GUIDELINES FOR SPECIAL PROJECTS UNDER SWARNJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

I. SWARNJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

1. Objective of SGSY:

The Swarnjayanti Gram Swarozgar Yojana (SGSY), launched on 01.04.1999, aims to bring the assisted families (Swarozgaries) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter alia organizing the rural poor into Self Help Groups (SHGs) through the process of social mobilization, training and capacity-building and provision of income generating assets. The SHG approach helps the poor to build their self-confidence through community action. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improving their collective bargaining power.

2. Salient features of the SGSY:

- SGSY is a holistic programme covering all aspects of self-employment i.e. organization of the rural poor into SHGs, training and capacity-building, planning of activity clusters, credit, technology, infrastructure and marketing.
- It aims at establishing a large number of micro enterprises in the rural areas and building upon the potential of the rural poor.
- The assisted families (Swarozgaris) may be individuals or SHGs. However, the emphasis will be on the group approach.
- In establishing micro enterprises, the emphasis is on the cluster approach. For this, about 10 activities can be taken in a block. However, emphasis would be on 4-5 key activities identified for micro enterprise development in clusters.
- SGSY is a credit-cum-subsidy programme, in which credit is the critical component, subsidy being only a minor and enabling element.
- It envisages greater involvement of banks in planning and preparation of projects, identification of activity cluster, infrastructure planning, capacity-building of SHGs, selection of Swarozgaris and post credit monitoring including loan recovery. It also seeks active participation of Panchayati Raj Institutions for the successful implementation of the Programme.
- It promotes multiple credit rather than one-time credit injection.
- Para 3.28 of the revised Guidelines says that SGSY will particularly focus on the vulnerable groups among the rural poor. Accordingly,

the **disabled** will account for **a minimum of 3% of the total Swarozgaris** assisted during the year.

- The Central Level Coordination Committee (CLCC) in its meeting held on 3rd June 2002 decided to explore a possible convergence of SGSY with the Centrally Sponsored Programmes of different Ministries/Departments of Government of India and accordingly, action is being taken by the Ministry in order to actualize the targeted convergence so that the impact of all the related programmes will be optimized.

3. Activities taken up under SGSY:

Under SGSY, each Block is required to concentrate on a few selected activities (key activities) and attend to all aspects of these activities, so that the Swarozgaris are able to draw sustainable incomes from their investments. These key activities are to be taken up in clusters so that the backward and forward linkages can be effectively established.

4. Selection of key activities under SGSY:

The selection of activity is required to be based on the local resources, the aptitude, skill as well as ready marketability of the products to be produced by the Swarozgaris. For identifying the key activities that can be taken up, the Block SGSY committee has to ensure that this selection takes place through a participative process. The District SGSY Committee, however, receives the block-wise proposals and will select about 10 activities per block. The focus is required to be laid on 4-5 key activities that are identified for training and micro-enterprise development in a cluster approach for larger number of groups.

5. Expenditure Pattern under the SGSY:

The financing of the programme is shared between the Centre and the States in the ratio of 75:25.

The funds are released directly to DRDAs. Each District Rural Development Agency (DRDA) is required to incur expenditure on Training, infrastructure, revolving fund assistance to SHGs and subsidy for economic activities.

II. SPECIAL PROJECTS UNDER THE SGSY:

6. Preface:

Under the scheme of SGSY, funds are released to DRDAs and are utilized as per the decisions taken at the local level. Sometimes, the poverty reduction efforts require coordinated action by different departments and may call for planning and coordination which may extend beyond the individual districts. There may also be occasions when the different departments or DRDAs or State Governments might want to try out new initiatives which are in the nature of pioneer projects, capable of triggering much needed growth impulses. Such projects would be indicators of possible alternative strategies. In order to take up such projects, 15% of the funds under SGSY are set apart by the Ministry for such initiatives in conjunction with other departments, semi-government organizations such as, the Khadi & Village Industries Commission, Development Commissioner, Handicrafts, Commodity Boards, etc., or International Organizations. This would include initiatives to be taken in the individual districts or across the districts.

The sanctioned projects include various activities relating to the development of Dairy, Horticulture, Mushroom cultivation, Sericulture, Lift Irrigation, Pisci Culture, Handlooms, Marketing etc.

The experience of the Ministry regarding implementation of the Projects is as follows:

(i) About half of the States are yet to submit proposals.

(ii) State Governments are not releasing the State share within a fortnight of release of Central grants. In some cases, the State share is inordinately delayed.

(iii) Projects lack a defined implementation schedule. There is a need to prepare a PERT chart identifying major milestones and deliverables with target dates for each activity.

(iv) Major projects, costing more than Rs. 5 crores for development of infrastructure generally require land to be available, approval of design and specifications of building and equipment, necessary approval of competent authority etc. In some cases, these have not been completed, which has resulted into a major constraint in the implementation of these projects.

(v) Projects relating to creation of marketing infrastructure which are either complete or nearing completion in some States could not be operationalised due to non-finalization of guidelines/management plan by respective States/authorities.

(vi) Though sanction order for these projects prescribed setting up of monitoring mechanisms at the State level and submission of regular progress reports, yet States have not been paying due attention to this requirement and most DRDAs fail to submit regular progress reports in the prescribed format.

(vii) Projects sanctioned during 1999-2000, were to be completed by March, 2002. However, most of project authorities have yet to submit proposals for release of second instalment.

(viii) Lack of coordination between Department of Rural Development/DRDAs and line departments has been noticed.

(ix) Mobilization of credit from bank as envisaged in the projects is not being monitored.

6.1 Objective of Special Projects:

The objective of each Special Project would be to ensure a time-bound programme for bringing a specific number of Below Poverty Line (BPL) families above the poverty line through self-employment programmes. The projects may involve different strategies to provide long-term sustainable self-employment opportunities either in terms of organization of the rural poor, provision of support infrastructure, technology, marketing, training etc., or a combination of these.

7. Criteria for formulation of Special Projects:

The Special Project to be submitted to the Ministry of Rural Development should have the following criteria:

(i) Identification of project area

The Special Projects should be formulated/posed particularly with focus on districts having high incidence of poverty. Ordinarily one project shall be approved for one district at a time and, in exceptional cases, Project Approval Committee (PAC) may approve a second project for the district. However, under no circumstances there shall be more than two on-going projects in a district.

(ii) Identification of activities under the Project

There is increasing evidence that clustering and networking of activities can help small-scale enterprises to boost their competitiveness. It is, therefore, desired that State Governments should identify such clusters/activity which could be taken up for higher scale of production with desired inputs in technology and skill up-gradation, entrepreneurship development, infrastructure related to production, processing, packaging, labeling, quality testing and standardization and marketing under Special Project.

Attempts should be made to formulate proposals for taking up those activities that have been duly approved by the Block Level/District Level SGSY Committee.

(iii) Size of the Project Cost

The maximum investment, inclusive of credit and State share, under each Special Project should not exceed Rs. 15.00 crores and the minimum project cost shall not be below Rs. 1.00 crore. Recurring expenditure such as creation of posts or vehicles or maintenance expenditure shall not be admissible in the projects. No cost escalation shall be permitted for the project. Escalations, if any, would be met by the State Government.

(iv) Funding Pattern

The total cost of the Project (excluding credit component from bank or any other Agency, beneficiary contribution) shall be shared between centre and state in the Ratio of 75:25.

(v) State share

The State should indicate its commitment to provide its 25 % matching share.

(vi) Post Project Maintenance

The State Government should also commit for post-project maintenance or prepare an appropriate maintenance plan.

(vii) Credit Component

There should be a prior commitment from the Bank/Financial Institutions for funding the project in case credit consists a part of the project cost.

Credit components may be arranged from the banks or other institutions such as SC/ST/Women Corporation, Handicapped Development Finance Corporation etc.

(viii) Coverage of BPL families

Attempt should be made to cover maximum families living below poverty line (BPL) under the Project. At least 80% of the beneficiaries under the Project shall be from BPL families. In case of irrigation projects, where the principle of exclusion cannot be applied, it should be ensured that at least 50% of the land to be benefited should belong to BPL families. The number of BPL families to be covered should be specifically indicated in the Project Proposal.

(ix) Convergence

The convergence between various line departments of the Centre and the States is a must for optimizing the efforts to be carried out on different activities envisaged under the project for its successful implementation.

(i) Special Project Proposals of line departments, which may cater to more than one district, shall also be considered. However, in such cases, the proposals would have to be routed through the Rural Development/Panchayati Raj Department, which is in charge of implementation of the SGSY in the State.

(ii) The possible convergence with the ongoing Centrally Sponsored Schemes may be explored for the successful implementation of the programme

(x) Formats for Project report:

The Ministry of Rural Development has outlined certain important points for formulation of Projects under the Special Project component of the SGSY that may be seen at **Annexure-I**. The Special Projects may be formulated basing on these points.

8. Professional input for preparation of Projects:

The SGSY Guidelines vide paragraph 9.2 envisage that an amount of Rs. 5 lakhs annually may be spent from the funds available under the Scheme on management of professional input. The concerned DRDA may take advantage of this clause and prepare good and sustainable project reports after consulting experts.

The experience of the Ministry reflecting constraints in the smooth execution of the Special Projects indicated in the Paragraph 6.2 above may be kept in mind while formulating/designing and implementing a project proposal.

9. Implementing Agency:

The State Government, Panchayati Raj Institutions or Semi Government Organizations at the State and National Level or Overseas Organisations at international level may pose projects under SGSY. Federations of SHGs of Swarozgaris assisted under SGSY may also pose suitable projects to the Ministry provided that the Federation is registered either under the Companies Act, the Society Registration Act, the Trust Act etc. SHGs who have been federated into, should have passed requisite gradation test from the appropriate authority and should have taken up some economic activities. The State Government may pose projects with a joint partnership of Credible Non Government Organizations (NGOs), who have successfully demonstrated and implemented community based pro-poor initiative.

10. Approval of Special Projects:

The Special Project duly approved by the District Level SGSY Committee and/ or State Level SGSY Committee and may be submitted to the SGSY Division of the Ministry of Rural Development for consideration. To consider these proposals, the Ministry has a two-tier Committee system.

a) Project Screening Committee

The Projects submitted would be examined and considered by the **Project Screening Committee (PSC)** before they are submitted to the Project Approval Committee with its recommendation. The composition of the Projects Screening Committee would be as under:

Joint Secretary (SGSY), D/o Rural Development	Chairman
Director/Dy. Adviser (RD), Planning Commission	Member
Director/Deputy Secretary (IFD), D/o Rural Development	Member
Director/Deputy Secretary/Joint Director dealing with the subject	Member-Convenor

The Screening Committee may invite a representative of State/ the project posing organization to make a presentation before the Committee in its Meeting on screening of the Projects. The Committee would refer the screened project to be placed before the Project Approval Committee (PAC) for final approval after which the project will be sanctioned.

b) Project Approval Committee

The composition of the **Project Approval Committee (PAC)** would be as under:

Secretary, M/o Rural Development	Chairman
Adviser (RD), Planning Commission	Member
AS&FA, M/o Rural Development	Member
Joint Secretary (SGSY)	Member-Convenor

11. Role of the State Rural Development Department:

Special Project Proposals of line departments, which may cater to more than one district, shall also be considered. The proposals would have to be routed through the Rural Development/Panchayati Raj Department, which is in charge of implementation of the SGSY in the State. The responsibility of the Rural Development Department of the respective States would be to expedite formulation of appropriate project proposals, pre-appraisal and to indicate State's share, monitoring framework and coordination with line departments in the

State/Centre that would ensure convergence of activities and their focus on BPL families.

12. Project Period:

Ordinarily, the projects are to be implemented within three years time. However, in case of process oriented and long gestation projects the period of implementation shall not exceed **five** years.

13. Release Pattern for Special Projects

The release of funds to the Implementing Agency should be normally in three installments in the ratio of 40:40:20. However, if the proposing Organization, feels the necessity of a release schedule different from this, it shall indicate it in the proposal giving its full justification and if the proposed schedule is approved, funds will be released according to that schedule.

1st Instalment

The first instalment (i.e, 40 % of the total Project cost) will be released after the approval of the project by PAC.

2nd Instalment

The second instalment will be released only on receipt of the proposal in this regard from the implementing agency, the audited statement and utilization certificate showing at least 60% utilization of the total available fund (40% central share for the first instalment+ matching State share). If the Project includes bank credit to be mobilized, the implementing authority will be held responsible for monitoring of the smooth mobilization of credit to the Project. Submission of quarterly progress report stating both physical and financial progress under the Project and submission of audit report on utilization of fund along with a certificate from the implementing/ co-ordinating agency certifying that the Project has been implemented as per the guidelines are necessary for the consideration and release of the second instalment of Central share. In case the project cost exceeds Rs. 5 crores, the PSC will review the physical and financial performance of the Project after which the 2nd instalment will be released.

The Project may also be inspected/reviewed at the spot by visiting officer (s) of the Ministry before releasing the 2nd and final instalment of Central Share.

3rd and final instalment

The third instalment of the Central share will only be released after examining the audited statement, progress of expenditure, progress/inspection reports and utilization certificate for the total available fund i.e., 90 % of the total Government (Centre and State) share.

14. Utilisation of interest earned on central release (s):

The interest amount accrued on Central releases, if any, shall be adjusted against the Central share of the Project cost at the time of release of the third and final instalment.

15. Releasing of State Share:

The State Government is required to release its corresponding matching share within a fortnight after obtaining the respective instalment of the Central share.

16. Monitoring and review of the Project:

Monitoring and Review of the Projects sanctioned and implemented will be done in two levels i.e. at State Level and Central Level.

(A) State Level:

For monitoring and periodic review of the sanctioned project, a Committee at the State level headed by the Secretary (RD) of the State is required to be constituted who shall have the responsibility of reviewing and monitoring the Project/s. The Committee shall take up monthly/quarterly review with the concerned line departments and DRDAs. The progress of the Project/s shall also be discussed in the District Level SGSY Committee / State Level SGSY Committee meetings.

(B) Central Level:

In the Central Level, the PSC has been entrusted for periodical review and monitoring of the special projects sanctioned under the scheme. However, PSC briefs PAC about the progress of the ongoing projects as and when necessary.

17. Monitoring Format

To keep track of the progress of the projects, the Ministry has devised a monitoring format, and a copy of the same is enclosed at **Annexure-II**. The implementing authority is required to send quarterly progress reports of the ongoing project/s to the Ministry.

18. Audit:

(i) The release of funds is subject to the audit by internal Audit of the Ministry of Rural Development.

(ii) Financial audit is to be carried out by the Chartered Accountant or any other authority appointed by the State Government. The audit report together with action taken on the auditor's observations and physical progress under the project shall be furnished at the time of release of 2^{nd} / 3^{rd} instalment of Central funds.

19. Other conditions:

(i) The implementing agency/coordinating agency shall submit the progress report of the project by 15^{th} of the month succeeding every quarter in the format for monitoring enclosed at Annexure-II. Failure to furnish the progress report would make the implementing/coordinating agency liable to refund of the Central funds released for the project.

(ii) It shall be open to the Ministry of Rural Development to prescribe such conditions, as it deems fit, from time to time to ensure proper execution of the project.