

**NATIONAL RURAL LIVELIHOODS MISSION**

**Mission Document**

**MINISTRY OF RURAL DEVELOPMENT  
GOVERNMENT OF INDIA**

**Gandhi/Talisman**

## Introduction

The mandate of the Ministry of Rural Development (MoRD), GoI is rural poverty alleviation through programmes directly targeted at the rural poor households. Within the 'directly targeted' category, there are programmes focused on wage employment and programmes focused on self-employment. The Swarnajayanti Grameen Swarojgar Yojana (SGSY) is the Ministry programme which focuses on self-employment. This programme was launched in the year 1999, by restructuring the Integrated Rural Development Programme (IRDP).

The cornerstone of the SGSY strategy was that the poor need to be organized and their capacities built up systematically so that they can access self-employment opportunities. In the 10 years of implementing SGSY, there has developed a widespread acceptance in the country of the need for poor to be organized into SHGs as a pre-requisite for their poverty reduction.

Comprehensive reviews of SGSY have brought into focus several shortcomings like vast regional variations in mobilization of rural poor; insufficient capacity building of beneficiaries; insufficient investments for building community institutions; and weak linkages with banks leading to low credit mobilization and repeat financing. Several states have not been able to fully utilize the funds received under SGSY due to lack of dedicated human resources and appropriate delivery systems. In the absence of aggregate institutions of the poor, such as the SHG federations, the poor households could not access higher order support services for productivity enhancement, marketing linkage, risk management, etc. SGSY has been found to be more successful wherever systematic mobilization of the poor into SHGs and their capacity building and skill development has been taken up in a systematic manner. In other places, the impact has not been significant.

The magnitude of the task of rural poverty alleviation through direct interventions in self-employment is enormous. Out of the estimated 7.0 crore rural BPL households, 4.5 Crore households still need to be organized into SHGs. A significant number of these households are extremely vulnerable. Even the existing SHGs need further strengthening. It was in this background that Government have approved the restructuring of SGSY as the National Rural Livelihoods Mission (NRLM), to be implemented in a mission mode across the country. NRLM builds on the core strengths of the SGSY and incorporates the important lessons from large scale experiences in the country.

**NRLM has an ambitious mandate.** It aims to reach out to all the rural poor families (BPL families) and link them to sustainable livelihoods opportunities. It will nurture them till they come out of poverty and enjoy a decent quality of life. To

achieve this, NRLM will put in place dedicated and sensitive support structures at various levels. These structures will work towards organizing the poor, building their capacities and the capacities of their organisations, enabling them access to finance and other livelihoods resources. The support institutions will play the roles of initiating the processes of organizing them in the beginning, providing the livelihoods services and sustaining the livelihoods outcomes subsequently. The support structures will also work with the unemployed rural poor youth for skilling them and providing employment either in jobs, mostly in high growth sectors, or in remunerative self-employment and micro-enterprises.

The Institutions of the poor – SHGs, their federations and livelihoods collectives - provide the poor the platforms for collective action based on self-help and mutual cooperation. They become a strong demand system. They build linkages with mainstream institutions, including banks, and Government departments to address their core livelihoods issues and other dimensions of poverty. These institutions provide savings, credit and other financial services to meet their priority needs. These include consumption needs, debt redemption, food and health security and livelihoods. They augment knowledge, skills, tools, assets, infrastructure, own funds and other resources for the members. They increase incomes, reduce expenditures, increase gainful employment and reduce risks for their members. They also increase their voice, space and bargaining power in dealing with service providers.

Mobilizing the poor into their institutions needs to be induced by an external sensitive support structure. Government agencies, NGOs and civil society organizations, Local self governments, banks and corporate sector can play this role. With time, as the **institutions of poor** grow and mature, they themselves become sensitive support structures and **institutions for the poor**. The dependence on external support structures should decline over time. Their successful and empowered members and leaders take charge of and accelerate many of these processes. Thus, the **programme for the poor** becomes the **programme by the poor**. These two transitions are critical for the success of NRLM. Poverty is a complex and multidimensional phenomenon. The institutions of poor therefore need to engage in many sectors and with several service providers. Their ability and effectiveness improves with time and experience. However, after the initial learning curve, the progress picks up speed with quality.

Based on MoRD's extensive consultations with various stakeholders including the State Governments, Civil Society Organizations, Bankers and academicians, the NRLM 'Framework for Implementation' has been developed. NRLM is a learning mission and learns from all the best practices of poverty eradication and also from failures. Like the Mission, its 'Framework for Implementation' is a learning, live and dynamic framework. This framework offers space for local plans based on local context and offers space for learning from the experiences in the field as the

implementation progresses. Each state would develop its own Operational Guidelines for implementation of NRLM within the broad contours of the framework. Thematic and issue-based National Operational Manuals would also be made available as the implementation progresses.

NRLM endeavours, through its dedicated sensitive support structures and organizations at various levels, to reach out to all the BPL households in the country, and take them out of poverty through building their capacities, financial muscle and access, and self-managed self-reliant institutions; through placement in jobs, and nurturing them into remunerative self-employment and enterprises. The institutions of the poor gradually take charge of supporting their members being in control of their livelihoods, lives and destiny.

## Mission, Principles, Values

The core belief of National Rural Livelihoods Mission (NRLM) is that the poor have **innate capabilities and a strong desire to come out of poverty**. They are entrepreneurial, an essential coping mechanism to survive under conditions of poverty. The challenge is to unleash their capabilities to generate meaningful livelihoods and enable them to come out of poverty. The first step in this process is motivating them to form their own institutions. They and their institutions are provided sufficient capacities to manage the external environment, enabled to access finance, and to expand their skills and assets and convert them into meaningful livelihoods. This requires continuous handholding support. An external dedicated, sensitive support structure, from the national level to the sub-district level, is required to induce such social mobilization, institution building and livelihoods promotion.

Strong institutional platforms of the poor, enable them to build-up their own human, social, financial and other resources. These capabilities enable them to access their rights, entitlements and livelihoods opportunities and services, both from the public and private sector. The social mobilization process enhances solidarity, voice and bargaining power of the poor. These processes enable them to **pursue viable livelihoods** based on leveraging their own resources, skills and preferences. Thus, they come out of abject poverty and do not fall back into poverty. NRLM also believes that the programme can be up scaled in a time bound manner, only if it is driven by the **poor**.

### NRLM Mission

“To reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities resulting in appreciable improvement in their livelihoods on a sustainable basis, through building strong and sustainable grassroots institutions of the poor.”

### NRLM Guiding Principles

- Poor have a strong desire to come out of poverty, and they have innate capabilities
- Social mobilization and building strong institutions of the poor is critical for unleashing the innate capabilities of the poor.
- An external dedicated and sensitive support structure is required to induce the social mobilization, institution building and empowerment process.
- Facilitating knowledge dissemination, skill building, access to credit, access to marketing, and access to other livelihoods services enables them to enjoy a portfolio of sustainable livelihoods.

### NRLM Values

The core values which guide all the activities under NRLM are as follows:

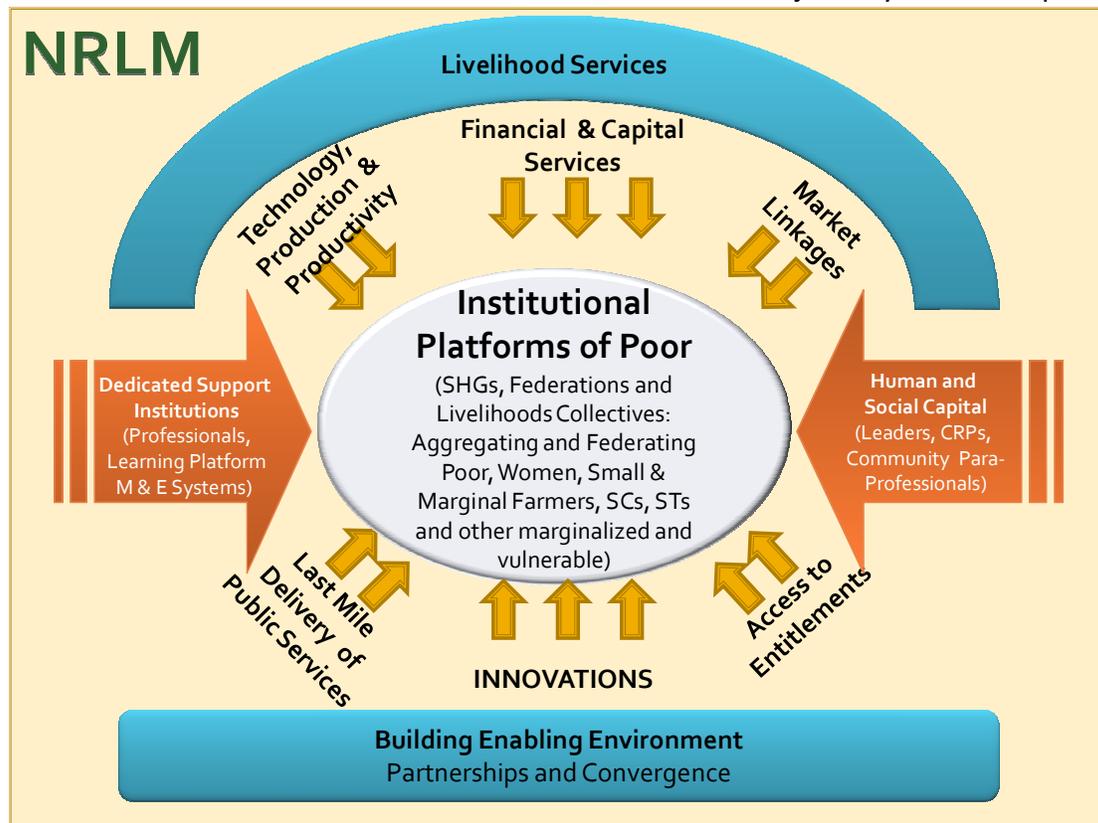
- Inclusion of the poorest, and meaningful role to the poorest in all the processes
- Transparency and accountability of all processes and institutions
- Ownership and key role of the poor and their institutions in all stages – planning, implementation, and, monitoring
- Community self-reliance and self-dependence

### **Approach**

Towards building, supporting and sustaining livelihoods of the poor, NRLM harnesses the innate capabilities of the poor, complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to deal with the rapidly changing external world. Being conscious of the livelihoods activities being varied, **NRLM works on three pillars – enhancing and expanding existing livelihoods options of the poor; building skills for the job market outside; and nurturing self-employed and entrepreneurs.**

Dedicated support structures build and strengthen the institutional platforms of the poor. These platforms, with the support of their built-up human and social capital, offer a variety of livelihoods services to their members across the value-chains of key products and services of the poor. These services include financial and capital services, production and productivity enhancement services that include technology, knowledge, skills and inputs, market linkages etc. The interested rural BPL youth would be offered skill development after counseling and matching the aptitude with the job requirements, and placed in jobs that are remunerative. Self-employed and entrepreneurial oriented poor would be provided skills and financial linkages and nurtured to establish and grow with micro-enterprises for products and services in demand. These platforms also offer space for convergence and partnerships with a variety of stakeholders, by building an enabling environment for poor to access their rights and entitlements, public services and innovations. The aggregation of the poor, through their institutions, reduces transaction costs to the individual members, makes

their livelihoods more viable and accelerates their journey out of poverty.



NRLM implementation is in a Mission Mode. This enables: (a) shift from the present allocation based strategy to a **demand driven strategy**, enabling the states to formulate their own livelihoods-based poverty reduction action plans, (b) focus on targets, outcomes and time bound delivery, (c) continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector, and (d) monitoring against targets of poverty outcomes. As NRLM follows a demand driven strategy, the States have the **flexibility to develop their livelihoods-based perspective plans and annual action plans for poverty reduction**. The overall plans would be within the allocation for the state based on inter-se poverty ratios.

The second dimension of demand driven strategy implies that the ultimate objective is that **the poor will drive the agenda**, through participatory planning at grassroots level, implementation of their own plans, reviewing and generating further plans based on their experiences. The plans will not only be demand driven, they will also be dynamic. NRLM recognizes and values the iterative nature of the processes.

### Key Features of NRLM

#### Social Inclusion and Institutions of the Poor

**1. Universal Social Mobilization:** To begin with, NRLM would ensure that at least one member from each identified rural poor household, preferably a woman, is brought

under the Self Help Group (SHG) network in a time bound manner. Subsequently, both women and men would be organized for addressing livelihoods issues i.e. farmers organizations, milk producers' cooperatives, weavers associations, etc. All these institutions are inclusive and no poor would be left out of them. NRLM would ensure adequate coverage of vulnerable sections of the society such that 50% of the beneficiaries are SC/STs, 15% are minorities and 3% are persons with disability, while keeping in view the ultimate target of 100% coverage of BPL families.

**2. Promotion of Institutions of the poor:** Strong institutions of the poor such as SHGs and their village level and higher level federations are necessary to provide space, voice and resources for the poor, and, for reducing their dependence on external agencies. They empower them. They also act as instruments of knowledge and technology dissemination, and hubs of production, collectivization and commerce. NRLM, therefore, would focus on setting up these institutions at various levels.

In addition, NRLM would promote specialized institutions like Livelihoods collectives, producers' cooperatives/companies for livelihoods promotion through deriving economies of scale, backward and forward linkages, and access to information, credit, technology, markets etc. The Livelihoods collectives would enable the poor to optimize their limited resources.

There are existing institutions of the poor women formed by Government efforts and efforts of NGOs. NRLM would strengthen all existing institutions of the poor in a partnership mode. The self-help promoting institutions both in the Government and in the NGO sector would be supported. Further, existing institutions and their leaders and staff would be used as spearhead teams to support the processes of forming and nurturing new institutions.

**3. Training, Capacity building and skill building:** NRLM would ensure that the poor are provided with the requisite skills for: managing their institutions, linking up with markets, managing their existing livelihoods, enhancing their credit absorption capacity and credit worthiness, etc. A multi-pronged approach is, envisaged, for continuous capacity building of the targeted families, SHGs, their federations, government functionaries, bankers, NGOs and other key stakeholders. Particular focus would be on developing and engaging community professionals and community resource persons for capacity building of SHGs and their federations and other collectives. NRLM would make extensive use of ICT to make knowledge dissemination and capacity building more effective.

**4. Revolving Fund and Capital Subsidy:** Subsidy would be available in the form of revolving fund and capital subsidy. The Revolving Fund would be provided to the SHGs (where more than 70% members are from BPL households) as an incentive to inculcate the habit of thrift and accumulate their own funds towards meeting their credit needs in the long-run and immediate consumption needs in the short-run. Subsidy would be a corpus and used for meeting the members' credit needs directly

and as catalytic capital for leveraging repeat bank finance. The key to coming out of poverty is continuous and easy access to finance, at reasonable rates, till they accumulate their own funds in large measure.

**5. Universal Financial Inclusion:** NRLM would work towards achieving universal financial inclusion, beyond basic banking services to all the poor households, SHGs and their federations. NRLM would work on both demand and supply side of Financial Inclusion. On the demand side, it would promote financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, it would coordinate with the financial sector and encourage use of Information, Communication & Technology (ICT) based financial technologies, business correspondents and community facilitators like 'Bank Mitras'. It would also work towards universal coverage of rural poor against loss of life, health and assets. Further, it would work on remittances, especially in areas where migration is endemic.

**6. Provision of Interest Subsidy:** The rural poor need credit at low rate of interest and in multiple doses to make their ventures economically viable. In order to ensure affordable credit, NRLM has a provision for subsidy on interest rate above 7% per annum for all eligible SHGs, who have availed loans from mainstream financial institutions, based on prompt loan repayment. This subsidy would be available to SHGs, where at least 70% of the members are from BPL households, till a member accesses credit, through repeat cumulative loaning, up to Rs 1.00 lakh per household. The interest subsidy would not be applicable when a SHG avails capital subsidy. However, interest subsidy would be provided to this SHG, when they avail a fresh loan after repaying the capital subsidy linked loan.

### **Livelihoods**

**7.** Poor have **multiple livelihoods** as a coping mechanism for survival. Their existing major livelihoods are: wage labour, small and marginal holding cultivation, cattle rearing, forest produce, fishing, and traditional non-farm occupations. The net incomes and employment days from the current livelihoods are not adequate to meet their expenditures. NRLM would look at the entire portfolio of livelihoods of each poor household, and work towards stabilizing and enhancing the existing livelihoods and subsequently diversifying their livelihoods.

**8. Infrastructure creation and Marketing support:** NRLM would seek to ensure that the infrastructure needs for key livelihoods activities of the poor are fully met. It would also provide support for marketing to the institutions of the poor. The range of activities, in marketing support, includes market research, market intelligence, technology, extension, developing backward and forward linkages and building livelihoods collectives and supporting their business plans. NRLM would encourage and support partnerships with public and private organizations and their networks/associations for these activities, particularly for market linkages. Rural Haats would also be encouraged to directly link producer groups (SHGs) and individual

producers with urban and peri-urban markets through a well developed system of continuous identification and rotation of beneficiaries. 20% of the state's programme outlay is reserved for this purpose.

**9. Skills and Placement Projects:** NRLM would pursue skill upgradation and placement projects through partnership mode as it is one of the best investments in youth, and provides impetus to livelihoods opportunities in emerging markets. For strengthening this, various models of partnerships with public, private, non-government and community organizations would be developed. A strong relationship would also be developed with industry associations and sector specific employers' associations. National Skill Development Corporation (NSDC) would be one of the leading partners in this effort. 15% of the central allocation under NRLM is earmarked for this purpose.

#### **10. Rural Self Employment Training Institutes (RSETIs)**

NRLM encourages public sector banks to set up RSETIs in all districts of the country. RSETIs transform unemployed rural youth in the district into confident self-employed entrepreneurs through need-based experiential learning programme followed by systematic handholding support. Banks are completely involved in selection, training and post training follow-up stages. RSETIs partner with others, including the institutions of the poor, to realize their mandate and agenda.

**11. Innovations:** NRLM believes that successful innovations can reduce the learning curve for poverty eradication by showing a better pathway or a different pathway out of poverty. 5% of the Central allocation is earmarked for innovations. They should be end-to-end solutions and have a clear mandate of transferring knowledge and capabilities to the livelihoods organizations of the poor. Those innovations which have the potential for reaching out specifically to the poorest; or for reaching out to the largest number of poor; and having maximum impact with limited resources would be preferred and supported.

#### **Convergence and partnerships**

**11. Convergence:** NRLM would place a very high emphasis on convergence with other programmes of the Ministry of Rural Development and other Central Ministries, and programmes of state governments for developing synergies directly and through the institutions of the poor.

**12. Partnerships with NGOs and other CSOs:** NRLM would proactively seek partnerships with Non-Government Organizations (NGOs) and other Civil Society Organizations (CSOs), at two levels - strategic and implementation. The partnerships would be guided by NRLM's core beliefs and values, and mutual agreement on processes and outcomes. NRLM would develop a national framework for partnerships with NGOs and other CSOs. Further, NRLM would seek partnerships with various other stakeholders at various levels directly, or through the institutions of the poor.

**13. Linkages with PRIs:** In view of the eminent roles of Panchayat Raj Institutions (PRIs) that include governance, agency, commercial and political, it is necessary to consciously structure and facilitate a mutually beneficial working relationship between Panchayats and institutions of the poor, particularly at the level of Village Panchayats. Formal mechanisms would need to be established for regular consultations between the institutions of the poor and the PRIs for exchange of mutual advice, support and sharing of resources. However, care would be taken to protect their autonomy. Where there are no PRIs, the linkages would be with traditional local village institutions.

### **Sensitive Support**

**14. External Sensitive Support Structures:** NRLM's process-intensive effort would require dedicated human resources. Realizing this, NRLM would be setting up sensitive and dedicated support structures at the **National, State, district and sub-district levels**. NRLM Advisory, Coordination and Empowered Committees and National Mission Management Unit at the national level, State Rural Livelihoods Missions (SRLMs) as autonomous bodies and State Mission Management Units at state level, District Mission Management Units at district level, and sub-district units at block and/or cluster levels would constitute these support structures. These structures would have suitable linkages with Government(s), District Rural Development Agencies (DRDAs), and PRIs. The governance of DRDAs would be revitalized with representatives of institutions of the poor and professionalised so that they respond better to meeting the needs of the poor. These support structures would be staffed with professionally competent and dedicated human resources through appropriate arrangements including partnerships and outsourcing of services. A clear objective of this support structure is to incubate an **internal sensitive support structure**, consisting of the institutions of the poor, their staff and other social capital. Over time, the role of the internal support structure should increase and replace the external structure in many of these processes.

**15. Technical Support:** NRLM would provide technical assistance to the States and all other partners for creating and strengthening their institutional capacities for its effective implementation. It would build national knowledge management and learning forums/ systems. It would facilitate partnerships between institutions of the poor and banking sectors, public and private sectors, for ensuring last mile service delivery to reach the poor. It would build a national pool of experts, practitioners and advisers in all the relevant disciplines including social mobilization, institution building, microfinance, livelihoods, skill development, entrepreneurship etc. They would provide handholding support to SRLMs for developing and executing state poverty reduction strategies.

**16. Monitoring and Learning:** NRLM would monitor its results, processes and activities through web-enabled comprehensive MIS, regular meetings of the Performance Review Committee, visits by senior colleagues, Local, District, State and National

Monitoring Groups and the mechanisms of Review and Planning Missions. Process monitoring studies, thematic studies and impact evaluations would provide inputs to the above. It would also promote social accountability practices to introduce greater transparency. This would be in addition to the mechanisms that would be evolved by SRLMs and state governments. The learning from one another underpins the key processes of learning in NRLM.

**17. Funding Pattern:** NRLM is a Centrally Sponsored Scheme and the financing of the programme would be shared between the Centre and the States in the ratio of 75:25 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs). The Central allocation earmarked for the States would broadly be distributed in relation to the incidence of poverty in the States.

**18. Phased Implementation:** Social capital of the poor consists of the institutions of the poor, their leaders, community professionals and more importantly community resource persons (poor women whose lives have been transformed through the support of their institutions). Building up social capital takes some time in the initial years, but it multiplies rapidly after some time. If the social capital of the poor does not play the lead role in NRLM, then it would not be a people's programme. Further, it is important to ensure that the quality and effectiveness of the interventions is not diluted. Therefore, a phased implementation approach is adopted in NRLM. NRLM would reach all districts and blocks by the end of 12<sup>th</sup> Five-year Plan.

The blocks that are taken up for intensive implementation of NRLM, would have access to a full complement of trained professional staff and cover a whole range of activities of universal and intense social and financial inclusion, livelihoods, partnerships etc. However, in the remaining blocks or non-intensive blocks, the activities may be limited in scope and intensity. The outlays in these blocks would be limited to the State average allotment for these blocks under the present SGSY.

### **19. Transition to NRLM**

All States/UTs would have to transit to NRLM within a period of one year from the date of formal launch of NRLM. Further funding under SGSY ceases thereafter.

### **20. Agenda before NRLM**

NRLM has set out with an agenda to reach out, mobilize and support 7.0 Crore BPL households across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats, in 6.0 lakh villages in the country into their self-managed SHGs and their federal institutions and livelihoods collectives. NRLM's long-term dedicated sensitive support would be with them and extend facilitation support in all their efforts to get out of poverty. In addition, the poor would be facilitated to achieve increased access to their rights, entitlements and public services, diversified risk and better social indicators of empowerment.

### **Economic Assistance/Financial Norms/Ceilings**

1. Formation of SHGs - Rs. 10,000 per SHG to be given to NGOs/CBOs/Community Coordinators/Facilitators/Animators towards group formation and development.
2. Revolving Fund (RF) – As a corpus to SHG with a minimum of Rs. 10,000 to a maximum of Rs. 15,000 per SHG. This is given to all SHGs that have not received RF earlier. Only those SHGs with more than 70% BPL members are eligible for RF.
3. Capital Subsidy (CS) – Capital subsidy ceiling is applicable, both for members of SHGs and individual beneficiaries @Rs. 15,000 per general category and Rs. 20,000 per SC/ST category. The maximum amount of subsidy that an SHG is eligible for is Rs. 2.50 lakh. Only BPL members are eligible for individual subsidy, and, only those SHGs with more than 70% BPL members are eligible for the subsidy to SHGs.
4. Capacity building and skills training - Rs. 7,500 per beneficiary – The amount available under this component is used for training and capacity building not only of the beneficiaries but also of all other stakeholders, including programme officers and staff, community professionals, concerned government officials, NGOs, PRI functionaries etc. Expenditure on exposure visits and immersion visits is also to be covered under this component. The skills training here refer to member level training for self-employment and are distinct from the Placement-linked Skills training.
5. Interest subsidy - Subsidy on interest rate above 7% per annum for all SHG loans availed from banks, based on prompt repayment. Interest subsidy would be provided to an individual beneficiary or SHG member till he/she has availed a bank loan up to an amount of Rs 1.00 lakh. It is expected that there will be repeat doses of financing to members in SHGs and this limit of ` 1.0 Lakh is the cumulative loan availed by a member (household). This subsidy is not available on such occasions when the SHG is availing capital subsidy.
6. One time grant for corpus fund for sustainability and effectiveness of federations:
  - Rs 10,000 for Village/Panchayat level federation
  - Rs 20,000 for Block level federation
  - Rs 100,000 for District level federation
7. Administrative expenses – 5% of the allocation, net of the component relating to skill development & placement and net of the component of RSETIs. This amounts to 5% of Central release to the State and the corresponding State share.
8. Infrastructure and Marketing - Up to 20% (25% in case of north eastern states and Sikkim) of the Central share and State share of allocation i.e. state's programme outlay.

9. Skills and Placement Projects and Innovations (20% of the Central allocation) - Expenditure on innovative projects should not exceed 5%; and the remaining 15% is for placement linked skill development projects. 50% of the allocation for placement linked skill development projects (7.5% of total allocation) is retained at the centre for multi-state skill development projects and the balance is allocated to states to implement state specific skill development and placement projects. The States have to add the corresponding state share to the amount released to them.

## **Back Cover**