

**United Nations Office for Project Services
UNOPS**

**ORISSA TRIBAL EMPOWERMENT AND LIVELIHOODS
PROGRAMME (OTELP)**



IFAD Loan No. 585-IN

Supervision Report
(19 November – 3 December 2007)

Country	:	INDIA
UNOPS Project Number	:	IND/03/F01
Report Number	:	2007/2
Report Date	:	January 2007

**Regional Office for Asia and the Pacific
Bangkok**

INDIA

Orissa Tribal Empowerment and Livelihoods Programme

Supervision Report

January 2008

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CURRENCY EQUIVALENTS

Currency Unit	=	Indian Rupee (INR)
USD 1.00	=	INR 47
INR 1.00	=	USD 0.021

WEIGHTS AND MEASURES

1 kilogram	=	2.204 lb
1 000 kg	=	1 metric ton (mt)
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

FISCAL YEAR

1st April – 31st March

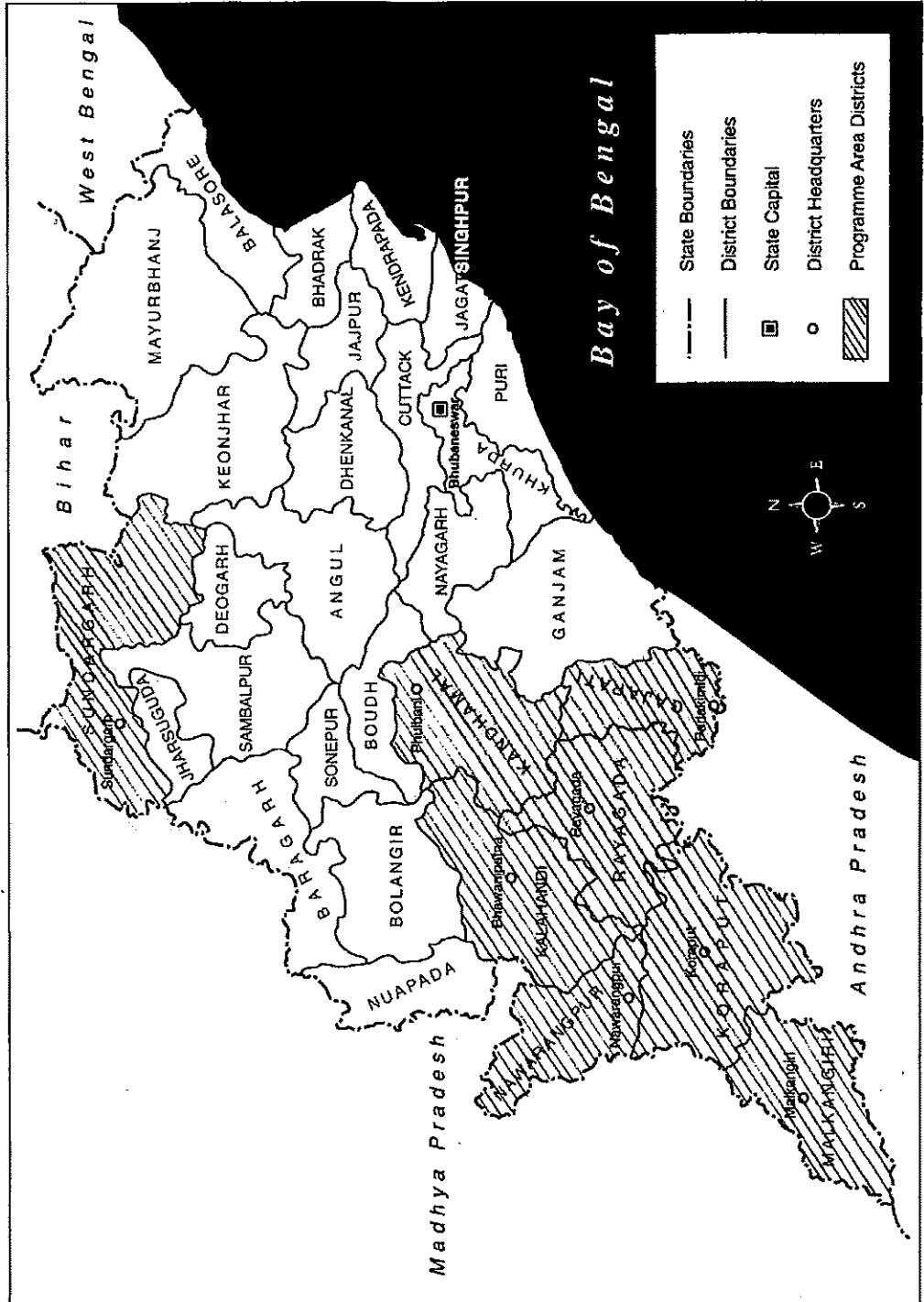
ABBREVIATIONS AND ACRONYMS

AHD	Animal Husbandry Department
AWP/B	Annual Work Plan and Budget
CARE	International NGO
CI	Cooperating Institution
CIF	Community Infrastructure Fund
COSOP	Country Strategic Opportunities Paper
DFID	Department for International Development
DIF	Development Initiatives Fund
EIRR	Economic Internal Rate of Return
ESS	Environmental Screening and Scoping
FD	Forest Department
FFDA	Fish Farmers Development Agency
FLM	Flexible Lending Mechanism
FY	Fiscal Year
GDP	Gross Domestic Product
GOI	Government of India
GOO	Government of Orissa
ICDS	Integrated Child Development Scheme
ITDA	Integrated Tribal Development Agency
ITK	Indigenous Tribal Knowledge
LI	Livestock Inspector
LLWs	Livestock Link Workers
LWMF	Land and Water Management Fund
M&E	Monitoring and Evaluation
MIS	Management Information System

MT	Master Trainer
MTA	Ministry for Tribal Affairs
MTR	Mid-Term Review
MWS	Micro-watershed
NABARD	National Bank for Agriculture and Rural Development
NTFP	Non-Timber Forest Products
OTDP	Orissa Tribal Development Programme
OTELP	Orissa Tribal Empowerment and Livelihoods Programme
PA	Programme Administrator
PD	Programme Director
PFM	Participatory Forest Management
PFMF	Participatory Forest Management Fund
PFMSC	Participatory Forest Management Sub-Committee
PMS	Programme Management System
PRA	Participatory Rural Appraisal
PRI	Panchayat Raj Institution
PSRMP	Palli Sabha Resource Management Plan
PSU	Programme Support Unit
PTG	Primitive Tribal Group
RMP	Resource Management Plan
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SOE	Statements of Expenditure
SOTDP	Second Orissa Tribal Development Programme
ST/SCDD	Scheduled Tribes & Scheduled Castes Development Department
ST	Scheduled Tribe
TDCC	Tribal Development Cooperative Corporation
VA	Village Animator
VAV	Village Agricultural Volunteer
VDC	Village Development Committee
VDF	Village Development Fund
VSS	Vana Samrakshana Samithi
VV	Village Volunteer
WDT	Watershed Development Team
WFP	World Food Programme
WSC	Watershed Sub-Committee

MAP OF PROGRAMME AREA

INDIA
ORISSA TRIBAL EMPOWERMENT AND LIVELIHOODS PROGRAMME
Map 1: Programme Area Districts in Orissa



**UNITED NATIONS
OFFICE FOR PROJECT SERVICES**

IFAD - PROJECT SUPERVISION SUMMARY

UNOPS Project No. *IND/03/F01*

Project Name: Orissa Tribal Empowerment and Livelihoods Programme			Loan No. : 585-IN Grant No. :	Loan Amount : SDR 16.05 mil Grant Amount : Co-Fin Amount : US\$ 40 mil (UK DID) Co-Fin Amount : US\$ 12.3 mil (WFP) Borr. Contrib. : US\$ 9.6 mil Beneficiaries Contrib : US\$ 8.9 mil Formal Fin. Inst Contrib : US\$ 376,000
Country: INDIA	IFAD Board Date 24/04/02	Signing Date 18/12/02	Effectiveness Date 15/07/03	

SECTION A: SUMMARY PROJECT DESCRIPTION

The programme focuses on building the capacity of poor people and their institutions so that vulnerable groups, particularly women, can plan and manage their own development and negotiate improved entitlements. Key objectives include better access to and management of natural resources, improved access to financial services and markets and the development of non-farm enterprises.

SECTION B: PERFORMANCE RATING

This Summary Last Summary

OVERALL STATUS: 1-Problem-free 2-Minor Problems; 3-Moderate Problems; 4-Major Problems

3	3
1	1

TREND: 1-Improving; 2-Stationary; 3-Deteriorating

TYPES OF PROBLEMS: F-Financial; M-Managerial; T-Technical; I-Institutional; O-other (Explain in Section 1).

F,M	F,M
-----	-----

If more than one type of problem, enter most critical factor first.

IMPLEMENTATION STATUS: 1-Problem-free 2- Minor Problems; 3-Moderate Problems; 4-Major Problems

Project Staffing	3	3
Compliance with Loan Covenants	3	3
Project Funding	3	3
Procurement Progress	3	3
Physical Targets	3	3
Disbursement	3	3
Technical Assistance	3	3
Estimated Costs	2	2
Monitoring and Evaluation	3	3
Reporting (AWPB)	3	3
Management Performance	3	3

DEVELOPMENT IMPACT: 1-Problem-free 2- Minor Problems; 3-Moderate Problems; 4-Major Problems

Expected benefits	3	3
Beneficiary Participation	3	3
Institution-Building	3	3

SECTION C: PROJECT DATA

Estimated/Actual:	Project Completion (Da/Mo/Yr)	Loan/Grant Closing (Da/Mo/Yr)	Total Project Cost (US\$ '000)	of which		Cumulative Disbursements as at (March 04) (US\$ '000)	
				Foreign Currency (US\$ '000)	Local Currency (US\$ '000)		
Appraisal Estimate	31/03/13	30/09/13	91,154	1,611	89,543	19,996	(Est.)
Last Summary	31/03/13	30/09/13	91,154	1,611	89,543	2,509	
Current	31/03/13	30/09/13	91,154	1,611	89,543	4,138	(Actual)
End of period covered by latest progress report (Da/Mo/Yr):				End of period covered by latest audit report (Da/Mo/Yr):			

SECTION D: MISSION SCHEDULE

	Number of Mission members	Number of days in Country		Final Report Date
		From	To	
Present Mission	5	19/11/07	03/12/07	04/01/08
Previous Mission	5	25/05/07	05/06/07	15/07/07
Next Mission Departure (Mo/Yr):		Recommended interval between missions (Months):		10

<u>Name of Mission Members</u>	<u>Specialisation</u>	Number of members on both present and previous mission:
Kishan Gill	Mission Leader and Senior Portfolio Manager	
C.K. Ramachandran	Rural Institution and Development Specialist (UNOPS Consultant)	
Yerramasetty Ramesh	Rural Infrastructure Specialist (UNOPS Consultant)	Two or More <input checked="" type="checkbox"/>
Mahendra Verma	Financial Management Specialist (UNOPS Consultant)	One <input type="checkbox"/>
Shaheel Raffique	Cross Cutting (Implementation Support)	None <input type="checkbox"/>

INDIA: Orissa Tribal Empowerment and Livelihoods Programme

SECTION 1

MANAGEMENT LETTER

18 December 2007

Ref.: IND03F01_585IN
File: Mgt Ltr 2007 co1

Dear Mr. Tripathy,

Subject: IND/03/F01 (IFAD Loan No. 585-IN) – Orissa Tribal Empowerment and Livelihoods Programme (OTELP): Project Review Mission, 19 November to 3 December 2007

I have the pleasure to refer to the UNOPS Review Mission, which reviewed the progress of the implementation of the above-mentioned project during the period from 19 November to 3 December 2007. I am pleased to inform you that the management of both IFAD and UNOPS concur with the Mission's findings and recommendations, which are contained in the Mission's Aide Memoire dated 3 December 2007. I would like to take this opportunity to highlight the key issues, which require follow up actions by concerned parties.

Since the last review mission in May 2007, many of the recommendations of the last review mission are still in the process of being implemented. In terms of financial performance, Rs 76.59 million has been spent out of the total budget of Rs 418.45 million. Most of this expenditure is shown as advances to the respective ITDAs and it is only in the process of being spent. Furthermore, there is still a balance from last year's budget of Rs 75.17 million at the ITDAs levels which is yet to be spent. Hence, it is not quite clear why additional transfer of funds to ITDAs and what is the reason to provide ITDAs with such a large liquidity. We would like you to give special attention to the issue of fund flow and its financial management at ITDAs, VDCs and VLSCs. In particular, book keeping and accounts management at VDCs and VLSCs need further support and guidance to handle the increased flow of funds which is expected in 2008. We would like to see implementation of the mission's recommendation to use chartered accountants to facilitate the guidance for proper and timely accounting and its simplification at the PSU, ITDA, VDC and VLSC levels are carried out in early 2008.

We need your greater attention to the following issues: (a). lack of technical support to prepare timely estimates of village infrastructure by the FNGOs' WDT (civil engineers) (b). ensure sufficient funds have been transferred to VLSC's bank account so that villagers can start village infrastructure works which were delayed in this financial year.

We look forward to your kind intervention to facilitate the purchase of survey equipment/instruments which had been delayed for more than 6 months. We would like to see this survey work commence in January 2008 for the "encroached forest" lands. We also would like to see the revenue officer, who is yet to be placed at PSU to facilitate the land survey work, could be positioned in early 2008.

Mr Ajit Kumar Tripathy
Chief Secretary
Government of Orissa
Bhubaneswar
Orissa, India
Fax: 91-674-2536660

The purchase of computer hardware to support the M&E software, which has been unduly delayed, should immediately be purchased without any further delays, so that MIS could commence in 2008.

The audit of FNGOs project accounts which are still overdue should be completed before end of January 2008. If this is not carried out before end of this financial year, no further funding support should be provided to FNGOs in the next FY until this exercise is completed.

The audit report of 2006-07 does not have an opinion on the statement of expenditures, which is not in compliance with the requirements of such an audit. This should be intimated to the auditors so that this is prepared as soon as possible and sent together with the revised audit report to IFAD.

Re-DFID's cofinancing we would like GoO to follow-up on the following issues: (a) suggest the Rs. 9.193 million spent be reimbursed under IFAD Loan instead of DFID grant (b) DFID's commitment to meet the estimated shortage of USD 12 million of DFID grant under phase II; and (c) immediate endorsement of the role of the Programme Director as per TOR of establishment of procurement agency under OTELP, as the procurement support team has already been formed on 5 November 07. We understand that GoO and DFID will meet in January 08 to discuss the future course of cooperation and we look forward to the outcome of this meeting. We support the recommendation of the mission for a quarterly review meeting among the concerned parties: DFID, IFAD CPO, Delhi and the Programme Director and the first meeting should commence in March 2008.

With best regards

Yours sincerely,



Sanjay Mathur
Officer-In-Charge
UNOPS APO

c.c.

Mr. Tara Datt, Commissioner-Cum-Secretary, ST&Sc Development Department	(Fax: 91-674-2393249)
Mr. R.P. Singh, Director, DEA, MOF, New Delhi	(Fax: 91-11-23092477)
Mr. Virinder Sharma, Livelihoods & Environment Adviser, DFID Delhi	(Fax: 91-11-26529296)
Mr. Basanta K Bal, State Director, WFP, Orissa & Jharkhand, Bhubaneswar	(Fax: 91-674-2533879)
Mr. Deepak Mohanty, Project Director, OTELP, Bhubaneswar	(Fax: 91-674-2412249)
Mr. Anirudh Tewari, IFAD CPO, Delhi	(Fax: 91-11-26150019)
Mr. Mattia Prayer Galletti, Country Programme Manager, IFAD, Rome	(Fax: 3906-54593294)
Mr. Kishan S Gill, Senior Portfolio Manager, UNOPS Asia Office	

SECTION 2

PROJECT STATUS AND TRENDS

SECTION 2: PROJECT STATUS AND TRENDS

I. INTRODUCTION

Programme Background

1. Programme Loan Agreement was signed on 18 December 2002 and the Loan became effective on 15 July 2003. Of the seven districts, with 30 blocks, which constitute the Programme Area, ten blocks in four districts (Koraput, Khandhamal, Gajapati and Kalahandi) have been selected for programme implementation during the Phase-I. The programme would be implemented in 10 years period starting from 2003-04 in three phases (Phase I: PY1-3; Phase II: PY 4-7) and Phase III: PY 8-10).

2. Total outlay for the Programme, which under the IFAD Flexible Lending Modality is \$ 91.15 million comprising of IFAD loan of \$ 20 million, DFID grant of \$ 40 million (\$ 13.5 million has been approved for the first five years), WFP food assistance of \$12 million, GoO contribution of \$ 9.6 million and the rest coming from formal financial institutions, and community contribution in the form of kind and cash. The Ministry of Tribal Affairs (MTA) at the central level and the ST&SCDD at the state level would be nodal agencies for the programme.

3. Though the Loan became effective on 15 July 2003, there has been some delay in effectively launching the programme. Change of Secretary (ST&SCDD) during November 2003, restrictions imposed on recruitment of staff and other preparatory works on account of general elections to the Parliament/Assembly during April/May 2004 and change of PD during August 2004, delay in finalising the co-financing arrangements of the DFID grant, and communicating the DFID approval of the grant have contributed to the delay. The DFID Financing Agreement was signed on 18 March 2005 for 5 years with a grant of 7.9 million GBP, including management fees of 0.36 in GBP given to IFAD. Under this financing arrangement IFAD acts as the Cooperating Institution for the execution and administration of grant fund on ratio of 70:30 with the IFAD Loan. UNOPS is the Cooperating Institution for the IFAD Programme Loan.

4. The phase I mid-term review (MTR) was conducted from 3 September to 2 October 2006 in compliance requirements under the Flexible Lending Mechanism. The Phase II commenced on the 27 March 2007. The 9 blocks more blocks in the existing districts would be added during 2007 and 11 blocks in 3 more districts (Rayagada, Nawarangpur and Malkangiri) in 2008.

5. A UNOPS 2nd Review Mission¹ for the year visited Orissa to follow-up on actions taken on the recommendations of 1st review mission made in June 2007 as well as assess its overall progress. On the first day at PSU the mission was briefed on the implementation status of the programme. The Mission was split into three teams which visited selected villages in all the project districts. The Programme Director, other staff of the PSU, Project Administrators and staff of respective ITDAs, and the respective FNGOs participated in the mission's visits to the villages. The Mission also had discussions with Mr G.V.V. Sharma, Commissioner-cum-Secretary, and Revenue & Disaster Management Department on the status of acquisition of GPS equipment to facilitate survey and settlement teams for the landless. A sharing of findings and observations of the mission with the project staff (PSU and ITDAs from the districts) was held on 29 November in Bhubaneswar. The key

¹ Mission comprised of Mr Kishan Singh Gill, Senior Portfolio Manager UNOPS Asia Office, Bangkok, Mr C.K Ramachandran, Rural Institution and Development Specialist (UNOPS Consultant); Mr Mahendra Verma, Financial Management Specialist, (UNOPS Consultant); Mr Y.Ramesh, Rural Infrastructure Specialist (UNOPS Consultant), Mr Shaheel Raffique, Implementation Support Specialist (IFAD Field Presence Office). Mr Sanjay Valsangkar and Ms Supriya Pattnaik from DFID also participated in the mission's field visits Mr. Basant Bal, State Director, WFP and Ms Supriya Pattnaik from DFID Bhubaneswar office participated in the wrap-up meeting on the 3 Dec 2007.

findings, observations and main recommendations are contained in this draft Aide Memoire, which was presented and discussed at the wrap-up meeting held on the 3 December, chaired by Mr Ajit Kumar Tripathy, Chief Secretary, and attended by Dr Taradatt, Commissioner-cum-Secretary of ST&SCDD, Mr G.V.V Sharma, Commissioner-cum-Secretary, Revenue & Disaster Management Department, Mr Deepak Mohanty, PD and his staff, the representative from DFID and the State Director of WFP.

II. PROJECT PROGRESS

Overall Progress and Achievements

Coverage & Achievements

6. The total number of project villages is 396 (with 19,195 households, of which 5,379 are landless households) in the four districts with 136 micro-watersheds covering 61,628 ha. of treatable land. Of the total population of 93,815 beneficiaries, ST constitutes 79,559 persons and SC make up 9,703 persons.

7. As at end of September 07, the project has formed 120 VDCs, 354 VLSCs and 393 Village Level Social and Financial Audit Sub-Committees. Cumulatively, 1942 villagers are elected officials of these bodies, of which 44% constitute women. Koraput and Gajapati VDCs are more active and have 3 meetings per month, whilst VDCs in Th. Rampur and Baliguda had 2 and 1 meeting per month respectively. For participatory forest management, 186 VSS has been formed in 4 programme districts.

8. Reportedly, as at end of March 2007, 1327 SHGs have been promoted, including those from other government programmes. These SHGs have been graded as A (282); B (560) C (421) and 64 SHGs are yet to be graded. Seed capital have been provided to 659 SHGs and 322 SHGs have been linked to financial institutions of this 78 SHGs have been linked via ITDA's support.

9. WFP has provided both cash and food grains (rice and pulses) to enhance the food security of the communities. WFP has contributed 503,168 wage days benefiting 25,710 households. On an average each participating household had obtained 105kg of rice and 8.40 kg of pulses which provide food security for at least 3 months in a year.

Financial Performance & Progress

10. The AWPB for 2007-08 had a financial outlay of Rs 418.5 million, which includes upscaling under phase II. Expenditure up to end of October 2007 is 76.59 million. This expenditure is carried out by spending the spill over funds of 2006-07 AWPB.

11. The financial progress as at end of October 2007 is as shown below:

Component	Revised Budget for 2006-07 (Rs. In million)	Expenses for 2006-07 (Rs. In million)	Budget 2007-08 Rs million	Expenditure for 2007-08 (Rs. In million)
Capacity Building	21.50	30.74	41.07	7.87
Livelihoods Enhancement	257.23	236.61	274.97	53.50
Programme Management	21.55	11.53	2.386	14.02
Development Initiatives Fund	34.60	5.45	18	0.20
Support for Policy	21.00	-	54	0.40
Food Handling	2.00	1.30	1	0.60
Up-scaling to Phase	1.00			
Total	358.88	285.63	418.45	76.59

12. The expenditure shown as incurred is provided as advances to the respective ITDAs, which are still in the process of being expensed. As at end of FY 2006-07 the balance for all 4 districts was Rs136 million. The mission is informed that this balance includes fresh advances provided in early 2007. As recommended by MTR, in FY 07-08, all current balances have to be utilised first before commencing the 2007-08 budget, which amounts to Rs.418 million..

13. During the current year a total expenditure of Rs. 76.59 million has occurred, whilst the advances provided to ITDAs previously has a current balance of Rs. 75.171 million yet to spent. The PSU claims that the expenditure up to 31.03.2007 is supported by the Utilisation Certificate (UC) in the form of expenditure statement. However, no audits of such UCs have been done. The mission desires that the audit of such certificates have to be done within 3 month up to February 2008. In respect of expenditure incurred after 1-04-2007 the PSU has designed a new format of expenditure statement which includes a certificate of utilisation of expenses. However, such certificates have arrived in the PSU office only in the month of September, 2007. Furthermore, the mission desires that such utilisation certificates in the new format too should be audited within a reasonable period of time. The PD informed the mission ongoing measures are now in place to get the UCs within 3 months of the issue of advances. The Mission would like to see that all outstanding UCs should be also received by end of Feb 2008.

Capacity Building for Empowerment

Capacity Building of Communities

14. Various types of training and exposure visits have been conducted to empower the community and self manage their community organisations. All the VDCs and 80% of SHGs have been provided with basic training in organisation and management, book-keeping and accounting, including savings and internal lending activities for SHGs. Skills upgradation training for land and water management, agriculture, horticulture and joint forest management; and livestock and aquaculture plus non-farm enterprise trainings have been conducted. It ranges from 1 to 25 days per micro-water shed, for different activities.

Capacity Building of Support Agencies

15. WDTs and Community Mobilisers of FNGOs have been also trained in their respective subject matter as well as community mobilisation and participatory methods plus how to carry out convergence for both FNGOs and line agencies. WDTs and community mobilizers received an average of between 2.06 days of training per staff to 15.5 days per staff. Many of the WDTs have come on board in the last couple of months. On the other hand there has been a serious turn over of WDT (civil engineers) among the FNGOs, this has affected the speed of implementation of community infrastructures. This has also affected to some extent the wage labour earning of the community in the villages where such activities had been delayed.

Livelihood Enhancement

Land and Water Management

16. As per the last review mission recommendations creating more number of water bodies and earthen and stone bunding activities have been done in massive scale creating employment generation with subsidized food grain and reduction in migration. It has also given the impact in increasing the agriculture land and irrigation resulting in increased production which in turn has also improved their livelihoods. Activities implemented in 4 District varies place to place and the status of progress is as shown below:

Table: 1

Activities	Gajapathi	Balliguda	Th.Rampur	Koraput
1. Checkdam, Farmpond, Dug well, percolation Tank Chuan etc. in No.	123	52	183	55
2. Land development (Bunding (earthen and stone), trenches and terracing etc.in Rmts.	5224	73285	231570	81345
3. Stone structures(loose boulder structure, gully control and stream bank erosion control etc in No.	273	0	6059	128
4. Miscelenious structures: Drop structure and field channels etc. in Rmts.	2800	1855	0	14500

17. As per the data analyzed the achievement is very low but the employment generated is around 213,399 days. 7341 families including 2932 landless families were provided with food grains to supplement their food security.

18. The expenditure make up to 30 to 40 percent which includes spill over budget of 2006-07, it clearly explains that the team have to devote more concentration to achieve remaining 70%/60% budget with in another 4 months period.

Table: 2

Land & Water Management (April to September-07)		
Impact		Total of 4 districts
Non-arable to arable land	Area in Ha.	261
	No. of Beneficiaries	1773
Increase of Irrigation area (Ha.)	Kharif	865
	Rabi	432
No. of House holds got benefited from irrigation	Kharif	2412
	Rabi	780
Wages days created	No. of wage days	213399
	No. of total families	7341
	No. of landless families	2932
	Average wage days /Household	29
Increase of cultivated area due to land developed (Ha.)	Kharif	404
	Rabi	138
Utilisation of Food Grains	Rice (mt)	375.78
	Pulses (mt)	38.676
	Wages days	229248
	No. of Beneficiaries	118872
		110376

The land from non-arable land to arable land under irrigation has increased as shown below:

Table: 3

Category of interventions	Particulars	Unit	Details
Land resource developed	Non-arable to arable	Ha.	261
	Farmers benefited	No.	1773
Water Resource Developed	Irrigated land increased	Ha, in Kharrif and in Rabi	865 & 432
	Addl.area irrigated	Ha	1297
	Farmers benefited	No	3192

19. Under the land and water management activities the creation of water bodies has provided wage income for about a quarter of the year for poor and landless households. In 2006-07 FY, 503,168 wage days were provided to 11,787 households of which 4,140 households are landless. For the landless households the programme provided up to 43% of their wage earnings. This has to a large extent reduced some migration of the landless. On an average, 42 days of wage per household has been provided by the programme activities. In addition to cash, the wage earners are also given food grain supported by WFP. Female make up about 60% of the total wage labourers. It is estimated that about Rs 2000 per household (Rs 55 per day) is the incremental income derived from wage employment, apart from what they earn as wages from other government programme. In addition, irrigated facilities constructed by their efforts have also increased their cultivated areas as well as increased yields of their crops.

Agricultural/Horticultural Development

20. As landless are being provided with cultivable land under the settlement regime, demonstrations of such suitable crops should also be conducted on these newly acquired land by the landless. FNGOs should guide and facilitate the participation of landless who have newly acquired land to demand for improving their productive capacity of their land. These are now being carried out but its intensity should be further increased.

21. There has been some impact of these demonstrations, for example, 1490 male and 550 female farmers have been exposed to these demonstrations. Of these 199 male farmers and 194 female farmers have adopted them. Collaboration with ICRISAT is ongoing to promote legumes, pulses and groundnut in tribal farms. Similarly collaborative arrangements to enhance productivity with finger millet, little millet and Italian millet are being made with MSSRF/IPGRI. For tuber crops, the collaboration is with CTCRI, and for tissue culture banana suckers, drumsticks, and papaya, it is with RPRC in Bhubaneswar.

22. To enhance the production, demonstration plots and crop trials have been carried out for wide range of crops (e.g. ragi-75.25 ha.; niger – 21ha; groundnut -7 ha.; potato – 23 ha.; wheat – 4.75ha; pea -21.5 ha; mango plantation – 145.82 ha; the full range will be shown in the supervision report). These trails and demonstrations have an adoption rate of 13.3% (male) to 35.27% (female). Technical collaboration with ICRISAT, CTCRI, MSRF/IPGRI, RPRC have introduced new crops and practices, for example, legumes, groundnuts, pigeon-pea, sorghum, chickpea etc as well as finger millet, little millet and Italian millet and the latter are nutritious items which have become part of their daily meals, have been introduced in existing cropping pattern of the poor tribal farmers. Many of these farmers have now become seed suppliers for other regions of Orissa. Tissue culture in banana propagation has been adopted as well as better planting material for drumstick and papaya.

23. For livestock and aquaculture production, promoting animal health through provision of veterinary kits and animal health camps, including immunization of animals (14,483 animals have been immunized from 4860 households) have reduced animal mortality and increased awareness of such practices among the tribal communities. Pisciculture is being promoted and some SHGs have used their water bodies to include fishery as supplementary livelihood activity

24. Better livestock management practices are being introduced to reduce mortality rate, by employing village volunteers who are provided with basic veterinary kits to support poor farmers. The immunization activity carried out has benefited 4,860 households with 14,483 animals. Pisciculture is being planned for this Financial Year.

Participatory Forest Management

25. To enhance livelihood activities from the forest, 186 village level Vana Sangrakhyana Samiti (VSS) prepared are in various stages of implementation. These activities should be monitored too and analysed for improved implementation as well as for improved preparation of VSS in phase II areas.

26. Participatory forest management by poor tribals to enhance their livelihoods by collecting NTFPs plus other plants/herbs has been enhanced by the formation of Vana Sangrakhyana Samiti (VSS) to work under the existing JFM guidelines. The total number of VSSs formed is 186 and 99 micro plans have been prepared and approved in Koraput, Th.Rampur and Paralakhemundi and 8.19 laks plant species have been planted in 2019 ha in 42 Micro watersheds.

Development Initiative Fund

27. A number of activities have been carried out under DIF which includes lighting supply using solar light, Old age pension provided to abandoned families, drinking water system, and small business for land less and vulnerable groups.

Programme Management

28. Reportedly, additional incentives for government staff plus the revised remuneration for contractual staff under OTELP which has been approved by Programme Steering Committee (PSC) on 13 April 07 sent to the Finance Department has not been concurred yet for implementation. This long delay in decision making, the Mission feels would affect morale of the staff and may lead to turn of staff. The Mission would like to re-emphasise the importance of human resource as the inherent asset in the project which drives the implementation vehicle and it should be accordingly rewarded in an expeditious manner

III. PROGRAMME IMPLEMENTATION ISSUES AND RECOMMENDATIONS

Capacity Building for Empowerment

Capacity Building of Communities

29. Phase I Review of the Programme (December 2006) had recommended the development of an overall capacity building strategy using the services of a specialised agency. Such a strategy should include the entire capacity building requirements of the community including those of VDC, SHG and other CIGs and will address the needs of the groups in the areas of management, skill development, marketing and other fields as per requirement. The Review Mission of May 07 had also emphasised the need to keep in view the Programme strategy in a sequential manner to build community institutions, including FNGOs. Training needs analysis was to form part of this overall approach. PSU had projected the requirement of consultant assistance under DFID TA for developing a Capacity Building Strategy and undertaking TNSA. However, the assistance is yet to be procured. Despite this various training activities have been conducted to build capacity of the communities. Quality of this training and its depth and spread is yet to be fully felt across the project area. Process indicators for such capacity building parameters have yet to be in place, though a list of such indicators have been developed by Watershed Support Services and Activities Network (WASSAN). The Mission is pleased to find this list of process related indicators, which would cover the following areas:

- (a). Institutional Development of VLSC, VDC, Social & Audit Committee; and various thematic groups and federation of SHG.

- (b). Financial Process: fund flow from VDC to VLSC; use of revolving fund, convergence of govt scheme, cost sharing approach, payment of wage labor, financial audit at VDC and VLSC.
- (c). Organisation of community: formation of SHGs utilisation of other thematic groups,
- (d). Empowerment Plan: rapport building and analysis, orientation towards land record, participatory exercises, organisation of communities, and surveys, management of funds, building accountability, maintenance for repair of village infrastructures built.
- (e). Project management: building 7-year perspective plan, its monitoring of outputs/outcomes; decentralised development and its effectiveness at village levels and improved delivery of inputs and its execution and evaluation of performance and preparedness of CBOs when project exits.

30. The Mission recommends that this process indicators monitoring should commence immediately after a thorough review of these process indicators for their consistency to the overall development processes of the programme and should not be constrained by any event of DIFID TA support being further delayed.

31. Phase I Review had pointed out that according to the IFAD Agreement; natural villages were to be treated as the primary planning unit. This led to the formation of VLSCs and the distribution of VDC funds among VLSCs. OTELP communication conveying the guidelines (dated 18 October 2006) differed from the guidelines for VLSCs/VLSFACs prepared in a participatory workshop in important aspects such as the periodicity of transfer of VDC funds to VLSC accounts, and the need for a requisition with regard to the transfer of VDF accounts. For instance, in case of VDF accounts, a resolution had been given by VDCs to the bank at the time of opening of the account that no withdrawals will be allowed from the account before 5 years from the date of opening. Similarly, it was noticed that banks are declaring several VDF accounts as inoperative in the absence of any transaction for over a year. PSU needs to analyse these issues in detail and suggest remedial action to keep such bank accounts active.

32. Another issue related to non-transfer of money from VDC accounts even where large sums were available. It was explained by FNGO/Village Volunteers that although balance was available in the VDC accounts, it did not pertain to NRM components and that it was their understanding that only NRM funds were to be transferred to VLSC accounts. The instructions issued are silent on this regard. The mission is constrained to conclude from the above instances that there is no proper feedback system from the community to ITDAs either directly or through FNGOs so that such issues did not reach PSU even a year after the guidelines were issued. Such delayed feedback does not help even if there is a rapid remedial action to be effective.

33. The Mission observed during its field visits, that some VDCs were considering themselves as a superior body to the VLSCs and were either asking for reports from VLSCs or were withholding payments to VLSCs for work done. The fact that VLSCs are designated as 'sub'committees may be responsible for this hierarchical behaviour. However, the guidelines issued by PSU also states, 'The Secretary, VDC will ensure proper maintenance of the accounts of each VLSC...'. This impression is further confirmed by the process indicators developed by WASSAN which states: 'VDC to play governance role whereas VLSC to carry out execution of work'. PSU need to clarify that the VDC is responsible only for transfer of funds received to VLSC, obtaining accounts of VLSC and getting the VDC/VLSC accounts audited. Beyond this, no supervisory role is envisaged for VDCs. Verification of financial propriety and physical quality of works is to be done by the Village Level Social and Financial Audit Sub Committee (VLSFAC).

34. The mission also noticed that a particular VDC in Laxmipur block (Koraput) had financed a private plantation of a group of farmers on profit-sharing basis. This was beyond the jurisdiction of

VDC and such transaction should be discouraged. If there was need for such financing, the farmers should have formed a SHG and sought assistance from revolving fund/ institutional finance.

35. Overall, although training inputs have been provided, there is still a gap in general quality of the capacity of the CBOs. Further follow-up guidance is required to rectify many of “defects” observed by the Mission. WDTs and Social mobilizers themselves need strengthening and proper orientation. The gap in internal capacity to guide and lead in the implementation of the various components is now showing its effect across the project. Keeping a strong focus on the programme objectives and applying appropriate strategies together with correct methodologies to avoid deviation in best practices is required in the coming years in the project.

36. In this respect, the Mission recommends that PSU staff is further strengthened by visiting similar projects in the country to update themselves of innovative things being tried successfully, as well as inviting experts in the various fields relevant to the programme like water shed development, strengthening CBOs including SHG growth and development in the context of the programme and financial management at all levels, on a regular basis. Contractual arrangement with reputed NGOs, training institutes and consultancy firms be carried out so that such services could be availed on a continuous basis throughout the year. There are many reputable NGOs in the country, of which MYRADA is one of them who has associated closely with OTELP could selected for this purpose.

37. On the other hand, the communities have shown increased awareness of the various activities being carried out the project. Their self confidence to handle a number of the project activities has also improved. But financial aspects in proper and timely book-keeping require further strengthening, including fund flow management between VDCs and VLSCs.

38. The recommendation made during the workshop on 29 November to enhance the financial management capacity by engaging chartered accountants and facilitated by ITDAs finance officers should be immediately put in place. At the same time the PIM should be revised and updated to keep in tune with the changes taking place.

Gender: Its Orientation and Long Term Perspective

39. Although generally participation of women in programme activities has improved since the last mission, yet in many remote villages women seem to remain subdued even after two years of project intervention. This is partly because gender sensitisation has not taken place in all the villages, and also because they lack exposure. Even now the project lacks a clear perspective about gender mainstreaming and gender issues. It was envisaged in the last mission that a Gender Consultant would provide such inputs, but so far the consultant is not on board to provide required support. When the Consultant could have been recruited by the project directly, this has been delayed by making it a part of the DFID Technical Assistance. Till the Consultant is recruited, the PSU and the other project staff should formulate a strategy based on guidelines given by the previous mission. Thereafter, the PSU should begin a series of training across the project. Alternatively, a gender consultant could be hired within the next month and this process can be initiated. The exposure visits of SHG members of remote villages particularly in Kalahandi and Koraput District should begin as soon as possible.

40. Further, concerted efforts should be made to ensure women candidates are given consideration when new recruitment of staff is conducted to tip the current staff ratio of women to men.

Equity: Landlessness

41. Landlessness still remains a major equity issue in the project. With increasing land and water management activities undertaken and assets created in the villages, there is also a growing realisation

among communities about the importance of land and water management assets in relation to ownership of land. Clearly, those who do not own cultivable land are not benefiting from assets created to manage land and water. Though the landless are in the short term benefiting from activities involving wage labour for creating these assets. It is also a common feature in the project for landless families to occupy forestland for agriculture.

42. A number of FNGOs are facilitating the process of providing homestead land titles to landless families through a government scheme; this is an on going effort in the Districts. But the achievement of Vasudhara Scheme in the programme area is however patchy. The Project has neither set achievement targets nor monitored progress in the project villages to have a better understanding of achievements and bottlenecks in the process of providing titles to homestead land under this scheme. This information also forms the basis for facilitating the process at the level of the *Tahsildar* or at the level of the District Collector.

43. The major work to support land rights and land alienation will take place once the State receives notification on the Forest Dwellers Rights Act, 2006. The activities leading to land reforms under the programme include survey of land within 10 to 30 degree slopes, identification of families occupying the land, and finally allotment of land titles or *patta*. The government has however initiated the process by sending notification to concerned Departments for land survey on 31 August 2007, and the formation of a State Level Technical Committee on August 7, 2007, where the Additional Secretary Revenue, Director Land Records and Representatives from OCAC are members.

44. Procurement of survey instruments is the main issue related to land survey. The State Government has requested OTELP to procure the survey equipment. With the provision of survey instrument specifications by the Revenue Department, OTELP should begin the process of procuring the equipment without delay. Once the equipments are in place, the staffs need to be trained, and the survey should be completed within a specific time frame. As proposed by Commissioner-cum-Secretary, Revenue and Disaster Management Department, the position of Assistant Survey Officer should be created in the project to coordinate the survey. An officer from the Orissa Administrative Service (II) should be selected for this position. Once the survey is completed, the project should prepare the list of beneficiaries and facilitate the process of providing land titles. Till the Government of India notifies the State Government on the Forest Dwellers Act, OTELP should in the meantime translate the provisions of the act in local language for creating awareness among programme beneficiaries. In addition, the project should also prepare a training module for training of trainers at Block, Gram Panchayat, and Village level.

45. The Mission is informed that the protracted delay in the procurement process to purchase GPS equipment/instruments has been resolved and expected to be carried out within one month. The Mission would like to re-emphasise the importance of this quick purchase to expedite the survey of the land for the landless.

SHGs' Growth and its Capacity Building Issues

46. A total of 1,327 SHGs have been formed and have been graded as: A grade – 282 ; B grade – 560 and C grade – 421. Seed capital has been provided to all grades. Bank linkages have been established with A and B grade SHGs, whereas ITDA support has been given to all grades. A total of 807 SHGs are from other government programmes, and 520 SHGs were formed under OTELP. It is still not clear from data provided what is the intervention of OTELP provided to the existing 807 SHGs. The Mission would like to emphasize that priority for project intervention items should be given to OTELP SHGs whilst training inputs to upgrade existing could be provided to mainstream their methodology towards OTELP's.

47. The guidelines regarding seed money need to clarify the ambiguities it has created in the field. It says at one place that all graded groups are eligible for seed money, 'subject to fulfilling the above

internal loaning criteria'. In fact internal loaning itself is a criterion for grading and there should be no need to consider the same criteria again after grading. At another place, it is stated that 'seed money will be 'provided on request of the groups and on the basis of a feasible plan drawn up by the group'. Such a condition does not appear in the design of the programme.

48. The programme design mentions that small groups of about 7 members would be provided grant equity of Rs 1,500 at the end of year 1 and a further 2,500 in year 2 provided a sound approach to savings and loaning had been established. Large groups of 12 households were expected to save a total of Rs 1080 by the end of year 1 and receive Rs 3,000 grant equity and RS 3,600 by the middle of year 3 and receive an additional Rs 5,000 in grant equity. The strategy paper mentions that 'seed money grant should be in the range of Rs.2000/- to Rs. 5000/- subject to equal distribution to all the groups.' The intent of this stipulation and the mechanism of achieving this are not clear from the guidelines. However, the mission notes that the above stipulation has been interpreted to mean that equal amounts are to be given to all SHGs. In fact, almost all SHGs have been sanctioned a uniform seed money of Rs.5000. In some cases, this amount has been equally divided and deposited in the individual accounts of the members, in the name of internal loaning. Although seed capital has been distributed, their proper use together their savings need further facilitated by WDT (microfinance staff).

49. There is still no clear cut strategy on the steps required on how to strengthen existing SHGs. The mission noticed that in the absence of clear guidelines, community mobilisers in at least two villages had interpreted strengthening as 'taking over'. This has led to some friction between the original promoting agency and the FNGO seeking to strengthen the group. OTELP may advise field agencies that all issues of inter-agency co-ordination should be raised and resolved in the respective district level committees (DPMC/DLAC/DRDA).

50. The strategy paper also does not cover important areas such as the modalities for grading (as different practices are in vogue) and bank linkages. On the whole, it is felt that PSU should subject the paper to a thorough peer review in the first instance before circulation.

51. In case of bank linkage of all groups, including pre-OTELP SHGs, it was recommended by the previous mission that details of bank liabilities, including copies of loan sanction letters, should be collected and made available as part of the SHG records. No action has been initiated in this regard. It was noticed that there was little effort at the local level to sort out bank issues of VDCs/SHGs, despite the posting of a WDT (microfinance). Many VDCs complained of not receiving blank cheque forms, inordinate delay in clearing of cheques and refusal by some bank branches to open new accounts on grounds of staff shortage/ service area restriction. PSU/ITDAs should pay particular attention to these issues as it is important that the communities which are only now being introduced into the monetised economy should not lose faith in the system.

52. The new composite register which is a single document comprising the membership register, minutes book, financial reporting and visitors book is a welcome effort, as it is expected to facilitate more effective monitoring. However, inclusion of a column regarding the below poverty line (BPL) status of the members appears to be problematic. The mission noticed that in some SHGs only two or three members were included in the official poverty list, while the rest were not shown as BPL. This has caused some resentment also. The groups are formed on the basis of homogeneity and it would be disruptive to introduce distinction based on judgements made outside the group. It would be preferable to mention the wealth/well-being rank rather than BPL status. It was explained on behalf of the Programme that BPL status/number was useful in accessing various benefits from government schemes. While this is not disputed, it would be advisable not to import judgements and categorisation to which the group as a whole has not subscribed so that conflict can be avoided. The Mission recommends that poverty mapping (well-being ranking) required under the programme should be used to resolve this BPL issue through a participatory process. This should be the basis for inclusion of poor households programme activities and PSU should assess and review the ongoing practices to avoid further conflicts.

53. There are a large number of SHG members that are involved in IGAs for their livelihood. Likewise the SHGs are also forming common interest groups or enterprise groups as small income generating units. The project should analyse the purpose and size of loans taken by SHG members to identify patterns of investment and usage of loan funds. More importantly the analysis should identify and indicate emerging patterns and trends of livelihood activities in village clusters. This knowledge will help the project and service providers to plan for various interventions to meet financial needs, for improved skills and technical knowledge need for improved and increased production and how to market link the outputs with associated growth and development of agro-processing, grading and packaging, storage of the village production. The ownership of these issues which should increasing become part of PSU, rather than overly relying on RNGOs, like MART for the attainment of project objectives, its focus and direction.

Capacity Building of Support Agencies

54. Last review mission's observation of high staff turn over still prevails among FNGOs, and this affects quality and speed of development additionally, FNGOs staff are assisting CBOs, for example like WDTs assist in maintaining the books at VDCs and VLSCs. Such dependency such be reviewed and for more matured CBOs this type of assistance should be gradually weaned away.

55. The PSU has issued orders for the appointment of one additional engineer for the FNGO at the Block level with daily emoluments of Rs. 200/- for 20 days in a month. The ITDAs/FNGOs have been finding it difficult to recruit the additional Engineer because the amount is considered to be inadequate and the appointment on daily wage basis (instead of a monthly remuneration) creates a psychological barrier. It may be examined if the second engineer, who will serve for a short period, can be appointed on same terms and condition as the first.

56. Capacity building in general is confined to lectures and exposure visits. The recall will be much more effective if the training is based on comprehensive manuals. The Programme has prepared some basic guidelines such as the PIM, financial and operational guidelines; but these require to be combined into a comprehensive manual giving step-by-step guidance which can be easily understood and followed by all stakeholders. Furthermore as more instructions are given this PIM should be updated and kept as an evolving PIM.

Support for Policy Initiatives

57. The nodal officer to monitor the progress providing land titles to the landless in OTELP villages is yet to be appointed.

Convergence of Government Programmes

58. The Mission found that the District Collector, Gajapati has taken the initiative to use OTELP modality at the VDC and VLSC levels to channel government drinking water schemes to OTELP villages. Such type convergence could also be replicated at other project districts.

Food Handling: WFP Food

59. OTELP has so far been able to utilize only 1292.92 mt of rice and 96.12 mt of pulses as against 18,518.52 mt of rice and 1,481.48 mt of pulses committed in the Operational Contract. The overall utilization has been 7 % of WFP's commitment in the current CP (with only four months left). The following table gives year-wise details:

		Commitment as per Operational Contract	Balance from Previous Year	Allocation by WFP	Total Quantity Available	Utilization
2003-04	Rice	1,851.850	0.000	0.000	0.000	0.000
	Pulses	148.150	0.000	0.000	0.000	0.000
2004-05	Rice	2,777.780	0.000	0.000	0.000	0.000
	Pulses	222.220	0.000	0.000	0.000	0.000
2005-06	Rice	4,629.630	0.000	200.000	200.000	73.331
	Pulses	370.370	0.000	8.000	8.000	5.004
2006-07	Rice	4,629.630	126.669	1,214.000	1,340.669	810.931
	Pulses	370.370	2.996	121.000	123.996	48.668
2007-08	Rice	4,629.630	529.738	1,700.000	2,229.738	408.657
	Pulses	370.370	75.328	32.000	107.328	42.448
Grand Total	Rice	18,518.52		3,114.00		1,292.92
	Pulses	1,481.48		161.00		96.12

60. In addition, WFP will soon issue another RO for 1270 mt of rice. This means a total of about 3100 mt of rice is available for utilization in the coming months. There has been considerable delay in the lifting of the 1700 mt of rice from the FCI for which Ros were issued during July-August 2007, primarily due to the non-finalisation of the transporter by the ITDAs. The PSU should have firm arrangements in place for the transportation of WFP's food, as and when fresh allotments are made. The ITDA officials of Koraput would prefer to draw rice from the FCI's warehouse at Rayagada instead of from Jeypore. Since the three OTELP Blocks in Koraput district are closer to Rayagada than Jeypore, there will be savings in the cost of transportation.

61. As recommended by the last review mission, the PSU, in consultation with WFP, had developed uniform formats of muster rolls and food distribution registers. The PSU has just delivered the booklets containing the muster rolls. But such formats are not considered good enough to fully address the problems encountered in the disbursement of cash and food. Based on our field experience in OTELP, it is felt that the most effective way to prevent the change/tampering of records/removal of pages, etc. at the VDC level is to 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. This has worked successfully in Jharkhand. The matter has been taken up with the PD who has agreed to the suggestion.

62. WFP is soon going to introduce the Web portal forms, which have been designed to simplify the reporting mechanism to make better use of the information that is already being produced. The application has been developed to streamline the process by effective use of online tools and technology for collecting, reporting and analyzing M&E data in an easier, faster and more automated way. The entries would be made at the VDC level and sent to the NGOs and to the ITDAs for their scrutiny/signatures. The WFP's District Coordinator will collect these reports and compile it. This would greatly simplify the WFP's reporting work, and reduce the requirement of other periodic reports. District level training of NGO and VDC functionaries would soon be arranged by the WFP.

Financial Audit & General Financial Management and Book-Keeping

63. The audit report for the 2006-07 has been completed and the chartered accountant M/s JBMT & Associates, Bhubaneswar have furnished their report along with the management letter on 29 November 07. The Mission found that audit report did not have a separate opinion on the Statement of Expenditures (SOE).

64. During the last review mission, a similar observation on the audit report of 2005-06 was made on not making an opinion on SOE. The Mission is concerned that despite having made such an observation, the error is repeated for audit report of 2006-07.

65. The Mission found during its field visits, that books of accounts are inadequately maintained at all levels i.e. at PSU, VDC & VLSC. For example, fixed asset register, food grain register (as mentioned in the working guideline as prepared by the M/s Chand & Co, the Financial Management Consultant), required to be maintained at the PSU level were not done. The systematic records of transactions are not being maintained. Journal vouchers are not prepared and entries are being made directly into the computer. The payment vouchers are not made on printed forms. Entries are made on the basis of statement of expenditure.

66. In the system of accounting at PSU, advance given is considered as expenditure. No periodical verification of accounts of FNGOs by OTELP staff has been carried out. FNGOs submit money receipt and payment account but no utilisation certificate has been submitted.

67. Despite flagging the set up of an internal audit system by last review mission this has not been carried out yet. Similarly as pointed out during last review mission, FNGOs have yet to furnish their half-yearly audit report.

Programme Management

68. As funds from last FY 2006-07 are still being utilised, the mission recommends a realistic review be taken of the 2007-08 AWPB to ensure that funds are not released just to show expenditure, but the capacity of CBOs to delivery them properly is of paramount importance. As of end of March 2007 a sum of Rs. 17.4 crore is laying with VDCs, this large sum of money placed with VDCs and if their use is not done in a systematic manner may encourage misuse etc.

69. Audit of FNGOs which are still overdue should be completed before end of January 2008, failing which no funds should be provided to complete this FY's commitment.

70. The error of omission which was found in 2005-06 audit report of providing a separate opinion on the SOEs has again been repeated in the 2006-07 audit report. The Mission requests this error be immediately rectified.

71. The Mission found the financial book keeping at PSU level is not in keeping with professional standards. It is recommended that the finance officer should be with professional financial qualification with experience in managing commercial accounting in computerised environment.

72. The selection of the FNGOs for the Phase – II of the programme, which was launched by the Chief Minister in the presence of the President, IFAD on the 27th March 2007, is yet to be completed. The utilization of funds and food commodities would improve after the addition of Phase – II areas

73. Lessons learned in implementing phase I should be carefully documented so use better use in phase II implementation, e.g in fund flow issues in PSU/ITDAs/VDCs/VLSCs and FNGOs; financial record keeping and timely submission of UCs and the conduct of audit of FNGOs.

74. Frequent transfer of key government staff in the project should be avoided so that momentum of development work is not disrupted.

75. At the wrap-up meeting: (a). it was decided salary and allowance package of project staff would be identical to that which is applicable to WORLP, project funded by DFID in Orissa; (b). to implement the MTR recommendation of bifurcating the finance and administration function at PSU, with the recommendation to recruit a chartered accountant on contract to manage the finance operation of the programme, its cost be part of the programme budget. The current finance and administration officer will henceforth be re-designated as revenue and administration officer and will be responsible for administration and the revenue component of the programme.

DFID/IFAD Collaboration: Funding Issues under IFAD Grant Agreement & DFID Financing Agreement

76. Under Phase II, revised IFAD Loan is for SDR 10.95 million and from DFID as per Financing Agreement which was revised on 7 November 2006 wherein DFID would provide 7.54 million Pound Sterling up to 2010, but this funding support is not adequate as there would be a shortage of about 12 million USD This matter which was raised during last review mission has not been addressed yet. The Mission requests DFID to act on this matter quickly as an early decision would help the planning of continuity of resource allocation for programme activities under phase II which has already commenced since March 2007.

77. Another outstanding issue is that of reimbursement of Rs 9.193 million under DFID grant for expenses incurred ending March 2005 submitted under withdrawal application claim number 1. This amount has been withheld as it was not eligible as the MOU between IFAD and DFID became effective on 18 March 2005, whilst programme activities commenced when the Programme Loan Agreement became effective on 15 July 2003 with DFID commitment to share the expenditure.

78. GoO has written a letter flagging the above mentioned outstanding issues and to date DFID has not responded. The Mission emphasizes the urgency to resolve these issues as soon as possible, as further delays would affect implementation of planned activities with recourse to its source of funds.

79. The DFID Technical Assistance Grant of £1.5 million for procuring technical services for OTELP has commenced with establishment of a Procurement Agency. A Procurement Support Team (PST) has been established as of 5th of November 2007 in Bhubaneswar. DFID did not involve IFAD and OTELP Project Director in the selection process of PST, despite being in the terms of reference of an agreement between DFID and IFAD. The Mission would like emphasize the understanding that DFID TA Grant is to be executed under the control of the Programme Director and the creation of PST is merely to ensure and facilitate use of proper procurement processes as practised by DFID and IFAD are being complied with. Since a number of key technical support activities were to have been procured under DFID TA under phase I and subsequently in Phase II, the Programme Director should immediately commence the procurement of the mentioned "delayed" consulting services and studies immediately without any further delays.

80. In order to ensure better collaboration between the PST and OTELP the PST should a) functionally report to the Project Director for all work related to OTELP; b) consult with the Project Director and the PSU members while preparing ToRs for procuring different services for the programme; and c) provide intensive capacity building support to Project staff and the PSU to effectively coordinate and manage activities and agencies involved in building the capacity and facilitating communities to pursue commercial and business activities.

81. To ensure smooth implementation of the DFID Technical Assistance, it is recommended that a quarterly review meeting be held by the stakeholders: IFAD CPO, Delhi, DFID and the Programme Director.

Monitoring and Evaluation

82. The M& E system is partially operational; forms for collecting data have been used and data collection has begun, but no analysis of the data has been done to be used for project management. This is because the computerised system designed has not been installed. The Mission is informed that the finance section of the project would release Rs1, 65,000 for the purchase of the hard ware for the installing the MIS software at the earliest so that the soft ware is operational for generating monitoring reports. The Project should make all efforts to make the M&E system fully operational in one month without any further delay.

83. A format was designed by PSU and supplied to NGOs/VDCs to monitor the progress of the schemes like NREGS, MDM, ICDS, TPDS, etc in the project villages. The involvement of the NGOs and the VDCs for monitoring such schemes still remains far from satisfactory. This needs to be constantly reminded and harped upon.

84. There has been improvement in the monitoring of the VDCs' work by the NGOs, after the introduction of the monthly reporting formats. The review of the technical approval of the estimates for land and water management schemes to take up the work (within the available amounts in each VDC) should be made in the monthly meetings and in the course of visits to the VDCs.

Appreciation

85. The Mission expresses its sincere thanks to the GoO, PSU, ITDAs, DCs, FNGOs, RNGOs and all village institutions for their help and cooperation extended to it during its stay in Orissa. The Mission also appreciates the cooperation given by concerned officials of DEA, DFID and WFP.

SECTION 3

RECOMMENDATIONS AND ACTIONS REQUIRED

SECTION 3: RECOMMENDATIONS AND ACTIONS REQUIRED

No.	Recommendations and Actions Required	By Whom	By When
1	Audit all UC certificates for expenditures based on advances released earlier and this be done within 3 months.	PSU	Feb 2008
2	Incentives for government staff plus the revised remuneration for contractual staff under OTELP which has been approved by Programme Steering Committee (PSC) on 13 April 07 and sent to the Finance Department need to be acted upon expeditiously.	Finance Department /PSU	As soon as possible
3	Process indicators monitoring should commence immediately after a thorough review of the list of indicators submitted by WASSAN.	PSU	As soon as possible
4	Remedial action be taken to keep bank account opened for 5 years for VDF accounts active.	PSU	As soon as possible
5	Rectify the notion that VDCs are superior bodies and VLSCs are sub-committees	PSU	Immediately
6	No profit-sharing concept between VDCs and land-owners should be allowed using project funds.	PSU	Ongoing
7	WDTs and Social mobilizers in general need more training on understanding of the programme objectives and its application via project components.	PSU	Ongoing
8	SHG's development strategy need further fine-tuning with clearer guidelines on developing existing SHGs and new SHGs, including its grading methodology	PSU	Ongoing
9	Poverty Mapping(well-being ranking) should be used to resolve the ongoing BPL mechanism in project villages	PSU	Ongoing
10	PIM should be an evolving one including the incorporation of all current and future instructions given out.	PSU	Ongoing
11	Selection of FNGOs for Phase II should be carried out quickly	PSU	Before end of 2007
12	Appoint chartered accountants to improve the book-keeping and financial management at PSU, ITDAs, VDCs and VLSCs.	PSU	Before end of January 2008
13.	Complete audit of project accounts of FNGOs	PSU	Before end of this FY
14	GoO should decide on the use of IFAD Loan to re-imburse the expenditure incurred ending 2005 of Rs. 9.193 million.	PSU	March of 2008
15	DFID to respond to (i) fund estimated shortage of USD 12 million under phase II and (ii) to endorse fully the TOR of the establishment of procurement agency for OTELP.	DFID/PSU	January 2008

INDIA: Orissa Tribal Empowerment and Livelihoods Programme

ANNEX 1

PROJECT PERFORMANCE INDICATORS

**UNITED NATIONS
OFFICE FOR PROJECT SERVICES**

UNOPS Project No. IND/03/F01

Country: India
IFAD Loan: 585-IN
Mission Dates: 19 November – 3 December 2007

STATUS OF LAST MISSION'S RECOMMENDATIONS

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
1	VLSCs and the Village Level Audit Sub-Committee (the Palli Sabha) be provided with guidelines which could help them perform their social audit roles better and more effectively.	PSU/ITDAs/ FNGOs	Ongoing	Guidelines prepared and provided to the VLSC and VSFASC - already put in operation	The guidelines provided are displayed in the meeting places where the monthly of VLSC and VSFASC takes place	All member of the VLSC and VSFASC are aware about their role and responsibility in implementation of the project activities and improved governance.
2	A Gender Consultant should be recruited for a year to develop a gender strategy and facilitate FNGOs to implement an effective gender action plan.	PSU	As soon as possible	To be recruited through DFID T.A.	DFID has finalized the process of routing the TA by appointing the Procurement Support Team (PST) for OTELP.	Engagement of Gender Consultant. Gender Strategy in place for OTELP.

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken	
				Last Reported	Present Compliance Expected Outcome
3	<p>(a). A landless strategic action plan to monitor progress made in land settlement issues including acquiring of land titles. A Programme Officer (with hands-on experience in handling land settlement issues in Revenue Department) be recruited at PSU to carry out this task.</p> <p>(b). Gender Consultant should be recruited for a year to develop a gender strategy and facilitate FNGOs to implement an effective gender action plan.</p>	PSU	As soon as possible	<p>(a) A format prepared and provided to the ITDAs for monitoring the land settlement issues within the existing framework of law. Post of Programme Officer for land settlement in PSU to be approved by SLP/MC.</p> <p>(b) As complied in Sl. No. 2</p>	<p>The drafts ToR for sector wise consultancies have been submitted accordingly a Gender Consultant will be engaged through TA shortly.</p> <p>The ITDAs are reporting in the prescribed format. The existing post of Finance & Administrative Officer at PSU has been renamed as Revenue and Administrative Officer and a new post of Finance Officer has been proposed to be created at PSU. The present Finance & Administrative Officer who is an officer with hands on experience in handling land settlement issues, has been entrusted with the task in question.</p> <p>Improved monitoring of the land settlement issues in the programme villages. Effective implementation of the Land Rights agenda within the project.</p>

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
4	Standardize different booking formats currently practised by different VDCs as well as to minimise any duplication of these activities	PSU/ITDAs/FNGOs	Ongoing	Uniform Formats prepared and sent to all the VDCs and in operation now.	All the VDCs are maintaining the accounts and reports in the standardised format.	Improved participation, self monitoring and governance with the community institutions.
5	ITDA staff should monitor the capacity development on a regular basis and provide feedback to FNGOs for remedial actions as well as to PSU for their vigilance as well as to keep an overview of progress of FNGOs..	PSU/ITDAs	Ongoing	PD, OTELP has issued an instruction to the SMS of ITDAs to conduct at least 15 – 18 days visit to the programme villages to facilitate the capacity development of the FNGO staff. The Staff of PSU are also visiting the ITDA and taking regular review on the implementation issues.	Two review workshops were conducted during July and August in each ITDA to review the progress made in different components and to facilitate to remove the bottlenecks in the process of implementation.	Progress in the implementation process at the VDC level and adequate capacity building of the FNGO staff.
6	A workshop be conducted to build and develop capacity of FNGOs through peer review process and these could be facilitated by FNGOs which have good practices to show and RNGOs could be present as resource persons as well as to invite good SHGs and VDCs and other CBOs for their inputs and experience.	PSU/ITDAs/FNGOs	Quarterly	The workshops conducted at the ITDA head quarters with participation of two districts units at one place. This will continue at each three months interval.	Similar workshop was also organized during August at two ITDA headquarters with participation of two district units at one place.	Increased understanding about the programme implementation strategy and cross learning from each others experience.

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
7	A thematic partnership building among the FNGOs in addition to peer review should be carried out.	PSU/ITDAs/FNGOs	6-monthly	Yet to be done.	A workshop will be conducted involving external consultants for working out strategy on building partnership with the help of PST.	Improved performance by the FNGOs.
8	Non-performing FNGO should be disengaged and the staff employed under the concerned FNGO could be recruited under OTELP and continue to function along the lines expected of the “FNGO”	PSU/ITDAs	Ongoing	ITDAs have been instructed to monitor the performance of FNGOs and take necessary follow up.	ITDA, Th. Rampur reported regarding the poor performance of FNGO GVE and the CEO of GVE was invited and two consecutive meetings were conducted at Bhubaneswar and Lanjigarh respectively to facilitate the FNGO to improve the performance. In case of no improvement, steps will be taken for disengaging the FNGOs.	Improved performance by the FNGOs.
9	Monitor SHGs for their financial health to prevent: (a) over funding and (b) indebtedness.	PSU/ITDAs/FNGOs	Ongoing	A detail strategy on RFS has been designed and circulated to monitor the activities of the SHGs.	The RFS strategy/guideline along with Business Development Formats for Income Generating Activities has been finalised in consultation with the field personals,	Uniform monitoring mechanism established. SHGs implementing their IGA in an effective manner. Better documentation and institution building process among SHGs.

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
10	More efforts to use Development Initiative Fund should be directed towards the landless and the vulnerable.	PSU/ITDAAs/FNGOs	Ongoing	The preparation of guideline for the implementation of DIF is under progress and will be completed by October 07 for operation.	The draft guideline prepared are to be placed to the PST and will be prepared by the external consultant. In case of programme villages in Th. Rampur facilitated by Gram Vikas, complete sanitation programme will be taken up under DIF by constructing gravity flow water supply for the village and toilet for each household.	Effective use of DIF to address specific issues of landless, vulnerable and disables.
11	A special Cell is to be established in the Revenue Board with a designated nodal officer to monitor the progress in the provision of giving land titles to the landless in OTELP villages, and also to provide the administrative support to OTELP.	PSU	Before end of this year	To be placed before the SLPMC.	The notification of settlement of land in the programme villages of OTELP has been made by the Revenue Dept., Govt. of Orissa. The special survey team for land settlement will be positioned shortly and the specification of the GPS system to be used is awaited,	Un-surveyed land identified and surveyed against the rights for the occupants. Land holding of landless will increase.

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
12	Staff of ITDA should facilitate the process for land rights for the landless, following endorsement of the landless mapping discussed by the Gram Sabha and vouched by the respective VDCs.	PSU/ITDAs/FNGOs	As soon as possible	To be ensured through the Special survey units to be in position shortly.	To be ensured through the Special survey units to be in position shortly.	
13	Convergence of government programmes should dovetail with OTELP activities and closely monitored and reported and shared in the district level coordination meetings.	PSU/ITDAs	Ongoing	A monitoring format has been designed and provided to the ITDAs to report on the convergence of Govt. programmes in OTELP villages.	The ITDAs have started reporting on the formats prescribed and the monitoring is being ensured.	Better of funds from different sources to the village for development activities.
14	FNGOs to guide and improve account keeping of WFP food.	PSU/ITDAs/FNGOs	Completed before end of 2007	Uniform formats have been designed and provided to the VDCs and FNGOs for improving the account keeping of WFP food.	The reconciliation of the WFP food grains have been completed by the FNGOs and ITDAs since September 2005 till date.	Better accounts keeping of WFP food grains.

Sl. No.	Recommendations and Actions Required	By Whom	By When	Follow Up – Actions Taken		
				Last Reported	Present Compliance	Expected Outcome
15	Business Development Manager position be established at the PSU level, who will plan, guide and fine-tune business strategies for the various districts for the CBOs in collaboration with ITDAs.	PSU	Before end 2007	To be placed before the SLPMC.	Placed before SLPMC and the committee decided that after receipt of the final report on Livelihood Strategy prepared by the KCSD through DFID TA recruitment of the Business Development Manager will be considered basing on the feasibility.	Effective use of the RFS funds for Income Generating Activities.
16	DFID is to work out the modality for use of its TA funds (1.5 million GBP) via a procurement agency.	DFID/PSU	Within one month	Selection of Procurement Agency by DFID in process.	The DFID has engaged NR International to establish the Programme Support Team (PST) to route the TA funds.	Use of TA funds in effective manner.
17	DEA is to write about retroactive financing of those expenditure occurred before 18 March 2005 (commencement of DFID TA Financing Agreement).	DEA	As soon as possible	The Comm cum Secy, STSCDD has written to the Country Director, DFID with copy endorsed to DEA.	The response of DFID is awaited.	
18	Internal audit has to be set up for concurrent audit work in OTELP.	PSU	As soon as possible	The engagement of the auditor is in progress.	The auditor has been engaged and completed the audit of the ITDAs, FNGOs and VDCs. The PSU audit is in progress.	All the expenditures units are audited.

**UNITED NATIONS
OFFICE FOR PROJECT SERVICES**

Country: India
IFAD Loan: 585-IN
Mission Dates: 19 November – 3 December 2007

UNOPS Project No. IND/03/F01

**PROJECT PERFORMANCE INDICATORS
STATUS OF FINANCIAL PROGRESS****Cumulative Financial Progress**

Sl.No.	Programme Components	Expenditure incurred in Rs.
1	Technical assistance, Contractual Services, Studies & Training	84,479,795
2	Salaries & Allowance	17,807,053
3	Vehicle, Equipment & Materials	5,926,279
4	Grant Fund	6,000,000
4	Other incremental Operating Cost	3,686,940
5	Development Initiatives Fund	16,195,660
6	Investment Fund	268,366,303
Total		404,457,030

UNITED NATIONS
OFFICE FOR PROJECT SERVICES

UNOPS Project No. IND/03/F01

Country: India
IFAD Loan: 585-IN
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PROJECT PERFORMANCE INDICATORS
STATUS OF PHYSICAL PROGRESS

Basic Institutions and its Performances

ITDA	No. of VDC formed	% Achievement	No of VLSC* formed	% Achievement	No of VSFASC* formed	% Achievement
Koraput	30	100	82	93	89	101
Paralakhemundi	40	100	106	100	106	100
Balliguda	14	47	82	100	82	100
Th. Rampur	36	100	84	70	116	97
TOTAL	120	88	354	89	393	99

* Constituted after the Phase I MTR during the month of November 2006.

ITDA	Male	Female	% of Women	% ST & SC	% Landless	No. of Meetings Conducted	Meeting per month per VDC	% of Attendance	
								Male	Female
Koraput	275	281	50.54	72.84	10.79	1004	3	50	56
Gajapati	291	172	37.15	100.00	19.65	1456	3	68	57
Baliguda	217	215	49.77	100.00	0.00	166	1	52	45
Th. Rampur	305	186	37.88	98.37	15.27	1053	2	67	55
Total	1088	854	43.83	91.81	11.64	3679			

ITDA	No. of existing SHGs	No. of new SHGs	Total	% of Households Covered	% of SHG conducting regular meeting	No. of User Groups	No. of Ugs taken up activities	% of Ugs taken up activities
Koraput	289	283	572	76.49	100	576	576	100
Paralakhemundi	35	435	470	77.69	100	NA	NA	NA
Baliguda	23	123	146	32.44	63.70	18	4	22
Th. Rampur	202	128	330	92.91	93.94	160	40	25

Land and Water Management

Impact of the Activities in Livelihoods of Poor			Koraput	Parala khemundi	Balliguda	Th. Rampur	Total	
Total wage days created		Number	131801	200550	53247	98574	484172	
Total Households benefited		Number	3979	4528	1033	2249	11789	
Total labours engaged	Landless households earned wage days	Number	37191	1035	276	829	39331	
	ST Male	Number	82866	11720	1105	1705	97396	
	ST Female	Number	31716	10908	1203	1680	45507	
	SC Male	Number	9231	52	485	433	10201	
	SC Female	Number	2135	43	503	410	3091	
	Other Male	Number	4750	23	371	186	5330	
	Other Female	Number	1103	15	290	160	1568	
Land Resource Developed	Non Arable to Arable	Ha	167	46	182	Not Reported	395	
	Farmers Benefited	Number	353	105	410	Not Reported	868	
Water Resource Developed	Water Bodies Created	Number	31	129	7	Not Reported	167	
	Addl. Area irrigated	Ha	329	373.4	17	92	811.4	
	Farmers Benefited	Number	617	1480	115	171	2383	
	Rabi	Baseline Present	Ha Ha	189 461	51 113.4	30 40	60 32	330 646.4
Additional Area Cultivated	Kharif	Baseline Present	Ha Ha	1421 1693	134.2 400.5	240 310	1274 830	3069.2 3233.5

Livestock and Aquaculture Production

Categories	Koraput	Parala khemundi	Balliguda	Th. Rampur	Total
No. of Animals immunized	7781	0	3411	3291	14483
No. of Households Benefited	2877	0	1233	750	4860

SHG Status

SL.No.	ITDA	Total HHs	SHG			Holding Regular Meeting	Total Savings	% of SHGs conducting regular meetings
			Newly formed	Existing	Total			
1	Koraput	6820	175	286	461	434	361483	94.14
2	Th. Rampur	10773	76	187	263	128	151182	48.67
3	Baliguda	1593	39	37	76	72	219588	94.74
4	Paralakhemundi	3842	92	132	224	209	50400	93.30
	Total	23028	382	642	1024	843	782653	82.71

Month Wise Utilisation of Food Grains (WFP)

Sl. No.	Month	Rice in MT	Pulses in MT	Total in MT
1	October, 05	14.70	1.18	15.88
2	November, 05	16.56	1.33	17.89
3	December, 05	25.94	2.08	28.02
4	January, 06	10.49	0.83	11.32
5	February, 06	22.15	1.47	23.62
6	March, 06	11.06	0.74	11.80
7	April, 06	30.33	2.46	32.79
8	May, 06	41.31	3.31	44.62
9	June, 06	15.53	1.31	16.84
10	July, 06	02.71	0.15	02.86
11	August, 06	155.03	5.68	160.71
12	September, 06	89.00	7.12	96.12
13	October, 06	198.57	11.60	210.17
14	November, 06	120.00	10.00	130.00
15	December, 06	113.162	9.501	122.663
16	January, 07	142.008	11.36	153.368
17	February, 07	67.564	5.4	72.964
18	March, 07	282.762	18.7	301.462.
	Total	1358.876	94.221	1453.097

**UNITED NATIONS
OFFICE FOR PROJECT SERVICES**

Country: India UNOPS Project No. IND/03/F01
IFAD Loan: 585-IN
Mission Dates: 19 November – 3 December 2007

COMPLIANCE WITH LOAN COVENANTS

Section	Covenant	Status
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 approved.	Being complied with from 2007/08

Section	Covenant	Status
	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 approximately USD 9 567 000.	Being complied with
	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 fund (TA 1.5 million GBP) not yet available WFP food being provided

Section	Covenant	Status
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 late not yet completed
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
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.	Being complied with
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
SCHEDULE 1	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 districts of the State: Phulbani, Gajpati, Kalahandi, Kandhamal, Koarput, Malkangiri, Nawarangpur and Rayagada (the "Programme Area").	10 blocks have been selected for Phase I
	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

Section	Covenant	Status
SCHEDULE 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
SCHEDULE 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
SCHEDULE 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 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.	Complied with initially. (However, IFAD was not consulted when new PD 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

Section	Covenant	Status
SCHEDULE 3 A.2 (Cont.)	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 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.	Being complied with
	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

Section	Covenant	Status
SCHEDULE 3A	<p>The State shall endeavour to take any Actions required to:</p> <ul style="list-style-type: none"> (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 Guidelines”).	Being complied with
	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

Section	Covenant	Status
	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
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

**UNITED NATIONS
OFFICE FOR PROJECT SERVICES**

Country: India UNOPS Project No. IND/03/F01
IFAD Loan: 585-IN
Mission Dates: 19 November – 3 December 2007

LIST OF PERSONS MET

Project Officers

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INDIA: Orissa Tribal Empowerment and Livelihoods Programme

ANNEX 2

FIELD REPORTS

ANNEX 2-A: RURAL INSTITUTION AND DEVELOPMENT

By C.K. Ramachandran

I. EXECUTIVE SUMMARY

Capacity Building of Communities

1. MTR had recommended that OTELP must revert to the core strategies as drawn up in the Appraisal Report in order to achieve its community level capacity building and empowerment objectives and that the capacity building at CBO levels should emphasise aspects of management of organisations (group processes, financial, projects).

2. Further, an overall training strategy was developed using technical support provided by a specialized agency and non-negotiable packages of training for each key community group and support institution was established. Simple monitoring systems should be established at the FNGO level to continuously monitor the health of the SHGs and VDAs and VDCs. The PSU was to be strengthened to include a person well versed with community development and participatory training – either on a full time basis or as a mentor. Finally, in Phase II, physical activities of OTELP must only be implemented after SHGs and VDAs have stabilised as organisations and have the appropriate accounting systems in place with members that can operate them proficiently.

3. The mission's *findings* are: the Programme has, till end of September 07, constituted Village Level Sub Committees (VLSCs) in 354 out of 396 project villages. Similarly, Village Social and Financial Audit Sub Committees (VSFASC) exist in all except three project villages. It was noticed that, in many cases, transfer of money from VDC accounts to VLSC accounts had not taken place, as envisaged. While PSU has issued guidelines for the VLSC and VLSFACs, the roles and functions of VDCs in the changed set-up are not defined and this has led to interpretations which are not uniform and which have the potential for conflict.

4. The mission *recommends* that the PSU should prepare comprehensive guidelines for the constitution and working of all community institutions like VLSC, VLSFAC, and VDC. In view of the inter-district variations in the capacity of village institutions, the previous mission had recommended (in the context of SHGs) that the training needs of the individual CBOs should be identified and suitable packages developed. PSU should draw up a time-bound action plan for identification of capacity gaps of individual CBOs after a quick survey to be undertaken jointly by the Capacity Building Officer of ITDA and the relevant FNGO. The previous mission had recommended that ITDAs should monitor the capacity development of CBOs on a regular basis. PSU has implemented this recommendation only to the extent that the frequency of visits of SMS to programme villages is sought to be increased. PSU should now develop a format which is compatible with the M&E design and which draws on the WASSAN criteria. It should also brief the ITDA staff on effective monitoring of capacity development of CBOs based on the format.

Capacity Building of Support Agencies

5. MTR had recommended that a "Training Needs and Strengths Assessment" (TNSA) was to be conducted and training on conflict management be provided to all programme partners. Another important recommendation related to formulating a capacity building strategy to meet the needs of all the Support Agencies involved in Programme implementation. Focussed training modules were developed to meet the specific needs of the staff of each support agency – PSU, ITDA and FNGO.

6. The mission's *findings* are: TNSA is yet to take off due to the delay in grounding DFID TA support. Developing a capacity building strategy is also stalled for the same reason. This, despite the

previous mission cautioning the Programme over its complete reliance on TA funds for key and urgent activities required for the project. This mission observes that the capacity of many of the FNGO staff was deficient in respect of knowledge about the programme and their own respective roles. It was also noticed that frequent turnover of FNGO staff often aggravated capacity problems.

7. PSU had conducted a workshop for two districts with the aim of cross learning on programme implementation. But the MTR proposal was to conduct a workshop of all stakeholders in order to bring the focus of the programme back on the over-riding objective of community empowerment. The workshop could also be useful in identifying the training needs of the facilitating and support agencies and in agreeing on a capacity building strategy. It is *recommended* that PSU may conduct such a workshop, facilitated preferably by an Oriya speaking expert who is well-versed in community mobilisation and participatory planning and development.

8. Capacity building of support agencies was affected in Phase I also due to the watershed orientation which demanded quick preparation of Village Development and Livelihood Plans (VDLP) so that work on physical infrastructure could begin. PSU should ensure that while launching Phase II the sequence of capacity building of village institutions and support agencies before planning and implementation of physical infrastructure is adhered to. Expenditure on physical works should be linked to development of the capacity of the community to implement such works and to manage and monitor financial expenditure. Capacity building of FNGOs is affected by the frequent turnover of their staff. PSU may consider arranging condensed courses for new staff to be administered by ITDAs.

Rural Financial Services

9. MTR had recommended that RFS should be treated as an integral part of the capacity building of SHGs and that no seed money should be distributed to SHGs until their savings and internal lending programmes and their management capacity have been properly assessed. It was also recommended that the PSU should convene a workshop in which all stakeholders would agree on the methodology for SHG development and the establishment of the group savings and credit activities. A thorough analysis of the funding that SHGs are receiving from sources other than OTELP was to be conducted at the VDLP level so as to avoid over-funding.

10. The mission *finds* that the PSU had conducted a workshop of stakeholders to evolve a common methodology for SHG development, as suggested in the MTR. However, the draft strategy appears to give more attention to strengthening existing groups rather than covering all the households in the programme area with SHGs. The strategy has not spelt out the steps involved in strengthening existing groups. The mission noticed that in the absence of clear guidelines, community mobilisers in at least two villages had interpreted strengthening as 'taking over'. It was observed that the capacity of SHGs in general was inadequate even for managing inter-loaning and book keeping FNGOs appear to have been concentrating on nursing pre-OTELP SHGs rather than sponsoring new groups of uncovered households, as indicated by the ratio of old to new SHGs which is 60:40. The mission noticed that a number of eligible households were excluded from the SHG fold. At the same time, resources are being diverted to existing groups. This has contributed to the over-funding of SHGs who have been given seed money from OTELP in addition to funds from the original sponsor. Only a detailed study of the finances of individual SHGs would reveal the actual utilisation of the OTELP seed money, ITDA micro credit assistance and bank linked credit. The PSU does not appear to have acted on the Phase I Review recommendation that the programme must coordinate with ITDA on equity contributions to SHGs, to ensure that between them they are not over financing groups. The use of non-standard registers by SHGs still persists, although PSU has standardised these forms. The inclusion of a column in the new register regarding the below poverty line (BPL) status of the members appears to be problematic. The groups are formed on the basis of homogeneity and it would be disruptive to introduce distinction based on judgements made outside the group. It would be preferable to mention the wealth/well-being rank rather than BPL status. It was noticed that there was

little effort at the local level to sort out bank issues of VDCs/SHGs, despite the posting of a WDT (microfinance). Many VDCs complained of not receiving blank cheque forms, inordinate delay in clearing of cheques and refusal by some bank branches to open new accounts on grounds of staff shortage/ service area restriction.

11. The mission *recommends* that the guidelines prepared in a participatory manner may be imported into the PIM with suitable changes in the language and style. While doing so, it may be made clear that the objective of the programme is to saturate the community with SHGs and that extending assistance to SHGs promoted by other governmental and non-governmental agencies will be only on a voluntary basis and with the concurrence of the respective district level co-ordination bodies. PSU may issue clear guidelines on effective co-ordination at the district level with other agencies promoting SHGs. Similar co-ordination must be worked out at the state level so that the possibility of inter-agency friction is avoided. PSU should adopt an integrated approach to encouraging business models in the community. ITDAs must be given clear guidelines on utilising effectively the services of the Business Development Facilitator posted full-time in each of the four districts as part of the MART contract. Urgent measures are required to be taken to build the capacity of the Microfinance Officers at the ITDAs and the WDTs (microfinance) with the FNGOs, in respect of banking procedure, simple credit appraisal, risk analysis, identification of capacity requirements, entrepreneurship development and simple book keeping.

Development Initiatives Fund

12. The mission observed that most of the VDCs had unspent balance under this account. The mission came across an innovative programme proposed to be funded under the DIF for covering 31 project villages (under 12 micro watersheds) with toilets, bathrooms and piped water supply for drinking and irrigation purposes. It is gratifying that PSU has readily agreed to be a partner to this innovative venture by contributing a sum of Rs. 94.73 lakhs under three different heads: CIF (Rs.44.55 lakhs); DIF (Rs. 27.77 lakhs) and Land and Water Management (Rs. 22.41 lakhs). It is, however, a matter of concern that none of the major recommendations of MTR in respect of DIF - such as: formulation of clear guidelines regarding activities to be financed, procedure for project approval, identification of beneficiaries, monitoring of results and impact etc; conducting a visioning exercise on using DIF for livelihood enhancement; and on directing DIF investment towards landless and vulnerable - has so far been implemented. In the latest response, PSU has again repeated that it is seeking TA assistance under DFID TA funds in order to finalise the guidelines. Any further delay may jeopardise further utilisation of funds under this component, as such utilisation without a set of guidelines will be against the principles laid down in the programme.

Agricultural/Horticultural Development

13. The mission notes that the interventions in agricultural development have been generally well accepted. Community acceptability of the following interventions was found to be very high: introduction of legumes in collaboration with ICRISAT; participatory varieties selection of finger millets assisted by MSSRF/IPGRI; partnership with CTCRI in propagating improved varieties of tuber crops; and introduction of tissue culture banana supported by RPRC. However, PSU is yet to implement the MTR recommendation to develop a strategy for delivering the agriculture and horticulture programme to every watershed and to standardise the approach across all districts. The development of such a strategy should be given top priority. The strategy should emphasise specific programmes to be developed for the landless and the marginal landed households.

Livestock and Aquacultural Development

14. The only activities recorded under livestock development were sporadic and haphazard animal health and vaccination camps as part of initial community mobilisation, and one day courses for user groups at village level on animal health and fodder development. PSU has stated that during 2006-07 no activities under pisciculture were undertaken and that it proposes to take up this as a livelihood activity by encouraging SHGs to take up fish rearing in the community water bodies. PSU should urgently implement MTR recommendation for recruiting a consultant veterinarian with extensive experience in village based livestock disease control and animal production systems to prepare an animal health and production strategy for OTELP. PSU may like to take advantage of the DFID TA funds for this purpose.

II. INTRODUCTION

Purpose of Mission

15. The purpose of the review mission was to assess progress on the action taken since the last review on the recommendations of the Phase I MTR Report on each component. The mission was also required to assess progress on cross-cutting issues and to assist and facilitate in resolving any outstanding constraints and pending issues for a smooth implementation to meet the second phase trigger indicators.

Mission Methodology

16. The Mission assembled in Bhubaneswar on 19 November 07 and after briefing by the PSU on 20 November, split into two groups, one covering the districts of Kandhamal and Gajapati and the other, Koraput and Kalahandi districts. The present report relates to the visit of C.K.Ramachandran (UNOPS Consultant) to the project areas in ITDA Thuamul Rampur (Kalahandi district) and ITDA Koraput. Detailed itinerary as well as list of persons met is at Annexure. The team was accompanied by officials of OTELP.

17. 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

18. 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 Koraput ITDAs.

III. MISSION ACTIVITIES AND MAIN FINDINGS

Capacity Building of Communities

a) MTR Recommendations

19. MTR had found the implementation of this component *less than satisfactory* and had made the following recommendations in order to streamline the implementation and bring it in line with the objectives of the Programme:

- OTELP must revert to the core strategies as drawn up in the Appraisal Report in order to achieve its community level capacity building and empowerment objectives;
- The capacity building at CBO levels should emphasise aspects of management of organisations (group processes, financial, projects) as a critical foundation for absorbing and applying technical training on watersheds and livelihoods.
- An overall training strategy must be developed using technical support provided by a specialized agency and non-negotiable packages of training for each key community group and support institution must be established. A system of internal review and adjustment of training content must be put in place.
- Simple monitoring systems should be established at the FNGO level to continuously monitor the health of the SHGs and VDAs and VDCs.
- The staffing pattern and remuneration of FNGOs need to be enhanced to reflect the intensity of their required involvement and the difficult terrain in which OTELP operates.
- The role of the RNGO PRADAN needs to be strengthened and their work needs to be systematically integrated into the operations of all FNGOs. In Phase II PRADAN's contract and TOR should be recast to provide technical back-up, overall supervision, and training of trainers (ToT) support to all districts on a continuous basis.
- The PSU should be strengthened to include a person well versed with community development and participatory training – either on a full time basis or as a mentor.
- In Phase II, physical activities of OTELP must only be implemented after SHGs and VDAs have stabilised as organisations and have the appropriate accounting systems in place with members that can operate them proficiently
- These measures should be fully operational in the Phase I Districts and Blocks prior to taking up additional areas in Phase II.

b) Findings of the Mission

20. One of the important steps involved in reverting to the core strategies of the Programme as laid down at Appraisal is the recognition of the natural village as the unit of planning and monitoring. MTR had recommended this course of action in order to move the Programme away from its watershed orientation and the consequent focus on the VDA as the primary unit of planning. The Programme has, till end of September 07, constituted Village Level Sub Committees (VLSCs) in 354 out of 396 project villages. Similarly, Village Social and Financial Audit Sub Committees (VSFASC) in all except three project villages. The following table gives the ITDA/district-wise break-up of formation of VLSCs/VSFASCs:

ITDA	VDCs	VLSCs	VSFASCs
Koraput	30	82	89
Paralakhemundi	40	106	106
Balliguda	14	82	82
Th. Rampur	36	84	116
TOTAL	120	354	393

Detailed guidelines for the formation of VLSC/VSFASC have been drawn up and are available with these bodies. In many places, these guidelines - translated into Oriya - were also found to have been displayed prominently at the meeting places.

21. The mission, however, noticed that the guidelines were not comprehensive enough to cover

all aspects of the working of these new institutions. OTELP communication conveying the guidelines (dated 18 October 2006) differed from the guidelines for VLSCs/VLSFACs prepared in a participatory workshop in important aspects such as the periodicity of transfer of VDC funds to VLSC accounts, and the need for a requisition for such transfer, and with regard to the transfer of VDF accounts. For instance, in case of VDF accounts, a resolution had been given by VDCs to the bank at the time of opening of the account that no withdrawals would be allowed from the account before 5 years from the date of opening. This resolution effectively prevents the transfer of any money from VDF accounts to VLSC. Similarly, it was noticed that many banks are declaring VDF accounts as inoperative in the absence of any debit transaction for over a year. Bank branches have instructions to transfer the balance outstanding in inoperative accounts to their central offices to prevent fraud. PSU needs to analyse these issues in detail and suggest remedial action – such as giving standing instructions to banks to transfer the balances periodically to fixed deposits - to keep such bank accounts active.

22. It was noticed that, in many cases, transfer of money from VDC accounts to VLSC accounts had not taken place, as envisaged. It was explained by FNGO/Village Volunteers that although balance was available in the VDC accounts, it did not pertain to NRM components and that it was their understanding that only NRM funds were to be transferred to VLSC accounts. The instructions issued are silent on this regard. In the absence of bifurcation of accounts, social audit by VLSFACs was also not taking place in these villages, although the audit committee is in place in all except three villages. It was noticed in another instance that the decision of the PSU not to release fresh amounts to VDCs until they utilise the amounts at their disposal has also had unintended consequences. Some VDCs had exhausted the allocation under NRM but had money under other heads. But because of the above blanket ban, no money had been transferred to such VDCs during the first six months of the current year. This has also affected the bifurcation of the accounts. The mission is constrained to conclude from numerous such instances that there is no proper feedback system from the community to ITDAs either directly or through FNGOs, with the result that such issues did not reach PSU even a year after the guidelines were issued. This reflects poorly on the quality of supervision performed by ITDAs and the PSU and the almost total absence of a monitoring system, despite the investment of substantial resources by the Programme on developing such a system.

23. The absence of comprehensive guidelines has also led to some VDCs considering themselves to be superior bodies to VLSCs. These VDCs were either asking for reports from VLSCs or were withholding payments to VLSCs for works done. The fact that VLSCs are designated as ‘sub’ committees may be responsible for this hierarchical behaviour. However, the guidelines issued by PSU also states, ‘The Secretary, VDC will ensure proper maintenance of the accounts of each VLSC...’ This impression is further confirmed by the process indicators developed by WASSAN which states: ‘VDC to play governance role whereas VLSC to carry out execution of work’. PSU need to clarify that the VDC is responsible only for transfer of funds received to VLSC, obtaining accounts of VLSC and getting the VDC/VLSC accounts audited. Beyond this, no supervisory role is envisaged for VDCs. Verification of financial propriety and physical quality of works is to be done by the Village Level Social and Financial Audit Sub Committee (VLSFAC).

24. It was noticed that, in the absence of clear guidelines, individual institutions had devised their own interpretation and this has led to some friction between VDCs and VLSCs in a few cases. The capacity of the VLSC members, as well as the Village Volunteers was found to be inadequate to cope with the new roles, particularly in respect of book keeping and managing banking transactions.

c) Recommendations

25. PSU should prepare comprehensive guidelines for the constitution and working of all community institutions like VLSC, VLSFAC, and VDC. These guidelines should cover the formation, duties, powers, operating procedure, reporting and monitoring functions of each of the institutions. Such guidelines – which should be written in the style of user manuals - will be part of an evolving

Programme Implementation Manual (PIM) and may form the basis of all training conducted for participants from these institutions.

26. In view of the inter-district variations in the capacity of village institutions, the previous mission had recommended (in the context of SHGs) that the training needs of the individual CBOs should be identified and suitable packages developed. The TNSA proposed has been delayed and can now be more usefully directed for Phase II villages. Meanwhile, PSU should draw up a time-bound action plan for identification of capacity gaps of individual CBOs after a quick survey to be undertaken jointly by the Capacity Building Officer of ITDA and the relevant FNGO. The survey may utilise the set of process related parameters and their measuring criteria developed by WASSAN. A CB plan for CBOs in a cluster can be drawn up on the lines of the indicative list circulated by PSU and implemented within the next three months or so. PSU may also suggest a suitable ratio between training modules of community empowerment /management and skill development in order to prevent substitution of the one by the other.

27. The previous mission had recommended that ITDAs should monitor the capacity development of CBOs on a regular basis. PSU has implemented this recommendation to the extent that the frequency of visits of SMS to programme villages is sought to be increased. However, a reporting system for such monitoring is yet to be developed. PSU should develop such a format drawing from the WASSAN criteria and brief the ITDA staff on effective monitoring of capacity development of CBOs based on the format. It may, however, be ensured that the formats suggested are compatible with the ones which are going to be introduced as part of the M&E system.

Capacity Building of Support Agencies

a) MTR Recommendations

28. This component was designed to upgrade the skills both of Government and NGO staff to enable them to work effectively with the communities and ensure a genuinely participatory and demand-driven approach to Programme implementation. Training was to focus on participatory processes and technical skills related to natural resource management and to include exposure visits to other government and NGO projects. Gender sensitisation was to be an integral part of all training courses. A "Training Needs and Strengths Assessment" (TNSA) was to be conducted and training on conflict management was to be provided to all programme partners.

29. One of the key recommendations of the MTR under this component was to bring the focus back on the over-riding objective of community empowerment. The PSU was required to conduct a Workshop, involving all OTELP's Stakeholders, in order to map out the approach for achieving this objective. The Workshop was expected to reach a consensus on the roles and responsibilities of each stakeholder and develop a strategy for ensuring each has the capacity to meet its responsibilities under the Programme.

30. Another important recommendation related to the conduct of a TNSA exercise with the assistance of trained professionals and formulating a capacity building strategy to meet the needs of all the Support Agencies involved in Programme implementation. Focussed training modules must be developed to meet the specific needs of the staff of each support agency – PSU, ITDA and FNGO. The TNSA was to have been completed by January 2007 and training modules in place for the commencement of Phase II.

b) Findings of the Mission

31. The mission noted that while many of the recommendations of MTR regarding providing additional staff support and travel allowance to FNGOs have been implemented, other

recommendations such as conducting a TNSA are still pending implementation. PSU has been maintaining for over a year now that TNSA should be funded out of DFID TA grants, which is yet to be operationalised. This, despite the previous mission cautioning the Programme over its complete reliance on TA funds for key and urgent activities required for the project. Valuable time has been lost and this is further reflected in the lack of focus in implementing this component. According to the Half Yearly Progress Report (Apr-Sept 07) of OTELP, capacity building of facilitative agencies (which included FNGO and ITDA staff) was mostly in the areas of land and water management and participatory forest management, with stray sessions in financial management, participatory monitoring, MIS, gender and equity and convergence and land rights. In the absence of TNSA, it is difficult to support the claim that these trainings were need-based. It is, however, noticed from the above report that each of the four districts needed exactly one course each in finance management, participatory planning, participatory monitoring, MIS, SHG promotion and documentation and no need for courses in convergence, gender/equity, web based M&E and GIS based data management.

32. The participation of other stakeholders like government officials, ICDS staff and similar functionaries working in the community did not figure in the above statement. Their involvement is essential for the success of the community empowerment programme such as OTELP, as it seeks a convergence of the processes and contents of the various rural development streams. The AWPB 2007-08 has only two components: 'Training to FNGO staff' (Rs.5 lakhs) and Training to ITDA/PSU staff' (Rs.5 lakhs) and it is likely that no funds have been earmarked for the participation of other stakeholder in the capacity building component. The outlay for the above two components appears to be rather meagre considering the enormity of the task.

33. The mission observed that the capacity of many of the FNGO staff was deficient in respect of knowledge about the programme and their own respective roles. This was particularly so in case of the recently recruited WDT (microfinance) who did not appear to have an orientation of banking procedure and practices. It was also noticed that frequent turnover of FNGO staff often aggravated capacity problems. The capacity of Community Mobilisers and Village Volunteers appeared to be adequate only in doing the tasks themselves rather than in getting the community to learn to do the tasks independently.

34. The targeting of CB of support agencies is an issue. Apart from the number of trainings, the quality of participation needs to be carefully monitored. The following example from ITDA, Bhawanipatna (Kalahandi) may be a useful illustration. This ITDA has 330 SHGs of which 281 are female and 49 male. Between April and September 07, they conducted six training courses under the head 'Capacity Building Activity for Support Agencies', as shown below:

Training Course	Duration (days)	Male	Female	Total
1. ToT on livelihood Analysis for SHGs	1	20	2	22
2. ToT on SHG Books and Accounts	2	18	11	29
3. Perspective building on SHGs	2	11	0	11
4. Capacity building strategy for SHGs	2	17	0	17
5. ToT on livelihood Planning for SHGs	2	12	7	19
6. Orientation on RFS Strategy	2	26	3	29
<i>Total</i>		104	23	127

35. ITDA should ponder on the acceptability of the male trainers among the predominantly female SHGs. It was observed by the mission that where the majority of the community mobilisers are male, the quality of social mobilisation was affected. Inclusion of anganwadi workers, who are female and belong to the target population, would have increased the capacity of existing SHGs promoted by them and also brought about gender balance.

c) Recommendations

36. PSU had conducted a workshop for two districts with the aim of cross learning on programme implementation. While this is a good initiative, the purpose behind the workshop of all stakeholders proposed by MTR was a broader one of bringing the focus back on the over-riding objective of community empowerment. Such a workshop, with external facilitation, is still relevant in arriving at a consensus on the broad strategy for implementation of the empowerment objective. The workshop could also be useful in identifying the training needs of the facilitating and support agencies and in agreeing on a capacity building strategy. It is recommended that PSU may conduct such a workshop, facilitated preferably by an Oriya speaking expert who is well-versed in community mobilisation and participatory planning and development.

37. Enough attention does not appear to have been paid to building the capacity of ITDA and PSU, although there is a separate line item in the AWPB for training of this staff. WASSAN, who were contracted among other things to build the capacity of state level facilitators on processes, has not delivered the agreed outputs. PSU should take up this with them so that state level functionaries develop the capacity to monitor and guide the programme which is expected to be increasingly complex as Phase II becomes operational.

38. Capacity building of support agencies was affected in Phase I also due to the watershed orientation which demanded quick preparation of Village Development and Livelihood Plans (VDLP) so that work on physical infrastructure could begin. To this was added the pressure to disburse funds particularly to compensate for the start-up delay. All these factors resulted in short-circuiting the learning process of both the communities as well as of support agencies. PSU should ensure that while launching Phase II the sequence of capacity building of village institutions and support agencies before planning and implementation of physical infrastructure is adhered to. The task will be made easier in case FNGOs participating in Phase I qualify for the new blocks in the existing districts in Phase II, as these have been considerably capacitated. However, PSU will still have to resist the pressure for taking up investment in physical infrastructure before capacity of the community is built, in order to utilise the loan funds. Expenditure on physical works should be linked to development of the capacity of the community to implement such works and to manage and monitor financial expenditure. The mission hopes that Government of Orissa in the ST&SC Development Department will support OTELP in adhering to the sequence of capacity development before investment in physical infrastructure, in order to achieve the objective of empowerment of the community.

39. This component is required to be used more effectively in bringing about convergence by inviting other development professionals working in the area such as the block/Panchayat officials, Mission Shakti representatives and NGOs working on other projects.

40. Capacity building in general is confined to lectures and exposure visits. The recall will be much more effective if the training is based on comprehensive manuals. The Programme has prepared some basic guidelines such as the PIM, financial and operational guidelines; but these require to be combined into a comprehensive manual giving step-by-step guidance which can be easily understood and followed by all stakeholders.

41. Capacity building of FNGOs is affected by the frequent turnover of their staff. It has not always been possible to impart minimum training and orientation to newly recruited staff. PSU may consider conducting condensed courses for new staff to be administered by ITDAs.

Rural Financial Services

a) MTR Recommendations

42. MTR had observed that the operation of the various FNGOs in delivering Rural Financial Services lacked consistency and that there were mismatches in the treatment of new and existing SHGs. It was also observed that the present system of delivery of seed money tended to weaken the capacity of SHGs to engage effectively in all aspects of programme implementation. Some of the important recommendations to strengthen the RFS component were:

- RFS to be treated as an integral part of the capacity building of SHGs. No seed money should be distributed to SHGs until their savings and internal lending programmes and their management capacity has been properly assessed.
- VDLPs should include a thorough analysis of the funding that SHGs are receiving from sources other than OTELP. Based on this assessment OTELP's funding should be adjusted to avoid *over-funding*
- In addition to the greater deployment of PRADAN in Phase II the micro-finance capacity of OTELP should be increased. The PSU and each of the FNGOs should recruit a Micro-finance Specialist.
- The PSU should convene a workshop in which PRADAN and the FNGOs would be required to agree on the methodology for SHG development and the establishment of the group savings and credit activities. Once the approach has been agreed PRADAN would be required to formulate and deliver an implement strategy that would apply universally across the entire OTELP Programme area and be used by all FNGOs. Once the strategy is approved PRADAN should be engaged to implement it.

b) Findings of the Mission

43. The Programme had reported that as at end of March 2007, 1327 SHGs have been promoted including old ones. These SHGs have been graded as A (282); B (560) C (421) and 64 SHGs are yet to be graded. However, the figure furnished by the PSU to the mission shows a decline of 2 SHGs in the total (1325). There is considerable variation in the gradation figures. PSU has now reported that 508 groups have been graded A (against 282 as of end March 07), 371 as grade B, 211 as grade C and 235 as not graded. The statement also reveals that no grading has been done between April and September 07. However, during the same period 218 Business Development Plans (BDP) are reported to have been prepared. Another 408 are under preparation. Considering that the RFS guidelines prepared recently by PSU lays down nine steps for preparing a BDP - such as livelihood visioning exercise, review of gradation status, preparation of a database of socio-economic status of the group, preparation of household level plan, consolidation of these plans and identification of source of funds - the speed with which 218 BDPs have been prepared within three months of the drafting of the guidelines (reportedly in June 07) is a matter of concern in terms of the level of group participation and the extent of group learning in the process. In the absence of such participation and learning, the sustainability of the business proposal could be affected adversely. The latest figures, as reported by PSU, are reproduced below:

District	Period	SHG			Gradation				Seed Capital Support	Linkage with other financial agencies	BDP Prepared	BDP under Preparation
		Old	New	Total	A	B	C	Not Graded				
Koraput	Up to March, 2007	264	199	463	151	65	29	218	202	120	0	0
	Apr - Sept, 2007		0	463	No further gradation done					12	105	94
Gajapati	Up to March, 2007	234	91	325	178	104	73	0	103	163	0	0
	Apr - Sept, 2007		30	355	No further gradation done				205	4	63	230
Kalahandi	Up to March, 2007	202	129	331	129	123	77	2	164	127	0	0
	Apr - Sept, 2007		0		No further gradation done				0	5	25	30
Baliguda	Up to March, 2007	107	69	176	50	79	32	15	47	71	0	0
	Apr - Sept, 2007		0		No further gradation done				44	17	25	54
Total		807	518	1325	508	371	211	235	765	519	218	408

44. Another issue is the capacity of the FNGOs to manage such a large number of business plans. While Kalahandi and Balliguda have focused only on 25 BDPs each, Koraput with 105 BDPs and Gajapati with 63 BDPs appear to have rather ambitious plans for business development of SHGs. The WDTs (microfinance) have been posted only recently and require building their capacity for a proper analysis of the business risks and an identification of the capacity inputs required under each business plan.

45. The mission did not have the opportunity to review the individual business plans, as no information about such plans was available at ITDAs or in the programme villages. However, it was observed that the capacity of SHGs in general was inadequate even for managing inter-loaning and book keeping. Many SHGs had divided the amount of seed money and distributed equally among its members. They were also seen to be charging interest on this sum which was lying idle in the accounts of the individual members. Even in cases where some business activity was being undertaken, it was seen that the only convenor of the group and the Village Volunteer were privy to the details of the business supposed to have been done by the group. Profits from the business were being ploughed back into new ventures without the money passing through banking channels. Large sums of money were found to be kept in the convenor's house in one case. Groups were not aware of the risks involved in taking up totally new ventures.

46. The present approach of PSU is to look at the business development of SHGs in isolation and not as part of an integrated approach to encouraging business models in the community. All CBOs should have roles to play in promoting sustainable livelihood. It was in this context that the previous mission had recommended the placing of a Business Development Manager at the PSU to plan, guide and fine-tune business strategies for the CBOs in collaboration with ITDAs. It is noted that SLPNC has deferred action on this recommendation until after the receipt of the final report on the Livelihood Strategy reportedly being prepared with consultant assistance funded by DFID TA.

47. PSU had conducted a workshop of stakeholders to evolve a common methodology for SHG development, as suggested in the MTR. The outcome has been documented in the paper, 'Livelihood support activities through promotion of SHGs under the component of Rural Finance Services in OTELP'. It is a creditable effort to bring in uniformity of approach and methods of rural enterprise development.

48. The draft strategy appears to give more attention to strengthening existing groups rather than covering all the households in the programme area with SHGs. Phase I Review had commented that the out of the total of 1024² SHGs under the programme, only 382 have been newly formed whereas

² According to latest figures furnished by the Programme, out of 1325 SHGs, 807 are old and 518 new, giving a ratio of 60:40 between old and new SHGs.

642 SHGs existed prior to OTELP. The mission noticed that a number of eligible households were excluded from the SHG fold. At the same time, resources are being diverted to existing groups. The strategy should spell out that OTELP objective is saturation of all households and priority should be for the formation of new SHGs.

49. The strategy has not spelt out the steps involved in strengthening existing groups. The mission noticed that in the absence of clear guidelines, community mobilisers in at least two villages had interpreted strengthening as 'taking over'. This has led to some friction between the original promoting agency and the FNGO seeking to strengthen the group. OTELP may advise field agencies that all issues of inter-agency co-ordination should be raised and resolved in the respective district level committees (DPMC/DLAC/DRDA).

50. The guidelines regarding seed money appear to be somewhat ambiguous. It says at one place that all graded groups are eligible for seed money, 'subject to fulfilling the above internal loaning criteria'. In fact internal loaning itself is a criterion for grading and there should be no need to consider the same criteria again after grading. At another place, it is stated that 'seed money will be provided on request of the groups and on the basis of a feasible plan drawn up by the group'. Such a condition does not appear in the design of the programme.

51. The appraisal mentions that small groups of about 7 members would be provided grant equity of Rs 1,500 at the end of year 1 and a further 2,500 in year 2 provided a sound approach to savings and loaning had been established. Large groups of 12 households were expected to save a total of Rs 1080 by the end of year 1 and receive Rs 3,000 grant equity and RS 3,600 by the middle of year 3 and receive an additional Rs 5,000 in grant equity. The strategy paper mentions that 'seed money grant should be in the range of Rs.2000/- to Rs. 5000/- subject to equal distribution to all the groups.' The intent of this stipulation and the mechanism of achieving this are not clear from the guidelines. However, the mission notes that the above stipulation has been interpreted to mean that equal amounts are to be given to all SHGs. In fact, almost all SHGs have been sanctioned a uniform seed money of Rs.5000. In some cases, this amount has been equally divided and deposited in the individual accounts of the members, in the name of internal loaning.

52. The paper also does not cover important areas such as the modalities for grading (as different practices are in vogue) and bank linkages. On the whole, it is felt that PSU should subject the paper to a thorough peer review in the first instance before circulation.

53. As mentioned above, FNGOs have been concentrating on nursing pre-OTELP SHGs rather than sponsoring new groups of uncovered households. This has contributed to the over-funding of SHGs who have been given seed money from OTELP in addition to funds from the original sponsor. In many cases, the ITDA has also chipped in with additional sum of Rs.10, 000 from out of the regular Tribal Sub Plan (SCA). Only a detailed study of the finances of individual SHGs would reveal the actual utilisation of the OTELP seed money, ITDA micro credit assistance and bank linked credit. The present reporting system is not geared to monitor this aspect of rural financial service. However, the following illustrative sample taken from ITDA statistics substantiate the above situation:

Village Badabankidi, Bandhugaon Block, Koraput	
Number of SHGs promoted by OTELP	<u>09</u>
Total savings (Rs.)	<u>54,775</u>
Loan availed from Banks	<u>96,000</u>
Other grant from ITDA	<u>1,60,000</u>
Seed money from OTELP	<u>20,000</u>
Loan distributed to members @24 % interest	<u>1,91,600</u>

54. The PSU does not appear to have acted on the Phase I Review recommendation that the programme must coordinate with ITDA on equity contributions to SHGs, to ensure that between them they are not over financing groups.

55. Although the strategy mentions that each group will be provided with a small kit of 'pre-designed, non-negotiable registers', it was noticed by the mission that the PSU had allowed the use of non-standard registers in one block in Koraput on the plea that these registers had already been printed. The registers did not contain any indication that these were for use in OTELP project and carried only the emblem of the FNGO. There is also no mention of the OTELP partners like DFID/IFAD/WFP. This is contrary to the visibility requirements of the Programme. Incidentally, it was noticed that even in respect of physical infrastructure in the same block, there was no indication of the partners to the programme.

56. The new composite register which is a single document comprising the membership register, minutes book, financial reporting and visitors book is a welcome effort, as it is expected to facilitate more effective monitoring. However, inclusion of a column regarding the below poverty line (BPL) status of the members appears to be problematic. The mission noticed that in some SHGs only two or three members were included in the official poverty list, while the rest were not shown as BPL. This has caused some resentment also. The groups are formed on the basis of homogeneity and it would be disruptive to introduce distinction based on judgements made outside the group. It would be preferable to mention the wealth/well-being rank rather than BPL status. It was explained on behalf of the Programme that BPL status/number was useful in accessing various benefits from government schemes. While this is not disputed, it would be advisable not to import judgements and categorisation to which the group as a whole has not subscribed so that conflict can be avoided.

57. In case of bank linkage of all groups, including pre-OTELP SHGs, it was recommended by the previous mission that details of bank liabilities, including copies of loan sanction letters, should be collected and made available as part of the SHG records. No action has been initiated in this regard, except in Gajapati. It was noticed that there was little effort at the local level to sort out bank issues of VDCs/SHGs, despite the posting of a WDT (microfinance). Many VDCs complained of not receiving blank cheque forms, inordinate delay in clearing of cheques and refusal by some bank branches to open new accounts on grounds of staff shortage/ service area restriction. PSU/ITDAs should pay particular attention to these issues as it is important that the communities which are only now being introduced into the monetised economy should not lose faith in the system.

c) Recommendations

58. The guidelines prepared in a participatory manner may be imported into the PIM with suitable changes in the language and style. While doing so, it may be made clear that the objective of the programme is to saturate the community with SHGs and that extending assistance to SHGs promoted by other governmental and non-governmental agencies will be only on a voluntary basis and with the concurrence of the respective district level co-ordination bodies. The other inconsistencies in the guidelines, pointed out above, may also be rectified.

59. It is important to highlight that, unlike many other agencies which are focusing on women only for formation of self-help groups, OTELP seeks to promote male and mixed groups also.

60. The programme should bring down the ratio of old to new SHGs from the present 60:40. It was noticed that, in practice, adopting old SHGs meant only fresh infusion of seed money. ITDAs should scrutinise carefully the history of old SHGs from the point of view of their capacity, record of meetings, internal lending and record of past business activities etc. PSU may prescribe a simple format to assist ITDAs in this scrutiny.

61. Urgent measures are required to be taken to build the capacity of the Microfinance Officers at the ITDAs and the WDTs (microfinance) with the FNGOs, in respect of banking procedure, simple credit appraisal, risk analysis, identification of capacity requirements, entrepreneurship development and simple book keeping.

62. PSU may also issue clear guidelines on effective co-ordination at the district level with other agencies promoting SHGs. Similar co-ordination must be worked out at the state level so that the possibility of inter-agency friction is avoided. In this context, PSU may like to get instructions issued by STSCD Department restricting the grant of seed money/microfinance assistance under the TSP to OTELP - promoted SHGs. This will not only curb over financing but also prevent, to some extent, double-counting of groups for statistical purposes.

63. PSU should adopt an integrated approach to encouraging business models in the community. All CBOs should have roles to play in promoting sustainable livelihood. In this context, ITDAs must be given clear guidelines on utilising effectively the services of the Business Development Facilitator posted full-time in each of the four districts as part of the MART contract. They should focus not only on collective marketing but in addition should pay attention to simple value addition in terms of packaging, grading and post-harvest management.

Development Initiatives Fund

64. The purpose DIF was to provide the programme some flexibility to move additional funds to areas of demand as expressed by communities through the participatory planning process and to those components where good results have been achieved. MTR had noted that at the time of Phase I review, the programme had spent only 30 per cent of the amounts proposed for this component. Most of this was spent on constructing multi-purpose warehouses/community centres which was a felt need of the community, although not expressed through a participative planning process. It appears that PSU has not released any funds beyond the original Rs.100, 000 sanctioned to each of the VDCs then in existence. The AWPB 2007-08 has a provision for Rs.10 million under this head.

65. The mission observed that most of the VDCs had unspent balance under this account. Apart from warehouses, no innovative activity had been taken up. The only exception is the solar lighting pilot project in Tingnaput (Koraput). Replication of this successful innovation is, however, delayed due to the time taken up in constructing a workshop for the women village engineers who have been trained in fabricating the lighting. It is apprehended that in case the process is not speeded up, the women may forget the skills that they have acquired at NIRD, Hyderabad. PSU needs to draw up a work plan for these women so that they can start work at new locations during the current working season. Simultaneously, they should be organised into a SHG and trained to prepare their own business plan.

66. The mission came across another innovative programme proposed to be funded under the DIF. Gram Vikas, the FNGO working in Thuamul Rampur Block of Kalahandi District, has proposed covering 31 project villages (under 12 micro watersheds) with toilets, bathrooms and piped water supply for drinking and irrigation purposes. The proposal covers 989 households with a population of 4801. In addition to domestic supply, the water from the scheme is estimated to irrigate 310 acres of land belonging to the 39 habitations. OTELP is expected to put in Rs.3300 per household. The FNGO will contribute an additional Rs.500 per BPL family and Rs. 1700 per APL family. In addition, BPL families will also avail of the assistance of Rs.1200 per family under the Total Sanitation Campaign. Finally, each household is expected to contribute material and unskilled labour to the tune of Rs.4500. Thus, this will be a good example of leveraging DIF funds for convergent development. It is gratifying that PSU has readily agreed to be a partner to this innovative venture by contributing a sum of Rs. 94.73 lakhs under three different heads: CIF (Rs.44.55 lakhs); DIF (Rs. 27.77 lakhs) and Land and Water Management (Rs. 22.41 lakhs). In addition to contributing to increased irrigation potential, the proposal will also reduce the drudgery of women and confer dignity by providing private

bathrooms and toilets. However, higher subsidy for households above the poverty line goes against the principle emphasised by MTR and this is an issue which needs to be borne in mind in formulating future proposals seeking funding from DIF.

67. It is disappointing that none of the major recommendations of MTR in respect of DIF has so far been implemented. These include: formulation of clear guidelines regarding activities to be financed, procedure for project approval, identification of beneficiaries, monitoring of results and impact etc; conducting a visioning exercise on using DIF for livelihood enhancement; and on directing DIF investment towards landless and vulnerable. In the latest response, PSU has again repeated that it is seeking TA assistance under DFID TA funds in order to finalise the guidelines. Now that a procurement arrangement is in place for accessing this fund, the mission expects that PSU will realise the mission-critical nature of some of the services which are awaiting utilisation of the TA funds. Any further delay may jeopardise the utilisation of funds under this component, as such utilisation will be against the principles laid down in the programme.

Agricultural/horticultural Development

68. The objective of this component is to improve agricultural productivity through a two-pronged strategy: demonstrations and training on improved practices, varieties and rotations; and conversion of podu into settled cultivation with mixed tree and annual crops on slopes below 30° and tree crops on slopes above 30°. Food assistance was to be provided to compensate podu farmers for the temporary loss in production while tree crops came into production. However, this component of the Production Systems Enhancement was slow to take off, for a host of reasons including the initial thrust on land and water management. As the operations had commenced only in 2006, MTR could not assess the results of the various initiatives such as trials and demonstrations, extension services and horticultural development. The present mission, the first after *kharif 07*, observed that the interventions in agricultural development have been generally well accepted.

69. While there have been several initiatives such as promoting backyard plantation, propagating cover crops, conversion from paddy to other crops in the highlands and mixed cropping, community acceptability of the following interventions was found to be very high:

- Introduction of legumes in collaboration with ICRISAT;
- Participatory varieties selection of finger millets assisted by MSSRF/IPGRI;
- Partnership with CTCRI in propagating improved varieties of tuber crops;
- Introduction of tissue culture banana supported by RPRC.

In spite of the fact that heavy and unseasonal rains had caused some damage to the trials in some areas, the farmers appeared to be enthusiastic about the new varieties of groundnut, sorghum, pigeon pea and chickpea. The availability of local resource person of ICRISAT for providing technical support and the timely exposure visit to NRCG, Gujarat were factors which lent credibility to this innovation. The finest testimony for the success of this measure is the decision of farmers in the project area to produce and supply seeds to the coastal region of Orissa. Similar enthusiasm was witnessed in the results obtained on the adoption of tissue culture banana.

70. However, PSU is yet to implement the MTR recommendation to develop a strategy for delivering the agriculture and horticulture programme to every watershed and to standardise the approach across all districts. It should include integrated packages of activities from which communities can select to meet their specific needs. Specific programmes must be developed for the landless and the marginal landed households. The strategic goal should be to increase food security and then to improve incomes. The strategy should reflect OTELP's strategic approach to agricultural production: - (i) not using high-cost inputs, chemical fertilisers and pesticides; and, (ii) not using debt to fund subsistence production. The mission expects that the initial success that the programme has achieved in its selected interventions will spur it to develop a strategy for up scaling on the lines

suggested above. OTELP has already outlined the following principles which will guide its strategy in this sector:

- Sustainable land use and cropping pattern;
- Judicious management of soil and water;
- Organic farming;
- Use of bio-fertilisers;
- Integrated nutrient management; and
- Organic pest management.

What is now required is to develop a strategy and an action plan on the above lines so that the programme's intervention in this sector produces sustainable results.

Livestock and Aquacultural Development

71. MTR had noticed that both livestock and aquaculture development had not taken off during Phase I. The only activities recorded were sporadic and haphazard animal health and vaccination camps as part of initial community mobilisation, and one day courses for user groups at village level on animal health and fodder development. It further noticed that no systematic data on the activities in this sub sector was being collected and that there were variations in the data reported by the FNGOs and those available with the PSU. In view of this, MTR had recommended that the PSU should recruit a consultant veterinarian with extensive experience in village based livestock disease control and animal production systems to prepare an animal health and production strategy for OTELP. PSU is advised to take immediate action on these lines and may like to take advantage of the DFID TA funds for this purpose. PSU has stated that during 2006-07 no activities under pisciculture were undertaken and that it proposes to take up this as a livelihood activity by encouraging SHGs to take up fish rearing in the community water bodies.

IV. SUMMARY OF RECOMMENDATIONS

72. PSU should prepare comprehensive guidelines for the constitution and working of all community institutions like VLSC, VLSFAC, and VDC covering the formation, duties, powers, operating procedure, reporting and monitoring functions of each of the institutions. Such guidelines – which should be written in the style of user manuals - will be part of an evolving Programme Implementation Manual (PIM) and may form the basis of all training conducted for participants from these institutions.

73. PSU should draw up a time-bound action plan for identification of capacity gaps of individual CBOs after a quick survey to be undertaken jointly by the Capacity Building Officer of ITDA and the relevant FNGO. The survey may utilise the set of process related parameters and their measuring criteria developed by WASSAN. A CB plan for CBOs in a cluster/micro watershed can be drawn up on the lines of the indicative list circulated by PSU and implemented within the next three months or so. PSU may also suggest a suitable ratio between training modules of community empowerment /management and skill development in order to prevent substitution of the one by the other.

74. PSU should develop a format drawing from the WASSAN criteria and brief the ITDA staff on effective monitoring of capacity development of CBOs based on the format. It may, however, be ensured that the formats suggested are compatible with the ones which are going to be introduced as part of the M&E system.

75. It is recommended that PSU may conduct a workshop of all stakeholders, as suggested by MTR, in order to bring the focus of the programme back on the over-riding objective of community empowerment. The workshop may be facilitated preferably by an Oriya speaking expert who is well-versed in community mobilisation and participatory planning and development.

76. PSU should make sure that WASSAN delivers the contracted input for capacity building so that state level functionaries develop the capacity to monitor and guide the programme which is expected to be increasingly complex as Phase II becomes operational.
77. PSU should ensure that while launching Phase II the sequence of capacity building of village institutions and support agencies before planning and implementation of physical infrastructure is adhered to.
78. Capacity building of support agencies is required to be used more effectively in bringing about convergence by inviting other development professionals working in the area such as the block/Panchayat officials, Mission Shakti representatives and NGOs working on other projects.
79. Capacity building in general is confined to lectures and exposure visits. The recall will be much more effective if the training is based on comprehensive manuals. The Programme has prepared some basic guidelines such as the PIM, financial and operational guidelines; but these require to be combined into a comprehensive manual giving step-by-step guidance which can be easily understood and followed by all stakeholders.
80. Capacity building of FNGOs is affected by the frequent turnover of their staff. It has not always been possible to impart minimum training and orientation to newly recruited staff. PSU may consider arranging condensed courses for new staff to be administered by ITDAs.
81. The guidelines for rural financial services prepared in a participatory manner may be imported into the PIM with suitable changes in the language and style. While doing so, it may be made clear that the objective of the programme is to saturate the community with SHGs and that extending assistance to SHGs promoted by other governmental and non-governmental agencies will be only on a voluntary basis and with the concurrence of the respective district level co-ordination bodies. The other inconsistencies in the guidelines, pointed out may also be rectified.
82. It is important to highlight that, unlike many other agencies which are focusing on women only for formation of self-help groups, OTELP seeks to promote male and mixed groups also.
83. The programme should bring down the ratio of old to new SHGs from the present 60:40. ITDAs should scrutinise carefully the history of old SHGs from the point of view of their capacity, record of meetings, internal lending and record of past business activities etc. PSU may prescribe a simple format to assist ITDAs in this scrutiny.
84. Urgent measures are required to be taken to build the capacity of the Microfinance Officers at the ITDAs and the WDTs (microfinance) with the FNGOs, in respect of banking procedure, simple credit appraisal, risk analysis, identification of capacity requirements, entrepreneurship development and simple book keeping.
85. PSU may issue clear guidelines on effective co-ordination at the district level with other agencies promoting SHGs. Similar co-ordination must be worked out at the state level so that the possibility of inter-agency friction is avoided. In this context, PSU may like to get instructions issued by STSCD Department restricting the grant of seed money/microfinance assistance under the TSP to OTELP - promoted SHGs. This will not only curb over financing but also prevent, to some extent, double-counting of groups for statistical purposes.
86. PSU should adopt an integrated approach to encouraging business models in the community. All CBOs should have roles to play in promoting sustainable livelihood. In this context, ITDAs must be given clear guidelines on utilising effectively the services of the Business Development Facilitator posted full-time in each of the four districts as part of the MART contract. They should focus not only on collective marketing but in addition should pay attention to simple value addition in terms of packaging, grading and post-harvest management.

87. PSU should take immediate steps to implement the major recommendations of MTR in respect of DIF has so far been implemented. These include: formulation of clear guidelines regarding activities to be financed, procedure for project approval, identification of beneficiaries, monitoring of results and impact etc; conducting a visioning exercise on using DIF for livelihood enhancement; and on directing DIF investment towards landless and vulnerable. In case DFID TA is going to be further delayed, PSU should use programme funds for the preparation of guidelines.

88. . PSU should develop a strategy for delivering the agriculture and horticulture programme to every watershed and to standardise the approach across all districts, as recommended by MTR. It should include integrated packages of activities from which communities can select to meet their specific needs. Specific programmes must be developed for the landless and the marginal landed households.

89. PSU should recruit a consultant veterinarian with extensive experience in village based livestock disease control and animal production systems, as recommended by the MTR, to prepare an animal health and production strategy for OTELP.

ANNEX 2-B: RURAL INFRASTRUCTURE

By Y. Ramesh

I. EXECUTIVE SUMMARY

1. The Orissa Tribal Empowerment and Livelihoods Programme (OTELP) is being implemented by the Scheduled Tribe and Scheduled Caste Development Department of Govt. of Orissa. The overall Programme objective is to ensure that livelihoods and food security of poor tribal households are sustainably improved through promoting a more efficient equitable self managed and sustainable exploitation of the Natural resources at their disposal and through off farm/non-farm enterprise development, with the financial assistance from the DFID, IFAD and the WFP.

2. The Programme is expected to be implemented in three phases over a ten year period, (2003-2013) Phase-1 being implemented since October, 2004, in ten blocks of Four Districts namely Gajapati, Kalahandi, Kandhamal, and Koraput of Southern west Orissa. In Phase II extend to another 3 Districts namely Rayagada, Malkangiri and Nawarangpur in 20 more blocks for a period of 4 years (2007-2011). In phase III (2011-2013) would cover the remaining activities and utilize the balance budget in strengthening the institutions, accessing resources, build effective linkages with financial institutions and Government departments in existing area. The implementation structure at State level is the Schedule Tribe & Schedule Cast Development Department, at District level Integrated Tribal Development Agency and Non Government Organizations and at grass root level Self Help Groups, Village Development Committees and Village Level Sub-Committees. The NGOs facilitate and support the grass root level institutions. The Programme Support Unit (PSU) at state level monitors and supports the Programme along with Resource NGOs these support institution help in planning, implementation, monitoring and evaluation of the programmes and provide capacity building of the ITDA and FNGO staff to carryout the programmes in effective manner.

3. The objective of the Programme is to empower tribal grassroots associations and VLSCs as well as women, small and marginal groups, so that they become more capable to plan, implement and manage their own development and negotiate with other authorities to harness the necessary resources required to promote activities that generate sustainable increase in production and productivity of land and water resources and also to generate alternate sources of income outside of agriculture/horticulture and sustainable management of forests particularly for the landless families.

4. The Community Based institutions have been promoted with the objective of initiating participatory development processes in the villages and building their capacities to plan, implement, monitor and evaluate the programmes for further development with modified, sustainable and replicable models.

II. INTRODUCTION

Purpose of Mission

5. The Second review mission for this year under a shared modality agreed between IFAD and UNOPS (20 February 2007) will be conducted under responsibility of UNOPS in collaboration with IFAD/FPU on cross-cutting issues and carried out jointly. Programme partner agencies (DFID, WFP) would also join this mission.

6. The Review Mission commences on 19th November 2007 and ended on 3rd of December, 2007. The Mission consists Mr. Kishan Gill (Mission leader and Senior Portfolio Manager) from UNOPS, Mr. C.K Ramachandran Rural Institutions & Development Specialist (UNOPS Consultant), Mr. Y. Ramesh, Rural Development/Infrastructure and Development specialist (UNOPS Consultant)

Mr.Mahendra Verma Financial & Project Management Specialist (UNOPS Consultant),Mr.Saheel Rafiq Implementation Support Specialist, FPO/IFAD, Delhi..

7. The mission will review the progress made of actions taken of the recommendations made in the first review mission conducted in May, 07. This mission would assist and facilitate in resolving any outstanding constraints and pending issues for a smooth implementation to meet the 2nd phase trigger indicators.

- a) Assess progress made since last review mission by the Programme to meet compliance with as per covenants of the Loan Agreement (IFAD).
- b) Since the actions taken following Phase I MTR were still in the early stages during the first review mission this mission would review the state of actions being taken on the recommendations. PSU is to provide an update of summary of actions taken on the recommendations in the following areas; (i) Capacity Building of Communities (ii) Capacity Building of Support Agencies (iii) Land Water Management (iv) Participatory Forest Management (v) Agricultural/Horticultural Development (vi) Livestock and Aquaculture Production (vii) Rural Financial Services (viii) Community Infrastructure (ix) Support for Policy Initiatives (x) Development Initiatives Fund and Programme Management.
- c) Similarly, actions taken on **cross-cutting issues**, Gender related issues. Equity issues and Support for Policy Initiatives.
- d) Review and assess the progress made in implementing the current year AWPB with focus on actions planned and taken on the recommendation of the Phase I MTR report.
- e) In addition, the mission will assess to what extent has be implementing arrangements of the various components as recommended under Phase II has been carried out.

Mission Methodology

8. A meeting was held in OTELP Office on 20th November in Bhubneswar. Presentations were made and interactions with PSU team. Handouts were given to Mission members for reference. At the district head quarters a meeting was held with OTELP Officials, ITDA & FNGO staff and data collected on progress of activities watershed wise. The processes of planning of the programmes and later on achievements were provided. The Mission then made field visits, interacting with SHGs, UGs, VDCs/VLSC and the concerned field staff.

9. The team was divided into three groups, two groups made visits to two Districts of each group and 3rd group covered 1st and 2nd group field visits areas.

Team-1 comprising Mr. Mahendra Verma, Mr. Y.Ramesh and Mr. Kishan Gill and Mr. Deepak Mohanthy Project Director along with PSU staff visited the following villages of Gajapathi and Kandamal Districts;

SL #	Name of the District	Village	Watershed	VDC/ VLSC	NGO
1	Gajapathi	Patangipadar	Badanala Watershed	Patangipadar	PEACE
2		Tahajung	Pison Watershed	Tahajung	CCD
3		Badamasing	Darugrahma Watershed	Badamasing	SWWS
4	Kandamal	Barengili – A (Tummudiband Block)	Tummudiband Watershed	Shivashakthi Barengili	PRADHATA
5		Kupudama (Gayagad Area)	Maa Subasini	Maa Subasini Krishivikash	JAGRUTI

Acknowledgement

10. The Mission (Y. Ramesh) expresses its sincere thanks to Mr Kishan Gill who has lead the team and made successful of the review missions visit, Mr.Deepak Mohanty Project Director of OTELP, made logistic arrangements and organised systematically to complete the tasks of mission, The secretaries of the state who involved in Review Mission meetings of OTELP, Mr Basant Bal, WFP who participated with the mission in field visits and Ms Subratha Patnayak DFID who involved in review meetings and Wrap-up meetings, Government Officials, PSU, ITDAs, FNGOs, RNGOs and all Village Level Institutions for their help and cooperation extended during the field visits interactions and submission of reports and records for references. The Mission also appreciates the cooperation given by concerned officials of DFID and WFP.

III. STATUS & SITUATIONAL REVIEW & ANALYSIS

Location & Situation of the Project

11. The Programme is covered 30 of the most backward blocks with high tribal concentrations in seven districts, namely Gajapati, Kalahandi, Kandhamal, Koraput, Malkangiri, Nawarangpur, and Rayagada in South-West Orissa.

12. In contrast to the situation, the malnutrition and starvation deaths occur more frequently in the tribal pockets, which are being unnoticed by the rest of the society. However, the increase in population and livestock has resulted in grater need for food, fodder, fuel and fibre. The growing demand from industries and agriculture sector for employment and food security has lead to over exploitation natural resources. The food security can not be achieved in endemic areas on a long-term basis unless otherwise the production is increased through judicious utilization of natural resources.

13. The development programmes initiated by govt. and non-govt agencies could able to provide the relief measures to the rural communities but unable to meet the issues related to holistic development in the long run on sustainable basis. To achieve the over all goals of rural development it is critical importance to protect and improve the mountain or rain-fed upland watersheds. These rain fed areas are mainly occupied by the vulnerable and poor farmers' communities Micro-watershed and Livelihood programme approach to achieve the objectives of the sustainable development The watershed management planning not only address the judicious utilization of natural resources but also to provide solutions to various problems like decreased production, drought, flood control, lack of control over CPR, deforestation, lack of skill development and poor bargaining power for self-dependency of the community.

14. Now, the OTELP has envisions the holistic development of human-plant-animal-land and water through the participatory watershed development and Livelihood programme management to lead the sustainable development.

Project Background

15. The programme has been designed empowering the Tribal and enabling them to enhancing their food security to improve overall quality of their livelihood through the programme activities to address the sustainable livelihoods as watershed-plus components

16. OTELP has started with collaboration of Government of India, Government of Orissa, IFAD, DFID and WFP with the objectives of the Welfare and Economic development of Tribal Communities in India. It focused on Community Empowerment as the basis for effective Natural Resource Management covering 7 Districts of 30 Blocks. The total cost of the programme was estimated USD91.15 million of which IFAD was to provide USD 20 million from loan funds, DFID the

equivalent of USD 40 million as a grant and WFP food aid to the value of USD 12.3 million. The Government was expected to cover the equivalent of USD 9.57 million and the programme beneficiary the equivalent of USD 89 million.

17. It was decided that the programme would be implemented under IFAD's flexible lending mechanism. Phase I was to be implemented over a 3 year period and was expected to involve a total expenditure of approximately USD 89 million. Phase II was to be implemented over 4 years and involve an expenditure of USD 54.9 million and Phase III would cover the remaining 3 years for utilising the remaining USD 27.36. OTELP was approved by IFAD's executive board in April, 2002. The loan was signed in December 2002 and declared effective 15th July 2003 but it was formally launched on 2nd October 2004 by Hon. Chief Minister of Orissa. Phase I review has been undertaken in September, 2006 but in practical terms the Phase I review is still based on only 23 months of effective implementation and in assessing OTELP's achievements, this factor should be taken in to consideration.

Objectives

18. The Programme objectives proposed at Appraisal were to *ensure that the livelihoods and food security of poor tribal households are sustainably improved through promoting a more efficient, equitable, self-managed and sustainable exploitation of the natural resources at their disposal and through off-farm/non-farm enterprise development*. To achieve this objective, the Programme was expected to;

- Build the capacity of marginal groups as individuals, and grassroots institutions;
- Enhance the access of poor tribal people to land, water and forests and increase the productivity of these resources in environmentally sustainable and socially equitable ways;
- Encourage and facilitate off-farm enterprise development focussed on the needs of poor tribal households;
- Monitor the basic food entitlements of tribal households and ensure their access to public food supplies;
- Strengthen the institutional capacity of government agencies, Panchayati Raj Institutions, NGOs and civil society to work effectively for participatory poverty reduction with tribal communities.
- Encourage the development of a pro-tribal enabling environment through ensuring that legislation governing control of, and access to, development resources by poor tribal households is implemented effectively and by recommending other policy improvements; and
- Build on the indigenous knowledge and values of *tribals* and blend these with technological innovations to ensure a speedier pace of development.

Impact of Project Interventions

Institutional Arrangement

SHGS:

- This is the basic grass root level institution that play a vital role in empowerment and improvement of their livelihoods. The Project has formed around 1325 SHGs and has provided trainings in a phased manner.

- The OTELP project and other agencies have mobilised 65% of the community in to SHGs and started linkages with different Institutions this is a good start, it should be speed up,

Information on Self Help Group in the OTELP Programme Villages								
District	SHGs Total	Gradation				Seed Capital Support	Linkage with other Financial Agencies	BDP Prepared
		A	B	C	Not Graded			
Koraput	463	151	65	29	218	202	120	105
Gajapathi	355	178	104	73	0	308	163	63
Kalahandi	331	129	123	77	2	164	127	25
Balliguda	176	50	79	32	15	91	71	25
Total	1325	508	371	211	235	765	481	218

VDCs:

- The VDCs are formed in four Districts of 396 villages and 136 Micro watershed areas, out of which 15 have been formed in Balliguda during last six months, simultaneously the VLSC/VLSFC are also in place they have been functioning well. The project has provided Capacity Building ensuring Gender equity, participation, and decision-making in planning, implementation and monitoring aspects.

Project Expenditure and Outlay

19. The statement below explains the Budget flow from PSU to ITDA – FNGO – VDCs it shows very low expenditure up to October, 2007. (Example: in Balliguda ITDA area)

FINANCIAL POSITION OF OTELP,ITDA,BALLIGUDA						
						(Figures in Rs.Lakhs)
Sl. No	Year	2004 – 05 (Audited)	2005 – 06 (Audited)	2006 – 07 (Audited)	2007 – 08 (Up to October 07)	Cumulative up to 31.10.07
A	Opening Balance	-	9.37	60.55	490.00	-
B	Funds Received	13.27	114.41	507.15	10.00	644.83
C	Interest Receipts	0.07	0.33	4.82	0.41	5.63
D	Funds Available	13.34	124.11	572.52	500.41	650.46
E	Funds Released to:					
	FNGOs	-	11.45	18.90	14.13	44.48
	VDCs	-	27.42	99.64	155.32	282.37
F	Expenditure					
	ITDA	3.97	24.69	24.80	11.64	65.10
	FNGOs	-	11.45	18.88	13.84	44.17
	VDCs	-	27.42	41.20	107.08	175.70
	Total	3.97	63.56	84.88	132.56	284.97
G	Closing Balance					
	ITDA	9.37	60.55	429.33	258.65	258.65
	FNGOs	-	-	0.17	0.46	0.31
	VDCs	-	-	60.50	108.74	106.67
	Total	9.37	60.55	490.00	367.85	365.63
H	% expenditure wrt. Fund Available (F/D)*100	30%	51%	15%	26%	44%
I	Budget (Including Spill Over)	13.27	106.08	518.32	1094.03	1731.70
J	% expenditure wrt. Fund Available (F/I)*100	30%	60%	16%	12%	16%

IV. MISSION ACTIVITIES & MAIN FINDINGS

Land & Water Management

- The construction of structures has provided labour wages to the communities and in particular to the landless, there was a major source of income. It is reported that 11789 house holds have benefited from these interventions and 39,331 wage days have been provided to landless households who were engaged to build these structures. In terms of labour inputs 112927 Male and 50166 Female participated.
- The works have been taken up in small scale but through a compact area treatment approach. The impacts reported by the people include 261 ha of waste lands being brought into cultivation benefiting 1773 households, 413 water bodies created providing additional 1297 hectares of irrigated lands benefiting 3192 farmers. In terms of crop benefits Rabi crop has increased from 330 ha. (Baseline) to 646 ha, and Kharif crop from 3069 ha to 3330 ha. As a result of the above this is reduced dependency on podu cultivation.
- As per the last review mission recommendations water bodies and earthen and stone bunding activities have been done on a massive scale creating employment generation with subsidized food grain this has resulted in reduction of migration. It has also increased the agriculture land and irrigation. But the activities implemented in 4 District varies from place to place, The progress is as follows:

Table: 1

Activities	Gajapathi	Balliguda	Th.Rampur	Koraput	Total
1. Checkdam, Farmpond, Dug well, percolation Tank Chuan etc. in No.	123	52	183	55	413
2. Land development (Bunding earthen and stone), trenches and terracing etc. in Rmts.	5224	73285	231570	81345	391424
3. Stone structures (loose boulder structure, gully control and stream bank erosion control etc in No.	273	0	6059	128	64610
4. Miscellaneous structures: Drop structure and field channels etc. in Rmts.	2800	1855	0	14500	19155

20. As per the data analyzed the achievement V/s budget spent is very low. The employment generated is around 213,399 days and 7341 families have benefited especially **landless**. The landless families of 2932 utilized the food grains as food security. The expenditure part is 30 to 40 percent this includes spill over budget of 2006-07, it is clear that the Project team needs to concentrate to achieve remaining 70% to 60% of the budget by March, 2008.

Table: 2

Land & Water Management (April to September 2007)		
Impact		Total of 4 Districts
Non-arable to arable land	Area in Ha.	261
	No. of Beneficiaries	1773
Increase of Irrigation area (Ha.)	Kharif	865
	Rabi	432
No. of House holds got benefited from irrigation	Kharif	2412
	Rabi	780

Land & Water Management (April to September 2007)		
Impact		Total of 4 Districts
Wages days created	No. of wage days	213399
	No. of total families	7341
	No. of landless families	2932
	Average wage days /Household	29
increase of cultivated area due to land developed (Ha.)	Kharif	404
	Rabi	138
Utilisation of Food Grains	Rice (mt)	375.78
	Pulses (mt)	38.676
	Wages days	229248
	No. of Beneficiaries	118872
		110376

21. The change from non-arable land to arable land and to irrigated land has increased as below

Table: 3

Category of Interventions	Particulars	Unit	Details
Land resource developed	Non-arable to arable	Ha	261
	Farmers benefited	No.	1773
Water Resource Developed	Irrigated land increased	Hc, in Kharif and in Rabi	865 432
	Addl. area irrigated	Hc	1297
	Farmers benefited	No	3192

22. **Agriculture and Horticulture:** During Kharif the project focused on Horticulture plantation for long-term benefit and on short-term benefits like production of vegetables for the family as well as to sell small quantities in the local markets as additional income and to reduce the dependency on Podu cultivation.

23. Demonstration was taken with the support of Research Institutions like ICRISAT, MSSRF, RPRC, CTCRI etc, to improve the production and placing of new varieties with high yield (Groundnut, Pigeon-pea, Ragi Yam, Tissue Banana, Papaya and Drumstick etc.) Demonstrations were taken-up in small plots of 4 Districts to promote technology by introducing bio-fertilizers and Indigenous Pest Management (IPM) and INM Integrated Nutrient Management and SRI paddy system etc.

Table: 4

Sl. No.	Variety of Plants	No. of Hectors	No. of Farmers	Types of plantation
1	Mango, Litchi, Guava, Lemon, Cashew, Banana	402	1807	Protected Forest lands
2	Back yard/Homestead plantation (Coconut, Banana, Papaya, Drumstick etc.)	62	3102	Homesteads
3	Crop Demonstration (Cauliflower, Onion, Papaya, Potato, Termeric, Niger, Tuber crops, Scented Rice etc.)	68	1133	Agriculture fields
4	Cover crops (Pulses and Oil seeds)	324	1335	Agriculture/ Podu fields
5	Crop diversification (Paddy to Veg, Pulses, Spices etc)	162	2084	Irrigation fields
6	Mixed Cropping (Mize+ Yam, Arhar + lablab etc)	30	80	Agriculture fields
7	DEMON: Groundnut +Pigeon pea +Sorghum +Chickpea	16.5	662	Irrigated fertile fields
8	Groundnut (ICGV 91114)	4	20	Irrigated fertile fields
9	SRI (Paddy)	2	21	Irrigated fertile land
	TOTAL	1070.5	10244	

24. **Village Seed Bank:** This was introduced in three watersheds of Gajapazthi District with 79 farmers to ensure quality seed and timely supply of inputs to the farmers; this can be promoted in other 3 districts.

25. Participatory Technology Development practices have taken in 3 districts with low external inputs and high yield varieties like (Yam, Ragi, Groundnut) in 442 hectares; it has benefited 2030 farmers and promoted Sustainable agriculture.

26. **Convergence:** Quality seeds have been mobilized from the Agriculture and Horticulture Departments of GoO and planted in small patches, Examples are Ragi (350 ha with 1150 farmers) Pigeon pea (4ha with 20 farmers) and Horticulture plants Mango 279 ha in Koraput and Kalahandi District by 944 farmers.

27. The (RSVY) Rastriya Swayam Vruddi Yojana is a successful programme in getting the sanitation facilities under the “Rural Sanitation Scheme” supported by CAPART. The villagers have constructed 35 sanitary individual latrines costing Rs.5650/- each. The latrines are using by the families and improved hygienic condition in the village.

28. **Tissue Banana:** SHGs (3 groups) of Berangali-A of Balliguda block have mobilized subsidized Bank Loan under SJSY scheme and taken banana plantation in 10 acres, they have been trained in management and maintenance through lift irrigation by river valley water by Diesel Pump set, the crop growth is good and they expect average profit per acre of Rs.50, 000/-.

V. PARTICIPATORY FOREST MANAGEMENT

29. During the last six months 73 VSS groups have been formed out of which 21 groups got the micro plans approved and amount has to be released to take up the activities. All the VSS groups have been trained in Forest programmes implementation and management aspects. The women members have taken a role in management this has also created additional employment; it has given them the technical skills and livelihoods.

30. **Village Nurseries:** In selected villages SHG (Women) members have been trained in raising nurseries keeping the view the suitable species proposed by the community for different types of plantation in upper reaches and low lands. Decentralized 69 village nurseries have been established and managed by the SHGs in 69 villages they have raised 8.19 lakhs of saplings, like (Cassia semia, Accasia- ariciloformis, teak, cashew, pongomia etc). The plants survival is very good due to continuous moisture.

31. The table shows how the (Women) benefited from forest nursery activities:

Table: 5

Participatory of Forest Management (April to September- 2007)		
1	Wage days created	19677
2	No. of beneficiaries	650
3	Male	9388
4	Female	10289
5	Rice utilized (mt)	33.78
6	Pulses utilized (mt)	3.97

- Participatory Forest Management: Out of the 186 VSS, 99 have submitted the micro plans to DFO, and got approval to take up the activities.
- Initiatives were taken in few places on NTFP products, with support of MART has get good results, it has to extend to all watershed areas to add value to their produces.

VI. LIVESTOCK AND AQUACULTURE

32. Under this programme the concerned ITDA/FNGO/VDCs have selected the youth and provided training through Veterinary Department and provided Veterinary tool kit to extend services to remote areas.

33. Demonstration of Hybrid fodder seed of Jowar tall variety cultivation in 5 Micro Watersheds mobilized from the Veterinary Department in Nuagada Block of Gajapati District was given good results; it should spread to other areas with few more fodder varieties like Stylo hamata and Stylo scabra.

34. The Para workers provided vaccination programme in large scale before rainy season to prevent the diseases and conducted technical trainings at village level cattle owning families.

35. Aquaculture: Mobilizing fingerlings from the Govt. dept and stocked in 18 Traditional tanks in Koraput district of Laximipur and Bandhugaon blocks; the results yet to be known after harvesting in Feb and March 2008.

Community Infrastructure Fund

- Priority could be given to take up road repair or approach roads to the interior villages where the road links have cut off during rainy season; this could be merged with NREGA programme.
- Skill development trainings for youth (boys and girls) could be provided on different and suitable trades to utilize their services during the project period and ensure their sustainable livelihood; ITDA already has such type of trainings, facilitation role has to be take-up by VDC/ FNGOs and monitored by PSU.
- As per the requirement the construction of 14 Storage godowns is under progress each cost around Rs.2.5 Lakhs. This will be completed by another 3 months period and use for conducting meetings/trainings and also used as grain bank, and a separate room for VDC office.

Development Initiative Fund

- Under this component, programmes are identified for supply of solar light, Old age pension to left out families, drinking water system, and small business for land less and vulnerable groups based on the need areas.
- WFP: (Food security) Utilization of food grains during the year 1214Mt rice and 119.3 Mt of pulses to supplement part of the wage component equal value around of Rs.45.00 lakhs which will be available for post management of watershed activities; this amount is deposited in VDF account.

RECOMMENDATIONS

- Need to focus on organizing left over poor in to SHGs; this must be given priority, need to coordinate with other agencies of Mission Shakthi, FNGOs, ICDS, ITDA to cover 100% by March, 2008.
- Need to form Federations to have second line structure to take up the Cluster level or Block level issues related to Education, Health, Banks and co-ordination with the development departments.
- Bank linkages should be given priority to groups who have completed the two years and above.
- VDC/VLSC level the budget and action plans should be exhibited at village level to review and monitoring of the programme, ensuring transparency and accountability from the CBOs and community members.
- VDC/VLSCs statutory audit has to be regularized as well as emphasis on social audit.
- Fund flow process delayed in releasing from OTELP/Govt. to ITDA to FNGO/VDC and VDC to VLSC also from Bankers to get realization of Cheques and Cash disbursement etc, this could be sorted out at PSU level, this is also a reason for slow progress in implementation of the activities.
- 50 % of the VSS have to fasten the process in submission of micro plans getting sanctions and releases of amount before the rainy season is over, otherwise the community loses one year progress.
- Safety net measures have to be taken to covering cattle Insurance through ITDA by the volunteers.
- Operation modalities proceedings from PSU for functions of the VDC/VLSE should be reviewed at ITDA level. It was written on wall posters but not much socialized among the community.
- Capacity Building: Capacity Building for the SHGs is inadequate; trainings have to be done constantly for VDC/VLSC/SHG/UGs. The PSU should prepare master plan and monitor regularly, ensuring qualitative trainings
- Integrated plan should be made at VDC/VLSE level keeping in mind the sources available and expected resources mobilization from other departments.(At present plans and focus is only on land & water management or Agriculture etc, but they should have a master plan to include RFS,DIF,CIF,WFP etc.
- The committees, Volunteers and Para workers should be provided Training on bookkeeping, financial management and technical trainings on Mechanical & biological structures, more exposures are required.
- Seed money has to be provided quickly for 80% SHGs and to follow inter lending to take up income generating activities by individual and also as group.
- Few SHGs have taken up IGPs as a group activity using Seed capital amount, but modalities should be worked out for sharing responsibilities and profits to sustain the activity.
- The construction of Water bodies should be made by following proper design, analyzing the potential of catchment area and water flow to store optimum level of water storage.
- Fodder promotion of Hybrid varieties Stylo Hamata and Stylo scabra, should be provided since it has nutrient value and this could be done on field bunds, forest land, Revenue waste lands etc.
- Earthen Bunding has been done, but for stabilization, promotion of biomass, plantation should be taken up simultaneously.
- A larger number of village nurseries should be established nearer to the plantation sites to avoid transport and damages, SHG members should to access the healthy saplings in right time, it provides employment generation to reduce migration.

- Advance plan of cropping pattern with technical support for Kharif /Rabi promoting the demonstration with high yielding varieties has to be taken up on large scale.
- Groundnut seed(ICRISAT 91114 variety) was procured and distributed for 29 farmers but the crop has failed in all farmers fields this is not reflected or discussed with the community to find out the reasons why the crops failed?
- Plan for Rabi should be made avoiding the problem of stray cattle grazing in open fields through motivating the community to protect crops through group activity and to take up single crop to ensure protection and good market of the products providing technical and market support
- Agriculture implements have been procured but modalities should be worked out at VDC level to utilize them properly.
- Need to have Co-ordination with Forest Department at ITDA and FNGOs to plan for promotion of the A forestation activities (Agro-forestry) to improve fertility through bio-mass and sufficient fodder.
- Organizing Farmers' Field Days before harvesting the crop to share the experiences from farmer to farmer for right assessment and to scale up the new techniques and high yield varieties (example: SRI Paddy)
- Business development plans should be prepared by SHGs in a participatory manner and followed, forward and backward linkages should be included and cost modalities.
- contributions are not recorded properly they should be deposited in VDF account and reviewed in schedule meetings
- Land less people have submitted the applications to the Revenue Departments; need to do follow-up with Dist. Collectors. Even though there is a scheme like Vasundara for providing Homestead and House site pattas but it has not happened in-time.
- NREGA: Majority people got Job Cards and less involvement in executing the works and still they have to equip in identification of the activities. Increase involvement by the community to develop the infrastructure like roads and reduce the migration.
- Inaccessibility of the road to watershed villages travel of staff and transport of food grains are delayed, this could be solved with Community Infrastructure fund and through NREGA Programme.
- Mobilizing resources like Indira Avas Yojana (housing programme) is limited among the eligible families. Need to do follow-up.
- Frequent changes of WDT members hamper the progress of the programmes.
- Operation modalities proceedings from PSU for functions of the VDC/VLSE should be reviewed at ITDA level and see that there should not any disparities at field level.
- Construction of Community halls under CIF; the budget has been released, work should be well planned to complete in time assessing the feasibility.

SUGGESTIONS

- Statistics in progress of women related activities
- IGA statistics towards landless & other vulnerable groups
- Statistics related to Social safety net programmes to eligible people Ex: Old age, PDS, Widow, Anthyodaya cards etc.
- CB on entitlements of poor with Govt. schemes and Non-Govt. schemes
- CB on marketing for sustainable existence and empowerment

- Convergence monitoring format to be develop
- The community should get the services of different experts

RNGO Support

- MART intervention to be continued and it is to be extended to all the Blocks
- PRADHAN representative must available at District/Block level
- Model SHG should be created in each Block and capacitated for replication to other SHGs and areas.
- Training Module on SHG in local language
- Exposure to all the stake holders ITDA/FNGO/RNGO and the primary stake holders (VDC/SHG/UG/VLSC/VSS/) and on social audit to other state
- M& E system to be updated and should be regularised.
- Uniform format for OTELP reporting system to be developed
- Form of Independent programme monitoring team consisting (PMU/ITDA/FNGO/RNGO)
- Speed up of the landless to have Land Rights

I.T.D.A. Balliguda

- Model Micro-plan watershed to be developed with participation by all the concerned officers in Phase II areas.
- Process of recording of Advance to beneficiary contribution in shape of Kind/ Labour/ Material etc.
- Fund allocation under RFS be need based rather than area based.
- PRADHAN: Exclusive one full time member for each district
- RFS to take care of consumption needs and replace of the money lender and plan to production needs.
- Sample Participatory Monitoring and Evaluation format to be developed through SWAT analyses
- MART: Marketing services should extend to all the Blocks.
- Equitable distribution of profits among the producers/ primary collectors.
- Sustainable marketing strategy of Adibasi Bazaar committed

General

- Promote different livelihoods plan by various RNGOs
- Process of inclusion of above livelihoods plan in VDLP
- Simplified common format for reporting and consolidation with M&E
- Reducing paper work, software for muster roll design and estimates to be developed.
- Priority for people's estimations
- QPR formats should be developed – Quantity and Finance (Phy & FY Reports)
- Steps for improvement of health care of the staff.
- Simplified reporting format for WFP food grains
- Speed up the process for survey and settlement of land in OTELP Area.

ANNEX 2-C: FINANCIAL MANAGEMENT

By Mahendra Verma

I EXECUTIVE SUMMARY

1. The review mission in respect of the Orissa tribal empowerment and Livelihood Programme (OTELP) was carried out from the 19th nov. to 3rd dec.2007. The purpose of the mission was to assess and review the ongoing performance and focus on the areas that need further improvements for better implementation. The programme main components are, capacity building for empowerment and livelihood enhancement, support for policy initiative, development initiative fund, project management and food handling.

2. The programme is being implemented in ten blocks of the most undeveloped districts of Orissa viz. Koraput, Kandhamal, Gajapati and Kalahandi. The villages that are targeted are those in which the scheduled tribes and scheduled castes form not less than 60% of the population and where most households are below poverty line. The programme is expected to be completed in a period of ten years and is designed to be implemented in three phases. The total cost of the programme is USD 91,15 million, of which IFAD is to provide USD20 million in loan fund, FID a grant of USD 40 million and WFP food aid to the value of USD9.57 and the programme beneficiaries are expected to contribute the equivalent of USD8.9 million

3. The mission found that there has been good progress towards the maintenance of accounts and strengthening of the financial systems, still the financial monitoring and evaluation systems suffer from many drawbacks which are required to be removed without any further loss of time. Thus keeping in view its objectives, the mission made some important recommendations.

- The perusal of accounts showed huge unspent balances with PSU, ITDAS, VDCs. The mission recommended that AWPB should be based on realistic targets.
- SOEs which are required to be audited with the specific opinion of the auditors are yet to be audited according to the required standards. It should be done quickly.
- The utilization certificates which are being received now are required to be audited.
- Books of accounts are not being written on the support of basic documents. It should be done without any exception.
- The institution of internal audit should be created and it should work on the regular basis.
- The financial management and accounting is required to be managed by an expert, either a finance management graduate or a qualified chartered accountant.

II. INTRODUCTION

4. The Orissa Empowerment and Livelihoods Programme(OTELP), is a programme costing USD91.1 million is designed for implementation under IFADs Flexible Leading mechanism(FLM)Phase I is to be implemented over a period of three years involving an expenditure of USD 8.9 million. phase II. in four years with an expenditure outlay of usd54.9 million while Phase III would cover the remaining three years and utilizeUSD27.36 million (which has been recommended for upgrading to usd 30 million by the Mid Term Review Mission) .OTELP was approved by IFAD in April 2002. The loan was signed in December 2002 which became effective on 15 July 2003. However, due to certain delay the programme got into action on 2004 only when it was

launched by the Honorable Chief Minister of Orissa on the 2nd of October, 2004. The mid term review was carried out in September- October 2006 and the last review was made in June 2007.

Purpose of the Mission

5. The purpose of the mission was to review the working of the OTELP in accordance of the Appraisal Report, Mid term review report and the report of the mission made in June 2007. In particular the specific objectives of the mission in respect of the financial management were

- (a) to review if the SOEs are being furnished along with the auditor specific report stating that the proceeds of the loan have been used for the purpose for which it was withdrawn
- (b) Whether there is proper verification and maintenance of fixed assets of the projects
- (c) Whether there is adequate documentation
- (d) Whether SOEs are being supported with auditors opinion
- (e) Whether internal audit mechanism has been established
- (f) Whether FNGOs are furnishing half yearly reports as stipulated in the programme
- (g) To review the progress of the M&E system

Mission Methodology

6. A mission comprising of Mr. Kishan Gill (Unops Senior Portfolio Manager, Mission Leader) Mr. C K Ramchandran, Rural Institutions specialist (unops, consultant), Mr. Y. Ramesh, Rural Infrastructure specialist (unops, consultant), Mr. Shaheel Raffique, Implementation support specialist (IFAD Field Presence Officer) and Mr. Mahendra Verma, Financial Management consultant (unops consultant) was fielded for the review mission of the OTELP. The mission held discussion with the nodal agency i.e. Project Support Unit, the various project partners viz. ITDAs, FNGOs, RNGOs. The mission undertook field visits to the project areas and held discussions with ITDA members, the FNGOs, the self help groups (SHG), the village development committees (VDC), the community mobilizers and the beneficiaries.

III. ACKNOWLEDGEMENT

7. The mission wishes to place on record its gratitude to the Govt of Orissa, the secretary scheduled tribes and scheduled castes development Department, the Project Director, OTELP and the other staff members of the PSU and the ITDAs, FNGOs, RNGOs, VDCs, SHGs and the beneficiaries for their cooperation and support to the mission in completing its task.

IV. STATUS, SITUATIONAL REVIEW & ANALYSIS

8. The programme covers 30 of the most backward blocks in the seven districts namely Gajapati, Kandhamal, Koraput, Malkagiri, Nawarangpur and Rayagada in the south-west Orissa. During the first phase, activities are being undertaken in ten blocks and its action is focused towards capacity building for empowerment and livelihood enhancement. The programme also supports policy initiatives of the Govt. in relation to tribal's access to land and forest projects by providing for a legal defense fund, supporting operational cost for detection and disposal of land alienation cases and also by funding survey and settlement process in respect of tribals land. The programme also has a scheme for Development Initiative Fund which would provide additional funding for well performing activities and also for new activities demanded by the communities. The programme provides for the cost of the programme management at the state and field level. The programme would cover the cost of transport, storage and distribution of WFP food assistance.

V. IMPACT OF PROJECT INTERVENTIONS

9. The programme, although approved executive Board of IFAD in April 2002 could actually took off only in October 2004 when the Honorable Chief Minister of Orissa launched it. 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 current financial year of 07-08 an amount of Rs 418.45 million (including the carried over surplus of Rs.73.25 million) has been budgeted for expenditure on the various objectives of the programme.

10. In the area of accounting and management of funds despite some progress, however, fully effective and professionally staffed financial management system at different levels have yet to be placed to make the programme effective and produce results in the designed time span.

VI. TARGET GROUP

11. The programme adopts an inclusive approach and selects villages in which the scheduled tribes and scheduled castes form not less than 60% of the population and where most households are below poverty line. The tribal and non tribal household would be included but the tribal populations were expected to be the majority.

VII. PROJECT BACKGROUND

Objectives

12. The programme objectives target to ensure that the livelihood and food security of the poor tribal households are sustainably improved through promoting a more efficient, equitable, self managed exploitation of the natural resources at their disposal and through off farm and non farm enterprise development.

Project Components

13. The project would be implemented over a period of ten years at an estimated cost of USD 91154000(INR 4648153000). The component wise financial provision is as under:

Project Components	Sub-Components	Total Budget US\$000	Total Budget Rupees 000
Capacity Building for Empowerment	Community Empowerment & Management	5846	274747
	Beneficiary Skill Development	1415	66498
	Capacity Building of support agencies	819	38473
	Sub Total	8079	379718
Livelihood Enhancement	Land and Water Management	41701	1959937
	Participatory Forest Management	4662	219125
	Agricultural Development	729	34245
	Livestock and Aquaculture Development	452	21225
	Rural Financial Services	2507	117826
	Community Infrastructure	4071	191330
	Subtotal	54121	2543689

Project Components	Sub-Components	Total Budget US\$000	Total Budget Rupees 000
Support for Policy Initiative		1691	79500
Development Initiative Funds		4683	220100
Project Management			
	Project Management at District Level	6998	328905
	Project Management at State Level	1255	58979
	Subtotal	8253	387884
Food Handling		729	34269
	Total	77557	3645159
	Physical contingencies	2589	121695
	Price contingencies	11008	881299
	Total Project cost	91154	4648153

Financial Progress

The financial progress at the end of October 2007 is as under

Component	Revised Budget for 2006-2007 (Rs. in millions)	Expenses for 2006-2007 (Rs. in millions)	Budget 2007-08 (Rs. in millions)	Expenditure for 2007-08 until 30-10-2007
Capacity Building	21.50	30.74	41.07	7.87
Livelihoods Enhancement Programme	257.23	236.61	274.97	53.50
Management Development Initiative Fund	21.55	11.53	2.386	14.02
Support for Policy	34.60	5.45	18	0.20
Food Handling	21.00	--	54	0.40
	2.00	1.30	1	0.60
Up-Scaling to Phase 1	00			
Total	358.88	285.63	418.45	76.59

14. It can be seen that during the current financial year, until October an amount of Rs. 76.59 has been spent which is 18.30% of the current year budget(inclusive of spill over from the previous years budget).Further, a sectoral analysis of the expenditure incurred show that about 47.68% of the budget of project management has been spent, while the expenditure on capacity building and livelihood enhancement is around 20%.But the expenditure on development initiative fund and support for policy is low at around 1%.

VIII. FINANCIAL SYSTEM AND PROCEDURE

15. The mission conducted field visits to various districts and also visited the offices of ITDAS, FNGOs and also the PSU. The mission also conducted a sample scrutiny of the books of accounts and records of a few VDCs, SHGs, FNCOs and ITDAs besides those of PSU. The mission also noted that financial year 06-07 accounts have been audited by chartered accountants JBMT& ASSOCIATES Bhubaneswar. This clearly showed the positive progress made by the PSUs, ITDAs, VDCs, FNGOs, VLSCs towards the need to maintain good accounting. Certain specific observations in respect of financial audit and reporting are being detailed below.

General Observation

Cost of the Project

- (a) The project cost has been estimated at usd.91154000 and its equivalent in the Indian rupees has been taken at 4648153000.the exchange ratio between USD and Indian rupee has changed. Accordingly, more funds in terms of USD are now needed. The stakeholders have therefore to urgently look into this aspect of financing of the project.
- (b) There is a huge amount of unspent balances lying with PSU, ITDAs, VDCs. The chartered accountants report for the financial year 06-07 gives the following details of the closing balances as on 31st March 2007,

cash at hand	-----	112333
cash at bank	-----	152575724
balance with FNGOs		4519766
balance with VDCs		174949276

It is further seen that the balances with the ITDAs, FNGOs, and VDCs which , by the end of March was Rs.136 million has almost remained at the same level even by the end of October 2007(inclusive of the current financial year advances)

- (c) In almost all cases from the PSU to SHG, training is lacking in book keeping. Many vital registers are still not being maintained
- (d) The uniformity in the record keeping has not been achieved.

Financial Audit & Reporting

Audit

- The loan agreement requires that the accounts and financial statements should be audited each fiscal year. The audit of the account for the year 06-07 has been completed by JBMT & Associates but their reports indicate that financial statements are not being kept at the desired level. For example the auditors while commenting on the receipt and payment accounts of the FNGOs under ITDA, Balliguda have mentioned that the utilization certificates from the FNGOs were not obtained.
- SOEs are required to be audited with a separate opinion of the auditors that the proceeds of the loan have been utilized for the purpose for which they were drawn. The same has still not done.
- There is lack of required documentation. Ledgers are not being maintained at VDC levels. This creates difficulties for the maintenance of accounts.
- The system for accounting and reporting of the assets has not been developed.

Reporting System

- The ITDAs are not sending monthly progress report to the PSU regularly. The ITDAS are not obtaining the utilization certificates from the VDCs on regular and timely basis.
- The utilization certificates which are now being received by the PSU have not been audited through any mechanism of internal audit.

IX. FLOW OF FUNDS

16. There is full adequacy of funds with the PSU. No withdrawal application has been submitted after July 07..There are until October 07 only 2 withdrawal applications pending which have been made on 16.4.2007 and 26.7.2007. There is ,however one claim of reimbursement pending with DFID. The amount of USD 9.1931 million, not reimbursed by the DFID is in dispute. The Secretary, Govt. of Orissa has requested DFID for the early settlement of this claim of the reimbursement.

X. RECOMMENDATIONS

- a) Intensive training in the basic accountancy should be imparted to all levels of functionaries.
- b) There should be evolved a regular system of monitoring of accounts with the emphasis on the timely submission of all the reports.
- c) Transactions should be recorded on regular basis on the support of the documents mentioned in the accounting manuals.
- d) The system of internal audit should be developed and the ITDAs should carry out the periodical verification of FNGOs accounts.
- e) The huge expenditure outlays right from the village level on one hand and the maintenance of accounts to the satisfaction level of the lenders and donors agencies and also its timely reporting necessitates the engagement of a fully qualified finance personnel, may be a finance management graduate or a chartered accountant.
- f) There are huge unspent funds lying at all levels, while all attempts should be made to accelerate the pace of work and the consequential expenditure, no withdrawal of funds should be permitted unless the funds have been exhausted to a required level.
- g) With the hardening of Indian rupee qua USD in the exchange market, the cost of the project would get increased in terms of the expenditure in the USD. Attempts should be made for the mobilization of the additional required resources.

ANNEX 2-D: CROSS CUTTING

By Shaheel Raffique

I. INTRODUCTION

1. The second Review Mission was undertaken from the 19th of November to 3rd of December 2007. The mission examined the follow-up action of the first review mission, which was based on the MTR recommendations. The cross cutting issues examined by the Mission are: Equity Issue, Gender Issue, Poverty and Vulnerability. Main recommendations made in the previous mission were: a) A Gender Consultant should be recruited for a year to develop a gender strategy and facilitate FNGOs to implement an effective gender action plan; b) A landless strategic action plan to monitor progress made in land settlement issues including acquiring of land titles. A Officer to be recruited at the PSU to carry out this task; and c) Convergence of government programmes to be dovetailed with OTELP activities and closely monitored and shared in the district level coordination meetings. The focus of this mission was to examine the extent to which these recommendations have been complied with and any other emerging issues.

II. ISSUES AND RECOMMENDATIONS

Equity Issue

2. Landlessness still remains a major equity issue in the project. With increasing land and water management activities undertaken and assets created in the villages, there is also a growing realisation among communities about the importance of land and water management assets in relation to ownership of land. Nevertheless landless are benefiting from activities involving wage labour for creating these assets in the short term. Clearly, those who do not own cultivable land will not benefit from assets created to manage land and water in the long run. For now whatever land is used for agriculture by the landless families is occupied forestland.

3. Out of the four Districts, initiatives to provide land titles are undertaken only in Koraput and Gajapati. Numbers of landless households in Koraput are more than Gajapati. In Koraput, all three NGOs have undertaken the initiatives to facilitate the provision of land titles under Vasundhara scheme, whereas in Gajapati out of four NGOs only two are involved. Of the total households in Koraput District, 29.7% are landless, and of these, 50.2% have been provided with land titles under the Vasundhara Scheme that is a total of 173.43 acres of land. In Gajapati District on the other hand, 23.6% households are landless, of which 21.4% have been given land titles through the Vasundhara and OPLE schemes, which accounts for 36.92 acres of land.

4. So far achievement under Vasundhara Scheme and OPLE Scheme in the programme area is patchy. The Project has neither set achievement targets for all the four Districts nor monitored progress in the project villages to have a better understanding of achievements and bottlenecks in the process of providing titles to homestead land and agricultural land under these schemes. This information can form the basis for facilitating the process at the level of the *Tahsildar*, or at the level of the Collector. It is also important that the project makes people aware that after the demise of titleholders' tribal customary law of inheritance should be followed for transferring ownership of land in order to maintain harmony within the family. It is recommended that the project initiate providing land titles for homestead and agricultural land to the landless under the Vasundhar scheme and OPLE respectively including land under Forest Dwellers Act once the act is enforced in the state. The progress needs to be monitored in all districts like Koraput and Gajapati and consolidated at the PSU.

5. The major work to support land rights and land alienation will take place once the State receives notification on the Forest Dwellers Rights Act, 2006. The activities leading to land reforms

under the programme include survey of land within 10 to 30 degree slopes, identification of families occupying the land, and finally allotment of land titles or *patta*. The government has however initiated the process by sending notification to concerned Departments for land survey on 31 August 2007, and the formation of a State Level Technical Committee on August 7, 2007, where the Additional Secretary Revenue, Director Land Records and Representatives from OCAC are members.

6. Procurement of survey instruments is the main issue related to land survey. The State Government has requested OTELP to procure the survey equipment. With the provision of survey instrument specifications by the Revenue Department, OTELP should begin the process of procuring the equipment without delay. Once the equipments are in place, the staffs need to be trained, and the survey should be completed within a specific time frame. As proposed by Commissioner-cum-Secretary, Revenue and Disaster Management Department, the position of Assistant Survey Officer should be created in the project to coordinate the survey. An officer from the Orissa Administrative Service (II) should be selected for this position. Once the survey is completed, the project should prepare the list of beneficiaries and facilitate the process of providing land titles. Till the Government of India notifies the State Government on the Forest Dwellers Act, OTELP should in the meantime translate the provisions of the act in local language for creating awareness among programme beneficiaries. In addition, the project should also prepare a training module for training of trainers at Block, Gram Panchayat, and Village level. The proposed Programme Office with hand-on experience in handling land settlement issues in Revenue Department is yet to be recruited at the PSU and this should be done as soon as possible.

Gender Issue

7. Although participation of women in programme activities has improved since the last mission in most of the villages visited, yet in many remote villages women seem to remain subdued even after two years of project intervention. This is partly because gender sensitisation has not taken place in all the villages, and also because they lack exposure. Gender mainstreaming has not taken place in the entire project, although participation of women has increased in the villages many gender equity issues are yet to be addressed.

8. I was also observed that the project employed very few women. Out of 15 staff in the PSU only 3 are women. Furthermore, out of the total number of officials employed by the ITDA only 7% are women; and out of the total staff (PIA and WDT) employed by all NGOs working in the project only 6% are women.

9. It was envisaged in the last mission that a Gender Consultant would be employed by the project to develop and implement a gender mainstreaming strategy across the project, but the Gender Consultant is yet to be recruited. When the Consultant could have been recruited by the project directly, it was instead made a part of the DFID Technical Assistance. Till the Consultant is recruited, the PSU and the other project staff should formulate a strategy based on guidelines given by the previous mission. Thereafter, the PSU should begin a series of training across the project. Alternatively, a gender consultant should be hired within the next month and this process should be initiated. The exposure visits of SHG members from remote villages particularly in Kalahandi and Koraput Districts should begin as soon as possible.

10. There are a large number of SHG members that are involved in IGAs for their livelihood. Likewise the SHGs are also forming common interest groups or enterprise groups as small income generating units. The project should be able to analyse the purpose and size of loans taken by SHG members. This analysis would be able to identify patterns of investment and consumption. More importantly the analysis should identify and indicate emerging patterns and trends of livelihood activities in village clusters. This knowledge will help the project and service providers to plan financial services, training programmes and market linkage for these production activities allowing the IGAs to grow into micro enterprises.

11. Village level producer groups, and those SHGs functioning as enterprise groups should be provided group business management training, and also shown how to prepare their credit plan for their group business. These efforts need to be further supported by providing market linkage and then identifying products to be placed at a higher level in the value chain. To sustain the process of market linkage and business development a cadre of youth should be trained as watershed level business promoters, initially supported by the project and thereafter retained by VDA level Producer Associations. This initiative will benefit women producer groups immensely. MART should be engaged in training women's group enterprises, training of Watershed level Business Promoters, and market linkage of these groups. The women group businesses need to be exposed to IFAD funded NERCORM project in Meghalaya and producer companies established in Madhya Pradesh by a World Bank project. A Business Development Manager should be recruited at the PSU as recommended in the previous mission at the earliest to manage this entire operation through a strategic plan.

Inclusive VLDPs

12. The VLDPs are prepared in a participatory manner, and activities that are selected for overall benefit of the village are concurred by women, mainly those belonging to the upper rung in the wealth and well being ranking. The planning process needs to be more gender mainstreamed and inclusive. The process of village level planning should involve listing of needs and priorities of men and women and those of poorer households separately before the plans are consolidated, leading to a holistic plan including livelihood activities of SHGs and land and water management activities. This will full-fill the aspirations of the beneficiaries and create ownership of the plan. While preparing the AWPB the village also needs to prioritize the activities to be covered by funds from Government programmes such as NREGA, and those that will be covered by OTELP funds. Also, activities and fund requirement should be scheduled on a quarterly basis to facilitate requisition of funds from the VDC.

Poverty and Vulnerability

13. The recommendation made in the previous mission for a more detailed wealth and well-being ranking is yet to be carried out in the villages. The project has not been able to track the number of people coming out of poverty. Some progress is there since the last mission to converge government safety net programmes for the poor, that complement food for work programme in the project. It is recommended that along with NREGA the project will select a few government schemes for poverty reduction (E.g. Arnapurna Yajona and Arnapurna Antodaya Yajona), and develop a systematic plan for convergence to be dovetailed with OTELP activities, and as also recommended earlier this initiative should be monitored and shared in the district coordination meetings.

DFID Technical Assistance

14. The DFID is providing a Technical Assistant Grant of £1.5 million for procuring technical services for OTELP through a Procurement Agency. The Procurement Support Team (PST) is in place from the 5th of November 2007. However, DFID did not involve IFAD and OTELP Project Director in the selection process of this Agency, despite an agreement between DFID and IFAD in the terms of reference.

15. The PST is going to procure 8 to 10 different services for OTELP. They have recently completed a study on the scope of livelihoods development in OTELP villages. The team is showing keen interest to learn and understand the programme, and also participated in the mission. In order to ensure better collaboration between the PST and OTELP the PST should a) functionally report to the Project Director for all work related to OTELP; b) consult with the Project Director and the PSU members while preparing ToRs for procuring different services for the programme; c) provide

intensive capacity building support to Project staff and the PSU to effectively coordinate and manage activities and agencies involved in building the capacity and facilitating communities to pursue commercial and business activities; and d) quarterly review of progress and any issues related to the DFID TA by OTELP, DFID, and IFAD CPO jointly with the PST.

Impact Assessment of all Land and Water Management Infrastructure

16. So far the project staff particularly those in the ITDA are focusing on activities and outputs related to land and water management. These infrastructures have created a number of outcomes that need to be sustained. Furthermore, the future maintenance of these structures by respective user groups is also an issue. Therefore, the programme should assess impact of these structures on user groups by using simple PRA tools. Modalities for sustaining these structures as well as their benefits should be worked out into actionable work plans during the process of participatory assessment. Non-user group members should also be allowed to participate in this exercise to create greater awareness among community members as to how assets created for land and water management contribute towards improving livelihoods, and how these structures need to be maintained in the future. Once these infrastructures are created, the ITDA staff should discuss regularly as to what has to be done next to add value to the existing and newly created structures, and how to facilitate the communities to add value to these structures with a farming systems perspective.

Project M&E, RIMS and Annual Outcome Survey

17. In order to know the impact of the programme in terms of Food and Nutritional Security, and Increased Income level of the beneficiaries the PSU should plan to conduct the RIMS survey and a baseline survey for the second phase as soon as possible since no baseline survey was done for the first phase as recommended in the previous mission. Currently the Jharkhand Tribal Development Project is using the equipment, and once they are through Tejeshwani Women's Empowerment Programme will use the equipment. The Project Director of the Tejeshwani Project Maharashtra may be requested to transfer the equipment to OTELP once they have completed the survey so that OTELP can carry out the survey by the second quarter of 2008. If the base line survey (sample survey) is conducted then the report should be sent to IFAD and UNOPS by January 2008. Annual sample survey should be conducted based on selected outcome indicators in the project log frame by January 2008 for evaluation of the project; this information along with the RIMS survey report should be also furnished to the next review mission to understand the achievement of project outcomes.

18. The M&E system is partially operational; forms for collecting data have been used and data collection has begun, but no analysis of the data has been done to be used for project management. The computerised system designed for the project has not been installed. The finance department of the project should release Rs150,000 for the purchase of the hardware for the installing the MIS software at the earliest so that the software is operational for generating monitoring reports. Now that the second phase has begun, the Project should make all efforts to make the M&E system fully operational as soon as possible.

III. CONCLUSION

19. The project needs to take a look at the major recommendations and action points given by the previous mission in relation to the crosscutting issues and should follow-up along with the additional recommendations made by this mission. A workshop should be organised in the PSU to understand the recommendations, delegate responsibilities, and preparing an execution plan. The Project Director should be directly involved in executing the recommendations.

ATTACHMENT

Table 1: Korapat District Profile of Landless Households

For the month:October										
Name of the ITDA: Korapat			District: Korapat							
No. of FNGOs: 3			Reporting Month: September			Reporting Year: 2007				
Sl. No.	FNGO Name	No. of VDC	No. of Villages	No. of HH	No. of Landless HH	Households Eligible out of total no. of landless households for different schemes (Tahasil Data)				
						Vasundhara		OPLE	OGLS	OTELP
						Homestead Land	Agricultural Land			
1	2	3	4	5	6	7	8	9	10	11
1	CYSD, Laxmipur	10	19	2171	703	554	271	--	--	--
2	VIKASH, Narayanpatna	10	35	1518	708	0	0	--	--	--
3	RASS, Bandhugaon	10	28	3110	607	0	0	--	--	--
TOTAL		30	82	6799	2018	554	271	--	--	--

Table -1.1: Number of Landless Households Given Land in Korapat District

Total cumulative Households Covered out of total no. of eligible households									
Vasundhara				OPLE		OGLS		OTELP	
Homestead Land		Agricultural Land							
No. of HH	Area in Ac	No. of HH	Area in Ac	No. of HH	Area in Ac	No. of HH	Area in Ac	No. of HH	Area in Ac
32	33	34	35	36	37	38	39	40	41
509	12.83	41	56.4	--	--	--	--	--	--
270	3	183	101	--	--	--	--	--	--
10	0.2	--	--	--	--	--	--	--	--
789	16.03	224	157.4	--	--	--	--	--	--

Table 2: Gajapati District Profile of Landless Households

Monthly Report on Land Rights: October									
Name of the ITDA: PARALAKHEMUNDI					District: GAJAPATI			No. of FNGOs: 4NOs	
Sl No	FNGO Name	No. of VDC	No. of village	No. of HH	No. of Landless HH	HHs eligible out of total no. of landless			
						Vasundhara	Agriculture land	OPLE	OGLS
1	SWWS	10	35	1359	412				
2	CCD	10	35	1960	468				
3	JKP	10	16	935	164				
4	PEACE	10	20	623	108				
	TOTAL	40	106	4,877	1,152	-	-	-	-

Table 2.1: Number of Landless Households Given Land in Gajapati District

SI No	FNGO Name	No. of VDC	No .of village	Total cumulative HHs covered out of total no. of eligible					
				Vasundhara		Agriculture land		OPLE	
				No. of HH	Area in Ac	No. of HH	Area in Ac	No. of HH	Area in Ac
1	SWWS	10	35	74	1.67	37	27.7	111	29.4
2	CCD	10	35	4	0.06	8	4	12	4.06
3	JKP	10	16						
4	PEACE	10	20						
	TOTAL	40	106	78	1.73	45	31.70	123	33.46

INDIA

ORISSA TRIBAL EMPOWERMENT AND LIVELIHOODS PROGRAMME

REVIEW MISSION
(19 Nov – 3 Dec 2007)

Terms-of-Reference

Introduction

1. Orissa Tribal Empowerment and Livelihoods Programme (OTELP) Loan was approved on 23 April 2002 for SDR 16.05 million under IFAD's Flexible Lending Mechanism Policy. (OTELP total project costs of 91.1 million USD are divided between IFAD, Government of Orissa, Beneficiary Contributions, DFID and WFP) The loan became effective on 15 July 2003. The original loan closing date was set at 30 September 2013. The phasing of the Programme activities is as follows: Inception Phase (12-18 months); Phase I (1-3 PY); Phase II (4-7 PY) and Phase III (8-10 PY). The Phase I review was completed in September 2006 with the following Phase II trigger indicators has been formulated which would be evaluated to design Phase III at the end of PY7:

- (a) There has been a 20% reduction in the number of landless households in those villages in which the Programme has been operating for more than two years.
- (b) That Revenue Survey Teams have surveyed the 10° to 30° sloping land in at least 60% of the villages where the Programme has been operating for at least two years and that the appropriate land titles have been issued in at least 60% of the villages surveyed.
- (c) VDCs and SHGs in both Phase I and Phase II villages are functioning effectively and at least 80% have been audited in each of the previous two financial years and have been shown to have accurate financial records and to have managed programme funds in an appropriate manner;
- (d) That at least 75% of SHGs established in Phase I and Phase II have fully functional savings and internal lending operations and have provided loans to at least 75% of their members in the previous two years.
- (e) that village volunteers are continuing to provide services to the communities in Phase I villages;
- (f) Phase I villages have developed effective linkages with service providers and are furthering their development by accessing resources from other government programmes and financial institutions;
- (g) rural infrastructure works undertaken in Phase I are being effectively maintained; and
- (h) policy issues relating to tribal communities have been investigated and have officially been brought to the attention of the Government of Orissa and actions have been to institute the necessary reforms.

2. The overall purpose of OTELP is to ensure that the livelihoods and food security of poor tribal households are sustainably improved by promoting a more efficient, equitable, self-managed and sustainable exploitation of the natural resources at their disposal and by developing off-farm/non-farm enterprises.

The Mission

3. This is second review mission for this year under a shared modality agreed between IFAD and UNOPS (20 February 2007) will be conducted under responsibility of UNOPS in collaboration with IFAD/FPU on cross-cutting issues and carried out jointly. Programme partner agencies (DFID, WFP) would also be invited to join this mission.
4. This review mission would commence on 19 November 2007, and will follow the proposed schedule indicated below. It will be composed by Mr. Kishan Gill (Mission Leader and Senior Portfolio Manager) from UNOPS, with Mr C.K. Ramachandran, Rural Institution & Development Specialist (UNOPS Consultant); Mr Y. Ramesh, Rural Infrastructure Development Specialist (UNOPS Consultant), Mr Mahendra Verma, Financial and Project Management Specialist (UNOPS Consultant) and Mr Shaheel Raffique, Implementation Support Specialist, FPO/IFAD, Delhi.
5. The mission will review the progress made of actions taken of the recommendations made in the first review mission conducted in May 07. This mission would assist and facilitate in resolving any outstanding constraints and pending issues for a smooth implementation to meet the 2nd phase trigger indicators.
6. The objectives of this review mission will be as follows:
 - (a) Assess progress made since last review mission by the Programme to meet compliance with as per covenants of the Loan Agreement (IFAD).
 - (b) Since the actions taken following Phase I MTR were still in the early stages during the first review mission this mission would review the state of actions being taken on the recommendations. PSU is to provide an update of summary of actions taken on the recommendations in the following areas: (i). Capacity Building of Communities: Recommendations for Phase II (page 12 of MTR report); (ii). Capacity Building of Support Agencies: Recommendations for Phase II (page 15); (iii). Land and Water Management: Recommendations for Phase II (page 18); (iv). Participatory Forest Management: Recommendations for Phase II (page 22-23); (v). Agricultural/Horticultural Development: Recommendations for Phase II (page 26); (vi). Livestock and Aquaculture Production: Recommendations for Phase II (page 27-28); (vii). Rural Financial Services: Recommendations for Phase II (page 30-31); (viii). Community Infrastructure: Recommendations for Phase II (page 33-35), (ix). Support for Policy Initiatives: Recommendations for Phase II (page 36); (x). Development Initiatives Fund: Recommendations for Phase II (page 38); Programme Management: Recommendations for Phase II (page 40).
 - (c) Similarly, to assess progress made on **cross-cutting issues**, since last review on gender issues: actions taken on recommendations for Phase II (page 47); Equity issues: action taken on recommendations for Phase II (page para. 179, page 47) and Support for Policy Initiatives: actions taken on recommendations for Phase II (page 36 and page 62) and an update of the situation be made available to the mission. In particular, of the following issues:
 - (i) the recruitment of Gender Consultant to develop a gender strategy and to facilitate FNGOs to implement an effective gender action plan.
 - (ii) the strategic approach with an action plan to monitor progress made in equity issues with the recruitment of a Programme Officer (with hands-on experience in handling land settlement issues in Revenue Department) at PSU who could interface with officers of the Revenue Department and Revenue Board.

Mission Members:

Mr Shaheel Rafique, (FPO/IFAD) will support in the assessment and review of the cross-cutting issues as indicated above under section (c). He will provide inputs related to his TOR for the preparation of the draft Aide Memoire, covering a summary of progress made, its related issues and any further recommendations.

Mr C. K. Ramachandran Rural Institution Development Specialist (UNOPS Consultant) will be responsible to review and assess the updated position of the recommendations of Phase I MTR following last review mission for (i).Capacity Building of Communities; (ii). Capacity Building of Support Agencies ; (iii). Rural Financial Services; (iv). Development Initiatives Fund (in respect of the component covered). He will also update on the progress made since last review mission in (a). Agricultural/Horticultural Development; (vi).Livestock and Aquaculture Production. He will provide inputs related to his TOR for the preparation of the draft Aide Memoire, covering a summary of progress made, its related issues and recommendations.

Mr Y. Ramesh, Rural Infrastructure Development Specialist (UNOPS Consultant) will be responsible to review and assess the community participatory approach to land and water infrastructure as well as community infrastructure with respect to the actions taken on the recommendations of these items in the MTR report. In this respect he will also review the progress made in the use of Development Initiatives Fund to facilitate the above mentioned activities. He will consult with Mr Ramachandran with respect to DIF activities (infrastructure) and its recommendations. He will provide inputs related to his TOR for the preparation of the draft Aide Memoire, covering a summary of progress made, its related issues and recommendations.

Mr Mahendra Verma, Financial & Project Management Specialist, (UNOPS Consultant) will be responsible to review and assess the updated financial situation in the project with particular attention to last review mission findings: “in terms of IFAD Guidelines ‘Financial Reporting for Project Annual Financial Statements (April 2006), the following deficiencies have been noted in the report furnished by the auditors: (i) the Audit Report does not include a separate opinion stating that the proceeds of the loan that have been withdrawn on the basis of the SoEs have been used for the purpose for which they were provided; (ii). verification of fixed assets of projects; (iii) adequacy of documentation; (iv). the Audit is required to give audit opinion on the withdrawal applications (WAs) pending for submission and on those pending for reimbursement; (v). Internal audit has not been set up so far.; (vi) FNGOs have not been furnishing half-yearly audit reports as stipulated in the Programme. Additionally he will take an update of the M&E system following last review mission. He will provide inputs related to his TOR for the preparation of the draft Aide Memoire, covering a summary of progress made, its related issues and recommendations.

Kishan Gill, Mission leader/UNOPS, will have overall responsibility of the mission and would assess and review project management and loan administration aspects of the project. He will collate the findings and recommendations for the wrap-up meeting on 3 Dec.

Information Support to the Mission

The Project will provide all the required progress reports and updated information on progress made since the review mission and draw up a tentative outline for the field trips to the programme districts.

Tentative Itinerary (in consultation with PSU)

19 Nov	Mission arrives in Bhubaneswar
20 Nov	Briefing on progress made by PSU
21 - 27 Nov	Field Visits in District (to be discussed)
28 Nov -2 Dec	Review findings and recommendations of mission
3 Dec	Wrap-up in Bhubaneswar and travel to Delhi
4 Dec	Debriefing with DEA/MOF and Ministry of Tribal Affairs

INDIA: Orissa Tribal Empowerment and Livelihoods Programme

ANNEX 3

DETAILED DISBURSEMENT INFORMATION

UNITED NATIONS
OFFICE FOR PROJECT SERVICES

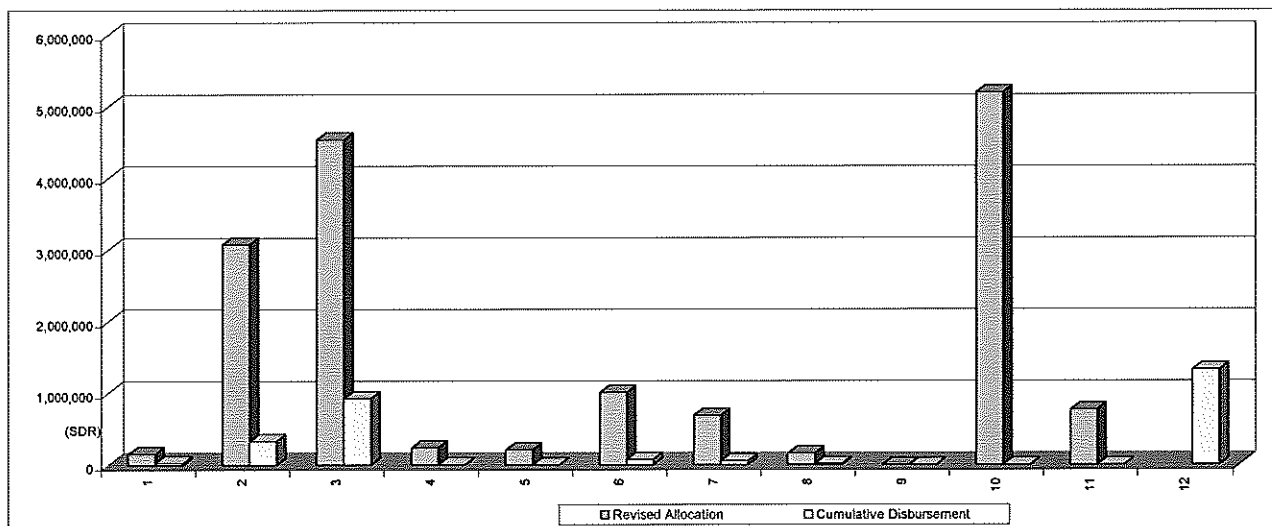
Country: REPUBLIC OF INDIA
IFAD Loan: 585-IN
Mission Dates: 19 November - 03 December 2007

UNOPS Project No: IND/03/F01

PROJECT PERFORMANCE INDICATORS

IFAD LOAN DISBURSEMENTS (SDR)
(Status as at 31 December 2007)

Code	Category	Original Allocation	Revised Allocation 1/	Cumulative Disbursement 2/	Present Balance	% Disbursed
Cat 1	Vehicles, Equipment and Materials	100,000	150,000	24,762	125,238	16.5
Cat 2	Technical Assistance, Contractual Services, Studies and Training	570,000	3,080,000	332,267	2,747,733	10.8
Cat 3	Investment Fund	400,000	4,540,000	927,507	3,612,493	20.4
Cat 4	Grant Fund	40,000	240,000	4,792	235,208	2.0
Cat 5	Credit	15,000	210,000	0	210,000	0.0
Cat 6	Development Initiatives Funds	210,000	1,010,000	75,667	934,333	7.5
Cat 7	Salaries and Allowances	90,000	690,000	51,172	638,828	7.4
Cat 8	Other Incremental Cost	20,000	160,000	11,057	148,943	6.9
	PHASE II	9,200,000	0	0	0	0.0
	PHASE III	5,200,000	5,200,000	0	5,200,000	0.0
Cat 9	Unallocated	205,000	770,000	0	770,000	0.0
Initial Deposit	Authorised Allocation - Special Account A	0	0	1,325,759	-1,325,759	0.0
	Total	16,050,000	16,050,000	2,752,983	13,297,017	17.15



INDIA: Orissa Tribal Empowerment and Livelihoods Programme

ANNEX 4

AUDIT SUMMARY

Project: ORISSA TRIBAL EMPOWERMENT AND LIVELIHOOD PROGRAMME										
Withdrawal Application Schedule of IFAD Loan No 0585-IN for the year ended 31 March 2007										
by Category of Expenditures in INR										
WA No	Vehicles, Equipment and Materials	TA, contractual services, studies and training	Investment Fund	Grant Fund	Credit	Development Initiatives Fund	Salaries and Allowances	Other Incremental costs	Total LCY	
	Cat. 1	Cat. 2	Cat. 3	Cat. 4	Cat. 5	Cat. 6	Cat. 7	Cat. 8		
										0
WA Pending for Submission:										
TOTAL										

Programme Title Orissa Tribal Empowerment and Livelihood Programme						
IFAD Loan No. 0585-IN						
Audit Period 1 April 2006 to						
Observation by Auditor	Total Amount Involved (INR)	Level of observations (Serious/Priority attention)	Action taken by the Project	Timeline for compliance	Status of Audit Observations (Settled/Pending)	Remarks
Programme Support Unit						
Systematic recording of transactions should be made on computerised system of accounting		Procedural lapse				
Payment vouchers, credit vouchers and journal vouchers are not maintained in printed format		Priority				
Fixed Assets Register not being maintained properly and physical verification of assets not done at reasonable intervals.		Priority				
Travelling expenses of the staff are not booked timely		Procedural lapse				
Supporting documents not attached to Payment voucher (126/3.7.2006)	100,000	Procedural lapse				
Supporting documents not attached to vouchers for training, workshop etc.		Procedural lapse				
Income tax deducted from vendors not deposited to IT in time	138,063	Procedural lapse				
Income tax deducted from salaries not deposited in time	21,500	Procedural lapse				
Supporting documents maintained not in a coordinated manner	29,272	Procedural lapse				
OTELP Koraput						
Manual cash book and no ledger has been maintained		Procedural lapse				
Payment vouchers not maintained in printed format		Priority				
Monthly Bank Reconciliation Statement not done		Procedural lapse				
TDS not deducted from hire charge of vehicles		Priority				
Advances not being adjusted regularly. Advances paid without settlement of previous advances		Priority				
Procedure for awarding contract for newsletter "Jeebika"	44,024	Serious				
Printing charges for SHG ledger-supporting documents not available	100,000	Serious				
No periodical verification of FNGO accounts		Priority				
No system to maintain control over accounts at VDA level		Priority				
Unspent opening balance with FNGO & VDA not reflected in the previous year's accounts	16,418,495	Serious				
Interest received from Bank not accounted		Procedural lapse				

Observation by Auditor	Total Amount involved (INR)	Level of observations (Serious/Priority attention)	Action taken by the Project	Timelime for compliance	Status of Audit Observations (Settled/Pending)	Remarks
OTELP Parajakhemundi						
Manual cash book and no ledger has been maintained		Procedural lapse				
Payment vouchers not maintained in printed format		Priority				
Monthly Bank Reconciliation Statement not done		Procedural lapse				
TDS not deducted from hire charge of vehicles		Priority				
Advances not being adjusted regularly. Advances paid without settlement of previous advances		Priority				
Distribution of training materials	36,000	Priority				
Award of printing of newsletter deviating from the purchase procedure	16,480	Serious				
No supporting document available for deposit of EFF	15,000	Serious				
No supporting documents available for capacity building by FNGO (JKP)	3,90,025	Serious				
No periodical verification of FNGO accounts		Priority				
No system to maintain control over accounts at VDA level		Priority				
Unspent opening balance with FNGO & VDA not reflected in the previous year's accounts	3,16,61,696	Serious				
Interest received from Bank not accounted		Procedural lapse				
OTELP Baliguda						
Manual cash book and no ledger has been maintained		Procedural lapse				
Payment vouchers not maintained in printed format		Priority				
Monthly Bank Reconciliation Statement not done		Procedural lapse				
TDS not deducted from hire charge of vehicles		Priority				
Advances not being adjusted regularly. Advances paid without settlement of previous advances		Priority				
Award of printing of stationery beyond the delegated power and PMU approval not obtained. Vendor supplied more than the ordered quantity	1,51,400	Serious				
Utilisation Certificate not obtained from FNGOs and periodic verification of FNGO accounts not done		Serious				
No system to maintain control over accounts at VDA level		Priority				
Unspent opening balance with FNGO & VDA not reflected in the previous year's accounts	27,27,923.46	Serious				
Interest received from Bank not accounted		Procedural lapse				
OTELP Th. Rampur						
Manual cash book and no ledger has been maintained		Procedural lapse				
Payment vouchers not maintained in printed format		Priority				
Monthly Bank Reconciliation Statement not done		Procedural lapse				
TDS not deducted from hire charge of vehicles		Priority				
Advance for civil works not adjusted in time. Details of correspondence not available for verification	1,00,000	Priority				
Advances not being adjusted regularly. Advances paid without settlement of previous advances		Priority				
Periodic verification of FNGO accounts not done		Priority				
No system to maintain control over accounts at VDA level		Priority				
Unspent opening balance with FNGO & VDA not reflected in the previous year's accounts	99,56,500	Serious				
Interest received from Bank not accounted for at project level		Procedural lapse				