one village. Collective marketing is also easy for group of villages.
2. Many times it is difficult for the poor communities to challenge the rural elite even when they are politically divided because of the economic clout they have. Only when many villages came together there is a matching clout.
3. By group approach the people can share their meager resources and capacities and help each other.
4. Group approach enable the people to access the governmental financial and technical assistance and also make it easier to appoint an external facilitator for a cluster of groups where his expenditure is not by the cluster.

SSM rapidly expanded its area of work to hundreds of villages and thousands of people. SSM faced problem of coordination of its work to meet these needs. So meet these growing needs they planned and created many tiers of support structures at various levels. Through these centers helped meeting the growing needs it centralized the decision making process, which was against one of the basic tenet of the democratization and decentralization process of the movement.

Orientation of SSM, in the beginning stages, was voluntary service. But gradually it inducted many professionals into its fold. It created new situation and tensions within the SSM. One of them is leadership issue and another is remuneration issue. Voluntary activist feel depressed when professionals start playing important roles and getting more salaries. SSM attempted to solve this problem by separating the movement from its central organization. It partially solved the problem but how to keep up the motivation levels of activists is a difficult problem.

Under the demand SSM had to expand and this expansion reached unmanageable levels. Though SSM evolved new structure to manage demands. It could not ensure professionalism in its services. The tension between the quantity and quality of services emerged. If results are not sustainable people get disheartened and the possibility of the movement getting weakened increases. Donors put limits on SSM from further expansion. SSM tried to overcome this limitation by restricting donor supported program to limited areas at the same time motivating these villages to extend support to non- funded programs in other villages.

Learning from Sarvodhaya

1. SSM has not started with predetermined management systems. Management systems evolved as a response to the challenges surfaced in the course of the movement progression.
2. SSM focused more on participatory and empowerment processes to identify the priority needs, appropriate solutions, technology and in facilitating people centered institutions run on the principle of self-reliance rather than efficient management methods.
3. SSM emphasized on solving peoples problems through community driven development programs. SSM always thought management not as an external technology but as a mechanism to the internal development processes.

4. By establishing the Sarvodaya financial and development services SSM helped the people's institutions professionally to understand and design strategies to overcome structural inequalities and market asymmetries. SSM made use of social, political and government processes to further its movement.

Case Study 7

ITC's E-Choupal and Profitable Rural Transformation

Agriculture is vital to India. It produces 23% of GDP, feeds a billion people, and employs 66% of the workforce. Because of the Green Revolution, India's agricultural productivity has improved to the point that it is both self-sufficient and a net exporter of a variety of food grains. Yet most Indian farmers have remained quite poor. The causes include remnants of scarcity-era regulation and an agricultural system based on small, inefficient landholdings. The agricultural system has traditionally been unfair to primary producers. Soybeans, for example, are an important oilseed crop that has been exempted from India's Small Scale Industries Act to allow for processing in large, modern facilities. Yet 90% of the soybean crop is sold by farmers with small holdings to traders, who act as purchasing agents for buyers at a local, government-mandated marketplace, called a *mandi*. Farmers have only an approximate idea of price trends and have to accept the price offered them at auctions on the day that they bring their grain to the *mandi*. As a result, traders are well positioned to exploit both farmers and buyers through practices that sustain system-wide inefficiencies.

ITC is one of India's leading private companies, with annual revenues of US$2 billion. Its International Business Division was created in 1990 as an agricultural trading company; it now generates US$150 million in revenues annually. The company has initiated an e-Choupal effort that places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information (*choupal* means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company—an e-commerce platform that is also a low-cost fulfillment system focused on the needs of rural India. The e-Choupal system has also catalyzed rural transformation that is helping to alleviate rural isolation, create more transparency for farmers, and improve their productivity and incomes. This case analyzes the e-Choupal initiative for soy; efforts in other cropping systems (coffee, wheat, and shrimp aquaculture), while different in detail, reflect the same general approach.

The Business Model

A pure trading model does not require much capital investment. The e-Choupal model, in contrast, has required that ITC make significant investments to create and maintain its own IT network in rural India and to identify and train a local farmer to manage each e-Choupal. The computer, typically housed in the farmer's house, is linked to the Internet via phone lines or, increasingly, by a VSAT connection, and serves an average of 600 farmers in 10 surrounding villages within about a five kilometer radius. Each e-Choupal costs between US$3,000 and US$6,000 to set up and about US$100 per year to maintain. Using the system costs farmers nothing, but the host farmer, called a *sanchalak*, incurs some operating costs and is obligated by a public oath to serve the entire community; the *sanchalak* benefits from increased prestige and a commission paid him for all e-Choupal transactions. The farmers can use the computer to access daily closing prices on local *mandis*, as well as to track global price trends or find information about new farming techniques—either directly or, because many farmers are illiterate, via the *sanchalak*. They also use the e-Choupal to order seed, fertilizer, and other products such as consumer goods from ITC or its partners, at prices lower than those available from village traders; the *sanchalak* typically aggregates the village demand for these products and transmits the order to an ITC representative. At harvest time, ITC offers to buy the crop directly from any farmer at the previous day's closing price; the farmer then transports his crop to an ITC processing center, where the crop is weighed electronically and assessed for quality. The farmer is then paid for the crop and a transport fee. "Bonus points," which are exchangeable for products that ITC sells, are given for crops with quality above the norm. In this way, the e-Choupal system bypasses the government-mandated trading *mandis*.

Farmers benefit from more accurate weighing, faster processing time, and prompt payment, and from access to a wide range of information, including accurate market price knowledge, and market trends, which help them decide when, where, and at what price to sell. Farmers selling directly to ITC through an e-Choupal typically receive a higher price for their crops than they would receive through the *mandi* system, on average about 2.5% higher (about US$6 per ton). The total benefit to farmers includes lower prices for inputs and other goods, higher yields, and a sense of empowerment. The e-Choupal system has had a measurable impact on what farmers chose to do: in areas covered by e-Choupals, the percentage of farmers planting soy has increased dramatically, from 50 to 90% in some regions, while the volume of soy marketed through *mandis* has dropped as much as half. At the same time, ITC benefits from net procurement costs that are about 2.5% lower (it saves the commission fee and part of the transport costs it would otherwise pay to traders who serve as its buying agents at the *mandi*) and it has more direct control over the quality of what it buys. The system also provides direct access to the farmer and to information about conditions on the ground, improving planning and building relationships that increase its security of supply. The company reports that it recovers its equipment costs from an e-Choupal in the first year of operation and that the venture as a whole is profitable.

In mid-2003, e-Choupal services reached more than 1 million farmers in nearly 11,000 villages, and the system is expanding rapidly. ITC gains additional benefits from using this network as a distribution channel for its products (and those of its partners) and a source of innovation for new products. For example, farmers can buy seeds, fertilizer, and some consumer goods at the ITC processing center, when they bring in their grain. Sanchalaks often aggregate village demand for some products and place a single order, lowering ITC's logistic costs. The system is also a channel for soil testing services and for educational efforts to help farmers improve crop quality. ITC is also exploring partnering with banks to offer farmers access to credit, insurance, and other services that are not currently offered or are prohibitively expensive. Moreover, farmers are beginning to suggest—and in some cases, demand—that ITC supply new products or services or expand into additional crops, such as onions and potatoes. Thus farmers are becoming a source of product innovation for ITC.

Development Benefit

The e-Choupal system gives farmers more control over their choices, a higher profit margin on their crops, and access to information that improves their productivity. By providing a more transparent process and empowering local people as key nodes in the system, ITC increases trust and fairness. The increased efficiencies and potential for improving crop quality contribute to making Indian agriculture more competitive. Despite difficulties from undependable phone and electric power infrastructure that sometimes limit hours of use, the system also links farmers and their families to the world. Some *sanchalaks* track futures prices on the Chicago Board of Trade as well as local *mandi* prices, and village children have used the computers for schoolwork, games, and to obtain and print out their academic test results. The result is a significant step toward rural development.

Analysis

From these above-mentioned case studies each one of us would have picked up some interesting points on livelihoods interventions. Some of the following points mentioned below are important during planning the various livelihoods interventions:

Community Realities

1. Poor have multiple livelihoods – this is basically to overcome the income cycles, to spread the risk across two to three options as the returns on each of the livelihoods is insufficient to meet the needs and finally to ensure that there is optimal usage of various resources available and accessible to them.
2. Access – Control – Ownership of assets is the basis for secure livelihoods.
3. Existing livelihoods of the poor cannot be sustained at the present level of production, technology and thus enhancement would mean adding value to these livelihoods
4. New investments in existing livelihoods entail new risks. A simple example is value addition in any of the existing livelihoods in terms of

better quality inputs, value addition in marketing and technological innovations to increase the value will all mean higher investments and they do entail adoption and enterprise risk.

5. New livelihoods have bigger risks – these are risks related to appropriateness of the choice of the livelihoods, new technology, the viability and feasibility of the choice, the enterprise risk and finally the sustainability of the choice.
6. Livelihoods of the poor are seriously affected by even smaller fluctuations in the market and vagaries of nature. Thus this is one of the major reasons for poor not investing in their available resources adequately. If higher investments are expected from the poor then suitable safety net arrangements are required.
7. Introduction of new technology demands requires new peoples' institutions to make technology work for poor. Especially it is important to neutralize the present technology, which has scale bias.

Institutional aspects

8. Formal institutions are not accessible to the poor and many times go against the interest of livelihoods of the poor. The poor will be able to access the services of the formal institutions when these institutions tend to provide flexibility in their approach.
9. Collectives become successful when individual initiation is channelized through robust institutional design which will ensure equitable distribution of benefits
10. Small private enterprises can flourish if there is an enabling environment and strong market tie-up. Even more important is that a package of integrated services related to inputs and marketing is created.

Integrated Services

11. For livelihoods intervention to be successful it should be comprehensive in addressing different stages of value chain from inputs, production, value addition to marketing.

Macro Environment

12. Enabling legal environment is crucial for livelihoods security
13. Government Policy aimed at protection of livelihoods of the poor can generate new exploitative monopolies if proper institutions are not created.

Approach

14. For large scale enhancement of livelihoods - movements, as well as large projects, can be suitable strategies to reach out. Each of these approaches demand caution in terms of professionalism vs. voluntarism and quantity vs. quality.
15. The enterprise skills required for larger investments are not so wide spread. Usually this weakness can be overcome through collective effort or through providing employment opportunities to large number of poor.

Critical principles of livelihood promotion

1. **Livelihood is a basic right**: A decent livelihood is a basic right of every citizen. Supreme Court in one of its land mark judgments interpreted the "Right to life" as "Right to life with dignity'. Dignified life is a mere jargon without a decent livelihood. Thus right to life is right to decent livelihood.
2. **Skills first:** Up gradation of skills is very important before any other value addition in terms of assets, infrastructure and resources. The most poor in any village are wage labourers. Giving them a piece of land or a buffalo in itself is not sufficient. Rather building the capacities on the

management of the resource will be important. The critical step for both enhancing the present livelihoods and promoting new livelihoods opportunity or enabling for a job in the industry require skill building initially.

In the changing scenario where the cycles of new livelihoods are becoming shorter and new opportunities are emerging faster, the skills are becoming outdates faster. This calls for focus on acquiring ***Meta Skills***. Meta Skills refer to those kinds of skills that are required for identifying emerging new livelihood opportunities and acquiring the relevant skills to utilize the opportunities. At one level, acquiring meta skills involves understanding and managing change and at physical level, it calls for working on improving the skills.

3. **Consumption credit**: Rural poor often find it difficult to meet their basic needs and end up in the 'generous hands' of local grocery shopkeeper who readily gives credit for compound interest. All the financial support they get to start a micro enterprise is usually channelized into servicing the consumption credit. Credit for production is properly used only after consumption is taken care of. It helps the poor to be free from the hands of the rural elite, reduces their expenditure, and provides them with a necessary buffer to wait for a better price or opportunity.
4. **Collective : Individual**: The poor due to their low skill, small quantity, low quality and constraints of infrastructure like warehouse, road, power, communication and preservation facilities, encounter insurmountable problems in profitable marketing of their commodities (produce or labour power). The only solution to this is collective marketing. Collective purchase of consumption article/inputs and collective sale of commodities reduces their transaction costs dramatically, gives them opportunity to leverage large quantity to

bargain for better price quality and service. A point to be noted is collective has to be seen as an institution, not as a magic wand. There are certain activities on which people are ready to get collectivized and there are yet another kind of activities where collective is neither feasible nor desirable. Within the collectives a space for individual innovation, learning and incentive should be structured to make the collective a success.

5. **Market first**: Many income-generating programs in the past have miserably failed. There could be multiple factors behind it. The most important one is neglecting the market. The typical program begins with some training on making of a product arbitrarily chosen by an external agent i.e. candle making, slate making, soft toy making and many more. Working capital is provided through either a bank or an agency and so called beneficiaries start producing till the working capital dries up and sit on the mound of finished goods waiting for an imaginary buyer to rescue him and his investment. This has happened umpteen number of times but nobody read its meaning. Its lesson is simple. Study the market thoroughly before making an investment decision. This elementary principle of business management is totally ignored by the livelihood promoting agencies. The results are costly.
6. **Micro : Macro**: Livelihoods of the poor have come under the heavy influence of the market forces. Local production for local consumption was the old mode. Under the new mode everybody is producing for the market. The rural poor are not an exception. The social, economic, policy and natural environments surround the poor. What change he is able to introduce into his livelihood at micro level is an important issue, but what is happening in his external environment at macro level is even more important. The poor often are handicapped to visualize macro conditions. The inter play between micro and macro need to be understood by the poor so as to adjust and respond accordingly and this needs help of a professional or a supporting organization.

7. **Role of promoting agencies:** For the long-term sustainability of any intervention, the kind of role played by the promoting agencies is crucial. Building the capacities of the community and promoting community owned institutions makes the interventions sustainable. By being the facilitator, the promoting agencies can avoid dependency of the community on it. As much as possible, the resources have to be generated from the community to build their stake and the welfare orientation has to be replaced with economic orientation at the organization and community level.
8. **Support Services:** For livelihood promotion the services to be provided by the supporting agencies either directly or indirectly involve:
    a. Financial Linkages
    b. Production enhancement
    c. Capacity Building – Technical, institution management, financial, market exploration
    d. Market exploration and linkages
    e. Networking with similar interventions
    f. Linking with government

Economic aspects : Social Aspects: Many consider that the livelihood interventions are purely economic in nature and do not factor in the social aspects of livelihood enhancement. A well-planned livelihood intervention that is born out of the needs of the community, is participatory in nature, inclusive in its approach, has equity at its base – address the social aspects linked with livelihoods. An economic intervention cannot be viewed in isolation as it will lead to the failure of the intervention itself. It is crucial to model the economic intervention according to the local context – social groups, cultural requirements, social norms, position of the women, community practices and readiness of the community.

Chapter – 4
Framework for Livelihood Analysis

Having understood the basic principles of livelihoods promotion, the next step is to focus on livelihoods analysis. To analyse livelihoods, a framework is required to take through the entire process to understand the dynamics, complexities, inter linkage, problems, issues, opportunities and constraints within the livelihoods system as well as within each livelihood. There has been significant work done by various organisations to develop their own frameworks. As, each framework has some merits and some shortcomings, attempt here is to introduce some of the important frameworks so that one can pick up relevant features from each framework, integrate them together and evolve the suitable framework for use.

CARE's Livelihood Framework [6]

In line with its organisational mandate to focus its programmes on helping the poorest and most vulnerable, CARE has developed a livelihoods approach, which provides the primary programming framework across its relief and development work in both rural and urban context. As per its livelihoods approach, three fundamental attributes of livelihoods are: possession of human capabilities (such as education, skills, health), access to tangible and intangible assets and the existence of economic activities; and the interaction between these attributes defines what livelihood strategy a household will pursue.

---

[6] Abstract from a DFID document "LIVELIHOODS APPROACHES COMPARED, A brief comparison of the livelihoods approaches of the UK Department for International Development (DFID), CARE, Oxfam and the United Nations Development Programme (UNDP)" by Diana Carney with Michael Drinkwater and Tamara Rusinow (CARE), Koos Neefjes (Oxfam), Samir Wanmali and Naresh Singh (UNDP) November 1999

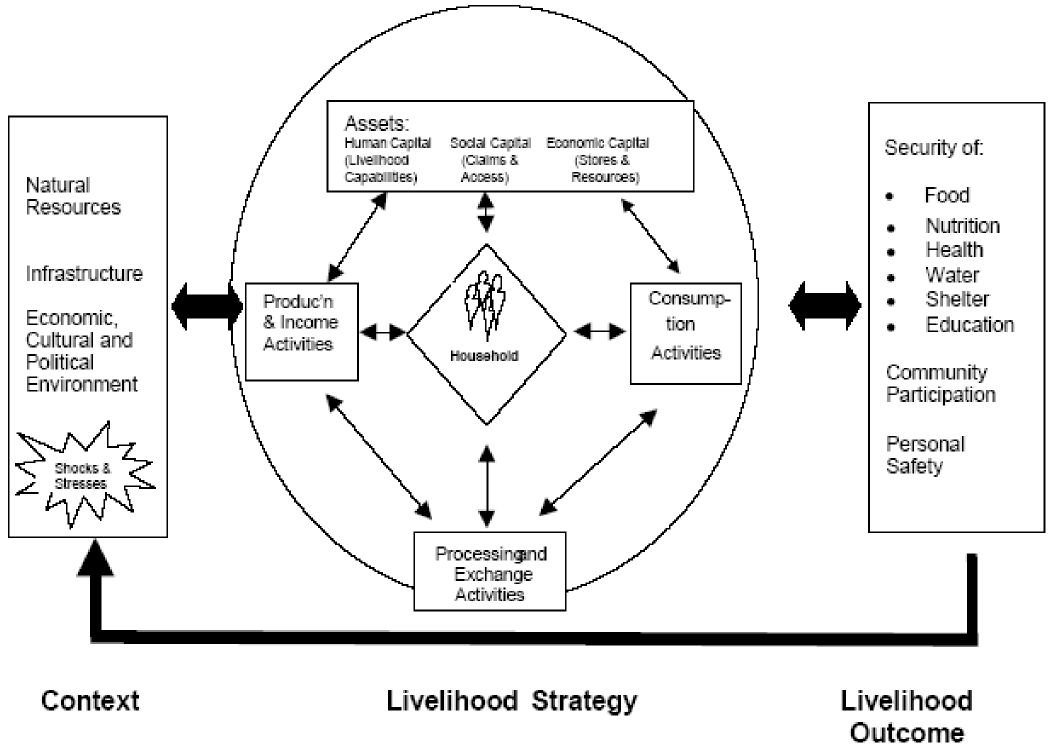
CARE's livelihoods framework focuses on household livelihood security linked to basic needs. However, it does not mean that the household is the only unit of analysis, nor does it mean that all CARE's interventions must take place at the household level. These interventions are of three types. These are:

- Livelihood promotion - savings and credit, crop diversification and marketing, reproductive health, institutional development, personal empowerment or community involvement in service delivery activities.
- Livelihood protection - early warning systems, cash or food for work, seeds and tools, health, education, flood prevention
- Livelihood provisioning - direct provision of food, water, shelter and other essential needs, most often in emergency situations.

In all these three types of interventions, CARE lays emphasise on personal empowerment, social empowerment and service delivery. To operationalize its approach, CARE follows the steps outlined below:

- Identify potential geographic areas using secondary data to find where poverty is concentrated;
- Identify vulnerable groups and the livelihoods constraints that they face;
- Collect analytical data
- Note of trends over time and identifying the indicators that will be monitored; and
- Select the set of communities for programme interventions.

Figure 2 CARE's Livelihood Model



CARE has developed some specific tools for the livelihoods approach, but makes flexible use of a variety of existing tools including rapid participatory assessments of livelihoods and baseline surveys. Its aim in using various tools is to gain a multi-dimensional view of livelihoods that helps to identify the most vulnerable households and place people's own priorities and aspiration at the centre of the analytic and planning process.

Missing Links

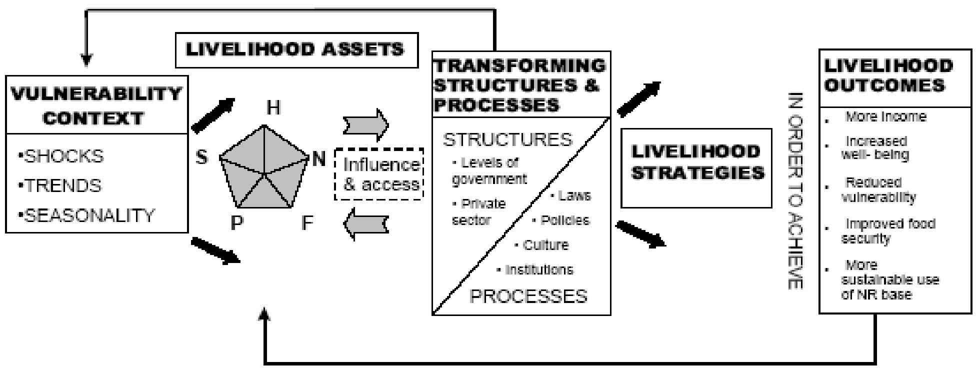
- Technology aspect is not highlighted
- Institutions for the poor is absent
- Market dynamics are also not shown

DFID's Livelihood Framework

DFID's livelihood framework is built on understanding that a livelihood comprises of the capabilities, assets and activities required for a means of living. DFID stresses the importance of capital assets and distinguishes five categories of such assets: natural, social, physical, human and financial. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, both now and in the future, while not undermining the natural resource base. DFID stresses that there are six underlying principles to the livelihoods approach. These are:

- People-centred: Sustainable poverty elimination will be achieved only if external support focuses on what matters to people.
- Responsive and participatory: Poor people themselves must be key actors in identifying and addressing livelihood priorities.
- Multi-level: Poverty elimination is an enormous challenge that will only be overcome by working at multiple levels, ensuring that micro level activity feds into the development of policy and that macro level structures and processes support people to build upon their own strengths.
- Partnership: Conducted in partnership with both the public and the private sector.
- Sustainable: there are four key dimensions to sustainability – economic, institutional, social and environmental sustainability.
- Dynamic: external support must recognise the dynamic nature of livelihood strategies, respond flexibly to changes in people's situation and develop longer-term commitments.
-

Figure 3 DFID's SL framework



H represents human capital: the skills, knowledge, ability to labour and good health important to the ability to pursue different livelihood strategies;
P represents physical capital: the basic infrastructure (transport, shelter, water, energy and communications) and the production equipment and means that enable people to pursue livelihoods;
S represents social capital: the social resources (networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people draw in pursuit of livelihoods;
F represents financial capital: the financial resources which are available to people (whether savings, supplies of credit or regular remittances or pensions) and which provide them with different livelihood options; and
N represents natural capital: the natural resource stocks from which resource flows useful for livelihoods are derived (e.g. land, water, wildlife, biodiversity, environmental resources).

Based on its framework, DFID has identified three broad types of action points that can contribute to poverty elimination:

- Enabling actions are those, which support the policies and context for poverty reduction and elimination.
- Inclusive actions are broad-based and improve opportunities and services generally. They also address issues of equity and barriers to participation of poor people.
- Focused actions are targeted directly at the needs of poor people.

Missing Links

- Technology aspect is not highlighted
- Institutions for the poor is absent
- Market dynamics are also not shown
- Risk factors are also not highlighted

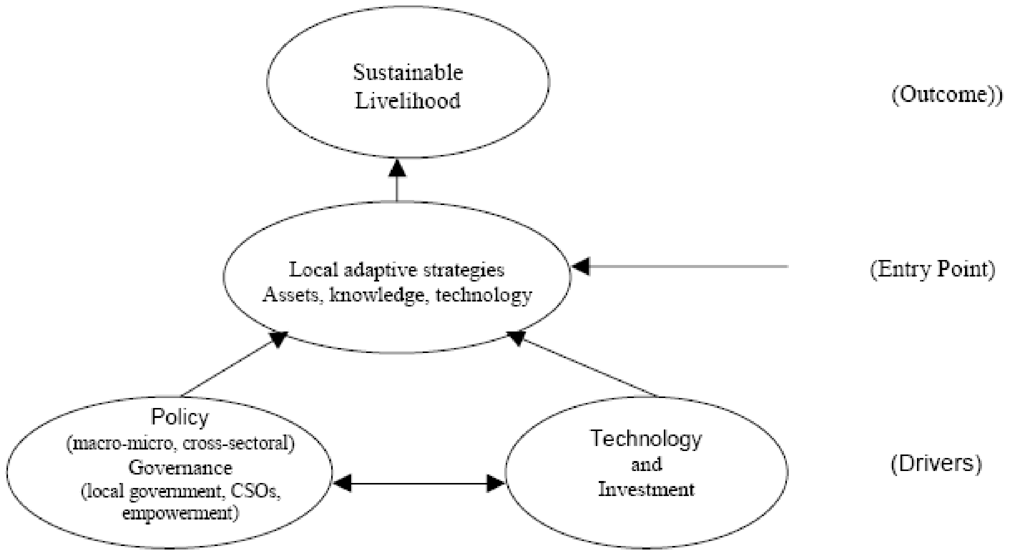
UNDP’s Livelihood Framework

UNDP’s sustainable human development mandate is to eradicate poverty through sustainable livelihoods covering gender issues, protection and regeneration of the environment and governance. The sustainable livelihoods agenda is part of this mandate, which is one way of achieving poverty reduction and offers both a conceptual and programme framework for poverty reduction in a sustainable manner.

Conceptually, ‘livelihoods’ denotes the means, activities, entitlements and assets by which people make a living. Assets, are defined as: natural/biological (i.e. land, water, common-property resources, flora, fauna); social (i.e. community, family, social networks); political (i.e. participation, empowerment – sometimes included in the ‘social’ category); human (i.e. education, labour, health, nutrition); physical (i.e. roads, clinics, markets, schools, bridges); and economic (i.e., jobs, savings, credit). The sustainability of livelihoods becomes a function of how men and women utilise asset portfolios on both short and long-term basis.

Within UNDP, SL brings together the issues of poverty, governance and environment. UNDP employs an asset-based approach and stresses the need to understand adaptive and coping strategies in order to analyse use of different types of assets. Other key emphases of UNDP are the focus on strengths against needs, macro-micro links and sustainability.

Figure 5: UNDP's approach to promoting sustainable livelihoods



UNDP explicitly focuses on the importance of technology as a means to help people come out of poverty. One of the five stages in its livelihoods approach is to conduct a participatory assessment of technological options that could help improve the productivity of assets.

Missing Links

- Institutional aspect is missing
- Risk factors are also not highlighted
- Market dynamics are also not shown
- Too simplistic

<u>Oxfam' s Livelihood Framework</u>

This framework also focuses on the fact that the choice of livelihood strategy is the interaction between livelihood capitals, vulnerability context and transforming structures and processes. However, Oxfam's livelihoods framework stresses that sustainability of livelihoods needs to be looked at from various perspectives such as economic (e.g. the functioning of markets, credit supply), social (networks, gender equity), institutional (capacity building, access to services and technology, political freedom) and ecological (quality and availability of environmental resources).

Oxfam's desired outcomes from livelihoods interventions are people living in poverty will achieve food and income security, and have access to secure paid employment, labour rights and improved working conditions.

SERP' s Livelihood Framework[7]

SERP's Livelihood Framework envisions substantial increases in incomes and savings in expenditure of the poor with increased employment days and decreased/diversified risks (four arrows) through their self-managed institutions. Livelihoods framework begins with the understanding that rural poor:

Are Both Consumers and Producers - The rural poor consume products/ items and produce goods and services for local consumption and for distant market. They, as consumers and producers, suffer from multiple interrelated handicaps in purchasing their requirements and in marketing their produce and services. Therefore, the elements of the framework are to reduce the costs of consumption of various items, to augment the returns from goods and services, to scan for the opportunities and add new lines of goods and services, to augment the skill set and to encourage the entrepreneurs from the poor and group enterprises.

Have Multiple Livelihoods of the Poor - It also admits that the poor have multiple livelihoods. As the rural poor are not having enough capital assets to make their living on a single livelihood, they depend on multiple livelihoods

[7] Abstract from Operational Manual of APRPRP

and pursue diversified coping strategies to bridge the gap between income and expenditure.

Have Access and Control Problems **-** Among the most significant problems of poor are high transaction cost, lack of exposure and access to markets, indebtedness, access to formal institutions and lack of control over resources.

The problems of the poor can be overcome by the activities around the three pillars of livelihood framework.

1. Organizing the Poor – in appropriate institutional models
2. Knowledge and Skills - recognizing and learning from the people's knowledge and filling the gaps in their knowledge base to build upon the existing skill base.
3. Resource Support - Resource support includes accessibility to natural capital available in a village and developing physical and human capital.

The main elements of Livelihoods Framework: The Contours

1. *Existing Livelihoods First* **-** Identify the scope to augment returns from the existing livelihoods by plugging the leakages, rather than searching for new opportunities.
2. *Science and Rural Poor* **-** Pro-poor science and technologies can help the poor in each stage of the value chain of the livelihoods. It is also important to be cautious of technology, which displaces the labour-force, endangers sustainability, creates health problems, badly effects biodiversity and where the trade-off with the existing socio-cultural factors is high.
3. *Rural Poor need support of Activists/ Paraprofessionals* **-** The activists will provide extension services/training, support in livelihoods, marketing and enterprises of the poor.
4. *Enterprises of the Rural Poor* **-** Rural poor also take up enterprises based on the demand scenario and the resource availability. Logic of collective

enterprises is to reduce the transaction costs, to increase the bargaining power, to pool and share the risk, to utilize common resources and/or the capital assets.

5. *Convergences with the Line Departments*
6. *Partnership* **-** The partnerships can be with the corporates, individual professionals, scientists, technologists, research institutions, management institutions, academia etc.
7. *Bank Linkages for Community Investment Fund (CIF)* **-** Unless substantial credit flows to the poor, incomes will not be enhanced appreciably.

Missing Links

- Socio-political and cultural inter-linkages are not highlighted

MART's Livelihood Framework[8]

MART's livelihood framework, also known as 3M model, is designed to help NGOs in assisting the poor to start micro enterprises based on their own potential for self help and in ways that are locally sustainable. The 3 Ms are –

1. Micro finance – is the first input required to start any income generating activity. This model is most appropriate, where SHGs are already in existence and functioning systematically, making it possible for a member to take a loan from the group fund for starting a micro enterprise.
2. Micro markets – are perennial or periodic markets, which function locally through village shops, vendors and traders, local haat and melas. Local markets are important for poor entrepreneur as they have better access and control over them than they do over the distant town and city markets, which they find hard to tap without the help of an external marketing agency.

[8] Abstract from User Manual for 3M, by Marketing and Research Team, New Delhi

3. Micro Planning – aims to assess the local market demand pattern through surveys of local haats, village shops and the supply pattern. The supply side is assessed through surveys of local resources available at villages such as raw materials, infrastructure, skills and support services.

The model is pictorially presented in the following way –

Supply possibility	Demand pattern	Income opportunity	Enabling environment
Survey in villages (to assess availability of) • Raw material/ resources • Skills • Technology • Finance • Infrastructure • Support Services	Market **Haat Bazar** (reflects local demand pattern) **Own village** • Shop • Trader • Vendor	Leads to **Identification of Viable micro Enterprises** Sustainable Micro enterprises	For creating sustainable MEs **Handholding services** **Interventions** **Infrastructure**

Features of 3M Model

- 3M is a generic approach to micro enterprise development and can be conveniently applied to any rural area in the country.
- It is a self-sustainable model as it relies on the local resources, existing skills and local markets without depending on any external agency for support.
- It uses a practical approach to collect ground level information through the involvement of practicing entrepreneur in the villages. At the same time “haats”, retail and wholesale markets in the rural area, which bring together the producers, service providers, traders and contractors from the radius of surrounding villages, are studied in detail

to understand the income generating opportunities in the local economy.

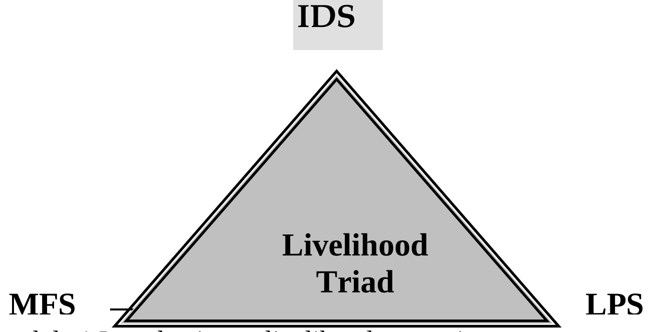
- Through a comprehensive step-by-step approach, the model analyses this data for finding the predominant and emergent activities, the key problems in pursuing these activities and employment opportunities.
- A detailed micro enterprise plan is prepared which focuses on intervention at two levels – one at the project level wherein the NGO would plan a range of intervention to improve the micro environment of promising activities and the other at the village level which would rely on the motivation and commitment of the community – along with a grassroots implementation strategy evolved for use by the NGO staff.

Missing Links

- Micro-enterprise is not the solution for all the problems of livelihoods. Aspects of collectives of the people is absent
- Micro-planning is a narrow term and does not talk about a more holistic capacity building approach – marketing, institution management
- Social context is ignored and its focus on economic aspects is more
- Macro context is ignored which have considerable influence on local factors

<u>BASIX's Livelihood Framework</u>[9]

The BASIX's livelihood framework conceptualises livelihoods promotion work in the form of a "Livelihood Triad", as shown in the following diagram.



[9] Abstract from module 1 Introduction to livelihood promotion

The Livelihood Triad includes the following services.

Micro Finance Services (MFS)	**Livelihood Promotion Services (LPS)**	**Institutional Development Services (IDS)**
Savings	Identification of livelihood opportunities	Formation of groups, federations, cooperatives, etc. of producers
Credit for consumption as well productive needs	Productivity enhancement	Capacity building of the institutions
Insurance, for lives and livelihoods	Market linkages - Input supply, output sales	Accounting and management information systems
Commodity futures, to reduce price risk	Local value addition	Performance management systems
Financial orchestration (arranging funding from multiple sources for the same sub-sector)	Risk mitigation (non-insurance)	Policy analysis and sector work

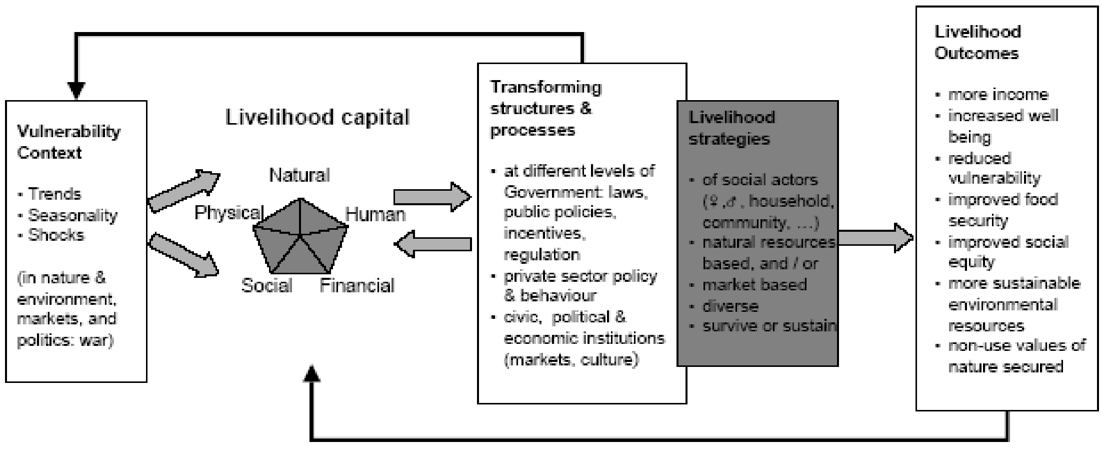
Micro-credit in particular and micro-finance (including savings and insurance) in general, is helpful for the more enterprising poor people in economically dynamic areas. However, for poorer people in backward regions, a whole range of other livelihood promotion services

(input supply, training, technical assistance, market linkages) needs to be provided. Likewise, it is not possible to work with poor households individually as they need to be organized into groups, informal associations and sometimes cooperatives or producer companies, all of which requires institutional development services.

Missing Links

- Socio-political and cultural inter-linkages are not highlighted
- Macro context is not highlighted

Figure 4 Oxfam's SL framework



CARE, DFIF, OXFAM, UNDP livelihood frameworks lack emphasis on the markets that play the most important role in livelihoods development. In the livelihoods framework, markets related issues (micro and macro level) have to be incorporated and more explicit attention has to be paid in highlighting the dynamics between markets, technology and institutions.

Chapter: 5

Collective Actions for Livelihoods Enhancement

Collective Action: Reasons & Problems

A key aspect in designing collective institutions is to understand how collective action arises to deal with different livelihood related issues and how it is sustained. In simple words, if we define collectives or collective institutions as a group of people with a shared objective or goal and managed and governed by the members of the collective then we must first understand that if the members of the collective do not consider it worthwhile to cooperate and work jointly for the objective of the collective, though it may be a shared one, the collective action or institution would not be sustainable.

Collective action has been an area of extensive research not only in development research but also in other academic streams such as Economics, Political Science and Sociology. Problems in Collective Action and their solutions have been an important area of study by various scholars.

<u>Why do People Cooperate?</u>

The first basic question in the study of 'collective action' is to understand the logic behind collective action. This question has been the subject of research by various scholars, with arguments ranging from being rooted purely in the economic theory to drawing from social sciences such as sociology and anthropology. The following section represents some of the perspectives:

<u>Economic Perspective: Basis of Individual Rationality</u>

If we say that for achieving the common objective, all members of the collective have to put an effort (this effort could be in the form of incurring a cost or doing some service or labour for the collective) jointly, the subsequent question which arises is that why an individual member would put an effort in the collective? In other words, how does an individual decide whether or not to be a part of the collective? The answer lies in the individual rationality behind decision making[10] on this aspect.

Any individual would weight the costs and benefits accruing to him /her personally in all the possible scenarios. For example, if we consider that a particular activity can be undertaken by a group of people either individually or collectively, each individual would weigh the benefit/cost ratio to him/her. If he finds, that the net gain in case of working collectively is more than working individually, he/she would decide to be a part of the collective. On the other hand, if the net gain from working individually is more or is the same as working collectively, he/she would prefer to act individually. The costs and benefits mentioned in this case, can be economic or social, tangible or intangible, short term or long term. It would depend on the individual as to what types of cost and benefits are taken into account by him/her and to what extent.

A typical example can be of a collective engaged in collective production and marketing of agricultural produce. Collectively, the farmer members can bargain on price of inputs and also benefit from reduction of individual costs such as transportation costs. Secondly, they can market to far off places and at comparatively lower costs thus increasing the returns to all members. Secondly, the cost of taking up value addition activity for a crop may be prohibitive for an individual and he/she may not have the required volumes for a profitable business. Collectively, the cost may not be prohibitive and

[10] However, individual rationality may not be the only criteria for decision making by an individual. Other factors related to socio-economic context might affect the decision making

also the required scale for a profitable business would be achieved. Thus such benefits arising out of economies of scale and scope would benefit the individual members more if they work collectively rather than individually.

Enlightened Self-Interest

If the above discussed self-interest maximizing action is taken to be the basis for each individual to decide whether to work collectively or not, it would not be possible to explain the existence of many types of collective institutions. Some scholars have extended the economic perspective to explain this by introducing the concept of **enlightened self-interest**. According to this concept, though working together is not a natural inclination, with experience individuals learn that an enlightened regard for themselves constantly prompts individuals to assist each other, and even inclines them to willingly sacrifice a portion of their time and property to the welfare of the state.

Enlightened self-interest was a concept that Alexis de Tocqueville discussed in his work *Democracy in America*. The notion he held was that Americans voluntarily join together in associations to further the interests of the group and, thereby, to serve their own interests. Using "self-Interest rightly understood" (Tocqueville 1835) to describe this concept, he combined the right of association with the virtue to do what was right.

<u>Social Perspective</u>

Being a social creature, the various communities which a human being is a part of are an integral part of his life. Community based institutions have existed in every society and a range of activities have been managed by these institutions such as organizing and managing festivals, religious functions, resolving conflicts among members and management of natural resources such as ponds, canals, tanks, grasslands and forests. Members of such institutions have both rights and responsibilities as specified by the institutions. Such institutions have their own norms and rules and corresponding sanctions and punishments for the members violating such norms and rules. In current times, the mobility of people across geographical areas has increased, however, in the past, when exit options (moving out from the area) were not so common; the **fear of exclusion** from the community was one big reason for community members agreeing to cooperate in all matters of collective concern. The simple reason why exclusion was considered to be a costly affair was because this could lead to social and economic alienation and also denial of access to important resources critical to livelihoods. Such a situation would affect both the economic and social quality of life of the member and his/her household in general. Particularly for the poor households in a particular community dependence on such community based institutions was great as such institutions helped them in times of difficulties. All these reasons arising out of the necessity to avoid exclusion from the community based institutions encouraged conformity to prevailing norms and rules (both implicit and explicit).

Another theory behind how social reasons lead individuals to conform to norms is the theory of reciprocity or shared expectations of reciprocation of cooperation. This means that when an individual cooperates, he/she does so in expectation of the return of similar behaviour from his/her counterparts in the collective institutions. Thus, though self-interest being primary concern for all individuals, one member would sacrifices his interest for the common good when he believes that others would also sacrifice for the common good. This has also been sometimes referred to as 'reciprocity'. As per this theory, the **average human behaviour is not pure self-interest but a mixture of self-interest and reciprocity** and that in normal circumstances, individual choices are rationally constrained by social conventions and norms.

Another concept that is related to this **social context** of eliciting cooperation is that of '**social capital'**. Social capital has been defined as the set of trust, institutions, social norms, social networks, and organizations that shape the interactions of actors within a society and are an asset for the individual and collective production of well-being. Thus the community based institutions and collectives which exist in the society, their norms and the compliance to these norms resulting from mutual trust and expectation of reciprocity generates social capital. Such social capital is also **convertible into economic capital**, under certain conditions. For example, capitalizing on the existing cooperative environment in the community, collective initiatives that lead to economic benefits (for example income enhancement) for the members can also be taken up.

Institution Building for Collectives of Small Producers[2]

Collectives of small producers are much more challenging to promote than dairy cooperatives. The reasons for this are as follows:

(i) In dry land rain fed areas with only one crop the member's major transaction with the collective is just once – when he or she brings the produce in. In milk, there is a transaction twice a day (i.e., 730 times a year ideally). Problems can be sorted out in a couple of weeks or less. For instance the tendency of members to mix water in milk is sorted out very soon when they realize that they actually lose money. But in a commodity collective if a farmer brings produce with stones and dirt or too much moisture or substandard quality, often hidden in a few of the bags, and it is not detected, the

[2] Taken from a presentation prepared for 'Emerging changes in Institution Building of People's collectives' Work Shop held on 2nd & 3rd February 2007; prepared by Trilochan Sastry, Professor, IIM Bangalore and CEO, Centre for Collective Development

collective loses. Correction of this mistake is only possible next year and meanwhile the collective might make a loss. Hence the need for much more intensive promotion, capacity building, careful bye laws and business rules and so on.

(ii) Price fluctuations are much more than in milk. A price promised to a member is realized after sales, which might be sometimes a few weeks to a few months later as prices (hopefully) rise. If they do not, there could be a loss. Since the poor cannot take a risk, the best way is to cash in a profit that is risk free than wait for a high risk high, return price. But many collectives due to inadequate market knowledge suffer. The only way out is to insist on risk free marketing and for the promoting organization to acquire full market knowledge about price trends.

(iii) Member stakes are much harder to build. The cash flow cycles of the small producer are months long. From the sowing season to harvest, he is borrowing for seed, fertilizer, pesticide, bullock cart or tractor hire, labour wages at various stages of the season right up to the harvest time. When the harvest is ready for sale, the poorest want immediate and full cash. If the collective pays say Rs.70 up front for Rs.100 of produce, many potential members shy away. If the collective pays the full value, no one bothers to really market the produce since the money has already come. That means the working capital lent to the collective is at risk, and if it does not come back, the collective closes down. Perhaps the only way out is to insist on member stakes and live with small membership in the first two to three years.

To summarize, establishing the first few commodity collectives can take three years sometimes, and every year is a challenge. But whenever they succeed, they provide tremendous benefits to members – as much as Rs.2500 extra profits per member in the first year itself through pooling, storing and selling.

They also generate surplus for the collectives and in some larger villages, savings have gone up to Rs.2 lakhs in two years, or about Rs.2000 per member. That comes in useful during the sowing season.

Institution Building

The early days of an organization are very important since many things are put in place at that time. In terms of Institution building, shared values and principles that are put in place at this time are crucial for its long term direction and sustenance. For Institutions promoting collectives of small producers some possible values and principles are:

(i) To work *with* the poor rather than work *for* the poor. This means several things. It means we as outsiders, treat them as partners and friends rather than recipients of benefits. It means we listen to them, understand their situation, and work with them to remove constraints and barriers to their economic development. It does not mean we accept whatever the poor say, but it does mean we develop mutual trust and respect for each other.

(ii) To strive to include all the smallest and poorest producers in the region where we work. In the hustle and bustle of day to day work, we forget this sometimes and we can end up building collectives that are viable and successful, with large turnover and profits, and all sorts of innovations, but the really needy are not included as members. This does not mean that the not-so-poor or the well off producers cannot be included.

(iii) All decisions are based on the question: will it benefit all the members in a fair and just manner? In other words, the value here is that the Institution’s focus as a promoter is on the benefit to members alone.

(iv) Ensure that the collectives follow sound and fair business principles.

(v) Open and transparent finances and systems for the promoting Institution and for the collectives.

(vi) No subsidy in operations to the collectives, but at the same time, investment in capacity building on cooperative principles, bye laws, accounting, finance, marketing, exposure visits.

(vii) Keep fixed investments of collectives low, at least at the start.

(viii) Give primacy to the field work rather than to administration.

(ix) No individual crop loans from outside in the early days at least.

(x) A core value of "we will persist until we succeed", along with the need to be flexible and to learn from past mistakes. In the early stages this is very important since success is not so easy at first and might require several months or three years for tangible results in some cases.

(xi) We will strive to scale up, but in a natural and organic way so that a very large number of the poor in a region get included in the collectives and derive economic and other benefits from that.

(xii) As a natural corollary of working with the poor is the principle of simplicity. This means the organization will keep things as simple as possible. This enables more people to understand, participate and gain control over the collectives as members.

Apart from some of the core values and principles, two other issues are important. One is the process of arriving at them. Rather than top down, the staff of the promoting Institution should be involved in shaping them at the early stages. Second, the values and principles should be shared by everyone in the staff. A very good promoter Institution will have field staff who are all convinced about the values and principles. Without that, they will not be able to promote good *collectives. Good examples of this are SEWA, DHAN, and the early days of NDDB and CDF.*

Beyond core values and principles come systems. If the systems are derived from the core values and principles and in harmony with them, then things will work well. For example, if our systems give control to field staff rather than to the collectives, we are going against the first value of working with the poor as friends and partners. If our reporting systems only measure number of members, total turnover, profits and so on, we are going against the second value of striving to include all the poor. If we work for mere recognition and awards, we can show case impressive results without focusing on the third value: does it really benefit the members? Other principles on which the systems are based can be derived from the core values and principles.

Similarly for the collectives themselves, certain core values are important. However, in the early stages, these should be derived through discussion and dialogue (often repeated several times) with potential members. There can be a process of negotiation, but everything must be spelt out and explained clearly as the dialogue proceeds. Perhaps some possible core values and principles of the collectives themselves are:

(i) *Fair, open and transparent systems. This means that every member has a right to ask for and obtain information, including financial information on the operations of the collective.*

(ii) *The basic ideas and systems must be trusted, and be simple and understood by all members.*

(iii) *The collective should imbibe the spirit of member owned, member managed and member owned collectives.*

(iv) *Leadership that members can trust. This is vital in the early stages. As an outside promoter, we cannot dictate who should be the leaders, but we can act as 'Election Commission', a neutral outsider in the early days. At the same time, we should explain the consequences of leadership, what are some characteristics of good leaders, that no outside funds will come so they should elect honest and capable persons on their Boards and so on.*

(v) *In the Indian context, the dependence syndrome on Government or the NGO needs to be weeded out in the collective.*

Early days of promoter organization

With the strong adherence to core values and principles that are evolved through discussion comes the need for flexibility in operations, need to adapt as we go along, learn from mistakes, and listen carefully to the poor and their requirements. The early days also need a lot of patience. A blue print approach that has everything fully planned and rigid will not work at this time.

To give some examples:

1. Members are often in the grip of money lenders. To put in a rule that all the produce must be brought to the collective would almost certainly keep the majority of the poor and needy out since they are supposed to sell their produce to the money lender (who cheats on prices and weights apart from charging high interest rates). Listening to the voice of the poor who some times say "will the collective give me a loan next year?" will force us to change the approach. That might mean agreeing that a part of the produce can be brought into the collective and part sold to the money lender. This goes against the standard Amul model that explicitly bars members from selling milk outside. But that

was to cover large fixed costs which commodity collectives should avoid perhaps in the early days.

2. Starting with a large gram panchayat village and using that to cover the surrounding hamlets. In some cases, money lenders live in these villages and the cooperative just does not take off since they later threaten the members after the field staff leave. In that case, starting with the intermediate size villages works better (70-200 households). In some other cases, the large gram panchayat approach works well if local leadership that is strong is available.
3. In general tribal areas are easier to form collectives rather than in non-tribal caste based villages. But logistics are more difficult in tribal areas. So different systems have to be put in place in these two types of areas.
4. A trade off has to be made between ease of operations for the collective and convenience for the members. For instance, if a collection center for the produce is opened in every village it will be very difficult to manage in the early days. But it will be convenient for the members. If fewer centers are opened, then it is easier to manage but not very convenient for farmers since they have to transport the produce, often in hired bullock carts and bear the expenses. The trade off has to be decided by the members, and even if they make some mistakes in this, it should be allowed since they learn from that and change next year.

Since there are about 60 million small producers (or 300 million people including all family members), and in the foreseeable future alternate employment for all of them is not possible, this is perhaps the most important category of the poor as far as agriculture is concerned, along with the landless poor. For the small producer, the only ray of hope is a collective, especially if we are to include large numbers of the poor. Operation flood needs to be adapted for the commodity sector. Like the Anand pattern that evolved over ten years, we need to evolve patterns for commodity collectives – but not one standard pattern. It will be different in irrigated areas and in rain fed areas, it will be different for different crops, different for tribal and non-tribal areas. But some of the basic values and principles outlined here are likely to be common across these different types of collectives.

Producer Companies: An Emerging Form of Collectives

Concept of Producer Company

In this context, the Government of India appointed a High Powered Committee headed by noted economist Dr. YK Alagh to come up with a legislation that enabled incorporation of cooperatives as companies and conversion of existing cooperatives into companies and at the same time ensured that the proposed legislation accommodates the unique elements of cooperative businesses within a regulatory framework similar to that of a private limited company. The new act, thus proposed came in to force on February 6 2003, and is known as the Producer Companies Act.

The report of the commission also reiterates the need for a new legislative framework in the following manner:

The Companies Act offers a statutory and regulatory framework that allows for competition on an equal footing with other forms of enterprise. If the Companies Act is suitably adapted to serve producer-owned enterprises, their registration as companies will go a long way to advance the interests of producers. Provisions already exist for the formation of diverse types of Companies: private limited, public limited and trusteeship companies as well as nidhis. Further, it may be noted that in many parts of the world where cooperatives play a major economic role as *successful, producer-owned businesses, they operate within the same legal framework as companies.*

The Government of India has recognized that, in a market economy, rural producers are at a potential disadvantage given their generally limited assets, resources, education and access to advanced technology. In the present competitive scenario, if cooperative enterprises are to continue to serve rural producers, they require an alternative to the institutional forms presently available under Law. The best way of achieving the same, in our view, is to adopt the provisions contained in the draft Bill for the creation of specially-devised Companies called "Producer Companies". These Companies would blend many of the features of a limited company with the principles and practices of mutual assistance, or cooperation.

Main Features of Producer Company Act

As mentioned in its report, the following considerations were kept in mind by the Committee to form the new legislation:

- To provide producer companies with equality of treatment with both private limited and public limited companies;
- To retain the principles of mutual assistance that emphasize voluntary Membership, democratic decision-making, patronage rather than capital, distribution of surplus based on patronage, education of Members;
- To enable rather than prescribe;
- To encourage professionalisation and modern management,
- To remain fundamentally consistent with the other provisions of the Companies Act

The Producers' Companies legislation enables the registration and operation of producer companies, wholly-owned and self-regulated by users, managed by professionals in the users' interest, in a manner consistent with the principles of mutual assistance : voluntary and open membership;

democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation with similar enterprise; and concern for the community. The main provisions from the legislation are discussed briefly below:

Definition of Producer Company

The term `Producer Company', is meant to indicate that only certain categories of persons can participate in the ownership of such companies. The members have necessarily to be `primary producers,' that is, persons engaged in an activity connected with, or related to, primary produce.

Principles of Mutual Assistance[11]

The Producer Company must operate in consonance with the Principles of Mutual Assistance which include:

i. Voluntary Membership;
ii. Democratic governance;
iii. No privilege to Capital;
iv. Equitable distribution of surplus;
v. Education of Members, leaders, employees and the general public;
vi. Cooperation with similar organizations.

Formation

Ten or more individuals may form a Producer Company and get it registered. In the case of Producer Institutions however, two or more would suffice.

Membership, Voting Rights & Transfer of Shares

In a case where membership consists solely of individual members, the voting rights shall be based on a single vote for every Member, irrespective of his

[11] Sub-section (2) of section 581 G

shareholding or patronage of the Producer Company. In a case where the membership consists of Producer Institutions only, the voting rights of such Producer Institutions shall be determined on the basis of their participation in the business of the Producer Company in the previous years. In a case where the membership comprises of both individuals and Producer Institutions, the voting rights shall be computed on the basis of a single vote for every member.

Only members may purchase voting equity in the Company. Member equity is not tradeable but may be transferred, with Board approval, to another active Member who meets the conditions specified in the Articles.

Benefits to Members

Every member shall on the share capital contributed, receive only a limited return. The surplus, if any remaining after making provision for payment of limited returns and reserves may be disbursed as patronage bonus, amongst the Members, in proportion to their participation in the business of the Producer Company.

Options to Inter-state Cooperative Societies to become Producer Companies

Any inter-state cooperative society with objects not confined to one state may make an application to the Registrar for registration as Producer Company.

Governance

In general, the **Board** is responsible for formulating, supervising, and monitoring of the performance of the producer Company. The Board may make recommendations in the case of those matters reserved for decision of the General Body.

The **Chief Executive** is responsible for the direction of the day-to-day management of the business including operation of bank accounts, approving expenditures, signing documents, ensuring maintenance of books and records, convening meetings of Members and the Board, appointment, supervision and termination of employees. In addition, the Chief Executive should assist the Board in the formulation of plans and policies and advise on legal and regulatory matters.

The **General Body** alone may -

(a) Approve the Budget and adopt the Annual Accounts of the Company;

(b) Approve the quantum of withheld price;

(c) Approve the patronage bonus;

(d) Authorise the issue of bonus shares;

(e) Appoint an auditor;

(f) Declare a dividend and decide on the distribution of patronage;

(g) Amend the Memorandum of Association and Articles;

(h) Specify the conditions and limits of loans that may be given by the Board to any Director;

(i) Approve or act on any other matters that are specifically reserved in the Articles for decision by the Members.

<u>Voting and Elections</u>

The members of Board Directors are elected. The manner of election of the Directors, as well as voting on other matters, is left to be specified in the Articles.

<u>Finances</u>

The finances of a Producer Company may be drawn from the following sources:

i. Member equity

ii. Special user rights
iii. Borrowing
iv. Reserves

Contribution to Deficit

Having regard to the fact that every Producer Company is a mutual assistance enterprise, it is provided that Members should contribute to the net deficit, where required, in relation to any financial year, if the Articles of the Producer Company so provide.

Other Investments and Borrowing

Producer Companies may invest in the shares of other Producer Companies, as well as in joint-ventures, subsidiaries, etc., provided that the purpose is fundamentally consistent with the objects of the Company. The Board may, consistent with the provisions made in the Articles and with approval of Members at any general meeting, borrow money to meet the capital needs of the Company.

Reserves

Only a General Reserve is required and provided for in the Law. Other reserves as are consistent with provisions in the Articles may be created with the approval of the General Body.

Fiduciary Responsibility

Recognizing that responsibility in the absence of accountability is tantamount to license, the Law provides that, in cases where he acts dishonestly or without due care and diligence or take any action contrary to the law or the provisions of the Articles of the Company concerned, the Directors, including the Chief Executive shall be individually and severally responsible for the consequences of their decisions.

Dissolution and Liquidation

Producer Companies may be dissolved by:

i. The Members; or
ii. As provided in relation to companies under the Act.

In each case, the conditions and procedures are spelt out in the Law which includes the methods of meeting liabilities, distributing residual assets, etc.

Penalties

Penalties are prescribed for the failure to carry out specific functions such as conduct of elections, provision of information to Members or authorities, completion of the audit, etc. Each offence carries a maximum sentence as well as a maximum fire, with the latter normally linked to the turnover of the concerned company.

The Producer Companies Act provides for several features without compromising on cooperative ideology, principles and values. The Act was drafted after extensive research by the Committee on the status of the existing cooperatives and cooperative legislations and took into account the experience of producer organizations all over the country. Through this Act the Committee sought to give importance to the survival of producer organizations in a market economy, and thus provide rural producers with an effective alternate organisational form which will both encourage professionalization and a modern corporate culture while retaining and supporting the principles of mutual assistance.

However, the Act is still lacking in some respects. For example, in terms of addressing the problem of capital mobilization by cooperatives or such member-owned institutions, the Act like cooperative acts maintains that share capital can be generated from the producer members only. Given the poor economic status of the majority of the primary producers in the country, the lack of capital for major technological and other capital intensive investments still remains a major problem evening case of producer companies. This is because lack of incentives such as dividends deter investors from investing into such businesses no matter how sound is the business proposal. The Act also suffers from some of the weaknesses of the present cooperative laws such as the inability to reward differentially the financial contribution made by the old and the new members.

Regarding the performance of the new initiatives in producer company forms, nothing can be said with conviction as it has been a recent act and it would take some time to understand the practical aspects of these forms. Also, there is mixed reactions from different people who have been associated with collective institutions of various kinds. Information and awareness generation is thus required to expose more and more related organizations, development workers as also community based collective institutions to the new opportunity that has been made available with the introduction of the new form.

Agricultural Cooperation

Cooperative Reforms: The Cooperative movement in India traces its origin to the agriculture and allied sector and was evolved as a mechanism for pooling meagre resources of the people with a view to providing them the advantages of economies of scale. After independence, the cooperatives were considered as part of the strategy for planned economic development. The cooperatives are today at the crossroads of existence particularly in view of the fast emerging scenario of economic liberalisation and globalisation. These institutions in general suffer from resource constraint, poor governance and management, inefficiency and unavailability. The cooperative reforms are, therefore, absolutely vital to the future of the cooperatives.

- **National Policy on Cooperatives:** The Union Government has formulated a National Policy on Cooperatives in consultation with States. The objective of the National Policy is to facilitate all-round development of the cooperatives in the country and to work as guiding force for the States towards successful cooperatives. The policy, envisages that cooperatives be provided necessary support, encouragement and assistance and to ensure that they work as autonomous self-reliant and democratically managed institutions accountable to their members.

- **Multi-State Cooperative Societies (MSCS)** The Central Government has taken a lead in providing required autonomy to the cooperatives by enacting MSCS Act, 2002, replacing the MSCS Act, 1984. It aims at providing functional autonomy and democracy applicable to National level cooperative societies/federations and other Multi-State Cooperative societies. It is expected that it will work as a Model Act for reforms in State Cooperative Laws.

- **The NCDC (Amendment) Act, 2002 :** The NCDC Act, 1962 has been amended vide NCDC (Amendment) Act, 2002 expanding the mandate of NCDC to include food stuff, industrial goods, livestock and services in the programmes and activities in addition to the existing programmes. The definition of agriculture produce has been amended to cover wider range of activities by including edible and non-edible oilseeds cattle feed, produce of horticulture and animal husbandry, forestry, poultry, farming, pisciculture and other allied activities to agriculture. Vide the amended Act, definition of industrial goods and livestock have been elaborated covering the products of allied industries in the rural areas and includes any handicrafts or rural crafts. The livestock includes all animals to be raised for milk, meat, fleece, skin, wool and other by-products. NCDC will be able to provide loan directly to the cooperative without State/ Central Government guarantee on furnishing of security to the satisfaction of the NCDC. So far activities concerning water conservation, animal care/health, disease prevention, agricultural insurance an agricultural credit, rural sanitation/ drainage/sewage have been made as notified services.

- **Amendment to the Constitution in respect of Cooperatives:** In spite of the felt need for amendment in the State Cooperative Societies Act, the pace of reforms in Cooperative legislations by the States is not encouraging. Therefore, to ensure the democratic, autonomous and professional functioning of cooperatives, it has been decided to initiate a proposal for amendment to the Constitution for the purpose. This decision has been taken after careful deliberations with the States in a conference of State Cooperative Ministers held on 7 December 2004. The proposed amendment to the Constitution is purported to address the key issues for empowerment of cooperatives through their voluntary formation, autonomous functioning, democratic control and professional management. The Constitution One Hundred and Sixth Amendment Bill 2006 has been introduced in the Lok Sabha on 22 May 2006.

- **Constitution of High Powered Committee :**To review the achievements of Cooperative movement during the last 100 years and challenges before it, and to suggest ways and means to face them and to give a new direction to the movement, a high-powered committee has been constituted with following Terms of Reference:

1. To review the achievements of the cooperatives during the last 100 years.
2. To identify the challenges being faced by the cooperative sector and to suggest measures to address them to enable the movement to keep pace with the changing socio-economic environment.

3. To suggest an appropriate policy and legislative framework and changes required in the cooperative legislation in the country with a view to ensure the democratic, autonomous and professional functioning of cooperatives.

Revamping of Cooperative Credit Structure: In August 2004, Government of India constituted a Task Force under the Chairmanship of Prof. A Vaidyanathan for suggesting measures for revival of cooperative credit institutions. The Task Force has submitted its Report in respect of short-term cooperative credit structure and recommended a financial package of Rs 14,839 crore for the short-term rural credit cooperative institutions. The package covers accumulated losses, unpaid invoke guarantees, receivables from State Governments, return of share capital to State Governments, Human Resources Development, conduct of special audit, computerisation, implementation costs, etc.

Based on the consensus arrived at with State Governments and other stakeholders on the recommendations made by the Task Force, the Government has approved the package for revival of the Short-term Rural Cooperative Credit Structure involving financial assistance of Rs. 13,596 crore. The provision of financial assistance under the package has been linked to reforms in the cooperative sector. The same Task Force has been assigned the mandate for suggesting revival package for the Long-Term Cooperative Credit Structure. The Government will initiate steps for reviving Long-Term Cooperative Credit Structure after reviving the report of the Task Fore in this regard.

NAFED - A National Level Farmers' Cooperative Marketing Organisation

National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was established on the auspicious day of Gandhi Jayanti on 2nd October 1958. Nafed is registered under the Multi State Co-operative Societies Act. Nafed was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. Agricultural farmers are the main members of Nafed, who have the authority to say in the form of members of the General Body in the working of Nafed.

Objectives of NAFED

The objects of the NAFED shall be to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-State, import and export trade, wholesale or retail as the case may be and to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

Consumer Marketing of NAFED

NAFED continues to serve the consumers in different parts of the country by making available quality products at competitive prices. NAFED serves both institutions and consumers directly and also through the net-work of distributors. NAFED is presently catering to over 80 institutions that include hotels, hospitals, hostels, Para-military units etc.

During 2006-2007, Nafed launched mustard oil in NAFED barand both in 15kgs. tins and also in consumer packs. The mustard oil is being marketed in the States of Delhi, U.P. Bihar, West Bengal, Orissa, Jharkhand, North-Eastern States and Chattisgarh. In addition, spices in the brand name of NAFED in consumers packs ware also launched in the States of Orissa, West Bengal, Bihar and Jharkhand.

During 2006-2007, various consumer products of the value of Rs. 59.05 crores were sold as compared to Rs. 22.39 crores sold during the last year; an increase of 163%.

Poultry Products

To help the poultry farmers, Nafed handled eggs valued at Rs. 1.45 crores in outright account during the year 2006-2007.

Distribution of Onion in Delhi at concessional Rates

At the behest of the Government of India, NAFED arranges distribution of onion to the consumers at subsidized rates whenever the prices show upward trend in the market through its own retail outlets and mobile vans. The prices of onion in domestic market were ruling high in the months of january-March'07. Nafed on its own distributed onion in Delhi during the said period to the consumers at concessional rate and stabilised prices at reasonable level to the benefit of consumers.

Poultry by women through Self Help Groups & Cooperative in Lohardaga – A Success Story

Background

Chicken is one of the major and most readily available protein sources to our diet. Before the introduction of broilers in India, poultry meat was restricted to villages only and was believed to be luxurious food items. Rearing of birds is one of the oldest professions of the tribal. The people in India accepted broiler and some of the farming class shifted their focus from crop farming to poultry farming. Initially, good agriculture farmers started broiler farming. The consumers started accepting it in all corners of India and farmers as well as all sorts of people involved in the activity started getting handsome benefits, as the breed is a fast growing one. The growth of the breed is more than 5 times faster than the indigenous one. People who were landless and small land holdings took broiler farming as their major livelihood source. As the commercialization of this activity increased, its attraction did not stop big farmers and multinational companies to enter into this activity. Soon broiler farming took the shape of an industry.

Requirement of various inputs, fluctuation in market and smaller unit size has forced the smaller farmers withdraw from this activity.

Poultry in Lohardaga:

Just like all other parts of India, some farmers in Lohardaga also started poultry farming with support from government and bank under different schemes. They were getting good profit and the farm size was 1000 birds' capacity. There were 5 to 6 such farms in and around Lohardaga. At present, hardly there is such farm operating. Most of them are closed. Although the climatic condition of Lohardaga is very much suitable for broiler farming as the climate here is neither very hot nor very cold. There are some practical reasons for it:

- Cost of production is high as compared to other nearby states due to lack of quality input[12] at reasonable price and small unit size.
- Fluctuation of price and demand in market.
- Lack of proper knowledge and information about day-to-day changes in technology and management in broiler farming.
- Lack of proper marketing facility and institution.

Addressing these issues through cooperative:

- Reduces the cost of production by integrating smaller farms into a big one and purchasing and supplying of inputs at reasonable price.
- Finishes the loss made by farmers due to fluctuation of prices in market by offering them fix price round the year.
- Proper training to the farmers for their skill building and taking the services of common veterinarian, which reduces the cost per farmer.
- Establishing a common marketing facility and providing regular supply of birds in market by staggering the production.

Poultry as a livelihood alternative for rural women:

Market study by Peter Rebero and Nishant Kurup, interns from Goa Institute of Management in May 2002 showed that the whole Jharkhand particularly Ranchi is a huge deficit market. The daily sell in Ranchi is 20 tons of live bird but the average daily production is only 5 tons. 15 tons of live poultry birds are being purchased from West Bengal. The annual growth of poultry market is estimated to be 20%. Seeing this immense potential, Self Help Groups of Lohardaga with support from PRADAN[13], decided to take poultry activity as a livelihood option.

[12] Inputs like feed; chicks and medicine are being supplied at higher rate from other states.
[13] An NGO working in seven states of India for livelihood generation of rural poor.

Evolution of Lohardaga Grameen Poultry Cooperative society

In February 2001, Self Help groups of Lohardaga promoted by PRADAN started backyard poultry by taking loan from their groups. They started with a cross breed called Dibyan Red which was developed by Ram Krisna mission crossing Desi breed with Rhode Island Red. Growth of this breed was faster than Desi. Women were using it as buffer. Later they shifted to another faster cross- breed called Kuroilor. Seeing this lucrative activity, more members of different SHGs joined and suddenly number of birds reared by the members went up to 8,000 to 10,000 a month and marketing was becoming a problem for them. The SHG members after discussions with PRADAN professionals decided to form poultry cooperative Society. The framework of the cooperative was discussed and hence, Lohardaga Grameen Poultry Cooperative Society Ltd came in existence in November 2002. It was registered under Jharkhand Self supporting act 1997. PRADAN has its experience of such type of a successful cooperative in Kesla block of Hosangabad district of Madhya Pradesh for the last 12 years.

Objective of the cooperative:

The basic objective of the cooperative is to purchase raw materials in bulk and marketing of birds collectively. The raw material is sold to the members at a fixed price round the year, which is lower than the prevailing market price. The ready birds are picked from the sheds of the members at a fixed price round the year and sold in the market at prevailing market price. In this way the members are neither getting affected with the price fluctuation of input nor ready birds. They get almost a fixed income every batch. The income will fluctuate only with skill, manual input and management of the individual farmer.

Profile of the members:

All the members of the cooperative are women from Schedule Cast and Schedule Tribe belonging to different Self Help Groups. Presently there are 161 members.

Project cost for one unit (300 birds size)	
Poultry shed 300 sq. ft. @ Rs 80 per sq. ft	Rs 24,000
Equipment for 300 chicks @ Rs 6 per chick	Rs 1,800
Cost of Day Old Chicks @ Rs 15/ chick	Rs 4,500
Cost of feed for 300 chicks 3.5 kg/ chick @ Rs 9/ kg	Rs 8,775
Overhead for 300 chicks @ Rs 4/ chick	Rs 1,200
Total for one unit of 300 chicks	**Rs 40,275**

FEED UNIT UNDER RSVY: To sustain in the market, it was essential to reduce the cost of production. Since feed alone consists of 65% of the cost of production, the district administration decided to construct a feed plant, the first of its kind in Jharkhand, from RSVY. Before construction of the unit, feed for the co-operative were being purchased from Kolkata and Indore, which was costly as well as not so fresh. Poultry feed consists of 60% of maize. Most of the feed mills in India depend on the maize produced in Bihar and

Jharkhand. It was decided to procure concentrate from other places and purchase maize locally. The total cost was Rs 4 lakh, out of which Rs 2 lakh was subsidy under RSVY and rest were contributed by co-operative society. After the plant started producing feed, it has reduced the cost of production by Rs 2 per kg and the profit has increased by Rs 500 to 600 per month per member. The unit produces 9 to 10 tonnes feed per day. 8 rural youths are earning their livelihood from this unit. At present, this unit has gone one step ahead. Soya De- oiled cake is being procured from Indore. This has improved the feed quality further.

Support drawn from government and Bank:

After the cooperative was registered, department of cooperation, government of Jharkhand released an amount of Rs 28.35 lac. Out of this Rs 10 lac was for working capital, Rupees 2 lac for office cum training center and the rest Rs 16.35 lakh for subsidy to 161 members for shed construction. The amount sanctioned by government was not sufficient for shed construction. Members contributed another Rs 5.5 lac in form of labor and kind. They also took Rs 12.5 from different banks through SHGs. The working capital needed for cooperative was Rs 17 lac. So, Cooperative took a cash credit limit of Rs 7 lac from Bank of India to meet its working capital requirement. The cooperative is bearing its overhead cost except for the salary of CEO and Manager (production). Presently, PRADAN has deputed its professionals to work for the cooperative without any charge. It is expected that cooperative will bear the cost after increasing its members to 500.

Structure of the Cooperative:

The members have selected 11 representatives from different area to govern the board. From these 11 Governing board members, one President and another Vice- President were elected. The governing board members meet every month to take the stock of the business. The board is passing each and every operational decision. The board has appointed a C.E.O. (Chief Executive Officer), who looks after the day-to-day activities of the society. A veterinary doctor at the post of Manager (Production) has been appointed. He is responsible for the production and under him village level service providers operates. It has also appointed a manager (marketing), who takes care of marketing part. Two central supervisors support him in marketing. President, vice-president and C.E.O operate the bank account.

Progress so far:

The cooperative has sold birds worth Rs 1.2 crore. It has its installed capacity of 3.38 lakh chicks per annum. The members are earning an average of Rs 12,000 per annum. Apart of benefiting 161 families directly, another 12 rural educated youths are also employed as service providers. They also earn around Rs 3000 per month. The cooperative has started preparing its own feed. The feed unit needs to be upgraded.

Struggling Bird Flu:

Within a year, cooperative had established itself and business was doing well. Members were quit enthusiastic and were satisfied with this activity. They were earning handsomely and the cooperative had a profit of Rs 2.45 lakh as well. A dreaded virus created havoc in poultry industries in other Asian countries and the consumption of chicken in India decreased to 5%. Almost all small farmers and most of the medium farmers were whipped out from this activity. Many farmers fell in   debt trap. This cooperative also had to bear a heavy loss. From a profit of rupees 2.45 lakhs in January 2004 its loss reached to rupees 4.27 lakhs in March 2004. Not a single farmer of this cooperative went on loss. All of them had a normal profit because the cooperative was purchasing chicken from the members at the price fixed by them earlier (Rs 40/ kg) though it was selling at half the purchase price (Rs 20/kg). The cooperative kept on placing chicks and suddenly in April, the market started picking up. The market showed unexpected improvement and now at the end of the first quarter of this financial year (2004-05), the profit after recovering the loss encored during the previous year is around four lakh and profit distributed to members is Rupees 3.22 lakh in this quarter (April- June 2004).

Impact of the activity:

There is a great demand from the community in the existing as well as from nearby area. The women are doing this activity, and the profit earned directly goes to them, which helps them utilize this income in a better way. The family has regular cash flow, which helps them invest in agriculture, health and education of their children. This activity has proved to be a boon for the families whose food sufficiency from agriculture is less than 12 months due to small land holding and less productive land. This has also helped some families migrating seasonally to settle down.

Plan for Expansion:

At present, the production of chicken by co-operative is more than the consumption in Lohardaga but too less for Ranchi. Still 70% of the produce is being sold in Ranchi and the rest is marketed in Lohardaga, Gumla, Chandwa, Kuru and Khalari market. The production in respect to market is in vulnerable stage. Full-fledged marketing in Ranchi cannot be started, as production is very low. Therefore, it has planned to increase its membership so that the production gets increased. District administration had sanctioned another 400 unit under Rashtriya Sam Vikas Yojna (RSVY). The membership of co-operative will increase to 561, its installed capacity will be 98,175 [14]chicks per month and it would be the biggest poultry unit in Jharkhand.

---

[14] 500 producers will place 300 chicks and would take 7 batches a year.

Adivasi women turn turmeric traders through SHGs[1]

Pidodama is a small sleepy village with a population of barely 400 people situated in the heart of the Odamha hills in Daringibadi block of Kandhamal district of Orissa. Its people belong to the Kandha community and speak in Kui and Oriya languages. There is no electricity in the village, no borewell providing safe drinking water. Almost all, barring very few individuals, are illiterate.

Despite these harsh conditions and sparse life, there is something remarkable about the women of the village. Their level of awareness, their attitude and their personality have undergone a dramatic change in the last few years. They are no longer submissive women who tolerate the beatings of their husbands. They are no longer dependent on the money lenders for their small household expenses.

On the contrary, today they are small-scale entrepreneurs. They are investing in the education and the future of their children. This has been possible due to the formation of Self Help Groups (SHGs), popularly known as Maa Sangha, in the village. There are as many as three SHGs in the village -- Elutipa (New Life), Peninimba (Change of Mind), Ekata (Unity). Elutipa has 17, Peninimba has 12 and Ekata has 11 members, all of whom are women.

During the last financial year (2005-06), the Elutipa SHG took a loan of Rs.17,000 from a State Bank of India (SBI) branch to invest in turmeric trading. After it successfully repaid the principal and interest (8.5 per cent interest per annum) to the bank, it was able to make a profit of Rs.12,000 in four months. The profit was further invested in the same trading. Pleased with the success, the bank accepted their application and released an amount of Rs.30,000 for further investment.

[1] Pradeep Baisakh, http://www.indiatogether.org/2007/aug/wom-odamha.htm

Before the SHGs were formed, the village had a good production of turmeric, but the villagers were unable to market their produce and hence forced to sell to the middle men at a cheaper price. But now the village SHGs are trading the turmeric, thereby freeing themselves from the exploitation of the traders, though the dependence on traders has not completely disappeared.

How it came about

It all started with the efforts of one Laxmi Didi of the Council of Professional Social Workers (CPSW), a local NGO. She introduced the villagers to the concept of an SHG and helped them form the three SHGs in the area in 2002. CPSW, the parent NGO which promoted these SHGs, works in the area to promote livelihood security amongst the villagers and to provide minimum health services. It also undertakes empowerment activities in the village through awareness and sensitisation campaigns about the functioning of panchayati raj institutions.

Laxmi suggested to the villagers to regularly save something in the form of rice or money so that it would help them in times of need or even for investing in business if the savings were more. That was the first step, she helped the villagers understand, towards reducing their dependence on the moneylenders from whom they borrowed money during festivals, for healthcare requirements, and even to meet their daily food and clothing needs. The villagers began by collecting one fist of rice from the quantity required for their everyday meals. At the end of the month, this collection was saved in the form of money in the village fund. Thereafter, the villagers started saving Rs.10 in their individual accounts. During the harvest season, when they had some more money in hand, they increased the contribution to Rs.15 or 20 per month. When they did not have any money to deposit, they engaged in kuta kama, i.e., working in groups, in order to meet their obligation.

As the savings became regular, a bank account was opened in the name of the SHGs. The president and the secretary of the SHGs, elected every year by the members of the respective SHG, hold monthly meetings wherein apart from discussing the matters relating to the SHG, they also discuss issues like children's education, pulse polio drives, government health worker's visit to the villager, etc. Till date there has been no instance of internal differences among the members in managing the affairs of the SHG. Due to their sincerity in depositing money, holding regular meetings, etc. the SHGs have been able to establish good relations with the SBI branch.

Change in socio-economic scenario after SHG formation

"The concept of SHG is not new to the state, though the terminology is," says Manoj Pradhan of CPSW. CPSW is a partner NGO of Orissa Development Action Forum (ODAF), which has 12 such partners working in 13 out of 30 districts in the state. "Previously also such ideas were executed by us in other areas where we work under the umbrella of Maa Sangha (mothers' unity). The only difference between Maa Sangha and the SHGs is that in case of SHGs the number of membership is kept limited for better and efficient operation," says Pradhan.

Jigyansa Dash, the coordinator of the ODAF head office at Bhubaneswar adds, "We form and nourish the SHGs in all our 758 operational villages. The primary objectives of forming SHGs are to organise women, provide them economic security as far as possible, to develop savings attitude among the adivasi people and to save the community from the trap of the moneylenders. During the process, the women get an exposure to the outside world. As a result their attitude to stay in seclusion and fear the outsider undergoes a dramatic change. The formation of SHGs has contributed toward the economic and consequent social empowerment of women in interior adivasi pockets," she concludes.

In the initial days, when the SHGs had been newly formed, its members and the social workers of CPSW faced many difficulties. The adivasi society of this village has traditionally been highly male dominated. The idea of women forming a committee was not taken too well. "It was very difficult for us to convene a meeting of the SHG members in the villages," says Thomas Baliarsingh of CPSW. The men ridiculed the idea of women attending meetings. Tamangalo Mallik, a women member of an SHG, says, "Previously one man could marry more than one woman, but after we became aware about the equality of men and women, this practice has been abolished in the village." Wife battering is also no longer prevalent here. The unity and rejuvenated confidence of women have helped them stop this menace in their village.

Financially too, the villagers are happier. They do not have to go the moneylenders any more. The SHG comes to their rescue in times of need. The members of the SHGs take loans from it for the purpose of consumption, health, children’s school needs, festivals and investment in the farm sector. The rate of interest charged from the members is three per cent per month. Initially only the men in the family kept the household money with them; now the women hold the key. In fact, it is the women who help out their men financially by borrowing money from the SHGs for farming needs. This new role has even led to the women participating in family decision-making and sitting in on village meetings (this did not happen before). There has also been a perceptible attitudinal change in the menfolk of the village. They now welcome the women with respect and agree that women should be allowed to voice their opinions before everybody.

The success of these SHGs has impacted the women in nearby villages too. The women of Sikalama, Mahagudi and Kalingi villages of Daringbadi block came together to form SHGs in the year 2005 though there was no NGO working in the village to guide them. Four SHGs in other villages in Kadhamal district where CPSW operates have ventured to acquire a PDS licence to distribute kerosene to ration card holders. Some SHGs in Umarkote area of Navrangpur district are reported to have taken up the cause of NREGA implementation. The level of awareness among the women has certainly gone up. Due to the economic independence, group affiliation, exposure owing to their dealing with outside people, etc., they have become more assertive in demanding their rights. Given the low education level in the area, this kind of transformation in the social status of women and change in the attitude of the men toward them is no certainly no mean achievement.

Chapter: 6
Operations Management

Operations management is an area of business that is concerned with the production of goods and services, and involves the responsibility of ensuring that business operations are efficient and effective. It is also the management of resources, the distribution of goods and services to customers, and the analysis of queue systems.

APICS The Association for Operations Management also defines operations management as "the field of study that focuses on the effective planning, scheduling, use, and control of a manufacturing or service organization through the study of concepts from design engineering, industrial engineering, management information systems, quality management, production management, inventory management, accounting, and other functions as they affect the organization".

Operations also refers to the production of goods and services, the set of value-added activities that transform inputs into many outputs. Fundamentally, these value-adding creative activities should be aligned with market opportunity for optimal enterprise performance.

The origins of Operations Management can be traced back to the Industrial Revolution, the same as Scientific Management and Operations Research. Adam Smith treats the topic of the division of labor when opening his 1776 masterpiece: *An Inquiry into the Nature and Causes of the Wealth of Nations* also commonly known as *The Wealth of Nations*. The first documented effort to solve operation management issues comes from Eli Whitney back in 1798, leading to the birth of the American System of Manufacturers (ASM) by the mid-1800s. It was not until the late 1950's that the scholars noted the importance of viewing production operations as systems.

Historically, the body of knowledge stemming from industrial engineering formed the basis of the first MBA programs, and is central to operations management as used across diverse business sectors, industry, consulting and non-profit organizations.

Operations Management Planning Criteria

- **Control** by creating and maintaining a positive flow of work by utilizing what resources and facilities are available
- **Lead** by developing and cascading the organizations strategy/mission statement to all staff
- **Organize** resources such as facilities and employees so as to ensure effective production of goods and services
- **Plan** by prioritizing customer, employee and organizational requirements
- **Maintaining** and monitoring staffing, levels, Knowledge-Skill-Attitude (KSA), expectations and motivation to fulfill organizational requirements
- **Performance Measures** for the measurement of performance and consideration of efficiency versus effectiveness

Business performance management (BPM) (or **Corporate performance management**, **Enterprise performance management**, **Operational performance management**)

It is a set of processes that help organizations optimize their business performance. It is a framework for organizing, automating and analyzing business methodologies, metrics, processes and systems that drive business performance.

BPM is seen as the next generation of business intelligence (BI). BPM helps businesses make efficient use of their financial, human, material and other resources.

For years, owners have sought to drive strategy down and across their organizations, they have struggled to transform strategies into actionable metrics and they have grappled with meaningful analysis to expose the cause-and-effect relationships that, if understood, could give profitable insight to their operational decision makers.

Now corporate performance management (CPM) software and methods allow a systematic, integrated approach that links enterprise strategy to core processes and activities. “Running by the numbers” now means something as planning, budgeting, analysis and reporting can give the measurements that empower management decisions.

Logistics

Logistics is the art of managing the supply chain and science of managing and controlling the flow of goods , information and other resources like energy and people between the point of origin and the point of consumption in order to meet customers' requirements. It involves the integration of information, transportation, inventory, warehousing, material handling, and packaging.

The operating responsibility of logistics is the geographical repositioning of raw materials, work in process and finished inventories where required at the lowest cost possible.

Logistics and Supply Chain services are provided by a wide range of 3rd party suppliers.

Operational risk management

In business, the term **Operational Risk Management** (ORM) is the oversight of many forms of day-to-day operational risk including the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk does not include market risk or credit risk.

Benefits of ORM

1. Reduction of operational loss.
2. Lower compliance/auditing costs.
3. Early detection of unlawful activities.
4. Reduced exposure to future risks.

Categories of Risk

The Basel Committee on Banking Supervision breaks down loss events into seven general categories:

<u>Internal Fraud:</u> Loss due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity, discrimination events, which involves at least one internal party.

<u>External Fraud</u> Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party. These activities include theft, robbery, hacking or phishing attacks.

<u>Employment Practices and Workplace Safety</u> Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination.

Clients, Products & Business Practice Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature of design of a product.

Damage to Physical Assets Losses arising from loss or damage to physical assets from natural disaster or other events. See disaster recovery or business continuity planning.

Business Disruption & Systems Failures

Losses arising from disruption of business or system failures. This includes loss of due to failure of computer hardware, computer software, telecommunications failure or utility outage and disruptions. See disaster recovery or business continuity planning.

Execution, Delivery & Process Management

Losses from failed transaction processing or process management, from relations with trade suppliers and vendors. This includes Transaction Capture, Execution & Maintenance Miscommunication, Data entry, maintenance or loading error Missed deadline or responsibility, Model / system misoperation Accounting error, entity attribution error, Delivery failure, Collateral management failure Reference data maintenance, Monitoring & Reporting Failed mandatory reporting obligation, Inaccurate external report (loss incurred), Customer Intake & Documentation Client permissions / disclaimers missed Legal documents missing / incomplete, Customer / Client Account Management Unapproved access given to accounts, Incorrect client records (loss incurred), Negligent loss or damage of client assets, Trade partners, non-client vendor misperformance and vendor disputes.

Chapter: 7

Capacity Building

Capacity is the essential lubricant of development, more important even than finance. One weakness of capacity within a multi-stakeholder project will often condemn the whole to failure. In the context of developing countries, the UN Development Programme has defined "capacity" as "the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner". The terms "capacity building" or "capacity development" describe the task of developing levels of human and institutional capacity. Whatever the terminology, capacity building remains one of the most challenging functions of development.

The capacities of the various stakeholders have to be built so that the objectives of the project are achieved and the stakeholders are able to perform their expected roles (present and future) effectively for the benefit of the project.

In a community-driven development project, there is a need to accommodate demand driven capacity building to meet the emerging needs of the community. Hence the capacity building strategy provides enough room to respond to the emerging requirements from the community.

Millennium Development Goals and Capacity Building

The importance of capacity building in developing countries is illustrated by its presence as a separate budget line in formal costings of the Millennium Development Goals (MDGs) presented to the 2005 UN "Millennium+5" summit in New York. These estimates suggested that a figure of $7 billion pa should be earmarked by international aid agencies for capacity building, a significant proportion of the $50 billion pa recommended additional aid.

This report prepared by the Millennium Project pointed to the need for a wide range of capacity building interventions. It called in particular for "massive" human resource training programmes for community-based and local government workers involved in areas such as water, agriculture, nutrition and health. Strengthening public sector delivery with adequate staffing and remuneration was a recurrent theme of the report, as was advocacy of the use of media technologies such as e-learning and community radio.

The diversity of these recommendations reflects the many contexts in which capacity building takes place; like its parent concept of development, it is a loose term which is difficult to pigeon-hole in description. It is as relevant to the highest level of government as the most humble village. The tools of its trade range from sophisticated leadership courses to diagrams explaining water pump maintenance. Individual organizations such as local community groups are crucial providers of capacity building programmes whilst themselves often lacking capacity to sustain their mission. Improving internal management structures, access to information and technology, and networking are integral to institutional capacity building.

Capacity Building in Government

The Millennium Project report listed 10 "quick win" recommendations for accelerating progress towards the MDGs, one of which provides a good example of the pitfalls of high level prescriptions which fail to consider capacity issues. Ending user fees for health and education is an attractive policy option for African governments to create capacity for poverty reduction, stimulated in recent years by generous debt relief. In practice, waiving fees for primary education has been problematic as neither teacher numbers nor classroom space has been able to cope with the influx of new pupils.

Adequate human resources adequately rewarded are therefore the starting point for achieving the standards of good governance which are believed to be critical to successful development. Capacity building programmes at government level will seek to achieve outcomes of sound policy-making backed by transparent institutions with high standards of financial management and reliable human development statistics.

Similar capacity building needs apply even more at local government levels which are notoriously bureaucratic and ineffective in developing countries. As decentralization has entered the mainstream of development models over recent years, there is a constant search for successful capacity building templates which can been replicated over multiple locations.

Capacity Building in Civil Society

Limitations of local government units create the space frequently occupied by community-based organizations (CBOs) which themselves may be supported by regional or national non-governmental organizations (NGOs). The CBOs typically possess expert understanding of the needs of local people and are best placed to create the sense of community ownership and a feedback mechanism so important to development projects.

Unfortunately, no amount of this valuable expertise can protect these grassroots CBOs and NGOs from their own Achilles heel of incapacity to sustain themselves. Invariably they are dependent on donor project finance which by definition has a beginning and an end – the fickle availability and timing of such funds leaves small organizations highly vulnerable. In their strategies for internal capacity NGO managers often find themselves torn between their non-financial mission and generating earned income. The challenge of diversified financial models is particularly acute for southern-based civil society, poorly equipped with relevant fundraising knowledge, and cut off from an affluent corporate sector.

Capacity building programmes for civil society therefore focus on sustainability as the key outcome. Tools will include strategic engagement of volunteers, training in organizational management, use of online peer group networking, building alliances, and improvement of fundraising and donor relationship skills.

Institutional donors are aware of these problems but face their own internal conflicts. Both bilateral government donors and the international NGOs are under pressure from their stakeholders (taxpayers and private givers) to maximise the number of "beneficiaries" per dollar of funding. They have a natural preference for project finance over core organizational concerns. Relationships can also break down over strategic disagreements and cross-cultural misunderstandings – new theories for effective community development and its evaluation hatched in western conference centres do not always chime in with equally innovative ideas generated at village level.

These faultlines in the current mainstream structure for development projects may create openings for the new breed of social entrepreneur whose ideas of capacity building are likely to be more tuned to success of an organization rather than success of an individual project.

Community Development

Whatever the concerns of the capacity of government and civil society to do their job effectively, their role is a means to the end that really matters – that of building capacity for individuals to realize their potential for better lives. Unfortunately, top-down perceptions of what constitutes "better lives" do not always coincide with real needs. Benefits given, rather than asked for, at the wrong time, to the wrong people on the wrong skill-sets will prolong rather than alleviate poverty environments. A key dimension of capacity building for communities is therefore the "needs assessment", involving techniques such as "participatory rural appraisal" to understand what interventions will trigger the most positive response and impact.

This is not to say that there is no place for educating communities in needs which are known to improve prospects for the well-being of their families; for example sanitation programmes are unlikely to succeed without appropriate hygiene education. Educational capacity building has been particularly well served by the tool of community radio, especially in Africa.

The motive for effective results also lies behind the tailoring of capacity building projects for women and, to a lesser extent, young people, as these groups are known to be key agents for poverty reduction and economic endeavour. Sexual and reproductive health programmes create capacity for significant improvement in the welfare of women and children whilst the performance of microfinance enterprise has been shown to be superior in the hands of women. As well as the obvious health benefits, improving access to safe water saves collection time, creating capacity for women to work and for girls to go to school.

Capacity building for broader livelihoods such as farming and fishing often involves literacy programmes as well as more obvious skills training. Literacy is possibly even more relevant in creating livelihoods in the rapidly expanding problems of urban slum environments.

Partnerships for Capacity Building

Given the difficulties experienced at each of these levels of capacity building, it is no surprise to find that institutional donors encourage formal project alliances in which capacity shortcomings can be overcome through parties working together, sometimes with private sector involvement. These programmes can involve quite complex combinations of government, business and civil society. There are also numerous national and international NGO networks which pool resources and purport to share knowledge and best practice.

One form of partnership in capacity building projects has stirred up global controversy – public-private partnerships in which municipal government engages the private sector to deliver public services, ranging from health to energy. Many of these arrangements in developing countries extend to wholesale privatization, even for an essential resource such as water. Multilateral institutions which encourage this path argue that private corporations have access to capital and expertise to deliver value for money and efficiency. Opponents point to the irreconcilable conflict between business aims to maximize return on capital and the social goal to make safe water available to all, rich or poor. There is evidence that private water projects have created capacity for middle class areas at the expense of the poor. As a result, arrangements involving the private sector in public service delivery in developing countries are now more likely to feature partnership than privatization.

ICTs for Capacity Building

Information and communications technologies (ICTs) have become an integral component of capacity building at all levels. The concept of e-governance can encourage citizen participation in the decision-making process and make government more accountable, transparent and effective. For NGOs, strategic use of the internet can strengthen campaigning and fundraising; even in Africa, with its relatively poor technology infrastructure, civil society organizations are keen to explore the potential of the internet to improve their performance. And in both Africa and Asia the concept of village knowledge centres is inspired by the prospect of building local capacity through online research and networking. Distance learning has also increased its outreach within developing countries through online tools. The provision of local language content in these initiatives becomes a vital component to complete the circle of capacity building.

New mobile phone technologies threaten to eclipse even this catalogue of achievements. In particular they overcome the disadvantage of poor landline coverage so that the ubiquitous PC of western households may find itself leapfrogged in Africa. Already there are successful and sustainable models for provision of recruitment, health and agriculture information by phone in sub-Saharan Africa. Given the enthusiasm of Africans for phone technology, such programmes provide a rare example of beneficiaries requiring little in the way of capacity building support to learn how to use the development tool.

Objectives of Capacity Building

The objective of capacity building for any livelihoods enhancement project is to build the capacities of

1. Direct Stakeholders
2. Implementers and Funders
3. Other stakeholders

Capacity Building Needs of Various Stakeholders

Technical	Finance	Behavior	Organization	Knowledge
Identifying opportunities for livelihoods	Books of Accounts	Conflict resolution	Tendering process	Orientation to the project
Understanding market opportunities	Procurement – norms & procedures	Negotiations	Minuting decisions	Procedure for identifying, appraisal, sanctioning of livelihoods proposal
Preparing project proposals		Team building	Norms for meetings (agenda, quorum, invitees, Minutes)	Norms & Byelaws
Technical skills for livelihood activity identified		Values regarding use of public funds, transparency, accountability	Mobilizing community contribution – in case of infrastructure projects	
		Motivating individuals (counseling) for contribution	Accountability and transparency	
		Democratic decision making in meetings	Documents Maintenance	
			Linkages ▪ PRI ▪ Govt. Line dept. ▪ Suppliers/contractors ▪ Regulatory (tax and legal)	

Strategies for Capacity Building

1. Development of Models
2. Learning by Doing
3. Exposure Visits
4. Engagement of Resource Persons and Agencies
5. Communication
6. Precondition to confirmation
7. Handholding Support
8. Workshops

Capacity Building Programs

S No	Programs	Participants
1.	Induction Programs	Project Staff
2.	Orientation Programs	Direct stakeholders, other stakeholders
3.	Capacity Building on organization processes/ Institutions	All important direct stakeholders
4.	Skill Building Programs	Skills for enhancing the livelihoods of poor – poor, service providers. Managerial skills for community leaders

Various Capacity Building Modules Required

No	Module	Content	Program
1.	Understanding Poverty and Development	Poverty – multi dimensions, coping mechanism, systematic poverty – webs and vicious cycles, indicators for measurement, State and District Status, World Standards Development – definition, process, dimensions of development, approaches for development Delivery – roles state, civil society and markets, functions, evolution and growth of work in all the three over the last few years Government Programs and Policies – their approach, present programs Vulnerability Sensitization – Gender, Disability,	Induction, Orientation, Institution, Sensitization

No	Module	Content	Program
		Tribal, Youth	
2.	Management Skills	Strategic Management Financial Management Marketing Management Project Management Communications and Information Technology	Capacity Building, Skill Building
3.	Institution Building	Community mobilization – process Legal Acts and different forms of institutions Institution Development Systems for the Institutional Requirement Institution rating Bylaws and Business Rules	Capacity Building
5.	Livelihoods	Livelihoods basics, concept, frameworks, Sectors, local economy Livelihood mapping and analysis – tools Livelihoods – sectors and livelihoods – value chains, subsector assessment Livelihood Opportunities, New Livelihood Development Process Enterprises for livelihoods opportunities - management Collective Enterprises for Livelihoods Gender, Tribal, Youth, Disabled, Vulnerable and Environment -Livelihoods Marketing – Backward and Forward Linkages	Induction, Orientation, Capacity Building
6.	Project Management and Values	Project Scope, Objectives, log frame, Outputs, Components, Indicators Project Processes – Community Demand Driven	Induction, Orientation, Capacity Building

No	Module	Content	Program
		Project Values – Development Ethics, Non negotiable, key principles, key indicators – Sustainability, Equity and Productivity Project Budget Implementation Arrangements – structure Project Procedures – Procurement, Accounts, MIS & M&L	
7.	Livelihood Skills	Sectoral requirements Sectoral Understanding and Inputs	Skill Building
8.	Participatory Planning, Process and Research	Participatory Identification of Poor (PIP) Participatory Research – processes, tools Research – methodology, structure, survey process, tools, sampling framework Participatory processes – decision making, planning, monitoring, evaluation, review	Capacity Building
10	Individual Development	Personality development, Career Development Counseling, Mentoring Development Worker Leadership – skills Conflicts, Time Management	Capacity Building
11.	Specific functional Knowledge and Skills	Training Needs Assessment (TNA) and Training of Trainers (TOT) Training specific to Functional Area at cluster, district and state levels	Skill Building and Capacity Building

Monitoring and Evaluating Capacity Building Programs

Following are the indicators/parameters for monitoring and evaluating Capacity Building Programs and they need to be incorporated into the MIS and/or Process Monitoring.

a. Outputs of training programs (numbers)

b. Process Monitoring Parameters (quality)

c. Evaluation (Impact)

Challenges for Capacity Building

1. Quality of the trainers
2. Preparation of the modules in vernacular language
3. Breadth and depth of the capacity building programs

Chapter: 8
Communication Plan

Objectives

The objectives of communications in the project are –

1. To enable all the stakeholders to take informed decisions.
2. To ensure a constant two way communication between stakeholders at the community level and those at the management level
3. To build up partnerships, alignment and support for program objectives and components among all stakeholders – internal and external
4. To create an enabling and facilitating environment for all stakeholders to work jointly towards the desired social change
5. To support the capacity building efforts of the target poorest and poor, vulnerable and youth groups, project staff and functionaries so as to ensure effectiveness.

Communication Needs

The broad categories of the communication needs are –

1. Information flow and exchange need – both internal and external exchange needs for information flow are to be addressed
    a. Internal flow – management information systems, reporting requirements, dissemination of best practices, functional requirements, cross learning, information exchanges and others;
    b. Convergence with capacity-building and monitoring & learning activities especially in terms of sharing resources, material and feedback mechanisms and feedback obtained; and
    c. External flow – related to the transparency and accountability requirements, reporting requirements, dissemination of the project results/processes, policy advocacy.

2. Capacity building requirements – building the capacities of the project functionaries, target poor, poorest, vulnerable, other support agencies and individuals for achieving the required outcomes.
3. Enabling the stakeholders at the community level to identify communication needs within their community and address the same in the most efficient and effective manner.
4. Awareness campaigns and sensitization requirements –
    a. The project will require sensitizing various stakeholders on issues of concern for the rural poor related to the social, livelihood enhancement, rights and entitlements. This will be targeted to the various stakeholders;
    b. Each set of stakeholders have to be clear about its respective role and responsibilities and those of other entities within the project;
    c. Each stakeholder have to internalize the project objectives, approach and strength/benefits of teamwork; and
    d. A strong sense of monitoring and learning among all stakeholders

Strategy for Communication

The various strategies that are to be used by the project to meet the challenge are –

1. Developing cultural teams for communication (among the community)
2. Use of traditional media – traditional media
3. Use of film shows and other Audio-Visual Aids – The appeal of the film shows and other audio-visual aids at the village level is very effective.
4. Use of the state level development communication material
5. Mechanism for continuous identification of needs.
6. Mechanism for learning based on feedback and information exchanges
7. Use of Information Technology (mobile phones, networks)

Communication flow

The various information and communication flows, which need to be facilitated by the communication strategy, plan and activities, are mentioned below:

1. Project to – Community and vice-versa
2. Community to – Community
3. Project to – Project
4. Project to – Resource agencies/teams/persons to – community and vice-versa
5. Resource agency/teams/persons – resource agencies/teams/persons

Activities for Communication Plan

a. *Identification of the participatory communication needs* on a regular basis by directly interacting with various stakeholders, using the other sources of data that will be available at the project level like process monitoring reports and other regular reports of the organization. Communication needs have to be sometimes identified using the participatory processes especially when done with the target poorest and poor.

b. *Development of the communication messages* need to be based on the needs identified also in accordance to the project requirements. The message has to be in line with the principles and non-negotiables of the project.

c. *Identification of the appropriate media* for the various messages so as to ensure that the targeted audience receives the message to be utilized in the various project activities.

d. *Developing the communication material* once the various parameters like the target audience, communication message and media are selected the material is prepared and then later disseminated.

Approach for Developing Communication Tools:

1. Strategy and methodology for preparation of each type of tool, along with anticipated human and financial resources required, will form part of the communication strategy
2. Development of tools based on Socio, economic and cultural context
3. Pre-testing of tools
4. Emphasis on the entertainment-education model
5. All tools must highlight the project logo, slogan or punchline
6. The tools must complement each other to ensure adequate outreach and feedback

Implementation Arrangements

- Communication for Transparency and Accountability

1. Press meets and field tours for press representatives – At the state and district level periodically to disseminate the information on project approach.
2. Periodical release of the progress reports to appraise the achievements of the project
3. Right to information – the target poor women, public in general and their representatives can access the various files and other reports
4. Web based information on the progress and management information system data.
5. Periodical release of Annual reports, case studies and other documents.
6. Progress calendars and other boards indicating progress at the village level to be displayed at Panchayats, PFAs, District and State Units.

Communication Operational Plan Matrix

#	Communication Need	Targeted at	Message	Potential Media	Responsibility
1	About the project	All stake holders and others support agencies	Goals, Objectives, Budget, Process, Timeline, Project Cycle, Outcomes, Results, Key Principles and Non Negotiables	Traditional media – kalajathas, dramas, puppet shows etc Charts, Pamphlets, Brochures, Short documents, Video short films, Presentations, radio and cable tv network	
2	Mobilization of resources	External agencies, Financial Institutions and Funding agencies	Proposals, Progress of the project, Potential funding sites and experiments, About the project, Annual reports and other statements	Internet – web portal, Documents – Case studies, annual reports, presentations, brochures, calendars and others	

#	Communication Need	Targeted at	Message	Potential Media	Responsibility
3.	Livelihood Sectors	Poorest and poor, Service providers, Other technical and support staff, project functionaries, PFTs	Intervention and gaps in the present livelihoods, technological improvements, best practices, present trends, competitiveness	Presentations, Short films, flip charts, brochures, booklets, cultural performances, radio and cable tv network	
6.	Dissemination of project progress and achievements	To all stakeholders including the target poor and Government	Progress reports, MIS data, key outcomes and results	Case Studies, Annual Reports, Progress reports, press notes, short films, brochures, web based data, radio and cable tv network	
7.	Sub project process	Poorest and poor, Service providers, Other technical and support staff, project functionaries	Proposal requirements, appraisal requirements, planning for interventions	Presentations, Short films, flip charts, brochures, radio, cable tv network and booklets. Traditional media – kalajathas,	

#	Communication Need	Targeted at	Message	Potential Media	Responsibility
				dramas, puppet shows etc	
8.	Awareness campaigns and sensitization	Poor, Poorest, Vulnerable, Youth and others in the rural villages	Issues of concern for poor water, sanitation, health, livelihood issues, rights and entitlements	Cultural performances Banners, charts, exhibits, brochures, short films, magic shows, hand bills, posters, cinema slides, radio and cable tv network	
9.	Specific functional requirements	All stakeholders	Related to Institutional Building, Microfinance, Convergence, Vulnerability and youth plans	Traditional media – kalajathas, dramas, puppet shows etc Charts, Pamphlets, Brochures, Short documents, Video short films, Presentations, radio and cable tv network	

#	Communication Need	Targeted at	Message	Potential Media	Responsibility
10	Capacity Building support	All stakeholders	All functional areas	All media options including documents and manuals	

Creating a project communication plan

Ensuring that communication is integrated into a project calendar will increase the likelihood that the project will be implemented successfully. Communication plans are critical for preventing rumors, resentment, surprise, and shock among stakeholders. Designing and executing a project communication plan builds commitment to change by increasing awareness and providing relevant information to those who need it.

An effective communication plan identifies and assesses key audience members who will receive communications, and it addresses the "what" and "how" of communicating. Spending time on the type of messages you want to send will help to ensure that your communication activities are focused and meaningful. Focusing on how to communicate your messages will ensure that you reach your audiences in the most effective way possible. This plan will drive clarity and consistent communication while holding specific people accountable for executing the necessary project communications.

Creating the plan

Start developing your communication plan by reviewing exactly what the improvement project seeks to do (see the charter). Describe the compelling need to change as well as what will change, how and when the changes will occur, and what individuals need to do in order to succeed. This vision statement should guide all the project communication efforts.

Next, work with the project team and sponsor to define the following elements:

1. **Target audience**: Define who needs to be communicated to—individuals as well as groups. Make sure to include the stakeholders identified on the project stakeholder map
2. **Primary message**: This includes the main ideas that need to be communicated or understood by particular stakeholders. Refer back to the vision statement for guidance.
3. **Vehicle**: These are the methods by which primary messages will be communicated. Remember that not all groups are the same. Tailor the communication vehicle to most effectively reach a particular audience. For example, you may want to make a presentation at a quarterly meeting or send a mailing to a particular group of stakeholders.
4. **Frequency**: It is important to define how often a particular message should be communicated. Some stakeholders may need only a quarterly update, while others affected more directly may require a weekly e–mail message.
5. **Timing**: Define the actual points in time that messages should be carried. **Responsibility**: It is critical to determine who on the project team is responsible for executing the message, including vehicle, frequency, and timing, to ensure consistency and accountability.
6. **Feedback mechanism**: Stakeholders will need a way to give feedback to the project team about the effectiveness or appropriateness of the communication. This element asks your project team to define how stakeholders can provide that feedback. For example, you may survey your target audiences or you may simply ask for it directly in real time.

All of these elements should be plugged into the template below and reviewed at each project team meeting to assure progress and verify effectiveness. Remember that a communication plan should be an ever-evolving document.

Communications Plan Template

Key Messages to Communicate:

Category: Message Description:

Target Audience	**Primary Message**	**Vehicle**	**Frequency**	**Timing**	**Responsibility**	**Feedback Mechanism**
Project Sponsor	Project progress update & issues requiring sponsor engagement if any	face to face meeting	Each Friday	10:00am central time	Project leader	face to face meeting

Sample Communications Plan

Document	**Description**	**Recipient**	**Frequency**
Preliminary project concept	Project overview/executive summary	Sponsor	Once at the beginning of the project
Scope definition	Describes project scope, boundaries, budget, requirements, etc.	Sponsor Project Manager All team members Stakeholders	At the beginning of project, and upon changes

Risk management report	Describes project risks with probability/severity matrix, mitigation strategies, and contingency plans	Project Manager Sponsor, as needed	Review weekly throughout project, immediate notification of risk occurrence
Project effort estimate/variances	Describes level of effort required to complete project	Project Manager Functional managers Sponsor	Review weekly Monthly performance reporting
Project time estimate	Describes time required to complete project	Project Manager Sponsor	Review weekly Monthly performance reporting
Project cost estimate	Describes cost required to complete project	Project Manager Sponsor	Review weekly Monthly performance reporting
Work Breakdown Structure(WBS)	Describes activities needed to meet project goals.	Project Manager Project team leads	Review weekly
Project schedule	Created from WBS. Schedules work activities and shows task dependencies	Project Manager Project team leads	Review weekly Monthly performance reporting
Project resource assignment matrix	Defines skill resources assigned to project components	Project Manager Project team leads	Review weekly
Project status report	Scheduled project progress reports	Project Manager Project team leads	Weekly
Project variance report	Reports variances from the project plan (schedule, cost, scope,	Project Manager Project team leads	Immediate notification as required, part of monthly

	resources)	Sponsor	performance reporting
Change request form	Formal request for a variance from the project plan	Project Manager Project team leads Sponsor	As required
Project review document	Evaluates the success or failure of a project	Project Manager Project team leads Project team members Sponsor	End of project as part of project closure
Lessons learned	Documentation of lessons learned throughout the project	Project Manager Project team leads Project team members	End of project as part of project closure

Case-let: WORLP
(Western Orissa Rural Livelihoods Project)
Communication Plan

Introduction

The Western Orissa Rural Livelihoods Project has been working in the districts of Bolangir and Nuapada since 2001/2. There was a need in May 2004 to visit the district and block levels, talk to those who are involved in the direct implementation of the Project and finalise the communications strategy for the Project.

Visit Report

The consulting team visited the offices of the Project Directors, a few PIAs and one watershed in Bolangir and Nuapada districts. They had discussions with several Project and PIA staff members. They also had brainstorming sessions with groups of people in both districts to understand their communication needs. In Kuburimahul village in Deogaon block of Bolangir district the villagers said that the positive effects of the Project in terms of income generation and reduction in the number of migrants were already visible. They did however feel the need for some behaviour change communication. Though literacy levels are low, there are enough people who can read simple Oriya.

In the Project offices in Bolangir and Nuapada the consulting team agreed who would be responsible for communications material, a schedule for specific tasks and their training needs. The content of the newsletters was discussed. They were able to meet some PIAs in both districts and talk to them about their experience in the field, as most of them have been working in the districts for many years. The PIAs were able to tell us what kind of publications work in the community, what information the community needs, how local cultural troupes can be used, what kind of tools and support they needed, their strengths and their problems. The team visited the offices of CARE in Bhubaneswar. CARE has a large network of trained field workers and communication material in the areas of health and micro enterprise, which they say they would be willing to share with WORLP. The team also visited the Indian Institute of Mass Communication in Dhenkanal. Ex-students and faculty members could be a valuable resource for collecting material from the field.

The consultancy team interviewed and identified translators and printers as well as a couple of cultural troupes who work in the villages.

Communication Needs

It was found that for the community, the PIAs and WDTs there is need of variety of communication tools to convey messages to the community. Messages given with a touch of humour are better received.

There were several issues which needed to be covered:

- What is the watershed plus approach of WORLP? What will the Project do for the community?
- How will the Project interventions be sustained by the community after the Project withdraws? How does the community develop ownership? How are they empowered to continue?
- How can resources be developed and utilised in a sustainable way? What are land-based activities for soil and water conservation? What are the modern techniques available?
- What is non-land based activities and income generating activities?
- What are the successes and failures?
- How is WORLP addressing gender, equity and empowerment, health, literacy and social issues?
- What messages does the community wish to convey to the Project?

For Project staff at the district and block levels there was need for a clearer understanding of the Project. It was decided that information should be available in both English and Oriya. Information were given on following issues.

- What is the watershed plus approach of WORLP? What are the goals, objectives, policies and guidelines, fund flow mechanisms of the Project?
- What are the Do's and Don'ts of community mobilisation?
- What happens after the Project withdraws? What are the indicators of sustainability?

- What are the activities of the Project, land based and non-land based?
- What are the staff roles and responsibilities and agreed lines of communication within the Project?

Some of the more general issues are:

- Project staff should share experiences, limitations, challenges, conflict resolution, best practices, new initiatives and lessons through qualitative or subjective reporting.
- New guidelines and circulars must reach the district and block levels without delay.
- Project staff, NGOs and government line departments should communicate with each other regularly.
- Project staff need to strengthen their communication skills – verbal, presentation and written.

Communication tools and outputs: Were identified and scheduled in 3 stages.

They are summed up in this table:

Communication tool	Objective	Output
Stage 1		
AN INTRODUCTION TO WORLP	To provide a broad brush view of WORLP to those who need an introduction to the Project.	English. A glossy publication and a multilayered interactive CD.
WHAT IS WORLP?	To enable the community to understand the philosophy behind the Project and what it means to them.	Oriya. Printed booklet.
INTERNAL NEWSLETTER	To exchange information within the Project and linked organisations.	Separate Oriya and English editions of each issue. Oriya – 200; English – 300. Quarterly.
PERFORMANCE	To spread messages in the community and introduce new concepts.	Natya mandali, Pala, Ghumra, Kirtan mandali, Puppet shows, Daskatia, Dalkhai.
WEBSITE	To strengthen existing website.	English. Project news, information, reports.
PROCESS DOCUMENTATION	To capture the evolving processes of the Project.	English. A series of booklets, illustrated with case studies and photographs.
Stage 2		
COMMUNITY NEWSLETTER	To encourage participation by the primary stakeholders; allow Project staff and the community to communicate; to keep external stakeholders apprised of what is happening at the grass roots level.	Oriya. A4 size. Mainly pictorial with lots of photographs.
FLIP CHARTS AND POSTERS	Low cost aids to be used for behaviour change messages and community mobilisation.	Oriya. Flip charts and posters.
WALL PAINTINGS	To spread important messages to the community.	Oriya. Wall paintings containing messages for the community.
WORKSHOPS	To enable the exchange of information between the stakeholders within the Project and those engaged in similar activities outside the Project.	A series of workshops held at district and state levels.
TECHNICAL NOTES	To introduce new concepts and technologies and help the community to understand them and use them for reference.	Oriya. Small leaflets.
Stage 3		
GUIDELINES FOR PROJECT STAFF	To help Project staff to do their jobs better.	Oriya. Handbooks.
FILMS	1. To build awareness and capacity of the community. 2. To project WORLP's work to the outside world and to influence policy.	Oriya Short films to build awareness and capacity of the community. English and Oriya Project promotional film.
ACTIVITIES FOR CHILDREN	To turn children into the agents of change.	A series of planned activities/competitions.

Problems and constraints:

Communication between the state and the block is slow because of poor physical infrastructure. Some of the field staff is not comfortable with English. Some staff is not clear about their responsibilities. Field staff are in constant touch with the community and are best placed to collect stories from the field, but do not know how to do this. Photographs taken by the staff are not very good quality and do not have captions. Not all field staff have access to cameras. Photographs should be of print quality, and proper storage facilities for audio-visual material are required.

Roles and Responsibilities

Write-Arm will manage the process and produce all agreed communication materials on behalf of WORLP. The Project will have primary responsibility for the content and will have the final authority to approve estimates of work to be done, and to approve the material produced.

Chapter: 9
Strategic Planning

WHAT IS STRATEGIC PLANNING?

Overview

Strategic planning is a management tool, period. As with any management tool, it is used for one purpose only: to help an organization do a better job - to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.

A word by word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process:

The process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments. Being strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment.

The process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and developing an approach to achieving those goals.

The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future.

Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it. Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success.

The strategic planning can be complex, challenging, and even messy, but it is always defined by the basic ideas outlined above - and you can always return to these basics for insight into your own strategic planning process.

Strategic Planning and Long-Range Planning

Although many use these terms interchangeably, strategic planning and long-range planning differ in their emphasis on the "assumed" environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation. In the late fifties and early sixties, for example, the US economy was relatively stable and somewhat predictable, and, therefore, long-range planning was both fashionable and useful.

On the other hand, strategic planning assumes that an organization must be responsive to a dynamic, changing environment (not the more stable environment assumed for long-range planning). Certainly a common assumption has emerged in the nonprofit sector that the environment is indeed changeable, often in unpredictable ways. Strategic planning, then, stresses the importance of making decisions that will ensure the organization's ability to successfully respond to changes in the environment.

Strategic Thinking and Strategic Management

Strategic planning is only useful if it supports strategic thinking and leads to strategic management - the basis for an effective organization. Strategic thinking means asking, "Are we doing the right thing?" Perhaps, more precisely, it means making that assessment using three key requirements about strategic thinking: a definite purpose be in mind; an understanding of the environment, particularly of the forces that affect or impede the fulfillment of that purpose; and creativity in developing effective responses to those forces.

It follows, then, that strategic management is the application of strategic thinking to the job of leading an organization. Dr. Jagdish Sheth, a respected authority on marketing and strategic planning, provides the following framework for understanding strategic management: continually asking the question, "Are we doing the right thing?" It entails attention to the "big picture" and the willingness to adapt to changing circumstances, and consists of the following three elements:

- formulation of the organization's future mission in light of changing external factors such as regulation, competition, technology, and customers
- development of a competitive strategy to achieve the mission

- creation of an organizational structure which will deploy resources to successfully carry out its competitive strategy.

Strategic management is adaptive and keeps an organization relevant. In these dynamic times it is more likely to succeed than the traditional approach of "if it ain't broke, don't fix it."

What Strategic Planning Is Not

Everything said above to describe what strategic planning is can also provide an understanding of what it is not. For example, it is about fundamental decisions and actions, but it does not attempt to make future decisions (Steiner, 1979). Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organization must stay abreast of changes in order to make the best decisions it can at any given point - it must manage, as well as plan, strategically.

Strategic planning has also been described as a tool - but it is not a substitute for the exercise of judgment by leadership. Ultimately, the leaders of any enterprise need to sit back and ask, and answer, "What are the most important issues to respond to?" and "How shall we respond?" Just as the hammer does not create the bookshelf, so the data analysis and decision-making tools of strategic planning do not make the organization work - they can only support the intuition, reasoning skills, and judgment that people bring to their organization.

Finally, strategic planning, though described as disciplined, does not typically flow smoothly from one step to the next. It is a creative process, and the fresh insight arrived at today might very well alter the decision made yesterday. Inevitably the process moves forward and back several times before arriving at the final set of decisions. Therefore, no one should be surprised if the process feels less like a comfortable trip on a commuter train, but rather like a ride on a roller coaster. But even roller coaster cars arrive at their destination, as long as they stay on track!

KEY CONCEPTS AND DEFINITIONS IN STRATEGIC PLANNING?

Values That Support Successful Strategic Planning

The Support Centers of America has adopted the following guiding principles to support its consulting practice in strategic planning. These are self-explanatory and are offered as one way to approach this work.

Successful strategic planning:

- leads to action
- builds a shared vision that is values-based
- is an inclusive, participatory process in which board and staff take on a shared ownership
- accepts accountability to the community
- is externally focused and sensitive to the organization's environment
- is based on quality data
- requires an openness to questioning the status quo
- is a key part of effective management.

What is the difference between strategic planning and long range planning?

The major difference between strategic planning and long range planning is in emphasis. Long range planning is generally considered to mean the development of a plan of action to accomplish a goal or set of goals over a period of several years. The major assumption in long range planning is that current knowledge about future conditions is sufficiently reliable to enable the development of these plans. For example, in the late fifties and early sixties, the American economy was relatively stable and therefore predictable. Long range planning was very much in fashion, and it was a useful exercise. Because the environment is assumed to be predictable, the emphasis is on the articulation of internally focused plans to accomplish agreed upon goals.

The major assumption in strategic planning, however, is that an organization must be responsive to a dynamic, changing environment. Some would argue that this was always the case. Nonetheless, in the nonprofit sector a wide agreement has emerged that the environment is indeed changing in dynamic, and often unpredictable ways. Thus, the emphasis in strategic planning is on understanding how the environment is changing and will change, and in developing organizational decisions which are responsive to these changes.

Difference between purpose, mission, and vision

There is a lot of confusion about these three words in the nonprofit planning literature. For the sake of clarity, the following definitions are used consistently throughout this series of response sheets.

A purpose is an end result, a goal which an organization is seeking to accomplish. Purpose is the answer to the question, "Why does this organization exist?" The answer is to achieve the purpose.

Mission is typically understood as a broader concept. Mission is synonymous with mission statement and includes three major concepts: the purpose (as above), the "business" an organization engages in to achieve this purpose, and a statement of values guiding the accomplishment of the mission.

Finally, vision is the most global concept. A vision is quite literally a mental image of the successful accomplishment of the mission, and thus the purpose of the organization.

What is strategic thinking?

Strategic thinking means asking, "Are we doing the right thing?" It requires three things:

- purpose or end--a strategic thinker is trying to do something
- understanding the environment, particularly of the opponent, or opposing forces, affecting and/or blocking achievement of these ends
- creativity in developing effective responses to the opponent or opposing forces.

What is strategic management?

As you might guess, strategic management is the application of strategic thinking to the job of leading an organization.

Dr. Jagdish Sheth, an expert on marketing and strategic planning suggests that strategic management means continually asking the question, "Are we doing the right thing?" Strategic management is focused on the future within a context of a changing, but relatively predictable environment. Strategic management consists of the following three activities and decisions:

- formulation of the future mission of the organization in light of changing external factors such as regulation, competition, technology and customers;
- development of a competitive strategy to achieve the mission; and
- creation of an organization structure which will deploy resources to successfully carry out its competitive strategy.

It requires attention to the "big picture" and a willingness to adapt to changing circumstances.

Dr. Sheth distinguishes strategic management from two other approaches to management, a tradition-driven approach and an operations-driven approach. A tradition-driven approach is characterized by the saying "if it ain't broke, don't fix it," and is focused on past practices. The tradition-driven approach works best in a non-changing environment. An operations-driven approach asks, "Did we do things right?" It is focused on current practices and works best in a highly volatile environment.

Key Definitions

Strategic

In the dictionary, the word strategy has to do with war and deception of an enemy. In nonprofit management, strategy has to do with responding to a dynamic and often hostile environment in pursuit of a public service mission. Thinking strategically thus means being informed and consciously responsive to this dynamic environment.

Planning

Strategic planning is planning because it involves intentionally setting goals (choosing a desired future) and developing an approach to achieving those goals.

Fundamental

Because it is impossible to do everything, strategic planning implies that some decisions and actions are more important than others. The most important decisions have to do with what an organization is and why it exists; the most important actions have to do with what it does. On the other hand, strategic thinking is deciding on and carrying out the fundamental, or most important actions.

Disciplined

Discipline highlights the relationship between the different steps in strategic planning. Mission depends on environment; which actions are most important are determined by assessing strengths and weaknesses, opportunities and threats. Strategic planning is also disciplined in that there is a sequence of questions typically raised to examine experience and test assumptions, gather and make use of information about the present, and try to anticipate the future environment the organization will be working in.

Decision Making

Strategic planning is based on decision making because in order to answer the questions raised in the structured planning process, choices must be made. The plan ultimately is no more, and no less, than a set of decisions about what to do, how to do it and why to do it.

Long Range Plan

Long range is the longest time period for which it makes sense to make plans. The time period varies from organization to organization: the Social Security Administration must plan for the retirement of today's babies sixty five years from now; high tech computer companies are putting out new products every six months. For most nonprofit organizations, a 3-5 year timeframe is appropriate for meaningful long range planning. Three year plans work well for most nonprofits, taking into consideration the fast pace of change (technology, political and economic environment, internal realities, and community conditions). Five year plans may be more appropriate for those organizations with extensive physical plant or very large service constituencies, such as schools, colleges, universities and hospitals.

Operating Plan

Operating plans are the detailed action plans to accomplish the strategic goals laid out in the strategic plan. An organization should have operating plans for each major organizational unit and correspond to its fiscal year. In addition, an organization may need operating plans which correspond to grant cycles or longer, or cycles that differ from the fiscal year. Each is important.

Strategic Management

The concept of strategic planning implies managing, day to day and month to month, in a way that focuses on the most important decisions and actions. This requires the kind of longer term perspective and priorities which result from a strategic plan. This concept also incorporates the assumption that the environment is always changing: thus, strategic management requires ongoing reassessment of current plans in light of long term priorities.

Inclusive Process

An inclusive process means that people who have a stake in the work of your organization participate in the planning process in an appropriate way. This does not mean that every client, funder, volunteer and staff member must come to a joint consensus about what to do. It does mean that these interested individuals have a chance to be heard by the decision makers.

What are the basic steps in a strategic planning process?

Strategic Planning Model

Many books and articles describe how best to do strategic planning, and many go to much greater lengths than this planning response sheet, but our purpose here is to present the fundamental steps that must be taken in the strategic planning process. Below is a brief description of the five steps in the process. These steps are a recommendation, but not the only recipe for creating a strategic plan; other sources may recommend entirely different steps or variations of these steps. However, the steps outlined below describe the basic work that needs to be done and the typical products of the process. Thoughtful and creative planners will add spice to the mix or elegance to the presentation in order to develop a strategic plan that best suits their organization!

Step One - Getting Ready

To get ready for strategic planning, an organization must first assess if it is ready. While a number of issues must be addressed in assessing readiness, the determination essentially comes down to whether an organization's leaders are truly committed to the effort, and whether they are able to devote the necessary attention to the "big picture". For example, if a funding crisis looms, the founder is about to depart, or the environment is turbulent, then it does not make sense to take time out for strategic planning effort at that time.

An organization that determines it is indeed ready to begin strategic planning must perform five tasks to pave the way for an organized process:

- identify specific issues or choices that the planning process should address
- clarify roles (who does what in the process)
- create a Planning Committee
- develop an organizational profile
- identify the information that must be collected to help make sound decisions.

The product developed at the end of the Step One is a Workplan.

Step Two - Articulating Mission and Vision

A mission statement is like an introductory paragraph: it lets the reader know where the writer is going, and it also shows that the writer knows where he or she is going. Likewise, a mission statement must communicate the essence of an organization to the reader. An organization's ability to articulate its mission indicates its focus and purposefulness. A mission statement typically describes an organization in terms of its:

- Purpose - why the organization exists, and what it seeks to accomplish
- Business - the main method or activity through which the organization tries it fulfill this purpose
- Values - the principles or beliefs that guide an organization's members as they pursue the organization's purpose

Whereas the mission statement summarizes the what, how, and why of an organization's work, a vision statement presents an image of what success will look like. For example, the mission statement of the Support Centers of America is as follows:

The mission of the Support Centers of America is to increase the effectiveness of the nonprofit sector by providing management consulting, training and research. Our guiding principles are: promote client independence, expand cultural proficiency, collaborate with others, ensure our own competence, act as one organization.

We envision an ever increasing global movement to restore and revitalize the quality of life in local communities. The Support Centers of America will be a recognized contributor and leader in that movement.

With mission and vision statements in hand, an organization has taken an important step towards creating a shared, coherent idea of what it is strategically planning for.

At the end of Step Two, a draft mission statement and a draft vision statement is developed.

Step Three - Assessing the Situation

Once an organization has committed to why it exists and what it does, it must take a clear-eyed look at its current situation. Remember, that part of strategic planning, thinking, and management is an awareness of resources and an eye to the future environment, so that an organization can successfully respond to changes in the environment. Situation assessment, therefore, means obtaining current information about the organization's strengths, weaknesses, and performance - information that will highlight the critical issues that the organization faces and that its strategic plan must address. These could include a variety of primary concerns, such as funding issues, new program opportunities, changing regulations or changing needs in the client population, and so on. The point is to choose the most important issues to address. The Planning Committee should agree on no more than five to ten critical issues around which to organize the strategic plan.

The products of Step Three include: a data base of quality information that can be used to make decisions; and a list of critical issues which demand a response from the organization - the most important issues the organization needs to deal with.

Step Four - Developing Strategies, Goals, and Objectives

Once an organization's mission has been affirmed and its critical issues identified, it is time to figure out what to do about them: the broad approaches to be taken (strategies), and the general and specific results to be sought (the goals and objectives). Strategies, goals, and objectives may come from individual inspiration, group discussion, formal decision-making techniques, and so on - but the bottom line is that, in the end, the leadership agrees on how to address the critical issues.

This can take considerable time and flexibility: discussions at this stage frequently will require additional information or a reevaluation of conclusions reached during the situation assessment. It is even possible that new insights will emerge which change the thrust of the mission statement. It is important that planners are not afraid to go back to an earlier step in the process and take advantage of available information to create the best possible plan.

The product of Step Four is an outline of the organization's strategic directions - the general strategies, long-range goals, and specific objectives of its response to critical issues.

Step Five - Completing the Written Plan

The mission has been articulated, the critical issues identified, and the goals and strategies agreed upon. This step essentially involves putting all that down on paper. Usually one member of the Planning Committee, the executive director, or even a planning consultant will draft a final planning document and submit it for review to all key decision makers (usually the board and senior staff). This is also the time to consult with senior staff to determine whether the document can be translated into operating plans (the subsequent detailed action plans for accomplishing the goals proposed by the strategic plan) and to ensure that the plan answers key questions about priorities and directions in sufficient detail to serve as a guide. Revisions should not be dragged out for months, but action should be taken to answer any important questions that are raised at this step. It would certainly be a mistake to bury conflict at this step just to wrap up the process more quickly, because the conflict, if serious, will inevitably undermine the potency of the strategic directions chosen by the planning committee.

The product of Step Five is a strategic plan!

PRE-PLANNING STAGE

The following addresses the concerns of the pre-planning stage. This stage is divided into three phases, each addressing different issues and questions. They are:

A. To plan or not to plan
B. The level of planning
C. Once the decision to plan has been made

A) To Plan or Not to Plan

The Benefits of Planning

Planning consumes resources, a precious commodity for all nonprofits. As a process that eventually defines the direction and activities of the organization, it can be an overwhelming and daunting task. Despite the overwhelming nature of the process, the benefits of planning can far outweigh the hardships.

There are benefits to be gained from the actual planning process, as well as from the final planning document. The very activities that nonprofit staff and boards conduct as part of the planning process empower them to be more effective in their roles-more informed leaders, managers, and decision makers. In addition, the final planning document becomes a tool that can be used to effectively and efficiently manage the organization.

The time devoted to the planning process varies from organization to organization and depends on the resources available to devote to the process. Whether you decide to devote only a two day retreat to the process or engage in a twelve month process, your organization will begin to realize the benefits from the start. Some of the fundamental benefits to the planning process and the development of the final plan include:

- a framework and a clearly defined direction that guides and supports the governance and management of the organization
- a uniform vision and purpose that is shared among all constituencies
- an increased level of commitment to the organization and its goals
- improved quality of services for clients and a means of measuring the service
- a foundation for fund raising and board development
- the ability to set priorities and to match resources to opportunities
- the ability to deal with risks from the external environment and
- a process to help with crisis management

Prerequisites for Planning:

Key Factors that must be in Place before Beginning the Planning Process

As with any major effort, a planning process has its proper time and place in the organization. There are certain organizational elements that must be in place in order to ensure that the planning process will provide the maximum benefit to the organization. It is important to be candid when assessing the organization's readiness to engage in the planning process. Even if you get half way through the planning process before you realize that the organization is not ready, stop and remedy the situation before continuing with the process. Unfortunately, many organizations plan when the organization is not ready. They always have an unsatisfactory planning process and subsequent results. Make sure the following elements are addressed before making the commitment to plan:

- a commitment of active and involved leadership, with continuous leadership engaged throughout the planning process
- a resolution of major crises that may interfere with the long range thinking during, commitment to, and participation in the planning process (e.g., insufficient funds for the next payroll, the organization is not operating legally, etc.)
- a board and staff that are not embroiled in extreme, destructive conflict

  a board and staff who understand the purpose of planning and what it can and cannot accomplish, as well as consensus about expectations
- a commitment of resources to adequately assess current programs and the ability to meet current and future client needs and
- a willingness to question the status quo and to look at new approaches to performing and evaluating the "business" of the organization

B. Level of Planning

As with any other organizational effort, you can do a little planning or a lot of planning. "Enough planning" is when your organization's leadership understands and has consensus about a clear organizational direction.

Planning Resource Requirements

As a nonprofit organization, it is critical to examine what needs you are attempting to address from the planning process and the resources available to engage in the process. It is safe to assume that an organization can expect more benefits from a more informed, more resource intensive process.

The key resources required for planning are staff time, board time, and dollars (e.g., market research, consultants, etc.). Specific examples of time resources consumed by the planning process might include time spent:

- collecting and analyzing environmental information
- engaging key stakeholders
- gathering historical financial information, projecting future budgets, and cash flow projections and
- analyzing options and consequences for potential organizational and program strategies.

The amount of resources, time, and money spent on planning should reflect the complexity of the issues you are addressing and the availability of information and resources. Resource requirements will vary for every organization.

The Role of an External Consultant

For an organization with little or no experience in planning, an external consultant can enhance the planning process by providing the following services:

- Facilitating of retreats, meetings and the planning process as a whole: The use of a consultant to serve as the "conversation traffic cop" is one method of ensuring that good ideas do not get lost in the emotion of the process or personality of the participants. A consultant can work with an organization to minimize planning barriers that impact effectiveness, using his or her experience as a source of tried and true processes.

- Training in planning information and processes: It is critical for everyone involved in the planning process to be speaking the same language and using the same planning tools. External consultants can provide that conduit of information flow and education.

- Providing an objective and different perspective in the process: As an outsider to the organization, the consultant can ask questions and challenge existing traditions, assumptions, and routines more objectively than staff and board members. Often planners do not realize that they are using jargon or have made certain assumptions about their constituency. Having an outside consultant participate in the planning process helps ensure that organizations stay true to one of the prerequisites of engaging in the planning process, the willingness to question the status quo.

- The process expert role: The consultant who has facilitated and conducted many strategic planning processes can provide significant information and advice on tools and processes that can best accomplish your process and content goals.

For a more extensive discussion of the role of the outside consultant, refer to FAQ 14 in this series, *Should I Use an External Consultant?*

Once the Decision to Plan Has Been Made

The planning process is like any other process, it needs to be managed. People have many expectations when they hear the word planning. It is important to make sure that everyone is operating from the same set of expectations and knowledge base. Organizations often train key board and staff members in process and planning language before embarking on the planning process.

Large groups of individuals are not conducive to the creation of documents and quick decision making. They are more suited to producing feedback, ideas, and suggestions about existing documents or modifying draft decisions after the initial analysis has been completed. A strategic planning committee is one tool that is used to focus the energies and responsibilities of the process. The planning committee spearheads the process, serving as the quarterback of the team, but it does not take sole responsibility for all decision making and all the nuts and bolts work.

It is also important to identify the potential information needs of the process. Key decisions will be made during planning. In order for these decisions to be high quality, decision analysts and decision makers need to have appropriate financial, program, and client information.

Another tool used in the management of the planning process is a work plan, or a plan to plan. It is an outline of the steps and activities that will take place during the planning process. The plan specifies the tasks, outcomes, resources to be expended (time and financial), and the person(s) responsible in each of the phases in the process.

Steps to Prepare for Planning

The following items summarize the steps necessary to prepare for the planning process:

- Obtain a formal commitment to conduct planning, including education of board and staff, if necessary

- Select a strategic planning committee of no more than five to seven people, a combination of visionaries and "actionaries," or a planning liaison to spearhead the process
- Develop a workplan or a plan to plan that outlines who is responsible for each outcome and time frames

Consider the adequate level of resources (dollars and time) required to conduct an appropriate planning process.

When to Develop Strategies

Strategy development follows the creation and affirmation of the organization's purpose statement, environmental and program data collection and analysis, and identification of critical issues. It is critical that strategy development follow these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection

Each of these steps provides the following:

- The purpose statement, the statement of the organization's ultimate goal, provides the direction to which the strategies should ultimately lead.
- External market data and program evaluation results provide critical data to support strategy development. Without this information and insight, the organization's strategies will not be in alignment with or effective in the marketplace.
- The critical issues list serves as the specific focus and framework for the activities of the organization and the pattern of these activities (developing and selecting the strategies).

How to Develop Strategies

Strategy formulation is a combination of rational, scientific examinations and educated, intuitive best guesses. Many individuals are overwhelmed by the idea of developing strategies, but it can be a fun and invigorating process. The process entails:

- examining the organization's critical issues
- determining how the organization's strengths and skills can be employed to address the critical issues
- analyzing opportunities and strengths and looking for ways to synthesize the two
- exploring and choosing the best approaches for the organization.

During this evaluation ask these key questions: Does the strategy meet/address critical issues? Is this aligned with our mission? Is this approach financially viable?

One effective method of strategy generation is to list critical issues and organizational strengths onto flipcharts and then have staff or board members brainstorm possible uses of those strengths or other skills to address the critical issues. Once the brainstorm session is completed, use a roundtable discussion to investigate and evaluate the possible strategies. Remember to develop a list of alternative strategies to investigate and keep in the contingency planning file.

It is important not to discount the ideas that come to people during non-working hours. The Polaroid camera is the result of a three year old's question to her father: "Dad, why can't I see the picture now?"

Strategy of Development Tools

A number of analytical tools have been developed to assist organizations with the planning process. Many nonprofit organizations have adapted these tools, modifying the questions and criteria to align with their own specific services and markets. Listed below are analytical tools frequently used by nonprofit and for-profit organizations.

SWOT Analysis

SWOT analysis is a methodology of examining potential strategies derived from the synthesis of organizational strengths, weaknesses, opportunities and threats (SWOT). The partnering of the different elements and the extensive data collected as a result of the analysis can serve as a spark for roundtable discussions and refinement of current strategies or generation of new strategies.

The MacMillan Matrix

This strategy grid, developed by Dr. Ian MacMillan, is specifically designed to assist nonprofit organizations to formulate organizational strategies. There are three assumptions underlying this approach:

- the need for resources is essentially competitive and all agencies wanting to survive must acknowledge this dynamic
- given that resources are scarce, there is no room for direct duplication of services to a single constituency -- this is wasteful and inefficient
- mediocre or low quality service to a large client population is less preferable to delivering higher quality services to a more focused population.

These assumptions have implications that are difficult and painful for many organizations and individuals. It might mean terminating some programs to improve core services and competencies, giving programs and clients to more efficient, effective agencies, or competing aggressively with those programs that are less effective or efficient.

MacMillan's matrix examines four program dimensions that guide placement on the strategy grid and indicate implied strategies.

Alignment with Mission Statement

Services or programs that are not in alignment with the organizational mission, unable to draw on existing organizational skills or knowledge, unable to share resources, and/or unable to coordinate activities across programs should be divested.

Competitive Position

Competitive position addresses the degree to which the organization has a stronger capability and potential to fund the program and serve the client base than the competitive agencies.

Program Attractiveness

Program attractiveness is the complexity associated with managing a program. Programs that have low client resistance, a growing client base, easy exit barriers, and stable financial resources are considered simple or "easy to administer." The level of program attractiveness also includes an economic perspective or a review of current and future resource investments.

Alternative Coverage

Alternative coverage is the number of other organizations attempting to deliver or succeeding in delivering a similar program in the same region to similar constituents.

The MacMillan Matrix provides ten cells in which to place programs that have been reviewed in terms of these four dimensions. Each cell is assigned a strategy that directs the future of the program(s) listed in the cell (e.g., aggressive competition, joint venture, orderly divestment, etc.). One cell of the matrix, "Soul of the Agency," requires additional explanation. These are the difficult programs for which the organization is often the clients' "last, best hope." Management must find ways to use the programs in other cells to develop, piggyback, subsidize, leverage, promote, or otherwise support the programs in this category.

Additional Strategies for Your Organization

Listed below are several strategies applicable to both the organizational and program levels, adapted from Philip Kotler's *Strategic Marketing for Nonprofit Organizations.* From a social need and services perspective, some are more desirable than others.

Surplus Maximization

An agency runs its organization in a manner that increases the amount of resources on hand. Usually this strategy is adopted to accumulate resources for expansion or growth.

Revenue Maximization

An agency manages its organization to generate the highest possible revenues, perhaps in an effort to establish a reputation or critical mass.

Usage Maximization

An agency works to serve the highest number of users of their services. This strategy can be used to position the organization or program for funding or budgetary purposes.

Usage Targeting

An agency provides services in a manner that encourages serving a specific number or type of constituents. This strategy is used to address unmet needs of specific populations or to cover the costs associated with providing services.

Full Cost Recovery

An agency manages its programs and services so that it financially breaks even, providing as much service as the finances will allow. Many nonprofits adopt this strategy in an effort to provide services without entering fiscal crisis.

Partial Cost Recovery

An organization operates with a chronic deficit every year, providing services that are critical and cannot be provided at a breakeven level of costs (e.g., mass transit or the Post Office). These organizations rely on public and private foundations, individuals, and governments to cover the annual deficit.

Budget Maximization

An agency maximizes the size of its staff, services, and operating expenditures regardless of revenue/cost levels. Organizations that are concerned with reputation and the impact of trimming services or infrastructure on that reputation employ this strategy.

Producer Satisfaction Maximization

An organization operates towards a goal of satisfying the personal/professional needs of a founder, staff, or board of directors rather than the established needs of external clients and customers.

Fees for Service

An organization provides services to clients for a fee. The fee is typically below market rates and does not cover the full cost of providing the services.

New Revenue Strategies

An organization uses direct marketing activities designed to generate new sources of revenue from specific funders. Examples include starting a new service or program, approaching a new funder, changing the way services are provided, or setting up a profit making venture.

Legitimization Strategies

An organization works to communicate to the community that it is conforming to existing standards and norms - that it is a legitimate and worthy participant in the sector. Examples include adapting services to funder priorities, contributing non cash or cash resources to other nonprofit organizations, or seeking endorsements or board participation from prominent individuals.

Retrenchment Strategies

An organization emphasizes efforts to reduce internal costs to offset the potential or real loss of revenues or grant monies. Examples include increasing staff workloads, increasing use of part time or volunteer staff, eliminating services or programs, or reducing non-fixed expenses such as training or supplies.

WHAT SHOULD A STRATEGIC PLAN INCLUDE?

The end is in sight! Now that everyone has had a chance to contribute their ideas, the options have been wrestled with, the choices have been made, and the details worked out, all that remains is to commit the ideas to paper and make it official.

The Draft and Review Process

First of all, who actually writes the plan? Remember that writing is done most efficiently by one or two individuals, not by a whole group - the writer simply crafts the presentation of the group's ideas. Often an executive director will draft the plan, or the task may be delegated to a staff person, board member, or a consultant who has been working with the planning committee. In the end, it really does not matter who writes the strategic plan; what matters is that it accurately documents the decisions made, that it represents a shared vision, and that it has the support of those responsible for carrying it out.

That is why the process of review and approval is the most important consideration in this step - much more so than who does the writing. The planners should decide in advance who may review and respond to the draft plan; obviously committee members will participate in the review process, but should the full board and the full staff? The guiding principle of participation in the strategic planning process is that everyone who will help execute the plan should have some input into shaping it; whether or not this includes review of the final drafts of the plan is a judgment call that really depends upon the particular circumstances of an organization.

Ideally, the big ideas have been debated and resolved, so that revisions only amount to small matters of adding detail, revising format, or changing some wording in a particular section. Still, if reviewers get bogged down in crossing too many t's and dotting too many i's, the plan could linger in draft form forever. The planning committee must exercise leadership in setting a realistic time frame for the review process and in bringing the process to a timely close: the committee needs to choose the level of review appropriate for the organization, provide copies for review to the selected individuals, and set a deadline for submitting feedback (usually allowing one to two weeks is sufficient). Upon receiving all the feedback, the committee must agree on which suggested revisions to accept, incorporate these into the document, and submit the strategic plan to the full board of directors for approval.

Standard Format for a Strategic Plan

A strategic plan is a simply a document that summarizes, in about ten pages of written text, why an organization exists, what it is trying to accomplish, and how it will go about doing so. Its "audience" is anyone who wants to know the organization's most important ideas, issues, and priorities: board members, staff, volunteers, clients, funders, peers at other organizations, the press, and the public. It is a document that should offer edification and guidance - so, the more concise and ordered the document, the greater the likelihood that it will be useful, that it will be used, and that it will be helpful in guiding the operations of the organization. Below is an example of a common format for strategic plans, as well as brief descriptions of each component listed, which might help writers as they begin trying to organize their thoughts and their material. This is just an example, however, not the one and only way to go about this task. The point of the document is to allow the best possible explanation of the organization's plan for the future, and the format should serve the message.

TABLE OF CONTENTS

The final document should include a table of contents. These are the sections commonly included in a strategic plan:

I. Introduction by the President of the Board

A cover letter from the president of the organization's board of directors introduces the plan to readers. The letter gives a "stamp of approval" to the plan and demonstrates that the organization has achieved a critical level of internal agreement. (This introduction is often combined with the Executive Summary below.)

II. Executive Summary

In one to two pages, this section should summarize the strategic plan: it should reference the mission and vision; highlight the long-range goals (what the organization is seeking to accomplish); and perhaps note the process for developing the plan, as well as thank participants involved in the process. From this summary, readers should understand what is most important about the organization.

III. Mission and Vision Statements

These statements can stand alone without any introductory text, because essentially they introduce and define themselves.

IV. Organization Profile and History

In one or two pages, the reader should learn the story of the organization (key events, triumphs, and changes over time) so that he or she can understand its historical context (just as the planning committee needed to at the beginning of the planning process).

V. Critical Issues and Strategies

Sometimes organizations omit this section, choosing instead to "cut to the chase" and simply present goals and objectives. However, the advantage of including this section is that it makes explicit the strategic thinking behind the plan. Board and staff leaders may refer to this document to check their assumptions, and external readers will better understand the organization's point of view. The section may be presented as a brief outline of ideas or as a narrative that covers several pages.

VI. Program Goals and Objectives

In many ways the program goals and objectives are the heart of the strategic plan. Mission and vision answer the big questions about why the organization exists and how it seeks to benefit society, but the goals and objectives are the plan of action - what the organization intends to "do" over the next few years. As such, this section should serve as a useful guide for operational planning and a reference for evaluation. For clarity of presentation, it makes sense to group the goals and objectives by program unit if the organization has only a few programs; if some programs are organized into larger program groups (e.g., Case Management Program in the Direct Services Program Group), the goals and objectives will be delineated at both the group level and the individual program level.

VII. Management Goals and Objectives

In this section the management functions are separated from the program functions to emphasize the distinction between service goals and organization development goals. This gives the reader a clearer understanding both of the difference and the relationship between the two sets of objectives, and enhances the "guiding" function of the plan.

VIII. Appendices

The reason to include any appendices is to provide needed documentation for interested readers. Perhaps no appendices are truly necessary (many organizations opt for brevity). They should be included only if they will truly enhance readers' understanding of the plan, not just burden them with more data or complicating factors.

How do we increase our chances of implementing our strategic plan?

Organizations and their leadership are often reluctant to commit time and resources to a planning process because of the fear of the plan "ending up on the shelf." This article addresses a key question regarding the strategic plan: What can I do to ensure the plan does not end up on the shelf?

There are three areas that must be addressed to ensure that the planning process and resulting strategic plan are valuable and useful for the organization:

- The process that is used to develop the plan can guarantee success or failure. Credibility and ease of use are often direct results of how the plan was created.

- The format of the plan will influence how and when people use the document in the workplace. Complex, outdated documents are doomed to remain on the shelf.
- Management's use and respect for the plan influences the acceptance for the rest of the staff and board members. There is no reason for program directors to refer to established goals and objectives if the executive director does not.

ENSURING THE PLAN HAS IMPACT

During the strategic planning process, it is important to include the following process, content, and usage elements to ensure the usefulness of the strategic plan to the organization.

Process Elements

Engage leadership

Include the informal and formal organizational leaders when conducting a process. Active involvement communicates a message of organizational importance and priority.

Work from a common understanding

Provide training on the process and establish a list of expectations and results to ensure that everyone is working towards the same outcomes.

Include individuals who will implement plan

Encourage all levels of staff to contribute to the process. Involving these individuals will ensure that the plan is realistic and help motivate staff to implement the plan.

Address critical issues for the organization

Failure or unwillingness to put these critical issues on the table for discussion and resolution might lead staff to implicitly or explicitly challenge the credibility of the plan, its priorities, and/or its leadership.

Agree on how the plan will be operationalized
Specify who will implement which parts of the plan, scheduling routine evaluation meetings to review progress.

Content Elements

Include an internal and external focus
Remember to address structural, board/staff development, and communication issues in your plan.

Do not get too detailed
Use the strategic plan to articulate the broad framework, direction and, priorities of the organization and its programs. Extremely specific plans become quickly outdated and end up on the shelf.

Create a balance between the dream and reality
Ensure that your plan is grounded in the reality of what can and cannot be accomplished.

Keep language, concepts and format simple
Make sure that the language is easy to understand, especially for those that are unfamiliar with your organization. Structure the document so that it is user friendly.

Usage Elements

Actively use the plan as a management tool
Actively using the plan for short-term guidance and decision making will establish a model for use.

Incorporate sections of the plan in everyday management

Formalize the usage of the plan into the day-to-day activities of the organization. For example, one organization reads the mission statement at the opening of every business meeting to remind the membership of the organization's focus and purpose. In another organization, the executive director requires that all ideas for program changes or expansion directly address how the changes relate to the organization's mission.

Organize the work of the organization in the context of the plan

Establish operational goals and activities within the context of the strategic plan (e.g., include goals and objectives in individual and program evaluations or have program directors refer to the plan to provide guidance in decision making).

Design a system for controlling the process

Ensure that there are mechanisms (e.g., evaluation meetings, monthly reports against plan) to inform management on progress.

By employing the strategies listed above, you can be sure that the effort you put into the strategic planning process will direct your organization and become a useful tool to both management and staff.

STRATEGIC PLANNING MODELS

There is no one perfect strategic planning model for each organization. Each organization ends up developing its own nature and model of strategic planning, often by selecting a model and modifying it as they go along in developing their own planning process. The following models provide a range of alternatives from which organizations might select an approach and begin to develop their own strategic planning process. Note that an organization might choose to integrate the models, e.g., using a scenario model to creatively identify strategic issues and goals, and then an issues-based model to carefully strategize to address the issues and reach the goals.

The following models include: “basic” strategic planning, issue-based (or goal-based), alignment, scenario, and organic planning.

Model One - “Basic” Strategic Planning

This very basic process is typically followed by organizations that are extremely small, busy, and have not done much strategic planning before. The process might be implemented in year one of the nonprofit to get a sense of how planning is conducted, and then embellished in later years with more planning phases and activities to ensure well-rounded direction for the nonprofit. Planning is usually carried out by top-level management. The basic strategic planning process includes:

1. **Identify your purpose (mission statement)** - This is the statement(s) that describes why your organization exists, i.e., its basic purpose. The statement should describe what client needs are intended to be met and with what services, the type of communities are sometimes mentioned. The top-level management should develop and agree on the mission statement. The statements will change somewhat over the years.

2. **Select the goals your organization must reach if it is to accomplish your mission** - Goals are general statements about what you need to accomplish to meet your purpose, or mission, and address major issues facing the organization.

3. **Identify specific approaches or strategies that must be implemented to reach each goal** - The strategies are often what change the most as the organization eventually conducts more robust strategic planning, particularly by more closely examining the external and internal environments of the organization.

4. **Identify specific action plans to implement each strategy** - These are the specific activities that each major function (for example, department, etc.) must undertake to ensure it's effectively implementing each strategy. Objectives should be clearly worded to the extent that people can assess if the objectives have been met or not. Ideally, the top management develops specific committees that each have a work plan, or set of objectives.

5. **Monitor and update the plan** - Planners regularly reflect on the extent to which the goals are being met and whether action plans are being implemented. Perhaps the most important indicator of success of the organization is positive feedback from the organization's customers.

Note that organizations following this planning approach may want to further conduct step 3 above to the extent that additional goals are identified to further developing the central operations or administration of the organization, e.g., strengthen financial management.

Model Two - Issue-Based (or Goal-Based) Planning

Organizations that begin with the "basic" planning approach described above, often evolve to using this more comprehensive and more effective type of planning. The following table depicts a rather straightforward view of this type of planning process.

Summary of Issue-Based (or Goal-Based) Strategic Planning

(Note that an organization may not do all of the following activities every year.)

1. External/internal assessment to identify "SWOT" (Strengths and Weaknesses and Opportunities and Threats)
2. Strategic analysis to identify and prioritize major issues/goals
3. Design major strategies (or programs) to address issues/goals
4. Design/update vision, mission and values(some organizations may do this first in planning)

5. Establish action plans (objectives, resource needs, roles and responsibilities for implementation)
6. Record issues, goals, strategies/programs, updated mission and vision, and action plans in a Strategic Plan document, and attach SWOT, etc.
7. Develop the yearly Operating Plan document(from year one of the multi-year strategic plan)
8. Develop and authorize Budget for year one(allocation of funds needed to fund year one)
9. Conduct the organization's year-one operations
10. Monitor/review/evaluate/update Strategic Plan document

Model Three - Alignment Model

The overall purpose of the model is to ensure strong alignment among the organization's mission and its resources to effectively operate the organization. This model is useful for organizations that need to fine-tune strategies or find out why they are not working. An organization might also choose this model if it is experiencing a large number of issues around internal efficiencies. Overall steps include:

1. The planning group outlines the organization's mission, programs, resources, and needed support.

2. Identify what's working well and what needs adjustment.

3. Identify how these adjustments should be made.

4. Include the adjustments as strategies in the strategic plan.

Model Four - Scenario Planning

This approach might be used in conjunction with other models to ensure planners truly undertake strategic thinking. The model may be useful, particularly in identifying strategic issues and goals.

1. Select several external forces and imagine related changes which might influence the organization, e.g., change in regulations, demographic changes, etc. Scanning the newspaper for key headlines often suggests potential changes that might effect the organization.

2. For each change in a force, discuss three different future organizational scenarios (including best case, worst case, and OK/reasonable case) which might arise with the organization as a result of each change. Reviewing the worst-case scenario often provokes strong motivation to change the organization.

3. Suggest what the organization might do, or potential strategies, in each of the three scenarios to respond to each change.

4. Planners soon detect common considerations or strategies that must be addressed to respond to possible external changes.

5. Select the most likely external changes to effect the organization, e.g., over the next three to five years, and identify the most reasonable strategies the organization can undertake to respond to the change.

Model Five - “Organic” (or Self-Organizing) Planning

Traditional strategic planning processes are sometimes considered “mechanistic” or “linear,” i.e., they’re rather general-to-specific or cause-and-effect in nature. For example, the processes often begin by conducting a broad assessment of the external and internal environments of the organization, conducting a strategic analysis (“SWOT” analysis), narrowing down to identifying and prioritizing issues, and then developing specific strategies to address the specific issues.

Another view of planning is similar to the development of an organism, i.e., an “organic,” self-organizing process. Certain cultures, e.g., Native American Indians, might prefer unfolding and naturalistic “organic” planning processes more than the traditional mechanistic, linear processes. Self-organizing requires continual reference to common values, dialoguing around these values, and continued shared reflection around the systems current processes. General steps include:

1. Clarify and articulate the organization's cultural values. Use dialogue and story-boarding techniques.

2. Articulate the group's vision for the organization. Use dialogue and story-boarding techniques.

3. On an ongoing basis, e.g., once every quarter, dialogue about what processes are needed to arrive at the vision and what the group is going to do now about those processes.

4. Continually remind yourself and others that this type of naturalistic planning is never really "over with," and that, rather, the group needs to learn to conduct its own values clarification, dialogue/reflection, and process updates.

5. Be very, very patient.

6. Focus on learning and less on method.

7. Ask the group to reflect on how the organization will portray its strategic plans to stakeholders, etc., who often expect the "mechanistic, linear" plan formats.

Chapter: 10
Logical Framework Analysis

"Logical framework was first developed for the US AID at he end of 1960s. Later this method was further developed by UN agencies and the German Agency for Technical Cooperation (GTZ). The GTZ called this method ZOPP.

ZOPP is the acronym of the German term:
Ziel – objective
Orientierte – oriented
Projekt – project
Planung – planning

What is LFA?
The logical framework (or logframe) approach is an analytical tool for objective-oriented project planning and management. It is a tool for improving the quality of projects. It is only one of several tools to be used during project preparation, implementation and evaluation.

Advantages of the Logical Framework
The Logical Framework has the following advantages:

- It brings together in one place a statement of all the key components of a project (this is particularly helpful when there is a change of staff)
- It presents them in a systematic, concise and coherent way, thus clarifying and exposing the logic of how the project is expected to work
- It separates out the various levels in the hierarchy of objectives, helping to ensure that inputs and outputs are not confused with each other or with objectives and that wider ranging objectives are not overlooked

- It clarifies the relationships which underlie judgments about likely efficiency and effectiveness of projects
- It identifies the main factors related to the success of the project
- It provides a basis for monitoring and evaluation by identifying indicators of success, and means of quantification or assessment
- It encourages a multidisciplinary approach to project preparation and supervision.

Basic Principles

1. The Logical Framework should be **concise**. It should not normally take up more than two sides of paper.
2. The Logical Framework should be treated as a **free-standing document** and should be comprehensible to those coming to it for the first time. Acronyms should therefore be avoided.
3. If **beneficiaries** are included in the project, they should also take part in the design of the Logical Framework.
4. The Logical Framework will provide a **basis for subsequent monitoring and evaluation**. It must therefore be kept under regular review and amended whenever the project changes course

Logical Framework Analysis is one of several methodologies for developing programmes or projects

Steps in LFA

LFA consists of 4 main steps:

Situation Analysis

Strategy Analysis

Project Planning Matrix

Implementation

LFA has a strong participatory component in the situation analysis calling for the involvement of different actors in formulating and developing a programme or project

There are 4 major steps in conducting an LFA, each with a set of activities to be carried out as outlined below: What follows is an introduction to the first three steps to understand the general principles in undertaking an LFA.

A. Situation Analysis

The LFA approach begins by analysing the existing situation and developing objectives for addressing real needs. A situation analysis has as its core task to find out the actual state of affairs with respect to an issue to be analysed; it is focussed by problems and an attempt to understand the system which determines the existence of the problems. As problems are always connected to unfulfilled objectives, a situation analysis comprises of an Objectives'- as well as a

Problems'-Analysis. And as it is always people's problems and objectives which make up a situation, the analysis includes a Participants'-Analysis.

The analysis phase is the most critical, yet most difficult, phase of the logframe approach. The analysis phase consists of four stages,

I. **Analysis of stakeholders**
II. **Analysis of problems**
III. **Analysis of objectives**
IV. **Alternative Analysis**

The situation of the proposed project or programme needs to be analysed. Answers to the following questions are needed:

- What are the general areas of concern, or themes, that the project will focus on?
- What is the project aiming to achieve?
- At what spatial levels will the project focus, in terms of subject (broad/macro to specific/micro) and or geography (local to global)?
- What political, socio-economic, technological and biophysical environment will the project operate within?
- Who are the major stakeholders?
- How will stakeholders be involved in the process of design, implementation, monitoring, evaluation and reporting?
- Who is working on the issues already? What are they doing?
- What is the niche of the project?
- Who will implement the project?
- What is the intended duration of the project?
- What is the anticipated level of funding?
- Who will fund the project?

I. Stakeholder Analysis

Projects are influenced by many actors. Their different interests, potentials, deficiencies and other characteristics play a role in the process of designing and implementing a project. It has been a frequent experience in development that marginal groups were not sufficiently considered in the planning, and hence caused poor implementation. Thus it is usually necessary and expedient to analyse stakeholders in a project as part of the planning process.

In using the LFA approach, the stakeholder analysis is an analysis of the problems, fears, interests, expectations, restrictions and potentials of all:

- important groups
- organisations and institutions
- implementing agencies

- other projects and
- individuals

Who may have an influence on a situation/(intended) project or are themselves affected by it. Those analysed in detail should be limited to those who are perceived to:

- Be able to contribute to questions to be answered
- Be important with regard to decisions to be taken.

They should constantly be referred to in developing the LFA. Key questions to ask in preparation for developing the logframe are:

- Who will be involved in the logframe development?
- Where will the development be conducted?
- Who will facilitate the development of the logframe?
- What background materials, papers and expertise may be needed?
- What materials and logistics are required?

II. The Analysis of Problems

The analysis phase usually begins with an analysis of problems. The problem analysis is undertaken by identifying the main problems and developing a 'problem tree' through an analysis of cause and effects.

The guiding principle in the Analysis of Problems is: *problem focused analysis combined with a systems' understanding*

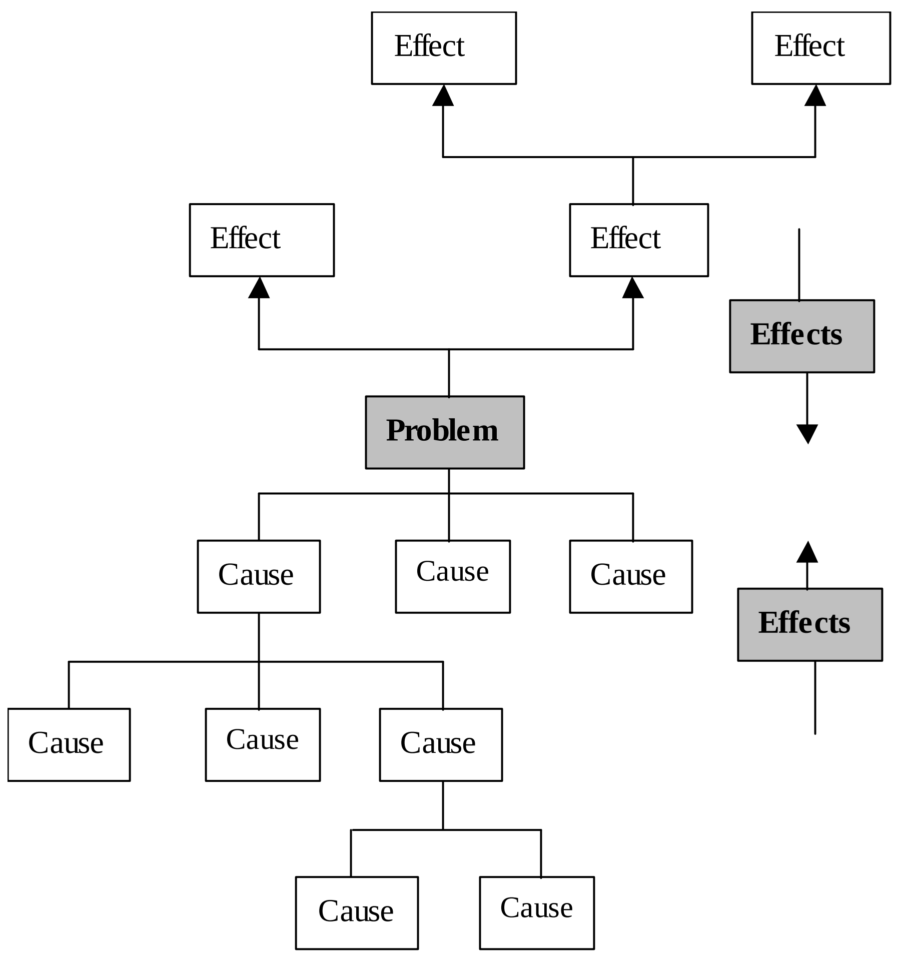
Problem-focused analysis means:

- analyse only those issues which are identified to be problematic, be guided by problem view
- narrowing the focus with respect to the scope of analysis and at the same time digging deep into these problems and their causal factors.

Systems understanding means:

- understand how the system (in which the problem and its causing factors occur) operates
- widening the view with respect to analysing the interlinkages and feed-back mechanisms between components of the system Brainstorming techniques can be used to identify the main problems.

Causes and effects are further developed along the same principle so that multi-level causal links and branches are created.



III. Objectives Analysis

An objectives'-analysis in a wide sense is a procedure for systematically identifying, categorising, specifying and - if required - balancing out objectives of all parties involved in a specific situation (for which those objectives apply).

The problem tree is transformed into an objectives tree by restating the problems as objectives. The objectives tree can be viewed as the positive mirror image of the problem tree. It is usually necessary to reorder the position of objectives as you develop the tree. The objectives tree can also be considered as an 'ends - means' diagram.

The top of the tree is the end that is desired and the lower levels are the means to achieving the end.

IV. Alternative Analysis

The purpose of Alternative Analysis is to:

- Identify possible alternative solutions, which could be project strategies
- Select one or more potential project strategy
- Assess the feasibility of the alternatives
- Eliminate alternatives, which are obviously not desirable or achievable
- Agree upon one strategy to be adopted by the project

B. Strategy Analysis

A strategy analysis or analysis of alternatives is a systematic way of searching for and deciding on problem solutions. It follows the problems and objectives analysis and is a prerequisite to designing action strategies.

Choices among different solutions to problems may concern

- overall concepts, strategic plans, objectives
- people, target groups, organisations, agencies
- methods, procedures, processes
- technologies, services, products, outputs
- measures, actions, materials, inputs

All alternative strategies considered must contribute to solving a problem, or in other words: they must be suitable steps towards the attainment of identified guiding objectives (=relevance). Based on the situation analysis and the ordering sequence of the problem and objective trees, the strategy analysis involves clustering objectives and examines the feasibility of different interventions. The main objective becomes the project purpose and the lower order objectives become the outputs or results and activities.

The strategy analysis phase involves the selection of a strategy to achieve the desired results. The strategy comprises the clusters of objectives to be included in the project. In addition to examining the logic, strategy analysis also looks at feasibility of different interventions. This may mean that the focus of the project shifts, therefore once the strategy has been selected, the project purpose and overall objectives are finalised.

The process of making choices should be carried out in a very methodical way, giving due consideration to the ends/means relationship in the objectives tree.

C. Project Planning Matrix (PPM)

What is a PPM?

The Project Planning Matrix is developed from the strategy analysis by filling in the columns of the matrix as shown below. The goals, purpose, outputs/results and inputs/activities are transposed from the strategy tree to the columns and rows in the matrix.

The PPM provides a one-page summary of:

- **Why** a project is carried out (= who/what will benefit?)
- **What** the project is expected to achieve (= utilisation of services)
- **How** the project is going to achieve its outputs/results (= measures executed)
- **Which** external factors are crucial for the success of the Project (= risks and frame conditions)

- **How** we can assess the success (= indicators)
- **Where** we will find the data required to assess the success (= means of verification).

Narrative Summary	**Verifiable Indicators**	**Means of Verification**	**Important Assumptions**
Goal:	What are the quantitative ways of measuring, or qualitative ways of judging, whether these broad objectives are being achieved? (estimated time)	What sources of information exists, or can be provided cost-effectively?	(Goal to Supergoal): What external factors are necessary for sustaining objectives in the long run?
Purpose:	What are the quantitative measures or qualitative evidence by which achievement and distribution of impacts and benefits can be judged (estimated time)	What sources of information exists or can be provided cost-effectively? Does provision for collection need to be made under inputs-outputs?	(Purpose to Goal): What conditions external to the project are necessary if achievements of the project's purpose is to contribute to reaching the project goal?
Outputs: Indicate each of the outputs that are to be produced by the project in order to achieve project purpose	What kind and quantity of outputs, and by when will they be produced? (quantity, quality, time)	What sources of information?	(Output of Purpose): What are the factors not within the control of the project which, if not present, are liable to restrict progress from outputs to achievements of project purpose?
Activities: Indicate each of the activities that must be undertaken in order to accomplish the outputs.	We recommend that VI's are included against all activities. This is essential for projects reporting and monitoring against the Logical Framework.	What are sources of information?	Activity to Output): 1) What external factors must be realised to obtain planned outputs on schedule? 2) What kind of decisions or actions outside the control of the project are necessary for inception of the project?

Narrative Summary (Column 1):

The narrative summary defines the project structure. Care should be taken to distinguish between Project Activities, Inputs, Outputs, Purpose and Goal. Below are two examples that should help clarify the difference between each:

- First, with a road project the *inputs* might be the materials, machinery and labour required for the construction; the *output* is x kilometres of finished road; the *purpose* could be to enable the products of area A to be exported to area B; and the *goal* may be to enhance the prospects for economic development in the remote and disadvantaged region C.

- Second, with the staffing of a technical institute the *inputs* are the personnel; the *outputs* are a well functioning institute and a flow of well-trained people; the *purpose* is that x number of people with y skills should find suitable employment after training; the *goal* is to provide the trained workforce required for the next phase of the development plan.

Verifiable Indicators (Column 2):

The emphasis is on the value, not just the type, of indicators of achievement. Any indicators used should be susceptible to measurement, or qualitative judgement, or both. An example of a quantitative indicator is the volume of output of the new crop; an example of a qualitative judgement is the assessment that the majority of farmers have understood audio-visual materials. There is no point in having indicators that cannot be measured at all, or only at disproportionate cost. Quantification should not however be used just for the sake of it, and in some cases proxy assessments may be more appropriate.

Means of Verification (Column 3):

This column should set out how, and from what sources of information, each of the indicators in the previous column will be quantified or assessed. The availability and reliability of data, and the practicability and cost of collecting them, must be carefully considered both in identifying suitable indicators and in determining the most cost-effective way of measuring them. If some of the data are likely to be unreliable the Logical Framework should say so.

Important Assumptions (Column 4):

This column should record the important assumptions on which the success of the project depends, and the risks that have been considered.

In designing the project it is normal to start with the problem and work down the levels to thinking about the resources. It might however be that the resources identified are either not available or are inappropriate, thus requiring modification of the resources or assumptions at each level accordingly.

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
Goal: Improving human nutrition in X	Improved human nutrition	Quantitative measures available from public sources or records of the project	Having more food produced will increase availability and improve nutrition
Purpose: increase food production	Increased food production	Quantitative measures available from public sources or records of the project	Better yields will lead to increased production
Outputs: increased yields of	Increased quantities of vegetables	Quantitative measures available from public sources or records of the project	Using irrigation water will increase yields vegetables
Activities: Irrigation water		Irrigation water Quantitative measures available from public sources or records of the project	Irrigation water is available and can be distributed The increased yields will be available to the people

D. Implementation

The operational phase of a project commences when implementing activities begin in order to achieve the expected outputs/results. In many cases this may be one or two years after the project concept had been established at the end of the design phase (as laid down in the PPM of the project appraisal). In the meantime framework conditions may have changed, so that a verification of the PPM must take place during the operational planning. The project purpose and development goal, however, should be altered only in exceptional cases when major changes have occurred.

Implementation should have a plan of operations i.e. the detailed plan for the implementation of project. It is established by the project team and will be documented as:

- workplans / work schedules
- project budget / resources plans
- personnel plans
- material and equipment plan / procurement plan / staff training plans.

The work plan and the project budget constitute the core of the Plan of Operations.

Constructing a Combined Workplan and Project Budget

Step 1: Develop a table (workplan skeleton) and transfer the activities from the Project Planning Matrix to the first column of Define any necessary sub-activities.

Step 2: For each activity / sub-activity:

- specify the anticipated milestone(s)
- assign responsibilities for the implementation
- determine the beginning and the end of the implementation of each activity / sub-activity (timing)
- specify staff requirements per activity/sub-activity
- specify the quantity of material and equipment needed per activity/sub-activity
- specify cost and cost category for every activity/sub-activity
- specify important assumptions and their indicators

Step 3: Final check with focus on:

- consistency of cost with overall allocation / availability of financial resources.
- workload of assigned / responsible personnel
- consistency of the timing.

It may be advisable to transfer the reviewed workplan into a bar-chart with time axes.

Weaknesses with Logical Frameworks

LFA provide a valuable set of tools for project designing, but they also have a number of weaknesses. Such weaknesses include, but are not limited to the following:

- One of the main criticisms that project designers have of the LFA approach is that it begins by identifying problems. There are three problems that emerge from beginning with problems:
- Beginning with the problem analysis often produces poor results because the initial negative focus pervades the rest of the LFA process. This often results in limited vision of potential solutions.
- Beginning with the problem analysis can be particularly serious problem in cultures that consider it inappropriate to openly discuss problems or criticise.
- Beginning with the problem analysis is not suited to situations where there is a great deal of uncertainty or where agreement cannot be reached on the main problem.

The LFA approach assumes the nature of the problems can be readily determined at the beginning of the planning process. This does not allow for an exploratory style project that seeks to learn from experience.

- The LFA is often developed and used rigidly. This can stifle innovative thinking and adaptive management.

- □LFAs are often developed after the project has been designed rather than used as the basis for design. The use of the LFA late in the design process can often be attributed to:
- □□a lack of understanding of the LFA approach
- □□the LFA is seen as a requirement of funding agencies and not as a design or management tool.
- □LFAs do not readily enable monitoring unintended consequences.
- □LFAs are rarely considered by project managers to be a key planning tool.

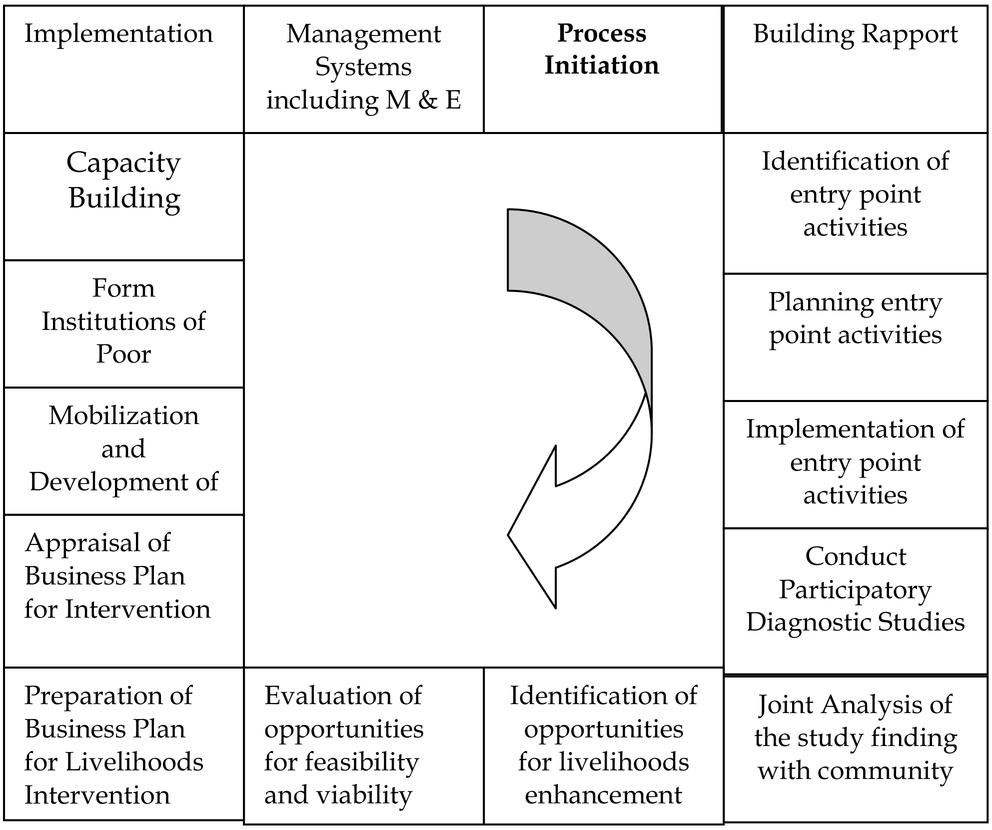
Conclusions

The logical framework approach provides a powerful set of tools for designing projects and project evaluations. However, like all tools, LFAs are not the complete answer to effective project designing. LFAs are best used towards the end of the project design cycle after information has been collected and analysed, needs assessed, views of stakeholders sought and the external environment of the project understood.

Chapter –11

Processes and Livelihoods Intervention Development

The livelihood intervention process is contextual and may follow different routes based on the need, readiness of the community and the capacity of the intervening organization. Though the steps mentioned below are in detail, the process followed may be more elaborate or shorter. But they will broadly follow the steps of – 1) Knowing the community and its needs, 2) Discussions and Analysis with the community on the potential activities/livelihoods to be explored, 3) Analysis of the options, 4) Piloting the opportunities and 5) Scaling-up. The livelihoods intervention process can be depicted through the following cycle:



Process Initiation and Building Rapport: The process of promoting livelihood interventions starts with understanding the geographic context, socio-cultural issues, poverty levels and the broad understanding of the need of the community. Building connection with the community through interacting with key stakeholders and other institutions working in the area will give firsthand information and acts as a caution from reinventing the wheel. The objective should be to cover the entire village/potential project area and interact with various groups. As this is the first step, any mistake in interacting with the community may induce long-term biases and thus impede the intervention. Another note of caution is to avoid looking at issues with pre-conceived notions.

Identification, planning and implementing entry point activities: The entry point activities should be such that it is non-controversial and has a scope to easily involve people. Even non-monetary activities like mobilizing the community to work on their common property resources, helping spread awareness about new government initiatives or informally help in improving the existing interventions will help in building trust and lay foundation for future activities.

Conduct Participatory Diagnostic Study: This is a crucial step in understanding the dynamics in the village, socio-political and economic conditions and the overall areas of improvement. Through the livelihood analysis tools mapping the local conditions, existing enterprises, product and services that come in and go out are undertaken. Understanding the livelihoods portfolio in the area/household is also important. The study is termed participatory as it involves the community too. Instead of collecting information like a census officer, the emphasis should be placed on empowering local people to assume an active role in analyzing problems and drawing-up plans and the organization acting as a “facilitator”. This enables them to assume responsibility in implementing the interventions. The participatory techniques have been discussed in the subsequent chapters.

Joint analysis and identification of opportunities: Once the diagnostic study is completed, it has to be presented to the community for analysis and exploring opportunities. Not all groups will come forward due to social, economic and cultural constraints. Involvement of all the villagers – men, women, rich and poor is crucial during discussions. If any of the groups are missed or absent during this phase, mainstreaming them in the intervention at a later stage becomes difficult.

Evaluating the options: In the first phase, few potential ideas that have fair chance of success and have demonstrative affect, have to be identified. The criteria for selecting the livelihood interventions have been mentioned in the preceding chapters. Working on enhancing the existing livelihoods and which are not resource-intensive and where market linkages can be easily established should be taken-up. Apart from this, financial, economic and environmental feasibility tests have to be undertaken. Stakeholder analysis is also a part of evaluation. Also understanding the organizational capacity to provide support in different interventions has to be assessed.

Preparation of livelihood intervention plan/business plan: Based on the opportunities identified, livelihood intervention plan has to be prepared by the promoting organization for the opportunities identified. Community with the help of the promoting organization has to prepare individual business plan for the activity to be improved or for the new activity to be taken up by them. The livelihood intervention plan includes details about– the opportunities, target group, implementation arrangements, systems, evaluation of the opportunities, impact assessment and time frame. The business plan is more specific and is related to one single livelihood containing information about – production, marketing, financial, enterprise model and processes.

Appraisal of business plans: Many organizations have worked on promoting livelihood interventions without performing suitable appraisal of the business ideas that were generated. Hence, the target group was left with production and no foreseeable market or where the markets existed, the production base was shaky. Suitable appraisal of the business plans in terms of the following factors have to be undertaken:

- Resource intensity – whether external funds at huge scale is required
- Market proximity
- Additional support required
- Infrastructure investment
- Number of people involved
- Profitability
- Impact on the environment
- Equity issues
- Risks

Pointers

- How will the proposed livelihood opportunities meet the needs of the household?
- How well does it match the resources and skills available to the household?
- How will it fit into the daily and seasonal rhythms of the household?
- Will it increase the household's income and assets?
- Will it reduce or enhance the risks faced by the household?
- What assurances can be put in place to mitigate risks?
- Will the activity require organizing poor households in groups?
- How capable is the household in participating in such organization?

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Then rate the potential livelihood option on the scale of 1to 5 using the following dimensions. 5 – Highly Favourable, 4 – Favourable, 3 – Medium, 2 – Unfavourable, 1- Very Unfavourable

Activity	Suitability for poor in the area	Employment generation ability of the activity	Favourable Demand Conditions	Favourable Factor Conditions	Competence of the organization	Total

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Mobilization and Development of resources: The resources should be mix of community contribution and external contribution. Interventions that involve local resources and where the community contribution is more, have a greater chance of becoming self-reliant. The financial resources should be a mix of grant and loans. The non-financial resources like human resources, contribution in kind by the community and partnership have to be carefully mobilized without community becoming dependent on the promoting organization.

Institutions of the poor: Suitable institutional form holds the intervention together. Promoting social form of organization for economic activities can make the whole project unviable. Promoting a society for marketing weavers' will lead to divergence in the larger objective of the institution and the members. Many of the organizations have failed to understand this fact and keep promoting SHGs and societies for economic activities. Cooperatives, sole proprietorship, partnership, companies are some of the suitable forms for economic interventions.

Capacity Building: Capacitating the community and the staff in technical aspects about the livelihood, marketing and institutional management will give them varied skills to run the institution and the business. Capacity building to change the attitudes is also crucial in few of the interventions.

Implementation: Community needs support in implementing one complete business cycle. During the course of implementation many new issues, challenges and losses may crop up. The process of implementation and flexibility to adjust to dynamic situations are important.

Monitoring and feedback: Periodic monitoring of the steps has to be undertaken to incorporate the changes required. Milestones have to be defined to measure the periodic progress and deviations. Monitoring also serves as source of feedback. Monitoring and evaluation systems have to be developed at the business level and at the promoting organization level. Logframe is one of the important project and programme monitoring tools.

The social, cultural and gender aspects have to be taken care while devising and implementing the intervention. All the stakeholders have to be involved and informed during the whole process. Many of the interventions fail not in the print but in the implementation because either the wrong people were involved or important stakeholders were ignored. Hence, there should be caution in

- Identifying the stakeholders
- Involving the stakeholders
- Keeping the processes away from the local politics and power play
- Women, disabled, poorest households are many time ignored, which may become a critical failing of the project
- Benefit distribution – equity
- Impact
- Systems

The "Livelihoods Approach"

- It builds on people's strengths rather tan their needs
- It brings all relevant aspects of people's lives and livelihoods into development planning, implementation and evaluation
- It unites different sectors behind a common theme
- It takes into account how development decisions affect distinct groups of people – men, women, rich, poor, vulnerable
- It emphasizes the importance of understanding the links between policy decisions and household level activities
- It draws in relevant partners whether state, civil, private, local, national and international

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Chapter: 12

Livelihoods Analysis and Tools

This chapter deals with the tools of livelihoods analysis at household, village level and macro level. In order to prepare a plan for livelihood enhancement, the livelihood practitioner should analyze micro level scenario, macro level scenario and market opportunities. The livelihoods enhancement plan, thus, should emerge from incorporating the understanding and outcomes from these three levels. This would facilitate the coverage of all the poor and poorest families through either individual or collective interventions. The tools used for information gathering can be other than what has been presented in the chapter. The required information and the participatory methodology are the crux of the livelihood analysis. Tools only act as a medium and can be modified according to the context. Also while looking at the livelihoods of the poor following points have to be kept in mind.

- Investigating the livelihoods of the poor also requires looking into the livelihoods of the rich. The livelihood trajectories of one social class have a significant impact on the livelihoods of other classes too.
- Combination of different methods and tools have to be used
- The livelihood analysis have to be undertaken at three levels:
    1. Micro level – Village-household assessment
    2. Macro level - Sub-sectoral studies
    3. Market opportunities – Market study

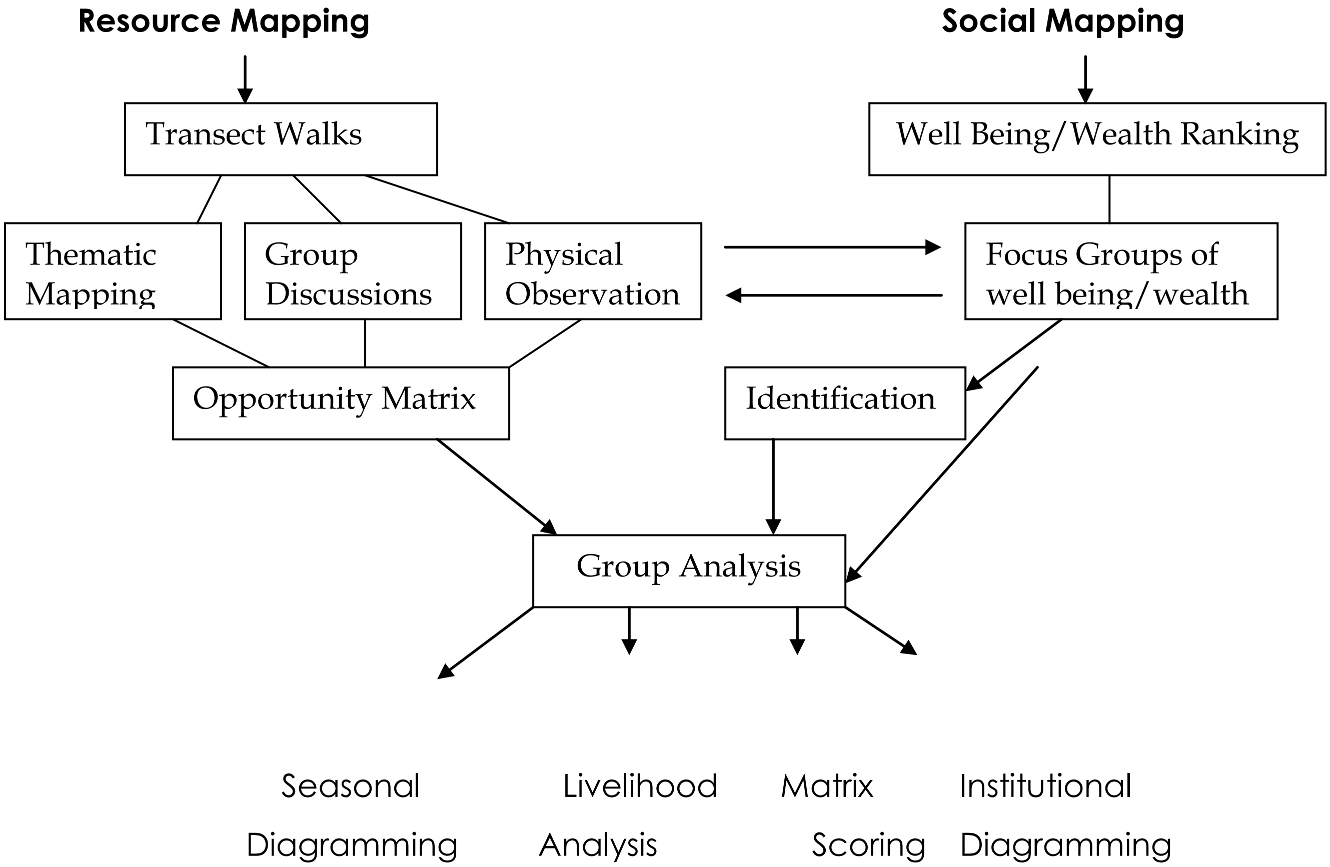
Level	Micro level	Macro level	Market opportunities
Tool	Village-household assessment	Sub-sectoral studies	Market survey
Focus	Household and village	Region/ livelihoods/ resource	Demand in the market
Possible level of intervention	Family	Village/ cluster of villages	Village/ cluster of villages
Scale of Benefit	Marginal	Significant through integration of various stages in value chain	Significant due to high demand
Sustainability	Less	High	Less
Risk	Less	Moderate	High
Support required	Less	High	High
Reach to poorest household	High	Moderate	Very less

The priority should be given for existing livelihoods in planning for livelihood intervention as –

- Poor have skills, experience and confidence in existing livelihoods
- Infrastructure facilities (minimal) and market are already there to support existing livelihoods
- Existing livelihoods (of family/village) are less risky.

The effort should be to augment returns from these livelihoods by plugging the leakages, rather than searching for new opportunities. This is done through Village-household assessment at micro level and Sub-sectoral study at macro level. If there is no scope of improving returns from the existing livelihoods or there is no demand for the products/services in the market, then the option would be to add new livelihoods, add new lines of goods and services, new produce collection, new crops/varieties or provide new sources of income (skills, assets and opportunities), etc. Market study is undertaken to scan new market opportunities and demands.

Participatory Appraisal Sequence



1. Micro level - Village-household assessment [15]

Tool "Village-household assessment" is used to analyse the existing livelihoods of families and village at micro level. The objective of this is to plan intervention for a family. The intervention planed, thus, requires less support in implementation as it builds on the single or more than one stages of value chain of existing livelihoods. In addition to this, it is less risky for family as they

[15] Build on the LEAP of SERP, taken from operational manual of APRPRP

already have experience, skills and access to infrastructure required for pursuing the livelihoods. In addition to this, it has high probability of reaching out to poorest of the poor families and vulnerables as it focuses on a family and involves every family from the starting of the analysis. However, the returns from micro level interventions are marginal as it addresses one or two stages of value chain; these interventions are less sustainable due to lack of forward and backward linkages. In addition to this, it requires comparatively bigger financial outlay.

The "Village-household assessment" tool includes –

a) Secondary data analysis
b) Timeline of village
c) Social map
d) Wealth Ranking
e) Mapping vulnerable
f) Institutional map - Venn diagram
g) Resource map
h) Seasonality calendar
i) Common Property Resource analysis
j) Traded-in and out
k) Farming system
l) Technology map
m) Local opportunities
n) Analysis of existing and possible alternative livelihoods and Prioritisation of livelihoods

At the household level

o) Income and Expenditure patterns

The first step in the village-household assessment processes is collection of secondary data from various sources and next step is general discussion with the community about the existing socio-economic and physical environment of a village. For deeper understanding, the following sub tools are used.

1.1. Secondary data analysis

Secondary data is collected from the information, data, record, reports, etc. available with various institutions. This is collected to build the initial understanding of the village, plan for primary data collection and augment the primary data collected. For village level information, the following data matrix can be used.

Information matrix

#	Particulars	Information Needed	Sources
1	District/Mandal/Village Information	• Location • Climate • History • Political Conditions	• District Economic Census: District Statistical Office • DRDA • MRO Office • District Potential Link Plan (NABARD) • District Credit Plan
2	Population	• Rural – Urban areas • Male – Female – Child • Working – Non-working • Growth rates	• District Census Data
3	Literacy Rate	• Rural – Urban areas • Male – Female – Child • Growth rates	• District Census Data
4	Land	• Land Classification • Land Types • Land availability • Land Distribution – Marginal, Small, Medium and Big landholders	• District Census Data • Mandal Revenue Office

5	Agriculture	• Crops – food, cash crops • Yield • Cropping pattern • Market Linkages • Backward Linkages • Value-addition practices • Constraints	• District Census Data • Mandal Revenue Office • NABARD: District Potential Link Plan
6	Water	• Irrigated Land • Sources of Irrigation	• District Census Data • Mandal Revenue Office • Community
7	Animal Husbandry	• Livestock Profile • Value-addition practices • Market linkages • Veterinary Facilities	• District Census Data • Mandal Revenue Office • Animal Husbandry Department in the district • Local veterinary doctors • Community
8	Forestry	• Coverage, type • Forest Produce • Institutions – Joint Forest Management • User groups • Commercial activities	• District Census Data • Mandal Revenue Office • District level forest department • Community
9	Manufacturing	• Persons employed • Health issues • Contribution to the economy	• Concerned industry • Community
10	Services	• Types –traditional, emerging, dying • People involved	• Local survey
11	Financial Services	• Formal Institutions • Informal credit sources • Delivery cannels • Reach • Services rendered	• Local banks • Money lenders • SHG groups • Community • NABARD, Lead bank

12	Institutions	• Types – CBOs, government, NGOs • Reach • Membership • services	• Local Survey • Community
13	Government Schemes	• Types • Performance Status	• DRDA • Community
14	Local Market	• Weekly markets • Traders • Spread • Nature, structure	• Local survey

Sources of secondary data

At the national and state levels:

The census and National Sample Survey; Survey of Livestock, industries and small-scale industries; the India Yearbook and the Statistical Abstract of the Indian Union; RBI Banking Statistics; as well as economic data from the Centre for monitoring Indian Economy. Other sources are, Libraries, universities, research institutes, government departments and Internet – Site of Government of A.P., Government of India, Google, etc.

At district, block and village levels:

District Census Handbook, Statistical Handbook and Gazetteer; NABARD Annual Link Plan and the District Annual Credit Plan; publications of the District Industries Centre and the District Rural Development Agency; topography sheets and soil and water conservation maps.

1.2. Timeline of village

Timeline is a historical profile of major events, which have contributed in the evolution of village. Therefore, it helps in understanding the major events that have occurred in the village in a chronological way, with regard to

- Village development,
- Social and Economic changes,
- Resource availability,

- Natural calamities,
- Infrastructure development,
- Technology introduction, etc.

Livelihood Opportunities: This exercise helps in identifying the factors contributing to the changes in livelihood scenario and the adaptability of the community. It carves out the background for the present state, status and choice of livelihoods in the community.

1.3. Social Map

Social map is to understand the social structure and characteristics of a rural society. The social map can be drawn on a chart using pictures and symbols. Social map provides the following information:

- Total population (women and men ratio), total number of families, family size – adult (male and female) and children, age
- Literacy level,
- The social composition (caste groups) of the village,
- Housing pattern of various castes, types of houses,
- Major livelihoods,
- Land holding, assets, skills, number of different livestock,
- Migrated population
- Number of single women, vulnerable, destitute, and old age pension holders
- Infrastructure – road, water, electricity, transport, Haats, Market yards, Warehouses, Post office, etc.

Livelihood Opportunities: The inequities, skill sets, asset base and vulnerability context will be known by this exercise. It helps in identifying the target groups and gives the base for the intervention to plan on resources that are available locally, ones that need to be mobilized externally and infrastructure suitability, creating and improvement. As the major livelihoods are brought out through this exercise, interventions for different groups – based on their caste, traditional occupation, etc can be designed.

1.4. Wealth ranking

Wealth ranking refers to placing people on the different steps of the wealth ladder (rich, middle, poor, very poor, etc.) according to their own criteria. Wealth ranking is a way of finding out about wealth, poverty and vulnerability in a village. It helps in finding out the perceived (as by the villagers) inequalities and difference in wealth in a village that leads to overall understanding of the socio-economic condition of the entire village. This ranking is very useful, if livelihood intervention is planned to focus on only very poor or only poor (poor and very poor) as it differentiates between poor and non-poor.

Livelihood Opportunities: Through this exercise, the poorest in the community can be identified. Their needs, causes for their present status and the types of assets needed to enhance their livelihood can be understood through this tool.

1.5. Mapping vulnerable

If the livelihood intervention is planned to give special attention to the vulnerable from the village community, mapping vulnerable is a tool to identify them and analyze their vulnerability, livelihood potential and support extended to them by other institutions so far. Based on this analysis, further support for livelihoods and non-livelihoods activities (welfare/ rehabilitation) can be planned. The mapping includes -

- Name, age and sex
- Type of vulnerability (single women, destitute, differently able) and degree
- Main livelihoods or sources of income
- Education level, assets owned, skills, access to resources
- Social network support – family, community, organisation
- Opportunities available in local economy
- Relevant government schemes and access to those schemes

Livelihood Opportunities: This helped in identifying kinds of support needed by vulnerable households and their constraints in accessing different livelihood opportunities. Specialized livelihood interventions have to be developed keeping in mind aspects like – mobility, acceptability and household responsibilities of these groups.

1.6. Institutional map

This is to get an understanding of institutions (formal and informal) with which the villagers have dealings, the perceived relative importance of these institutions and to assess their access to these institutions.

For this, the Venn diagram is used. In this, a circle is drawn and the name of the institution is written within that circle. All the institutions that villagers are dealing with are depicted in the form of circles. The perceived importance of each of these institutions is depicted by their size, bigger the size, more the importance. However, the access to these institutions is depicted in the form of their distance from the center of the Venn diagram, more the distance, lesser the access.

The institution map includes formal and informal institutions such as

- School,
- Primary health centre,
- Veterinary hospital,
- Panchayati office,
- DWACRA groups,
- Watershed societies,
- Caste-based organisations,
- Vana Samarakshana Samities,
- Water users associations etc.

Livelihood Opportunities: Identifying already existing institutions that can partner or implement the interventions, capacities of such institutions and their accessibility to the poor can be gauged from this exercise. This helps in designing the institutional set-ups, linkages for the livelihood interventions keeping in mind the opportunities and limitations of the existing institutions.

1.7. Resource Map

Resource map helps in giving an overview of the natural resources available in the village for meeting the needs of the village. The village may or may not be using these resources, may or may not know the potential use of these resources. Resource map reveals the following information:

- Total land in the village
    - Dry land, Wetland, Fallow land, Wastelands and Temple lands
    - Total land, Cultivated land, Cultivable land with irrigation and without irrigation
    - Agricultural land – low land, upland and Irrigated land
- Type of soils, terrain and quality
- Water – annual rainfall and ground water level
- Water and irrigation resources
- Forest coverage – area, tree species and usage
- Minerals
- Energy sources – electricity, diesel, kerosene, draught power
- Infrastructure
- Trees in village lands etc.

Livelihood Opportunities: This is crucial in identifying local livelihood opportunities that require less/no external resources and thus more sustainable options where the local resources can be utilized. This exercise is also useful in designing the asset and resource component of the livelihood intervention and the external professional help required in the utilization of these resources.

1.8. Seasonality calendar

This is used to indicate month wise engagement of villagers in various activities, livelihoods and non-economic activities. This includes month wise depiction on map of –

- Major livelihoods

- Major crops, produce from forest, water bodies, livestock
- Festivals, marriage duration, other major social events
- Availability of leisure time/ lack of employment
- Regular diseases outbreaks
- Regular natural calamities – water shortage, excess rain, draught, pest attack, etc.

Livelihood Opportunities: Migration patterns, production cycles and cultural contexts that come out from this exercise is useful in the timing, staggering of the livelihood interventions especially the economic aspects like start of production cycles etc. This helps in keeping the intervention in rhyme with the local context.

1.9. Common Property Resource (CPR) analysis

This helps in estimating the availability of CPRs, its size, profile and number of dependent families, total income generated from CPR, days of employment provided, access to these CPRs to various social strata of village, ownership rights, user rights, problems related to these CPR, etc.

CPR analysis helps in understanding the above dynamics in the following –

- Water bodies - River, Canal, Ponds, Irrigation tank
- Waste land, Grazing land, fallow land, temple land
- Mining
- Streams and Stream bed
- Forest, Trees outside forest
- Watersheds
- Community buildings
- Shandy place

Livelihood Opportunities: The access issues are brought forth by this exercise. It also helps in devising such interventions that are large-scale in nature as many poor depend on CPRs for their livelihood and day to day requirements.

1.10. Estimates of Traded-in and Traded-out

As the poor are producers as well as consumers, it is essential to understand what is traded-in and traded-out of the village. Traded-in and traded-out analysis of a village will be useful in understanding the village economy and its linkages in and out of the village. It also brings out the ideas of possible interventions such as elimination of middlemen, collective purchasing of agricultural inputs, capacities/skills imparting for better wages etc.,

<u>Table for trade in and trade out</u>

Item	No. of families	Period of purchase (daily/ weekly/ monthly/ yearly/ season)	Qty	Price of purchase	Alternate price of purchase	Special items (time of purchase)

This analysis will indicate the significant areas of intervention in each village, the items that need to be retained in the village for later consumption, the items that need to be sold in instalments and/or periodically, the local value-addition possibilities for local consumption and for marketing, aggregation possibilities, improvements in grading, storage, and other post-harvesting practices etc. In case of migrant wage labour, skills should be imparted if there are opportunities for skilled labour.

Livelihood Opportunities: It helps in identifying the economics involved at the household level and in testing the feasibility for local production of such products that are required by the community in bigger quantities and which are not available locally.

1.11. Technology map

Technology map is used to depict the technologies that are found in the village as well as the technological decision behaviour of the villagers. In other words, this indicates the technologies that are adopted, discontinued, over adopted, rejected and reinvented for various activities/ livelihoods.

- Adoption refers to use of technology by an individual for many years,
- Discontinuance refers to a decision to reject a technology after having previously adopted it,
- Over adoption refers to adoption of a technology by an individual when experts feel that the technology should be rejected,
- Reinvention refers to the degree to which a technology is changed or modified by the user in the process to its adoption,
- Rejection means not at all used after being heard or seen the use of it.

Livelihood Opportunities: Technological innovations for enhancing the livelihoods can be explored through this exercise and other aspects like management and control of technologies in the livelihood interventions can also be explored.

Local Opportunities

A 'livelihood' is a set of flows of income, from agriculture, hired employment, self-employment, remittances or a seasonally and annually variable combinations of all these. Therefore, it is essential to have basic knowledge of the local opportunities, which includes *resources* (natural and physical, human and social, financial and institutional), *market demand* and *enterprises*. By analysing each of these one can determine livelihood opportunities which could generate a significant number of livelihoods, whether through enhanced income, assets, food security or economic control, or by reducing risks, variances in income or migration.

After analysis of the value chain of commodities and services, it is required to list out the local opportunities to support the existing livelihoods and to focus on new livelihoods. Possibilities of producing new products and services from the existing resources about which the community is well aware of, is dependent on the available resources and market demand. Therefore it is essential to study the local opportunities before taking a step forward in the process of interventions.

Analysis of existing and possible alternative livelihoods and Prioritisation of livelihoods

The analysis of existing livelihoods gives clear understanding of different livelihood opportunities and possible alternative livelihoods with given assets. The analysis also helps in prioritisation of livelihoods based on dependency, sustainability and productivity. The prioritisation will be helpful in identifying the livelihoods for sub-sectoral study and plan for macro level intervention.

2. Household Level

At the household level, the information to be collected includes:

- Income and Expenditure Patterns
- Resource Base
- Sources of Credit
- Participation in village activities/institutions
- Specific livelihoods related information
- Migration patterns

2.1 Income and Expenditure Patterns

Income and expenditure analysis for one year can be done at household level. This analysis tells about the income and expenditure patterns of significant livelihoods and also reflects on the gaps that need to be plugged to reduce the expenditure and to increase the income. Moreover, it discloses the people's various coping mechanisms for their survival.

<u>Table for Annual Income and Expenditure Analysis for a household</u>

S.n.	Income		Expenditure	
	Item	Amount	Item	Amount
			Food	
			Other provisions	
			Health	
			Ceremonies	
			Interest	
			Cloths	
			Assets	
			Educations	
			Entertainment	
			Habits	
			Miscellaneous	
	Total		Total	

3. Macro level - Sub-sectoral studies

Once the list of existing livelihoods in the village is ready, main and important livelihoods should be identified based on number of families dependent and quantum of annual turnover. This should be followed by in-depth sub-sectoral studies of these main and important livelihoods. The objective of this is to understand the gaps and opportunities in the particular sub-sector that would be used for developing strategies and plan for intervention in the particular sub-sector. This would help in reaching out to large number of families with one intervention.

The focus of macro level sub-sectoral study is to plan for intervention for a region, a particular livelihood or a resource. The intervention covers most of the families from village or cluster of villages depending upon their involvement with livelihood or resource. The interventions planned through sub-sectoral approach ensures significant returns to the families due to integration of various stages in the value chain and the sustainability of such an intervention is high on account of backward and forward linkages. However the risk of failure is moderate and support required for livelihood intervention is high. In addition to this, reach of intervention to poorest of the poor household is also moderate as it depends on the engagement of the family to that particular sub-sector. The macro level intervention requires a huge total financial outlay, however the per capita investment is lower than that of the micro level intervention.

Sub-sector is the network of firms and/or firms that supply raw materials, transform them, and distribute finished goods to a particular consumer market. For example paddy cultivation (primary sector), it's trading (tertiary sector) and its processing into rice, bran and rice bran oil (secondary Sector) and finally retailing it (tertiary sector) together constitutes Paddy Sub-sector. Group of Commodities with common procurement, processing and distribution channel can form a sub-sector: For example paddy and wheat together is part of the food grain sub-sector.

Sub-sector analysis is a process of getting to understand who does the value addition, using what technology, at what terms and with whose help. There are several aspects, which need to be looked into to understand the sub-sector to generate/support livelihoods of large number of families and smoothly pass the larger proportion of the value addition to the primary producers. The sub-sector study includes four steps

i) Preparing a preliminary sub-sector map
ii) Refining the understanding of the sub-sector
iii) Value chain analysis
iv) Analysing sub-sector dynamics and leverage points
v) Choosing the intervention points

Step 1: Preparing a preliminary sub-sector map[16]

To start the sub-sector analysis, collect basic information related to raw materials, source of procurement of raw material, various value additions/processing methods, the end products, buyers of products, use of products, final market for each products, etc. This information can be collected by talking to people who are involved in the business. They could be producers, traders, bankers, government officials, buyers, NGO staff, researchers etc.

To summarize the initial understanding of sub-sector based on above discussions, prepare a sub-sector map. The map includes -

- List the functions and write these functions one above the other on the left side starting with the base raw material at the lowest corner.
- List of participants, performing each function and map them opposite the respective functions.
- For each function, identify technologies and quality differences.
- Identify final markets and list the markets across the top.
- Draw arrows to describe product flows among the participants.
- Define principal channels.
- Review sub-sector boundaries.

Step 2: Refining the understanding of the sub-sector

Once the preliminary map of sub-sector is prepared, it needs to be study in depth, add more dimensions and refine it. For this, understand the institutional context, environmental context and add these points in the sub-sector map.

For understanding the institutional context, study the following four factors:

I. Regulation – identify main laws/ rules that are relevant to different stages in the sub-sector, main agencies responsible for enforcing

[16] This is an abstract of sub sectoral approach of BASIX, taken from livelihoods manual of BASIX and value chain analysis of SERP, taken from operational manual of APRPRP.

the above, understand the actual application of law vs. the rule as laid down, identify the most bothersome aspects of regulation.

II. Promotion – identify main promotional policies of the government, main agencies responsible for implementing those policies, understand the actual implementation, and identify the most useful aspects of the policies. Is there any special policy for women? Credit- identify the quantum and purpose for which credit is available, main sources of credits, their terms and conditions, the most constrained part of the sub-sector by the lack of appropriate credit.

III. Other institutional factors – existence of producer's organisation, any other institution that affect the sub-sector, affect of political economy on sub-sector

For examining the environmental context of sub-sector, look into the following:

I. The status of social, political, legal and policy environment

II. Status of environmental (favorable or unfavorable) conditions for taking up the selected activities

With the improved understanding of sub-sector along with information on institutional and environmental context, there is a need to look back at the preliminary sub-sector map. Look out for information missed, add new information collected and add the institutional and environmental context on the map.

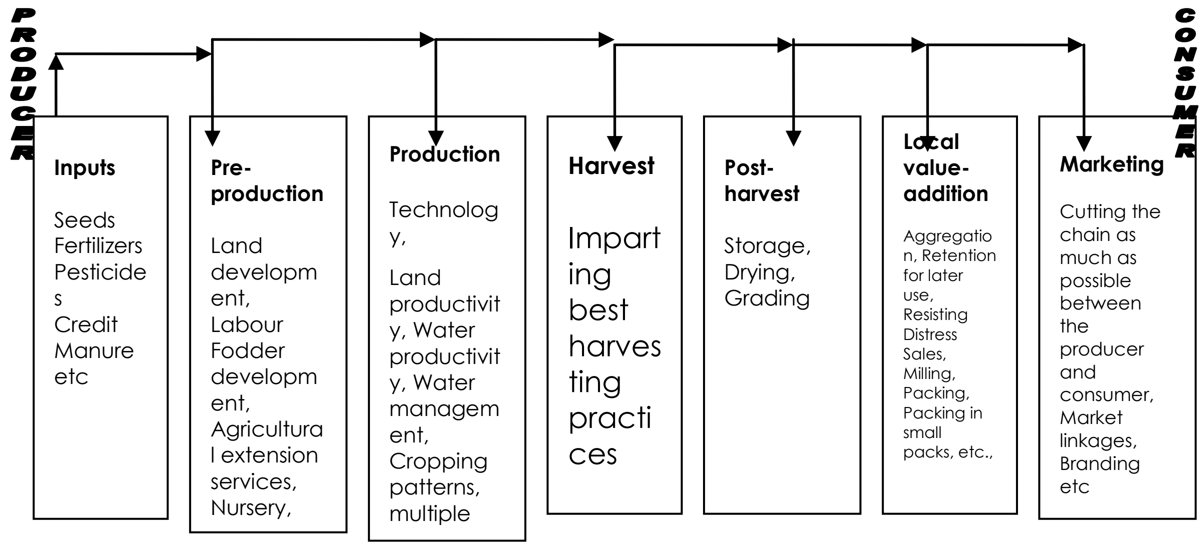
Step 3: Value Chain Analysis

The value chain consists of different stages starting from inputs --- pre-production -- production--- harvesting --- post-harvesting --- local value addition --- marketing nearer to the consumer. In the value chain analysis, the linkages, backward and forward, will thoroughly be analysed for appropriate intervention.

The value chain analysis involves the following processes:

a. Identification of the various produce/commodities produced in the village; business cycles
b. Pre-production: Inputs – Raw material, processing systems, support services for supplying inputs, infrastructure, actors
c. Production: Infrastructure, technology, processes, actors, quality, productivity
d. Post-Production: Storage, Cleaning
e. Local Value-addition: Aggregation, retention for later use, resisting distress sales, packing, etc
f. Marketing: Marketing channels, actors, terms & conditions, credit requirements
g. Identifying the gender dimension in every stage of the value chain

Value-Chain format for agricultural products



Level 1: Local market: In this stage the local traders/middlemen purchase the produce from the producer at meager price than the market price. Most of the time it is tied sale.

Level 2: Wholesaler/Millers: Local traders do some value addition (grading, packing etc) and sell it to the wholesalers. If the farmers could sell to wholesalers directly they will get more than what they are getting in the local market. The wholesalers do greater value addition and /or produce new products, and sell to retailers.

Level 3: Retailers: Retailers sell the products to the consumers taking some margin. By the time it reaches the consumer, the value of the product increases 3-4 times comparing the value of produce. In case the producer moves forward in the market chain towards consumer, s/he will realise higher returns.

Step 4: Analyzing sub-sector dynamics and leverage points

Having refined the sub-sector map, the effort should be to analyze the sub-sector. Here, it is necessary to understand that the sub-sector is not static, but a dynamic one with change in production, supply, demand, technology, key players, institutional framework, environmental context, etc. To analyze the dynamics of the sub-sector, the following needs to be undertaken carefully:

- Identify the channel with most secure prospect of growth
- Assess the emerging threats for these channels
- Role of micro- and small enterprises in these channels
- Method to enhance their ability to participate in the growing niche

To analyze the above points, the following factors are important to study in detail:

- Market demand - estimate demand and trends (local, national and international) over the last few years, population growth, changes in the larger economic environment leading to change in consumption patterns.
- Technological changes – new machinery, know how.
- Profitability of different niches.
- Risk in the entire sub-sector stages – due to change in demand, inputs, technology, labour, institutional and environment context.
- Barriers to entry – Regulation, banking practices, lack of information or collusion restricting the entry of new players.
- Large firm behaviour – change in the level and range of activities of large firm may dramatically affect the opportunities open to micro- and small enterprises.
- Input supply – poor quality raw material, unreliable supply and environmental damages can restrict the growth of enterprises.
- Institutional support – change in regulation, promotional and credit policies can have a major impact on sub-sector.

Step 5: Choosing the intervention points

Having understood the sub-sector, the next step is to choose the appropriate intervention for livelihood promotion. For this, based on the need of the families and competency of the assisting organization, intervention should be identified from all the possible interventions. The intervention identification process will require the following steps to be followed –

1. Understanding the intervention context which will have the following components –
    a. Understanding the organizational context in terms of long term objective of the organization, competency and skills existing of the organization and the funding possibilities.
    b. Understanding the area context – the level of development, characteristics of the target group, nature of political economy prevailing, the social structure and the cultural practices within the area.
    c. Understanding the macro economic and policy context
2. The prioritization of peoples needs based on the existing scenario of the rural poor in the area. While the sub-sector approach will ensure that the gaps are identified across the value chain right from the pre-production stage to the post harvest marketing stage it is very important to identify the critical issues and gaps. The gap to be addressed immediately should appeal to the rural poor and also be able to provide immediate relief and better livelihood within the entire value chain. The other important means to choosing the intervention points and mechanism is to go for strategic planning exercise which will ensure that they develop the priority areas and also form the objectives based on which the intervention can be designed.
3. The three critical variables to be finalized for setting the boundary of intervention is the likely scale of intervention, the point of intervention and relative importance of the intervention to the rural poor.

Once the intervention is identified, develop strategies and business plan for successful implementation of the intervention.

4. Market opportunities – Market study

The market forces influence the livelihoods of rural poor. Therefore, unless livelihood interventions fall in the sequence with market trends and cater to market demands, the success of that intervention is highly unlikely.

In order to capitalize on the market opportunities, while promoting the livelihoods of poor, it is important to analyze and understand the market trends and demand at local, national as well as global level. The result of these analysis and understanding should be incorporated within the analysis of existing livelihoods (through Village-household analysis and sub-sectoral study) to identify the opportunities in the existing livelihoods. The match between the demand in market and supply from existing livelihoods results into livelihoods intervention that creates significant economic returns to the poor families. In addition to this, it also helps in identifying the new opportunities emerging in the market and introducing new livelihoods to the poor families. In this approach, profile of market, buyers and sellers are studied carefully to identify the market opportunities.

4.1. Market Profile

- Location
- Type of products and number of outlets
- Duration and timings
- Organizations
- Fee charged from participants
- Approximate number of visitors/ buyers
- Infrastructure and services available
- Level of bargaining

Buyers Profile

- Name, address, age
- Reason for visiting, Pattern of visiting market and Mode of transport
- Peak and lean season for purchase
- Visits to other markets for purchase and reason for this
- Specific product purchased and reasons for purchasing
- Mode of purchase, credit required and sources of credit
- Price paid for the product, quantum of purchased and frequency of purchase
- Satisfaction level with the existing product
- Quality requirement of product
- Problems with the existing products
- Any new product desired and additional elements required in a new product
- Willingness to pay for the product

Sellers Profile

- Name, address
- Type of business, Products sold and mode of sale
- Initial investment in the business, working capital required and sources of finance
- Credit requirement, sources, terms and conditions
- Technical, legal, financial, institutional and social requirements to start the business
- Source of products, purchased price and means of transporting the products
- Peak hours and seasons for trade and reason for this
- Prices during peak hours and seasons
- Quantity sold in a day, in a week, in a month, during peak hours, peak season, lean season
- Change in price, quantity sold and quality required from the product over last few years.
- Satisfaction level and problems with the existing products
- Change in the buyers profile, their place and occupation
- Change in buyers requirement, reasons and is any new product emerging to cater this

Methods to use the tools

To use all the above tools to collect the respective and relevant information, there are several methods. Any of these methods can be used for any of the tool to collect the required information. These methods are –

(1) Questionnaire
   (a) Individual
   (b) Household
   (c) Village/ community

(2) Interview
   (a) Individual
   (b) Household
   (c) Key informants

The interview can be structured or unstructured.

(3) Discussions
   (a) Few individuals or household (up to 5)
   (b) Key informants
   (c) Group
      - Big group
      - Small group
      - Focused group discussion -
      - Transact walk

The participatory approach and tools have to be used keeping in mind the different perceptions of different stakeholders. Hence, sensitivity towards difference in perceptions of men and women has to be displayed and consequently incorporated in the analysis. The following example illustrates the point well:

Example: Participatory Methods Illustrate Different Perceptions of Well-Being

The use of gender-sensitive participatory methods in Darko, Ghana identified differences between women and men in their understanding of poverty. These methods documented people's own perceptions of intra-household relations and provided a far better understanding of the situation and changes underway than would have been possible through data collection on externally-selected indicators. Men and women prepared separate social maps of the village and carried out wealth and well-being rankings.

Differences in the two discussions were analysed:

- Men's criteria of wealth centred around assets like a house, car cattle and type of farm. They considered crops grown by men and not women's crops. Initially they left those with no assets out of the ranking altogether. They then moved on from wealth to a discussion of well-being, using 'god-fearing' as the main criterion.
- Women started with indicators like a house, land and cattle but moved to analyse the basis of agricultural production. Again they considered only 'female' crops and did not mention cocoa or other crops grown by men. Contrary to common perceptions, women focused on marketed crops and not on subsistence food crops.
- Women's criteria for the 'poorest' were related to a state of destitution, and the lack of individual entitlements or health-related deprivation. Men focused on the absence of assets.
- Each group had its own perception of well being. Women tended to identify factors for women, while men focused on men. Neither group looked at the household as a unit for analysing welfare.
- For both women and men, being wealthy did not always mean being better off. In the men's analysis none of the rich were 'god-fearing' and two houses with no assets had 'god-fearing' people. As for the women,

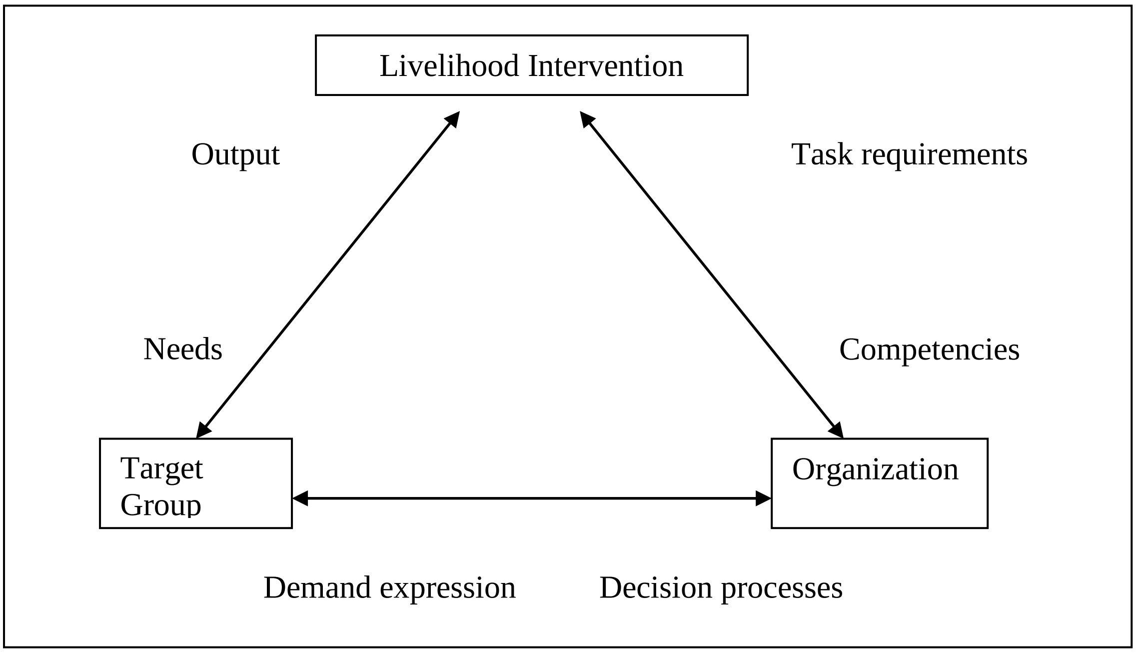
the biggest vegetable producers (seen as an indicator of being well off) were not in the richer categories.

Source: http://www1.oecd.org/dac/gender/pdf/tipsheets/participa.pdf, Summary of M. K. Shah (1998) "Gendered Perceptions of Well-being in Darko, Ghana," in Guijt and Shah (eds.) The Myth of Community: Gender Issues in Participatory Development.

Chapter: 13

Intervention Plan Development

From the opportunities and gaps identified through the livelihood analysis, a livelihood intervention plan has to be prepared for the learning to take form into an intervention. However, there is a need to understand, in the beginning itself, that the success of livelihood intervention depends on the fit achieved between families, livelihood plan and supporting organization. This means that livelihood intervention will fail in promoting the livelihoods of the poor unless there is a close relationship between: target group needs and livelihoods intervention output, livelihoods intervention task requirements and the competencies of the supporting organization; and the mechanisms for family demand expression and the decision processes of the supporting organization.



The target group and the organization staff need to share their knowledge and resources to create a fit between needs, actions and the capacities of the assisting organisations. Both, families and staff need to spend time on an idea on pilot basis, try it, get the result and correct its errors. Organization staff/ team leader needs to spend time in the village on that idea. In the learning process approach, the ideas need to be tried, tested, modified and scaled-up.

The learning process approach[17] has three main stages for successful implementation of intervention plan

1. Stage 1: learning to be effective: One or two staff spends time with families to understand the problem and develop an idea with them. The idea is tried and modified/corrected based on the errors and successes; thus a final idea emerges.
2. Step 2: learning to be efficient: Efforts are focused on eliminating activities which are non-productive and working out simplified problem solving routines for handling critical activities for a layman or less qualified staff.
3. Step 3: learning to expand: Efforts are to build the skills, management systems, structures and values in the assisting organization to carry out the prescribed activities on a large scale.

Hence, on the one hand there should be a fit between the needs of the community, the organizational capacity and the livelihood intervention. And on the other hand the livelihood intervention should follow the steps outline above.

8.2. Elements of Livelihoods Intervention Plan (LIP)/ Business Plan (BP)

[17] Abstract from the reading material for SERP's training programme "Induction Programme for Livelihoods associate", prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand. The original article is written by David C Korten.

Livelihood Intervention Plan – This involves systematic planning of objectives, activities, institutional framework, timeframe, responsibilities and budget.

Business Plan – Business plan is prepared for micro-enterprises or business activity. This mainly involves planning for activities, timeframe, responsibilities, budget, forecasting costs, inputs, outputs, sales, profits and cash flows.

<u>Difference between Livelihood Intervention Plan and Business Plan</u>

Business plan is part of Livelihood Intervention Plan. Business plan is mainly related to economic - estimation of production, cost and profits, finances. However, the livelihood intervention plan deals with social and economical aspect of the intervention.

<table>
<tr><th>Livelihood Intervention Plan</th><th>Business Plan</th></tr>
<tr><td>LIP helps in assessing
1. Number of families to be supported
2. Activities to be undertaken and resources required
3. Financial support required
4. Various sources to arrange resources and methods to raise it.
5. Make a stepwise progress in developing systems, arranging resources, establish infrastructure, initiate intervention, monitoring the activities and take corrective action.
6. Responsibilities, assign them to right persons and monitor it
7. Timeframe and deadlines to start the work on time.
8. Training need for families and staff.</td><td>BP is mainly prepared
• To show the creditors so that the credit can be ascertain on the basis of soundness of the business.
• To assess the potential of micro-enterprise to make profit in future.
• To assess the financial support required
It also helps in assessing
1. Activities to be undertaken and resources required
2. Various sources to arrange resources and methods to raise it.
3. Shortcomings of micro-enterprise need to be improved.
4. The requirement of money on certain point of time during production</td></tr>
</table>

The Livelihoods Intervention Plan, clearly, consists of –

Idea
Number of families to be covered
Institutional Framework

↓

Productivity, Equity and Sustainability
Feasibility and Viability

↓

Objectives
Outputs
Impact

↓

Activities
Sub activities
Time frame
Responsibilities

↓

Resources required to undertake above activities
Budget

The Business Plan consist of –

Number of families

↓

Activities,
Timeframe,
Responsibilities,

↓

Budget,

↓

Inputs
Fixed costs
Working capital
Outputs
Sales
Profits
Cash flows
Cost-benefit analysis
Break even
NPV, IRR and payback period

8.2.1. Steps in Livelihoods Intervention Plan

1. *Idea* – As we have fair understanding of livelihoods analysis tools and its uses for livelihoods analysis from previous chapter, livelihoods system of a village is analyzed at micro and macro level to identify potential activity in existing or new livelihoods to improve the incomes of a family or group of families. That potential activity is an idea for suitable livelihood intervention. Before selecting this idea for further work, one should ensure that it meets the requirement of the family/group of families as well as the competency of the supporting organization. Once it is ensured, the idea should be selected for further work with the concerned family or group of families. This idea would be central for livelihood intervention and the entire livelihood Intervention Plan would be woven around it.

2. *List of families and their expected business under that idea* – Once the idea is identified, discussions with all the families, whose needs for livelihood promotion will meet from it, need to be conducted to finalize the list of the families. Based on this list, assess the quantum of livelihood activity for each of the family to arrive at a total quantum of activity. This will be the input for selecting the appropriate institutional form to undertake the livelihood activity, plan for activities, assess the resources required and finalize the budget.

3. *Institutional framework required implementing this idea* – based on the idea, number of families and quantum of the livelihood activity, the appropriate institutional form should be selected. It can be an enterprise or collective action. If one or small number of families are coming together, micro or small enterprise would be suitable, however for large number of families, collective is a better idea. Collective can also be of various institutional form – society, trust, cooperative, producer's company, etc.

4. Before moving further and doing any more work, it is essential to ascertain that *the idea qualifies for productivity, equity, sustainability, feasibility and Viability*. Although, this will be undertaken in-depth and with rigorously during the appraisal of the plan, the rapid assessment of plan with regard to this is essential at this stage. This will save time, energies and resources from being wasted in detailed planning, if the idea would fail on these parameters later. The details with regards to assessment of plan on these parameters are discussed in detail in the next chapter. The method for assessment would be same here, but for the intensity and rigor.

5. *Main objective of livelihood intervention, its outputs and impact on poor families* – once the idea passes the rapid assessment with regard to above

parameters, the main objectives of undertaking the idea should be clearly spelt out in a joint meeting with all the families. This is very important, as it will help in refining the choice of institutional model further and finalizing the activities and sub activities that will further affect the resource requirement and budget. While defining the objective, output of each objective and impact of overall idea should also be defined. This will be helpful for monitoring as well as evaluation of the project later on.

6. *Defining the activities and sub activities* – For achieving the main objectives of the idea, activities and sub activities need to be defined. For this, identify the activities to each objective separately and break these activities down into sub activities.

7. *Specify time frame (starting and end date) for each activity and sub activities* -This will be helpful in preparing for the upcoming activities, arranging and coordinating the resource, implementing the activities smoothly and accomplishing the task on time.

8. Along with planning for activities, sub activities and timeframe, *assign the responsibility of each activity* to families and concern staff of supporting organisation. This will help in reducing the confusion, make people accountable, and smoothly carry out the activities without hassles. This will also hasten the process.

This should be prepared in the form of following table for the convenience and presentation of entire activity sub activity plan, time frame and responsibility at a glance.

Activity Plan

#	Activity	Sub activity	Timeframe	Responsibility

9. The next step is to assess the *requirement of resources and external support*. The resources include human, financial, physical, infrastructure, assets, technology, skills, knowledge, etc. The external support means support from out of the community, either from supporting organisation or from other institutions/individuals. The assessment is important for making arrangement for it, sourcing it and coordinating the resources (as they are usually limited). This also has implications on the budget, therefore on the finance required.
10. *Detailed budget* should include unit, unit description, unit cost, total cost, year wise and source wise distribution for each activity and sub activity.

Detailed Budget

#	Activity/ sub activity	Unit description	Unit	Unit cost	Total	Year			Source		
						1	2	3	1	2	3
	Total										

11. If livelihood intervention is for income generating activity like micro enterprise, marketing, shop, a *detailed business plan* also needs to be made. The business plan is discussed in detail below.

8.2.2. Steps for developing Business Plan for micro enterprise

The business plan also includes a brief mention of number of families, activities, sub activities, timeframe, responsibilities and budget. These are same as discussed above in livelihood investment plan. In addition to this, the main and important parts of Business Plan are –

1. *Production cost*

All the cost related to the enterprises must be considered. Even the long-term expenses related to equipments, annual depreciation, should be worked out so that the entrepreneur knows the full costs before venturing into the business. The steps for this are

- Identify all the items needed to produce or sell
- Calculate the quantities of all these items – total production
- Calculate the cost of getting them for the production of a specific quantities
- Identify Production inputs:
    - Raw material: these are required to produce a product.
    - Equipment: These are the tools, machineries or implements required to produce a product.
    - Labour
    - Transport
    - Other expenses: utilities like water, fuel, repairs, interest on loan
    - Wastage/Defects
- Calculate the total production cost - Total production cost will arrive at by adding the above costs
- Costs per unit – total cost divide by number of units produced.

2. *Total Sales value and profit*

The total sales value is the function of total units sold and the per unit price. It is important to notice that the total sales value should cover all the production costs, labour expenses, maintenance and replacement costs for tools, equipments, implements and machinery. The difference between the sale revenue/ total sale value and total costs is profit. For estimating costs and sales, following formats can be used:

	Month **Item**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
1	Sales									
	Quantity									
	Price									
	Total value									
2	Cost of Sales									
a.	Raw Material									
	Quantity									
	Price									
	Total Cost									
b.	Labour									
	Number Employed									
	Wages									
	Total Cost									
c.	Power									
	Quantity									
	Cost									
d.	Other Production Cost									
e.	Depreciation*									
	Total Cost of sales									
3	Operating Profit (1-2)									
4	Less:									
a.	Interest									
b.	Selling, general, administrative Expenses									
5	Profit before taxation (3-4)									
6	Provision for income tax									
7	Net Profit (5-6)									

Depreciation is the reduction in the value of assets.

3. Cash flow

Cash flow refers to the amount of cash being received and spent by an enterprise during a defined period. A cash flow plan is a forecast which shows how much cash is expected to come into and go out of the enterprise in a given period. The cash flow plan helps the entrepreneur to make sure that the enterprise/institution does not run out of the cash at any time and has enough cash to pay its costs. An institution can make a profit in a year but can still run out of the cost. But adverse cash flows or shortage affects profits. There are several reasons why an institution runs out of cash:

- The business has to buy raw material before it makes finished goods and sells. This means that cash goes out before cash comes in
- If the business gives credit to its customers, repayment may not happen regularly in stipulated time. But business has to run before these credit customers pay
- Business needs cash to invest in infrastructure, equipment the benefits of some of which are not immediate but have long-term implications. But still business has to incur these expenses before any cash flow through sales.

The cash flows are of three types:

- Operational Cash Flows: Cash received or expended as a result of the companies core business activities
- Investment Cash Flows: Cash received or expended by making capital expenditures (i.e. the purchase of new machinery), the making investments or acquisitions
- Financing Cash Flows: Cash received or expended as a result of financial activities such as receiving or paying loans, issuing stock, and paying dividends

A cash flow statement is the financial report showing the cash inflows and outflows and used in understanding the short-term viability of an enterprise, especially its ability to meet its costs. It helps an entrepreneur to make sure that the enterprise does not run out of cash at any time. In other words, this can be used to make sure that the enterprise always has enough cash to pay its costs. The cash flow plan 1) gives a warning in advance about the future cash shortage, 2) facilitate more control over the flow of cash, 3) prepare to solve or avoid the problems before they happen and in 4) managing the working capital. To make cash flow plan, one needs to forecast the amount of cash, which will come in and go out. For this, use the following table.

Months	1	2	3	4	5	6	7	8	9	10	11	12
In flow:												
Cash at the start of the month												
Cash in from sales												
Any other cash in												
Total cash in												
Out flow:												
Cash out for direct material cost												
Cash out for direct labour cost												
Planned investment in equipment												
Cash out for paying loans, dividends, issue of stocks, etc												
Any other cash out												
Total cash out												
Net in and out												
Cash at the end of the month												

4. Total working capital requirement

Working capital also known as operational capital refers to the amount required to run the day to day operations of the business. In this context, we are talking about the net working capital which is the difference between current assets and current liabilities.

In estimating the working capital requirement, operating expenses directly or indirectly related to the production and sales operations are taken into account. Inventory, work-in-progress, receivables, creditors and contingency are the main components of working capital. Working capital requirement are calculated for a business cycle, which is the time period between purchase of raw material to realization of the money from sales. While estimating the working capital requirement sometimes, the interest on working capital is not included. This happens because in the case of a sound business enterprise, the financers believe that the interest on working capital should be generated from the business activities and should not be borrowed as a loan.

Working Capital = Current Assets – Current Liabilities

Terms

Current Assets: Current assets include cash, cash equivalents, accounts receivable (debtors), inventory, which will be used within a year and can be easily converted into cash when required.

Current Liabilities: Accounts payable for goods (Creditors), services or supplies that were purchased for use in the operation of the business and payable within one year would be current liabilities.

Inventory: Raw material, Finished goods and Work-in-Progress (semi-finished goods)

Debtors: Are the people/institutions who owe money to the enterprise

Creditors: Are the people/institutions to whom the enterprise owes money Liquidity: In this context, liquidity means the possibility of converting into cash quickly

Format for working capital estimation

WORKING CAPITAL ESTIMATES							
		Norm in months	**M-01**	**M-02**	**M-03**	**M-04**	**M-05**
1	Raw materials						
2	Work-in-progress						
3	Finished Goods						
4	Book Debts						
	Total current assets						
1	Working capital margin @ 25% of total current assets						
2	Trade credit						
3	Bank credit for working capital						
	Total current liabilities						
1	*Interest rate on Working Capital Loan (%)*						
	TOTAL WORKING CAPITAL						

5. Break-even

The **break even point** for a product is the point where total revenue received equals total operating costs associated with the sale of the product. Break-even analysis is a tool to calculate at which point of sales volume the variable and fixed costs of producing your product will be recovered. Another way to look at it is that the break-even point is the point at which the product stops costing you money to produce and sell, and starts to generate a profit for your company. The break even point helps in:

- Setting the price levels
- Optimal fixed and variable costs combination
- Products to be manufactured or dropped

Break even quantity = Total Fixed cost / (Unit selling price – Unit variable cost)

Terms: *Fixed Cost*: It does not change with the change in the production and long-term in nature. It varies only when there is additional capital investment. It has to be incurred even when the production is not happening *Variable Cost*: Variable cost varies directly with the production and is incurred only when the production happens. Unit variable cost is the variable cost of the single unit of the product/service *Unit Selling Price*: It is the sales price of a single unit of product/service

Unit selling price – Unit Variable cost is called the contribution margin. It explains the relationship between the variable cost and the selling price. Estimation of break-even helps in determining the sales per day, per month and per year. Knowing the required time and quantity of break-even will give an idea whether to start the business or not.

Project Selection Methods

The projects are selected based the time period to get back the investment. Higher the profits, it is easier to get back the investment in short period. Apart from the financial benefits, risk, environmental concerns, distribution of the benefits (equity) and regularity of income are some of the other criteria used. The following methods for project selection based on financial soundness are detailed below:

<u>Cost Benefit Analysis</u>

In simple words, cost benefit analysis compares the cost of the project and returns from the projects for a period and reflects whether the total benefits from the project would be higher or lower than the total cost of the project in the long run. For a project to be taken-up, the benefits should be more than the costs. Here the cost includes not only the monetary costs but also the social and environmental costs.

Cost Benefit Analysis include -

Cash Flow Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Total Cash Inflow (A)					
Total cash Outflow (B)					
Net Cash Flow (A-B)					
Cumulative Cash Flow					
Payback Period	Year				
IRR					
NPV					

Methods to judge the merits of Investment

The most commonly used method of appraisal for the viability of the project is looking at the rate of return i.e. the money generated by the project. It indicates the overall financial viability of the project/intervention. The three important measures used are: 1) Payback method, 2) Net Present Value Method and 3) Internal Rate of Return Method.

A. Payback Period:

The best way to judge the investment is to calculate the amount of time it takes to recover the investment. According to this criterion, the shorter the duration of the recovery of initial investment, the more desirable the project is. Longer the payback period, the greater is the risk associated with the project. For example –

#		Year 1	Year 2	Year 3	Year 4	Year 5
1	Net Cash Flows	**-18005**	**12470**	**12470**	**12470**	**21803**
2	Cumulative Cash Flows	**-18005**	**-5535**	**6935**	**19405**	**41208**
3	**Pay Back Period**	3rd Year				

In this case, the payback period is less than 3 years. The only shortcoming of this method is that it does not account the time value of money as it just adds the cash flows and does not look at the timing of the cash flows. Also, in the case of few projects, the cash flows may continue even after covering the initial investments. For example, two projects with initial investment of Rs.1,00,000 each, will recover the initial investment in 2 years. One project may cover the initial costs faster and provide no cash flows at all after 2 years, whereas the other project may continue to provide inflows even after 2 years.

Hence, to overcome this problem, Net Present Value (NPV) & Internal rate of return (IRR) method is used for sub project selection.

B. Net Present Value (NPV):

The NPV method estimates the projected earnings from an intervention for the entire life of the intervention and also the residual/salvage value that can be obtained at the end of the project. Thereafter, the earnings are discounted at an appropriate interest rate to bring the earnings of all the years to a common comparable date, which is the state of the project. This is done because the value of money that is hand is more than that is anticipated in the future. Hence, the future value of money is discounted. The process of discounting is the reverse of compounding of interest rate. For example, Rs.1000 in a safe investment will yield Rs.1100 in the next year and Rs. 1210 in the second year and so on at an interest rate of 10%. Discounting reverses the process and finds out the present value of Rs. 1220 that we will get after two years. The current value of future money that we get after discounting is called the present value and is calculated by:

$$\text{Present Value} = \frac{\text{Future Sum}}{(1+i)^n}$$

Where *i* is the rate of interest and *n* is the number of periods or years.

The NPV of a business plan is the sum of the present value of net cash flows (Positive/negative) of each year that is expected to occur over the business plan period. In this method year wise net cash flows are converted in to their present values (PV) by multiplying with suitable discounting factors. It is the most accurate and theoretically correct method. If NPV is positive, accept the business plan. If it is negative, reject the business plan.

Example:

Two projects A and B's earnings over 5 years are discounted with an interest rate 10%. The initial investment available is Rs.1000.

	Project A		Project B	
	Earnings	Present value	Earnings	Present Value
Year 1	200	181.80	500	454.50
Year 2	300	247.80	400	330.40
Year 3	500	375.50	100	75.10
Year 4	200	136. 60	200	136.60
Year 5	200	124.20	200	124.20
Total		1065.90		1120.80

By deducting the initial investment from Project A, the surplus is Rs. 65.90 (1065.90-1000) and from Project B is Rs.120.80 (1120.90-1000). From Project B, the institution is able to pay back the loan in 5 years and also able to make a surplus more than the Project A. Hence, Project B should be taken up.

C. Internal Rate of Return (IRR)

IRR method is the modification of NPV method. NPV method does not furnish exact rate of return. IRR is that rate at which the sum of discounted cash flows is equal to the original investment. It makes the present value of earnings equal to the investment or makes the NPV zero. The calculation of discount rate (IRR) involves a trial and error. Accept the sub project if the IRR is greater than the cost of capital (interest rate of loan amount). Reject the business plan, if it is less than the cost of capital.

Case Study 2 - Potato Wafer Unit – a New Start

A group of Ismailis at Bhavnagar are involved in the business of vegetables for more than twenty-five years. At present this business is facing a huge competition due to the entry of number of unskilled labour from cotton mills after its closure. This situation has adversely affected the volume of business being done by each retailer of the *mand*i. With the growing members in the family coupled with the limited capacity of their business, is posing a great threat for the future of their upcoming generation. So in anticipation of the likely problems, the local council of Bhavnagar feels that there is a need to identify some business activities, which can consume the younger generation of the community who will otherwise become a part of the vegetable business after few years. It is against this backdrop that "Enterprise Support Program" launched by Aga Khan Economic Planning Board-India took up the promotion of a potato wafer unit for a group of three young people of the community.

Planning for the Business

Identification of the entrepreneurs: The head of the community was entrusted with the task of identifying the potential entrepreneurs as it a first crucial task for starting an enterprise. Willingness to participate in the programme was made the main criterion to select the youth in the age group of 20-25 years, as the professional inputs can yield result only when the entrepreneur is desirous to give the input a chance to be experimented. This broadly the selection was done on the basis of the following criteria:

- Willingness of the entrepreneur to participate and seek support of the programme
- They should have the mandate of their family members
- They should not be the sole earners of their family

Based on it nine entrepreneurs were selected. Out of which three most compatible were selected for the first phase.

Identification of the Activity

There are two major tasks before taking a final decision into the activity:

- Checking the suitability of the entrepreneurs for the activity: This was done through holding four to five sessions with the entrepreneurs to have a comprehensive understanding of their backgrounds. After assessing the skills of the entrepreneurs, various activities necessary like production, marketing, financial management and procurement were identified. The activities were further categorized into skilled, semi-skilled and unskilled activities. Based on this, attempt was made to judge the suitability of each entrepreneur vis-à-vis each activity using the following format.

Suitability **Activity**	**Very Fit**	**Fit**	**Misfit**
Production			
Marketing and Sales			
Procurement			
Financial Management and Planning			

Based on the above table, trainings were conducted to strengthen the strong areas of each entrepreneur.

- Environmental assessment of the potato wafer business: Key informant and physical market survey were two methods adopted to assess the environment. EDA along with the entrepreneurs visited number of shops to see the brand preferences of the customers as well as the retailers, margin available with the retailers, the level of competition in the business and appropriate distribution channel for the product.

Formulating Business Plan

Marketing Plan

After the environmental assessment a detailed marketing and sales plan was drawn up by diving the whole Bhavnagar city into five zones and plan was made to penetrate each zone in a phased manner. In each zone, suitable location, preferably near schools or circles were identified to sell the product directly to the customers at a price lower than the competitors. A marketing plan with the following elements were drawn-up:

- Product: plain potato wafer in small packs of 50 gms was decided upon on the grounds of affordability, ease of buying and preference of the customers. Depending on the feedback after the first phase, the products will be diversified into new flavours like masala wafers and similar snacks and different pack sizes.
- Price: Based on the customers' willingness to pay and to maintain the quality of the product in the customers' eyes, lowest price strategy was not adopted. OS it was decided that the price would be Rs.5 per 50 gms and Rs.60 per kg.
- Position: The product was positioned as "fun food snacks" item targeted at people spending relaxing moments with friends at cinema halls, parks, etc

- Place: Based on the above positioning, the distribution channel was supposed to be the general stores, paan shops near theaters, schools, parks and temples.
- Promotion: Due to limited funds, promotion was done with posters and banners to be place at prominent places. Point of purchase materials were prepared to be pasted on the retail counters to create awareness among customers.

Financial Plan

To judge the project from financial angle, information on the following aspects were collected:

- Costs of the project: The cost of the project includes fixed assts, pre-operative expenses and provision for contingencies. All of this amounted to Rs.60, 000. (See the annexure for detailed cost sheet)
- Means of financing: Since the formal source have declined to finance the project, the entrepreneurs borrowed from the private people at nominal rate of interest of 1.5% per month
- Estimation of sales and production: For practical purposes it was assumed that the production would be equal to sales as under utilization of the capacity of the plant was not going to give all three of them an expected income.
- Cost of production: The major components of cost of production are material cost and utilities cost.
- Working capital requirement and its financing: In estimating the working capital requirement, operating expenses directly or indirectly related to the production, procurement and sales operations were taken into account.
- Profitability projections: Based on sales revenues and cost of production, the next step followed was preparation of profitability projections

Implementation and Monitoring of the Plan

Initial problems were faced in getting the finances from the formal sources. Next, there were problems in production to produce what was fit for the market and resulted in wastage of raw material as well as the end product. This problem was solved after consulting with the expert in the field. Due to the lack of salesmanship, dynamism and understanding of the logic behind various interventions, the entrepreneurs were unable to take up the tasks assigned to them in initial phase. So they were constantly being sensitized about all these facts of marketing.

Lessons for others

Promoters of the micro-enterprise will have to address the following issues while counseling the entrepreneurs:

- Suggest the name of the business that will give assured and high returns for a very long duration of time
- Suggest business that will enjoy monopoly for a long duration
- Suggest ways to make quick money
- How the support provided by the promoting organization will be useful to the business
- How much is the support duration to yield the desired results
- What will happen if the support fail to yield the desired result

Firstly, the above list clearly brings out the element of risk attached with any business activity and the risk absorbing capacity of the small entrepreneurs is limited. Also the expectation of the entrepreneurs from the promoting organization is high and hence the main consultant should act as a counselor.

Secondly, the entrepreneurs will not be able to visualize the logic behind the projects that do not give them immediate benefit and will participate in it half-heartedly.

Thirdly, it is important to monitor the implementation of the plan to get regular feedback and bring changes accordingly

Fourthly, it is important for the promoter to impress upon the credit-disbursing agency about the potential of the project rather than securing credit on the basis of the past record of the organization.

Fifthly, the business plan should have a ling-term vision. Enough attention has to be paid to the financial management

Most importantly, business plan should be made with the involvement of the entrepreneurs

TABLE 1: COST OF THE PROJECT				
#	**Plant and Machinery**	**Unit No**	**Rate (Rs.)**	**Total (in Rs.)**
1	LPG Oven	1	850	850
2	Packing Machine	1	900	900
3	Weighing Machine	1	325	325
4	Peeling Machine	1	160	160
5	Knife	1	70	70
6	Can	1	400	400
7	Disks for slicing, drying and storing	4	100	400
	Total A			**3105**
	Miscellaneous Fixed Assets			
1	Electrical Equipments			300
	Total B			**300**
	Pre-Operative expenses			
1	Interest on borrowing		1.5% per month	150
2	Travelling expenses			200
3	Rent on building		600 per month	600
4	Miscellaneous			200
	Total C			**1150**
	Consultancy fee (D)			**600**
	Provisions for contingencies (E)		5% of the est. cost	**310**
	Total (A+B+C+D+E)			**5465**

TABLE 2: ESTIMATION OF SALES AND PRODUCTION						
#	Items	1st Month	2nd Month	3rd Month	4th Month	5th Month
1	Installed Capacity (qty. per month in kg)	300	300	300	300	300
2	No. of working days	30	30	30	30	30
3	Estimated production (in kg)	75	150	200	250	270
4	Capacity utilization (in %)	25	50	66	84	90
5	Sales (in kg)	75	150	200	250	270
6	Value of sales (in Rs)	4500	9000	12000	18750	20250

Note: From fourth month onwards, the pack size will be reduced to 40 gms in the place of existing 50 gms. This will increase the selling price of potato wafers from Rs.50 per kg to Rs.75 per kg.

TABLE 3: COST OF PRODUCTION (PER 10 KG OF POTATO WAFER)				
	Mineral Cost			
#	**Items**	**Total Cost (Rs.)**	**Qty. (kg)**	**Rate (per kg)**
1	Potato	180	30	6
2	Oil	120	4-4.25	25-30
3	Salt	5	1	5
	Total (A)	305		
	Utilities			
1	LPG	100		
	Total (B)	100		
	Total (A+B)	**405**		

TABLE 4: SALES EXPENSES						
			(Figures in Rs.)			
#	**Expenses**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Sales Promotion and Advt.	500	200	200	0	0
2	Plastic bags and baskets	100	150	200	225	250
3	Travelling expenses	500	750	1000	1250	1500
4	Packaging material	680	1360	1820	2045	1534
	Total	**1780**	**2460**	**3220**	**3520**	**3284**

TABLE 5: WORKING CAPITAL REQUIREMENT						
#	**Items**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Raw Material	2250	4500	6000	7500	8100
2	Rent	600	600	600	600	600
3	Printing and stationery	100	100	50	50	50
4	Op. Sales expenses	1100	1100	1400	1475	1750
5	Utilities	750	1500	2000	2500	2700
6	Misc. Expenses	100	100	100	100	100
	Total	**4900**	**7900**	**10150**	**12225**	**13300**

TABLE 6: PROFITABILITY PROJECTION						
#	**Items**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Installed Capacity	18000	18000	18000	22500	22500
2	Capacity Utilization	4500	9000	12000	18750	20250
3	**Sales Realization (A)**	4500	9000	12000	18750	20250
4	Cost of Production	3000	6000	8000	10000	10800
5	Operating Cost	800	800	750	750	750
6	Sales Expenses	1780	2460	3220	3520	3284
	Total Expenses (B)	**5580**	**9260**	**11970**	**14270**	**14834**
	Gross Profit (A-B)	**-1080**	**-260**	**30**	**4480**	**5416**

Having discussed an example of livelihood planning, we need to notice that preparation of livelihood intervention plan or business plan is not sufficient.

These plans need to be appraised before implementing the planed activities. The objective of appraisal is to approve or modify or reject the proposal if it is deviating from the basic principles of the livelihood promotion - that is, equity, and sustainability.

8.3. Appraisal

Third party, who is not going to be affected through this intervention in any way, should appraise the Livelihood intervention plan/ business plan. This is to eliminate the biases and getting the fair idea about the plan. The appraisal of livelihoods intervention plan into –

1. *Social Appraisal - Equity*

The livelihood intervention should ensure gender as well as social equity. This means that the intervention should not increase the burden on vulnerable sections, provide control to them, involve them in decision-making and management, and ensure equal wages to women and equal benefits to women. For ensuring the social equity, the intervention should not negatively affect women, the poorest, socially backward, vulnerable, destitute, minorities and disabled; to a greater extent include them in the project.

2. *Productivity*

The productivity is viewed with regard to the resources and/or an enabling environment. The livelihoods intervention will be considered productive if it increases the production, yield, quality and/or income. Decrease in the expenditure on livelihood or non-livelihoods activities would also be considered productive. The productive livelihood intervention would also help in creating assets, building the skills of the families and providing enabling environment so as to increase the productivity.

3. *Technical feasibility*

The livelihood intervention plan should include the use of such a technology, which is appropriate to the local conditions, consistent with best-practice standards, cost-effective in resource utilisation, simple in use and maintenance. Technical feasibility pertains to the process to be adopted and the suitable machinery to be employed. The important aspects that are examined under technical feasibility are:

- Manufacturing process/technology to be employed
- Size of the plant
- Location of the plant
- Technical arrangements – collaboration with others

4. Financial Viability for infrastructure and economic activities

An enterprise/ livelihood activity, if it can survive, is considered as viable. Financial viability is related to economic activities and small-scale infrastructure. To simplify financial viability assessment benchmarks for infrastructure, investment costs per unit (e.g., costs per benefiting household for roads, drinking water and sanitation, etc., or costs per hectare for irrigation infrastructure, horticulture etc) could be used and need to be developed. For micro enterprises a full cash flow analysis, cost-benefit analysis, Return of Investment and IRR/ NPV is conducted to ensure the financial viability.

5. Profile of families/ individual beneficiaries

For appraisal of the project proposal, one should look at the profile of the families. The main aspects that need to be looked into are:

- *Match with the livelihood requirement of the family and the objectives and outputs of the activities.*

- *Match with the programme criteria. For example, if project is planned to address the need of tribal, families should be tribal only.*

- Skill, knowledge and experience to take up the activity. If not available, what is the provision in the project proposal.
- Credit worthiness of family, if loans are provided under the programme. For this, look at their previous track record – loan repayment status in respective SHGs, banks, local moneylenders, previous government programmes, etc.

6. *Community Participation*

The livelihood intervention plan should be developed with community through their participation at every stage of planning. They should also participate in budgeting and identifying the sources of finance. In addition to this they should be financing the project, sharing ownership and responsibilities etc. All of these are required to be checked during the appraisal.

7. *Production factors*

To ensure continuous production, the production factors – availability of input, labour, cost, natural conditions, and weather need to be assessed. This has to be crosschecked during appraisal. While appraising the production factors, raw material, power and labour are the broad aspects that will be covered.

8. *Marketability*

Detailed market study for the product/ service needs to be undertaken to assess the marketability of the product/ service. For this, demand trends, willingness to pay price and quality need to be thoroughly checked. The following aspects are covered under marketability:

- Identification of the project

- Nature of the product and government intervention, if any
- Overall market potential
- The market prospects for the particular unit
- Selling arrangements
- Assessment of price

9. Economic Viability

In addition to financial viability, a separate economic assessment would be undertaken only when major inputs and / or outputs with distorted financial prices are crucial in the livelihoods investment plans. The economic appraisal is directed towards determining whether the sub project is likely to contribute significantly to the development of the economy as a whole and if the contribution of the sub project is likely to be sufficient enough to justify the use of scarce resources. In other words, it is the comparison of quantifiable costs and benefits accruing to society as a whole and not to the immediate beneficiaries. An example would be water pumping using subsidized electricity.

10. Appropriateness of Institutional framework - Governance

The institutional framework should be able to undertake the activities to achieve its objectives. For example, if the intervention is in milk marketing in local area, SHG can handle it. However, the intervention is in milk marketing at state or national markets, proper set up for handling all the required for distant marketing is required, in this case either cooperative or producer's company would be appropriate. Similarly, the governance in the institution, profit sharing, cost sharing, responsibility sharing and legal framework should also be looked critically.

11. Operations and Management

A detailed plan for firm commitments for the Operations and management responsibilities and arrangements is required. Only if the proposed plan convincingly demonstrates the O & M arrangement and planning, it should be approved. The management appraisal includes the competence and professionalism of the staff of the promoting organization as well as the community trained professionals.

12. *Human resource requirement, mechanisms to build their skills and capabilities*

The good plan should incorporate the human resource requirement – kind of human resources required, method for sourcing it, retaining it and building their skills and capabilities from time to time to undertake the desired activities. The appraisal should look for this to ensure the robust plan and its successful execution.

13. *Time schedule*

The time to start and finish the activities should be realistic and achievable. The time frame should be in accordance to the requirements of the project – setting-up time, recruitment and training of the human resources and establishment of infrastructure, all of which have implications on the promotion/preliminary costs. Hence, the time frame has direct relation to the cost and need to be appraised for the time frame to be in tune with the requirements and the implications on the cost.

14. *Sources of finances*

The appraisal should also look into the sources of finance. The sources of funds can be broadly classified into:

- Owned
    - Share capital – equity, preference
- Debt
    - Term loans
    - Debentures
    - Leases
    - Unsecured loans
- Central or state government subsidies

- Grants
- Interest free loans

Each of these sources has to be examined and should incorporate anticipated escalation costs. Each of the sources mentioned above has its own merits and demerits and its suitability varies from industry to industry. The sources of finance appraisal should focus of the percentage of money sourced from various sources, chances of getting fund from them, their terms and conditions and its implications on all the stakeholders.

15. Environmental impact

While major environmental impacts are unlikely due to the small nature of the individual sub-project, an environmental checklist would be part of the appraisal process including impact on natural resources, safety for people, health risks etc. Certain livelihoods or practices within a livelihood have adverse impact on the environment – use of chemicals in agriculture, unsustainable fishing practices, food processing, leather production brick making, ceramics. Extra care needs to be taken while appraising these livelihoods and have to check if suitable measures are taken either to reduce or mitigate the impact on environment.

These are the main parameters of the appraisal; however the detailed checklist of appraisal is given in the following page.

Appraisal Checklist[18]

Stakeholders' participation and Sub-project Management

i. The process of the sub-project evolution (community involvement - poorest/ vulnerable groups and women)
ii. Community's involvement in budgeting
iii. Sub-project's significance in bettering the conditions of these groups

[18] Taken from Operation Manual of APRPRP.

iv. Community contributions (down payment and phased contributions in cash, kind labour etc.)
v. Mechanisms for implementation, operations, maintenance, post-project aspects, fund management, record-keeping etc.
vi. Manpower requirements
vii. Institutional capacity to manage the sub-project and fund management capacity
viii. Sub-project as understood by the community groups/SPA

Pro-poor and Gender aspects

ix. Effect on poorest (negative, if any)
x. Effect on women and children
xi. Extra burden on women and the poorest
xii. Decision-making aspects
xiii. Control on Assets
xiv. Wage rates
xv. Employment Generated (for the poor)
xvi. Expected results/incomes (women vis-à-vis men and poorest vis-à-vis less poor; and number)
xvii. Number (and list) crossing the poverty line
xviii. Expected changes in men-women interactions/relationships and Poorest-less poor relationships

Technical aspects

xix. Technical feasibility
xx. Technology availability/acceptability/adoptability to local situation (appropriateness)
xxi. Technical Standards (quality)
xxii. Cost-effectiveness
xxiii. Skills required/upgradation aspects
xxiv. Process appreciation
xxv. Producer ----->----->----->---- Consumer chain aspects

xxvi. Raw material aspects
xxvii. Demand aspects
xxviii. Backward-forward linkages

Economic and Financial aspects

xxix. Infrastructure availability aspects
xxx. Convergence aspects (other sources of funds; schemes); Institutional linkages
xxxi. Unit costs; per capita costs
xxxii. Cashflow (for mico-enterprises)
xxxiii. Viability aspects (IRR, NPV or Pay back period)
xxxiv. Repayment schedules
xxxv. Costs and Benefits
xxxvi. Post-project incomes and costs

Exercise: Farmer's Cooperative Project

A Producer's cooperative has been set up in a city to procure and market, a wide rage of agriculture produce of the farmers in the neighbouring areas. The procured produce would be brought to a central storage (CS) to set up in the city and sold through 200 retail shops both belonging to the cooperatives. The CS would be a sophisticated facility consisting of sorting and grading line and cold stores with temperature and humidity controls. The cooperative has made estimates of project costs, likely activity levels, sales and revenues which are shown below:

#	Head	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
1	Cost of CS and Associate facilities	30 Crores					
2	Cost of retails shops	6 Crores					
3	Projected Activity						

	Levels						
(i)	Quantity of Agro Produce to be sold (Tons)		80000	100000	110000	121000	121000
(ii)	Weighted Average variable cost/ton (Rs.) excluding interest		7000	7000	7000	7000	7000
(iii)	Weighted Average selling price/ton (Rs.)		8500	8500	8500	8500	8500
(iv)	Fixed Cost (Rs.) other than interest and depreciation		2 Crores	2 Crores	2 Crores	2 Crores	2 Crores

Working Capital Requirement: It has been found that the working capital requirement for each year consisting of a minimum (permanent component) and a fluctuating part. Both the minimum component and the fluctuating part increase directly in proportion to the quantity being sold in the year. Management has decided to meet the investment through short term bank borrowings at an interest rate of 12% per annum. The month wise working capital computation for the first year is as follows:

April	Rs. 3 Crores	October	Rs. 5 Crores
May	Rs. 3 Crores	November	Rs. 4 Crores
June	Rs. 4 Crores	December	Rs. 4 Crores
July	Rs. 5 Crores	January	Rs. 3 Crores
August	Rs. 6 Crores	February	Rs. 3 Crores
September	Rs. 5 Crores	March	Rs. 3 Crores

Depreciation for tax purposes	:	25% Written Down Value Method
Tax Rate	:	50%

Prepare Cash flows and evaluate the project on NPV Basis.

Points to Ponder

- What are the implications of high administrative cost on the intervention?
- Calculate the administrative cost of your project, the benefit to the target group in terms of increased income and the time-period of realization of the investment
- How costs can be minimized?
- Are there any frameworks for appraisal?
- Sit with a small entrepreneur and enquire what factors he/she would look at before taking up an enterprise and how appraisal is done?

Exercises

1. A cooperative society purchased a handloom on 1st January 2006. Calculate Depreciation by written down value method at 5% rate as on 31st March 2007

2. The price of a product is Rs.2, the variable cost per unit is Rs.1 and the fixed costs are Rs.5000. What is the break-even point and comment on the profitability?

3. Calculate the Net present value

	Project A	
	Earnings	Present value
Year 1	500	
Year 2	600	
Year 3	700	
Year 4	300	
Year 5	200	
Total		

5. According to the projected total investment of Weavers Promotion Society for the next five years for reaching 5000 weaver households is Rs. 2 crores. The conservative estimate of increase in income per household is 20% of the current income (20% of Rs.1500 per month per artisan household) i.e. Rs. 300. Assuming that only 50% of the collectives survive and servicing only 2500 artisans as against the targeted 5000 artisans, calculate the following.
    a. What is the investment per household?
    b. What is the payback period of the investment?
    c. The return on investment at 10% discount rate – in figure and in percentage

6. Identify fixed and variable costs
    a. Office Rent
    b. Repair to the spare parts of the machine
    c. Raw material
    d. Taxes
    e. Wastage of yarn
    f. Polishing of the finished product
    g. Auditing charges
    h. Market survey to estimate the demand
    i. Salary of the marketing executive
    j. Construction of the office building
    k. Pilot production cost
    l. Fuel
    m. Electricity expenses of the factory

Chapter: 14

Implementation Arrangements

Once the Livelihood Intervention Plan is appraised and sanctioned, the implementation of plan requires putting up together institutional arrangement, mobilizing the resources – human as well as finance, capacity building of staff and target group, establishing backward and forward linkages, building partnerships, convergence with the government departments, establishing monitoring and evaluation systems, carrying out the activities, monitoring the activities and taking corrective measures based on the feedback and designing the exit strategy.

1. Institutional arrangement[19]

Institution is the base that supports the production and marketing interventions. Many of the well-designed livelihood interventions have also promoted community based institutions for the sustainability of the livelihood. The appropriate institutional arrangement has a positive relation with the success of livelihood intervention. While designing institutions for livelihood promotion, the following aspects have to be kept in mind:

- Need/Objective : Economic or social or capacity building, only marketing, basket of activities
- Scale : Individual or collective enterprise
- Ownership : Community owned
- Capital intensive : small investment with major community contribution or technology intensive requiring external mobilization of resources

When we talk about the institutions in livelihoods, at one level it refers to support institutions – promoting organization, capacity building institutions and formal institutions like banks. On the other level, it also includes the institutions of the poor – Self-help groups, cooperatives, producer companies and others. Hence, in the

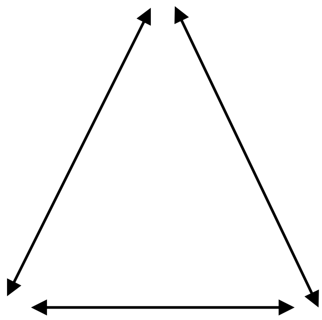
[19] Abstract from the reading material for SERP's training programme "Induction Programme for Livelihoods associate", prepared by Prof. K.V. Raju, Associate Professor in Institute of Rural Management, Anand. The original article is written by Tushar Shah.

institutional arrangements include arrangement with the external institution as well as the enterprises, community based institution promoted for the livelihood interventions.

Any form of institution, consists of three inter-connected entities: Members, Operating system and Governance structure. An ideal design is the match and coordination between governance system, members and operating system. The institutions functions well, when three of them compliment each other.

Governing-Operating Structure Triangle

Governance Structure (Governing Body)



Members

Operating System (Managers/Executives)

(Ref: Tushaar Shah)

Operating system is the device organizations evolve and use to achieve purpose important to their members. It includes business enterprise of the institution, systems, structures, rules and norms. The operating system provides the range of services members need; in turn, it receives member business and capital from the members to build it. Since members are too numerous to hold the operating system accountable to itself, they use an elected board as their governance structure. Governance structure refers to the board and the chairman of the institution. Its primary function is to aggregate and represent the member interest in formulating goals, policies and plans.

Robust design of the institution follows the following three important principles

1. Core purpose central to member – Well-designed institution aims at purposes, which are central to the members and not to the government, donor agencies or supporting organisation.
2. Responsive operating system – The operating system is the device institutions evolve and use to achieve their purposes; it includes business enterprises, systems, structures, rules, norms that governs its working. The design – concept of an institution aiming at purposes central to its members will be robust only to the extent that its operating system is able to find, develop and sustain the distinctive competitive advantages so as to out perform its competitors. They typically do so by finding the new users of their services/ products for members outputs, by modifying the technology used at intermediate stages, and, in general, by finding innovative ways to address anomalies in the operations.
3. Patronage cohesive governance structure – The robust design concept overcome the weakness of their governance structure by promoting design features that enhance the patronage cohesiveness of their governance structure and processes. It means that the supreme policy forming authorities lies with the elected board of members to whom the managers are fully accountable. This also ensures that the purpose central to the members remain important to the governing structure as well.
4. Securing and retaining member allegiance – As time changes, the priority and needs of the members change. With this change, the organisation may not remain relevant to them; therefore they may desert the institution for other institutions. Robust design concept build and sustain member allegiance by progressively evolving new services intone with the changing needs of the members.

Therefore, the institutions promoted to implement livelihood interventions must follow above principles for it to be relevant to the members. However, the various forms or models of the institution can be adopted based on the objective and activities of the livelihood intervention. The possible models or forms of the institutions are Society, Trust, Cooperative, Producer's company. The comparative analysis of these institutions is given below:

#	**Dimension**	**Enterprise**	**SHG**	**Cooperative**	**Producer's Co.**	**Society/Trust**
1	Legal Recognition	Can be registered or not	Informal Association	MACS Act, 1995	Companies Act	Societies Act
2	Ownership	Entrepreneur	Promoting Agencies	Members	Members	Promoting Agencies
3	Suitability		Savings and Credit	Economic, social, cultural Activities	Economic, Activities	Social Activities, charity
4	Functions/Services	Benefits to the entrepreneurs	Savings, credit, insurance	Marketing, linkages, capacity building and every service required by the members	Marketing, linkages and every service required by the members	Marketing, linkages, capacity building and every service required by the members
5	Member Allegiance	High	Medium	High	High	Low
6	Economic Functions	Private economic activity	No	Yes	Yes	Depends on the capacity of the organization
7	Scale					
8	Income Enhancement	For an individual	For a group	For the members	For the shareholders	For the beneficiaries
9	Profit Distribution	Individual benefit	No	Profit according to the patronage	Profit according to the patronage	Profit distribution depends solely on the discretion of the promoting agency
10	Governing Structure	No	No	Board of directors elected by the members. Board comprises predominantly of members	Board of directors elected by the members.	Board selected by the promoting agency with members having no say in it

2. Mobilizing the resources

Human Resource Mobilisation and Development

Success of any livelihood intervention depends on its human resource base. The appropriate design of staffing pattern, recruitment, capacity building strategies and processes are also very important for the growth and development of any institution. The staff requirement should be assessed based on the institutional form, activities that need to be undertaken and the future plan of the institution. Based on this assessment, the job profile for each position and number of staff required for institution should be finalised. The human resource base at the community level should be built as much as possible from the local people. For specialized functions external staff can be recruited. Building the capacity of the local people will contribute to the long-term sustainability of the institution and makes the exit of the promoting agency much easier.

To reward the performing staff, to build the capacity of under performing staff and punish the non performing staff, there should be a performance management system. This will help to evaluate them and take appropriate measures. List of all the possible Human resource required for livelihood intervention:

1. Community organisers/volunteers or activist to directly work with the target group from 2-5 villages.
2. A supervisor to support these village level workers, monitor them and take up higher level of administrative work. S/he will be responsible for cluster of villages.
3. A cadre of Village Marketing (Livelihood) Activists (at least one per village) in Livestock, Agriculture, Horticulture, NTFP, etc.; Nurturing and mentoring these activists and training them

4. Staff of the institution promoted to undertake the livelihood intervention activities. They can be mangers, technical specialist, marketing professional, experts, accountants, administrative officer, office assistant, security person, etc.
5. There would also be cluster level/ mandal level/ district level/ state level programme staff of the supporting organisation. These staff will directly work with the supervisors, village level workers and the staff of the institutions.

The staff of the community level organization should be made accountable to the community and the responsibility of recruiting such staff lies with the community. Technical and support staff of the promoting agency is the responsibility of the promoting agency. As much as possible, the board of the community level organization must be independent and accountable to the members and the interference from the promoting agency through placing their staff on the board should be avoided.

2.2. Financial Resources

Before mobilizing the resources, one should look into type of financial requirement. Some of the requirements can be fulfilled through grant and some through loans. For a livelihoods intervention, the financial requirements are of three types –

- Fixed cost
- Working capital requirement
- Promotional activities like training, education, etc.

Ideally, for all the business/economic activities funds have to be mobilized from the community. In the case of shortfall, it has to be sourced as a loan from the SHGs, Federations or banks and have to be repaid by the community. If the business requirements are fulfilled through grants, it will promote dependency and harm the sustainability of the intervention. For the initial fixed capital, soft loans or interest free loans are available from nationalized banks with easy repayment terms. Grants can be utilized only for promotional activities and capacity building of the community.

Grants can be mobilized from government programmes, donor agencies, individuals, corporate houses, etc., whereas for loan public sector banks, new generation banks, MFIs, venture capital, corporate houses, individuals, government programme should be accessed. For working capital requirement, new generation banks and corporate houses can also be contacted. The new generation bank will give loan on hypothecation of raw material or products. The corporate houses, on entering into sales contract, can also pay some part of the sales value in advance to meet the working capital requirement.

The steps in sourcing finance are –

- Divide the financial requirement as the fixed cost, working capital and promotional activity requirements,
- Identify the sources, which are providing financial support for the similar activities.
- Understand their terms and conditions.
- Match the financial requirement -grant and loan type with their terms and conditions.
- Submit the proposal in the prescribed format and fulfill other formalities to access the money.
- Build suitable monitoring system to keep tab on the proper utilization of the funds

3. Capacity building of staff and target group,

Capacity building (CB) refers to an enabling process and not just knowledge building. Capacity building requirements have to be identified keeping in view the long-term requirements of the institution. CB initiatives should be undertaken at two levels – community and the staff of the promoting agency.

a. Workshop
b. Exposure visit
c. Experience sharing
d. Self-learning – hands on marketing and institution management

A mix of these methods has to be followed at different levels, appropriate to the content of capacity building that is planned. Capacity building plans have to be worked out systematically; the thumb rule being that capacity building must keep pace with emerging project requirements. CB can be divided into three aspects 1) Production/Livelihood Technical training, 2) Marketing Training and 3) Institution Management Training.

The steps in capacity building -

1. First, identify the training needs of the staff and the community.
2. Identify some active community member to serve as resource persons along with the staff for training the target group.
3. Develop training content, training modules, case studies, charts, films etc.,
4. Identify the suitable method of training
5. Extensively use participatory training methodologies.
6. Provide direct training to all the members and do not assume that the transfer of knowledge will take place if you train a few.
7. Continuous facilitation is more important than a one-time training. The basic objective of the initial training is to trigger the need for that particular content. The full content is ultimately imparted through continuous group level facilitations.
8. Assess the impact of the training programme.
9. Plan for refresher-training programme based on the assessment, requirement and change in any aspect of the project.

The format given below is an indicative list of items for assessing the organizational capacity and will throw light on the areas where capacity needs to be built.

Organizational Capability Rating Sheet

#	Capability Factor	Rating
1	Team	
	Educational Background	
	Relevant Experience	
2	Management Systems	
	Meetings	
	Reports	
	Financial Transparency	
3	Governance	
4	Capacity to promote sustainable institutions	
	Local Leadership promotion	
5	Target Group Participation	
	Reach	
	Achievement of the target	
	Perception of the community about the organization	
6	Strategic vision and planning	

Similar participatory exercise has to be carried out at the community level to assess the needs in the areas of technical training about the chosen livelihood, marketing training and institutional management orientation.

<u>Example of a capacity building exercises for a diary union</u>

This is the list of training programmes conducted in the process of promoting Mulukanoor women's diary union. The union services 15000 members everyday spreading across 100 villages in 6 mandals and has a capacity of processing and marketing 25000 liters milk per day.

#	Details of Programs	Remarks	# Trained	# Programs
1	Promotion Meetings for Primary Societies Formation At the village level 5 meetings	Meetings are for discussions on bylaws, viabilities and registration/elections	2880	360
2	Promotion Meetings for Mulukanoor Union Formation Representatives of Primary Societies	Meetings are for discussions on bylaws, viabilities and registration/elections	150	5
3	Exposure Visits to the Representatives	Representative of Primary Societies were taken for exposure of Sangam Dairy - 3 per village and Amul Dairy – 2 per village. Apart from this opinion leaders and men were also taken for exposure visit	400	15
4	Member Education	Member education programs were for discussions on bylaws, rights and responsibilities, cattle management and about the dairy business at the village level for all members	2880	72
5	Training of Management Committee Members of Primary Societies	All Management Committee members of 72 societies @ 10 per society were trained for nearly 8 days on the management of dairy society, the functions of the dairy union, their roles and responsibilities, business development, technicalities of dairy, strategies for procurement and marketing etc	720	24
6	Training of the staff of the Primary Societies	The women secretary and men veterinary assistant for the society were provided both technical training and generic trainings in cooperative management, roles and responsibilities, accounts and services for nearly 25 days	144	4
7	Training of the staff of the Mulukanoor Union	The technical and other staff were trained according to their functions initially for 30 days	25	1
8	Management Committee Members of the	All members were trained on various aspects of dairy management, technical aspects, other important	12	1

#	Details of Programs	Remarks	# Trained	# Programs
	Union	governance aspects for almost 15 days		

(Ref: *Mulukanoor Women's Mutually Aided Milk Producers Cooperative Union Limited –An Analysis of the Growth Path* by G V Krishnagopal prepared for Indian School of Livelihoods Promotion)

4. Establishing backward and forward linkages – building partnership

Increasingly, the livelihoods interventions across the India and world are indicating the importance of backward and forward linkages. Backward linkages refer to the input stage in production – raw material, their markets, processing the raw material and technology used. Forward linkage refers to the end-product market. Cutting across both forward and backward linkages are the vectors - finance, technology, institutional arrangements and delivery channels.

Without proper arrangement of linkages, the interventions have not been found successful in making any significant changes in the livelihoods of the people. For example, it has been discovered by several organisations that giving loan for purchasing cow/ buffalo is not sufficient. The poor also need support in backward linkages - identifying better breeds of suitable buffaloes, in making the arrangements for fodder, feed, medicines, artificial insemination. They also need support in forward linking - marketing the milk and milk products.

The value-chain analysis also throws up the gaps in the linkages that need to be rectified. This calls for capacity building as well as partnering with other organizations for enjoying the economies. The partnerships can be with the traders, corporate, individual professionals, scientists, technologists, research institutions, management institutions, academia etc.

5. Convergence with the government departments

Collaborating with government is crucial to reach the scale and also to avoid re-inventing the wheel. Efforts should be directed towards utilizing the existing facilities. The project recognizes the strengths of the government, and recognizes them as important partners in the efforts to reduce the poverty. There are number of government departments in this field who are working with the poor with similar objectives. If the target poor are same for the project and the government there will be confusion and conflict in service delivery unless there is some partnership and understanding of each other's activities. Many government programme are working to promote livelihoods of the poor, therefore, there is a greater need for partnership with such programmes. Apart from line departments there are other players in the field working with the poor like NGOs, commercial banks, individuals etc. the complementary efforts of different players helps in avoiding wastage of resources, optimal utilization of skills, resources and facilities

Private Innovations supported by formal institutional change

In Bangladesh, an economic professor had an idea – to help poor people help themselves by giving them small loans to start businesses despite their lack of collateral or credit histories. He started the Grameen Bank in 1976 using his social connections in government to manage a village branch of a government bank. The success of this endeavour, followed by expansion to other bank branches, led the government to eventually change the laws governing the Grameen Bank. It was first established as an independent entity with government control, than as an effectively private bank run by a public official and finally as an effectively private bank run by a private individual and an independent board of directors. Today, Grameen bank has braches in more than half the villages in Bangladesh and more tan 2 million borrowers.

In Peru another innovative individual began with an experiment. He found that in Lima it took 728 bureaucratic steps for a person with an informal right to housing to get legal title. He followed up with a 10-year public information campaign, proving to politicians that there was a "hidden consensus to reform" for simplifying the procedures for formalization. Faced with overwhelming public support for simplification, Peruvian congress unanimously passed legislation to formalize titles. Today, a simple legal procedure for establishing land titles for poorer people works in parallel with the formal system.

These two stories show how the state can work with private actors to promote institutional innovation by directly supporting experiments – or at least allowing them to proceed and be tested and then, if they are successful, by encouraging their growth. Social connections and networks can reduce barriers to experimentation.

(Source: De Soto 2000, Yunus 1997)

6. Establishing the Monitoring and learning systems

The main objective of monitoring and learning is to provide continuous feedback to the project management and other stakeholders on the progress of project implementation to facilitate appropriate and timely decisions; and to assess the outcomes and impact of the project vis-à-vis the objectives. The monitoring systems should be established at two levels – the organization and at the institution level. The community should be capacitated to monitor their own progress periodically. More specifically, the objectives of the M&L system are to:

- Provide a periodic measure of inputs and outputs.
- Monitor the process of conversion of inputs into outputs and identify factors critical for such conversion
- Verify the project related assumptions

- Provide an assessment of the pre-project situation
- Assess the achievement of project objectives at different points of time
- Make the primary stakeholders an integral part of the M&L system
- Facilitate regular management review, learning and adaptation; and
- Identify the project strengths and weaknesses

Components of Monitoring and learning

- *Comprehensive group self monitoring system* **–** Self-managed institutions of people assess their own organizational capacity development as well as progress towards sustainable livelihoods by using learning tools.
- *MIS based input-output system* **-** MIS related to the project shall be maintained and regular monthly data related to the identified parameters to monitor the quantitative progress related to the inputs and the outputs.
- *External process monitoring* **-** The project will undertake process monitoring with the help of independent professionals/groups so as to provide leads and direction on the progress towards the achievement of the various components. The processes that need to be followed in order to achieve the end results will be monitored here.
- *External impact evaluation involving baseline survey, follow-up survey and impact assessment* **-** This will help in understanding the impact and also provide scope for evaluation of the project. Mid-term review may also be planned. This will be by an independent agency (ies)
- *Internal management review and learning system* **–** This involves monthly review and planning meetings and monthly reporting by the project staff at various levels, particularly at district, block and cluster level. At the community level, the members have to periodically

monitor their progress by constituting an internal audit and review committee.

7. Monitoring the activities and taking corrective measures based on the feedback

Monitoring the progress of the intervention helps in correcting the deviations and respond to dynamic requirements of the external environment. This is ensured through monitoring. The implementation is compared with the plan for the following –

- Comparing the actual output as against planned output,
- Comparing the actual activities as against planned activities.
- Comparing the actual timeframe as against planned time.
- Comparing the actual cost as against the planned costs.

For monitoring, the data on implementation is collected through 1) monthly progress reports, 2) field visits and 3) discussions with the staff and the community. The data collected is aggregated at different levels and analyzed. A sound Management Information System (MIS) has to be developed both at the community and organization level. At the promoting organization level, the information requirements pertain to target group in general and the overall progress of the project. At the community level, information systems may pertain to market intelligence systems, production management systems and accounting systems. Community and the staff need to be suitably trained in the usage and maintenance of the system.

8. Planning for withdrawal

Withdrawal is the critical process in the project. By thinking about the exit strategy in place, the promoting organization also has to think about the areas that need to build to make the intervention self-reliant. Also withdrawal implies that the nature of support may change from direct support to advisory support depending upon the stage of the project and readiness of the community. Thus, withdrawal may mean the support of current nature may become irrelevant and new support may be needed. Therefore, the assisting organisation should plan for withdrawal at the time of livelihoods intervention plan and gradually work towards that. This would mean –

- Building the capacities of people's institution.
- Nurturing the community to take up greater responsibilities.
- Establishing suitable systems in place.

Withdrawal should be a gradual process and in phases.

Chapter: 15
Fundraising

Introduction

Non-profit organisations in India are steadily becoming more professional. But there are still vast differences between organisations and their levels of capacity. With fundraising, there are no quick fixes, no magic shortcuts. Instead, the steady, regular work of your organisation – board members as well as the staff responsible for funding – will develop an effective strategy through many small steps. Community-based groups/ NGOs can become stronger as they plan and work together to raise money for projects.

There are three processes involved:

The process of professionalism

The planning of a project

Finding money for the project (and, ideally, a longer term relationship with its funder).

Note: These processes overlap in time.

A The process of professionalism

This process is wider than the issues covered here. Some aspects of this process of professionalisation are especially important for fundraising:

1.1 **Being clear about your own identity**

Each NGO is in its own way unique and special. You need to make that uniqueness clear in your NGO documents. Is your Mission Statement enthusiastic, imaginative and creative? Can you answer the following questions clearly and directly?

- What is the unique purpose of your NGO?
- What are the basic needs that this NGO fills? What target group does it serve and how does it meet the needs of the beneficiaries?

1.2 **Assembling the basic documents of your NGO**

As the activities of your NGO start being successful, you will be required to have legal documents that indicate your registration with the government. This is true for all NGOs. There are situations where the NGO is connected to a different organization that assists or is responsible for the administration of the NGO's affairs. In such a situation the second organisation must make copies of relevant documents for the NGO's folder of essential documents.

This folder of essential documents should always be available for inspection by community members, potential board members or possible funders. It would include:

- A document of registration with the government
- Letters of certification from relevant ministries
- The most recent financial audit of the NGO
- A financial statement made by the accountant
- The NGO's mission statement, aims and objectives
- An organogram of the NGO; list of the names of the members of the Board of Trustees etc.
- Letters of support from current/past donors and partner organisations in the same field

1.3 **Chronicling and making known your NGO activities and achievements**

You can do this in the following ways:

- By writing up and circulating the NGO's mission statement, aims and objectives. Then, as projects are implemented, the NGO can start circulating accounts of its successes and failures, case studies, lessons learnt etc. This kind of information can be distributed among local businesses and the donor community.

- By sending NGO workers to meetings, seminars etc to make presentations, and by networking with people and organisations in the same field;
- By setting up a website – providing a cheap deal can be found.

1.4 **Establishing a long-term fund-raising mechanism**

Here are the steps you could consider taking:

- Work out approximately how much funding will be needed for the next two to three years.
- Develop a fundraising policy and regulations.

This could involve a concept paper for circulation and discussion within the NGO and Board of Trustees. There are fundamental considerations to be made about the type of funding you want. If you have many small local contributors it means that you are growing local roots and a local constituency; in return for contributions these people would wish for a voice in policy making. Or, at the other extreme, you might look for one or two big international funders – a policy that can make you dependent on people and decisions made in another country.

If you have members or supporters, you could decide to look for funds for small concrete activities, e.g. the salary of a counsellor, money for visual aids, or money for a workshop. To attract donors, you might decide to look for short-term projects with clear objectives, which contribute to the independence of the NGO. Another strategy is to look for money sources from within the NGO itself, e.g. income generating activities. With health care projects, patient charges can be made for consultations and treatment (allowing for the financial capacity of the patients). Schools can charge fees.

Other projects can produce income from saleable articles like water, handicrafts or agricultural products. Although these funds will never cover all project expenses, they are important in your planning and also in building the self-sustainability of your projects.

EXAMPLE: *An NGO in East Africa, in a country with a lot of AIDS, has purchased a hearse that is hired by neighbours for funerals. The income is small but steady.*

- Set up a fundraising committee, with clear job descriptions (responsibilities, tasks).
- Hold a funding workshop.

EXAMPLE: *A WORKSHOP ON FUNDRAISING FOR A HUMAN RIGHTS NGO IN LESOTHO This NGO (CLRAC) organised a Workshop on Fundraising for both staff and Board Members. Together, over three days, the participants worked through the following:*

- *a brief evaluation of fundraising by CLRAC in the past years plus conclusions;*
- *how to plan the funding needs for CLRAC and set realistic objectives for the following two years;*
- *development of a fundraising strategy, including: planning/timing of projects and CLRAC organizational costs in need of funding;*
- *capacity assessment in CLRAC to conduct fundraising; how to build in fundraising capacity; human resources development and organisational development;*
- *how to target donors, both local and international – and what their requirements are;*
- *how to write a proposal for project funding;*
- *an outline for financial reporting;*

- *a plan to write a Strategic Planning document for implementation of fundraising by CLRAC;*
- *meeting with a Maseru-based donor representative. Because the Board members and staff followed the Workshop together, a feeling of commitment and co-working also developed; the Strategic Planning Document got written and some money has been raised.*
- Periodically monitor all fundraising activities.

B. The planning of a project

2.1 Developing a good idea into a draft project proposal

Here are the steps:

1) Someone suggests that there is a need for a certain project. The idea is discussed with all key players – the NGO staff, the board, community members, other NGOs in the neighbourhood and in the same field.

2) A group is formed within the NGO to develop the idea into a concept paper.

3) A Google search is done to see who else is doing similar work in your country. For example, you might be an NGO in Nepal wanting to help girls forced into prostitution and now HIV+. You put into the Google slot "Nepal HIV girls" and find a number of entries. You would then make contact with organisations running projects to learn about best practice and co-ordinate.

4) A possible location for the project is identified.

5) Needs Assessment is designed and carried out. This will make sure that the need is there and is more serious than other problems in the location.

6) The group developing the project produce a project proposal and circulate it. It would include a rough budget.

7) At this point, the Director and Board of Trustees would need to commit to the development of this project and finding the funds.

8) If a fundraising committee already exists, it is now asked to start working to find the money for this particular project

2.2 Making the project proposal good enough for consideration – good enough to start work

At the same time as the fundraisers go to work, the planners in your NGO keep working on the project proposal, perhaps with a modified smaller version that can be started even if major funding does not come through. Steps to take include:

1) Collecting and organising the information gathered in the Needs Assessment.
2) Circulating the findings of the Needs Assessment within the NGO.
3) The planning group discuss with the Advisory Committee the findings of the Needs Assessment and the notes of its previous meetings.
4) A preliminary programme design is made that answers the following essential questions: what? where? why? how? when? how much? The design describes why the project is needed, the goal, the objectives, its location, the beneficiaries, its duration, construction /renovation, expected results against a schedule of activities, job descriptions and reporting.
5) The design includes an appropriate form of monitoring with a schedule.
6) An evaluation is designed as an internal or external assignment.
7) The tasks of writing the various parts of the proposal are assigned.
8) An itemised budget is drafted; it reflects each activity and administrative expenditure.
9) A monthly projected distribution of costs is written, reflecting each activity including administration.
10) The preliminary proposal is completed and edited.
11) The completed proposal is given to all those involved, read and commented upon and the comments discussed.
12) The proposal is approved by the Board of Trustees.

2.3 Getting the NGO ready to start work

Once the project proposal is as good as it can be, the NGO has to gear itself up by re-assessing the plan. This is done through the following 13 steps:

1) The planning group meet with the head of the institution and other collaborating institutions to review how far the planning has advanced.
2) The group outlines a plan for organising and implementing the proposed project.
3) The need for and use of staff for the proposed project is analysed.
4) The priorities of the project in terms of its purpose and services are discussed and agreed on.
5) The condition and use(s) of the proposed location are reassessed.
6) The procedures for purchase, maintenance and preservation of materials/commodities for the proposed project are discussed and agreed on.
7) A plan for the recruiting and keeping of staff and community participants is outlined.
8) Staff and community support systems are discussed.
9) Reference materials are identified and assembled.
10) Procedures for paying staff, their Conditions of Service and tax payment are agreed on.
11) Candidates for leadership position(s) are identified.
12) The responsibilities of the project's management office are agreed upon:
    a) location
    b) office operations
    c) personnel
    d) staff training
    e) management and financial accountability
    f) medical benefits
13) The accountability to the funder and/or to any parent organisation, in terms of project and finances, is agreed upon.

C. Finding money for a project

3.1 Accepting the mind-set that will help you succeed

Your NGO has to accept that there are no quick fixes, no magic shortcuts. If the unique and special nature of your NGO is reflected in your Mission Statement, this will help.

3.2 Finding the agencies with funds

Research on any funder's stated programme interests is essential. Do not attempt a scatter approach, sending requests to a wide group of organisations. It can damage your organisation's credibility. You are trying to identify the few funders that have interests that are in line with your organisational and project objectives. If you do not qualify, do not apply. Many funding agencies now have web sites so look them up and see what they say. Funder research is a two-step process. The first step aims to develop an initial 'prospect' list of some ten to fifteen funders who have general interests in the subject area of your organisation or project. The second step involves further research and refines this list to the three or four funders you may approach.

Sources for funding can be found within your country as well as abroad. As stated earlier, a choice for many small local contributors means that you are growing local roots and a local constituency; in return for contributions these people would wish for a voice in policy making. Funding from local organisations has a number of advantages. The procedures are often easier to follow. And international donors want to know that local sources have been tried first. When applying for funds from abroad, the national registration of your NGO and formal approval of your project by your government is often necessary.

Locally, the main institutions to apply to for funds are:

- ***Local organisations*** – think of Rotary or Lions clubs, churches, temples, mosques, hospitals, local business associations, the 'rich' in your community etc.
- ***Government or District institutions Funds*** are often available, especially if working in co-operation in the same field of interest. Think also of secondment of staff, use of their logistics etc.

From abroad, possible sources include:

- ***Voluntary funding organisations***

These include missions, aid agencies and other groups, both religious and secular. Most of them are based in the North, in Europe, North America and Australia. Such groups are often
interested in supporting smaller-scale development and health projects. A list of names can be obtained from national and voluntary organisations and from embassies.

- ***Using your contacts***

You previously contacted other NGOs working in the same field. Where do they get their funding? Can you write to the same organisation?

- ***Searching the web***

Go to the websites of the big international organisations that cover the groups you are trying to help. For example, you might be an NGO in Nepal. Now you want to help girls who were forced into the sex trade and are now HIV positive. The organisations that care for children might help (UNICEF), or the organisations that care for women (ILO, UNIFEM). For example, with UNIFEM, if you type into the 'search' slot "Nepal HIV women" the site tells you there are several projects like the one in your proposal. If you then look for Contact Information you will find the address of the regional office and an email address. Then you might want to Google again, writing "girls HIV Nepal" into the search slot. There may be organisation you have not previously dealt with. In Nepal you could add World Education to your list.

- ***International Aid organisations***.

These include the United Nations Agencies such as WHO, UNICEF, UNDP, FAO, the European Commission (EC), the World Bank (WB), and Asian Development Bank (ADB). However, they do not often support small-scale projects directly. Funds from these sources are more likely to be available via national umbrella organisations. It is worth finding out what their contributions to the government and to bigger NGOs in your country are. This information will be available from your government (ministry) or from local UN and EC delegations etc.

- Foreign Embassies.

They often have funds available for small-scale projects. (For example, Dutch Embassies have special funding sources for so called KAP projects. From these sources they can give direct support to projects with sums up to $20,000. Special procedures/criteria need to be followed).

3.3 How to apply for funds

1) Make a list of possible funding sources. Try to get as much information as possible about the ins and outs of each organisation, its procedures for application and so on. If you can, find out which person to approach within the organisation, so you can address them personally. This works best via mutual contacts.

2) Write a letter that can be posted or sent by email. Use your personal title. If you know them, write to the person dealing with funds. Introduce yourselves in the letter and give a brief explanation of your organisation, its objectives, and your intentions with respect to funds. Ask if their organisation could consider a project proposal. Ask for details of any format they use for project proposals and the procedures you need to follow. If the email is addressed to a general target like “contact us” or info”, ask for an email address for the person who looks at proposals.

Always make a copy of your letter to keep. If your source is local, give the person you addressed a phone call about one week after you mailed the

letter and ask if it was received. This is not only to make sure that the post is working, but it is also an excuse for exchanging more information. Personal relationships are very important in fundraising. By making a phone call, you get a chance to find out the kind of person they are and to show your own involvement and motivation. If you are approaching an international donor, follow your letter
up with another e-mail message if possible, just to make sure that your application has been received and again to show your own motivation.

3) While waiting to find out the procedures to follow, you can prepare the information the donor will likely want to know. Most will expect brief details of the following:

- Aims and objectives of your organisation.
- Details of the target population
- Number of people/villages you want to reach
- Social structure of the communities, including details of local employment, income levels, high-risk groups etc.
- Details of the project area, its location, terrain and climate.
- Your relationship with other organisations e.g. other NGOs and the Government and your intended cooperation with them.
- Names and qualifications of your staff members
- General plan of the implementations of your activities.
- Budget:
  – Include a budget for the first year.
  – Estimate expected funds from other sources.
  – Be concrete about the funds you are asking for.
  – *Include in your budget items that are essential, but do not ask for expensive or unnecessary equipment.*

Donors are in general more interested in project costs (implementation of activities) than in organisational costs (overhead costs – costs for telephone/fax, e-mail, postage, electricity bill, etc.). For that reason, always include an item line for overhead costs when submitting a project proposal. UNICEF admits to 14%, but 10% is more reasonable for a very small organisation. However some donors do not like paying much towards this line. In that case, find out the donor's policy on overheads and adjust the proposal accordingly.

You also need to discuss a contingency line with the donor. This means allowing some money for the possibility of plans going wrong. A post-disaster project, for example, may face inflation, fluctuating exchange rates, hikes in the prices of essential raw materials etc. The project can soon be way over budget. An allowance of 'unforeseen' of 5 to 6% is normal in every proposal.

4) If you follow all the guidelines and still your organisation does not get the grant it needs, remember that the funding agency has a hundred applications for every slice of money. Citizens Associations are increasingly turning to the independent funding community to assist their work and consequently the number and quality of projects – and their accompanying grant proposals – are increasing. So do not take the rejection personally. Around 90% of all proposals fail so do not be put off: you can learn from failure! Write a brief letter or email to the funder asking the reasons for the rejection. The answer may suggest how to improve the proposal, or even request an improved resubmission.

3.4 Co-operating with funding organisations

Building a good, trusted relationship with your donor is very important. Often, co-operation is not easy. The donor asks for long and complex reports, and transfers of funds are often delayed.

Communication problems are common due to misunderstandings on both sides and because of postal delays. Don't forget that donors are dependent on their own supporters, who in turn will expect reassurance that their money is being well spent. Ways to improve co-operation are:

- After receiving funds, write a letter of acknowledgement and thanks.
- Send regular reports as requested by the donor.
- Prepare accurate budgets, and keep costs as low as possible.
- If two or more donors are supporting your project, then the area of support should be clearly defined and communicated.
- Encourage the donors to share a single global report and accept each others' tour reports to reduce the amount of time you spend on their requirements.
- Always give feedback to the donor on how the money was spent.
- Always stick clearly to the objectives of your NGO.
- If there are any major changes of plan, inform your donor.
- Welcome visitors from your donor agencies.
- Try to reply promptly to letters from your donor.

BUILD A RELATIONSHIP OF TRUST

Endline

1. *What do you understand by poverty and list 5 important indicators of poverty?*
2. *Define development and list 5 important dimensions of development?*
3. *Define livelihoods.*
4. *Explain the challenges in livelihoods of poor?*
5. *Why capacity building plan is necessary in a livelihoods project?*
6. *Why communication planning is necessary in a livelihoods project?*
7. *What is strategic plan? Is it important?*
8. *What is time-line or scheduling in a business plan?*
9. *What are the five important aspects of a good business plan?*