



***Institution Building & Capacity Building in NRLM***

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## Context

The main design principle behind Self Help Groups (SHGs)- organizations of rural poor women at the village level – was to empower women by mobilizing them into small groups, facilitating interactions and financial literacy, and federating them into higher-order organization to unleash the potential of “self help”. The overarching idea was to enhance the livelihood and wellbeing of the members and their households so that they may effectively tackle the multi-dimensional issues related to poverty as well as engage with a large network of stakeholders, including the government and markets, at a household and community level.

The movement was initiated in the late 1980s by the Mysore Resettlement and Development Agency (MYRADA) in Karnataka and by Professional Assistance for Development Action (PRADAN) in Tamil Nadu and Rajasthan. The early 1990s witnessed vigorous efforts by rural development professionals as well as the National Bank for Agriculture and Rural Development (NABARD) to mainstream the

### NRLP-NRLM, THE WORLD BANK & AMP; GOI PARTNERSHIP



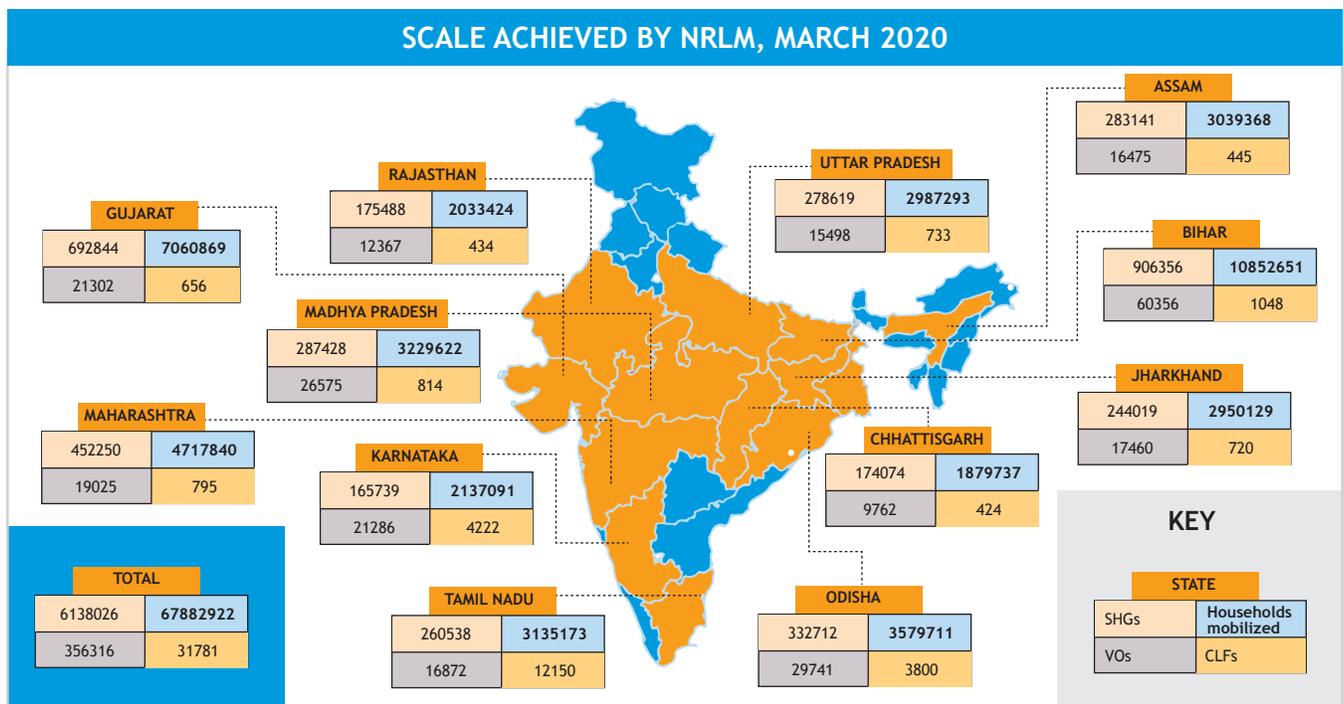
**The NRLP had a two-fold objective.**

1. To support the launch and expansion of the Government of India’s Deendayal Antyodaya Yojana National Rural Livelihood Mission (DAY-NRLM) and a strategic shift within the Ministry of Rural Development (MoRD) from a focus on allocation, disbursement, and monitoring of central government financial resources, to the provision of skilled technical assistance to states implementing the DAY-NRLM.
2. The NRLP aimed to provide additional pro-poor investments in 13 states with the highest poverty rates and highest number of absolute poor in India. At the time of preparation, these 13 states<sup>1</sup> accounted for almost 85% of the poor in India. The NRLP aimed to reach approximately 4.8 million rural women across 100 districts of the 13 states.



agenda of SHGs as a mainstay strategy in rural development. Therefore, when the Integrated Rural Development Program (IRDP) and other sister programmes were converged and re-hauled as the Swarnajayanti Gram Swarozgar Yojana (SGSY) in 1999 and the SHG design

was adopted as the cornerstone of the scheme. By end of 1998-99, after extensive experimentation, spearheaded by professional non-profit organizations across the country, various good practices across the domain of capacity building, institution building, financial inclusion,



1. These were Assam, Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka and Tamil Nadu

livelihoods and core systems had also become apparent.

In 2000, the World Bank supported the Andhra Pradesh District Poverty Initiative Project (APDPIP or VELEGU) project, which leveraged their existing work on SHGs, integrated new lessons and scaled-up the SHG program across the state. The success of the APDPIP project led to the SHG centric design of the JEEVIKA project in Bihar and the TRIPTI project in Odisha. In 2009-10, a report by the Dr. Radhakrishnan Committee set up by MoRD to look into the shortcomings of SGSY and suggested modifications, was made public by the government. The committee had critically analysed the scheme, highlighted major impediments to the low performance of SHGs and recommended measures to address them.

Strengthened by the positive experience from AP, Bihar and Odisha, coupled with an enhanced understanding from the Dr. Radhakrishnan Committee report, the Ministry of Rural Development restructured SGSY as the National Rural Livelihoods Mission (NRLM) in 2010 with a vision to mainstream SHGs as the primary intervention strategy for rural development. The Mission was later renamed the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM). Subsequently, in order to leverage the World Bank experience of supporting livelihoods projects in states like AP, Bihar, Odisha and Tamil Nadu, the GoI approved a World Bank supported National Rural Livelihoods Project (NRLP) to be implemented in 13 major States in the country and aimed at creating proof

of concepts for the larger NRLM. The World Bank designed the National Rural Livelihoods Project (NRLP) in the year 2011 with a vision to mainstream SHGs as the primary intervention strategy for rural development. The major pillars for SHG functions were defined as institution building, financial inclusion, livelihood strengthening, women's empowerment, vulnerability reduction with partnerships and convergence as a cross-cutting theme. As an effort towards sustainability, lessons from AP, Bihar and Odisha were integrated, and a three-tier community organizational architecture of Self-Help Group-Village Organisation-Cluster Level Federation (SHG-VO-CLF) was designed to provide ongoing support to women members and to sustain their organizations.

## Intervention: Strategies for Institution Building and Capacity Building

### *Intensive and Extensive Implementation*

DAY-NRLM adopted a combination of intensive and extensive strategies for the implementation of program interventions. In intensive blocks (NRLP), the focus was on supporting member households using an entire set of interventions with a greater intensity of hand holding and financial support, including community investment funds to build strong community institutions that would serve as demonstration and immersion blocks. In the extensive blocks, the strategy was limited to providing handholding support to existing SHGs, building their capacity and linking them with mainstream formal financial institutions. Block phasing was introduced, so that in due course all blocks in the state received the same level of support as the intensive blocks and achieved the same level quality.

### *Focused efforts to ensure inclusion of the poor and vulnerable*

With the core focus of the NRLM being inclusivity, concerted efforts were made to mobilize the most vulnerable women from

socially and economically marginalized households to ensure that no one was left behind. Each state adopted differentiated strategies suited to the local context for identification of households. Some states, such as Bihar, used a geographical approach where they identified regions with a higher concentration of individuals and households with economic and social deprivations; while other states such as Odisha and Madhya Pradesh (MP) used the novel method of wellbeing ranking. Other states used the process of Households identified through the PIP process is called the NRLM Target Group, DELINKED from the BPL.

Under the original framework of NRLM, only rural households included in the official BPL list could be targeted. This list was prepared in 2002, has not been updated and has many defects. Since the entire NRLM depends on the formation of affinity based groups of poor women with common bonding and synergistic functioning, which cannot be created by simply drawing room an externally prepared

and incomplete BPL list, the Cabinet has approved in 2013 that target groups under NRLM will be determined by a well defined, transparent and equitable process of PIP, at community level. The PIP process has a set of exclusion criteria, automatic inclusion criteria and a set of deprivation indicators for enabling poverty ranking in a participatory manner. This delinks NRLM target group from the BPL list or Socio-Economic Caste Census (SECC) data for identification.

Many states went further in their efforts to induct women with disabilities, tribal groups, single women, etc. Some states designed strategies to work with the transgender community and the elderly. The State Rural Livelihoods Missions (SRLMs) took special care to include women from vulnerable communities (such as SC, ST, OBC) in leadership positions. States such as Odisha mandated that the first claimant on the RF be members from economically marginalized or vulnerable households. In fact while disbursing the CIF, VOs prioritized SHGs with a

larger share of members from SC, ST and economically poorer communities. This strategy put inclusivity at the heart of the project, and the most vulnerable households at the core of the development process.

### ***Community to community action to leverage local social capital and scale up***

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Traditionally, within the development sector, the transformational role of mobilizing the community was entrusted to professionals. However, the state of Andhra Pradesh pioneered the strategic development of a pool of community cadres who have been able to transform their own lives and the lives of others. These community members were chosen and trained to communicate their success stories and to inspire and mobilize others. Within DAY-NRLM, this strategy of community to community learning and action was scaled-up. Women who had experienced change in their lives through the SHG movement were identified and trained as Community Resource Persons (CRPs), who then acted as agents of change. While certain states such as AP, Bihar, MP and TN took on the responsibility of supporting other states by sending across CRPs, other states, such as Odisha, leveraged their cadres from existing state-supported World Bank projects like “TRIPTI”<sup>2</sup> to scale-up the DAY-NRLM initiative. These strategies ensured increased participation, faster internalization and ownership of actions.

States that received external CRP support in turn developed a pool of Resource Blocks and over a period of 3 years these leaders were ready to extend their services to other regions within the state. This strategy hastened the pace of the project and reposed the transformational responsibilities of cross learning and cross support to community members, with limited support from professional staff. This was a first step towards enhancing the agency of

individual members, developing ownership among community members towards their socio—political and economic development and well being. Through this process, the NRLM harnessed the largest community to community action in the world, in terms of scale.

### ***Investing in building the capacity of the community and their institutions***

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As part of dedicated, sensitive support to enable community organizations to build their capacities, SRLMs placed professionals at the sub-block level (area and community coordinators) to facilitate the strengthening of SHGs and VOs through community level interactions, capacity building events, trainings and other hand-holding support. These efforts were supplemented by internal and external CRPs. Each state developed their own set of Information, Education and Communication (IEC) material, while the national unit provided guidance and technical inputs on a regular basis.

### ***Capitalizing SHGs/Vos with Revolving Funds/Community Investment funds to trigger internal loaning and demonstrate potential for bank linkage***

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An important strategy to strengthen community institutions has been to capitalize SHGs and VOs with RFs and CIFs. Besides shoring up the financial strength of SHGs, this approach has also attracted inclusive finance from other sources, leading to productive asset creation – a first step towards shared prosperity. The strategy has worked to meet the credit demands of SHG members to a large extent while also capping interest rates at 18% to make livelihood credit more affordable. Since a large corpus of funds is now being managed by the community organization, CLFs and the VOs are trained in financial and portfolio

management, leading to a greater financial discipline as well as a higher probability of financial viability and sustainability of these organizations.

A system of regular grading of SHGs and VOs was put into place and financial support - the SHG Revolving Fund (RF) and VO Community Investment Fund (CF) - was based on this grading. Since financial inclusion was a central pillar of NRLM, good quality SHGs with a track record of regular repayment were linked with banks and other financial institutions for a higher dosage of credit. Some states developed a system of Community Managed Recovery Mechanisms to reduce SHG level default, if any.

### ***Federating SHGs at different levels to build synergies and sustainability***

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Experiences from earlier projects indicated that in order to sustain SHGs and to address the larger issues of poverty and development, there is a need to promote federations of SHGs at various levels. A three-tier structure of community organizations was therefore designed to ensure the long term sustainability of the initiative. Each entity – SHG, VO and CLF –has a distinct purpose and functions, a clear set of roles and responsibilities, and works collectively to achieve broader development goals.

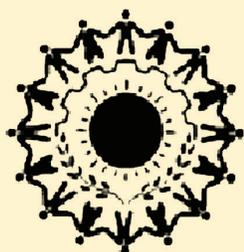
*States were given the flexibility to aggregate SHGs as per the local context. While SHGs at the hamlet level, VO at the village level and CLF at the sub block level is the most common architecture, Tamil Nadu and Odisha have their own format with the aggregation unit at a gram panchayat level (Panchayat Level Federation in TN and Gram Panchayat Level Federation in Odisha) engaged in financial transactions.*

2. <http://documents.worldbank.org/curated/en/457931487143179754/A-targeted-rural-livelihoods-program-in-Orissa>

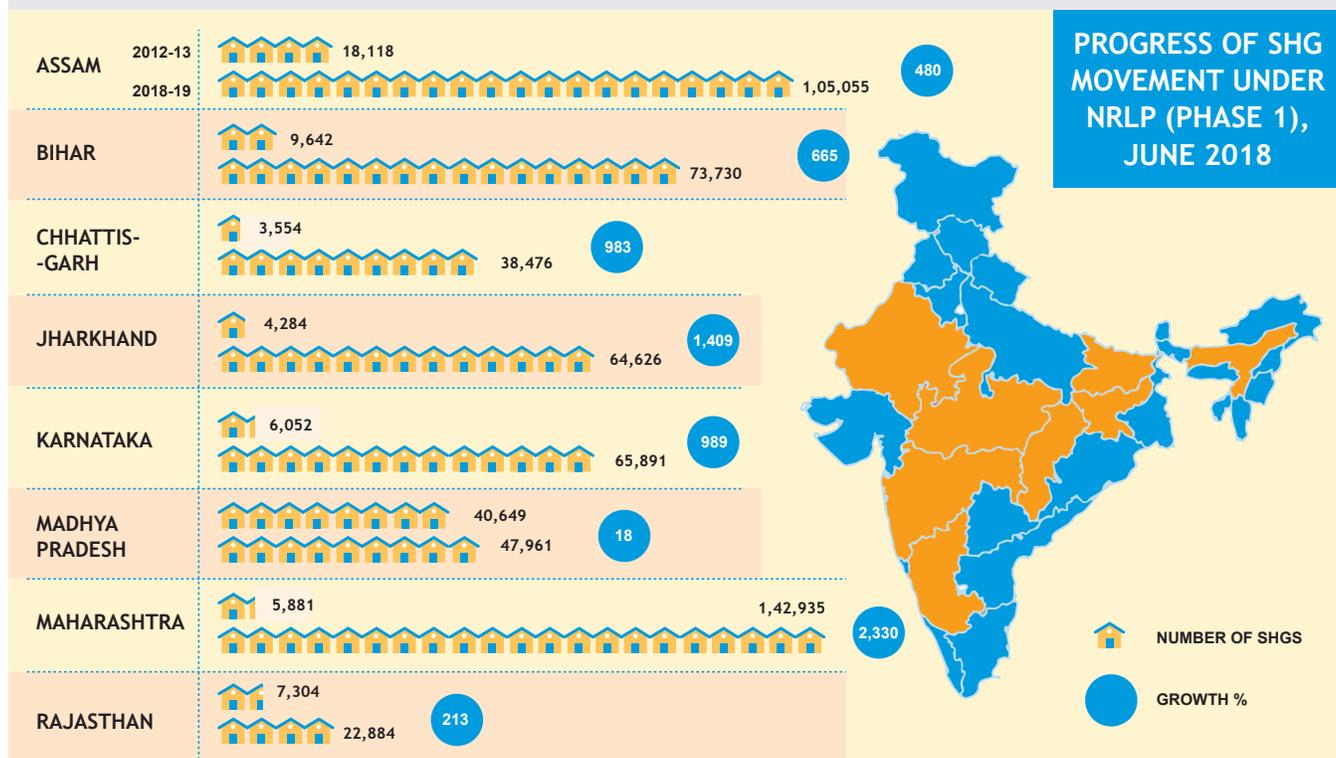
INSTITUTION	PURPOSE	FUNCTIONS AND ACTIVITIES
<b>Self Help Group</b>	<ul style="list-style-type: none"> <li>To form a collective of poor and marginalized women.</li> <li>Promote self help and cooperation among women</li> <li>Provide access to savings and loans at the door step</li> <li>Get the members out of trap of money lender high cost debt</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular meetings, facilitate interactions and promote the habit of regular savings.</li> <li>Maintain books of accounts and support internal loaning among members.</li> <li>Provide loans to members to meet various credit needs.</li> <li>Avail loans from Banks and CIF from VO and ensure timely repayment.</li> </ul>
<b>Village Organisation</b>	<ul style="list-style-type: none"> <li>Create a platform for all SHGs in a village to support each other and have voice.</li> <li>Promote mutual learning and leadership across SHGs.</li> <li>Share the community staff services for SHG book keeping and quality.</li> <li>Monitor and strengthen the SHGs within the village.</li> </ul>	<ul style="list-style-type: none"> <li>Review the community staff and ensure book keeping of SHGs and VO transactions.</li> <li>Review, monitor and grade the quality of groups.</li> <li>Resolve conflicts and strengthen SHGs.</li> <li>Manage Community Investment Fund-CIF and recover loans.</li> <li>Coordinate with Village Panchayat for convergence.</li> </ul>
<b>Cluster level Federations</b>	<ul style="list-style-type: none"> <li>Build and promote space for community leadership development</li> <li>Build an organization which will strengthen and sustain SHGs and VOs beyond project period</li> <li>Facilitate collective action to sustain linkages with Banks, Government and other agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Training of community leaders and review staff at VOs /CLF</li> <li>Manage CIF and other funds leveraged to build financial sustainability</li> <li>Develop systems to monitor the quality of groups and VOs, by providing MIS and auditing, computerization</li> <li>Develop new loan and insurance products and services</li> <li>Facilitate livelihood promotion activities</li> <li>Manage convergence for skills, entitlements and civic needs</li> <li>Support social activities such as education, health and sanitation</li> </ul>

## Implementation Strategies for successful scale up

### UNIVERSALIZATION OF THE APPROACH



Before DAY-NRLM was initiated, the SHG movement was region specific and driven by NGOs or state governments. SHGs were mainly concentrated in the southern states of AP, Karnataka, TN, and Kerala, mostly in the form of neighbourhood groups. The Mission Shakti scheme in Odisha, the strong SGSY implementation in West Bengal and the MAVIM work in Maharashtra led to the considerable expansion of SHGs in these states. Large tracts of North and North East India were virgin territories until 2014-15, when SHG formation became a universal and integral strategy for rural development. Even in remote states with insignificant outreach, such as the North Eastern states, Himachal Pradesh and Jammu and Kashmir, the SHG movement has laid deep roots. The following table shows SHG growth in NRLP states.



***Sensitive support structure and dedicated implementation architecture (up to the block level)***

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Lessons from SGSY and other government programs indicated that building institutions of community requires dedicated professional support and handholding. In the absence of dedicated support, the quality and sustainability of SHGs suffered. To bridge this gap, World Bank projects like DPIP in AP, Rajasthan and MP; JEEViKA in Bihar and TRIPTI in Odisha hired professional staff at the block and sub-block level. This ensured quality handholding of the SHGs and brought in implementation effectiveness, which in turn performed significantly better than other non-supported SHGs. For the first time in the history of a government scheme in rural development, a dedicated implementation architecture was designed spanning from the block level up-to the national level. A cadre of professionals from the grassroots upwards, working on the IB-CB agenda at all levels, strengthened the entire endeavour.

***Standardised protocols***

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The DAY-NRLM national team, in consultation with the state units developed a standardized protocol to ensure uniformity and quality of implementation for all elements of capacity building, institution development, and mobilization of community members (i.e. training of SHG members, federating SHGs into VOs, VO capacity building, federating VOs into CLFs, CLF members capacity building, etc.). Both community trainers and project staff underwent rigorous training about these protocols. State missions were allowed a measure of flexibility to innovate as per the local context, while keeping the core non-negotiable elements intact. The external and internal CRP teams followed the protocol diligently, thereby leading to fast paced growth and uniformity in the quality of community organizations. The standardized protocol has been supported by training toolkits and IEC material (flex, flip charts, short videos) and participatory training pedagogy, including role-plays,

games and case studies. Each SRLM developed their own set of IEC material as per the local context and in the local language, which helped members to engage with and internalize concepts of community action and organization. Such standardization helped DAY-NRLM scale up without compromising on quality.

***Saturation approach***

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The strategy of SHG formation followed an “intensive” geographic saturation approach so that 5-15 SHGs (depending on village size) were formed in each village. The target was to mobilize and co-opt 1200 SHGs in a block. This resulted in enhanced operational efficiency and reduced transaction costs (besides those associated with the sustainability of VO).

*Pre-existing SHGs formed by NGOs and other government departments were also brought on board.*

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## Broad-based SHG agenda – Panchsutra to Dasasutra

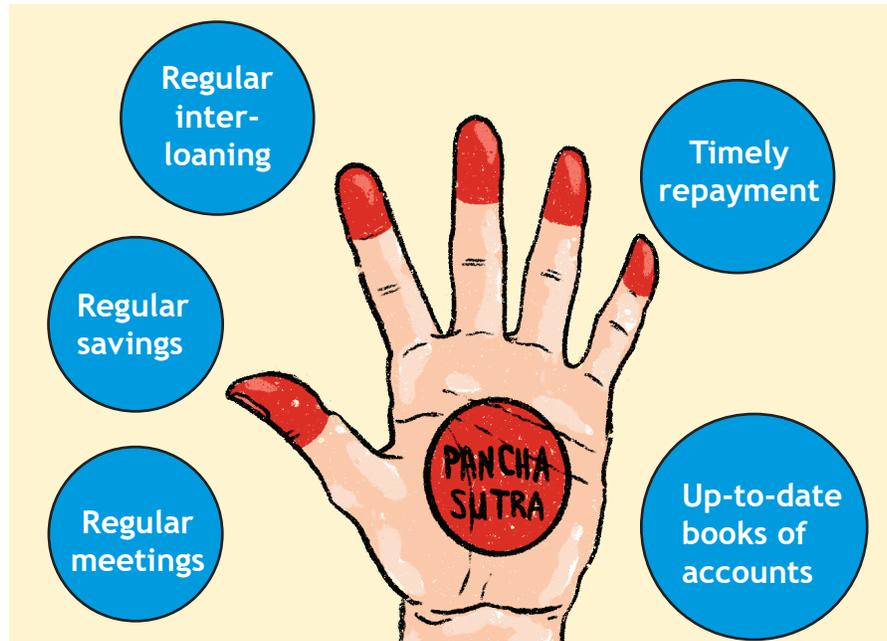
At first, the core functions of SHGs was limited to financial intermediation in the form of Panchsutra (defined as regular meeting, regular savings, credit, timely repayment and book keeping). The Maharashtra SRLM expanded this idea to the concept of Dasasutra – leading to the addition of five other areas of focus viz. education, health including nutrition and WASH, PRI convergence, access to entitlements and livelihoods. This holistic approach embedded a larger agenda within the SHG discourse and quickly gained currency and is being adopted nationwide. In response to this broad-based agenda, NRLM conceptualized the Vulnerability Reduction Fund at a VO level to strengthen the support function of an SHG/ VO. Several state missions designed their strategy around food security, nutrition security, health risk and other idiosyncratic & covariant risks to utilise the VRF.

### **Quality monitoring systems**

The MoRD and the various state missions have developed a MIS to capture organization level financial transactions (at the SHG, VO and CLF level), while frequent periodic grading can ascertain the quality of community organizations. State missions are equipped to easily adjudge overall institutional and financial health of any community organization. This creates both a mechanism for transparency and accountability, and enables SRLMs to take actionable decisions on providing RFs and CIFs, deciding on the type of capacity building inputs, as well as community based recovery initiatives, etc.

### **Pool of community cadres to take forward the initiative in anchor states**

The DAY-NRLM strategy has trained and capacitated members to work as

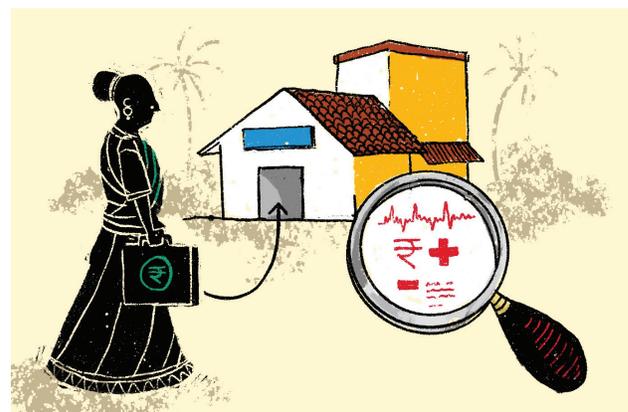


community cadre, who are employed and paid by the community organizations promoted by the mission to provide ongoing managerial support. They are accountable to the community organizations and their performance is reviewed by the community leaders at each level. Cadres such as SHG and VO book keepers, master book-keepers, community auditors, master book keepers and community facilitators at CLF level have been equipped to support the SHG, VO, CLF and Producer Group, etc.,. In most cases these community organizations are able to bear the costs directly. The seeds of transformation have been sown to empower local communities to take charge of their own organizations and sustain their operations in the long term.

### **Leveraging the community institutional platform for convergence**

Due to the enormous scale of mobilization and the positive financial health of the community organizations, the level

of convergence has scaled up many fold. Convergence initiatives were envisaged to build on existing programs and facilitate access to departmental schemes. State governments have been eager to leverage this network to scale up and monitor the implementation quality of various government schemes. A few examples are the MGNREGS implementation through CLF in Rajasthan, the Swachh Bharat Abhiyan in almost all states where the SHGs and VOs have pushed the sanitation agenda, the Aam Admi Bima Yojana implemented through these networks, the nutrition and health agenda being pushed in several states etc. Strong community organizations have helped increase awareness of and access to government schemes.



## Key Lessons and the Way Forward

The IB-CB experience under NRLM has proven that a series of well-thought intervention if delivered through dedicated implementation architecture and through building capacity of the community to sustain the interventions, can yield transformative results at the grassroots. Experience suggests that triggering of women's agency at the community level through provision of strategic inputs coupled with a conducive micro-environment not only enhances a woman's well-being within her household but also has the potential to transform the community at large.

In this next phase, the National Rural Economic Transformation Project (NRETP) will primarily focus on value chain livelihood interventions with collectives and sustain the cluster level federations promoted in the last phase as independent organizations. Here the general principles of grooming a community organizations will still be applicable and the project will focus on



strengthening higher level federations to ensure sustainability of the institutions beyond DAY-NRLM. Important lessons from the DAY-NRLM on IB/CB such as the use of robust protocols for mobilizing community organizations, would do well to be adopted into NRETP. This will standardize the process across regions and ensure uniformity in the quality of PG-POs, building model CLFs and other livelihoods collectives.

For replication or scale up of initiatives like the NRLM, there needs to be a sense

of ownership from the implementing government and a strong conviction for the prescribed model and delivery architecture. The long-term sustainability of such participatory rural livelihoods programs is strongly correlated with the transfer of ownership to the rural community. Successful pilots and demonstrations have shown the need to engage the community in the implementation process to ensure that interventions are both adequate and relevant.

### ABOUT THE DISCUSSION NOTE SERIES

This note is part of the South Asia Agriculture and Rural Growth Discussion Note Series, that seeks to disseminate operational learnings and implementation experiences from World Bank financed rural, agriculture and food systems programs in South Asia.

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