



IFAD

Orissa

JOINT REVIEW MISSION REPORT

Of the

International Fund for Agricultural Development

Country: India
Programme: Orissa Tribal Empowerment and Livelihoods Programme
Date: 21 April – 5 May, 2008
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INTERNATIONAL
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الدولي للتنمية
الزراعية



Table of Contents

	<u>Page</u>
Currency equivalents	ii
Weights and Measures	ii
Abbreviations and Acronyms	ii
A. Introduction	
B. Overall Assessment of Project Implementation Progress	2
C. Outputs and Outcomes, by Component	3
Capacity building of communities	
Capacity building of Support Agencies	4
Rural Financial Services:	
Land and Water Management	5
Agriculture and Horticulture	
Livestock and Aquaculture production	
Participatory Forest Management	6
D. Project Implementation Performance	
Project management performance.	
Monitoring and evaluation	
Gender focus.	
Poverty focus.	
Effectiveness of targeting approach	7
Innovation and learning	
E. Fiduciary Aspects	
Financial management.	
Disbursement.	8
Counterpart funds.	
Compliance with loan covenants	
Procurement.	
Audit.	
Accounts.	9

F. Sustainability

Institutional sustainability.

Social sustainability (Empowerment) **10**

Economic and financial sustainability

Technical sustainability.

Environmental sustainability. **11**

Exit strategy.

G. Impact

Physical and financial assets. .

Food security.

Increase in incomes. **12**

Policy impact.

H. Conclusion **13**

Appendix 1: SUMMARY OF PROJECT STATUS AND RATINGS

Appendix 2: Summary of key actions to be taken within agreed timeframes.

**Appendix 3: Financial: Actual financial performance by financier;
by component and disbursements by category**

Appendix 4: Compliance with financing agreement covenants: Status of implementation

**Appendix 5: Physical progress measured against AWP&B and appraisal targets, including
RIMS indicators**

Appendix 6: Knowledge management: Learning and Innovation

Appendix 7: Report on Land Allocation to the Land Less

Annex 1

Technical Reports

Annex -II

Audit Observation Log

Currency Equivalents

Currency Unit	=	Indian Rupee (INR)
USD 1.00	=	INR 45
INR 1.00	=	USD 0.022

Weights and Measures

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres
1 Lakh	=	100,000

Abbreviations and Acronyms

AWPB	Annual Programme of Work and Budget
AR	Appraisal Report
BoD	Board of Directors
PFM	Participatory Forest Management
CIG	Common Interest Group
CIF	Community Infrastructure Fund
CHV	Community Health Volunteers
DEA	Department of Economic Affairs, Ministry of Finance, GOI
DFID	Department of International Development
DIF	Development Initiative Fund
EIRR	Economic Internal Rate of Return
FFS	Farmer Field School
FIM	Flexible Lending Mechanism
FNGO	Facilitating Non-Government Organization
FFDA	Fish Farmers Development Agency
GOI	Government of India
GOO	Government of Orissa
ITDA	Integrated Tribal Development Agency
LI	Livestock Inspectors
LLWs	Livestock Linked Workers
LWMF	Land and Water Management Fund
M&E	Monitoring and Evaluation
MSW	Micro-watershed
MTR	Mid-Term Review
MIS	Management Information System
NREGS	National Rural Employment Guarantee Scheme
NTFP	Non-Timber Forest Product
NABARD	National Bank for Agriculture and Rural Development

Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008

OBC	Other Backward Classes
OPLE	Orissa Prevention of Land Encroachment
OGLS	Orissa Government Land Settlement
PESA	Panchayati Raj Extension to Scheduled Areas Act
PFM	Participatory Forest Management
PMS	Programme Management System
PFMSC	Participatory Forest Management Sub-Committee
PRI	<i>Panchayati Raj</i> Institution
PSU	Programme Support Unit
PSRMP	Synonymous to VDLP, <i>Palli Sabha</i> Resource Management Plan
PLA	Programme Loan Agreement
PRA	Participatory Rural Appraisal
PTG	Primitive Tribal Group
SC	Scheduled Castes
ST	Scheduled Tribes
SHG	Self Help Groups
SOE	Statement of Expenditure
ST/SCDD	Scheduled Tribes & Scheduled Castes Development Department
SOTDP	Second Orissa Tribal Development Programme
VA	Village Animator
VAV	Village Agricultural Volunteer
VDC	Village Development Committee
VDF	Village Development Fund
VSS	Vana Samrakshana Smithi
VV	Village Volunteers
Vasundhara	Homestead Land for Allotment Scheme for the Landless
VDLP	Village Development and Livelihoods Plan
VLASC	Village Level Audit Sub-Committee
WDT	Watershed Development Team
WFP	World Food Programme
WSC	Watershed Sub-Committee



INDIA

Orissa Tribal Empowerment and Livelihoods Programme

Project ID: 1155 Loan Number: IN-585

Supervision mission: 20th April to 5th May 2008

MISSION REPORT

A. Introduction¹

1. IFAD fielded a Joint Review Mission of Orissa Tribal Empowerment and Livelihoods Programme (OTELP) in Orissa from 21 April to 5 May 2008, where teams from DFID and WFP also participated. The Mission had initial meetings with Mr. Deepak Mohanty, Programme Director, OTELP, officers of the project, members of the Project Support Team, representative of WFP and DFID in Bhubenaswar. Field visits were undertaken to villages and micro-watershed in Koraput, Gajapati, Kalahandi and Kandhamal districts. On 28th April 2008 a stakeholder's workshop was held to share the findings and observations of the mission that mainly comprised of programme staff, ITDA staff, and NGO representatives. On the 29th the Mission met the Chairman of State Level Programme Management committee and briefed him on important policy issues. On the 3rd of May the mission shared the draft memoire with PSU staff in the morning to reach an agreement on the recommendations, responsibilities, and start dates. Later in the afternoon the key findings, observations and recommendations of the mission were presented in a wrap-up meeting chaired by Mr. Ajit Kumar Tripathy, Chief Secretary, and attended among others by Mr. Santosh Kumar, Member Board of Revenue Dr. Tara Dutt, Commissioner-cum-Secretary of ST&SCDD, Mr G.V.V Sharma, Commissioner-cum-Secretary, Revenue and Disaster Management Department, Mr. R. N. Dash Commissioner- cum- Secretary Panchayati Raj Department and Mr. Deepak Mohanty, PD, and the State Director of WFP.

2. This is a programme for empowerment and livelihoods improvement of tribals in the state of Orissa, financed under IFAD Flexible Lending Mechanism comprising a total project cost of USD91.15 million. This consists of IFAD loan of USD20 million, DFID grant of USD40 million (USD 20 million have been approved for the first five years), WFP assistance of USD12 million, GoO contribution of USD 9.6 million and the rest from community contribution and the financial sector. UNOPS was the Cooperating Institution till December 2007. The Programme has come under the Direct Supervision and Implementation Support of IFAD with effect from January 2008.

3. The Programme Loan was signed on 18th December 2002, and the programme was declared effective from 15th July 2003. This programme is implemented in three phases covering a programme area of 30 blocks, benefiting 75,000 households in about 1200 villages. The First Phase work began from October 2004 and has completed 3 years of implementation, covering 10 blocks, 396 villages and about 19,195 households of which 95% were ST and SC, and 83% below the Poverty Line in four

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districts (Khandhamal, Gajapati, Koraput, and Kalahandi). The Second Phase operations were started from December 2007 covering further 20 blocks, and the programme proposes to cover the districts of Ryagada, Malakanagiri, and Nawrangpur.

4. The mission focused on the following:

- a) Reviewed the progress made of actions taken on the recommendations made in the last review mission that concluded on the 3rd December 2007 (Supervision Report: Section-3 page 18), and progress in Programme Implementation Issues and Recommendations since the last mission (Supervision Report Section 2 Part III). The mission recommendations are made to provide support and facilitate the resolving of bottlenecks and pending implementation issues to achieve progress towards the targets set in the 2nd Phase trigger indicators.
- b) Assessed the progress made since the last mission by the Programme to meet compliance of the covenants of the Loan Agreement.
- c) Assessed the progress (based on action taken report submitted by the programme to the Mission) on the recommendations for Phase II given in the MTR report for the following programme components:
 - Capacity Building of Communities (Recommendations for Phase II made in the MTR report, page 12)
 - Capacity Building of Support Agencies (Recommendations for Phase II made in the MTR report, page 15)
 - Land and Water Management (Recommendations for Phase II made in the MTR report, page 18-21)
 - Participatory Forest Management (Recommendations for Phase II made in the MTR report, page 22-23)
 - Agriculture and Horticultural Development (Recommendations for Phase II made in the MTR report, page 26)
 - Livestock and Aquaculture Production (Recommendations for Phase II made in the MTR report, page 27-28)
 - Rural Financial Services (Recommendations for Phase II made in the MTR report, page 30-31)
 - Community Infrastructure (Recommendations for Phase II made in the MTR report, page 33-35)
 - Support for Policy Initiative (Recommendations for Phase II made in the MTR page 36 and page 62)
 - Development Initiative Fund (Recommendations for Phase II given in the MTR page 38)
 - Programme Management (Recommendations for Phase II given in the MTR page 40-41)
 - Gender Issues and Recommendations in page 47; including, Equity Issues related to landlessness, Poverty and Vulnerability.
- d) Reviewed and assessed the functioning of the Procurement Support Team (PST) set-up under DFID TA for providing support to the Programme as per set Terms of Reference. This was done with the aim of improving facilitation and functioning of the PST.
- e) Reviewed the procurement of equipment and arrangements made by the programme for monitoring Land Survey work, as per the agreements and progress achieved in the last review mission.

Finally, the activities undertaken by the PSU and ITDAs in grounding the programme in new areas and blocks were reviewed.

B. Overall Assessment of Project Implementation Progress

5. It has been observed that since the last mission, land and water management activities have resulted in increased availability of cultivable land. The programme has so far received an approved amount of USD20.55 million (INR82.23 crores), and the programme has disbursed USD18.04 million (INR72.14 crores) to the beneficiaries which is about 87% of the sanctioned amount. The expenditure at the end of financial year 2007-08 is Rs.316.99 million which shows 75.75% utilisation of the budget outlay. The expenditure incurred up to 30.10.07 was only Rs.76.59 million being 18.30% of the budget outlay. Thus the PSU has shown considerable financial progress in the last 5 months of the previous financial year, by spending an additional 53.44% of the budget outlay amounting to Rs.240.40 million. The programme has created 12, 65,096 wage days for 14096 families, and 4937 landless, on an average a family earned Rs.5490/- within a period of 89 days (3 Months). It has also utilised 2744 MT of rice and 159 MT of pulses. The mission noticed that the project has been able to enhance capacity of the community to manage investment in fixed assets with accountability. Prior to the project communities had just enough food to last them for about six months from their cultivated land, but now there is enough food for nine months, hence food security in the villages has improved.

6. Despite recommendations made by previous mission, the project has not undertaken annual wealth and well-being ranking and hence not in a position to indicate how many people have gone above poverty or how many have become poorer. The project has initiated convergence of selective poverty focused programmes, mainly NREGS, provision of BPL food grains, and disability benefits where some of the NGOs have proactively taken initiatives. This trend needs to continue. In addition, efforts should be made to ensure effective convergence of National Rural Health Mission in the project, as vulnerability of the poor as a result of failing health is an important issue in the project. Apart from allocation of forest land, allocation of land titles to revenue land to the landless is a major equity concern in the project, with large investments made in land and water management to the extent of 82% of the total budget last year where most benefits from investments will go to people with land. Slow progress in the allotment of land entitlements is a major risk that might inhibit the project from reaching its desired goal in the years to come. The MTR clearly states that land and water activities will not take place in the second phase villages without the land issue being resolved. Furthermore, the allotment of land titles to the landless is also a trigger indicator for the project to move into the third and final phase The mission recommends the process of allocation of land titles to the landless for revenue as well as forestland begin at the earliest.

Agreed action	Responsibility	Agreed date
Time bound action plan for settlement of Revenue land.	Government of Orissa	31 August, 2008

C. Outputs and Outcomes, by Component

7. OTELP objective is pro-poor tribal development of 75,000 households and it is expected that this can be achieved through the outputs on institution building, Natural Resource Management, off farm enterprise; capacity building, food entitlement and addressing the key land and forest policy and legal issues. Progress on output 3 (off farm employment) and output 6 (land and forest policy) is weak.

8. Capacity building of communities: There has been substantial improvement in the capacity of the participating villagers, both as individuals and in grassroots institutions, in managing their own development. This is manifest in the increased confidence of the women SHGs, the VDC/VLSC office bearers and the user groups in visioning, planning, implementing and rendering accounts. Land and water management activities have peaked during the last six months providing near full wage employment to the villagers, particularly during the period between January and March 08.

Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008

Agreed action	Responsibility	Agreed date
1. Bank issues taken up at the SLBC level and resolved.	PD./ Government of Orissa	30 June 08
2. VDC/VLSC meetings convened to discuss and revise VDLPs	FNGOs	30 June 08
3. All forest micro plans approved and action initiated	Forest Dept/PD, OTELP	30 th June 08
4. Vocational skill development of selected 2000 youths in feasible activities within the next 5 months.	PSU and ITDA	By July 2008

9. Capacity building of Support Agencies: FNGOs continue to be affected by frequent staff turnover as a result of better job opportunities, in other public and private sectors with better salary. Capacity building of new FNGOs in Phase II is yet to begin. The TNSA Study is yet to be completed. As has been recommended by the MTR (para: 200), the performance of FNGOs will be monitored systematically to measure quality and quantity of output.

Agreed action	Responsibility	Agreed date
1. Training Modules to be prepared on the basis of TNSA/ Capacity building Study	PSU	31 August 08
2. Independent review of the role of the RNGO in Phase I before selecting any agency in Phase II	PSU	30 September 08
3. Systematically measure the quality and quantity of output produced by FNGOs of Phase I villages through a suitable method.	PSU	30 June 08

10. Rural Financial Services: The figures of existing Self-help groups, new ones formed by OTELP and total number of SHGs furnished to the Mission show a stagnation in the formation of SHGs (1327 to 1396) but the previous mission had raised the need for reconciling these figures, as these appeared to be incorrect. The same inconsistency exists in the case of gradation details of SHGs.

The mission noticed in the field that the effectiveness of the Microfinance Officers in sorting out the banking problems of the community is rather limited. MTR had drawn attention to the need for promoting awareness-raising amongst bankers towards tribal communities by organising participatory workshops and seminars involving bankers and communities. This mission would reiterate this recommendation. Previous mission's recommendation to analyse the patterns of investment and usage of loan funds by these groups in order to ensure a more effective intervention in livelihood promotion also needs to be implemented. The Programme may procure NABYUKTI software developed by NABARD to do this analysis.

The SHGs have been facilitated to prepare business development plans, this process of business plan development should be also extended to user groups involved in pond fishery, and horticulture plantations. The demonstrations conducted should be demand driven and linked to these business plans.

PSU is yet to act on MTR recommendation regarding monitoring the financial health of SHGs to prevent over spending and indebtedness. MTR has laid down that unless SHGs and VDAs in Phase I have stabilized as organisations and have appropriate accounting systems in place no additional area should be taken up in Phase II.

Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008

Agreed action	Responsibility	Agreed date
1. Implementation of earlier recommendation for monitoring financial health of SHG in Phase I to enable PSU to cover additional SHGs under Phase II.	PSU	Before covering SHGs
2. Conducting seminars and workshops involving bankers and communities to promote greater understanding and co-operation	PSU	Started by 1 June 08
3. Demonstrations should be demand driven and also linked to Business Development Plans of SHGs, and CIGs	PSU	Started by 30 June 2008
4. SHG level Business Development Plans to be extended to user groups running pond fisheries (integrated systems), and horticultural activities.	PSU	Started by 30 June 2008

11. Land and Water Management. Under the land and water management the project has followed the watershed treatment norms. The CBOs like VDCs, VLSCs, VLSFCs, and SHGs should increase the participation of community in planning, implementation and evaluation of the activities ensuring the quality and quantity to utilize the natural resources of the land and water to create more arable land. So far 1715 Hectares land have been developed benefiting 3847 families in the programme, and additional areas of 3526 hectares have been irrigated benefiting 8426 families.

12. Agriculture and Horticulture. OTELP has undertaken interventions such as crop diversification, intercropping, sequential cropping, growing green cover crops and also introduced high yielding varieties of Millets, Groundnut, Sunflower, Pulses, Vegetables and Horticulture plants. The Project has identified the critical training needs and conducted trainings/exposures to understand the different practices that need to be followed in a sustainable manner. High yield/multi-varieties of groundnut seed have been tested and promoted. Technical collaboration with ICRISAT/CTCRI, IRRI, MSRF/IPIGRI; RPRC introduced new crop varieties, which have benefited number of farmers. Project has done a pilot on SRI paddy cultivation and it should be scaled up across OTELP area to increase production through effective water management and reduced cost of seed and labour. The Mission recommends a study to be conducted by IFAD India Country Presence to evaluate the impact of such transfer of technology to tribal farmers. Farmers are cultivating varieties that are 20 to 40 years for cereals as well as pulses, and are willing to change to high yielding varieties. This means that there is potential for productivity gains and this should be considered as an opportunity to introduce high yielding varieties to improve food security by making use of water resources created by the programme. In Horticulture intensive implementation and monitoring in selection of plants, pre-pitting, weeding, watering and protection; and ensuring pest and disease control measure is also undertaken. Focus should be given on HYV vegetable production, mushroom, dry land horticulture, vermi-compost, agric-clinic Service Center, scaling-out MART model, and training and exposing farmers (e.g. Cross-block and district visits), through Farmers Field Days, and Farmers Field Schools.

13. Livestock and Aquaculture production. As one of the potential component of livelihood enhancement livestock development, needs to target beneficiaries especially, for landless people to come out of poverty. Even though the intervention is limited, it has been observed that there are existing skills within the community in management and marketing of livestock. In addition to this the project has to introduce hybrid and resistant varieties and scale up the programme in a staged manner to maintain the uniformity across the project area. This then forms an alternative source for income and consumption to improve family income and nutritional security respectively. The project area is climatically suitable to promote big and small animal to utilize multiple agriculture practices for milk and meat, and the project should utilise this advantage. The project has already undertaken fish rearing activity in 36 water bodies involving 26 women SHGs that are earning around Rs.5, 000/- per group. Fish rearing has not only improved group skills to manage an enterprise, it has also improved consumption of nutrition and protein for malnourished children and pregnant/lactating mothers.

Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008

Agreed action	Responsibility	Agreed date
1. Focus on landless to be provided with livestock livelihoods activities.	PSU & ITDA	Started by August 2008
2. Linkage of aquaculture demonstrations with Business Development Plans of Pond User Groups and also demonstrating market linkage.	PSU & ITDA	Started by August 2008

14. **Participatory Forest Management.** 218 VSS have prepared the proposals to undertake the activities and the concerned Department officials approved these, and 142 VSS are under implementation stage. The pending plans need to be approved as soon as possible. The women SHGs have raised 82 village nurseries of 8.19 lac saplings and planted Podu area and individual farmers' fields.

D. Project Implementation Performance

15. **Project management performance.** Even though most VDC are disbursing the funds directly to the VLSCs, still at times it seems that funds remained parked in the VDC accounts for inordinately long time. Effective monitoring is required by the PSU to overcome the utilization of the planned Budget. For example, only 50% of the Budget was spent in 2007-08. This is not conducive to effective management of finance. The mission hopes that these lacunas would be rectified at the earliest. The mission took note of the fact that recently with the help of the Procurement Support Team (PST), the programme now has FNGO level Finance Assistants posted at all stations. These Finance Assistants have just begun training and facilitating SHG, VLSC and VDC members in financial management practices. The project AWPB should be an aggregation of the ITDA AWPB and the Village Development and Livelihood Plans (VDLP). The project neither initiated the facilitation of annual planning process at the village nor the annual revision of VDLPs to reflect the aspirations of the community.

16. **Monitoring and evaluation.** The PSU has developed a voucher based monitoring system that is part of the MIS system designed by the project. This system is just beginning to show results, however its contribution to project management decision-making needs to be assessed. A physical and financial progress and budget versus expenditure monitoring system based on outputs and activities needs to be put in place as soon as possible to have real time data on the progress of the project, and quarterly reports needs to be generated accordingly. The project should use the RO-AWPB template for this purpose. The M&E Agency (CES, Kolkata) should be advised to get the M&E system up and running at the earliest. The M&E officer and the MIS officer should work in collaboration, but should be independently responsible for their respective work. RIMS orientation training should be conducted to ITDA and NGO level staff as soon as possible to be completed before 30 June 2008. Child malnutrition levels and grading is not being measured in the villages and reporting is mainly on WFP food availability, therefore RIMS survey should be done at the earliest as soon as the equipment reaches OTELP from Tejaswini project in Maharashtra. In addition, sample survey should be done particularly in Phase II villages based on outcome indicators in the log frame so that there is a baseline for the new villages, this should be done in addition to base line data collected through the on-going PRA exercise. This sample survey will become an end of phase survey for the Phase I villages if these villages are included in the sample (although there are no baseline data for Phase I villages available for the mission to review). A participatory monitoring and evaluation system at the Palli Shabha level should be put in place as part of a community mobilization process. This system will lead to keeping the project on schedule and also enhance capacity of the community to manage their future development activities.

17. **Gender focus.** Participation of women in the project has improved. Particularly SHG members in Phase I villages are beginning to feel empowered after having access to credit, participating in income generating activities, collective marketing, and group enterprises. Trainings in SHG mobilization and

development have also contributed to this. However, gender mainstreaming at all levels of the project has not taken place as desired. So far only 12 trainings to Volunteers and 4 trainings to WDT staff have been provided on gender mainstreaming. Although women are mobilized in both Phase I & II villages, there is a need to facilitate women to articulate their needs in the village level plans, and also to participate in the village level activity monitoring and decision-making. This effort will improve their participation. PSU to prepare an action plan for gender mainstreaming using the findings from the Gender mainstreaming strategy within a month and execute the action plan within five months with the support from the project. It also needs to focus on the recruitment and HR issues so as to give preference to women and ensure housing and travel facilities. PSU, ITDA and FNGO to make extra effort to recruit women staff.

18. Effectiveness of targeting approach. The project conducts wealth and well-being ranking to identify the poor, who are in the context of the project are largely the land less. Currently, the participation of the landless in the VDCs' is 6.4% as against the total number of landless population of 21%. Since the project's focus is to address the poor and the landless, more number of landless people needs to be involved in on-going development process in the villages by being appointed as officials in the village addressing their priority needs in village plans. The project needs to target poorer women and youth in the villages to bring them into the mainstream of development activities so that they are not marginalized. The landless needs to be targeted for non-farm, wage earning, and livestock based IGAs to ensure social equity.

19. Innovation and learning. A number of innovations are being done in the project, most of which have not been adequately documented. The two innovations on "collective marketing" and the provision of solar power in a village need to be documented. The collective marketing model, an approach based around community-based organisations has provided a turnover of Rs30 lacs and a profit margin of 15%. The next two innovations are the use of OTELP to implement the Rastrya Sam Vikas Yojna in Gajapati District and the other is convergence of Project funds (CIF and DIF) with resources form District Sanitation Mission and NGO contribution for total sanitation of all OTELP villages in Th. Rampur, in Kalahandi District. The project should create an enabling environment for innovations, particularly innovations that would ultimately improve the livelihoods of the poor.

20. Partnerships. PST has provided TA support in developing strategy in gender, capacity building, communication and financial management. However, it needs to be ensured that the PST should not manage the technical support, but assist in procuring the Technical Support and delivery of services only as per the ToR.

Agreed action	Responsibility	Agreed date
Preparations of holistic written VDLP at the village level where action plans should be exhibited at a suitable place in the village for information and transparency.	Project Director	Started by 1 June 2008
Baseline Outcome survey based on the logframe indicators for Phase II villages need to be done within the next three months.	Project Director	Started by 30 th July 2008
PSU to implement the Gender Strategy within the next 2 months with a specific action plan and schedule.	Project Director	Started by 1 July 2008
Institutionalise Participatory Monitoring and Evaluation for monitoring the VDLP on a monthly basis by the Pali Sabha (VSFAC).	Project Director	30 July 2008

E. Fiduciary Aspects

21. Financial management.

- a) SOE and Utilisation Certificate (UC): The PSU has informed the Mission that it has obtained user certificate from all ITDAs, FNGOs, VDCs & VLSCs for the expenditure incurred until 31st March, 2008. The IFAD Loan Agreement Conditionality require that UC besides being

verified by the ITDA Accountant, should also be verified and certified by the independent auditor. The P.D., PSU has informed that such certification of UC of the financial year 07-08 has still not been obtained. The Mission recommends that the audit and certification of the UCs be completed within a period of three months i.e. by 31.07.2008.

- b) Non-audit of UC of the financial year 2006-07. The Review Mission (November, - December, 2007) has observed that PSU auditors M/s JBMT Associates Chartered Accountants, in its report has indicated that FNGOs and VDS under the ITDA, Balliguda did not submit UC to them, the independent auditors for audit. The Mission has recommended that the audit of all such user certificates by independent auditor be completed by February 2008. The PSU has informed that this recommendation has not been complied with till date. Non-audit of UCs by independent auditor would be violation of Loan Agreement conditions. The Mission recommends that audit of UCs by independent auditors must be completed within 31.07.2007.
- c) Incentive of Govt. and Contractual Staff: The PD, PSU has informed that the mission recommendation to provide incentive to Govt. and Contractual staff has been complied.
- d) The Mission has recommended the appointment of Chartered Accountant to improve the book keeping and financial management to PSU, ITDAs, VDCs and VLSCs. This was to be complied before the end of January, 2008. The PD, PSU has informed that the appointment of CAs has not been done so far. However, it has been informed that the process of making such appointment is in progress and the appointment will be made shortly. The Mission recommends that the appointment of CA be made within a period of two months i.e. 30th June, 2008.
- e) Complete audit of FNGOs: The Mission has observed that the audit of project account of FNGOs should be completed by end of financial year 2007-08. This has not been complied with. The Mission recommends that audit account of FNGOs should be completed within a period of i.e. 31.07.2008. FNGOs need to audit the accounts of SHGs as soon as possible.

22. Disbursement.

The PSU cumulatively, as on 31.3.2008 has received Rs.721.45 million from the Govt. of Orissa. Of this sum, the GoO has submitted claims of reimbursement amounting to Rs.459.57 million to GoI by 31.3.2008. The GoO/PSU has received a reimbursement of Rs.299.44 million. Thus an amount of Rs.160.13 million is pending for Reimbursement from the Govt. of India and respective stakeholders.

23. Counterpart funds.

It has been stipulated in the Loan Agreement that GoO to provide around USD 9.6 million as counterpart funds through the budget of ST/SCDD. The same is being complied. The GoO provides all the funds to PSU and claims reimbursement of expenditure from stakeholders in accordance with a predetermined reimbursable formula. The GoO as counterpart funding liability provides the balance of expenditure in the budget.

24. Compliance with loan covenants.

The PD, PSU has reported that all the conditions of loan covenants mentioned under sections 4 & 11 of the agreement have been duly complied.

25. Procurement.

Procurement of all goods and services are being made in accordance with the GoO regulations as stipulated in IFADs Loan covenants. Due process and regulations of GoO, which involves a three-tier process is being adhered to in selection the NGOs. Direct procurement of goods and services costing less than USD 10,000 is being made in accordance with local bidding procedure. However, PST is

using DFID procurement guidelines for procurement with the TA fund, but only with the approval of the Programme Director.

Audit.

26. Accounts.

i) Separate records and accounts are required to be maintained by all concerned institutions: PSU, ITDAs, NGOs, VDC, VLSC, SHG and other service providers. The Mission found that although basic books of records are being maintained, important books like ledger stock and asset register are either not maintained, or maintained but improperly and irregularly. The PD, PSU has informed the Mission that Finance Assistants have been appointed, and within a few months all these deficiencies will be made up. The Mission recommends that the deficiencies be rectified within 31.7.2008.

ii) **Audit:** The PSU has not appointed any CA for conducting audit of accounts of the financial year 07-08. No audit can be done without independent auditor. The Mission therefore recommends that the PSU should make the appointment within a period of 1-month i.e. by 31.5.08. The PSU should ensure that the NGO submit their six monthly audited statements to PSU regularly. The PSU should also employ CA to audit accounts of VDC and the NGOs would audit accounts of SHG. The respective functionaries on a six monthly basis should send all audit report to the PSU.

iii) **Internal Audit:** The Review Mission (November – December 07) has recommended for the setting of internal audit mechanism at all level. The PD PSU has informed that this has not been done. The relevance and importance of regular internal audit specially, when accounts are being maintained in far-flung areas and accountants capacity has not been fully developed is quite obvious. The Mission therefore recommends that PD PSU should set up the internal audit machinery in a month's time i.e. by 31.5.2008.

Agreed action	Responsibility	Agreed date
1. Audit of SOE of 2007-08 by independent auditors	PD, PSU	31.07.2008
2. Audit of UCs of 2006-07	PD, PSU	31.07.2008
3. Appointment of Chartered Accountant	P.D., PSU	30.06.2008
4. Govt. decision on the use of IFAD Loan	GoO	--
5. Audit of FNGOs	PD, PSU	31.07.2008
6. Correcting the incompleteness of accounts	PD, PSU	31.07.2008
7. Appointment of Internal auditors	PD, PSU	31.05.2008

F. Sustainability

27. Institutional sustainability. Sustainability of the institutions formed under the Project depends crucially on local ownership and their relationship with existing institutions. VDCs/VLSCs and SHGs showed satisfactory ownership at the local level. The revised RFS Strategy drawn up by the Project has laid down the need to mainstream the SHGs with the Mission Shakthi approach, although detailed guidelines need to be worked out in consultation with the Mission. However, other institutions like VDC/VLSC/VLSFAC need to develop similar relationship with grassroot democratic institutions like the Gram Panchayat so that their sustainability is ensured. NREGS, which is administered by the Panchayats could be a useful bridge to develop the relationship which can be strengthened by developing VDLP into a Palli Sabha Plan. PSU may like to initiate strategic thinking in this respect and share their thoughts with IFAD.

There has been some progress in providing secure titles to homestead for the community, but the settlement of land titles over the farmland in their occupation has not made any progress in the last six months. Another institutional constraint is in the access to financial services.

Agreed action	Responsibility	Agreed date
1. Ensure convergence of NREGS through OTELP initially in one district on lines of the approach in JTDP and NERCORMP.	PSU/Panchayati Raj Department	Start by 31 August 08
2. Capacity building in microplanning to include elected representatives of Gram Panchayat/Panchayat Samiti	PSU/Panchayati Raj Department	Start by 30 June 08
3. Launch a campaign to settle land titles under OPLE/OGLS	PSU/Revenue Department	Start by 15 June 08

28. Social sustainability (Empowerment). The commitment and support of the community to the OTELP approach is very evident. However, empowerment of the community to demand delivery of services continues to be an issue. Their collective capacity to demand basic services like health and education needs strengthening. VSFAC (Palli Sabha), which meets every month, must enlarge its agenda to include accountability of public services.

Agreed action	Responsibility	Agreed date
1. Monthly meeting of VSFAC (Palli Sabha) to include monitoring of public services like health, education, ICDS etc	PSU	Start by 1 June 08

29. Economic and financial sustainability. There has been temporary improvement in food security due to the bunching of investment in land and water management works, but household vulnerability persists. It is anticipated that there may be a gap between land development and additional income accretion, because of the preponderance of long duration crops in the reclaimed land. The withdrawal of wage employment and food assistance may add to this vulnerability. NREGA needs to be vigorously promoted to fill part of the gap in earnings and purchasing power during the interim. On the other hand the access to micro credit and training would support the beneficiaries to pursue income-generating activities. However, the villages visited had sizeable numbers of village youth (girls and boys) who have to be provided skill development opportunities (off farm) that can provide them sustainable livelihoods and graduating to employment opportunities beyond the village. The project's aim is to improve their livelihoods and income in a manner that can be sustained even after OTELP's withdrawal. Therefore establishing stronger market linkage and private sector inputs becomes critical for some initiatives. However, like WFP food assistance, the wage employment through the Government schemes is a mechanism to support project beneficiaries till a time they are capable of generating increased income through income generating activities and micro enterprises in both farm and off-farm sectors in a sustainable manner through the livelihoods enhancement support provided by the programme. Improving income generating activities and the micro enterprises of beneficiaries, leveraging investment made in land and water management should be the focus of the programme till the end of Phase III.

Agreed action	Responsibility	Agreed date
1. Close monitoring of the wage employment and food availability of Phase I villages after L&WM works are completed to detect any increase in vulnerability	FNGO/ITDA/PSU	On-going
2. FNGOs to associate with the community in identifying local works for inclusion in NREGS plan. A vigorous campaign to increase access to NREGA work to maintain the rate of wage employment.	FNGO/ITDA/PSU	From 1 June 08

30. Technical sustainability. The programme has already taken steps to provide sustainable extension of technical services by recruiting community level technical workers to link with government line

agencies. For example, Para vets have been recruited in the villages to support and provide technical services that are required for production of livestock in the villages. Technical sustainability is ensured through skill training of lead farmers and SHG members in NTFP collection and value addition, for example, mango jelly and tamarind processing and making Seali leaf plates. In addition, demonstrations and training carried out along with ICRISAT, Horticulture Department and ICAR KVK to number of beneficiaries would lead to sustainable retention of technical capabilities in agriculture, horticulture, livestock and fisheries. The processes need to be continued with the scaling out and scaling up of demonstrations, subsequent adaptations by learning through cross visits; Farmer led extension; and on-farm training.

31. Environmental sustainability. Interventions for environmental sustainability have been designed in the programme. Accordingly the programme has begun participatory forest management activities by creating about 280 VSS. They are involved in forest plantations, NTFP collection and also participating in managing Podu cultivation by planting long gestation commercial horticultural tree crops such as cashew nut, mango, and litchis. With increase in promotion of home gardens, including demonstrations of Sloping Land Technology will reduce the dependency on Podu, and thereby contributing to environmental sustainability. Agriculture crop production strategy should maintain the balance in cash and food crop production keeping in mind that non-programme villages have food from their farms for only 6 months. There are environmental issues related to depletion of farm cultivars and indigenous varieties; increased access and management of natural resources by communities and environmental health issues (prevalence of water borne diseases, sanitation and prevalence of malaria in project areas).

32. Exit strategy. Exit strategy at the village level would comprise of gradually facilitating the village volunteers to take up some of the roles and responsibilities of the WDT members. Furthermore, the federations of SHGs would be formed to access financial services for the members, and the formation of producer companies to access technical and business development services and extending to larger markets. This should lead to hiring professional managers by these federated societies and companies to manage their affairs. This would cause the programme to withdraw and exit.

Agreed action	Responsibility	Agreed date
1. Introduction of farmer led extension system	PSU and ITDA	Start by 1 June 2008
3. Development of action plan for village level exit strategy for Phase -I villages.	PSU and ITDA	End by 31 July 2008

G. Impact

33. Physical and financial assets. Numbers of physical infrastructures have been created by the project, which account for an investment of INR512.35 million. These infrastructures have contributed in enhancing livelihoods, in terms of improving production and productivity in agriculture, reducing drudgery of women, and also contributing to food security, and income increase. On the other hand, as a result of the creation of a revolving fund at the VDC level, the VDC have financial assets of INR66.36 lac; and SHGs formed in the Phase I villages have a total of INR15.75 lac, as of 31 March 2008. The value of community assets is likely to appreciate over time. It needs to be stressed that most of the micro-enterprises are farm based and at a primary level (collection, storage and local marketing) and with increase in scale, addition of value, and access to better markets would lead to increase in income.

34. Food security. WFP food assistance is provided to the project villages to ameliorate the persisting food insecurity till such time the beneficiaries are capable of producing enough food and have enough income to procure food through the support provided by the project components. The programme facilitated the consumption of 2,744 MT of Rice and 159 MT of pulses that is 15% of the total target of food grains as of March 2008. OTELP has recently lifted 3000 MT of Rice from the FCI and delivered at the VDCs, with a few exceptions in Gajapati district. The rice in interim storage needs to be delivered at the designated VDCs soon. WFP has kept another 3693 MT rice in the pipeline, which

can be delivered to the project after a substantial quantity of available rice (of 3370 MT) is utilised. Inconsistency in the accounting of food and funds has been observed, particularly the quantity of food provided to the group leaders for distribution and the quantity received by workers based on person days of work. This has been found in the Nuagada Block of Gujarat district and Th Rampur Block of Kalahandi. It is recommended that rice should be given to the group leader after ascertaining the quantity based on the person days reflected in the muster roll. The entries related to food and fund for a particular month reflected in the muster roll, the food distribution register and the MPR should always be consistent. It has been observed by the concerned mission member that bills/challans used for the delivery of rice at VDCs do not contain number, date and reference to the allocation number and corresponding date. The text of the waybills should be redrafted. Although there has been some improvement in the maintenance of records at the VDC level, the accounting of food and fund still need considerable improvement. The PSU should, as suggested by the mission fielded in May 2007, introduce bound registers (with the page numbers printed) of muster rolls and food distribution. Each village should be provided with one bound register, wherein the particulars relating to all work can be maintained. The PSU, in consultation with WFP, should plan and conduct, out of funds for capacity building training on commodity management for the VDC and FNGO functionaries to address the above deficiencies. Currently, the impact of land and water management is quite conspicuous in the villages where farmers have increased acreage of arable land and have also gone for double cropping. Combined with purchasing power created through wage employment, the farmers have become food secure from six to nine months for the time being.

35. Increase in incomes. Migration of 10% to 15% of the families has been reported to stop as a result of wage earning generated through soil and water conservation works of the programme. There has been perceptible increase in income in most villages visited by the mission as a result of wage employment created by the project through land and water management activities. Partly it is also as a result of additional cereal cultivation, cash crop and vegetables through double cropping and extension of land brought under irrigation. This should be captured in the annual wealth and well being ranking in Phase I villages. Vegetable cultivation in home gardens has increased the income through sales in local *haats* by 2030 households with an additional income of Rs1, 000-2,500 per family. Non-Timber Forest Products are collected and sold as a group activity earning each group an income of Rs4500. Income from wage earning would not be sustainable in the long run since these activities would be completed by this year.

36. Policy impact. The project has been successful in initiating the process of dialogue for the survey of revenue and forestland, provide awareness of the Forest Rights Rules in vernacular to project beneficiaries, and hold orientation trainings in the project districts on the features of Rights to Forest Act. Project policy of transferring the funds directly from ITDA to the VLSCs through VDCs have increased the pace of implementation of project activities as a result of timely availability of funds at the village level; and increased the capacity of the village to manage funds for community development. There has been also slight improvement in the utilisation of funds.

Agreed action	Responsibility	Agreed date
1. PSU and WFP to conduct trainings on food handling at all levels with funds earmarked under capacity building in the project AWPB	Capacity Building Manager at PSU and WFP official	Complete training by 30 July, 2008
2. Internal Audit should include food handling as well	Project Director	Completed by 30 July, 2008

H. Conclusion

37. Landlessness is a major equity issue that needs to be resolved. In the following months to come the focus of the programme should be to provide forest as well as revenue land to the landless, thereby enabling the programme to start land and water management work in the Phase II villages. The Chief

Secretary endorsed the view that forestland under OTELP areas would be undertaken to pilot the Schedule Tribes & Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006 and Rules 2007 in the state, whereas the revenue land allotments to the landless would be provided through the existing laws by carrying out survey for delineation of such land through OTELP. Secondly, the issue of inadequate access and linkage of OTELP SHGs to banks/formal financial institutions and other problems faced by the VDCs with the banks also need to be resolved. During the wrap-up meeting the Chief Secretary mentioned that bank officials on deputation with the Government of Orissa would be deputed to resolve the issue and if required the matter could also be raised in the SLBC. Thirdly, overall financial management practices needs to be strengthened to reduce the fiduciary risk in the project. The Chief Secretary acknowledged the importance of the issue and directed the Programme Director to take corrective action as recommended by the mission at the earliest. Fourthly, the programme needs to review the MTR pre-conditions before moving to Phase II. During the wrap-up Commissioner cum Secretary SC&ST Development Department felt that since the programme was operating in difficult areas from the operational point of view any conditions for expansion to Phase II should be flexible since the programme was working in a risky environment, which was facing problem of disturbed law and order. While acknowledging the presence of the difficult environment prevailing in the field, it was conveyed that recommendations are never cast in stone, they should be adhered to by the programme as far as possible, as and when it becomes difficult to adhere to, it should be brought to the notice of IFAD by the Programme Director and appropriate measures could be taken. The fifth issue was the pursuance of a suitable village level exit strategy, where it was agreed that this should begin as soon as possible for Phase I villages. Finally, on the issue that Participatory Forest Management (PFM) and NREGS shall be the major source of wage employment and food security for the landless category, after the land and water management activities are completed in Phase I villages; during the wrap-up meeting the Chief Secretary agreed with the proposal (that was also endorsed by Commissioner-cum-Secretary, Panchayati Raj) that the Government would consider using OTELP as a Convergence vehicle for NREGS and other Community development programmes of the state on the pattern being followed in the state of Meghalaya. It was also mentioned during the wrap-up meeting that the model and lessons learnt from OTELP have been incorporated to a large extent in the design of the new project 'TRIPTI' which is under negotiations with the World Bank for the coastal districts of Orissa. The Chief Secretary assured that this fact would be suitably acknowledged during the forthcoming negotiations for 'TRIPTI'.

Appendix 1: SUMMARY OF PROJECT STATUS AND RATINGS

SUMMARY OF PROJECT STATUS AND RATINGS

A. Basic Facts

Country	India	Project ID	1155	Loan/Grant No.	IN-585
Project	Orissa Tribal Empowerment and Livelihoods Improvement Programme			Supp. Loan/Grant	
Date of Update:	24-Mar-09 May-08	Last Supervision	Nov-Dec 2007	Financing terms	F
Supervising Inst.	IFAD	No. of Supervisions	3		
				USD million	Disb.rate%
Approval	23/04/2002	Quality at entry rating	3	Total costs	
Agreement	18/12/2002	Effectiveness lag		IFAD loan	20.00
Effectiveness	15/07/2003	Problem project		DFID Grant	40.00
MTR	04/09/2006			IFAD grant	
Current completion	31/03/2013	Last Amendment		Domestic	18.83
Current closing	30/09/2013	Last Audit	29/11/2007	Co financing	52.33
No. of extensions				<u>Co financiers</u>	Government of Orissa
					DFID

B. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	3	2	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	4	2. Performance of M&E	4	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with loan covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	2	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	3	3

B.3 Outputs and outcomes	Allocated budget (USD million)	% of total	Cumulative expenditure (USD million)	Last	Current
1. Actual outputs/component 1 Capacity Building for Empowerment [Describe component title]	8.1	10		3	3

Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008-- Draft Aide-Mémoire

2. Actual outputs/component 2 Livelihoods Enhancement [Describe component title]	54.12	70		4	4
3. Actual outputs/component 3 Policy Initiatives Support [Describe component title]	1.69	2		4	4
4. Actual outputs/component 4 Development Initiatives Fund (DIF) [Describe component title]	4.68	6		4	4
5. Actual outputs/component 5 Programme Management [Describe component title]	8.25	11		4	4
6. Actual outputs/component 5 Food Handling [Describe component title]	0.72	1		5	5

B.4 Sustainability	Last	Current	B.5 Impact	Last	Current
1. Institution building (organizations, etc.)	3	3	1. Physical/financial assets		4
2. Empowerment	4	4	2. Food security		4
3. Quality of beneficiary participation	3	3	3. Increase in incomes		4
4. Responsiveness of service providers	4	4	4. Policy impact		4
5. Exit strategy (readiness and quality)		3			
6. Potential for scaling up and replication	3	4	B.6 Partnerships	4	4

B.7 In-loan grant (only if applicable and if funding specific activities not funded by the loan)	Last	Current
[Describe main achievements and issues]		

C. Overall Assessment and Risk Profile	Last	Current
C 1 Overall implementation progress (Sections B1 and B2)	3	3
C 2 Likelihood of achieving the development objectives (section B 3 and B4)	3	3
C 3 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects	Non compliance would escalate cost of project and may give rise to financial malpractices	
Project implementation progress	Poor utilisation of funds in the ITDAs, VDCs, and VLSCs' as a result of poor execution of programme may delay progress of the programme.	

Outputs and outcomes	As a large part of the investment is going towards developing land and water management activities and if institutions are not well established to maintain and utilise the full potential of these infrastructure than the programme would not reach its development objectives. SHG groups formed must be linked to banks for its future sustainability, along with development of micro enterprises that have been formed to attain the development objectives.
Sustainability	Institutions building of Community Volunteers to gradually take over the role and responsibilities, along with

D. Follow-up Action will be undertaken in the next three months. It may be mentioned that all the recommendations have been accepted by the PMU.

Main Issue/problem	Agreed Follow-up Action	Timing	Responsibility	Status
1. Landlessness is a major equity issue that needs to be resolved.	Forestland under OTELP areas would be undertaken to pilot the Schedule Tribes & Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006 and Rules 2007 in the state, whereas the revenue land allotments to the landless would be provided through the existing laws by carrying out survey for delineation of such land through OTELP.	Started by 1 st June 2008	Government of Orissa and PSU	Activities have been initiated.
2. Inadequate access and linkage of OTELP SHGs to banks/formal financial institutions and other problems faced by the VDCs with the banks also need to be resolved.	Bank officials on deputation with the Government of Orissa would be deputed to resolve the issue and if required the matter could also be raised in the SLBC.	Started by 1 st June 2008	Government of Orissa and PSU	
3. Overall financial management practices needs to be strengthened to reduce the fiduciary risk in the project.	The Chief Secretary acknowledged the importance of the issue and directed the Programme Director to take corrective action as recommended by the mission at the earliest.	All corrective actions to be completed by 31 st July 2008	Programme Director	

**Orissa Tribal Empowerment and Livelihoods Improvement Programme
Supervision mission: 21 April to 5 May 2008-- Draft Aide-Mémoire**

<p>4. The programme needs to review the MTR pre-conditions before moving to Phase II.</p>	<p>While acknowledging the presence of the difficult environment prevailing in the field, it was conveyed that recommendations are never cast in stone, they should be adhered to by the programme as far as possible, as and when it becomes difficult to adhere to, it should be brought to the notice of IFAD by the Programme Director and appropriate measures could be taken.</p>	<p>Start by 1st June 2008</p>	<p>Programme Director</p>	
<p>5. Pursuance of a suitable village level exit strategy, where it was agreed that this should begin as soon as possible for Phase I villages</p>	<p>Development of action plan for village level exit strategy for Phase -I villages.</p>	<p>PSU and ITDA</p>	<p>End by 31 July 2008</p>	
<p>6. Participatory Forest Management (PFM) and NREGS shall be the major source of wage employment and food security for the landless category, after the land and water management activities are completed in Phase I villages</p>	<p>Chief Secretary agreed with the proposal (that was also endorsed by Commissioner-cum-Secretary, Panchayati Raj) that the Government would consider using OTELP as a Convergence vehicle for NREGS and other Community development programmes of the state on the pattern being followed in the state of Meghalaya.</p>	<p>Government of Orissa and PSU</p>	<p>Start by July 2008</p>	
<p>7. Submission of Revise RO-AWPB including Revised Indicators</p>	<p>The Project Director is to resubmit to IFAD for approval of the RO-AWPB after revision including the RIMS indicators. It was requested as per requirement of this template, but was not complied with, when the template was sent about 2 weeks before the start of the mission.</p>	<p>PSU and Project Director.</p>	<p>By the end of June 2008</p>	

Appendix 2: Summary of key actions to be taken within agreed timeframes.

Action Area	Action Agreed	Date	Whom	Progress
1. Landlessness is a major equity issue that needs to be resolved.	Forestland under OTELP areas would be undertaken to pilot the Schedule Tribes & Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006 and Rules 2007 in the state, whereas the revenue land allotments to the landless would be provided through the existing laws by carrying out survey for delineation of such land through OTELP.	Started by 1 st June 2008	Government of Orissa and PSU	Activities have been initiated.
2. Inadequate access and linkage of OTELP SHGs to banks/formal financial institutions and other problems faced by the VDCs with the banks also need to be resolved.	Bank officials on deputation with the Government of Orissa would be deputed to resolve the issue and if required the matter could also be raised in the SLBC.	Started by 1 st June 2008	Government of Orissa and PSU	
3. Overall financial management practices needs to be strengthened to reduce the fiduciary risk in the project.	The Chief Secretary acknowledged the importance of the issue and directed the Programme Director to take corrective action as recommended by the mission at the earliest.	All corrective actions to be completed by 31 st July 2008	Programme Director	
4. The programme needs to review the MTR pre-conditions before moving to Phase II.	While acknowledging the presence of the difficult environment prevailing in the field, it was conveyed that recommendations are never cast in stone, they should be adhered to by the programme as far as possible, as and when it becomes difficult to adhere to, it should be brought to the notice of IFAD by the Programme Director and appropriate measures could be taken.	Start by 1 st June 2008	Programme Director	
5. Pursuance of a	Development of action plan for village level exit	PSU and	End by 31 July 2008	

suitable village level exit strategy, where it was agreed that this should begin as soon as possible for Phase I villages	strategy for Phase -I villages.	ITDA		
6. Participatory Forest Management (PFM) and NREGS shall be the major source of wage employment and food security for the landless category, after the land and water management activities are completed in Phase I villages	Chief Secretary agreed with the proposal (that was also endorsed by Commissioner-cum-Secretary, Panchayati Raj) that the Government would consider using OTELP as a Convergence vehicle for NREGS and other Community development programmes of the state on the pattern being followed in the state of Meghalaya.	Government of Orissa and PSU	Start by July 2008	
7. Submission of Revised RO-AWPB including Revised Indicators	The Project Director is to resubmit to IFAD for approval of the RO-AWPB after revision including the RIMS indicators. It was requested as per requirement of this template, but was not complied with , when the template was sent about 2 weeks before the start of the mission.	PSU and Project Director.	By the end of June 2008	

[Insert/delete rows as necessary.]

**Appendix 3: Financial: Actual financial performance by financier;
by component and disbursements by category**

Table 3A: Financial performance by financier

Financier	Approval (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	19996	3447	17.23
DFID grant	15080	8043	53.33
WFP Co-financier	12317	-	-
Government	9567	1268	13.25
Total	57060	12758	

Table 3B: Financial performance by financier by component ('000)

Component	IFAD loan			DFID grant			WFP Co-financier			Government			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Capacity Building for Empowerment	277.28	247.02	89.09	646.98	576.37	89.09				102.70	91.49	89.09	1026.95	914.88	89.09
Livelihood Enhancement	1687.79	1383.35	81.96	3938.17	3227.81	81.96				625.11	512.35	81.96	6251.06	5123.50	81.96
Support for Policy Initiatives	226.53	1.08	0.48	528.57	2.52	0.48				83.90	0.40	0.48	839.00	4.00	0.48
Development Initiatives Fund	155.52	72.16	46.40	362.88	168.38	46.40				57.60	26.73	46.40	576.00	267.27	46.40
Programme Management	241.16	168.07	69.69	562.70	392.16	69.69				89.32	62.25	69.69	893.18	622.47	69.69
Food Handling Total	10.80	76.15	705.05	25.20	177.67	705.05				4.00	28.20	705.05	40.00	282.02	705.05
													INR	9626.19	7214.14
													USD	240.65	180.35

Table 3C: IFAD loan disbursements (SDR, as at dd-mth-yr)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Vehicles, Equipments & Materials	100000	150000	28682.606		121317.39	19.12
II	Technical Assistance, contractual services, studies & training	570000	3080000	320147.886		2759852.10	10.39
III	Investment Fund	400000	4540000	752985.277		3787014.70	16.59
IV	Grant Fund	40000	240000	27992.706		212007.29	11.66
V	Credit	15000	210000	0		210000	0
VI	Development Initiatives Fund	210000	1010000	75824.627		934175.37	7.51
VII	Salaries and allowances	90000	690000	65309.379		624690.62	9.47
VIII	Other Incremental Cost	20000	160000	12885.032		147114.97	8.05
IX	Unallocated Phase I	205000	770000	-		-	-
	Phase II	9200000	-	-		-	-
	Phase III	5200000	5200000	-		-	-
	Initial deposit						
	Total						

Table 3 D: Financial Progress1) **Financial Progress**

- i) The AWP&B further financial year 2007-08 had a financial outlay Rs.418.5 million, inclusive of expenditure for up scaling under Phase-II
- ii) The financial progress as on the end of March, 2008 as under

Component	Revised Budget for 2006-07 (Rs. in Million)	Expenses for 2006-07 (Rs. in Million)	Budget 2007-08 (Rs. in Million)	Expenditure for 2007-08 (Rs. in Million) Upto 30.10.2007	Expenditure for 2007-08 (Rs. in Million) Upto 31.3.2008	% of Expenditure
Capacity Building	21.50	30.74	41.07	7.87	30.59	74.48%
Livelihoods Enhancement	257.23	236.61	274.97	53.50	226.50	82.37%
Programme Management	21.55	11.53	2.386	14.02	22.76	95.39%
Development Initiatives Fund	34.60	5.45	18	0.20	10.53	58.50%
Support for Policy	21.00	-	54	0.40	0.40	0.74%
Food Handling	2.00	1.30	1	0.60	26.21	26.21%
Up-scaling to Phase	1.00					
Total	358.88	285.63	418.45	76.59	316.99	75.75%

- iii) The expenditure upto the end of financial year 2007-08 on 31.3.2008 is at Rs.316.99 million which shows the user of 75.75% of the budget outlay. The expenditure incurred upto 30.10.07 was only at Rs.76.59 million being 18.30% of the budget outlay. Thus the PSU as shown a good considerable financial progress in the last 5 months of the previous financial year, by spending at additional 53.44% of the budget outlay amounting Rs.240.40 million.

Appendix 4: Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
Section 1.05	<i>Appointment of the Cooperating Institution.</i> The Fund intends to appoint the United Nations Office for Project Services (UNOPS) as the Cooperating Institution, with the responsibilities set forth in Article III (The Cooperating Institution) of the General Conditions, to administer the Loan and supervise the Programme, at the expense of the Fund, in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.		Being complied with	
SECTION 2.03	<i>Special Account.</i> (a) The Borrower shall open and thereafter maintain in a bank, proposed by the Borrower and accepted by the Fund, a Special Account denominated in US Dollars for the purpose of financing the Programme with an authorised allocation of two million US dollars (USD 2 000 000) (the “Authorised Allocation”). The Special Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.		Being complied with	
	(d)The Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions.		Being complied with	
SECTION 2.04	The Borrower and each Programme Party shall use the proceeds of the Loan exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions.		Being complied with	
ARTICLE III SECTION 3.02	The PSU shall prepare a draft annual work plan and budget (“AWPB”) for each Programme Year. Each draft AWPB shall include, among other things, a detailed description of planned Programme activities during the coming Programme Year, and the sources and uses of funds therefore, based on the respective VRMPs or work plans and budgets prepared by each of the Programme Parties, in accordance with paragraph 9 of Schedule 3.		Being complied with	
	The PSU shall submit each draft AWPB to the PSC for its approval, then to the Fund and the Cooperating Institution, for their respective comments and approval, no later than sixty (60) days before the beginning of the relevant Programme Year. If neither the Fund nor the Cooperating Institution comments on the draft AWPB within 30 days after receipt, the AWPB shall be deemed		Being complied with from 2006/07	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
	approved.			
	The PSC shall adopt each AWPB approved by the Fund and the Cooperating Institution, and the PSU shall provide copies thereof to the Fund and the Cooperating Institution, prior to the commencement of the relevant Programme Year.		Being complied with	
	If required, the PSU, through the Lead Programme Agency, may propose adjustments to the AWPB during the relevant Programme Year, which shall become effective upon approval by the Borrower, the Cooperating Institution and the Fund.		Doesn't arise at this stage	
SECTION 3.03	The PSU shall open and thereafter maintain, in a bank proposed by the Lead Programme Agency and accepted by the Fund, a current account denominated in INR for Programme operations.		Being complied with	
	Each ITDA shall open and thereafter maintain, in a bank proposed by the ITDA and accepted by the Fund, a current account denominated in INR for Programme operations (each an "ITDA Programme Account"). The Programme Administrator of each ITDA shall be fully authorised to operate the relevant ITDA Programme Account.		Being complied with	
	Each VDC shall open and thereafter maintain, in the local branch of a commercial bank, a current account denominated in INR for Programme operations (each an "VDC Programme Account"). The Chairperson of each VDC shall be fully authorised to operate the relevant VDC Programme Account.		Being complied with	
SECTION 3.04	The Borrower shall make the proceeds of the Loan available to the State in accordance with the AWPBs and its customary national procedures for the transfer of external funding to carry out the Programme.		Being complied with	
	The Borrower shall ensure that the State makes the proceeds of the Loan available to the Lead Programme Agency and each other Programme Party in accordance with the AWPBs and the Programme Agreement to carry out the Programme.		Being complied with	
SECTION 3.05	In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Programme Agency and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme in accordance with this Agreement.		Being complied with	
	The Borrower shall ensure that the State makes available to the Lead Programme Agency counterpart funds from its own resources, in an aggregate amount of		Being complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
	approximately USD 9 567 000.			
	The Borrower shall make the DFID Grant and the WFP Food Assistance available to the Lead Programme Agency and each other Programme Party in accordance with the AWPBs upon their availability thereof.		DFID funds not yet available WFP being provided	
ARTICLE IV Section 4.01	The PSU shall establish, as soon as practicable but in no event later than 180 days after the Effective Date, and thereafter maintain an appropriate information management system to enable it to continuously monitor the Programme in accordance with paragraph 16 of Schedule 3 hereto and Section 8.02 (Monitoring of Programme Implementation) of the General Conditions, based on indicators agreed by the State and the Fund, in consultation with the Participants.		Being complied with	
Section 4.02	The PSU shall submit to the Fund and the Cooperating Institution semi-annual and annual progress reports on Programme implementation, in accordance with paragraph 3.3 (d) of Schedule 3 and as required by Section 8.03 (Progress Reports) of the General Conditions, no later than 30 June and 31 December each Programme Year.		Being complied with from 2005/06 annual report	
Section 4.03	The Borrower, the Lead Programme Agency, the Fund, the Cooperating Institution and the Participants shall jointly carry out a review of Programme implementation at the beginning of the second half of each of the third and seventh Programme Years.		Being complied with	
ARTICLE V Section 5.01	The Lead Programme Agency shall prepare the financial statements of the operations, resources and expenditures related to the Programme required by Section 9.02 (Financial Statements) of the General Conditions in respect of each six-month period during each Fiscal Year and deliver such financial statements to the Fund and the Cooperating Institution within four months after the end of each such period.		Not being complied with Not sent to IFAD	
Section 5.02	Within 90 days after the Effective Date, the Borrower shall designate or appoint, with the prior approval of the Fund, the Controller and Auditor-General of the Borrower or any independent auditors selected in accordance with the procedures and criteria agreed upon by the Fund to audit the accounts relating to the Programme for each Fiscal Year until the Closing Date.		Being complied with	
SCHEDU	1. The Programme shall be carried out in 30 blocks with high tribal concentrations in the northern tribal belt and in the following South-western		10 blocks have been selected for Phase I and	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
LE 1	districts of the State: Phulbani, Gajpati, Kalahandi, Kandhamal, Koarput, Malkangiri, Nawarangpur and Rayagada (the "Programme Area").		9 blocks have been selected for Phase II	
	2. The Programme shall benefit both tribal and non-tribal households in Programme Area villages comprised of at least 60% scheduled tribes or scheduled castes, as selected through participatory rural appraisal ("PRA") or other participatory methodologies. Priority shall be given to marginalised or in the process of marginalisation groups, namely women, Primitive Tribal Groups (PTGs), hill cultivators, landless and marginal farmers and scheduled castes.		Being complied with	
	3. The State shall ensure that the villages selected under the Programme shall have no less than 60% tribal and scheduled caste population, and shall otherwise conform to selection criteria to be agreed upon by the Fund and the Borrower.		Being complied with	
SCHEDU LE 2 Para 4. (a)	No disbursement shall be made to any VDC under the Land and Water Management Fund, Participatory Forest Management Fund, or Community Infrastructure Fund until such VDC has been duly formed and its Social and Financial Audit Sub-Committee has been established in accordance with paragraph 8.1 of Schedule 3; the VDC has entered into the ITDA Memorandum of Understanding, in accordance with paragraph 5.3 of Schedule 3 and approved by the Fund, and has opened its VDC Programme Account		Being Complied with	
SCHEDU LE 2 Para 4. (b)	No disbursement shall be made to any NGO until such NGO has been duly selected in accordance with selection criteria approved by the Fund, and the NGO has entered into a memorandum of understanding with the relevant ITDA, in form and substance accepted by the Fund.		Being complied with	
SCHED. 3 A.2	The State shall establish and maintain throughout the Programme Implementation Period a Programme steering committee ("PSC").		Being complied with	
	3.1 The State shall establish and maintain a Programme Support Unit (the "PSU") within the Lead Programme Agency. The PSU shall enjoy operational autonomy and, to this end, the State shall issue a delegation of authority to the Programme Director and any other key officer of the PSU to take any action necessary for Programme implementation. Within 150 days of the Effective Date, the key officers in the PSU shall have been recruited.		Being complied with	
	4.1 Within three months of the Effective Date, the State shall appoint a qualified and experienced Programme Director ("PD"), accepted by the Fund. The PD shall serve at least until the end of Phase I, subject to satisfactory performance as		Complied with initially. However, IFAD was not consulted when new PD	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	determined by the State in agreement with the Fund, and any successor thereto shall have similar qualifications, serve under similar terms and conditions and be accepted by the Fund.		was posted as noted during by MTR Mission	
	5.1 Each ITDA shall endeavour to strengthen its autonomy as a registered society to permit it to operate bank accounts, hire staff from the government or the open market, including the Programme Administrator and the Financial and Administration Officer, and establish independent financial and personnel policies. The Project Level Committee shall establish a Management Committee, chaired by the District Collector, to provide regular management support, including the review and monitoring of Programme implementation. All staff shall be hired on renewable contracts. Within 150 days of the Effective Date, the key officers of each ITDA shall have been recruited including the Programme Administrator and the Financial and Administration Officer for each Phase I ITDA. The State shall not permit the transfer of government officers on secondment to the ITDA, unless requested by the Project Level Committee of the ITDA in writing to, and approved by, the State.		Being complied with	
	5.1.1 Within 120 days of the Effective Date, the financial and personnel regulations of the First Phase ITDAs shall have been approved.		Being complied with	
	5.3.1 Each ITDA shall enter into an agreement with each VDC in its District for Programme implementation and transfer of Loan proceeds (each an "ITDA MOU").		Being complied with	
	6.1 The PSU shall recruit Facilitating and Resource NGOs to support Programme implementation as set forth below. All NGOs shall be selected through an open, competitive process, based on selection criteria approved by the Fund. Within 180 days of the Effective Date, each Phase I ITDA shall have prepared the short list of Facilitating and Resource NGOs.		Being complied with	
	7.1 Facilitating NGOs shall recruit multi-disciplinary Watershed Development Teams (each a "WDT") to provide technical support services for Programme implementation. Each WDT shall be comprised of the following experts, as appropriate: SHG and micro-finance capacity building; soil conservation; irrigation; training; accounting; agriculture, horticulture, forestry, marketing and legal affairs.		Being complied with	
	8.1 VDCs shall be formed with the assistance of Facilitating NGOs contracted by the relevant ITDA. Two-thirds of the members of the VDC shall be drawn from SHGs and/or user group office bearers, with the remainder selected by		Being complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
	the Village Assembly to include two members of the PRI, including its ward member. Each VDC shall elect a Chairperson, Vice-Chairperson, Secretary and Treasurer, who shall form the Management Committee. Each VDC shall also establish a Social and Financial Audit Sub-Committee and Technical Sub-Committees, as necessary.			
	15.1 The PSU shall prepare a draft Programme Implementation Manual as soon as practicable but in no event later than six months after the Effective Date. The Programme Implementation Manual shall include, among other things:		Being complied with	
	15.2 The PSU shall prepare a draft Programme Implementation Manual as soon as practicable but in no event later than six months after the Effective Date. The Programme Implementation Manual shall include, among other things:		Being complied with but late	
	15.3 The PSC shall adopt the Programme Implementation Manual, substantially in the form approved by the Fund, and the Lead Programme Agency shall promptly provide copies thereof to the Fund and the Cooperating Institution. If neither the Fund nor the Cooperating Institution comments on the draft Programme Implementation Manual within 30 days after receipt, it shall be deemed approved.		Being complied with	
	The Programme Implementation Manual shall be modified only with prior consent of the Fund.		Being complied with	
	16.1 The PSU shall contract an agency specialised in monitoring and evaluation to design the Programme's monitoring and evaluation system. The team shall collectively have expertise in participatory methods, computer and information technology, statistical methods and rural development practices.		Being complied with	
SCHEDULE 3A	The State shall endeavour to take any Actions required to: (a) provide each ITDA with the financial, administrative and personnel autonomy necessary to permit it to carry out its responsibilities set forth in Schedule 3 and the Programme Implementation Manual; (b) ensure inter-departmental cooperation; and (c) otherwise facilitate Programme implementation.		Being complied with	
SCHEDULE 4 Part A	1) Procurement of goods and civil works financed by the Loan shall be subject to the provisions of the "Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development of 1982", as such guidelines may be amended from time to time by the Fund (the "Procurement		Being complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
	Guidelines”).			
	2) Procurement of consultant services financed from the proceeds of the Loan shall be undertaken in accordance with procedures proposed by the Borrower and approved by the Fund.		Complied with	
	3) To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the PSU shall furnish to the Cooperating Institution, for approval: (i) a list or lists of goods and services to be procured; (ii) the proposed grouping of these goods and services; and (iii) the proposed number and scope of civil works contracts to be awarded.		Being complied with	
	6) Local Competitive Bidding (LCB). Each contract for the supply of civil works shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Cooperating Institution.		Being complied with	
Part C	7) Local Competitive Bidding (LCB) Each contract for the supply of goods, vehicles and equipment estimated to cost USD 25 000 equivalent or more shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Cooperating Institution.		Being complied with	
	8) Local Shopping. Each contract for the supply of goods, vehicles and equipment estimated to cost USD 10 000 equivalent or more but less than USD 25 000 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Cooperating Institution.		Being complied with	
	9) Direct Contracting. Each contract for the supply of goods, vehicles and equipment estimated to cost less than USD 10 000 equivalent shall be awarded through direct contracting with the contractor/supplier, on terms and conditions approved by the Cooperating Institution.		Being complied with	
Part D	10) International Competitive Bidding (ICB). Each contract for consultant services estimated to cost USD 100 000 equivalent or more shall be awarded following ICB procedures.		Being complied with	
	11) Local Competitive Bidding (LCB). Each contract for consultant services estimated to cost USD 25 000 equivalent or more but less than USD 100 000 equivalent shall be awarded on the basis of competitive bidding advertised locally.		Being complied with	
Part E	15. Procurement of Services. In the procurement of consultant services, everything else being equal, preference shall be given to consultants from developing Member States of the Fund.		Being complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
Part F	16. The award of any contract for goods, vehicles and equipment or civil works estimated to cost USD 100 000 equivalent or more shall be subject to prior review by the Cooperating Institution in accordance with the provisions of Annex 3 to the Procurement Guidelines.		Being complied with	
	17. The award of any contract for consultant services estimated to cost USD 100 000 equivalent or more shall be subject to prior review by the Cooperating Institution.		Being complied with	

Appendix 5: Physical progress measured against AWP&B and appraisal targets, including RIMS indicators

(Note: The duly completed RO-AWP&B Table, if used by the project, may be attached instead. **But has not complied by including the RIMS Indicators**)

Period: dd03-07 to dd-03-08				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
Overall Goal Quality of life of poor tribal households in remote areas sustainably improved	Increased employment opportunities and incomes, and reduced out-migration for work resulting from a diversified economy. Health and educational indicators (IMR, MMR, literacy, school completion rates) on par with state averages. Tribal women, men and children enjoy civil and political rights and access to justice on a par with other communities in the State.		4	4
Project Purpose Livelihoods and food security of 75 000 poor tribal households sustainably improved	Equitable increase of at least 50% in incomes of poor tribal households.	As March 2007, OTELP operates in 136 micro-watersheds involving 396 natural villages, covering more than 20,000 households, against the Phase I target of 18,400 households. Of the total population of 78,371 in the selected watersheds, 84% are from Schedules Tribes and 10% from Scheduled Castes. 21% are classified as <i>landless</i> . The Programme's watershed activities have created 1265096 person days of paid employment, of which 47.42% were women and benefiting about 14096 families during the year 2007-08. Men and women receive equal wages. This has generated a substantial amount of family income, particularly for landless	4	4

[1]	Component 1 - Purpose: Capacity Building for Empowerment							
[2]	Output 1.1: Community Empowerment & Management							
[3]	Activity 1.1.1. Organise Community Mobilization Camps	No. of VDCs formed and strengthened	3000	138	14.11	5000	978	19.56
	Activity 1.1.2. Training to the SHGs/ CBOs on leadership, management, accounts etc.	No. of SHGs formed and strengthened	5000	851	42.47	12000	2004	16.7
	Activity 1.1.3. Entry Point Activities	No. of VDLPs drawn up	110	0	0.00	400	136	34
	Total Budget Output 1.1.:							
	Output 1.2. Beneficiary Skill Upgradation							
	Activity 1.2.1. Training to the L&W Village Volunteers/ Bare foot engineers	No. of L&W VVs trained	136	57	41.91	400	136	34
	Activity 1.2.2. Training on utilization of farm implements	No. of persons trained in handling the equipments for small survey	110	0	0.00	400	0	0
	Activity 1.2.3. Exposure to the farmers to the agriculture field demonstrations	No. of farmers exposed to the agricultural field demonstrations	1200	840	70.00	20000	1500	7.5
	Activity 1.2.4. Training to the Livestock Village Volunteers to on Livestock management	No. of Livestock Volunteers trained on vaccination/ AI	136	85	62.50	400	85	21.25
	Activity 1.2.5. Exposure to the SHGs on Income Generating activities	No. of members exposed to Income generating activities	120	44	36.67	0	0	#DIV/0!
	Activity 1.2.6. Training on Participatory Forest Management	No. of VSS members trained	110	19	17.27	0	0	#DIV/0!
	Activity 1.2.. Training on management of community infrastructures	No. of CBO leaders trained on managing common infrastructure property	396	35	8.84	0	0	#DIV/0!
	Total Budget Output 1.2.:							
	Output 1.3. Training to the FNGO Staff and other support agencies							
	Activity 1.3.1. Training to the WDT members	No. of WDT members trained	24	56	233.33			

	Activity 1.3.2. Training to the Community Mobilizers	No. of Community Mobilizers trained	132	89	67.42			
	Activity 1.3.3. Training to the other Govt./ Non Govt support agencies	No. of support agencies staff trained	12	17	141.67			
	Total Budget Output 1.3.:							
	Output 1.4. Training to the Programme Staff (ITDA & PSU)	No. of staffs from PSU and ITDAs trained by categories	50	28	56	TBM		
	Total Budget Output 1.4.:							
	Output 1.5. FNGO Facilitation Cost							
	Activity 1.4.1. Honorarium to the FNGOs WDT members	No. of WDT members working	138	132	95.65	240		
	Activity 1.4.2. Honorarium to the FNGOs Community Mobilizers	No. of Community Mobilisers working	230	220	95.65	400		
	Activity 1.4.3. Mobility Support to the FNGO Coordinator	No. of days the FNGO coordinator visiting to the programme villages in a month	23	12	52.17	40		
	Activity 1.4.4. Administrative Cost to the FNGO	No of FNGOs operating smoothly in their respective field offices	23	22	95.65	40		
	Total Budget Output 1.5.:							
	Output 1.6. RNGO Support for Capacity Building	No. of RNGOs supporting the project	5	2	40.00	NT		
	Total Budget Output 1.6.:							
	Total Budget Component 1:							
	Component 2 - Purpose: Livelihood Enhancement							
	Output 2.1. Land & Water Management							
	Activity 2.1.1. Development of Land & Water Resources by engineering measures	Area in Ha treated	2250	1850	82.22	200000		
	Activity 2.1.2. Development of Land & Water Resources by biological measures	Area in Ha treated			#DIV/0!			
	Activity 2.1.3. Provision of equipments	No. of FNGO provided with equipments	12	12	100	40	12	30.00
	Total Budget Output 2.1.:							

	Output 2.2. Agriculture & Horticulture Development							
	Activity 111: Crop Demonstration	No. of crop demonstrations made by crop categories	816	875	107.23	2400	707	29.46
	Activity 112: Farm Implements	No. of agriculture resoces centres created	680	288	42.35	1200	142	11.83
	Total Budget Output 2.2.:							
	Output 2.3. Livestock & Aquaculture Production							
	Activity 111: Provision of Vet. Kit for Livestock Volunteers	No. of Livestock Volunteers equipped with vet kits.	110	110	100	400	156	
	Activity 112: Supply of improved breeds	No. of breeds supplied and no. of AI done	500	300	60	1200	833	
	Total Budget Output 2.2.:							
	Output 2.4. Rural Financial Services							
	Activity 111: Seed Capital to the SHGs	No. of SHGs received the seed capital for initiating IGA	800	519		100%		
	Activity 112: Revolving funds to SHGs	No. of SHGs prepared IGA plans and received Revolving funds	500	427		100%		
	Total Budget Component 2.4:							
	Output 2.5. Participatory Forest Management							
	Activity 111: Investment for forest protection through plantation and other treatments	Forest area treated through plantation and other soil conservation activities	2000	1800	90			
	Activity 112: Natural regeneration through protection	Forest area protected by VSS for natural regeneration						
	Total Budget Output2.5.:							
	Output 2.6. Community Infrastructure Fund							
	Activity 111: Investment for development of village level infrastructure	No. of small village infrastructures created for remote villages	25	22	88	100%		
	Total Budget Output2.6:							
	Output 2.7. Administrative Support to the VDCs							
	Activity 111: Honorarium to the Village Volunteers and office bearers	No. of Vilage Volunteers delivering services effectively	230	230	100	400	680	
	Activity 111: Office contingent to the VDC	No. of VDCs functioning and managing their organization	230	230	100	400	136	
	Total Budget Output2.7:							

	Output 2.8. Studies and Consultancies under Livelihood Enhancement							
	Activity 111: Studies & Technical Assistance on Livelihood Enhancement	No. of RNGOs supporting the project in Livelihood enhancement	NT	0	0	NT	2	
	Output 2.9. Mobility Support to the other facilitating govt./ non govt. agencies			0	0			
	Activity 111: Mobility Support to the other facilitating govt./ non govt. agencies	No. of tours made by other govt./ resource agencies to the programme villages	NT	0	0	NT	12	
	Total Budget Output 2.7:							
	Total Budget Component 2.:							
	Component 3 - Purpose: Support for Policy Initiatives							
	Output 3.1: Landless beneficiaries given land rights							
	Activity 3.1.1.: Purchase of GPS for land survey and settlement	No of GPS units procured	10	0	0	NT	0	
	Activity 3.1.2. Facilitation support for settlement units	No. of Units	10	0	0	NT	0	
	0							
	Output 3.2.: Land alienation/ restoration cases settled	No. of MWS provided with equipments	120			400		
	Activity 3.2.1.: Mobile squads	No. of mobile squads operating	10	0	0	30	0	
	Activity 3.1.2. Facilitation support for settlement units	No. of settlement unit operating		0	0			
	Total Budget Output 3.2.:							
	Total Budget Component 3:							
	Component 4 - Purpose: Development Initiative Fund							
	Output 4.1: Investment on DIF							
	Activity 4.1.1.: Investment on DIF	No. of activities taken up	50%			100%	3	
	Total Budget Output 4.1.:							
	Total Budget Component 4:							
	Component 5 - Purpose: Programme Management							
	Output 5.1. Salary of OTELP Staff		5	5	100	7	5	
	Output 5.2. Office Running Cost		5	5	100	7	5	

	Output 5.3. Furnitures, Computers and Equipments		5	5	100	7	5	
	Output 5.4. Meetings, Reviews, M&E		5	5	100	7	5	
	Output 5.5. For Phase II operation		3	0	0	TBM	0	
	Total Budget Output 6.1.:							
	Total Budget Component 6:							
	Component 6 - Purpose: Food Handling							
	Output 6.1: Food distribution & storage							
	Activity 6.1.1.: Food distribution and storage	No. of VDCs effectively managing the food distribution	136	136	100	NT	136	
	Total Budget Output 6.1.:							
	Total Budget Component 6:							

Appendix 6: Knowledge management: Learning and Innovation

Learning

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Innovation

The Programme needs to document the innovations in a systematic manner in consultation with country programme focal point in India Country Office. The “collective marketing” innovation has high potential for scaling out in the programme area and is relevant at the country level for other projects to understand the recommendations. The provision of solar power in a village need is another innovation that needs to be adapted even for running ICT kiosks in rural areas of the programme. This idea was discussed during the Stakeholders’ Workshop, and it generated interest and the idea was widely accepted and appreciated. Hence, the potential for the use of Solar power of running ICT units should be further explored as an innovative mechanism of providing public sector and market information to the beneficiaries. Form the learning point of view, it has relevance of the entire portfolio, but as it stands it has moderate potential for replication across the programme as the entire technological support system is in the nascent form, and the programme has not work out the system for capacity building and flow of technology as yet. OTELP is trying to implement the Rastrya Sam Vikas Yojna in Gajapati District is an innovation with high potential for replication in the entire programme area of Orissa, and it can be applied in entire portfolio. Lastly the convergence of Project funds (CIF and DIF) with resources form District Sanitation Mission and NGO contribution for total sanitation of all OTELP villages in Th. Rampur, in Kalahandi District also has high potential for replication and adaptation in the entire programme area; it also has relevance at the portfolio level to learn from this innovations on the convergence of financial resources from various stakeholders.

Appendix 7: Report on Land Allocation to the Land Less

OTELP: Allocation of land by various schemes								
Sl. No.	Name of Scheme		Block/ ITDA	Project Villages		Project Households		Actual Area in Ha.
				Total	Actual	Total	Actual	
	Vasundhara	Homestead land	Tumudibandha, Kotagarh/ Balliguda	48	48	3308	122	2.57
		Agriculture land					2	1.59
2	Dongapatta land under 10-30o slope						0	0
3	OPLE						0	0
4	OGLS						0	0
	Vasundhara	Homestead land	Nuagada, Rayagada, Gumma/ Paralakhemundi	106	106	4708	1035	98
		Agriculture land					18	56
2	Dongapatta land under 10-30o slope						0	0
3	OPLE						43	142
4	OGLS						0	0
	Vasundhara	Homestead land	Laxmimpur, Narayanpatna, Bandhugaon/ Koraput	90	90	7030	789	16.03
		Agriculture land					224	157.4
2	Dongapatta land under 10-30o slope						0	0

3	OPL						0	0
4	OGLS						0	0
	Vasundhara	Homestead land	Th. Rampur/ Lanjigarh	120	120	3989	692	27.68
		Agriculture land						
5	<i>Dongapatta</i> land under 10-30o slope							
6	OPL							
7	OGLS							
							15	58.95

Livelihoods Enhancement and Rural Infrastructure

Mr.Y.Ramesh: Rural Infrastructural Development Specialist(IFAD)

LIVELYHOOD ENHANCEMENT:(70% Budget out of Total Out lay)

1, LAND AND WATER MANAGEMENT:

Under the land and water management the project has followed Participatory approach in watershed treatment; in establishing the CBOs achieved 100% like VDCs,VLSCs, VSFASCs, and SHGs to increase the participation in planning, implementation and evaluation of the activities ensuring the quality and quantity to utilize the natural resources of the Land and Water to bring in use in increasing the land extent from non arable to arable of 1715 Hec. and 3847 families get benefited from this programme.

Table No.1

S.No.	Activity	Achievement
1	Check dams (in Nos.)	98
2	WHS & Ponds(in Nos.)	171
3	Chuan(in Nos.)	64
4	Dug well(in Nos.)	49
5	Percolation Tank(in Nos.)	2
6	Diversion Weir(in Nos.)	70
7	Gravity flow irrigation(in Nos.)	4
8	Field Channels (RMTs of Earthen & CC)	25797
9	Earthen and Stone bunding (RMTs)	14.49 lakh rmts
10	Gully Control Structures (in Nos.)	4552
11	CCT and SCT s (in RMTS)	24,030

Impact of the Programme:

- The above information will explain clearly how the **community involvement** and they involved in the execution of the activities in large scale; it has provided the livelihood enhancement in way of Cash and food security in utilization of WFP programme Rice and Dahl component, makes more effectively and the families have got **food security** in utilization of WFP and Grain Bank programmes.
- Created 12, 65,096 **wage days** for 14096 families, and 4937 landless, on an average per family earned Rs.5490/- in a period of 89 days (3 Months) and utilized 2744 M.tons of Rice and 159 M.tons of pulses, by increase of income the farmers are able to invest on agricultural inputs in own lands and additional land extents.
- **Migration** of 10% to 15% of the families has been retained in involving and enhancing their skills in the soil and water conservation works it has given the confidence to continue agriculture and related works.
- The women were happy, because **drinking water problem** has been solved utilizing from water bodies created and the family members started taking bath regularly and improved personal hygiene.
- 8426 families have benefited with **additional land of 3526 Hec.** brought under irrigation and taking second crops like Sunflower, Vegetable Potato, Banana etc. which helps to the families income sources.

Observations & Recommendations:

- Effective monitoring system should be evolved with support of M& E to overcome in utilization of the planned Budget (**Budget spent only 50%** in 2007-08).
- Holistic perspective plan should be prepared for effective utilization of water in optimum level in increased land extents brought under irrigation and diversification through **Sequential cropping pattern**
- Ensured Budget transfers/Fund flow process timely and according to the VDC/VLSC plans submitted (**Bankers** are taking more time in Cheque realization and disbursement of the money took 4 months in Balliguda area branches).
- VDC/VLSC level the budget and action plans should be exhibited at village ensuring transparency and accountability from the CBOs and community members.
- The contributions should be recorded properly and reviewed every month in schedule meeting and also PSU can think of utilization (WDF) of funds in utilization of Income generation programme as revolving fund, framing workable guidelines.
- **Convergence:** Integrated plan should be prepared at VDC/VLSE level keeping that the sources available and expected resources(NREGA/BRGF is mainly soil & water related activities are taken place
- Percolation Tank/Stream canals has constructed and to be trained in make use of optimum level followed water budget plan, analyzing the potential of catchments area and water flow to promote Aquaculture etc.
- Earthen bunding has done in large scale, but for stabilization project could plan for promotion of biomass, bund plantation to ensure Fuel and fodder.
- Focus to be given **off-farm** activities providing Orientation skill development as alternate sustainable livelihoods. (Ex: Tailoring, Driving, Process of NTFP products or skills on value addition to the products).
- Need to work out **Exit –strategies in Phase-I areas** post management on assets created and build the capacities of the community, and empower **the CBOs** on Identification and prioritization of needs and management systems to improve linkages and networking with other line departments and financial institutions to make aware and to prepare effective plan to sustain the institutions and to carry out the programmes.

2. AGRICULTURE AND HORTICULTURE DEVELOPMENT:

Agriculture is one of the important livelihoods, 80% of the families are small and marginal with limited and shallow non productive lands depending on small bits of land holdings following dry land Agriculture practices and also approach Podu cultivation in middle and upper lands by landless families ; and the production is very low leads to insecurity of food.

After OTELP interventions introducing high yield varieties, Oil seed crops, pulses, vegetables, millets, Paddy and Tuber crops; with the support of Agriculture Research Institutes, Govt. Agriculture Department, Universities and ICRISAT etc. there is visible progress, increased yields and reduced the stress on food security. The community started double and multi cropping system after creation of potential irrigation by construction of Water bodies.

Impact of the Programme:

- Established 252 **Agriculture Resource Centers** and provided modern agricultural Implements like Sprayers, Winnowers, and Diesel pump sets for lift irrigation, weeders and ploughing material etc. to access the community.
- **Demonstrations:** The project has taken up 253 demonstrations in 104 villages introducing high yield varieties Ex Ground nut of ICRISAT 91114, has produced double of the yield compare with local varieties, Sorghum (var-SPV-422 and 1616) yielded 40 to 50 percent more Chickpea (Var-KAK2 and ICC37) has given 20% more seeing all these the farmers are interested continue varieties for next season as multiplication of the programme. As a result of Demonstration area extension by 2030 farmers have followed the practices with out any

investment from the project, growing crops like Yam, Ragi and Groundnut in 442 Hec. (Replication especially in Gajapathi district).

- 194 Soil samples has sent to ICRISAT, Hyderabad to get macro and micro nutrient results to follow the package of practice, it helps as case report for next 3 years.
- Exposure has been organized to the WDTs, Agriculture officers; ITDA and PSU team to Jhunagad, Gujarat to expose on different cropping systems and focusing on Groundnut.
- Participatory Technology Development (PTD) practices introduced with 911 farmers of Paddy crops in 185 hec. it resulted increase 25% of the yields.
- ICRISAT/IFAD 954 grant programme is being introduced to promote Farmers Participatory Varieties selection Trails of the crops like Pigionpee, Sorghum and Groundnut, also informal seed production of groundnut and chick pee is in progress.
- 76 Vermi compost structures have established involving by 119 SHGs and the results yet to be seen during the Khariff-2008.

Vegetable Seed Kit :

Promotion of kitchen gardening the project has provided for 6400 families to use their consumption adding nutritional food and to get substitute income to the Women, it has resulted on an average earned Rs. 150/- to Rs.200/- each family. The kit contains (i) Cucumber, (ii) Brinjal (iii) Biter Gourd (iv) Ridge Gourd (v) Pumpkin (vi) Chili (vii) Ladies Finger. Each kit cost was Rs.50/-. The farmers have seen good results from Vegetable crops, supported to the family consumption and surplus quantities were sold in the local markets are like Runner beans, Radish, Bari etc.,

2. Diversification of Cropping: Pattern :(DCP):

The project has taken the steps to convince farmers from mono cropping system to diversification to ensure minimum income sources even one crop fails another crop will substitute. Most of the farmers have shifted from Paddy to Legumes, Oilseeds and Vegetables etc.

Yam/Elephant foot Yam: The tuber crop of the variety of Orissa Elite elephant foot yam has yielded 30 to 35 Quintals per acre compare to local variety is only 12 to 15 Qtls. has shown tremendous results in Kotagarh block in 14 acres and also used as staple food to the family, it could be stores long time and the farmers kept 25% for seed to next season. The farmers earned Rs.1500 to Rs.2000 each family

3. Cover cropping: The project has introduced cover crops like Dhanicha, Horse gram, Cowpea, Sweet potato etc., grown in 548 hec. with 1879 number of farmers. The practice is promote green manure and to increase of fertility in poor soil fields. Initially there were some reservations with farmer, but the farmers realized the values of good yields and followed practices.

4. Inter cropping/Mixed cropping: For efficient cropping practices inter cropping has been done in 311 hec. With 1261 farmers promoting Maize with Yam, Paddy with Ragi, Block gram and Arhar with Groundnut , this avoid crop loss and also reduce pest and diseases. Through this cropping system the community will get food grains, Pulses, for consumption and cash crop like groundnut, fodder and fuel.

Observations and Recommendations:

Demonstration plots: Project should make better use of demonstrations in order to promote improved agricultural practices. At least 3-4 farmers in a village should have adopted new practices to ensure greater impact, cross verification of learning's and healthy competition. The demonstrations should follow a package of practice approach thereby providing a complete and holistic approach, Inter-cropping & Improved management systems as scale up to reach more farmers.

- **SRI Paddy Cultivation:** Project has done as pilot in 12 Hec. but it should be scale up across the OTELP area to increase production by effective water management and reduce the seed cost and labour.
- **High yield varieties:** Groundnut, Pulses, Vegetables should be promoted in 4 districts through demonstrations and multiplication of the programme which was done in previous villages and quality seed should be procured and ensure available at Agriculture Resource centers; and multi-varieties of groundnut seed could be tested and promoted in large scale.
- **Mushroom** – Mushroom is successfully grown in small quantities it could be done on larger scale as an IGA since there is a demand in local market.
- **Vermi-compost:** There are vermi-compost structures but it should have shade and protective measures from red ants and rats. Also promote compost pits with simple technology to utilize the available green leaves, agriculture waste and cattle dung to produce quality manure.
- MART support should be replicate to all 396 programme villages instead 30 villages, and need to have a look broader view assessing the total quantity produces, surplus, sold to out side traders to canalize bulk quantity to the market to get good prices.
- **Trainings/Exposures:** Trainings to ITDA/FNGO staff to out side successful area to study the models to adopt suitable methodologies area in Phase 1 areas will help to prepare withdrawal strategy.
- **Farmers Field Days:** Especially in harvesting time farmers field days could be organized at cropping site to see and believe the practices and sharing their experiences from farmer to farmer will built confidence with them.
- **Farmers Field Schools:** FFS concept should be taken up in demonstration fields and train the farmers as many as possible to understand process of practices will help to reduce the input cost and control the pest and diseases using the local available material with out cost.

HORTICULTURE: Horticulture has been promoted the saplings like Mango, Cashew, Banana, Lemon Lichi etc. in 402 Hec. involving 1807 farmers as Block plantation and Backyard Plantation 1,03,101 number of horticulture plants covering all the families across project area provided 2 to 3 plants based on the available of land, the plants like Mango, Papaya, Banana, Lemon Drumstick and Amls etc.(the plants given in 2005 have started yielding Mango fruits.)

Observations and Recommendations:

- Tissue Banana need to Scale up keeping the potential and farmers interest in production, providing technical inputs like management and marketing to ensure the reasonable profit and confidence to continue the activity.
- **Dry land Horticulture:** Providing minimum 30to 40 plants per family with the varieties of Mango, Sapota and Guava, Cashew, Tamarind as block plantation in the land of below 30% slops to avoid Podu and shifting cultivation, keeping long term sustainable resource and ensure protection and management methods.

3. PARTICIPATORY FOREST MANAGEMENT:

Natural Resources exist of which Forest is one of the assets for the Tribal community and they use to depend more on Non Timber Forest Produces; 50% of the time and livelihoods are from the Forest. OTELP project has given importance in Developing through participatory approach involving the people by institutional approach. Also the project has space for Govt. Forest and Environment

Department to extend the technical support in implementation and monitoring of the programme. The VDC will play vital role in supporting to VSS to carry out the programme.

Impact of the programme:

- 218 VSS are formed and prepared the Forest development micro plans and get approved 142 plans; the activities are under progress
- 81 Village nurseries has established and raised 8.19 lakh saplings and planted covering of 743 Hec. Podu and adjoining forest area.
- Fuel-efficient stoves have been provided to reduce tree cutting and fuel consumption.
- Market linkages for NTFP products, which are already done by MART it, should be scale up. The SHGs have gained rich experiences on storage, value addition, selling by weighing, negotiating with traders on rate fixation etc, Till date the total turnover with 13 major products (Siali leaf, Mustard, Niger, Caster, Mahula, Mango Gelly, Oil cake, Kandula, Cowpeas, Cashew nuts, Pumpkin, Jack fruit, Tamarind) under collective marketing.
- The budget was spent only 35% on an average and there is no progress in Balliguda area and also the process of micro plans approval and releases should be speed up through monitoring by the concerned personnel.
- Need to have convergence with State Forest Dept. to integrate the activities.

LIVE STOCK AND AQUACULTURE PRODUCTION:

As one of the potential component of lively hood enhancement of Livestock development, focusing on targeted beneficiaries especially for Landless people to come out of poverty. Even though it is limited intervention, the skills are existed with the community in management and marketing. In addition to this the project has to introduce hybrid and resisted varieties and scale up the programme in staged manner in maintaining the uniformity across the project area; this is an alternative income source and consumption to improve the family health condition. The project area is climatically well suitable to promote big and small animal to utilize multiple for agriculture practices, Milk and Meat etc.

- 141 Trained Para veterinary workers are in place and provided kits for delivery the services and need to be linked with Govt. Veterinary Department to take-up rapid vaccination seasonally instead in two blocks they covered 30 to 40 percent, technically it won't help to reduce the diseases, if it is chronicle disease again it will attack for the treated cattle.
- Introduced 382 number of Hybrid varieties of Banaraj chicks, Duck and Goats as pilot project.
- The budget spent was only 35% average and there is nil expenditure in Balliguda area.

RECOMMENDATIONS:

- Build linkages with Cattle insurance companies through the Para vets to have regular service as safety net measures and sustainable income source for continuity.
- Promote fodder development in small patches as pilot projects to show model, which will have nutrient values (Varieties like MP-chary, Stylo-hmata, and Stylo-scabra etc).
- Need to be linked with Govt. Veterinary Department as support hands and convergence to mobilize the medicines and vaccines.
- Project should be focused on 5379 (25%) of the landless families should be planned to provide based on their skills and facilities available in that area; each family should provide minimum 2 cow/bullock or 5 to 10 goats/piggery and Poultry (minimum 5 birds each), also small and marginal families.
- Comprehensive plans should be prepared keeping the financial sources that RFS, CIF, Seed Money, ITDA, and Bank Linkage etc.,
- Effective and regular monitoring system should be developed by M&E and trained ITDA/FNGO staff to concentrate and achieve the targets.

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AQUACULTURE:

The project has taken up as new concept introducing fish rearing in 36 water bodies involving 26 women SHGs and they earned around Rs.5, 000/- each group; apart from their family consumption was resulted the enhancing the skills among the group members and value addition to small children (mal nourished) and pregnant/lactating mothers as nutrition food and improved the health conditions.

- The Project has created 458 water bodies like Check dams, Farm ponds, dug wells, Chuan and Peculation Tanks etc., out of which 50% of the structures should be promoted the activity to cover one pond in each village 356 villages, have scope to avail the above said benefits.
- Create awareness and technical skills to improve the management systems to utilize the water in optimum level for both cropping as well as pisciculture with out affecting activity and crops.
- Build linkage with Fishery department in supply of quality seed and technical support in rearing and harvesting practices.
- Also need to look market linkage; Business Development Plans has to be prepared to promote Demonstration plots/experiments.

COMMUNITY INFRASTRUCTURE FUNDS (CIF)

- No. of multipurpose Godowns constructed to keep WFP food grain and Grain Bank stock, Agriculture implements and also use as VDC centre for meetings etc.,
- Drying yards Constructed NTFP products, agriculture produce and to have village level meetings.

General Observations and Recommendations:

- The FNGOs has to introduce the SHG books from the day of formation in Phase II area to follow the system (FNGO Swadesi).
- Seed Capital support has been provided for 70% of the groups to take-up inter-lending practice and to have group activity, but it is very small amount to do rotation or to take up IGP activities and still to cover remaining groups.
- CIF: The SHGs have prepared Business Development Plans and submitted to the ITDA for release of Revolving fund, but the process is delays 4 months to provide assistance, this should be still 50% of the groups should be provided, this has to be done to take up individual or group activity for follow up and monitoring.
- **Orientation Skills to Youth** The Business development plans the facilitators to be initiated to promote activities sparing the budget from 25 to 40 percentage to take-up small petty business, Tailoring and traditional occupations like, carpentry, blacksmith, barbershops etc. where the poor families can avail Soaps, Shampoo, hair oil tooth powder/paste etc. to improve their hygienic and health conditions of the community.

Organize the skill development trainings to cover 2000 youth (boys and Girls) through identification and select youth with the consent of the SHG/community members to under go the Trainings based on their interest and feasible activities to self sustain through a convergence with ITDA/ICDS and DRDA.

- In Bandhugoan and Narayanapatna Blocks they have planned 485 trainings and achieved 336, here again need to think while doing plan keeping the availability of the community, logistics arrangements and the importance of that specific needs.

NRM Programme component wise expenditure at VDC level (in Laks)
Block:KORAPUT

S.No.	Programme components	Spill over-06-07+Receipt 07-08	Expendioture	% Achievement
1	Land & Water management	712.20	376.87	52.92
2	Agriculture & Horticulture development	9.90	5.50	55.60
3	Livestock & Aquaculture Development	8.40	4.81	57.20
4	Participatory Forest Management	109.62	46.19	42.1

Block:Parletkhmundi

1	Land & Water Management	1122.11	483.56	43.0
2	Agriculoture & Horticulture	12.21	4.69	38.4
3	Livestock & Aqaculture	10.36	3.71	35.8
4	Participatory Forest Management	39.71	3.34	8.4

Block:Th.Rampur

1	Land & Water Management	451.77	193.24	42.7
2	Agriculture & Horticulture	5.04	4.62	91.6
3	Live strock & Aquaculture	4.48	0.00	0.0
4	Participatory Forest Management	0.00	0.00	0.0

Block: Balliguda

1	Land & Water Management	722.63	461.89	63.9
2	Agriculture & Horticulture	6.60	0.09	1.3
3	Livestock & Aqualculture	5.37	2.92	54.4
4	Participatory Forest Management	82.57	21.03	25.4

The above statement will give us the budget and expenditure up to March 2008 average only 50%

Financial Management

M.N.Verma,

Financial & Project Management Specialist, (IFAD Consultant)

FINANCIAL MANAGEMENT

7. FINANCIAL OUTLAY OF THE PROJECT

The activities of OTELP is started since October, 2004. During 2005-06 only a sum of Rs.104.24 million was spent. In the year 2006-07, an amount of Rs.648.18 million was budgeted but was later revised downward to Rs.358.88 million. Still the actual expenditure was only Rs,285.63 million. Thus an unspent surplus of Rs 73.25 million was carried over in the financial year of 2007-08. In the financial year of 07-08 an amount of Rs 418.45 million (including the carried over surplus of Rs.73.25 million) was budgeted for expenditure on the various objectives of the programme.

The expenditure upto the end of financial year 2007-08 on 31.3.2008 is at Rs.316.999 million which shows the user of 75.75% of the budget outlay. The expenditure incurred upto 30.10.2007 was only at Rs.76.59 million being 18.30% of the budget outlay. Thus, the PSU as had shown considerable progress in the last 5 months of the previous financial year, by spending at additional 53.44% of the budget outlay amounting Rs.240.40 million.

8. DISBURSEMENT

Since October 2004 when the programme began, the project has, until 31st March 2008 is spent Rs.7214.14 (in millions). Which is only 15.52% of the allocated funds. The table below indicates clearly:

Sl. No.	Programme Component	Allocation of funds (Rs. in million)	Cumulative Expenditure till 31.03.2008 (Rs. in million)	% of Expenditure
1	Capacity Building for Empowerment	4922.34	914.88	18.59
2	Livelihood Enhancement	33118.85	5123.50	15.47
3	Support for policy initiatives	949.96	4.00	0.42
4	Development Initiatives Fund	2201.00	267.27	12.14
5	Programme Management	4859.83	622.47	12.81
6	Food Handling	428.55	282.02	65.81
Total		46480.53	7214.14	15.52

However an examination of the statement of financial year 2007-08 shows that the project has taken a big lee in utilization of funds towards implementation of various objectives of the programme. By the end of the financial year 31st March, 2008 the project has spend 75.75% of allocated budget for the financial year, 2007-08. This is evident from the table below:

Component	Budget 2007-08 (Rs. in Million)	Expenditure for 2007-08 (Rs. in Million) Upto 30.10.2007	Expenditure for 2007-08 (Rs. in Million) Upto 31.3.2008	% of Expenditure
Capacity	41.07	7.87	30.59	74.48%

Building				
Livelihoods Enhancement	274.97	53.50	226.50	82.37%
Programme Management	2.386	14.02	22.76	95.39%
Development Initiatives Fund	18	0.20	10.53	58.50%
Support for Policy	54	0.40	0.40	0.74%
Food Handling	1	0.60	26.21	26.21%
Up-scaling to Phase				
Total	418.45	76.59	316.99	75.75%

However it may be mentioned that although the PSU has shown considerable progress towards a disbursement of funds, still a lot of funds are lying with different units of the PSU e.g. ITDAs, FNGOs, VDC, VLSC. They are holding the fund by way of cash released from the PSU. Details of such released is as under:

Programme Component	Budget	Expenditure	Release	Total	%
Programme Management	294.12	62.52	160.51	223.03	75.83
Capacity Building for Empowerment	410.66	42.87	271.07	313.94	76.45
Livelihood Enhancement	2199.67	0.00	1932.65	1932.65	87.86
Participatory Forest Management	310.00	0.00	190.74	190.74	61.53
Support for Policy Initiatives	540.00	0.00	4.00	4.00	0.74
Community Infrastructure Fund	240.00	0.00	141.65	141.65	59.02
Development Initiatives Funds	180.00	0.00	105.32	105.32	58.51
Food Handling	10.00	250.07	12.00	262.07	2620.70
Total	4184.45	355.46	281.94	3173.40	75.84

The Programmes expenditure on account of release of funds during the year 2007-08 was 2817.94 lakhs (around 88.80%) of the total expenditure of 3173.40 lakhs. The major releases have been made February – March, 2008. It is obvious that different units are holding huge cash balance. It therefore calls for careful and regular monitoring.

9) FINANCIAL REPORTING SYSTEM

Accounts: The project has issued Programme Implementation Manual in respect of financial regulation as early as on 18.4.2005. It gives details of the different books of accounts to be maintained by different unit including PSU. It also stipulates that the accounts are to be maintained on double

entry account system and that the books of account are to required to be written on daily basis. It provides for the maintenance of journal, ledger, bank reconciliation sundry advance register, asset register etc. The mission during its field visit to areas ITDAs, FNGOs, VDC, VLSC found that many of the books of accounts are maintained. The accounts also not written on day to day basis. Many a times the posting made it books of accounts were wrong expenditures were shown on receipt side and cash receipt clients were not recorded. The mission appreciates that the programme touches the people who are not used to financial accounting system. But still since a lot of funds are being used at the base level i.e. village level, it is imperative that regulations the project implementation manual should be follow. The mission recommends that the PSU shall take immediate steps to enhance the capacity by the accountants all level by imparting them training regularly and monitoring their posting and maintenance of accounts books. Mission recommends that all the deficiency of maintenance of accounts should be rectified by 31.07.2008.

10) AUDIT:

The PSU has not appointed any independent auditor (CA) for conducting audit of accounts for the financial year 07-08. No audit can be done without independent auditor. The Mission therefore recommends that the PSU should make the appointment within a period of 1-month i.e.31.5.08. The PSU should ensure that the NGO submit their six monthly audited statements to PSU regularly. The ITDAs should also employ CA to audit accounts of VDC and the NGOs would audit accounts 8 SHG. All should audit report should be sent to the PSU by the respective functionaries on a six monthly basis.

Audit of FNGOs: The Mission has observed that the audit of project account of FNGOs should be completed by end of financial year 2007-08. This has not been complied with. The Mission recommends that audit of FNGOs should be completed within a period of i.e. 31.07.2008.

11) INTERNAL AUDIT:

The Review Mission (November – December, 07) has recommended that for setting of internal audit mechanism at all level. The PD PSU has informed that this has not been done. The relevance an importance of regular internal audit specially, when accounts are being maintained in far flung areas and accountant's capacity not fully developed is quite obvious. The Mission, therefore recommends that PD PSU should set up the internal audit machinery in a months time i.e. by 31.5.2008.

12) STATUS OF SOE & UTILISATION CERTIFICATE

The PD, PSU, informed that the SOE for expenditure incurred up to December, 2008 amounting Rs.459571681 have been submitted to the GoI for claiming reimbursement from the lenders, IFAD & DFID and the reimbursement of Rs.299439000/- has been received leaving a Balance of Rs.160132861/-. It may be received that the impugned SOEs have been submitted only in projects accounting certificate. The verification certificate in independent auditor has not been submitted. The PD has promised that such audit certificate would be obtained and sent by the 30.09.2008.

Besides the mission found a lot of irregularity in the user certificate of the financial year 2006-07. The user certificate of the VDC, NGO of ITDA, Balliguda have not been audited. The CA, M/s. JBMT & associate have remarked to this effect in their audit report. Further the mission did not find the appointment of independent auditor who can audit and certify SOE on regular basis. Mission has therefore recommended that the PSU should appoint an independent auditor by 31.07.2007.

13) INCENTIVE OF GOVT. AND CONTRACTUAL STAFF :

The PD, PSU has informed that the mission recommendation to provide incentive Govt. and Contractual staff has been complied. However the Review Mission visit the Class-III employees of the OTELP drew attention of mission towards the fact that the previous missions recommendations in this regard have been implemented only to level of Class-I and Class-II Officer, OTELP. The mission feels that not granting the incentive to Class-III and Class-IV employee would be contrary to the spirit

of mission's recommendations in this regard. The mission therefore recommends that the PD, PSU should examine the claims of these employees and extends benefits of incentives to them as well.

14) COUNTERPART FUNDING:

It has been stipulated in the Loan Agreement that GoO to provide around USD 9.6 million as counterpart funds through the budget of ST/SCDD. The same is being complied. The GoO provides all the funds to PSU and claims reimbursement of expenditure from stakeholders in accordance with a predetermined reimbursable formula. The GoO, as counterpart funding liability, provides the balance of the expenditure in the budget.

15) COMPLIANCE WITH LOAN COMPONENT

The PD, PSU has reported that all the conditions of loan covenants mention under sections 4 & 11 of the agreement have been duly complied.

16) PROCUREMENT

Procurement of all goods and services are being made in accordance with the GoO regulations as stipulated in IFADs Loan covenants. Due process and regulations of GoO, which involves a three-tier process is being adhered to in selection the NGOs. Direct procurement of goods and services, costing less than USD 10,000, is being made in accordance with local bidding procedure.

17) GOVT. OF ORISSA DECISION ON USE OF IFAD LOAN :

The Mission has observed that GoO should, by March 2008, decide on the user of IFAD incurred during 2005-06 amounting Rs.9.193 million which is entitled for reimbursement. This has not been complied. The PD, PSU has informed the matter is being actively perused by the GoO with DFID. The PD, PSU has by its letter dtd.18.3.2008 requested GoO to resolve the dispute at the earliest. The Mission desires that the issue be given high priority and be resolved within a period of six months i.e. by 31.10.2008.

18) RECOMMENDATIONS FOR ACTION, RESPONSIBILITY AND TIMELINE

Agreed action	Responsibility	Agreed date (As per Aide-Memoire)
Audit of SOE of 2007-08 by independent auditors	PD, PSU	30.09.2008
Audit of UCs of 2006-07	PD, PSU	31.07.2008
Appointment of Chartered Accountant	P.D., PSU	30.06.2008
Govt. decision on User IFAD Loan	GoO	--
Audit of FNGOs	PD, PSU	31.07.2008
Correcting the incompleteness of accounts	PD, PSU	31.07.2008
Appointment of the auditors	PD, PSU	31.05.2008
Setting of internal audit mechanism	P.D., PSU	31.5.2008

Rural Institutions and Capacity Building of Community and Supporting Agencies

Mr. C. K. Ramachandran

Rural Institution Development Specialist (IFAD Consultant)

A. Introduction

Purpose of Mission

- 1 The purpose of the review mission was to review progress on the action taken since the last review that concluded on 3 December 2007 and progress in programme implementation issues and recommendations since the last mission. The mission was also required to assess progress made on the recommendations for Phase II given in the MTR report

Mission methodology

2. The Mission assembled in Bhubaneswar on 20 April 08 and after briefing by the PSU on 21 April, split into two groups, one covering the districts of Kandhamal and Koraput and the other, Gajapati and Kalahandi districts. The present report relates to the visit of C.K.Ramachandran (IFAD Consultant) to the project areas in ITDA Thuamul Rampur (Kalahandi district) and ITDA Paralakhemundi (Gajapati district). The team was accompanied by officials of OTELP.
3. The mission visited individual villages and interacted with SHGs, VDCs, community leaders, representatives of FNGOs, local government leaders and civil society. It also held discussions with a cross section of the state government line departments directly involved as partners in the Programme. It had full access to the records at village, FNGO, ITDA and PSU levels.

Acknowledgement

4. The Mission acknowledges gratefully the assistance rendered by Mr. Deepak Mohanty, Programme Director and his staff at PSU and ITDA levels and the facilitating NGOs of Th. Rampur and Paralakhemundi ITDAs.

B. Overall Assessment of Project Implementation Progress

5. The implementation of the Project has made impressive progress since the last mission, particularly in respect of the Livelihood Enhancement Component. The capacity of the community to execute and manage large land development and water management works demonstrate their increased confidence. The increased wage employment and food grain availability has ensured food security in the short term. The Project needs to consider ways of sustaining this security once the works programme ends. It is recommended that the Project closely monitor the wage employment and food availability in Phase I villages after the land and water management/forestry works (which employ a large labour force) terminate, so as to detect any signs of vulnerability and take quick remedial action. (Please see End-note for a more detailed discussion of this issue.)

C. Outputs and Outcomes, by Component

6. In the interest of easy comparison, each component is discussed under the following four headings:
 - Progress in implementation since the last mission;
 - Action pending on the recommendations of the last mission;
 - Action on Recommendation of MTR for Phase II; and
 - Recommendation of the present Mission.

Capacity Building of Communities

7. Progress in Implementation:

The Project has reported cumulative progress in trainings organised on various themes for the community. It has also decided to tie up with resource organisations like Krishi Vigyan Kendra (KVK) for training primary stakeholders on a long term basis. A database of resource persons and organisations has been built up by the FNGOs. The four ITDAs have reported details of various programmes such as Community Mobilisation Activities, Institution Building and Skill Development. However, in the absence of an overall strategy designed on the basis of identification of needs and potential, the figures convey the impression that these training programmes are based more on local initiative of the FNGO/ITDA rather than any assessment of the needs. For instance, while Koraput conducted 142 Community Mobilisation Activities, Paralakhemundi did a mere 2, Balliguda 3 and Thuamul Rampur 36. Similarly, Balliguda conducted 124 Institution Building (SHG) courses, Koraput did only 96 and Thuamul Rampur a mere 50. Institution Building (VDC etc.) shows a reverse trend with Paralakhemundi leading with 175 courses, followed by Koraput (126), Balliguda (78) and Thuamul Rampur (40). In respect of Skill Development, training on non-farm based activities has been imparted in 58 courses in Paralakhemundi, 49 in Balliguda, 24 in Koraput and 0 in Th.Rampur.

It is gratifying to note that the Procurement Support Team (PST) funded out of DFID grant has taken quick steps to put in place a consultant team to formulate a Capacity Building Strategy. PSU has reported that a draft of their Report has been submitted on 18 April 08. The draft has not been shared with the mission. The final report is expected to be submitted on 30 May 08.

8. Action pending on previous recommendations

The most important recommendation on which action is pending is that regarding monitoring the health of SHGs. This recommendation was first made in the MTR (December 06) and was re-iterated in the May 07 mission '(monitor SHGs for their financial health to prevent over-funding and indebtedness)'. PSU had then responded that a detailed strategy on RFS has been designed and circulated to monitor the activities of the SHGs. This strategy does not mention anything about such a monitoring. Subsequently, the strategy has been revised and even the revised strategy does not contain any monitoring mechanism. Missions have been repeatedly pointing out that excessive funding of existing SHGs and indebtedness of SHGs to multiple agencies like microfinance institutions and banks have been rampant in the field. It is necessary to recall here that the MTR has laid down that unless SHGs and VDAs in Phase I have stabilised as organisations and have appropriate accounting systems in place with members that can operate them proficiently, no additional area should be taken up in Phase II. As this condition may come in the way of the extension of the activities to new areas in Phase II (scheduled to commence shortly) PSU is advised to take immediate measures.

9. Action on recommendation of MTR on Phase II

As at para 8 above.

10. Recommendation of the present Mission

Despite the efforts put in by the Project, there has been no perceptible improvement in the levels of banking service obtained at the community. The decision to decentralise the holding of livelihood enhancement funds at the natural village (VLSC) level has meant that at least two to three more accounts had to be opened for each VDC. While VDC cheques issued in favour of VLSC have been found to be credited promptly in VLSC accounts, cash withdrawals from VLSC take an average of one week to a fortnight, necessitating frequent trips to the banks, which in many cases are situated 30-40 kilometres away. In many cases, the banks have been found to be pleading security considerations for not keeping large amounts of cash in small and isolated. Ironically, the VLSC Secretary who withdraws large sums of money in cash for disbursement of wages and travels long distances does not

appear to be similarly worried about security. The reluctance of the banks to part with large sums – particularly at the end of the financial year (March) appears to be from considerations of deposit mobilisation/retention rather than any concerns of security.

It was also noticed that banks were in some cases levying unconscionably large sums as collection charges from VDCs on cheques issued by ITDA situated in the same district (Kalahandi). Ways must be found to prevent this leakage of money meant for the poor.

The capacity of the community for visioning and micro-planning appeared to be limited. This may be due to the fact that such exercises were undertaken only once at the beginning of FNGO facilitation for preparation of VDLP. There was no practice of preparing annual action plans based on the VDLP, as the focus so far has been on implementing the land and water management component of the VDLP. Now that this component is coming to an end in most of the Phase I villages, the focus should now be shifted to building the capacity of the villages to prepare action plans where the emphasis will be on income-generating activities, effective convergence of government programmes and ensuring better access to public services.

Another issue relates to the insufficient focus on capacity building in imparting skills which can lead to productive employment/self-employment in manufacturing and services sector. VLSCs must be encouraged to identify skills appropriate to local needs and potentials and structured programmes should be drawn up in imparting the necessary skills. In case sufficient numbers are available at the VDA level, common interest groups can be formed even at the stage of skill training to promote better viability.

The Mission **recommends** the following measures under this component:

- Bank-related issues should be taken up at the State Level Bankers Committee and resolved. PSU should also try to leverage its large deposits with banks to negotiate better services to ensure seamless transfer of funds between the various levels. NREGS requires beneficiaries to open individual bank account; where such accounts exist, wage component and other payments to individuals under OTELP should be credited to these savings accounts so that the risk of VLSCs withdrawing large sums of cash is minimised.
- VLSCs should be facilitated to prepare annual action plans and these should be integrated at the ITDAs into its AWPB, as envisaged at Appraisal. This involves consistent efforts to build the capacity of the community in action planning. Efforts should be made to broadbase the action plans to include convergence of government programme.
- Skill development should be the focus of capacity building in Phase I villages, after a participatory identification of skills appropriate to local needs and potential is undertaken. Grouping together trainees at the VDC or higher levels may also be attempted in order to ensure viability.
- PSU shall, immediately on receipt of the Capacity Building Strategy Report, get training modules prepared so that further capacity building is structured and based on an assessment of the needs and areas.

Capacity Building of Support Agencies

11. Progress in Implementation

The Programme has continued to build the capacity of the functionaries of FNGOs by providing training in areas such as leadership, conflict management, gender mainstreaming, convergence, SHG management, livelihood, participatory monitoring and various farm and off-farm activities. A total of 226 trainings were arranged during 2007-08, although there was wide variation in the numbers among the four ITDAs - Paralakhemundi (70); Koraput (62); Th.Rampur (48) and Balliguda (46). The recipients are mostly WDT members and Community Mobilisers. In the absence of a strategy and action plan for capacity building, it could not be ascertained whether the trainings imparted were based on requirements.

12. Action pending on previous recommendations

The previous mission had recommended that capacity building which was confined to lectures and exposure visits had limited recall. It was suggested that training manuals may be prepared which could be incorporated into an evolving PIM. It is hoped that such manuals will be prepared based on the recommendations of the Capacity Building Strategy which is expected to be finalised soon.

Previous mission had recommended building of thematic partnership through workshops. The idea is that OTELP FNGOs have been found to have some core areas where they have acquired considerable knowledge and expertise. Antodaya in land rights issue, Gram Vikas in water and sanitation and CCD in SRI are examples. Thematic workshops will facilitate the exchange of this knowledge and encourage adoption of new techniques.

13. Action on recommendation of MTR on Phase II

MTR had recommended that focussed training modules must be developed to meet the specific needs of the staff of each support agency – PSU, ITDA and FNGO and that training modules should be in place for the commencement of Phase II. This has not been possible as there has been delay in finalising TNSA/CB Strategy. As soon as the Capacity Building Strategy is made available, PSU shall take steps to prepare training modules for each category of support agency. While doing so, it is advisable to include among support agencies local government institutions so that linkages are developed and CBOs nurtured under the project are made institutionally sustainable.

13. Recommendation of the present Mission

FNGOs continue to be affected by frequent staff turnover. While some of it is due to better opportunities in the sector, it is also partly due to the difficulties of terrain. This is particularly in respect of women staff members.

Capacity building of new FNGOs in Phase II is yet to begin. It has been observed that the role of RNGO in assisting capacity building of FNGOs in Phase I has not had the desired effect. Of the three RNGOs engaged, the services of one has had to be terminated, while another RNGO is yet to deliver all the contracted outputs. A third one has chosen not to continue as an RNGO and has opted to be an FNGO. Moreover, most of the FNGOs now contracted have already been working in Phase I and are adequately capacitated. PSU is also confident of taking on a greater role in capacity building of FNGOs and other support agencies.

The mission would, accordingly, recommend that:

- Training modules be prepared on the basis of TNSA/Capacity Building Strategy before commencement of capacity building of support organisations;
- The scope of support organisations may be enlarged to include all public service providers in the villages in addition to local government agencies in order to ensure greater convergence and institutional sustainability.
- Before appointment of any resource NGO, an independent review of the role and contribution of RNGOs in Phase I may be conducted in order to decide the nature of support to be procured for capacity building of support agencies in Phase II.
- As recommended by MTR, monitoring systems must be put in place to measure the quality as well as quantity of output from the FNGOs under their contracts. .

Rural Financial Services

14. Progress in Implementation

The project has reported the formation of 1397 SHGs so far, as against 1327 reported six months ago. These consist of 706 existing and 690 new ones. Only 1653 households out of the total of 18843 households remain to be covered. Interestingly, the number of existing SHGs reported to the last mission was 809 and this number seems to have come down to 706 this time. There are other

inconsistencies in the data furnished. For instance, the average savings per SHG was Rs. 764 during MTR (December 06) but appears to have grown more than 12 times to Rs. 8529 as per the latest figures furnished to this mission.

Data on the financial health of these SHGs have not been collected despite earlier missions including MTR recommending close monitoring of the SHGs to prevent over funding and indebtedness. Of the 1397 SHGs 505 are graded A, 365 graded B, 221 graded C and none D. (306 have not been graded.) The revised RFS strategy also does not contain guidelines on gradation.

Training imparted to SHGs during the period include modules on group dynamic and management, leadership and conflict management, gender and equity issues, collective marketing, livelihood visioning and various farm related skills. In addition support agency staff was sent on an exposure visit to Kadiri Project (MYRADA) in Andhra Pradesh

The project has facilitated the preparation of 427 Business Development Plans (BDPs) for which funds to the tune of Rs. 23.76 million have been released. The activities include tailoring, poultry, agri-business, petty trade, NTFP trade etc.

15. Action pending on previous recommendations

Previous missions had been repeatedly commenting on the need to monitor the financial health of the SHGs from the point of view of over funding and indebtedness. Some groups have received liberal doses of finance from ICDS, SGSY, ITDA and then OTELP. Moreover, banks have also thrust loans on some SHGs without any viable business plan or adequate capacity building, pushing them into a debt situation. The project has, at present no data to indicate the different sources of funding of individual SHGs and the loans taken by each from different sources. The response of the project to this issue has been inconsistent. In response to the recommendation made by the June 07 mission, the project stated that 'Information on different sources of funding to SHGs is being collected through the Baseline format for necessary planning.' This information was not made available to the December 07 mission. This mission repeated the same recommendation and the response of the Project this time was: 'ITDA and FNGOs also have been communicated through meetings and official letter to avoid over funding to the SHGs'.

The current mission has also not been furnished any data collected at the ITDA level on the financial health of SHGs. FNGOs are required under the Project to conduct audit of SHGs, but the mission was not shown any audit report.

16. Action on recommendation of MTR on Phase II

Two important recommendations of MTR on Phase II are:

- Unless SHGs and VDAs in Phase I have stabilised as organisations and have appropriate accounting systems in place no additional area should be taken up in Phase II;and
- In Phase II, the VDLPs will include a thorough analysis of the existing SHGs and their sources of funding.

The Project may note that the first of these recommendations may act as an embargo on extension to new areas and may like to take immediate remedial action.

17. Recommendation of the present Mission

Bank linkage continues to be an issue with several SHGs. Despite the posting of WDT microfinance at the FNGO level and Microfinance Officer at the ITDA level, there is no perceptible improvement in SHG's access to financial services. MTR had noted this and recommended that steps need to be taken to bring about an attitudinal change in the banking community. It recommended promotion of awareness-raising amongst bankers towards tribal communities by organising participatory workshops and seminars involving bankers and communities.

The present mission would urge the project to review the host of previous recommendations pending implementation (as listed above) and take urgent action so that the financial anarchy now prevailing in the RFS sector is remedied and threats to the implementation of Phase II are removed.

End Note – Ensuring Sustainable Food Security in Phase I Villages

The implementation of land and water management works in the villages under the Project has shown a sudden surge during the last six months. This has been made possible due to a host of reasons such as the increased capacity of the community to undertake works on their own, the pressure on liquidating the mounting bank balance with the VDCs, the improvement in the management efficiency of the FNGOs, the availability of surplus manpower due to a reported reduction in migration etc.

The following Table illustrates the trend in expenditure on land and water management between the first six months and last six months of 07-08:

Component wise, ITDA wise expenditure under Livelihood Enhancement						
Programme Components	Koraput		Paralakhemundi		Th. Rampur	
	Apr-Sept 07	Oct 07-Mar 08	Apr-Sept 07	Oct 07-Mar 08	Apr-Sept 07	Oct 07-Mar 08
Land & Water Management	145.07	231.80	146.74	336.82	149.83	312.05
Agriculture & Horticulture Development	0.00	5.50	0.00	4.69	0.00	0.09
Livestock & Aquaculture Development	0.00	4.81	0.00	3.71	0.00	2.92
Rural Financial Services	3.55	7.30	3.20	8.56	0.00	2.59
Participatory Forest Management	23.32	22.87	0.16	3.17	7.47	13.56
Community Infrastructure Fund	1.30	3.48	0.00	0.00	0.00	4.80
TOTAL	173.24	275.76	150.10	356.95	157.30	336.01

Balliguda	
Apr-Sept 07	Oct 07-Mar 08
71.87	121.36
0.00	4.62
0.00	0.00
1.29	16.57
0.00	0.00
9.16	11.20
82.33	153.75

It can be seen that expenditure has more than doubled in the second half year in Praralakhemundi and Th.Rampur ITDAs and almost doubled in the other two ITDAs. This has led to near full employment of the villagers (89 days). and accumulation of fairly large sums of money in the hands of the community (average wage of Rs. 5490 within 3 months)

Wage Days Created under Land & Water Management	
April - Sept 07	213399
October 07- March 08	1051697
TOTAL	1265096

This has found expression in the number of new bicycles, solar charged battery operated TV/VCD players, shining new utensils and wristwatches.

The accelerated works programme has also led to the availability of large surplus of grain with the families. The mission noticed that some families admitted to having a stock of rice up to six quintals. The average holding per household in the villages visited by us was 1.5 quintal. The stock of rice has been further augmented by the increase in the quantum of rice per unit from 2.5 kgs to 3 kgs (to compensate for lentils which have been stopped) and drawing of the BPL ration. Their own harvest of rice has also been reported to be satisfactory.

While this large stock of rice has brought about adequate food security, it also raises some issues. Firstly, there is the question of possible diversion. Although the women vehemently denied any such suggestion, they also admitted that local traders have been offering them Rs.11 per kg for rice which was supplied to them by WFP at Rs.3 per kg. One way to prevent this diversion is to quickly install community storage bins /silos to be managed by SHGs so that any drawal of stock for use otherwise than for bona fide consumption is socially monitored.

Diversion is not the only concern. We noticed visual evidence of a reduction in *podu* (slash and burn) cultivation, although in group discussions the villagers maintained that they have been cultivating *podu* with traditional crops like coarse grains, millet and pulses. In private, they admitted that because of the wage employment created in OTELP which kept them busy during February-March when *podu* is traditionally practised, there has been a decline in *podu* cultivation. This may have an adverse impact on the viability of traditional food items during the next season. These crops form the backbone of tribal food security.

MART, the agency which is assisting the project with collective marketing, also reported some marketing of coarse grains/pulses in small quantities. All this may not indicate a drastic change in the food habits of the communities in the project area. But the fact that there will be a lesser production of coarse grains is a matter of concern because this will coincide with a reduction in the availability of food grains.

This shortfall is expected to arise because in most Phase I villages, the work under land and water management (which accounts for the bulk of expenditure) will come to an end by this year. The only other significant source of wage employment will be forestry, which is only around 10 per cent of the land and water management budget.

There will, thus, be a drastic reduction in wage employment in Phase I villages in the latter part of this year. This will also mean a reduced supply of WFP rice, which is a component of the wages. This may come at a time when production of coarse grains would also be on the decline.

The crisis may affect the landless most. There was some clear indication of a decline in migration due to the increased opportunities available under OTELP for wage employment. The drying up of this source may lead to a resumption of migration.

The alternative is NREGS. But we noticed certain disenchantment among villagers with the scheme because they felt that they were not being paid full wages. Strict adherence to productivity norms and the preponderance of earthwork in NREGS meant that a labourer was being paid only Rs.40-45 per day against Rs.70 in OTELP. Moreover, there is no food component in NREGS or any other government programme, which the villagers can access.

The design of the Project envisages that the gap will be taken up by increased production in agriculture due to increase in productivity as well as bringing under cultivation new areas reclaimed/made arable under the Project. It is creditable that the Project has so far created potential for cultivating an estimated 5000 hectares of land. But only about 20 per cent of this new land is fit for paddy cultivation and the rest is predominantly horticultural land. Horticulture takes about five years to fetch returns. The Project has also been advocating conversion of *podu* land into long duration horticultural crops.

All of this would mean that there may be a shortage of wage employment and food availability in Phase I villages in the near future. This may persist for some time till alternative employment is secured. Significantly, this shortage may come at a time when all forecast indicate a global shortage of food grains and consequent increase in food prices.

The issues that the project would need to address are : (a) how to ensure that the levels of wage employment is maintained in Phase I villages till the increased investment in land and water starts fetching dividend in the shape of increased income and purchasing power; and
(b) Can a safety net be designed to prevent the anticipated decline in food security?

Annex -II

Audit Observation Log

Orissa Tribal Empowerment and Livelihood Programme

0585-IN

1 April 2006 to 31 March 2007

Total Amount involved (INR)	Level of observations (Serious/Priority attention required/Procedural lapse)	Action taken by the Project	Timeline for compliance	Status of Audit Observations (Settled/Pending)	Remarks
	Procedural lapse	This office has maintained computerised system of accounting from beginning of the project (Complied)		Settled	
	Priority	Now maintained in printing format from 1-04-07 (Complied)		Not Settled	The mission found that many VDCs and VLSCs are making payment not on plain paper and not in printed format
	Priority	Now it is mentioned (Complied)		Not Settled	The Fixed asset registers is maintained but physical verification of assets was not found being done on regular basis.
	Procedural lapse	Action already taken (Complied)		Settled	

100,000	Procedural lapse	Now it is done (Complied)		Settled	
	Procedural lapse	Now it is done (Complied)		Settled	
138,063	Procedural lapse	It is noted for future guidance (Complied)		Settled	
21,500	Procedural lapse	It is noted for future guidance (Complied)		Settled	
29,272	Procedural lapse	Now it is done (Complied)		Not Settled	The certificate of independent auditor to the effect is not made available to the mission.
	Procedural lapse	This office has s maintained manual cash book as well as computerised cash book with ledger from beginning of the project (Complied)		Not Settled	Ledger was not found maintained by the mission
	Priority	From 01.04.07 this office has maintained computerised voucher format (Complied)		Not Settled	Many payments are found made without printed format
	Procedural lapse	From 1st March 07 onwards this office has prepared monthly BRS. (Complied)		Not Settled	No Bank reconciliation statement is prepared in monthly basis
	Priority	Now it was done after obtaining the TAN number (Complied)		Settled	
	Priority	Mentioned from 1.04.07. It is noted for future guidance (Complied)		Settled	
44,024	Serious	After duly purchase procedure the order was awarded for printing of Jeebika (Complied)		Not Settled	No file was shown to the mission.
100,000	Serious	After duly purchase procedure the order was awarded for printing of SHG register. (Complied)		Not Settled	No file was shown to the mission.

	Priority	Verification of FNGO accounts has been done as and when required not periodically. However henceforth it will be verified monthly basis on 15th of every month. (Complied)		Not Settled	The mission did not find the verification of FNGO accounts by ITDA officials or independent auditors
	Priority	It is not like that every transaction of VDC is supported by the resolution of VDC and the resolution is also duly attested by the concerned WDT members which are forwarded to the bank before withdrawal. (Complied)		Not Settled	The mission did not find any systematic method developed by ITDA to monitor and control the accounts of VDA on regular basis.
16,418,495	Serious	From 1.04.06 the up to date unspent balance lying with FNGOs VDCs, & OTELP has reflected. (Complied)		Not Settled	No reconciliation of opening and closing balance was found made and certified by the CA (independent auditor)
	Procedural lapse	VDCs & FNGOs wise interest has been accounted from beginning of the project.(Complied)		Settled	
	Procedural lapse	Ledger for 2006-08 Maintained	21.12.07	Not Settled	Ledger was not found maintained
	Priority	Now maintained in printing format	21.12.07	Not Settled	Many payments are made without the use of printed vouchers
	Procedural lapse	Now done	21.12.07	Not Settled	No monthly reconciliation statement is made on regular basis
	Priority	Action to be taken	21.12.07	Settled	
	Priority	Action already taken for adjustment	21.12.07	Not Settled	No reconciliation has been done to show that the previous advance was settled before making fresh advances.
36,000	Priority	Matter reconciled	21.12.07	Settled	

16,480	Serious	Printing approved by competent authority	21.12.07	Not Settled	Ex post facto sanction of competent authority was shown to the mission, which can to say to regularise the award of contract.
15,000	Serious	Noted for future guidance, regularised the contribution of Cams through challis & updated	21.12.07	Settled	As the provision of EPF does not apply at ITDA level
3,90,025	Serious	Arranged month wise supporting fork's	21.12.07	Not Settled	The accounts of FNGO in respect of capacity building duly supported by documents were not presented to the mission.
	Priority	Now it is done	21.12.07	Not Settled	No system of monitoring was found for the verification of accounts of FNGO and the mission during its visit did not find any insignia of verification done of the accounts of FNGO
	Priority	System followed	21.12.07	Not Settled	The mission did not find any system in place to control and monitor the accounts at VDA Level.
3,16,61,696	Serious	Now it is mentioned	21.12.07	Not Settled	The reconciliation statement and its auditors remark in this regard were not produced.
	Procedural lapse	Accounts for in VDCs, FNGOs and also in ITDA accounts	21.12.07	Settled	
	Procedural lapse	Manual Cash Book has been maintained as it is done in case of Government Accounts. Computerised Ledger has been maintained and copy of the same has been supplied to the Auditor during Audit. A copy of the same is being sent to PSU separately (Complied)	Complied	Not Settled	No ledger was found maintained.

	Priority	During 2006-07, no printed vouchers has been maintained, the payment voucher has been developed in computer printed format A-4 white coloured vouchers during 2007-08 and maintained in each payment (but not multicoloured). During 2007-08 it will be done in multi coloured formats for different kind of vouchers and noted for guidance. (Complied)	Complied / Multi collared from FY 2008-09	Not Settled	Many payments are found made without use of printed vouchers.
	Procedural lapse	Half yearly Bank Reconciliation statement is implemented and Annual Balance confirmation Bank Statement was supplied to January 2008 the Auditor during Udit, after obtaining from the concerned Branch Managers. (Complied)	Jan-08	Not Settled	No monthly bank reconciliation being done
	Priority	There was no objection raised by the previous audit. The Vehicle was hired on lease basis for one year inviting quotations and lowest rate was finalised within the Govt. Ceiling limit. There was no Govt. Instructions in the ceiling provision for deduction of TDS. Hence TDS not deducted for hire charges. Not ed for future guidance. (Complied)	Feb 08 onwards	Settled	
	Priority	During the year 2004-05, 2005-06 and 2006-07, advances were paid without approval of any programmes as well as not produced the paid vouchers for adjustment before applying for second advance. Now such advance is pending for adjustment and under scrutiny. However instructions are noted for implementation.	Feb 08 onwards	Not Settled	No reconciliation statement was shown that previous advances have been adjusted before making fresh advances

1,51,400	Serious	At the initial starting of office there was no forms available and being purchased from local market. Since the quality of forms locally available were not qualitative and during last visit of MTR dissatisfied and thus decided for printing of the forms. Accordingly necessary quotations were invited and lowest rate was approved and orders for printing of forms mostly required for more than 5 (five) years has been printed and procured by office for office use. Necessary proposals for Ex-post facto approval is being sent separately (Complied)	Necessary Ex-post facto approval proposal is being sent separately	Not Settled	Ex-post facto sanction of the competent authority before the objection can be treated as settled. No such sanction was shown as have been accorded.
	Serious	Only audited utilization certificates are being sent to PSU after completion of Audit. The utilisation certificates have been submitted to PSU up-to 31st March 07 to 7th november07 by hand while attending for production of records before ST & SC dep't. Audit. The finance officer is checking the accounts of FNGO regularly and periodically while proceeding on tour to FNGO.	Complied	Not Settled	The CA observation in his report for the FY 2006-07 remains no further audit has been done therefore unless the auditors certifies the objection will be treated as un settled

	Priority	The VDC Secretaries and Community Mobilises have been provided with trainings by monthly regarding maintenance of accounts and the trainings were imparted by the Finance Officer, after joining, Besides ITDA officials are verifying the accounts maintained by each VDC. During the audit computerised annual ledger to the Auditor has been provided after being verifying the VDC accounts. NB. VDC A/cs are not to be controlled as it is an autonomous body rather to be monitored as per agreement with them which is being done by PSU, ITDA, & FNGO simultaneously (Complied)	Complied	Not Settled	No systematic monitoring and control of VDA was found.
27,27,923.46	Serious	The disagreement in opening balance may be challenged by the present auditor against the report of previous auditors report, yet ethically can not be MTR has observed that release to VDCs have been shown as expenditure as it was the initial year of operation. Further same type of instances are numerous in other External Assisted / International Funding projects. (Complied)	Complied	Not Settled	No reconciliation statement was prepared also such statement would required as true by the auditor before the objection can be treated as settled
	Procedural lapse	It is not a fact that interest provided by the Banks not accounted for in the accounts of ITDA, FNGO & VDC. All the interest provided by each Banks have been reflected in the Receipt & Payment and report to this effect has also been supplied to the Auditor during audit 2006-07. (Complied)	Complied	Settled	
	Procedural lapse	Now ledger maintaining was done regularly (Complied)	complied	Not Settled	No ledger is maintained

	Priority	Now printing format of payment voucher maintained from March 2008 (Complied)		Not Settled	Many payments are made without use of printed vouchers.
	Procedural lapse	Now it was complited (Complied)	Complied	Not Settled	No monthly reconciliation statement is prepared.
	Priority	Steps has been taken for deduction of TDS from hiring charges of vehicle (Complied)	Complied	Settled	
1,00,000	Priority	Now the detail of corespondance available (Complied)	Complied	Not Settled	No advance reconciliation statement was produced to indicate that the same has been adjusted against the work
	Priority	instruction noted for future action (Complied)	Complied	Not Settled	No reconciliation is being prepared to indicate that the previous advance is adjusted before the grant of fresh advance.
	Priority	Periodic verification of FNGO Accounts completed by March 2008 (Complied)	Complied	Not Settled	The mission did not find any evidence of verification of FNGO account either by ITDA staff or by auditors.
	Priority	Uniform format has already been introduced for record, report on financial matters (Complied)	Complied	Not Settled	No methodical system of control and monitor the accounts of VDA has been found developed by the ITDA
99,56,500	Serious	Regularised during statutory Audit for the year 2006-07 conducted during sept,07 (Complied)	Complied	Not Settled	No reconciliation has been prepared which would require its certification by the auditors.
	Procedural lapse	Rectified (Complied)	Complied	Settled	