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**INDIA**  
**POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL**  
**COMMUNITIES OF TAMIL NADU**

**DESIGN DOCUMENT**

**ANNEX 1**  
**COMMUNITY FISHERIES**

INDIA  
POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
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DESIGN DOCUMENT

ANNEX 1

COMMUNITY FISHERIES

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### **Abbreviations and Acronyms**

FRP	Fibre-Reinforced Plastic
GDP	Gross Domestic Product
GOI	Government of India
GoTN	Government of Tamil Nadu
INR	Indian Rupees
NCDC	National Cooperative Development Corporation
SC	Scheduled Castes
SHG	Self-Help Groups
SIFFS	South Indian Federation of Fishermen Societies
SIMF	State Ice Manufacturers Federation
ST	Scheduled Tribes
TAFCOFED	Tamil Nadu State Apex Fisheries Cooperative Federation Limited
TANSTIA	Tamil Nadu Small and Tiny Industries Association

### **Glossary**

kattumaran  
vallam

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**I. FISHERIES SECTOR IN TAMIL NADU**

**A. Background**

1. With a coastline of over 8 118 km, and an exclusive economic zone (EEZ) of over 2 million km<sup>2</sup>, marine fisheries is an important sector in India and has been for long an important source of occupation for the coastal communities of the country.
2. It is estimated that about 6.7 million people depend on fisheries for a livelihood, of whom about 2 million are dependent on marine fisheries. This includes roughly 725 000 full-time, and an equal number of part-time, fishermen engaged in fishing operations and over 1 million people engaged in pre- and post-harvest activities (Government of India (GOI) 2001a)<sup>1</sup>.
3. The country has experienced tremendous growth in the fisheries sector after independence. Technological changes have spurred production and exports. India's fish production, for example, increased from 0.7 million tonnes in 1951 to 5.7 million tonnes in 2000-2001. Of this, in 2001, 2.7 million tonnes was from marine capture fisheries.
4. India is now the fourth largest fish producer in the world, accounting for over 4.39 per cent of the world's total fish production. India's fish exports touched USD 1.2 billion in 2002, or about 1.21 percent of its GDP (GOI 2003)<sup>2</sup>.

**B. Fish Production in Tamil Nadu**

5. Tamil Nadu has a long coastline of 1 076 km, of which about 60 km is on the west coast (Kanniyakumari district). The tsunami affected mainly the Coromandel coast (districts of Thiruvallur, Chennai, Kancheepuram, Cuddalore, Villupuram and Nagapattinam) and parts of Kanniyakumari district on the west coast of Tamil Nadu.
6. Given its long coastline, the fisheries sector is an important source of employment, income and food security in Tamil Nadu. While marine fish production increased from 45 700 tonnes in 1950-51 to 377 483 tonnes in 1998-99, from 1998-99 total marine production has stabilized, despite the fact that the number of larger mechanized vessels targeting marine resources has increased from 10 639 in 1998-99 to 11 889, in 2002-03. The number of mid-sized *vallams* have also increased from 20 043 to 23 109 in the same period while the number of smaller *kattumarans* has more or less remained the same (around 33 000).

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<sup>1</sup> Government of India. 2001a. Handbook of Fisheries Statistics 2000. Ministry of Agriculture. New Delhi.

<sup>2</sup> Government of India. 2003. Economic Survey of India. 2002-2003. Ministry of Finance and Company Affairs. New Delhi.

7. Till the early 1980s most marine fish production was from the non-mechanized sector (using *kattumarans*). The importance of the mechanized sector (trawlers and gillnetters) has since grown substantially. The 1990s has also seen the growth of motorization (motorized *kattumarans*, motorized fiberglass [FRP] ‘Maruti’ *kattumarans*), and the contribution of the motorized sector to marine fish production has increased substantially. There is a clear trend towards motorization and mechanization.

8. Table 1 provides details of fishing craft registered in Tamil Nadu as on 31 March 2003. It can be seen that *kattumarans* and *vallams* are still numerically in the majority, constituting 82.5 percent of the total fleet in Tamil Nadu. However, according to available statistics they catch only 47.14 percent of the total marine production. It can also be seen that mechanized vessels are concentrated in the districts of Ramanathapuram (includes stations of Rameswaram and Mandapam), Nagapattinam, Kanniyakumari, Pudukottai and Chennai. This segment includes mainly trawlers. However, it also includes a smaller number of mechanized gillnetters, mainly in Nagapattinam and Kanniyakumari.

**Table 1: District-wise details of fishing craft in Tamil Nadu as on 31 March 2003**

Name of the Station	No. of craft registered as on 31.3.2003			Total
	Mechanised Boats	Vallam	Kattumarans	
Chennai	1,094	12	1,102	2,208
Kancheepuram & Thiruvallur	11	977	6,673	7,661
Cuddalore & Villupuram	975	367	6,549	7,891
Nagapattinam	2,419	628	7,067	10,114
Thiruvarur & Thanjavur	572	2,032	194	2,798
Pudukottai	1,113	2,246	-	3,359
Ramanathapuram	851	6,220	-	7,071
Rameswaram	1,561	2,058	200	3,819
Mandapam	702	402	-	1,104
Thoothukudi & Thirunelveli	930	3,960	5,702	10,592
Kanniyakumari (East)	232	130	1,194	1,556
Kanniyakumari (West)	1,429	4,077	4,357	9,863
<b>Total</b>	<b>11,889</b>	<b>23,109</b>	<b>33,038</b>	<b>68,036</b>
<b>Percentage to total</b>	<b>17.5%</b>	<b>34%</b>	<b>48.5%</b>	

Source: Department of Fisheries, Government of Tamil Nadu, 2004

9. An analysis of the fish production by mechanized vessels over time (Table 2) shows that though the mechanized fleet has almost doubled between 1992-93 to 2002-03, the total fish production from the mechanized sector has increased by only 26 per cent, and the average annual catch per vessel has actually declined by 33 per cent (assuming that all vessels registered are actually fishing).

**Table 2: Comparison of fish production by mechanized vessels across two time periods**

	1992-1993	2002-2003	Percentage of variation over the last ten years
Number of Mechanized boats (registered)	6,314.00	11,889.00	88.30
Marine fish production from mechanized boats ( in tonnes)	158,888.00	200,467.69	26.17
Average Catch per mechanized boat per year (in tonnes) (assuming that all vessels are fishing)	25.16	16.86	(-32.99)

*Source: Fisheries Statistics, Department of Fisheries, Government of Tamil Nadu, 1994 and 2004*

### C. Conflicts Between Sub-Sectors and Status of Coastal Fish Resources

10. The non-mechanized and the motorized sub-sector can broadly be categorized as the artisanal or traditional sector — even though use of motors and new net materials are clear indications of modernization. The trawlers, however, represent a distinctly different interest group in fishing, requiring much higher levels of investment. Conflicts, sometimes violent, between the two sub-sectors, both over space and resources, have been common over the past two decades. The artisanal sector has been pointing to the destructive environmental impact of bottom trawling, particularly in inshore waters, on the benthic ecosystem and on fish resources. They allege that overfishing by trawlers has impacted negatively on their catches and their livelihoods.

11. Several studies have also referred to the destructive and non-selective nature of trawl gear, particularly of bottom trawls and high-open bottom trawls. Devaraj and Vivekanandan (1999) point out, for example, that non-selective trawls indiscriminately exploit almost every fishery group. They further note that the very small mesh size in the cod end of the net used by trawlers is responsible for the exploitation of large quantities of juveniles of all the economically important large-sized fishes (bycatch), which are either used as fishmeal for poultry or discarded in the sea.

12. Research indicates that resources in Tamil Nadu and other parts of India are under pressure. Devaraj and Vivekanandan (1999) found that the catch rate of fishing vessels in several fishing centres is on the decline. They found, for example, that the catch rate of trawlers based in Chennai had declined from 110.8 kg/h in 1991 to 29.7 kg/h in 1997. That mechanized trawlers from Tamil Nadu are forced to cruise further to fish, is yet another indication that fishing is not economically viable for the trawlers anymore along the Tamil Nadu coastline. Thus, it is common for trawlers based in Chennai to fish in waters off Andhra Pradesh and Orissa, while trawlers based in the south, in Nagapattinam and Rameswaram, fish in Sri Lankan waters. There have been many instances where trawlers from Tamil Nadu have been arrested/ detained, particularly in Sri Lanka, but also in Andhra Pradesh. In the case of Andhra Pradesh, trawlers from Tamil Nadu are detained by local communities.

13. As coastal and inshore resources come under greater pressure, the most affected are the fishermen on non-mechanized craft using passive gear, numerically in the majority, who face depleting catches and increasingly vulnerable livelihoods as a result of non-selective fishing practices adopted by the rest of the fleet.

14. It is evident that even in the pre-tsunami period all was not well in the fisheries sector, both in terms of resources and in terms of incomes from the fisheries, with implications for the wellbeing for those in the sector. The need to match fishing capacity to available fish resources is an important aspect to keep in mind in the post-tsunami period, to ensure that those in the sector, particularly the vulnerable groups who have few other livelihood options available, are able to earn a decent and sustainable livelihood.

#### **D. Brackishwater Shrimp Aquaculture**

15. Brackishwater shrimp aquaculture in Tamil Nadu was initiated in the early 1990s, and has since grown in importance. Nagapattinam district has the largest area under shrimp farms in Tamil Nadu (927 ha), followed by Cuddalore (325 ha) and Ramanathapuram (312 ha) districts. About 16 per cent of total farms have obtained licenses, while the remaining are in the process of obtaining licenses.

16. Coastal communities in Tamil Nadu, as well as groups and organizations working with them, have been highlighting the negative environmental and social impacts of unregulated brackishwater shrimp aquaculture. Fishing communities have pointed to aspects such as the loss of direct access to the sea due to expansion of shrimp farms; biodiversity loss as a result of clearing mangroves to make way for shrimp farms and as a result of effluent discharge from aquaculture farms; depletion of catches as a result of destructive practices adopted in collection of shrimp fry, etc. It has further been pointed out that coastal communities living near aquaculture farms have often had to contend with land alienation, disruption of drainage channels, as well as salinization and pollution of groundwater and other sources of water. Any post-tsunami rehabilitation intervention must take into account these concerns regarding environmental and social sustainability of shrimp aquaculture operations.

## **II. FISHING COMMUNITIES IN TAMIL NADU**

### **A. Socio-Economic Vulnerability of Fishing Communities**

17. Information from the Fisherfolk Censuses conducted by the Tamil Nadu Department of Fisheries in 1957, 1978, 1985 and 2000 reveals that the population of fishing villages has almost tripled from 236 600 in 1957 to 679 700 in 2000, as has the population of active fishers from (80 030 in 1978 to 231 810 in 2000). It presently forms about 1.1 percent of the total population of the State.

18. According to the Fisherfolk Census data, the annual rate of population growth during the period 1985 to 2000 is 2.91, which is much higher than state average of 1.12 and the national average of 1.9 in the decade 1990-2000. This would indicate a higher rate of population growth in these communities. However, it is possible that this is a result of migration into these communities. The fact remains, however, that the population in fishing villages has increased, undoubtedly with implications for living conditions and pressure on resources. The data from the Fisherfolk Census indicates, however, that average family size has reduced to 4.68 members per family in 2000, from 5.33 in 1985, in keeping with national trends.

19. From Table 3 it can be seen that the sex ratio in fishing villages, an indicator of the status of women, is lower at 957, as compared to the State average of 985, which, in itself is low, and reflective of the discrimination against women in the society. This is clearly a cause for concern.

20. The literacy rate in fishing communities, in keeping with the above trend, is also seen to be lower at 64.47, as against the state average of 73.5. It is worth noting that the literacy rates in coastal districts of Tamil Nadu are even higher, at 76.35, indicating that fishing communities remain 'outliers' even in districts which fare relatively better on indicators such as literacy and sex ratio (Table 8). While interpreting this data, however, the fact that it is drawn from two different sources needs to be kept in mind.

**Table 3: Human Development Indicators for fishing communities: a comparative picture**

Parameters	Tamil Nadu		
	All Districts	Coastal Districts	Marine Fishing Villages**
Population (2001)	62,111,000	28,479,000	679,771
Population (1991)	55,859,000	25,910,000	463,800*
Annual Growth Rate	1.12	0.99	2.91
Literacy Rate	73.5	76.35***	64.47
Sex Ratio	985	1004***	957

*Source: Tamil Nadu Human Development Report (2003)*

*\* for the year 1985*

*\*\* source: Marine Fisherfolk Census 2000. Department of Fisheries, Government of India*

*\*\*\* average for coastal districts*

21. The data from the Fisherfolk Census also shows that, while the numbers living in terraced and tiled houses have increased since 1978, indicating an improvement in housing conditions, even in 2000, the majority of fisherfolk (almost 36 percent) live in thatched houses, while about 12.8 percent live in houses not owned by them, an increase over the previous census. There is also great variation between districts - the proportion of those living in thatched houses is much higher at 59.17 percent in Nagapattinam, while in Kanniyakumari only 13.71 percent live in thatched houses. Several studies have also noted that fishing communities in the State tend to have poor sanitation facilities, with the beach being used as an open toilet. Available data would, therefore, seem to indicate that fishing communities in Tamil Nadu are vulnerable from a socio-economic perspective.

#### **B. Vulnerability of Fishing Communities due to Environmental Factors**

22. It is also important to mention that even though over time there has been an improvement in incomes, in literacy and in housing, fishing communities in Tamil Nadu and elsewhere, are increasingly vulnerable from an environmental perspective. Apart from the fact that they occupy the margins of the land mass and are exposed, on a regular basis to cyclones, typhoons and other natural disasters, in many parts of Tamil Nadu the lands they occupy are also exposed to sea erosion. In addition, being at the receiving end of land-based activities, coastal communities also bear the brunt of environmental degradation and pollution caused by land-based sectors. These activities take a heavy toll on the coastal and marine environment and biodiversity, and directly impact on productivity of fisheries resources and fish catches. Again, the impact of such negative developments are most acutely felt by those traditionally fishing in coastal and inshore waters using non-mechanized craft who are not able to relocate to fish in less polluted or more resource-rich fishing grounds. Negative impacts are also experienced by those fishing, collecting and gleaning in coastal and intertidal areas without boats, many of whom are women, such as those who engage in gleaning activities—work that involves wading in water for many hours. This also exposes them to serious health risks, as in the estuarine area near the Cuddalore industrial area in Tamil Nadu. It needs to be mentioned that many dalit and tribal communities are involved with fishing/ gleaning/collecting in backwaters.

#### **C. Community Structure**

23. The tsunami affected large parts of Tamil Nadu, particularly the Coromandel coast along the Bay of Bengal, and Kanniyakumari district in the south-west. Along the Coromandel coast of Tamil Nadu (between the districts of Thiruvallur and Nagapattinam), the Pattanavars are the main caste involved in fishing, while Kanniyakumari is dominated by the Mukkuvars. Kanniyakumari also has the Paravas. The Mukkuvars, Pattanavars and Paravas have traditionally been fishermen and are known for their high levels of skill.



24. Among the Pattanavars, where the predominant religion is Hinduism, the most important institution at the community hamlet (kuppam) level for the fishing community is the caste panchayat, with the talaivar as the head. Its most important role is in the realm of conflict resolution in fishery and/or related social issues in the village. This institution is a nested structure working from the village upwards. Though patriarchal and hierarchical in nature, with no overt political affiliation, these panchayats tend to choose leaderships that have a locus with the political party in power in the state. They have their own funds, largely raised through a “tax” levied as a percentage of fish sales of the individual fishermen. These funds are utilized for community-related expenses. The decision-making process of the caste panchayats is relatively “open” — in that they are taken in a physical space (on the beach front, the temple portal etc.), which is public in nature.

25. Among the Mukkuvars, where the predominant religion is Christianity, the caste panchayats have been ‘superceded’ by the church committees with the parish priest playing the role of talaivar. In these villages too a church tax is levied and utilized for community-related expenses. The decision making process may be less ‘open’, but the tradition of an occasional community gathering can be said to lend the air of democratic process to the institution. More recently the formation of smaller neighbourhood groupings (Basic Christian Communities) give greater representativeness to the community.

#### **Other caste groups in fishing villages and in coastal areas**

26. Data from the fisherfolk census reveals that, overall, about two percent of the population of fishing villages or kuppams, belong to the Scheduled castes (SC) and Scheduled Tribes (ST). The SC populations within fishing villages are found in Nagapattinam, Chennai and Kancheepuram, while the ST population is mainly in Cuddalore and Chennai.

27. Dalit and tribal communities, both those living within fishing villages and outside it, are also known to participate in and depend on fisheries in various ways. According to a report by the National Campaign on Dalit Human Rights, in tsunami-affected coastal areas the economic livelihoods of dalits is inextricably linked to that of the fisherfolk in various ways. Members of these communities are known to engage in fishing, particularly in backwaters. They are also employed as crew, as loaders and unloaders, in vending fish and in manufacturing and selling salt. Apart from this, in south Tamil Nadu, dalits are engaged in collection of seashells and conches. Dalits in coastal areas also work as agriculture labour and as labour in saltpans. Some families are also engaged in farming and livestock rearing.

28. The Irulas, a tribal group with a total population of population of about 1.5 lakh persons, are concentrated in north-eastern Tamil Nadu. The Irulas do not own land, the literacy rate is less than 4 per cent, and they suffer from social and economic discrimination. They are traditionally a forest-based community that inhabited the Eastern Ghat scrub hills fringing the coastline. Following the displacement of these communities from forests, some Irula communities settled at the mouths of rivers and canals, near the coast. They engage in fishing in backwaters (for fish, prawns, etc.). They also fish in coastal areas, using kattumarans and nets, or work as labour on shore or as crew on fishing vessels.<sup>3</sup> They also find work as labour on agriculture farms, rice mills etc. Irula communities located near the coast were also affected by the tsunami.

#### **D. Women in the Fisheries Sector**

29. Women are an integral part of the fisheries in Tamil Nadu. While they are predominantly involved in the post-harvest sector, in marketing and processing fish, they are also known to be active in pre-harvest activities, such as repair of nets, and, in some cases, in fishing. However, there has been

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<sup>3</sup> Information on Irulas has been obtained from the Irula Tribal Women’s Welfare Society, based in Chengalpet, Tamil Nadu

a general policy neglect of women in the fisheries sector, with the state providing greater attention and support to fish harvesting activities, and to higher-end processing for the export market. Comparatively little attention has been paid to the improving marketing and processing for the domestic market, and towards improving economic opportunities and livelihoods of those involved in this sub-sector. It is also worth noting that women are often absent from traditional decision-making structures at the community level, such as the caste panchayats.

### **E. Other Institutions at the Village Level**

#### **Self-help groups**

30. In the last few years there has been a great focus on encouraging women to form Self-Help Groups (SHGs) as part of the larger trend towards the same in Tamil Nadu. The Policy Note for 2004-05, prepared by the Fisheries Department, notes the presence of 314 fisherwomen SHGs with 6,000 members functioning in seven districts of the State as of 31 March 2003. The SHG members have been given training and are engaged in various economic activities, including freshwater prawn farming, ornamental fish raising, integrated fish farming, crab and lobster fattening, pickle making, fish drying, fish marketing etc. They have also been supported in obtaining economic assets, such as *kattumarans* and nets. Reports suggest, however, that marketing has been a major bottleneck in strengthening the economic activities of the SHGs.

#### **Fishermen/fisherwomen cooperatives**

31. Fishermen/fisherwomen cooperative societies exist in Tamil Nadu. These were first organized with the objective of providing an “indispensable means for preventing exploitation by middlemen, removing the indebtedness of fishermen and increasing production” (Third Five-Year Plan).

32. As of 31 March 2003, there were 505 Marine Fishermen Cooperative Societies and 253 Marine Fisherwomen Cooperative Societies with 378 457 members. There were also 19 other types of cooperative societies (engaged in prawn farming, marketing and boat construction) with 3 559 members, 11 District Fishermen Cooperative Federation and one State Federation (Policy Note 2004-05, Fisheries Department). Kanniyakumari and Nagapattinam had the highest number of marine fishermen cooperative members, while Chennai, Kanniyakumari, Ramanathapuram and Cuddalore have the highest number of marine fisherwomen cooperative members.

33. The Tamil Nadu State Apex Fisheries Cooperative Federation Limited (TAFCOFED) has a membership of 580 Primary Fishermen Cooperative Societies and 9 District Fishermen Cooperative Societies and has been implementing Integrated Marine Fisheries Development Project with financial assistance from the National Cooperative Development Corporation (NCDC).

34. Field reports suggest, however, that the cooperative societies in Tamil Nadu have not been very effective and that their main role is limited to channelling government schemes to fisherfolk. Cooperatives visited by the mission were involved in a subsidised savings scheme to provide boat owners and crew with off-season income, procurement of subsidised fuel, and construction of government housing. They were not involved in any marketing or other collective enterprise. Currently the management committees of all types of cooperative have been suspended by the government, and cooperatives are being managed by nominated government officials.

### **F. Other relevant aspects**

35. It is also in order to mention other aspects of the political economy of fishing communities that will have implications for rehabilitation measures considered. These are mentioned in brief. However, more detailed references can be provided if required.

### The sharing system

36. A distinguishing feature of small-scale fisheries in many parts of the developing world, including Tamil Nadu, is the prevalence of the sharing system whereby a catch is divided between boat/engine/net owners and the crew. Earlier this was often kinship-based, and implies a sharing of the risk between owner and crew. The sharing system can also be observed in the mechanized sector in Tamil Nadu. This also makes it a more equitable society, where class relations may not be so well developed.

### Credit and indebtedness

37. Credit plays an important role in the fisheries sector. Credit, often provided through informal sources, has played a major role in fuelling investment and technological change in the sector. The role of credit has become even more important in recent years, given the higher costs of inputs, and the greater pressure and competition over resources.

38. The informal sector continues to be the most important source of credit. As in other sectors, fishermen with few or no assets find it more difficult to access credit from formal sources, and have to resort to informal sources of credit, often at much higher rates of interest. Where credit is obtained from traders and merchants, it usually means that the fishermen are bound to sell their fish to the trader who has advanced them money. Not only does this mean that they are unable to sell to the highest bidder, but the price received can be 10-15% less than the market price – this being the interest charge for the loan.

39. Little recent data on this issue is available. However, it is likely that levels of indebtedness, both to formal and informal sources, are very high among the fishing community. In the aftermath of the tsunami an important issue to understand will be the extent and type of indebtedness among the affected population.

## III. DAMAGE TO THE FISHERIES SECTOR IN TAMIL NADU

40. Tables 4 and 5 provides summary information on damage to fishing craft, motors and nets, provided by the government of Tamil Nadu.

**Table 4: Fishing craft damaged/destroyed**

	Mechanized boats	Vallams	Kattumarans
No. of fishing craft lost/ destroyed	872	4853	32958
No. of fishing craft damaged	1783	2875	4476
<b>Total</b>	<b>2655</b>	<b>7728</b>	<b>37434</b>

*Source: Government of Tamil Nadu (18 April 2005)*

**Table 5: Damages to motors and nets**

Outboard motors	15571
Inboard motors	297
Nets in tonnes	3194

*Source: Government of Tamil Nadu (18 April 2005)*

41. District-wise details of damages to fishing craft and gear are provided in Appendix 1. Damages to small-scale and artisanal (vallams and kattumarans) craft are estimated to have been highest in Kanniyakumari (12 606) followed by Nagapattinam (10 139) and Cuddalore (6 549).

Damages to mechanized craft have been highest in Nagapattinam (983), Chennai (570), Kanniyakumari (505) and Cuddalore (364). It is understood that assessments to verify/ revise these figures are underway, and it should be noted that the figure for the total number of damaged and destroyed kattumarans (37 434) exceeds the total number recorded in the state in 2003 (33 038 – see Table 1).

42. The approximate number of fishermen and crew who have been directly affected by the damage to craft and gear can be roughly calculated from the above estimates. Assuming that the approximate crew size of kattumarans is about 3, of vallams about 4, and of mechanized boats about 8, it can be estimated that about 164 454 fishermen have been directly affected in terms of loss of employment. It is also worth mentioning that in the post-tsunami period in tsunami-affected districts of Tamil Nadu, even those whose craft and gear have survived unscathed have not resumed fishing for various reasons. The loss of fishing employment is, therefore, likely to be much higher.

#### **A. Other Fisheries-Related Sectors Affected**

43. The damage to fishing craft and gear has meant that fishing activities have been completely disrupted along a large part of the Tamil Nadu coast. It is estimated that it will take a minimum of six months, if not more, for fishing activities to assume any semblance of normalcy. The disruption of fishing activities has had a severe and domino effect on various segments of the coastal population: those who load, unload and otherwise handle the fish, those who vend the fish in local markets, those who process the fish, those who provide ice, salt and other inputs, those who transport and export fish, those who repair engines and boats, etc. It is difficult to arrive at the exact number of people who have been thus affected.

44. There have been no systematic attempts to assess loss of livelihoods in fisheries-related sectors, and, given the context, only rough estimates can be made. It is generally accepted that for every person who fishes, there are about three persons on shore who earn an income and livelihood, that is the livelihoods of about five lakh people are likely to have been affected due to the disruption of fishing activities.

45. Processors, vendors, traders, wholesalers and retailers of fresh and dry fish, are undoubtedly an important segment of those affected. It is worth noting that the impact is not only confined to those within the community engaged in these activities, often women, but is also on those in distant markets who were sourcing the fish/ fish product from coastal areas. Till such time as the fishing activity is resumed, this segment, particularly those who depend only on this activity for an income, will need interim support. Less money in hand also means that purchasing power goes down, impacting on the livelihoods of petty traders, shopkeepers etc in affected areas.

#### **B. Damage to Fisheries Infrastructure**

46. No comprehensive assessment to the damage to fisheries-related infrastructure is available as yet. The Tamil Nadu Small and Tiny Industries Association (TANSTIA) has provided a preliminary assessment of damages. It has reported that at least 1000 small-scale units engaged in activities linked to the fishing sector, such as processing of marine food, maintenance of fishing boats and supply of ice and fishing nets in Tamil Nadu, have been affected by the tsunami.

47. District level federations have made some assessments of the damages to the small and tiny industries in the districts due to tsunami. It is reported that at least 150 such industries have been damaged in Nagapattinam, of which 35 are ice plants and the majority of the others are engineering units and saw mills—ancillary industries that engage in the construction and repair of fishing vessels in the district. It is worth noting that as these units have been damaged during the tsunami, particularly the equipment they use, they are not able to respond to the huge demand for new boats that has arisen in the post-tsunami period.

48. According to the State Ice Manufacturers Federation (SIMF) 176 ice-block producing units have been affected in Tamil Nadu, in the coastal districts of Chennai, Kancheepuram, Cuddalore, Nagapattinam, Ramanathapuram and Kanniyakumari. This is mainly because the demand for ice has reduced due to the disruption of fishing activities. In Kanniyakumari and Nagapattinam ice-producing units have also suffered physical damage. SIMF estimates that more than 1 000 workers employed in ice factories have been seriously affected. SIMF is urging the Tamil Nadu government to consider declaring the units as cottage industries and to waive sales tax. The Collector of Cuddalore has deferred the power bill payment by these units for a period of six months. It is also worth mentioning that some of the ice-producing units are owned by fishing communities in these areas. While it is evident that the damage to these units has also affected workers employed in these units, it is difficult to assess the exact number of those affected. It is understood that TANSTIA will be undertaking a more comprehensive survey of damage to small enterprises.

### C. Damage to the Aquaculture Sector

49. Information available on damage to hatcheries and shrimp aquaculture farms has been summarized below (Table 6).

**Table 6: Damages to the aquaculture sector**

District	Hatcheries		Farms			Impact
	Total no.	No. Affected	No of farms	Total area under culture (ha)	Area affected by tsunami (ha)	
Chennai, Tiruvallur and Kancheepuram	48					The major damages were to hatcheries, in terms of damages to boundary wall, damage to sea water motor, damage to sea water pipelines and damage to air blower
Cuddalore			150	470	10	Shrimp farms located in Kundu Uppalavadi village and TVS Pettai near Chidambaram were affected
Villupuram	15	10	44	140		Borewells and compound walls were damaged in the hatcheries
Nagapattinam			996	2384	300	Water intake systems were affected
Pudukottai				100		No damage
Ramanathapuram			167	712		Farms were affected
Tuticorin	1	1		58		Water intake systems were affected

*Source: Central Institute of Brackishwater Aquaculture (CIBA)*

50. It is understood that the main damage has been to the hatcheries in affected districts, particularly in the Chennai, Kancheepuram, Thiruvallur, Villupuram belt, with maximum damage in Villupuram district. According to informed sources this will also mean a setback to aquaculture operations as the seed production capacity has been partially affected. About 310 ha out of 2,900 ha under utilization for aquaculture in Tamil Nadu are also reported to have suffered from the tsunami, mainly in Nagapattinam district. The implications for those employed on the farms and hatcheries are difficult to assess. However, given that the impact on the sector as a whole in Tamil Nadu are considered minimal, implications for employment are not likely to be significant.

#### IV. REHABILITATION MEASURES

51. The Government of Tamil Nadu (GoTN) has announced various relief and rehabilitation packages in the aftermath of the tsunami. The following packages announced relate to the fisheries sector and related livelihoods. These are apart from the basic relief packages being distributed by the government to all tsunami-affected households.

52. **Immediate package of assistance:** On 28 December 2004, the following immediate package of assistance for fisheries for INR 65 crores was announced (G.O.MS.No.576):

Purpose	Amount
Replacement of gill nets for <i>vallams</i>	INR 20 crores (INR 20 000/ unit for 10 000 units)
Replacement of gill nets for <i>kattumarans</i>	INR 20 crores (INR 10 000/ unit for 20 000 units)
Repair or rebuilding of <i>vallams</i>	INR 15 crores (INR 15 000/ unit for 15 000 units)
Repair or rebuilding of <i>kattumaran</i> (first INR 5 000/ unit was sanctioned which was later increased to INR 10 000/-)	INR 20 crores (INR 10 000/ unit for 20 000 units)

53. Of the above 65 crore package, a total of INR 45.22 crores was distributed as of 8 April 2005.

54. **Damages to OBMs/ IBMs:** On 18 January 2005, a package for assistance for damages caused to Outboard engines (OBMs)/ Inboard engines (IBMs) (GO 31) was announced, by which Rs. 5,000 per engine was sanctioned for a total of 1560 engines. The total package was for 78 lakhs.

55. **Further assistance for replacement of fishing craft:** On 29 January 2005 a package of Rs. 395.56 crores for further assistance for replacement of fishing craft was announced (G.O.MS.NO.480) as follows:

Purpose	Amount
To replace fully damaged/lost <i>kattumaran</i> with a wooden <i>kattumaran</i> inclusive of net	Rs. 32,000/ <i>kattumaran</i> (full subsidy)
To replace fully damaged/lost <i>kattumaran</i> with a FRP <i>kattumaran</i> inclusive of engine and net	Subsidy of 35% to be provided for a unit, with a ceiling of maximum assistance of Rs 52,500 (for a unit costing Rs. 1.5 lakh)
To replace fully damaged/lost FRP <i>kattumaran</i>	Subsidy of 50% to be provided for a unit, with a ceiling of maximum assistance of Rs 75,000 (for a unit costing Rs. 1.5 lakh)
To replace fully damaged / lost wooden / FRP <i>vallam</i>	35% of the total cost as subsidy subject to a maximum subsidy of Rs.52,500/- calculated at a unit cost of Rs.1.50 lakh inclusive of engine and net.
To replace fully damaged /lost mechanized boats	Subsidy of 35% to be provided for a unit, with a ceiling of maximum assistance of Rs.5 lakhs per boat.
For repair of mechanized boats	60% of the assessed value of the damage to be sanctioned as subsidy with an upper limit of Rs.3 lakhs per boat.

As of 8 April 2004, a total amount of Rs. 30.71 crores was disbursed for replacement of wooden/ FRP *kattumarans*, and Rs. 37.02 crores was disbursed for fully/ partly damaged mechanized fishing boats.

56. **Package for aquaculture and other fisheries-related activities:** A package for Rs. 10 lakhs was announced for Cuddalore district (G.O.MS.NO.130; Dated 24.02.05), according to which a sum of Rs. 25,000 each (or the value of the asset lost which ever is lesser) would be given for prawn/crab farm owners, fish seeding farm owners, fish transport owners, ice manufacturing units, etc. who have lost their assets due to tsunami.

57. **Repair of boat yards:** GoTN sanctioned Rs. 5 lakhs for repairing Chinnamuttom boat yard and Rs.1.89 lakhs for repairing the Kanniyakumari boat yard to speed up the process of repairs of boats.

58. **Loss of livelihood of others living in affected areas:** GoTN announced a relief package of Rs 45 crores (G.O.Ms.No.8, dated 5.1.2005) towards loss of livelihood to marine fishermen families and others living in affected areas who are not fishermen but earn their livelihood by way of small trades connected with the coastal economy.

59. **Petty traders/shop owners:** GoTN announced a package for petty traders/ shop owners (G.O. No.121 dated 23.2.2005) for Rs. 5 crores, by which Rs 2,000 was sanctioned for damages to mobile/temporary shop owners and Rs. 5,000 for damages to pucca shop owners.

## V. ISSUES EMERGING IN THE POST-TSUNAMI PERIOD

60. The tsunami has had a major impact on the fisheries sector in Tamil Nadu. The support and sympathy for victims of the tsunami disaster has been unprecedented, with aid coming from various sources, both from within and outside the country.

61. The following were some of the issues/concerns that emerged and views that were articulated during discussions the team had with district level officials, NGOs and communities, with reference to the fisheries sector and fishing communities:

- *Role of traditional community structures:* Traditional community structures (caste panchayats along the Coromandel coast, and parish structures in Kanniyakumari) have always played an important social role, including in conflict resolution within and between communities. In the post-tsunami period they took on an important role in ensuring that relief was distributed in ways perceived as equitable by the community, and in liaising with outside agencies, both governmental and non-governmental. It was widely felt that it would be beneficial to strengthen these institutions in the post-tsunami period, taking care to ensure that the views of women are also represented.
- *Replacement of fishing craft:* Re-equipping fishing communities with boats, nets and motors to enable them to resume their livelihoods, has widely been considered as a priority by both governmental and non-governmental agencies. Aid has often taken the form of providing boats, nets and engines. The government has announced compensation packages for replacement of partially and fully damaged craft and gear, both mechanized and small-scale, and the process of distributing the same has been initiated. The overall effort is to ensure that the number of craft remains at pre-tsunami levels and that there is no increase in numbers of craft.

However, support in the form of boats and nets from private organizations and well wishers has been, in many case, provided directly to affected communities, with no consultation/ coordination with the government. It was felt, therefore, that there is a distinct possibility that the number of boats in the post-tsunami period records an overall increase, with boats being received from various sources. For example, in a village in Cuddalore visited by the mission, an NGO is planning to buy 25 additional boats for non-fishing households. This is in a context where fish resources in the inshore were being optimally fished even in the pre-tsunami phase. The impact of a likely increase in boats, and, therefore, fishing pressure, will have to be carefully monitored, to the extent that it affects that ability of fishing communities to earn a sustainable livelihood from the sea.

The team was also told that several systems are being used for distribution of craft and gear, including the following: a certain number of boats is being given to the village as a whole through the village panchayat; boats are being given to groups of three or four fishermen, to be owned and operated jointly; boats are being given to women's groups/ SHGs so that a share of the earning can come back to the groups; boats are being given to other groups seen as marginalized, such as disabled persons, and so on. It is likely that other systems for distribution have been used as well. The impact of such forms of distribution, and the implications for production and social relations is yet to be seen and will need to be carefully monitored, particularly so as individual ownership of assets was the norm in the pre-tsunami period, and only a limited proportion of families in a village were boat-owning. The fact that in many areas crew was already in short supply is also an important reality and as the number of boat owners within a community increases, recruitment of crew may become an issue.

*High risk and moral hazard:* Bankers and insurance agencies are reluctant to work with fishermen, both because fishing is considered a high risk enterprise and because past experience of lending to fishermen has not been positive, with low repayment of loans. In the post-tsunami context the hesitation to lend to/ insure fishermen is reported to continue. While efforts are underway in many tsunami-affected areas to form groups of fishermen SHGs, including of crew, it is not clear to what extent bank will be willing to lend to them. The bankers met in Kanniyakumari district noted that where fishermen were part of marketing societies, such as through the South Indian Federation of Fishermen Societies (SIFFS), they had no problem in extending credit—banks had been lending to them in the past and repayments had been good.

It is worth noting that GoTN has announced full subsidy for replacement of wooden *kattumaran* (Rs. 32,000). However, the subsidy for replacement of FRP *kattumaran/ vallam* ranges from 35 to 50 per cent, with the balance amount to be given as loan through banks, with a seven-year repayment period. In several districts fishermen told the mission that they were apprehensive to take on bank loans in a context where they had lost all they had, and even had a problem providing a collateral for the loan. There was also apprehension among bankers, given the high perception of risk in giving loans to fishermen and the bad repayment record of fishermen in the past.

In some districts, the government was encouraging NGOs to pay the remaining amount (the non-subsidy element) so that fishermen would receive the boat as a grant, without having to take a bank loan, although it appeared that only some NGOs were coming forward to work with the government on this. In Kanniyakumari district the mission was informed that efforts were underway to negotiate with insurance companies to insure the replaced craft, so that bank loans could be provided without the need for collateral. However, fishermen considered as problematic the high premiums that would need to be paid to insure the craft (given the high risk perception). There appear to be several issues *vis a vis* access of fishermen to the formal banking system and to insurance coverage, which need to be analysed and addressed.

*Sustainability of fisheries resources:* Fishermen along the coast reported changes of various sorts in the post-tsunami period. The seabed is widely reported to have changed, with areas that were earlier shallow, now having become deeper and vice versa. There are implications of such changes, as areas that fishermen knew as good fishing grounds may have undergone modification. Some fishermen have also reported changes in currents as reflected by the behaviour of the net in the sea, and lower catches, while others have reported that sea ingress—that the sea is now closer by 25 to 50 metres. High sedimentation of backwaters has also been reported. The longer-term impact of the tsunami on fish resources remains to be seen. This, as well as the pre-tsunami context, where fishermen had in any case been reporting declining catches due to factors such as unregulated trawling and pollution, are key factors to keep in mind in post-tsunami rehabilitation of fisheries-based livelihoods.



- *Fisheries-dependent livelihoods:* The focus of both government and private organizations has mainly been on rehabilitation of fishing activities, through replacement/ provision of boats, nets and engines. There has been comparatively little focus on loss of livelihood of those dependent on fishing for their livelihoods—crew, fish vendors, traders and processors etc. and there is no data available on damages suffered by these groups, both direct and indirect. Compensation provided to these segments has been comparatively low. Small-scale vendors and traders of fish are often women from within the fishing community, but many are also from outside the community, including from Dalit and Irula communities. In many cases they are also widows or aged women. A focus on rehabilitation of livelihoods of these groups is in order.

Women fish vendors and processors met reported that they had suffered various losses, including loss of baskets and iceboxes, apart from the loss of livelihoods due to disruption of fishing activities. They highlighted the need for better transport, markets and market facilities, fish storage facilities, access to loans, vendor boxes, drying platforms, landing centre facilities, etc. It was felt that attention needs to be paid to these issues to ensure that better incomes can accrue to these relatively vulnerable groups, and post-harvest losses can be minimized.

- *Other affected livelihoods in coastal areas:* Fisheries is clearly an important driver in rural coastal areas. The tsunami-linked collapse of the sector has affected other groups dependent on fishing communities in various ways, such as owners of petty shops, workers preparing limewash from seashells, and those providing other such services to the community. Where these groups have suffered no direct damages due to the tsunami, no compensation has been given to them. Their livelihoods have nonetheless been affected, given the lower purchasing power in the fishing community. Given that many of them were economically vulnerable to begin with, their ability to withstand and recover from such shocks is poor. It was generally felt that there needs to be a special focus on such groups.
- *Education and Training:* The need for better education and training, both within and outside fisheries, was widely stressed, particularly given a context of high pressure on fish resources and competition. Educational levels are often low in the community, as boys start fishing at an early age. Even where youth from the community have gone in for higher education, they have found it difficult to actually get jobs given the poor quality of education available to them. A greater focus on these issues was seen as important.
- *Coastal protection:* The importance of better coastal protection was often stressed. There was a consensus on the need to protect sand dunes and native coastal forests, as protective barriers along the coast. In some areas, as in parts of Kanniyakumari and Thiruvallur, communities and officials met said that that coastal engineering options, such as construction of groynes and seawalls, would be essential to protect against sea erosion.

## VI. SUGGESTED INTERVENTIONS

62. The interventions proposed are in keeping with the issues highlighted in the earlier section:

### A. Coastal Area Resources Planning

63. Participatory exercises will be undertaken through community institutions (traditional institutions, SHGs etc.) in 200 villages in selected clusters of the six districts with the following objectives:

- (a) Identification and prioritization of basic community infrastructure required for improving quality of life of the community. Communities could, for example, identify the need for water supply, sanitation, community hall, fish drying platforms etc. as priorities;
- (b) Identification of key issues vis-a-vis coastal and fisheries resources and their management, to enable communities to plan for initiatives that will need to be undertaken to protect and improve their environment and their livelihoods, such as for example, development of mangrove plantations and coastal shelterbelts as spawning grounds and/ or protection against natural disasters, protections of sand dunes, regulation/ phasing out of destructive fishing gear and practices, control of pollution, and so on. The view of communities on the need for environmental education of their school-going children will also be sought.

64. The project would establish Cluster Resource Centres to coordinate this and other project activities for a group of 5-7 villages. Training for Cluster Resource Centre staff will be provided by a specialist resource NGO. Initial resource mapping exercises will be followed by participatory development of micro-plans. Proposals for community infrastructure developed through this exercise will be vetted and verified. The implementation of the plans will be reviewed on a biannual basis.

65. Community exchange visits (a total of 400) will be organized for the duration of the project, to enable communities to learn from the experience in other villages on development and management of community infrastructure and on coastal and fisheries resources management. Overseas trips for Government, NGO staff and community leaders will be organized for the same purpose.

66. The project will make available a fund, with an average of about Rs.1 300 000 per village (of which 25% would be contributed by the community, primarily as labour), for implementation of proposals developed and verified through the resource mapping and micro-planning exercises. The implementation will be undertaken provided a management system is in place for maintenance and upkeep of created facilities that could include water supply, sanitation, seed banks, community halls and other similar infrastructure.

67. The implementation of this project is expected to improve quality of life in the community and to strengthen traditional institutions that exist at the community level by enabling them to play a more prominent role in identifying, prioritizing, planning and managing of projects implemented within their communities.

### **B. Fisheries Resources Management**

68. A sustainable future for fishing communities lies in moving towards responsible fisheries. Better protection and management of coastal and fisheries resources is likely to have long term implications for livelihoods, particularly of those who depend on the resource base for their survival, and have few other livelihood options available. Given a context where the resource base is shared and is considered optimally fished (especially the inshore), it will be necessary to initiate a process where stakeholders can work together to agree on a common minimum programme for resource management.

69. Issues related to coastal and fisheries management identified during the micro-planning process, particularly those needing coordination and action at a larger level, will be discussed in cluster-level workshops organized on an annual basis. Issues identified could include the need to: regulate certain types of fishing gear; reduce fishing pressure in areas considered as spawning grounds, construct and deploy fish aggregating devices, explore options in aquaculture/mariculture, control pollution of inshore waters, diversify fishing operations and training requirements for the same, etc.

70. Studies by appropriate resource persons will be undertaken to consolidate the issues emerging from cluster-level workshops, and to look at technologically and socially feasible options to deal with them/ take them forward. These studies will be used as discussion papers for workshops organized at the State level. These workshops could be organized through the Fisheries Department and/or other competent organizations, with participation of community leaders from the clusters, representatives of different gear groups, key technical resource persons, and NGOs working with fishing communities on issues of coastal and fisheries resource management. Workshops at the state level will be organized once in two years, linking up to ongoing cluster level workshops and processes.

71. Recommendations and suggestions emerging from State- and cluster-level workshops will be vetted, and proposals will be developed to implement some of them on a pilot basis. On verification of proposals, activities could be initiated on an experimental basis, through a pilot fund available for this purpose. Proposals could be developed, for example, to put in place community-based monitoring and enforcement systems, to test out low-cost vessel monitoring systems, to replace destructive gear, to test out diversification options within the fishery etc. A limit of Rs. 3 000 000 will be set for the maximum support available for each pilot activity.

72. Training needs identified for diversification and upgrading of fishing skills will be addressed under the component for vocational training. As an incentive measure, community organizations that have adopted responsible fisheries practices or have improved protection of coastal habitats could be considered for presentation of an award of Rs. 20,000 on an annual basis, from the pilot fund.

73. The implementation of this project is expected to increase awareness about key issues facing coastal and fisheries resources in the State among various stakeholders. It is also expected that its implementation will lead to greater discussion and consensus among various stakeholders about management and other measures that need to be implemented to ensure sustainability of livelihoods and of the resource base that sustains these.

### **C. Skill and Quality Improvements for Fish Processing and Marketing**

74. Women in coastal communities (both fishing and non-fishing) play an important role in fish processing and marketing, primarily catering to the domestic market. However, they face a number of constraints that hinder them from improving their livelihoods and incomes. Increasing access to, for example, appropriate transport, facilities at markets and landing centers, storage facilities, low-cost, hygienic fish processing techniques oriented for the domestic market, could help in reducing post-harvest losses, improving the quality of the product and in improving incomes.

75. As part of micro-enterprise development, the project will commission a study to identify, among other things, marketing channels, consumer demands for fish and fish products in final markets, scope for increasing demand for value-added products, and so on. Based on the outcomes of the study, appropriate training will be provided to women processors/ vendors, on aspects such as quality control, value addition, diversification of products etc. Women trained will be helped to build market linkages by helping identify potential buyers for their products, and by arranging visits to develop such linkages.

76. Women processors and vendors who are part of SHGs will be helped in accessing credit that will enable them to deal with the constraints they face, such as access to transport, ice boxes and storage facilities. The project will also ensure that the views of women fish processors and traders will be taken into account when designing landing center facilities in the selected villages, so that facilities considered important by them, such as fish drying platforms, appropriate lighting and sanitation facilities, as developed.

#### **D. Formation of Fish Marketing Societies**

77. Formation of fish marketing societies that enable fishers to control the first point of sale of fish, could help fishers in getting a better price, as has been demonstrated by the experience of the South Indian Federation of Fishermen Societies (SIFFS), that has been working in Kerala and parts of Tamil Nadu.

78. The project will enable setting up of 50 marketing societies with total membership of 3 000 persons, to be followed up by district-level federations (three) to support village-level societies. The societies will have a membership of between 50 to 75 members, with membership being limited to owners of small-scale and artisanal craft such as kattumarans and vallams (motorized and non-motorized). The first step in society formation will involve buying off of the earlier loans of the fishermen, to ensure that all future marketing takes place only through the society.

79. The project will also support the creation of basic infrastructure for the society such as a marketing shed, office equipment, fish crates etc. Facilities like fish van, ice plant, etc. at a cluster or district level will also be supported, to be managed by the societies/ federations. Four boat repair centers and four OBM repair centers will also be set up to provide quality services to fishers.

80. The project will also facilitate group formation among crew (with total 6 000 members). These groups will be affiliated to the marketing societies, and, through the societies, will be able to access credit and related services. Additionally the project will provide technical and professional support to 1000 women in society villages for improving their incomes through fish vending and processing. Activities will involve training, provision of ice boxes, drying racks, etc.

81. Members of the marketing societies will sell their catch through the society. The society will also facilitate savings and credit linkages, including access to credit at reasonable rates of interest for purchase and replacement of fishing equipment. The project will explore options for linking society members and affiliated crew groups with various insurance products, including for health and pension. Options for community-based insurance of craft and assets will also be explored.

82. Societies will also be strengthened by the provision of appropriate landing centre facilities. Lack of such facilities have implications for fish prices, human health and marketing. Development of basic facilities such as fish auction halls, sheds for net-mending and repair, fish drying platforms, water, lighting, sanitation and waste disposal facilities, will be undertaken in cooperation with fish marketing societies to ensure maintenance and management of these facilities.

83. Overall, the following benefits can be expected from the project:

- Increase in the incomes of 9 000 fishers (owners and crew) due to increases in fish prices, lower interest payments, reduced dependencies on money market through savings and reduced vulnerabilities due to insurance facilities
- Availability of high quality input services like boats, boat repairs and motor repairs.
- Benefit to over 1000 fisherwomen through training and technical/professional support through their groups (mostly existing) for improvements in quality of fish and fish products sold.
- Leadership growth and awareness rising among a large section of the fisherfolk due to running of their own modern institutions like cooperatives.

#### **E. Vocational training**

84. Youth in fishing communities, particularly those who have gone in for higher education, find it difficult to find jobs. They see little future in the fisheries. The project will help them identify options that can be taken up – options that provide a reasonable chance of finding employment after

completion of training. Such options could include training in boat building, motor mechanics, welding and metal work, plumbing, masonry skills, carpentry and painting. Existing institutions offering such training will be identified.

85. Despite this interest in moving away from fishing as an occupation, it is likely that the vast majority of fishermen will continue within the sector in the foreseeable future. Given that resources, especially inshore resource, are considered optimally fished, it will be important to look at diversification options within the fisheries sector. From all accounts fishermen are already adopting various strategies, including migration to other states and even other countries (as in the Middle East) as crew, going further off shore for targeting deep sea resources such as tuna, etc.

86. The project will organize workshops that bring together fishermen, technical experts and other resource persons, to discuss resource management, opportunities for better incomes and diversification within the sector, within an overall framework of responsible fisheries. Based on the recommendations of the workshop, training courses will be organized towards promoting responsible fisheries, improving fish handling and quality, skill upgrading and diversification, as appropriate. The basic infrastructure for such training programmes may be presently available within existing institutions and universities. The project will also support technology and skill exchange programmes and bring in external consultants, as required (funded under the micro-enterprise training sub-component). At the start of the project, a Training Specialist would be hired for a few months to identify specific training needs and identify suitable training providers.]

#### **(6) Support for coastal schools**

87. Educating children of coastal communities about their habitat is likely to help in ensuring better awareness among the next generation about the importance of coastal and fisheries resources and their better management.

88. As part of the resource mapping and micro-planning exercise, the views of village communities on the environmental education needs of their school-going children will be obtained. The responses and views obtained, as well as the views of persons with experience on working with environmental education for children (in India and elsewhere), will be consolidated in the form of a discussion paper, prepared by an appropriate resource person.

89. A workshop at the state level will be organized, possibly by the Department of Education, with participation of resource persons dealing with aspects such as children's education and coastal and fisheries management. Using the discussion paper as the background, the workshop will discuss development of appropriate resource material and curriculum for use in primary schools in coastal areas of Tamil Nadu.

90. Based on the recommendations of the workshop, resource persons will be contracted to develop material on subjects such as the importance of mangroves, coral reefs and other coastal vegetation, local fish resources, the marine environment etc. Material produced will be vetted by selected experts in the field, tried out in selected schools, and finalized. It will be printed and disseminated to primary schools in coastal areas of the State.

91. Two-day workshops with teachers from the selected clusters in each of the six selected districts will be organized on an annual basis, anchored by resource persons. The workshops will discuss environmental education for children, the use of the prepared resource material and practical projects that can be undertaken by children. One-day workshops in 100 coastal schools will also be organized on an annual basis. Appropriate resource persons will be invited to these workshops. Projects undertaken by children will be assessed, and each year, the best school project in each selected district, will be given an award worth Rs. 5,000.

92. The resource material developed will be reviewed after three years, and, based on feedback from teachers, children and other resource persons, revisions and modifications will be undertaken. If required, material on new topics identified will be developed, printed and disseminated.

93. The implementation of this project is expected to provide children of coastal communities a good understanding of their immediate habitat. It is expected to lead to better awareness among school children, and through them among their parents, of the importance of managing and protecting coastal and marine resources.

#### **(7) Sea Safety**

94. Fishing is known to be one of the riskiest known occupations. Accidents and deaths at sea are relatively common—in Tamil Nadu approximately 1000 fishermen are estimated to die each year at sea. To improve safety at sea, a comprehensive approach is needed, including training of fishermen on sea safety, provision of safety kits, establishing infrastructure such as appropriate communication facilities, and putting in place the necessary infrastructure and systems for search and rescue operations when required.

95. It is essential to ensure quick communication with land, both for providing fishermen with warning about imminent bad weather, and to enable fishermen to inform about when they are in danger. As a pilot initiative, it would be useful to explore the use of mobile phones, now quite commonly used among fishermen, in sea safety, in one selected district. This would be particularly useful where cell phone towers are located along the coast and reception is up to a distance of 20 to 25 km on the seaward side. Where towers are not located along the coast, negotiations with cell phone companies and provision of incentives in the form of purchase of SIM cards in bulk to provide to fishermen, could lead to investment by companies in towers along the coast. Negotiations could also be taken up with cell phone companies to set up systems for communicating weather information to fishermen, and for ensuring that distress messages from fishermen are communicated to the appropriate authorities. Awareness will be created about the system finalized, particularly among fishermen. Fishermen will be trained on how to send messages when in danger. It is expected that this project will contribute to improving safety at sea through testing out of a pilot initiative.



INDIA

Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu  
Design Document - Main Report – Annex 1 – Attachment 1

S.No.	Particulars	Chennai	Thiruvallur	Kancheepuram	Villupuram	Cuddalore	Thiruvannamalai	Thiruvannamalai	Pudukkottai	Kamanathapuram	Theothukudi	Thirunelveli	Kanniyakumari	Total
	Partly damaged	2		19			12	232	402	260	84		218	1229
	Fully damaged	8	95						88	2	1		13	318
6	Wooden Vallam with engine													
	Partly damaged	1									15			255
	Fully damaged	2	40										141	183
7	All other types of traditional crafts without engine (FRP Vallam)													
	Partly damaged										597		56	639
	Fully damaged	1			27								169	758
	Fully damaged								100					1055
8	All other types of traditional crafts with engine (FRP Vallam)													
	Partly damaged	1				74					2	22		99
	Fully damaged	2				175			2766			188	166	3297
	<b>Total</b>	<b>2402</b>	<b>2902</b>	<b>2899</b>	<b>3275</b>	<b>6549</b>	<b>19</b>	<b>279</b>	<b>771</b>	<b>262</b>	<b>1368</b>	<b>1691</b>	<b>12606</b>	<b>45162</b>
9	Mechanised boat 1B													
	Partly damaged	5		8		308				9				330
	Fully damaged	7				2				1				10
10	Mechanised boat STB (upto 40)													
	Partly damaged					53		127	208	59			87	534
	Fully damaged	17			29	1			407				88	542
11	Mechanised boat above (upto 40)													
	Partly damaged	515							145				259	919
	Fully damaged	26							223				71	320



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S.No.	Particulars	Chennai	Thiruvallur	Kancheepuram	Villupuram	Cuddalore	Thiruvannamalai	Thanjavur	Nagapattinam	Pudukkottai	Ramanathapuram	Thoothukudi	Thirunelveli	Kanniyakumari	Total
	<b>Total</b>	570	0	8	29	364	0	127	983	59	10	0	0	505	2655
	<b>B. ENGINES</b>														
12	<i>Outboard motor</i>														
	Partly damaged	311				690	3	17	341	1		46	71	90	1570
	Fully damaged	145	1027	1806	2114	797			6186				435	1491	14001
13	<i>Inboard engine</i>														
	Partly damaged	2				94				18		17			131
	Fully damaged	0				166									166
	<b>Total</b>	458	1027	1806	2114	1747	3	17	6527	19	0	63	506	1581	15868
	<b>C. NETS</b>														
	<i>Nets of all types for traditional crafts and mechanized boats</i>														
14	<b>Weight in Kgs</b>	159760	110400	172860	504350	428550	10025	40692	566845	20651	406	162161	183709	833635	3194044

Source: Government of Tamil Nadu

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**POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
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**ANNEX 2**  
**COASTAL AGRICULTURE**

**INDIA**  
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**COASTAL AGRICULTURE**

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**Abbreviations and Acronyms**

ADB	Asian Development Bank
NGO	Non-governmental Organization
PVC	Polyvinyl chloride
SHG	Self Help Groups
WB	World Bank

## INDIA

### POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL COMMUNITIES OF TAMIL NADU

#### DESIGN DOCUMENT

#### ANNEX 2

#### COASTAL AGRICULTURE

##### I. PRE-TSUNAMI SCENARIO

1. Tamil Nadu coastline extends to more than 1000 km, covering 13 districts. The coastal area is subject to periodic cyclones and flooding due to intensive rainfall in the northeast monsoon season (Oct. – Dec.). Intermittent drought also occurs when the monsoon rains fail. Generally rice is the major crop in the northeast monsoon season as water stagnation is very common and no other crop could withstand water logging. In the preceding season (June – Sept.), rice, pulses, oilseeds or commercial crops are cultivated depending on the availability of irrigation water from the river, tanks and/or wells. In the deltaic areas, drainage is inadequate leading to prolonged water stagnation during the monsoon season. This results in low yield of rice (about 1.9 t/ha of milled rice compared with the state average of 3.6t/ha). Ninety percent of the land holdings in the state are small and marginal (less than 2 ha). Cropping intensity is 113 percent. Small and marginal farmers and agricultural labourers are engaged in agricultural activities for only a part of the year. As a result, a major section of the farmers and agricultural labourers are below poverty line. Crop diversification, mixed farming, post-harvest processing and creation of off-season and off-farm livelihood opportunities are being attempted by the government and NGOs to improve the economic well being of this part of the community. This is a continuing process. In the last few years, self-help groups, particularly of women, have been formed and training has been given on entrepreneurship and technical aspects of the micro-enterprises. Credit is made available through rural banks. Though some progress has been made, there is a long way to go.

##### II. DAMAGE TO AGRICULTURE BY TSUNAMI

2. Tsunamis were previously unknown in this part of the world. On 26<sup>th</sup> December 2004, tsunami came with all its force causing a lot of loss of lives and property and damage to the crops and agricultural lands. Though all the 13 coastal districts were affected, six were the most affected ones (Thiruvallur, Kanchipuram, Villupuram, Cuddalore, Nagapattinam and Kanyakumari). About 8,700 human lives and 130,000 cattle were lost. There was enormous damage to the properties of fishermen. Crops were lost in about 4800 ha, with an additional 3664 ha of land are estimated to have been affected by salinity, sand casting and deposition of silt and clay. Cropping in the affected lands will be difficult unless they are reclaimed.

##### III. POST-TSUNAMI RELIEF AND REHABILITATION

3. As the fisheries sector bore the brunt of loss and damage, most of the relief and rehabilitation efforts in the last three months have gone to this sector. Small and marginal farmers, tenants, agricultural labour and people involved in secondary and tertiary activities related to fisheries (including *dalits* and scheduled tribes) have not received adequate attention. Though some relief has been given to a section of these people, there is a need for greater attention on rehabilitation of their livelihoods.

4. Agricultural lands affected by tsunami have been surveyed and the extent of salinity has been assessed. Soil pH has increased to 8.0 to 8.5 and electrical conductivity to 4.0 or more in some cases.

The Government of Tamil Nadu has issued orders to provide a compensation of Rs. 2500/- per ha to those who have lost their crops. For the seawater inundated areas, a package of measures such as application of gypsum, providing drainage, *in situ* incorporation of green manure like *daincha* (*Sesbania aculeata*) and supply of seeds of salt tolerant varieties of crops has been proposed – although heavy rains in April have removed much salt in many places. Problems of salt and silt deposition remain, although in some places NGOs have been organizing removal of this material – so creating employment for people who have lost their livelihoods. Further attempts to restore the livelihoods in the agricultural sector for the affected people are yet to materialize.

5. IFAD has undertaken a project on long term rehabilitation strategy for Tamil Nadu with a view to restore livelihoods of small fishers, coastal farmers, workers in the fishing and agricultural sectors, women vendors, processors and other vulnerable sections of the community. A two-day workshop was held with the stakeholders at M.S. Swaminathan Research Foundation, Chennai, on 04<sup>th</sup> and 05<sup>th</sup> April, 2005 in order to get their views on the type of interventions required for livelihood restoration, without duplicating the efforts of other funding agencies such as World Bank and Asian Development Bank. Mission members visited the affected areas and had extensive discussion with the affected people, government officials and NGOs. Based on the experience gained from the field visits and interaction with the stakeholders, the following suggestions are made for the development of coastal agriculture.

#### A. Goal

6. To improve the livelihood opportunities of people living in the coastal area, involved in farming activities, with focus on marginal and small farmers, landless labourers, farmwomen and other disadvantaged sections and to help them overcome from the losses and damages caused by tsunami and to restore their livelihood opportunities.

#### B. Objectives

1. To identify and develop income-generating activities for the identified target group and to promote rural employment
2. To build capacity for undertaking such activities
3. To develop strategies for efficient utilization of available natural resources

#### C. Approach

7. Community driven participatory approach with the active involvement of the affected people living in the coastal areas

### IV. ACTIVITIES PROPOSED

#### A. Rehabilitation and improvement of sea water inundated areas

8. **Rationale:** Coastal soils have been depleted of organic carbon due to intensive agriculture and lack of application of organic manure. With continuous monocropping of rice, productivity has been either stagnating or declining. Risks have been increasing with the intermittent occurrence of drought and flooding. Added to this problem, tsunami led to seawater inundation of agricultural lands. Soils have become salinized to varying degrees. In some areas, black coloured silt and clay have been deposited on the soil surface. In a limited area, sand casting has occurred. Government of Tamil Nadu and NGOs are involved in reclamation and rehabilitation of these lands. In addition to these efforts, steps have to be taken to improve the productivity of these lands by enhancing the soil fertility. Application of adequate quantities of farmyard manure on a continuous basis is essential to rebuild the soil fertility. As the availability of farmyard manure is limited in these areas, raising salt tolerant green manure crops like *daincha* and incorporating it into the field is important on a regular basis.

Salt-tolerant crops and varieties, suitable for the soil and agro-climatic conditions, should be identified and cultivated.

9. **Activity:** In order to make quality seeds of green manure and recommended salt tolerant crops/varieties available to the farmers at affordable prices, community-owned and managed seed banks may be set up for individual villages or a cluster of villages depending on the requirement. Initial seed supply could be arranged from other sources. Farmers could then take up further multiplication and contribute to the community seed bank. This will require simple storage structures, costing not more than Rs. 5000/- per unit. Each seed bank can take care of the requirement of seeds for the village. Farmers can draw their seed requirement in the ensuing seasons, paying a reasonable price. This will ensure adequate availability of good quality seeds at affordable price at the right time. Farmers may need training on seed production, processing and storage. The cost of seed stores may be met out of the village infrastructure fund, with training being part of the skill development activity.

### **B. Efficient use of rainwater**

10. **Rationale:** Currently rainwater harvested during the monsoon season is stored in village tanks. But these tanks have not been properly maintained over a period of time and have been silted. So the storage capacities of these tanks have drastically declined. Most of the rainwater is lost through seepage and run-off. Ground water in the coastal areas tends to be saline and is not generally suitable for drinking and irrigation purposes. Hence rainwater harvesting and storage assume importance. There is a need to have a more efficient method of rainwater harvesting and storage. Desilting and deepening of the village tanks and digging new farm ponds are being taken up by the government agencies and NGOs. In addition to these efforts, a more efficient way of harvesting and storing rainwater needs to be pursued. Tamil Nadu Agricultural University has demonstrated the efficiency of skimming wells in storing the rainwater and using it for drinking and irrigation purposes in Prathaparamapuram in Nagapattinam District. The skimming well is a construction involving concrete rings (1.8 m internal diameter, 3 m height and 7.5 cm wall thickness) sunk to a depth of about 3 m, which is connected by perforated PVC pipes (10 cm internal diameter) laid for about 80 m length on both sides of the concrete rings, just above the ground water level. Rainwater is collected in this well and is available for use for a longer period of time with reduced infiltration and evaporation losses.

11. On coastal sandy soils, small and marginal farmers raise vegetable, flower and fruit crops in small areas of less than an acre, using ground water from shallow depths for irrigation. Substantial quantity of irrigation water is lost through infiltration in these light sandy loam soils. Zero energy drip irrigation system is very useful in such situations. This system comprises a plastic tank of 500 litre capacity, erected at a height of about 1 m, and integral drip line, with drippers of 1 lph capacity spaced at 30 cm. Each dripper line serves two rows of the crop. The system serves an area of about 500 sq. m. Water from the well is filled in the plastic tank once a day by manual labour, pedal sprayer or simple water lifting devices. This system saves about 40% water and three high value crops could be raised in a year. It has been estimated that the cost of the drip system is recovered within a year and the life of the system is about 10 years.

12. **Activity:** Each skimming well may cost about Rs. 40,000/- and the zero energy drip system about Rs. 10,000/-. One such system may be erected on a pilot scale for each cluster of villages and the efficient use of stored rainwater could be demonstrated. Construction of the skimming well and laying the zero energy drip irrigation system could be done jointly by the SHGs in the village and the Department of Agricultural Engineering of the Government of Tamil Nadu. This expenditure could be met from the funds provided for creating community infrastructure. Farmers growing the high value crops and SHG members may need training on drip irrigation and water use efficiency.

### C. Development and maintenance of sand dunes

13. **Rationale:** Wherever bioshields of trees and sand dunes were present, damage due to tsunami was minimum. The bioshield and sand dunes prevented seawater from entering the inland areas, thus minimizing loss of lives and properties. The Government of Tamil Nadu is planning a large programme of creating bioshield/shelter belt along the entire coastline with World Bank assistance. What is envisaged in this project is to develop sand dunes strengthened by suitable tree and grass species in community/private lands near the coast. One such example is present in Therkupoykainallur village near Nagapattinam. The sand dune in the village has been formed over a period of several years. Palmyra trees have been planted to arrest wind erosion of sand and to build a sand dune. A grass is raised on the sand dune for binding the sand and to prevent the sand from being blown away by wind. Farmers insert Palmyra leaves in the dune to reduce movement of sand to the nearby agricultural fields. Such sand dune development and maintenance on a community basis should be replicated in other coastal villages.

14. **Activity:** it is proposed to develop such sand dunes as a demonstration unit, one for each of the 6 districts. The length of the bioshield may vary from 500 m to one km. Suitable tree and grass species have to be identified by the village community for planting near the coast in the sand dune. Assistance of the Department of Agricultural Engineering, Government of Tamil Nadu, may be taken for the development of sand dunes. The community/SHG may be involved in watering and maintaining the sand dune. Costs may be met from the community infrastructure fund.

### D. Animal husbandry

15. **Rationale:** Agricultural labourers, marginal farmers, dalit and scheduled caste women and women labourers engaged in various fishing activities do not have year-round employment. Most of them have backyard poultry with local breeds of birds. Some households also have local goats. Dairying is not a widespread activity. Most of the cooperative milk societies are non-functional due to various reasons. The Tamil Nadu Milk Producers Co-operatives' Federation (Aavin) has the capacity to purchase the milk produced in the coastal areas and market it as raw milk or other dairy products. During the interaction with the stake-holders, it was brought out that many of them would like to take up dairying as a supplementary activity. They also wanted to upgrade the poultry birds and goats. For successful maintenance of dairy animals, green fodder production is an essential pre-requisite. Fodder production could be taken up by those farmers who can spare a small area of land for this purpose. They can supply the fodder to those who need it in the village for a reasonable price. Feed mixing units could be set up as a SHG activity for a cluster of villages. Veterinary help could be provided by Aavin (the state dairy cooperative) or the private sector. The dung from the animals could be used to set up biogas plants on a community basis for lighting and cooking. The slurry from the biogas plant could be vermicomposted and recycled back to the agricultural fields as manure. This will increase the income and help to improve the soil fertility, besides enhancing the consumption of milk by children and pregnant women in these villages.

16. **Activity:** Upgraded breeds of animals could be purchased by obtaining loans from the credit agencies by individuals of SHGs with the help of the Department of Animal Husbandry/Aavin. Initial planting materials of salt tolerant varieties of fodder grass like BN 2 could be provided to the farmers. Demonstration plots (about 0.10 ha) of fodder production, each costing about Rs. 2000/-, may be laid out in each village. SHGs may put up small feed production units with technical help from the dairy and credit from banks. This will reduce the cost of feeding the animals. There could be a collection point for milk for about 50-100 animals in a cluster of villages. These collection centers could be set up using loans for micro-enterprise development. Bulk coolers could be provided for every 5000 litres of milk by the dairy, purchasing the milk. The cooled milk could be transported to the nearest dairy for processing and marketing. The beneficiaries have to be trained on fodder production, animal maintenance, clean production of milk and vermicomposting.



### E. Agricultural demonstrations (Technology pilot studies)

17. **Rationale:** When newer technologies, crops and varieties are introduced in the villages, demonstration of these technologies by the concerned line departments with the active participation of the farmers helps the farmers to arrive at a decision on the usefulness of the introduced technology. If they are convinced about the technology, it is accepted and adopted quickly. Hence the technologies proposed in the above-cited activities will be demonstrated in farmers' fields.

18. **Activity:** Demonstrations on the new crops/varieties recommended by the Department of Agriculture/Horticulture, zero energy drip irrigation system for high value crops like vegetables and flowers, fodder cultivation, etc. will be organized in farmers' fields. Each demonstration plot will be about 1000 m<sup>2</sup> area and will be farmer managed. Critical inputs will be supplied from the project funds and the participating farmers will provide land, water and labour. About 200 demonstrations will be organized, one in each project village, every year. The number and type of demonstrations to be laid out in each village will be decided by the Department of Agriculture/Horticulture in consultation with the participating farmers.

### F. Training and capacity building

19. **Rationale:** For all the proposed activities, training on skill development is important. Training of extension personnel, NGOs, resource persons and members of SHGs is essential for the success of all these activities.

20. **Activity:** Training on the subjects based on the need and demand could be imparted by government agencies, universities, NGOs and resource persons engaged for this purpose. The list of training programmes includes seed production and storage, water management through drip irrigation, fodder production, animal maintenance, vermicomposting, etc.

**Table 1: Examples of possible agricultural-related investments**

Project component	Unit cost (Rs)	Implementation agency
<b>Infrastructure Fund</b>		
1. Skimming wells	40,000	Cluster Resource Centres in association with Department of Agricultural Engineering
2. Zero energy drip irrigation system	10,000	--- do ----
3. Seed bank	5,000	Cluster Resource Centres and Dept. of Agriculture
4. Sand dune formation and stabilization*	10-50,000	Local communities & Department of Agricultural Engineering
<b>Agricultural demonstrations</b>	2,000	Depts. of Agriculture & Horticulture
<b>Skill training**</b>		Govt. Depts., Agricultural University, NGOs

\* Laying out a unit of 500 m to 1 km in length. Planting of trees and grasses will be done in the first year. In the subsequent years, only watering the plants and maintenance of sand dunes will be done.

\*\* Related to agriculture such as seed production and storage, fodder cultivation, livestock husbandry vermicomposting, drip irrigation, etc.

**INDIA**

**POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
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**DESIGN DOCUMENT**

**ANNEX 3**

**RURAL AND MICRO FINANCE**

**INDIA**  
**POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
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**ANNEX 3**

**RURAL AND MICRO FINANCE**

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**Attachments:**

- Attachment 1: SHG linkage programme – some statistics
- Attachment 2: Modules for institutional capacity building of SAs
- Attachment 3: Calculations of savings and credit

**Abbreviations and Acronyms**

COSOP	Country Strategic Opportunities Paper
DCCB	District Central Cooperation Bank
DHAN	Development of Human Action Foundation
EDP	Enterprise Development
FRP:	Fibre Reinforced Plastic
IRDA	Insurance Regulatory and Development Authority
LIC	Life Insurance Corporation
MFI	Micro-Finance Institution
NGO	Non-Governmental Organisation
NABARD	National Bank for Agriculture and Rural Development
PMU	Project Management Unit
PRIME	Planning, Resource Mobilisation, Implementation, Monitoring and Evaluation
RRB	Regional Rural Banks
SHG	Self-Help Groups
SIFFS	South India Federation of Fishermen's Societies
TNWDC	Tamil Nadu Women Development Corporation
VCF	Venture Capital Fund

## INDIA

### POST-TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL COMMUNITIES OF TAMIL NADU

#### DESIGN DOCUMENT

#### ANNEX 3

#### RURAL AND MICRO FINANCE<sup>1</sup>

##### I. INTRODUCTION

1. The coastal region of Tamil Nadu suffered extensive damage due to the tsunami which struck on 26 December, 2004. Nearly 85 percent of the population directly affected has been from the fishing community. While much of the damage assessment relates to the financial valuation of losses, loss of livelihoods do not lend themselves readily to measurement. The need assessment report of World Bank indicates that impact of the tidal waves on the livelihoods has had a spill over effect - for every person whose livelihood has suffered directly, the livelihoods of three more people have been affected. The losses to livelihoods are of particular significance when they affect poor, marginalized and excluded groups, who do not have reserves to fall back on or the means to cope with the situation. The indicative types of livelihoods affected include marine fisheries, fish vendors, fish processing units, petty and small traders, shell collectors and processors, coir processing, agriculture, plantations and livestock.

2. Some of the traditional livelihoods were vulnerable even before the tsunami. Many of the fish vendors are women who are widows or aged. With the advent of harbours and shift towards export oriented fisheries, they were increasingly pushed towards trading in low value fish. Since many of fishermen are yet to return to sea, their livelihoods are affected. Dalits and Irulas often fish inland in backwaters, for their subsistence. Since the backwaters are getting increasingly polluted and silted, the breeding of the fish is affected with adverse consequences on fish catch. Similarly, the shell collectors (Chunnambu Pariar) prepare the baked lime material by processing the shells which is used as colouring material for the walls (white wash). While both men and women collect and process the shells, the men are engaged in the white washing of the houses. With the availability of new products like white cement, the demand for the white washing services and other traditional products made by the sea shell processors has been diminishing. Similarly agriculture in coastal areas have reportedly turned less productive due to salinity of land, frequent natural disasters such as droughts, floods<sup>2</sup> etc.

3. After the tsunami, there has been a change in the soil pattern in the seashore, with seashells are not being deposited on the beaches as before. This is threatening the already vulnerable livelihoods of seashell collectors. Thus many livelihoods other than marine fisheries have been severely affected by the tsunami. Where possible traditional livelihoods can be improved but alternative opportunities for employment and income generation will need to be supported as well.

##### II. COPING WITH DAMAGES CAUSED BY TSUNAMI

4. While some families have lost their homes and household assets, many others have lost their productive assets like boats and nets, cattle etc., Agricultural land has been affected by salinity. A

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<sup>1</sup> This Annex was prepared by Ms Girija Srinivasan, Micro Finance Institutions Specialist

<sup>2</sup> Before the tsunami some coastal villages were affected by drought and floods in the last 18 months.

wide variety of home and homestead based enterprises have been affected where the people have lost their homes.

5. **Replacement of assets.** The Government of Tamil Nadu is taking measures for the repair and replacement of assets lost. The kattumaran owners are being provided subsidy to purchase a kattumaran and a set of nets. For the replacement of Fibre Reinforced Plastic (FRP) boats, the Government is providing partial subsidy and has tied up with banks for providing medium term loans. Similarly farmers and households are provided cash subsidy for the cattle and other livestock lost, to enable them to replace the assets.

6. The Government has provided temporary shelters for the families who lost their homes. While the poorer families are still in the shelters, others who could afford to rent houses have moved out. Since acquisition of land and construction of houses is a time taking process and may last a year or two, these families are very vulnerable. Some of them may not be able to restart their livelihoods and enterprises such as small shops, livestock rearing etc., in the near future.

7. **Consumption smoothing.** Government has been providing cash allowance of INR1,000 per month plus food items to the affected families for consumption. Government and NGOs have also been providing food for work programmes in which poor families can earn cash to meet their immediate needs.

8. Fishing habitats have strong traditional social capital. The Caste Panchayats of the fisherfolk have been borrowing bulk loans for distribution among the fisherfolk families to help them tide over the difficulties<sup>3</sup>.

9. Moreover, most women of the coastal villages are in self-help groups. Post-tsunami, bankers have been liberal in lending to SHGs to enable the families to cope with the disaster. Some branches have lent up to 10 times the savings of the groups as against the normal lending of 4 times savings. The loans are at 7 percent rate of interest<sup>4</sup>, which is lower than normal. This is helping many families meet their consumption needs. However, this kind of lending is not in evidence in all the affected areas and for all SHGs, and some groups in the affected villages have not been provided loans.

10. **Indebtedness and ability to service debts.** Many of the self-help groups have outstanding loans from banks. These groups have been affected in many ways. Some members against whom loans have been outstanding have died. The books of accounts and money kept with the group leaders may have been lost. Members have lost their livelihoods, and are not in a position to save or pay loan installments until their livelihoods are restored. Many groups have temporarily suspended financial transactions. However, the noteworthy feature is that most of the groups have not resorted to demanding loan waivers<sup>5</sup>.

11. Bankers have been responsive to the needs of affected groups. They have sanctioned fresh loans to these groups. While some bankers have adjusted the earlier loans to the groups against fresh loans, others have additional loans over and above the earlier loans. The loans are repayable after a moratorium of 3 to 6 months. Several groups, who were not linked to banks earlier, have also been provided credit for consumption smoothing.

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<sup>3</sup> The Caste Panchayats of most of the affected villages have declared that none of the fishermen should commence fishing till every affected family has received the compensation from the Government.

<sup>4</sup> NABARD is providing refinance to banks who have lent to tsunami victims at the rate of 4.25 percent.

<sup>5</sup> As observed from the field and interactions with NABARD and banks. In Nagapattinam district which is the worst affected, 22 out of 842 SHGs affected have requested for loan waiver. In these SHGs many of the members have died/members faced loss of assets.

12. The fisherfolk, particularly non-motorised kattumaran owners and fish vendors, who rely on informal sources for both consumption smoothing as well as productive purposes, may be deeper in debt now. They are unable to pay past debts and their staying capacity (both in terms of liquidity and loan servicing) is being tested with the fishing operations getting postponed due to the decisions of the caste Panchayats.

### III. RURAL FINANCIAL SERVICES IN THE REHABILITATION OF LIVELIHOODS

13. Timely and adequate access to financial services helps reduce the vulnerability of households and cope with disasters. It is useful to analyse the demand for and supply of financial services, in the pre tsunami and post tsunami scenarios, to arrive at the measures and interventions needed for the rehabilitation of livelihoods.

#### A. Pre Tsunami Scenario

##### **Fisheries**

14. Various studies reveal that most of the families in the smallscale fisheries are indebted. The informal sector is the most important source of credit. Where credit is obtained from traders and merchants, fishermen are bound to sell their fish to the trader who has advanced them money, rather than to the highest bidder. The price they receive may be less than the market rate, this difference being the interest cost of the loan. The vulnerable sections among the fishing families – non-motorised kattumarans and women fish vendors – depend heavily on the informal sector for both production and consumption purposes, although in recent times some banks are financing individual fisher women.

15. The household cash management is the responsibility of women, and they make regular savings with self-help groups and, to a limited extent, in banks. However, the community is seen as one that lives for today and does not save for the future. There is however, very little information on the sources of credit and patterns of indebtedness and the cash flow management practices existing among fishermen and this is an issue that needs to be studied in more depth (COSOP, IFAD, 2004).

16. Moreover, the small-scale fisheries sector had been facing decreasing productivity, stemming from excessive fishing due to over-capacity of the fleet, and increasing operating costs. This has been affecting the profitability of the sector and the net income of the fishermen.

17. Formal sector financial services are not well adapted to the realities of the fisheries sector, making it difficult for fishermen to obtain and repay loans. Fishermen, with few assets on land, find it more difficult to access credit from formal sources and have to resort to informal sources of credit, often at very high rate of interest.

18. The formal financial institutions, such as banks and insurance companies, consider the sector to be highly risky, given their past experience. Banks report that 90 percent of the loans given to fisheries, including small scale fisheries (especially under IRDP), turned sticky and had to be written off. However, banks have been financing the needs of fishermen through well functioning societies and cooperatives<sup>6</sup>, while their wives have been members of self-help groups. However, looking to the past record of the community, even these SHGs have found it difficult to link with banks as could be seen in Kanya Kumari and Cuddalore Districts. Similarly insurance companies report claim pay out ratio of 400 percent in some of the branches for asset insurance of this sector. Looking to the past

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<sup>6</sup> The state focus paper of NABARD mentions that the overall loans to fisheries sector which includes loans to trawlers etc., has been stagnating for the last four years.

experience, the insurance companies have hiked the premium rates for boats, which the fishermen now find to be very high. Moreover, the companies are reluctant to insure the gear such as motors and nets since it is difficult to ascertain damage at sea, and the moral hazard is reported to be high.

### **B. Land-based livelihoods**

19. The financial services needs of the land-based livelihoods, which have been affected by the tsunami vary according to the segment they belong to.

20. Landless families are engaged in agricultural labour work on a seasonal basis and also in a variety of enterprises. They take credit for consumption during the off-season and to meet emergencies such as illnesses. They also take credit to buy or lease small productive assets including leasing of agricultural land. The small and marginal farmers, rural artisans and other self-employed, who are poor but may not be the poorest, require credit mostly for productive purposes. Women rear livestock, for which they need credit if they are to improve the quality and quantity of their livestock. Women are also involved in processing, manufacturing and trading activities, and require credit for raw materials and working capital. These households also take credit to a limited extent for consumption purposes. The self-help group mechanism finds favour with women in addressing their credit services needs. Many of the constraints that women and the households face in accessing formal financial services have been addressed in the self-help group methodology and women are now in a position to access financial services. However, the dependence of these households on informal finance is still high. While loans from friends and relatives are usually interest free, other informal loans carry an interest cost ranging between 36 and 120 percent per year.

21. With the Tamil Nadu landscape full of self-help groups, much saving with these groups is compulsory. However there is also a need for voluntary savings which can be freely withdrawn on demand.

22. There is a need for insurance to protect the lives and productive assets of the poor. This may perhaps be even more important than credit. However insurance needs are not fully understood or articulated, and potential benefits are not appreciated by the poor and particularly by women. Crop insurance is not attractive to the farmers who find it to be expensive<sup>7</sup>. In the absence of safe savings and insurance facilities, the poor try to use credit as an insurance substitute.

### **C. Emerging Issues in the financial services for rehabilitation of livelihoods**

23. The fisheries sector is characterised by unpredictability and seasonality of catch where skill, application and chance play important roles. Prices obtained for catch on any given day can be very uncertain depending on the species, total catches and prevailing market demand. In fisheries, with investment in the form of craft and gear, a fishing family can lose everything overnight, along with the men in the family. The relatively high risk to life, craft and gear are marked attributes of the sector which make bankers consider the sector as very risky.

24. As discussed earlier, banks are now providing loans for replacement of FRP boats and equipment. Bankers are willing to finance the boats provided they are insured since there is very little collateral they can fall back upon. Insurance companies are working out group insurance schemes,

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<sup>7</sup>The Rashtriya Krishi Birna Yojana Scheme (RKBY) aims at providing insurance coverage to farmers to compensate the crop loss/failure of crops as a result of natural calamities, pests and diseases etc., only about 1 percent of the loanee farmers are participating in the scheme in the state. The participation shows negative trend in spite of drought like conditions prevailing in the state in the last three years. GOI has launched a new scheme "Farm income insurance scheme" which is being piloted. The farmers are also not satisfied with the crop surveys to settle claims. The present coverage of block or circle instead of standing crops in a village doesn't cover the risk faced by an individual farmer.



and it is likely that the first year premium is capitalised as part of the bank loan. Since the bank loan is for 5 to 7 years, it is a moot issue whether the insurance for later years will be renewed by the fishermen.

25. Similarly the fishermen in both the kattumaran and boat sub-sectors need to purchase nets every year and also require working capital for buying diesel etc. Given their past experience, banks may not be willing to lend to individual fishermen to finance these needs. Thus, while in the short run formal financial institutions will address the credit needs of the sector, in the long run (next year onwards), community based financial institutions will be needed to interface between formal financial institutions and fishermen.

26. In the medium term the fleet capacity for small-scale fisheries may be higher than pre-tsunami days with many fishermen getting boats with Government subsidies and also from NGOs. This could result in lower per boat catch, less returns, and a lower capacity to service loans, particularly high cost loans.

27. Some NGOs, who are new to the coastal villages, are forming separate groups of crews with the objective of enabling them to become owners of fishing boats. This reflects a failure to understand the socio-economic fabric of the fishing community, and also the carrying capacity of the marine resources to support the increased fleet capacity. The near equality of sharing of catch among the boat owner and crew seems to have been lost sight of by these NGOs. There is a need to develop a holistic perspective for grass root institution-building and financial intermediation. Moreover, a number of the crew members migrate during the off-season to work in mechanised boats<sup>8</sup>. How far these groups would be sustainable is an issue.

28. Aquaculture (mud crab fattening, baby lobster fattening, cage culture of fish) is seen as a potential business, which would diversify livelihood options, and reduce crowding in the marine fisheries sector. However, a host of social, cultural, financial and technical issues need to be addressed for these activities to be taken up.

29. In the coastal districts nearly a third of the self-help groups are not being financed<sup>9</sup>. One of the reasons is the lack of confidence of the branch managers in the groups since they are found to be weak. Many new groups have been formed post Tsunami by NGOs as a quick fix solution to get aid and relief. These groups may have to be rebuilt and strengthened.

30. Many of the recently formed groups are male. Not only were almost all women already in self help groups, but the government has announced that funds for rehabilitation of agricultural land will only be disbursed through self-help groups. While the forming of male groups could improve their access to financial services and also address social issues (such as excessive alcohol consumption), there is very little knowledge and experience in forming such self-help groups, so there is a need to build the capacity of the promoting NGOs.

31. The need for life and asset insurance is felt both in the fisheries and other sectors. However, development of need-based financial products must to look at life cycle and crisis needs to enable the households to manage their risks and reduce their vulnerability.

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<sup>8</sup>Migration among fisher men is common especially in Kanya Kumari district. Migration as crew is also to secure their livelihoods particularly for those whose fishing operations have become unviable.

<sup>9</sup>The Lead District manager has indicated that as of February 2005, in Kanya Kumari district 18842 groups are functioning out of which eligible for bank linkage are 13925. However only 9281 groups have been linked to banks.

32. The repayment culture of groups is well established in Tamil Nadu. Larger loans are being provided to the groups at low rates of interest<sup>10</sup> to enable them to cope with the disaster. The groups need to be educated on retaining the repayment ethics since some of the hastily formed groups are also accessing credit. With many donors designing projects on distribution mode, the values of self-reliance and sustainability may be corrupted.

33. Some groups in fishing communities have been accessing large loans from banking system which the bankers feel are for consumption and long term needs such as education, housing etc. They feel that only a few loans have been used to finance or part-finance production and investment. Some bankers are concerned that the women need to be provided with better livelihood opportunities and should also be enabled to undertake larger enterprises.

34. Some of the households have already developed capacities for setting up larger enterprises<sup>11</sup>. These enterprises can provide wage employment to some of the poorer households in the coastal villages. Present efforts to provide training and credit to self-help groups are not sufficient to enable larger enterprise to be set up. A cluster based sub-sector approach is needed.

#### **IV. PROJECT DESIGN**

##### **A. Rationale for the rural financial services component**

35. The areas and people affected have received considerable attention from Government, leading multilateral agencies and donors, apart from the Indian banking system. However most support has been supply-oriented products and services. There is still a need to offer products and services that closely fit the local requirements to address rehabilitation of livelihoods and to ensure long term risk management capacities. Gaps in financial services include withdrawable savings, insurance of life and assets, pensions and old age security, start-up capital for micro enterprises, bulk loans for MFIs and SHGs, and sustainable credit for the fishing sector.

36. The SHG methodology alone is unable to address the issue of micro enterprise development, as their loan instruments with short repayment period and comparatively higher rates of interest are inadequate to finance micro-enterprise investments. Moreover, provision of financial services to rural households is not in itself sufficient to strengthen communities, empower women and improve livelihoods. It is also important that improved access to credit is accompanied by technical, managerial and marketing support. Investments in backward and forward linkages are vital to build the confidence of financial institutions and also to enhance profitability of the micro enterprises.

37. The existing formal credit delivery system in its current form may not be capable of meeting the needs of the micro enterprises. Hence, finding an effective means of delivering credit, using existing and emerging formal and alternate financial institutions, and ensuring that such a system becomes sustainable in the long run, constitutes an important element of the credit strategy. Developing an effective delivery system requires intermediaries at the retail level and the sustainability of the entire delivery structure. In turn this depends on the ability to build credit ethics and discipline.

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<sup>10</sup> All loans to those affected by tsunami (irrespective of the loan size) are lent at 7 percent.

<sup>11</sup> These enterprises will have investments of INR 50,000 to INR2 lakhs.

38. Thus the financial services component will address the following needs:

- To establish a mature supply side response that would retain the integrity of the banker-borrower relationship and prevent it from degenerating into a disbursal mode.
- To meet the needs of the local fishing communities to access marketing, finance and other input services at reasonable costs.
- To bring in an institutional arrangement that would intermediate between financial institutions and people – in an effort to bring down client transaction costs and institutional risk costs.
- To provide a supportive environment for financing micro enterprises, with credit support from banking system, and supporting BDS from suitable expert institutions
- Rebuilding of weak SHGs, strengthening of hastily formed post-tsunami groups, and capacity building of the entire NGO sector.
- To innovate products and services that would offer insurance and pensions to the affected population through networking of all possible players.
- To build capacities of people affected to take of future calamities on their own to the extent feasible through institutional and financial arrangements.
- To set up a venture fund that would provide seed capital for micro enterprises.

#### **B. Institutions associated with rural and micro finance**

##### **Banks**

39. Tamil Nadu has a good network of branches and a variety of banks are working in the state – commercial, cooperative, and Regional Rural Banks (RRBs). As of 31 March, 2004, there were 2390 rural branches in the state (1589 commercial bank branches, 146 RRB branches and 755 District Central Cooperative Bank (DCCB) branches). The long term cooperative structure has been making a loss for the last three years, with non-performing assets forming 53 percent of total bank assets. Of the 23 DCCBs in the state, 17 are weak. The population per bank branch for the state as a whole is 11,000, while in rural areas it is estimated to be 15,000. The state has 4587 Primary Agricultural Credit Cooperative societies: however nearly 60 percent of them are working at a loss.

40. The per capita deposit was INR16700 and per capita credit was INR14600 as of 31 March 2004. The overall credit-deposit ratio for the state at 87 percent, which is relatively good. However, the various norms set by Reserve Bank of India for priority sectors and direct agriculture advances have not been met for the last four years. The recovery performance of the banks operating in the state as on June 2004 was 85 percent for the RRBs and 63 percent for the DCCBs. As of March 2004, the non-performing asset levels of RRBs at 5 percent are reasonable, but DCCBs have 25 percent, which is an issue.

41. For the banks, SHG-bank linkage is the major micro-finance activity. The progress made in the state in SHG credit linkage is shown in appendix 1. The earlier IFAD project in Tamil Nadu was a forerunner for SHG-bank linkage and demonstrated to the banks that the poor, especially women, are bankable and the bankers now have confidence in the groups and presently consider them as a good business proposition. The SHG-bank linkage is viewed very favourably since transaction and risk costs are perceived to be lower than for individual lending. Removal of service area norms will bring in the necessary competition, although these norms were not applicable to SHG financing. There is also greater awareness and willingness among the commercial bankers to pay for part of the group formation costs. The Reserve Bank Governor has also called upon the banks to provide adequate incentives to branches to promote the linkage programme.

42. NABARD, as the apex organization for agriculture and rural development, has been promoting the concept of self-help groups and linking with banking system in a big way. As part of this promotion, NABARD has been building the capacity of a variety of stakeholders in SHG promotion and linkages. Tamil Nadu ranks second in the country for SHG linkages. As of March,

2005 the cumulative number of groups linked was 1.90 lakhs and the cumulative amount lent by banks was INR1289 crore. The average loan per SHG was INR 62,000; nearly double the all India average.

43. **Quality of linkages.** Defaulting individuals or households is an issue that is hampering credit flow to SHGs in the coastal regions. The quality of linkages and some of the practices that are followed are still not good. There is hardly any new product development suitable to the needs of women. There is scope for reducing the processing time. Turn over of branch staff also brings in some uncertainties for the groups since the new bank managers need sensitisation. Some branches are not keen to lend to groups. Several Primary Agricultural Credit Cooperatives have savings accounts of SHGs, but are not able to provide them with credit because of liquidity problems due to mismanagement.

44. **Post-linkage follow up.** There are concerns expressed by bankers about the continued monitoring needed to maintain the quality of groups. Bankers feel that there is a distinct need to ensure quality of books of accounts and external audits. Post linkage monitoring of groups to provide an early warning system is needed.

#### **MFIs and federations**

45. Tamil Nadu has many models of micro-finance institutions. The Indian Cooperative Network for Women is a multi-state cooperative bank, which provides financial services to poor self-employed women. The bank operates in some of the coastal districts. It is in process of setting up a separate MFI to provide micro-enterprise finance to some of their older clients who have completed 15 loan cycles. The new MFI will provide individual loans of INR30,000 and above.

46. Kalanjium Development Financial Services, Sanghamitra Rural Financial Services and the Indian Association of Savings and Credit lend to self-help groups in the state directly at rates of interest close to that of Regional Rural Banks. While the former two lend predominantly to the groups formed by the promoter organisations, the Indian Association of Savings and Credit lends to groups formed by many NGOs.

47. DHAN Foundation has developed a scalable model of nested institutions, which includes self-help groups, cluster level and apex federations. The federations provide a host of services to the groups and the groups contribute to their overheads on the basis of budget and plan of action for the year. DHAN is now working in the coastal districts. There are many other NGO-MFIs and federations who are working in the coastal districts of Tamil Nadu, and which are involved in financial intermediation. Some of these federations have been accessing resources from banks. How far these operations are financially sustainable is an issue. Several fundamental issues are being raised on the financial and organisational sustainability of federations, which are acting as financial intermediaries.

48. However, there is a very strong demand from member SHGs, bankers and other major stake holders for the group maintenance and empowerment role of federations i.e. for the non-financial intermediation functions. SHGs require maintenance services such as auditing, training and trouble shooting that cannot be provided for nor procured from the market by individual SHGs. Through better monitoring, the repayment performance of the groups can also be improved. Other services like micro insurance can also be facilitated.

#### **Insurance Companies**

49. The state owned insurance companies – LIC and four general insurance companies - offer a variety of insurance schemes for the rural poor. With the opening of the insurance sector for private

participation, many innovative products and delivery models are emerging. But insurance companies in general do not reach out to the poor as a business proposition and have minimalist policies to satisfy the IRDA's norms of rural and social sector obligations. However these obligations have spurred the companies, particularly the private sector, to seek partnership with NGOs, MFIs etc. Bancassurance as a service delivery model that is gathering momentum and recently Reserve Bank has allowed RRBs to become corporate agents of insurance companies. IRDA is in the process of formulating micro-insurance regulations under which NGOs registered under the Societies Act and self-help groups will be recognized as micro insurance agents of insurance companies.<sup>12</sup>

### **Post offices**

50. The postal department has the largest branch network in the country and is being revamped to market a variety of products – savings, insurance, consumer goods etc. Being government owned, they provide the safest savings with high returns and insurance at low premiums. Although post offices have a wide network and the available savings and insurance products are very competitive, these facilities are not very well known since post offices lack effective marketing. The transaction time at post offices is reportedly very high. The medium term vision of the postal department is to turn into a bank.

51. In Tamil Nadu, NABARD is piloting an initiative of linking self-help groups with post offices for savings and credit. This is expected to be launched soon. Kanya Kumari is one of the pilot districts.

### **Tamil Nadu Women Development Corporation**

52. Tamil Nadu Women Development Corporation has been engaging the services of NGOs in promoting and nurturing self help groups of women. Mahalir Thittam (women's programme), as the programme is called, is funded by a budgetary allocation by the Government of Tamil Nadu. As of February 2005, 1,69,092 rural SHGs have been formed covering 28 lakhs of women. Thus nearly 80 percent of the rural BPL families are reportedly covered by TNWDC. In the coastal districts visited it was seen that nearly 50 percent of the SHGs have been formed by other NGOs that are not being supported by TNWDC. Nearly 467 NGOs are working with TNWDC, but some of the bigger NGOs, like DHAN Foundation, MYRADA etc., are not their partners.

53. To reduce costs, TNWDC has phased down the training inputs to the SHG and funding support to the NGOs for training and monitoring the groups. This is reflected in the quality of groups, especially those formed in the recent years.

54. TNWDC has promoted Panchayat level federations of the SHGs formed under Mahalir Thittam with the idea that federations will take over the role of NGOs in nurturing and monitoring SHGs. However, the federations face several practical problems since their groups were formed by several NGOs and the federations are yet to get competent staff to spearhead these activities. TNWDC is finalizing a Poverty Reduction project with World Bank where the federations will carry out micro enterprise related activities such as providing marketing and training support to the self-help groups<sup>13</sup>.

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<sup>12</sup> The proposed draft regulation is very progressive. It has been suggested that the SHGs and NGOs can earn fees up to 20 percent of the premium. The groups will be imparted training for 25 hours by the formal insurance companies in vernacular language. The IRDA is also stipulating minimum and maximum policy cover for different policies including endowment policies for life insurance.

<sup>13</sup> The project will be implemented only in selected blocks of a few districts. Some of the coastal districts are also covered. The project will work with Panchayati Raj Institutions. The project is under advanced stage of negotiation.

55. TNWDC provides training for Enterprise Development (EDP), vocational training, advanced skill training etc. to the women who are graduating to setting up micro enterprises or for expanding their present activities. However TNWDC promotes group enterprises - three to four members interested in carrying out similar activities are expected to run a joint enterprise. This may not be a practical and effective way of enterprise promotion. The mission met with two groups where virtually all the members seemed to be involved in a joint enterprise. One of these groups had been encouraged to take up the making of disposable paper cups. However the business was not at all profitable. Not only were members were not drawing any income from the venture, but the group had borrowed an additional Rs200,000 for consumption purposes. Although richer members of the group seemed prepared to continue in the hope of repaying their original loan (and so getting a grant from SGSY), the lack of any income was clearly affecting poorer members. Another group was involved in selling of saris. While this could be a good business for an individual, the small daily turnover would not generate much income for all group members.

### **Fishermen's Cooperative Societies**

56. The Fisheries Department of Government of Tamil Nadu has enabled formation of cooperative societies of fishermen and women. Presently these societies mostly act as channels for Government schemes and do not promote any other common interests. There are only a few societies that undertake pooling and marketing of fish, but most of them are defunct. The apex fish marketing federation at the state level had provided loans to fishermen through the societies, but the repayment performance is reported to be dismal.

57. The South India Federation of Fishermen's Societies (SIFFS) has promoted about 55 fish marketing societies in Tamil Nadu. The members are owners of craft who pool their catch and market it to middlemen/companies. Since the sale proceeds are routed through the marketing society, the society deducts compulsory savings and commissions, together with any loan instalments and insurance premiums, and pays the balance to the fishermen. The societies are sustainable models, which can be scaled-up with hand-holding and technical support from SIFFS.

58. These societies face two issues: (i) if the middle men do not pay the society on time, the member's performance, including repayment performance, is affected; and (ii) poverty and gender focus needs to be integrated into the model.

## **C. Project Components**

### **Summary Description**

59. The rural financial service intervention has major activities. They are: (a) strengthening of SHGs for financial services provision; enabling fish marketing societies for financial intermediation; (b) enhancement of the capital base of SHGs and fish marketing societies to leverage access to loan funds from banks and MFIs, and enhancement of credit flows to micro-enterprises; and (c) enhancing the risk mitigation capacity of the households through development of savings and insurance products.

## **D. Detailed Description**

### **a) Strengthening of the grass root institutions for financial intermediation**

#### **Self Help Groups**

60. The concept of self help groups and their linkage with banking system is well developed in Tamil Nadu. However nearly one third of the groups already formed are found to be weak in many ways. Post-tsunami many groups have been hastily formed who require capacity building. Moreover, some vulnerable groups, such as Irulas, scheduled castes, agricultural labourers etc., are yet to obtain

the benefit of the movement. They require longer support since they are more marginalized than other communities. So the project would strengthen the weak/young groups by way of training, hand-holding support and enable them to federate to address their socio-economic needs.

61. SHG and federation mapping - Before initiating the SHG strengthening activities, the status of SHGs functioning in the villages will be assessed through structured surveys. The project will hire consultants to carry out this work. The survey will look at the status of present SHGs, NGOs functioning in the village, federations formed etc. Since in most of the villages the grass root institutions are already functioning, the project will identify those which require strengthening and work out strategies and modalities to strengthen them. Moreover, the project will work out strategies with the NGOs to ensure that those groups and members, who have been severely affected by the tsunami, are assisted to recoup<sup>14</sup>. The project will also identify the groups through which other activities, such as micro enterprise development and development of risk mitigation instruments, will be initiated. The project will provide training for those SHGs that require such strengthening. Details of SHG training modules are in Appendix 2.

62. Functioning of SHGs -The self-help groups will evolve their own rules for functioning as sound organisations. The rules will include savings mobilisation, lending policy, group meetings, penalties for any deviant behavior by group members, election and rotation of leaders and duties of leaders and members. The groups will meet regularly. The members will determine the savings amount and the savings will be collected during the meeting. Since some of members, who have lost livelihoods, require time to recoup and re-establish, the groups will be capacitated to work out modalities with flexible solutions.

63. Initial loans may be small in size and predominantly for consumption purposes. As the fund availability increases and the group gains confidence in managing the fund, the loan size will increase, and the loan use would become diversified, with more for income generation purposes. The capacity building of group members will address the need to building the confidence to take risks and build linkages required to take up larger loans for income generation activities. The loan appraisal process within the group will also be strengthened when the loan amount increases.

64. The group will open a savings bank account with a nearby bank branch. The savings and loan repayments collected during each meeting will be loaned out and the group will keep a minimum cash balance for meeting any emerging needs. The rest of the cash will be deposited in the bank. Federations/ NGOs will be enabled to evolve systems to ensure accountability for cash and to minimise the risk of fraud.

65. Groups will maintain simple books of accounts. All the financial details regarding savings, loans, income and expenditure will be recorded in detail. Non-financial information, such as meeting proceedings, resolutions passed, attendance of the members etc., will also be recorded. The group books will be verified<sup>15</sup> half yearly initially and once a year later. The books will also be audited once a year. More than the provision of credit, the poor women's ability to develop systems, practices and a culture to manage credit, is empowering. The project therefore will enable self-help groups to manage credit.

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<sup>14</sup> Many of the groups reportedly consist of members belonging to poorest to vulnerable non poor households in the villages. The poorer households who have been severely affected by the Tsunami may require recouping time. Some shake out of such members may also happen in the groups especially if they are not able to repay the loans or save as much as others.

<sup>15</sup> Verification will be carried out by the federations/ NGO staff.

66. It is seen that in some of the old groups peer pressure, which is very strong in the initial years, tends to give way to complacency born out of familiarity. These groups repay the external loans but the recovery rate of internal loans is low, which slowly erodes the capital of the group. The groups will need to be enabled to periodically monitor this aspect to ensure good recovery performance and also to ensure the safety of savings. Repeat loans of increasingly higher amounts, especially repayment of one loan and availing a larger loan on the same day, and loans outstanding with all the members of a group for a long time, may be signs of latent problems, putting at risk the security of savings. Repeat and multiple loans to some of the members, even while some others do not get to borrow, can be an indication of the savings being at risk. These indications need to be monitored, probed and corrective action needs to be taken from time to time.

67. The group will elect leaders to manage the group. The leaders will be rotated periodically. The group will evolve proper checks and balances to ensure that the leaders are accountable to the group. Proper checks will be evolved to ensure that the leaders do not corner loans in the group. The members will also share the group work in networking and linkages, especially depositing the cash in the bank, visiting any Government office etc. The groups will be provided with information and awareness about various Government schemes and extension facilities, and will be enabled to tap these as a matter of right rather than as mere beneficiaries.

68. The culture of payment for the services such as auditing, MIS etc. need to be built in the groups right from the inception so that the groups can procure such services on a sustainable basis.

69. While micro-finance and undertaking micro-enterprise activities will be the core function of the groups, the groups will also provide a platform for taking up social issues affecting the position and condition of women. Problems affecting the women when they expand their enterprises, or take up new enterprises, such as over-burden of work, male control of the enterprises etc., will be discussed and addressed by the groups. Participatory processes, involving household men, will discuss relationships within the family, sharing of family responsibilities and work load, changing the stereotyping of roles, and to foster togetherness in family relationships and a more equal partnership.

70. The idea of federation will be mooted among the self-help groups once the groups stabilise and are on the growth path i.e. after twelve to eighteen months. Based on the need and consensus, the emergence of federations will be facilitated.

### **Strengthening of Federations**

71. The federations that will be formed and strengthened under the project will largely be non-financial intermediaries catering to the needs of about 200 groups in a cluster of five to six villages. The federations under the project will be any apex organisation of groups or of producers.<sup>16</sup> The project will adopt a flexible approach and support replicable, sustainable need-based models. The legal form such apex organisation can be a society, cooperative, producer company etc. Nearly 30 federations are likely to emerge or be strengthened under the project.<sup>17</sup>

72. The critical roles these organisations are likely to play include

- Groups strengthening – monitoring, and conflict resolution.
- Procuring/providing auditing, grading, rating and training services.
- Addressing social and political issues especially gender issues.

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<sup>16</sup> The project will provide support to the existing federations based on need. In case of new federation, the initial two years NGO costs will be met through the hand holding support to SHGs. There after, when the federation emerges the groups will make contributions for the services and the project will bridge the gap.

<sup>17</sup> In the 200 project villages 9000 Self Help groups are likely to be functioning. Since many of the NGOs are federating the groups, it is assumed that 30 federations covering 6000 groups will require either formation or strengthening.



- Procurement of need-based business development services.
- Convergence of programmes based on needs.
- Procurement of financial services for groups.

73. One of the core functions of federations will be to monitor group performance, enable linkages for financial services, and procure services for the groups. The groups will directly deal with the banks and the federation will take up the case of an SHG in case of necessity. The federation will provide information about the lending terms of various banks so that the groups can negotiate with the banks for better terms. Where banks are not cooperative, or it is found that the micro-finance needs are not fully met by the banks, the federation will invite an MFI to lend to the groups.

74. The federation will ensure that the quality of the groups is maintained. The federation will monitor critical indicators of group performance every month. These indicators include: regularity of meeting, attendance rate, savings regularity and repayment performance. In case of any drop in performance, the federation leaders and staff will visit the group and counsel them. In case of conflicts within the groups that are not solved at the village level, the federation will deal with the same. The federation will be managed by capable staff. Federations will be nurtured by a suitable NGOs.

75. The books of accounts of the groups will be periodically verified by the federation staff. Once in a year, the group accounts will be externally audited. The findings of both internal verification and external audit will be shared with the SHGs and with the Board of Directors of the federation and the rectifications compliance will be monitored by the federation.

76. The training needs assessment will be facilitated by the Cluster Resource Centre once in a year and the federations will participate in the assessment and indent for the trainings from the resource centre.

77. The federations will network with resource centres to ensuring that the training is conducted well and provide useful feedback to the resource centre for improving training and also for repeat training where necessary.

78. **Financial viability of the federations.** The source of income of the federation for the group maintenance work will be the contribution from the groups on an increasing scale based on the income and volume of business of the groups. It is expected that banks would need to externalise post-linkage monitoring of groups when the number of groups per branch touches 100 groups. They can outsource this work to the federations and the federations can charge a fee for this. Similar monitoring support can also be provided to MFIs and federations can earn fees for their work. Their major expenditure is the salary of the staff. Other expenditure includes office and maintenance expenditure<sup>18</sup>. The operating expenditure of the federation is expected to be fully covered by its income within three years of setting up (the workings are given in Appendix - 2).

79. **Sustainability of the federations.** The long-term sustainability of the federations will very much depend on the vibrancy of the groups, their needs and the ability of the federations to remain relevant for the members. To this effect, the federations' core business and activities will need refinement and adjustment as per the needs of the member groups.

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<sup>18</sup> The costs have been worked out for group maintenance core function of the federation.

### **Fish Marketing Societies**

80. Artisanal fishermen will be mobilised into societies for improving the marketing of their catch (the annex on fisheries sector has more details on the mobilisation and functioning of these societies). Most of these fishermen have debts with the middle men which come in the way of their joining the society<sup>19</sup>. The fishermen have to be provided loans to repay the earlier debts. The project will provide grants to the promoting agency (SIFFS<sup>20</sup>) to finance these loan redemptions to enable the fishermen to form the societies<sup>21</sup>. This grant which will be quasi-equity will also enable SIFFS<sup>22</sup> to leverage loan funds from formal financial institutions.

81. The project will enable setting up of 50 societies. The societies will have a membership of 50 to 75 boat-owning members. The members will sell their entire catch through the society. The average annual turnover of each society is likely to be INR40 lakhs. The society will work on a 3 percent commission on sales. The commission will be deducted from the payables to the fishermen. Out of the three percent, one percent will be paid to the auctioneer and 2 percent will go towards meeting the overheads of the society (SIFFS has found this covers the costs of the society). The society will also deduct compulsory savings, insurance premium and loan repayments<sup>23</sup>, if any, from the amount payable on sales to the fishermen.

82. The savings mobilised will be used for lending to the fishermen especially for emergency purposes. The society will assess the loan requirements of members and mobilise loans from SIFFS or a SIFFS promoted multi-state cooperative society and also from banks. The loans will be to individuals and the society will not charge any margin for the loans<sup>24</sup>. Assuming an average loan off-take of INR25,000, each society will be mobilising and dispensing credit of INR18 lakhs each year.

83. **Need based financial products.** The fishermen are also members of Government promoted co operative societies where they participate in the group insurance schemes and lean season savings plans. However, as the societies gain experience, there is scope for developing need-based financial products. The project is to pilot a scheme for providing mobile phones to the fishermen to enhance their safety at sea and also sharing critical information on catch etc. Since the initial purchase of cell phones requires a lump sum amount, the society can work out modalities to provide loans to its members. Similarly the fishermen are keen to educate their children to enable them to get shore-based jobs. The society can provide education loans, either on their own or via banks. In some districts, fishermen, especially crew, migrate to other areas to find work in the off-season. Remittances services can also be considered after a complete study of the demand. Savings-linked insurance and pension plans will also be piloted to enable the fishermen to manage their life cycle as well as crisis risks. Community based insurance schemes, particularly for insuring fishing gear, will also be piloted.

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<sup>19</sup> The middle men also procure the catch from the fishermen. When they hear of the society being formed they pressurise the fishermen to repay their debts.

<sup>20</sup> In the fisheries sector only SIFFS has proven capacity for forming mobilising fishermen and forming marketing societies. They have the capacity to scale up and can meet the needs of the project.

<sup>21</sup> On an average each fishermen may have debt of INR25, 000. Each society on an average will enrol 60 members. The debt redemption loan is likely to have a term of 2 years.

<sup>22</sup> SIFFS is a society and is in the process of setting up a multi state co operative Society for its lending functions. It will be a unitary society with all the fishermen in different fish marketing societies being direct members. The loan redemption fund which is a grant from the project will be a quasi equity to the co operative society to leverage loans from financial institutions for the fishermen societies.

<sup>23</sup> Societies promoted by SIFFS follow the practice of deducting 10 percent of the value of the sales of the fishermen towards loan repayment. SIFFS has well developed MIS system which tracks the recovery performance of individual as well as the society.

<sup>24</sup> The commission on sales at 2 percent for overheads is found to be sufficient to cover the costs of operations.

84. The society has primary members of the boat owners. The crew who do not own vessels form 75 percent of the population in the villages. In order to provide them with financial services, the societies will promote associated groups of crew members and link them to the society for financial services.

#### **b) Institutional arrangements for providing financial services**

##### **Bank linkage of groups and fishermen societies**

85. The project will work closely with NABARD and the leading banks to ensure the credit needs of the project are included in the banking plans at each level – block, district, state - and regular review takes place. The review will include both the quantity and quality aspects of linkage particularly the portfolio quality. The close net working will also help in addressing the policy and operational level support required for smooth linkages.

##### **Self Help Groups**

86. The project would enable linking the informal self-help groups to formal financial institutions for improving the access of poor women and men to credit. SHG-bank linkage would be a dominant mode of providing financial services access for a large section of the target population.

87. The self-help groups will open savings bank accounts with nearby bank branches for depositing their surplus savings. The groups, on demonstrating strong repayment rates for internal loans, will be credit-linked with banks. The self-help groups will access credit from banks under the linkage banking programme wherein the groups are sanctioned credit in proportion to their savings. Loans given to the groups will be based on the banks' assessment of the credit worthiness of the group and its track record in credit management. The banks will be encouraged to provide a cash credit arrangement or term loan to the self-help groups. The banks are free to set their interest rate for such lending to SHGs. Lending terms to the individual member will be determined by the SHG including the decision to finance a member, purpose of loan, loan amount, repayment period and interest rate. The appraisal of the borrower and activity, utilisation and recovery of loan of the members is the responsibility of the SHG. The loans to SHGs will be without collateral. SHGs can access loans under SGSY programme, especially the groups with BPL families<sup>25</sup>.

88. MFIs will be invited to lend to the groups where the linkages are poor. While multiple sources of credit will be encouraged and linkages with many organisations will be promoted, it will be ensured that the savings to credit ratio is kept within reasonable limits at the group level. This is to avoid any overexposure and overdues. In cases where there are vibrant economic activities, the limits will be raised.

##### **Financing the Fish Marketing Societies**

89. The Fisher Marketing Societies will open savings accounts with nearby branch for depositing their savings. Since the societies will not be procuring the fish from the members, the societies will not require any working capital finance. The societies will be facilitating loans between the members and other financial institutions for purchase of fishing craft and gear, working capital etc. The societies will access credit from SIFFS as well as from the banks. In the initial years, the linkage is expected to be with SIFFS, which has developed a sound credit rating system of individuals as well as

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<sup>25</sup> NGOs are guiding groups to take up certain activities which are not profitable, commercially oriented. The attraction of subsidy is colouring the profitability analysis. There are a few aquaculture schemes which can be undertaken by SHGs. Lobster fattening, mud crab fattening are being advised as suitable schemes to be taken up with Government subsidy. However, the viability and scalability of the schemes is still to be demonstrated.

the societies. The loan from SIFFS to the ultimate borrower is at 16 percent<sup>26</sup> where as banks are normally lending at 10 percent. Some well-functioning societies with proven track records will link up with banks for individual loans to their members.

### **Enabling MFIs to lend to the groups**

90. There is a necessity to provide for an alternative financing mechanism to provide back-up support to the SHG-bank linkage system. The factors which necessitate this alternative mechanism include:

- The rate and pace of bank linkage is not to the desired level in some districts and pockets.
- Some of commercial bank branches are still not encouraging group linkages. (During the field visit in Kanya Kumari district, it was seen that a commercial bank branch had 500 savings accounts of SHGs, but not a single SHG was financed by the branch before the tsunami, while post tsunami 40 groups have been given loans).
- Some of branches are heavily overloaded with more than 200 SHG accounts.
- A change of branch manager brings uncertainty in timely loans to the groups.
- The Finance Minister in his budget speech has encouraged banks to use other channels like NGOs and MFIs for lending to the rural poor. Some of the branches are keen to lend to MFIs in order to decrease the transaction costs further.
- The quality of linkages requires improvement and competition can be a motivating factor for changing the attitudes of banks. The MFI can improve the market penetration levels.
- Need-based linkages with more institutions improve the learning and maturity of the groups and contribute to their long-term sustainability.
- Banks provide term loans<sup>27</sup> and some of the groups need additional loans mid term even before the full loan is repaid.

91. For the above reasons, some MFIs, which can lend to self-help groups will be invited to operate in project districts. Sanghamitra and Kalanjum Development Financial Services<sup>28</sup> and the Indian Association of Savings and Credit are operating in the state. They lend to groups using minimal staff and using existing banking channels. This model has the added advantage of working with the full knowledge of the local branch level for improving the services to the groups and thereby making the banks compete for the business.

92. However, it would be ensured that the growth of the MFIs is not at the cost of bank linkage of groups, and should not exclude the banks from lending directly to the groups. The MFI would be a catalyst that offers the edge of competition to banks in locations where bank performance is relatively weak.

93. Only those MFIs with a sound governing structure, freedom from political interference, good fit to local and project context, competent and stable staff, a strong strategic business plan for supporting growth and sustainability will be invited to work with the project. When the MFI sets up business in a district it is to be expected that it will not only cater to the project needs but also to the

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<sup>26</sup> SIFFS has plans to bring down the rates to 14 percent diminishing balance which may be one of the cheapest rates by MFI in India.

<sup>27</sup> Some banks are now lending for 3 years in order to reduce their transaction costs.

<sup>28</sup> Sanghamitra lends only to self help groups. The loans are credited to the group's account opened in the local bank branch. The repayments are made by post dated cheques. Since all the transactions are carried out through banking system, the branch manager is able to see the volume of transactions and also the repayment record of the groups. The credit officers donot handle cash and chance of fraud are minimised. The branch manager is able to appreciate the SHG business and improves the quality of linkages to SHGs to match the competition from the MFI.

other groups in the district to make it viable. The project will partially fund the opening of the branch and the operational deficit of the branch for the first two years<sup>29</sup>.

94. The MFIs will leverage loans from the formal institutions like banks and SIDBI fund for micro finance. Since the MFI will be competing with the banking system, the interest rate of the banks will need to be watched.

### **Enterprise Development Credit**

95. The project will enable setting up of micro-enterprises by SHG members. This builds on the platform of the vibrant SHG movement in Tamil Nadu, which IFAD helped to launch in the early 1990s. With the project intervention 12,000 micro enterprises, with investments ranging from INR40,000 to INR2 lakhs will be set up and expanded. A service provider<sup>30</sup> would undertake a survey of potential livelihood opportunities using sub-sector business service approach. Based on this survey, the service providers would design and implement demonstrations. Demonstrations would be implemented using SHGs/federation/Fish Marketing Societies as focal points. The field staff of service promoters would form Activity Groups around successful demonstrations based on a thorough review of costs and benefits.

96. Credit demand would start emerging from the Activity Groups and based on the experience gained in implementing demonstrations. The staff of service providers would develop business plans, review them at the block level and help integrate them into the Block-level Credit Plans of the banks. Intensive facilitation and monitoring is required to ensure timely flow of credit. The project would involve the bank managers during implementation of demonstrations to get the necessary support.

97. However, bankers may not be very enthusiastic about lending to individual entrepreneurs. The bankers may hesitate to lend to individuals from coastal communities given the past issues in repayments<sup>31</sup>. They may also insist on traditional collateral, which the entrepreneurs may find it difficult to find. Pursuing the loan applications can become a major activity and can delay setting up of the enterprises and project activities. In order to overcome this issue, the project would invite well established Micro Finance Institutions/Rural Finance Institutions to set up offices<sup>32</sup>. The project will fund the start up activities such as product development, systems development and bridging the operational deficits. The Micro Finance Institution/Rural Financial Institution to be associated with the project will have proven capabilities, be financially sustainable, efficient in operations and lend at very competitive rates, have adequate equity base and will be familiar in lending to coastal communities.

98. Banks/MFIs would provide funding for micro-enterprise development to individual households. Nearly 90 percent of the investment will be through bank/MFI loans and innovative collaterals will need to be designed. SHG-Bank/MFI linkage would have two fold benefits on the flow of credit to micro-enterprise development. First, the credit history developed by the SHGs would reduce the risk perceptions of banks/MFIs in making loans to individual households/activity groups. Second, the increased availability of funding would facilitate members borrowing from SHGs to meet borrower's contribution norms of banks and MFIs.

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<sup>29</sup> A provision of INR15 lakhs is being provided for opening of a branch in each project district. However, proposals will need to be invited and scrutinised by the state project office.

<sup>30</sup> The project would engage the services of resource NGOs or private companies who have experience in enterprise development following sub sectoral approach.

<sup>31</sup> The bankers are very conscious of non performing assets norms and avoid disbursing loans to sectors, communities which they think will turn sticky.

<sup>32</sup> MFI/RFI financing the individual micro enterprise development may be different from the MFI which lends to the groups. Individual lending requires different methodology, more variety of products, MIS and systems.

### **Financing the organisations providing backward and forward linkages**

99. Generally traders provide backward and forward linkages only after they are convinced that the economies of scale exist. The rural areas may not offer required economies of scale required by the private enterprises to establish backward and forward linkages. In the absence of economies of scale for backward and forward linkages required for uptake of better technology, the rural households continue to use traditional technology which does not optimise the output level. The subsistence level output constraints development of enterprises required for backward and forward linkages.

100. This vicious cycle can be broken by adopting a two-pronged strategy. First, the project would develop demonstrations using sub-sector business service approach and linking individual/group entrepreneurs to financial institutions to obtain credit. This would create economies of scale for developing the enterprises required for establishing backward and forward linkages. Second, the project would also establish technological demonstrations, comprehensive enterprise promotion training and provide exposure visits in case of these enterprises requiring larger investments. The project would thereafter promote Activity Groups around the successful demonstrations. The staff of the service provider would undertake this activity. The Activity Groups would be the focal points for delivery of business development services including technology training and credit.

101. The service provider would identify the type of enterprise required for establishing forward and backward linkages and develop demonstrations and arrange for exposure visits. About 240 such linkage providing enterprises are likely to be established. The average initial capital will be INR5 lakhs to start operations. It is usual that bankers look for the owner to have a personal equity stake in the business to be financed. The project would set up a Venture Capital Fund of INR3.60 crores<sup>33</sup>, professionally managed by a bank<sup>34</sup>. The project, through the Venture Capital Fund, would provide quasi-equity funding<sup>35</sup> to the producer companies/individuals interested in establishing enterprises related to backward and forward linkages. The quasi-equity would remain with the enterprises for three to five years and thereafter this can be repaid to the fund. Pricing of the quasi-equity could be such that lower rates are applied when the unit repays installments in time. Any willful default should attract high interest charges. Capital provision with business development services would provide a level of comfort to financial institutions interested in providing financial assistance to these enterprises. The equity participation of VCF would not exceed 30 percent of the project cost. The company/entrepreneur would bring in 10 percent of equity and banks will finance the rest.

102. Lending to enterprises that provide forward and backward linkages to micro-enterprise of the individual households and activity groups is vital. Uptake of new technology by the households and viability of the micro-enterprise would be in doubt if sufficient investment were not made in these types of enterprises.

103. The service provider would prepare a feasibility report in consultation with the company/individual interested in establishing the enterprise. The feasibility report would be submitted to the Venture Capital Fund manager, which would appraise the proposal and sanction equity participation of Venture Capital Fund in the enterprise. Thereafter, the proposal would be submitted to banks for sanctioning a loan.

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<sup>33</sup> In each district 20 sub sectors are likely to develop and for each sub sector 2 organisations providing forward and backward linkages are likely to be established. Thus 240 such organisations would be set up and each would require capital investment of INR 5 Lakhs. The venture capital fund will invest up to 30% of the investment needed.

<sup>34</sup> The choice of this institution need to be carefully made since professional management is needed.

<sup>35</sup> The fund will find it difficult to invest as equity since there may not be clear exit routes.

104. These organisations will depend on bank credit for both their fixed and working capital needs. Unless these credit needs are met and the linkages are set up, the basic production effort will fail for want of a sustainable marketing arrangement. Given the traditional dislike of market intermediaries, it would be necessary to instill in bankers the importance of financing such linkage organisations. The usual lending norms of the banks will be applicable for the loans.

### **c) Risk management and Insurance Services**

#### **Risks the rural households face and coping mechanisms**

105. Poor and low income households in the coastal districts are vulnerable to a variety of shocks since they are exposed regularly to a wide variety of risks. These vulnerable households plummet into absolute poverty if the risks occur frequently. After the tsunami, there is a felt need among the households affected for risk mitigation instruments to cope with life-cycle risks<sup>36</sup> as well as crisis risks<sup>37</sup>.

106. The poor in the coastal areas use different strategies to manage<sup>38</sup> different types of risks. Households usually save in cash and kind and use these savings to cope with risks. Loans are another common instrument to cope with risk. In coastal communities this is mainly informal lending. However, when all or most of the individuals in such informal arrangements are pushed to subsistence levels, there is little scope for reciprocal lending between households.

107. In general, it is observed that the poorer the household, the greater the need to use savings and credit as insurance substitutes. Formal insurance is not very popular among the low income households in the coastal districts<sup>39</sup>. The policies drawn by the formal insurers have many exclusion clauses for claims, which are not known to the households at the time of taking policy. For this reason, many have been disappointed when their claims have been rejected, leading to a loss of faith in insurance as a risk mitigating mechanism.

108. The method of collection of premium is not suited to the cash flow pattern of low income households. Usually a lump sum premium is to be paid at periodical intervals and many households that purchased policies let the policies lapse since they did not have the necessary cash at the due dates. Given the fact that these have little cash to spare, they expect some benefit and return from any money they part with. Many households are reluctant to pay for an uncertain benefit in the future. Moreover, they also have low confidence in formal insurers that the claims will be settled because of past bad experiences.

109. Self-help groups and access to micro finance through other intermediaries has helped poor households mitigate risks to some extent by helping them utilize opportunities to make investments in income generation activities, and to cope with risks once it has occurred. However, the challenge for the micro-finance movement today is to design suitable savings and insurance products for low

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<sup>36</sup> *Lifecycle risks* are those which are more or less certain to occur during the life cycle of a household (education, marriage etc.). These events can be planned for and usually households save as much as they can to finance such events. Thus savings instruments need to be developed under the project to address these needs.

<sup>37</sup> *Crisis risks* are sudden and unexpected shocks which can disrupt the income generation capacity of the household as well as involve major expenditures.

<sup>38</sup> The risk management strategies include risk prevention, risk mitigation and coping strategies. The risk prevention strategies include undertaking preventive care such as health care to prevent major diseases occurring. While prevention strategies reduce the probability of risk occurring, mitigation strategies help individuals reduce the impact of a future risk event through pooling over assets, individuals and time. For example, households may pool uncorrelated risks through informal and formal insurance mechanisms. Buying formal insurance, diversifying income generation activities, reciprocal gift giving are examples of these. Risk coping strategies are designed to relieve the impact of the risk once it has occurred. The main forms of coping include selling/ pawning of assets, borrowing, migration etc.

<sup>39</sup> It has been reported that about 20 claims have been made to the insurance companies from the tsunami affected region

income households, since the informal social networking arrangements of insurance often fail when they are needed most.

#### **d) Specific risks in marine fisheries**

110. Fish production is an inherently risky business, in which fishermen and fish farmers face a variety of risks associated with weather and natural phenomena, variations in production, prices and income, human error, mechanical failure and accidents from a variety of causes beyond their control. The health and personal safety of those engaging in fishing is frequently at risk.

111. The Directorate of Fisheries, Tamil Nadu, note that about 1000 fishermen on an average die each year in accidents in the sea resulting from engine failure, vessel damage, lack of fuel, navigational problems etc. Most smaller craft do not carry safety equipment on board. The risks have increased with the increase in the distances travelled. While life/accident insurance cover is available for the person through Government subsidised schemes, asset insurance for small-scale fisheries is not available<sup>40</sup>.

112. Government often provides relief and emergency assistance in times of wide- spread natural disasters. However, such relief is not feasible on a long-term basis.

113. The major insurable risks confronting small-scale fishermen can be divided into asset risks, and personal and health risks. Asset risks include loss of damage to fishing vessels, equipment and gear. Personal and health risks include accidents at sea, death and ill health.

114. In the past, the fisheries insurance schemes have faced the following major problems among others:

- Lack of well established community based institutions such as co operatives, marketing societies to act as an intermediary between insurance companies and fishermen.
- Moral hazard in asset insurance
- Exclusion of small-scale fishermen and fish farmers from insurance.
- Difficulty in promoting insurance policies, designing suitable insurance programmes and co-ordinating the work of the agencies concerned.
- High cost of premiums and providing appropriate levels of benefit.
- Speed and transparency in claims settlement.
- Lack of actuarial data for some specific risks.

#### **e) Designing risk mitigation instruments for the vulnerable households**

##### **Overall considerations**

115. The project will consider several factors in designing risk mitigation products. The project efforts in this activity will be aimed at the members of self-help groups in the project villages since many of these households are vulnerable, and insurance requires large coverage to be cost effective.

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<sup>40</sup> The Government of Tamil Nadu along with the Central Government is already providing for accident and deaths through a fully subsidised programme. The Government has also formulated a scheme for mobilizing fixed amount of savings during busy season, matching the savings with contribution by both Central and State Governments and making the amounts available to the fishermen during the lean season. The scheme is implemented through the fishermen cooperatives and has been extended to women co operatives during the year. This scheme is commendable though has been fraught with problems in the past.



116. The mere fact that the poor are vulnerable and face risks does not automatically result in a market for insurance products. The present risks the households face, their risk mitigation and coping mechanisms need to be thoroughly understood. The nexus between savings, credit and insurance needs to be appreciated and the appropriateness of each of the services in dealing with the risk and vulnerability will be analysed before designing the product.

117. The design of savings and insurance products for fisher folk will take into account the importance of capturing the excess cash flow in times of high income for bridging the lean income periods. The fluctuations in incomes of the fisher folk will be studied for designing a savings based risk mitigation mechanism. When money is plentiful, fisher folk tend to spend on non-essential goods and services. In a lean season it is difficult to shed the high living style adopted during high season income. It is essentially this consumerist behaviour that will be addressed to ensure liquidity smoothing and build internal capacities to withstand seasonal income shortfalls.

118. Though it can be generalised that poor and low income households are exposed to various risks, there are variations across geographical regions, cultural and religious groups in the intensity and regularity of occurrence of risks. Thus market research is a vital requirement for designing the instruments needed by them for coping with the risks. The project will conduct participatory market research for various product development or refining the existing products.

119. The ability of the low income households to pay for insurance cover for the risks they face is very limited. This requires prioritization of risks that need to be covered.

120. The Indian insurance market, especially the micro-insurance market, is still not mature. Most people have a fatalistic attitude, stoic acceptance of risks, low knowledge and a lack of faith in risk cover. The low levels of literacy in coastal communities, and high levels of religious and superstitious beliefs, create additional hurdles in marketing of insurance products. Premia paid for insurance are viewed more as an investment and returns on premia are seen as a prime criterion influencing purchase of insurance. Marketing, awareness building and training will be the major events in the initial years of selling insurance to these households.

121. Insurance products will be designed carefully keeping in view the vulnerability of women<sup>41</sup>.

122. How far the group mechanism will work to reduce moral hazard and adverse selection is yet to be seen. Unless strong penal clauses are built in, members of the groups can indulge in collusive morally hazardous behaviour especially in non-life insurance schemes.

123. To keep the insurance costs minimal, the project will make optimal use of NGOs, cooperatives, federations and self-help groups. These institutions will be involved in designing and refining insurance products, underwriting policies, screening claims etc.

#### **Specific consideration in designing insurance products for marine fisheries**

124. The present risks faced, coping mechanisms and community-based initiatives already in place will be studied. Fisheries insurance need not cover all risks and elements of fishing. In asset insurance those assets which are not subject to high moral hazard problems will be initially covered.

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<sup>41</sup>Life insurance products need to be designed in such a way that it doesn't escalate violence against women and the benefit in the event of death reach the children predominantly. Given the fact mortality rates are higher among women, insurance should cover both sexes evenly to spread risks.

125. Strong community involvement in designing, selling policies and screening of claims through their organisations, needs to be built in. Fishery societies and self-help groups (where feasible) can be involved. Some experiences of community based asset insurance products from Kerala will also be studied.

126. In order to reduce the moral hazard, some part of the initial loss has to be borne by the individual as well as the society<sup>42</sup>. A loss assessment committee is needed at various levels for the purpose of cross-checking claims. Incentives need to be designed, such as discounts on premium rates for those who have not made any claims for a set period.

127. Often losses occur during peak season and replacement is needed immediately. Fishermen can ill-afford to wait for the claims to be settled by formal insurers, which involve lengthy procedures. The design of the product needs to be responsive to the needs of fishermen.

128. A high degree of participation, a key requirement for the success of the insurance schemes, is essential. Compulsory insurance schemes to ensure high level of participation of small-scale fishermen is desirable, at least in the initial years. Administrative costs can then be prorated over a larger number of policies, thus reducing the cost of the system to users and of subsidies to the system. Linking a compulsory system to credit or marketing operations can be an effective tool to ensure mandatory coverage.

129. Fisheries insurance, like other forms of insurance, is oriented towards the future. It is often difficult for fishermen to appreciate the value of such insurance, especially asset insurance. They have difficulty in understanding the promise of possible benefits at some time in future in exchange of immediate outlays of money and effort in the form of adherence to a variety of conditions for coverage including carrying safety equipment on board (which may require further expenditure). Considerable time and effort will have to be devoted to educational campaigns and training fisher organisations and self-help groups.

130. Insurance companies need to be involved from the study stage so that they are able to design appropriate products. Fisheries insurance is a technical field and will need to involve the key personnel in companies in charge of designing products, persons with actuarial expertise, and local extension staff who can interact with fishermen and women and explain to them the insurance system and complexities in simple terms.

131. Another important stakeholder are the employers of labourers, especially the export oriented fish processing units. It may be possible to persuade these employers to paying the premium on behalf of the workers to highlight their involvement in worker welfare, which would help settle any social clause controversies in the context of international trade.

132. Government may need to provide partial subsidy for premiums and for administrative costs of insurance programmes. Government may also need to support re-insurance schemes. Part of the burden of the Government in providing disaster relief grants and soft loans in the wake of the natural calamities would be offset by compensation provided by insurance companies.

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<sup>42</sup> According to SIFFS, some fishermen co operative societies in Kerala are developing community based asset insurance products. The individual bears 50 percent of losses and the rest are borne by the co operative society. There is a screening by a strong committee with members from nearby societies. The past experience shows that only 50 percent of the claims are admitted.

### **The project activities for developing risk mitigation mechanisms**

133. The project will support initial studies, development of insurance products and pilot testing them. The major stakeholders and institutions such as Government Departments, IRDA, insurance companies, banks, fishermen and women societies, NGOs etc., will need to be involved through appropriate institutional mechanisms. The pilots will be run long enough to permit the drawing of meaningful conclusions and observe the client reactions to its operations.

### **Participatory market research**

134. Participatory market research, as well as surveys of households, will be conducted in each district among fisher and other communities. The research will cover the present economic status of the household, risks the household has faced in the past (five years), risk coping mechanisms, level of indebtedness, present savings mechanisms and scope for increasing savings, present insurance coverage, risk profile and risk perception of the household and appropriate financial mechanism needs. Based on the findings, and on consultations with various stakeholders, the likely products - both savings and insurance - to be developed, products to be adopted right away, and institutional mechanisms will be identified.

### **Design Workshops/consultations**

135. The project will conduct design workshops and consultations for development and refining of products. The design workshops will also work out modalities and institutional mechanisms for conducting pilots. All major stakeholders will be periodically involved in designing and refining the products during the pilot stage.

### **Administration and system support**

136. The federations, fish marketing societies, NGOs (if and where they are involved) will require administrative, system development and training support. The project will fund such support as needed.

### **Support to insurance companies**

137. The project will also provide minimal support to insurance companies to enable them to build perspectives of the informal sectors, the working of the federations, fish marketing societies etc.

### **Fund for partial payment of premium**

138. Some types of insurance products require demonstration before the clients accept the products. Asset and health insurance are some examples<sup>43</sup>. The project will partially fund the premium<sup>44</sup> to be paid during the pilot stage to provide incentive to households to participate in such type of insurance services (see appendix 3 for details).

### **Community based savings/ insurance proposals**

139. The project will also fund innovative, replicable and sustainable product development proposals for community based risk mitigation instruments. The proposals will be scrutinised by a

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<sup>43</sup> Asset and health insurance face higher moral hazard issues and relatively higher premium rates.

<sup>44</sup> 30 percent of the premium for the first year and 15 percent of the premium for the second year is proposed to be subsidised.

technical committee formed by the PMU, which can include NGOs, experienced individuals in micro-finance/micro-insurance, insurance companies etc.

#### **Training of trainers**

140. Core trainers (from NGO, federation, fishermen societies) will be developed for training the members of self help groups and fish marketing societies in insurance and risk mitigation instruments. These trainers will be trained to address the attitudinal change required in these households and skills and knowledge needed in understanding formal insurance, dealing with insurance companies and their conditions, how to make best use of insurance facilities, (especially in the case of health insurance), features of savings, insurance and pension products.

#### **Training of households**

141. Households will undergo short and repeat participatory trainings on various risk mitigation products. The training will include sessions on the attitudinal change required in these households and skills and knowledge needed in understanding formal insurance<sup>45</sup>, operation of disaster management fund at the federation level, operation of other risk mitigation products etc.

#### **International Technical Assistance**

142. International technical expertise will be involved in design of the pilots especially in challenging areas like health and asset insurance.

#### **National Seminar**

143. After the successful implementation of the pilots, a national seminar will be conducted to share the experiences so that such products/schemes can be implemented in other areas as well. International experts will also be invited to share relevant international experiences to enable the project to further improve the risk mitigation mechanisms.

#### **Support from the Government**

144. Depending on the experience gained during the pilot stage policy dialogues will be initiated with the Government for providing short term/medium term subsidy for insurance schemes (particularly health insurance) wherever needed. Based on the experience gained additional social security measures needed for specific types of target groups will also be articulated to the Government.

#### **Calamity/ Disaster management support**

145. It is proposed to establish a Disaster Management Fund of INR200,000 at each federation<sup>46</sup> with contribution from SHG members<sup>47</sup> and/or SHG interest earnings, and from the project. The fund

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<sup>45</sup> In the concept note on Regulation of micro finance circulated by IRDA in August 2004, IRDA has proposed that the groups who want to act as micro insurance agents will be imparted training for 25 hours by the formal insurance companies in vernacular language. The regulation is yet to be passed. However, the implementation of this training is likely to be very difficult since capable grass root trainers are not available. More over repeat training is needed. Hence budget line for the training of members/their spouses has been included.

<sup>46</sup> Some of the fish marketing societies in very vulnerable and calamity prone areas can also be assisted with this fund.

<sup>47</sup> For example, each member will contribute INR 10 per month from the first year of joining the federation and thus each group will contribute INR2160 in a year. Though INR10 contribution by a member is possible after about three years of project when the livelihoods are getting stabilised, this should be seen as an indicative figure and this amount can be increased or decreased as per the paying capacity of members and groups. With 200 groups the target of INR1 lakh will be achieved in about two years and three month's time. The project will contribute INR100,000 when the groups have saved INR100,000. If some of the fish marketing societies are keen to create this fund, it can be encouraged.

will be invested with a bank where it can be accessed in times of need. The fund will be used to support the Self Help Groups/ households in times of calamities/ disaster. The assistance will be in the nature of interest free / low interest loans to the groups (please see appendix 2 for further details).

#### **f) The Likely Products**

##### **Savings**

146. On gaining experience in financial services and financial management, the groups and fish marketing societies would be in a position to offer more flexible savings to the members. However, to build the confidence of rural poor to the safe keeping of savings, banks and post offices will be involved in developing special savings, savings linked insurance products for the variety of needs of the women – education and marriage of children, festivals, old age needs etc.

##### **Pension Plans linked with life cover**

147. Most fishermen retire at the age of 55 to 60 and require pension or regular income to support themselves. Many fish vendors are women require similar support in the old age. The long-term rehabilitation from the tsunami also depends on the ability of the project to provide old age pensions to affected communities. This would substantially reduce risks of income stoppage at old age as also life risks during the economically active period of life. A post office supported accumulation period, followed by choice of annuity provider by the individual pension savers would be an appropriate design. For annuity based products private insurance companies like TATA AIG can be involved.

148. During the accumulation period, the post office would be right choice on account of its ability to provide stable returns on the savings under the Governments small savings scheme. The pension age could be fixed at 55 years and a minimum accumulation period of 10 years may be stipulated. The minimum accumulation should be Rs 25,000, which with interest would provide a decent principal at vesting age. During the accumulation period, the life of the saver could be insured under the postal life insurance scheme for the target amount of principal. Use of fish marketing societies/federations and self-help groups in the accumulation phase would reduce transaction costs, provide long term stability of the SHGs and ensure cohesive working of the members. Settlement of claims also would be rendered easier. The project provides for minimal support for the post office to be involved in the project.

##### **Insurance**

149. Among the insurance products, the accident and life insurance schemes are quite popular in the rural areas, particularly among men. However, the emerging needs appear to be old age security, pension plans and health insurance for fishing and other communities. Looking to the loan use pattern in the self-help groups for health related expenditure, health insurance appears to be a priority. Women headed households may have special needs.

##### **Life and accident insurance**

150. There are several products offered by both public and private insurance companies, which need to be analysed for their suitability to the coastal communities. Additional riders can be incorporated depending on the needs, which emerge out of the market research studies. Awareness raising and training to understand the products will be the major requirements. Bancassurance can also be a mechanism for such insurance products especially for women self help groups.

### **Health Insurance**

151. Health insurance products for the low income rural households are being piloted in India now, and these may be scaled-up for households in project villages. If needed, they can be modified to suit local needs. The insurance premium will be partially subsidised at the household level by the project for the initial two years. Community based health initiatives<sup>48</sup> can also be funded by the project.

### **Asset Insurance**

152. The asset insurance needs to be piloted for the fishing craft and gear with community participation. Some of the asset insurance schemes already in place such as cattle insurance will be adopted by the project as such. The assets created out of loans will be covered by insurance to the extent possible.

### **g) Capacity Building needs**

153. The key capacity building needs of various stake holders in the for micro finance component are given in the table below.

154. The approach for capacity building needs to be comprehensive. While training events and exposure visits will continue be the key means, on the job training will be given lot of importance. The training needs assessment will need to identify the needs from the trainable and their superiors and also draw out from the monitoring and evaluation systems.

155. The self-help groups will be provided formal training on selected themes in the initial three years, with repeat training based on need. The training for members will be conducted mostly in or near the village. However, capacity building will be an on- going process, and meetings of self-help groups will be used as a forum for discussing issues and building their awareness and perspectives. Federation leaders will need comprehensive training. The NGO staff will be trained comprehensively by a resource NGO. These staff will train and capacitate the groups and federations.

156. The project will network with NABARD to identify training needs of bankers and arranging their training. Training and exposure visits for bankers would be a key input to bring about their cooperation and necessary change in attitudes, which is essential to forge SHG linkage, and financing of fish marketing societies and micro enterprises. Each year workshops and exposure visits will be organised for the bankers to sensitise them to the needs of the project. The project will fund workshops for the senior bankers at the state level. For the branch managers participating in the project, orientation and review workshops would be held in the districts.

157. Based on quantitative and qualitative linkage indicators, each year two bank managers in each district would be chosen by a committee and felicitated. While the number and amount of loans could be two criterion, other qualitative indicators could be – repayment performance, processing time, adequate credit, responsiveness to needs of the project, innovation etc.

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<sup>48</sup> The federations promoted by DHAN Foundation, Madurai are piloting rural health initiatives.

### Training Needs

Agency	Training need
SHGs	Comprehensive training of 10 to 12 modules Skill training to enable identification of income generation activities when bank linkage is enabled. Understanding formal insurance. Dealing with insurance companies and their conditions. How to make best use of insurance facilities.
Federations	Governance Resource mobilisation Accounting and auditing MIS including portfolio quality measurement Grading workshop
Fishermen Societies	Financial products development including savings, loans and insurance. Financial management of the societies. Managing micro insurance.
Resource centers	Micro finance pilots – scrutiny of proposals and follow up
Banks	Understanding the project Financing the self help groups and micro enterprises. Appraisal skills Managing credit linkages with large number of groups.
NGOs	Micro finance good practices. Addressing the micro finance needs of SHG through various linkages. Capacity building of federations and SHGs in micro finance. MIS. Market research to analyse the financial services needs of the clients and the need for different types and extent of insurance. Understanding insurance services, terminologies. Comparison of various insurance products on offer and ability to analyse the terms and benefits and exclusions. Negotiation skills with insurers. Trainers' Training in insurance

158. Three exposure visits to south east Asian countries will be arranged during the project period. This exposure visit will be for good performing branch managers and MFI staff.

#### Resource Organisations

Training of Trainers for Insurance	National Institute for Insurance Training, Pune. Friends of Women's World Banking, Ahmedabad.
Training of bankers, exposure visits for bankers, exposure visits to MFIs.	Bankers Institute of Rural Development, Lucknow.

#### h) Studies

159. The product will fund studies for assessing the potential and developing need based financial products such as micro leasing etc. Micro-enterprises acquiring equipment and fishermen acquiring boats, could benefit from well designed hire- purchase schemes. Such innovations can be funded from the project.

**i) Policy Support**

160. Policy dialogue needs to be initiated by the project to comprehensively look at the social security measures, including insurance and pensions for fishermen and fisherwomen, and to recognise fisheries insurance as an integral part of fisheries and rural development policy. Similar dialogue will need to be initiated for social security and insurance measures for other marginalised and vulnerable sections of society such as widows, orphaned children etc.

**Project benefits by way of financial Services**

161. Savings and equity<sup>49</sup> - The self-help groups are expected to mobilise savings to the tune of INR170 million under the project. The groups' own internal funds generated out of lending to the members will be an equivalent sum (see appendix 4 for more details). Similarly fish marketing societies are likely to mobilise savings of INR9 million. The micro enterprises will contribute equity to the tune of INR82 million.

162. Incremental credit – The incremental credit from the banks/MFI/RFI to the SHGs, fishermen societies and micro enterprises, set up under the project will be to the tune of INR 1109 millions (please see appendices 4,5,6 for the details).

163. Insurance and pensions– Although it is difficult to project the premium contribution, participation in pension plans etc., a rough estimate shows that the households are likely to contribute INR226 million for this purpose (appendix 3 has details).

**NABARD support**

164. A line of refinance may be arranged through NABARD in case banks require long term resources support. Cooperative banks and RRBs especially might need such refinance facilities.

**j) Monitoring and evaluation indicators**

Activity	Performance indicators	Impact indicators
Capacity Building – community	Number of persons trained under various Themes. Number of exposure programmes arranged and number persons covered.	Change in attitude. Increase in awareness and knowledge. Skill development. Improvement in quality of financial management Improvement in quality of grass root institutions. Improvement in access to risk mitigation instruments and services
Capacity building grass root trainers	Number of persons trained under various Themes. Number of exposure programmes arranged and number persons covered	Same as above
Capacity building – banks	Number of bankers trained. Number of bankers felicitated on the basis of performance.	Change in attitude towards SHGs and grass root institutions. Skill in dealing with financial requirements of SHGs. Lower transaction cost and time for bankers. Lower transaction cost and time to the groups.
Strengthening Of self help Groups/ Federations	Number of groups/societies formed. Number of groups/societies functioning well as per grading. Number of defunct groups/societies. Drop outs of members within groups.	Increase in income. Decrease in outside debts especially of higher interest bearing loans. Asset creation. Leadership and decision making.

<sup>49</sup> Equity refers to the surplus generated in the operations of SHG.



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Activity	Performance indicators	Impact indicators
	Number of households covered with bifurcation on women headed, Scheduled castes and tribes. Savings mobilization – savings per member, average savings per group/society, regularity in savings, increase in savings amount per member. Loans lent – average loan amount, broad purpose wise loans lent, ratio of owned to borrowed funds. Loans mobilised from external institutions like banks, MFIs  Repayment performance – repayment rate for internal loans and external loans  Number of households covered by formal insurance by type of insurance. Number of federations strengthened.	Improvement in literacy and numeracy. Knowledge and skills in dealing with outside institutions. Increase in joint decisions and joint interest in family. Reduction in vulnerability and migration.
Linkage with Financial Institutions/ MFIs	Number of self help groups/ societies opening Savings accounts. Number of groups/ societies availing loans and total funds mobilized. Repayment rate of bank loans. Number of MFIs setting up offices in project district Amount of loans disbursed by them Repayment rate of the loans	Asset creation. Increase in confidence in dealing with the banks and other financial institutions.
Enterprise financing	Cumulative amount of loans issued. Number of loans issued. Average size of loans Repayment rate. Number of MFIs setting up offices in project district Amount of loans disbursed by them Repayment rate of the loans	Asset creation by borrowers. Linkage with banks. Changes in policies and practices of banks.
Risk mitigation measures	Number of studies conducted Number of workshops and consultations held. Number of products developed Number of products modified Number of pilots carried out Number of persons participating in various instruments – special savings products, insurance and pension. Number and amount of administrative and system assistance. Number and amount of community based risk mitigation proposals. Number of people whose claims are settled. Amount of such settlement. Number of households/persons trained Number and amount of disaster management funds.	Vulnerability of households is reduced.  Their risk perception has changed.  Formal insurers’ outlook towards micro insurance is changed.  Cohesion and capacity of Community based institutions are changed.
Studies and pilots	Number of studies completed. Policy changes effected. Number of financial products designed.	Changes in financial services to clients.

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Studies and pilots	Number of studies completed. Policy changes effected. Number of financial products designed.	Changes in financial services to clients.

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**ATTACHMENT 1**

**SHG LINKAGE PROGRAMME – SOME STATISTICS**

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SHG LINKAGE PROGRAMME – SOME STATISTICS

SHG linkage programme – some statistics

The progress in SHG bank linkage during last four years

Year	No. of new SHGs credit linked	Cumulative number of SHGs credit linked at the end of the year	Amount of bank loan disbursed during the year INRlakh	Cumulative amount of loan disbursed INRlakh	Average loan size per group INR
2001-02	29,943	62,709	11,990	20,267	32,319
2002-03	35,701	98,410	22,284	42,551	43,238
2003-04	51,851	150,261	50,590	93,142	61,986
2004-05	40,097	190,358	35,842	128,984	67,758

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**MODULES FOR INSTITUTIONAL CAPACITY BUILDING OF SAGS**

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MODULES FOR INSTITUTIONAL CAPACITY BUILDING OF SAGS

The 'Capacity Building' initiative for people's organisations consists of the following main modules.

1. **A Structural Analysis of Society:** The purpose of this module is to help participants to analyse the structure of society and to understand the relations between its various components. In the process, they are sensitised to their social and economic condition and to the constraints that they face in society. Participants are also urged to reflect on the opportunities available to them in their immediate environment that may help them to break out of the poverty trap. This module conveys the message that it is not enough to teach people to fish when they are not even able to reach the river. They need to understand the nature of the obstructions and their mutually re-enforcing relationships preventing their access to the river.
2. **Analysis of Local Credit Sources:** The purpose of this module is to identify various credit sources accessible to the poor, analyse their advantages and disadvantages and hence, to deduce the need for an alternate source of credit. The concept of a Self-Help Group is also briefly introduced in this module.
3. **Self-help Group – The Concept:** The purpose of this module is firstly, to communicate the need for people to take a lead in development activities so that they have ownership of these activities. The management of credit is proposed as an activity in which they can take a lead provided they are willing to spend time in designing the structure and the rules and functions. Secondly, this module introduces the concept of a Self-help Group as an appropriate structure to manage credit and to foster participation, institution building, governance skills and empowerment. This module describes the structure and functions of a group and explains the rationale behind the structure and functions.
4. **How a Meeting of a Community Based Organisation is conducted:** The aim of this module is to impart effective meeting skills to the participants to ensure effective participation of all members, to realise the need to record all decisions and to function in a transparent manner.
5. **Communication:** The purpose of this module is to help participants to communicate more effectively with each other as members of a group and to improve the quality of interaction between group members, external institutions and other people.

6. **Affinity:** Affinity is a network of relations – the basis that binds the group. It is what one can call social capital. This capital needs to be built up, as new roles and responsibilities, demanding a higher state of affinity or a larger social capital base, emerges in the group. To manage these effectively, affinity must be expressed through unity in action. The purpose of this module is to motivate participants to constantly strengthen the social capital base of their group.
7. **Vision Building:** A vision is a picture of an organisation in the long term. Every institution must possess a vision of its own, in order to direct its energies and bring about positive and sustained change. People also must be their own ‘change agents’. This module is a small but concrete step towards equipping the group to develop a vision of its own and to commit itself to achieving it. It needs to be repeated periodically.
8. **Organisational Goals:** The purpose of this module is to facilitate participants to set goals for their own lives and for the group. During the process of this training module, participants are helped to develop a set of goals for the group, which are based on the vision developed by the group in the previous module.
9. **Planning, Resource Mobilisation, Implementation, Monitoring and Evaluation (PRIME):** The purpose of this module is to impart simple Planning, Resource Mobilisation, Implementation, Monitoring and Evaluation (PRIME) skills to group members. Participants are enabled to acquire PRIME skills to implement their group’s goal or vision by hands-on experience of planning and implementing a small micro-project of their own selection.
10. **Rules and Regulations:** The aim of this module is to facilitate the effective functioning of the group by enabling all members to participate in developing rules and regulations, which are appropriate to the needs of the group.
11. **Responsibilities of the Group Members:** The purpose of this module is to generate awareness in the participants about their responsibilities towards the group.
12. **Bookkeeping and Auditing:** The aim of this module is to help members to acquire skills and insights, which will enable them to monitor and retain control over the group’s finances even if they are not financially literate.
13. **Leadership:** The purpose of this module is to create awareness amongst participants on the need for leaders who ‘generate’ trust and respect, who have a vision and who encourage everybody’s participation in the group. The module also communicates the importance of periodic rotation of leaders in a group.
14. **Conflict Resolution:** The purpose of this module is to generate awareness amongst the participants that conflict is natural in any group; that it will arise in the group and that it is possible to discuss conflict openly and to resolve it. Unresolved conflict may result in a situation where each person suspects the other and refuses to listen or to share. This module also attempts to develop basic conflict resolution skills in the participants. These skills will be further built up as the group gains experience in handling conflicts.
15. **Collective Decision Making:** The aim of this module is to communicate the importance of consensus or collective decision making to the participants and to equip them with the skills involved in arriving at consensus or collective decision in the group.
16. **Common Fund Management:** The aim of this module is to impart the skills of common fund and credit management to the group members. This is a critical input since the



experience of developing the culture and systems required for governance of the common fund in a transparent and equitable manner is itself empowering. The continuous need to re-engineer these systems makes the experience of governance of the common fund an effective tool to sustain the process of institution building and empowerment.

17. **Self-Assessment:** The purpose of this module is to communicate the need for group members to periodically assess their group. During this module, participants are equipped with the basic skills and framework for assessing their group. Participants are encouraged to conduct a self-assessment exercise regularly. It is important to stress during the exercise that it is not only the ranking that is important, but also the process through which the ranking has been done. This process provides an opportunity for the members of the group to look inwards and to analyse their strengths, weaknesses and opportunities as a group.
18. **Group Graduation:** Every group must gradually decrease its dependence on the NGO/Intervener and eventually graduate into being a self-reliant and independent institution, while at the same time establishing supportive linkages with other organisations. The purpose of this module is to communicate to participants the need for a group to develop into a self-reliant institution and to help them to assess to what extent their group has been able to achieve this.
19. **Linkages with other Institutions:** The purpose of this module is to communicate to the participants that no institution can function and survive in isolation, and to help build the networking skills of the participants. This network adds to the power base which people require for support in order to clear the hurdles created by powerful vested interests.
20. **Building Credit Linkages:** The purpose of this module is to familiarise members with the terms, conditions and procedures involved in obtaining a loan from a financial institution like a bank, and to help them analyse whether or not they are eligible to avail of the loan. The design of this module is suitable for a group, particularly if it is planning to avail of a loan for the first time. The module also helps to build the group's confidence to approach the financial institution.
21. **Federations:** Federations should not be fostered for achieving the agenda of the NGO, such as taking over the NGO's role after withdrawal from a project. Instead, they should emerge in response to a push or a need from the primary Groups. The primary Groups should play a major role in settling the federation's agenda. The purpose of this module is to create awareness among participants of the concept of a federation and to help the group to arrive at some clarity as regards its structure and functions.
22. **Credit Plus:** A group has the potential to provide space and support so that each of its members can identify and use opportunities for he/his empowerment, both in private and public life. The purpose of this module is to motivate participants to identify these opportunities and undertake activities other than savings and credit. These activities could be common actions through *shramdaan*, or taking up issues that affect society, or topics related to their lives like family planning and on the role(position) of women in the home and in society.
23. **Analysing Gender Relations in the Family and Community:** The purpose of this module is to make participants sensitive to the dynamics of gender relations in the family and the community. The module also discusses the differential access to and control of resources by men and women in the family and the community. Finally, the module emphasises on how women may come together to challenge existing gender equations which are harmful to them. This module has been designed for women members. It may need to be significantly altered to be of use to the male participants.

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**CALCULATIONS OF SAVINGS AND CREDIT**

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CALCULATIONS OF SAVINGS AND CREDIT

Table 1: SHG viability - mobilisation of resources, costs and benefits

	Year 1	2	3	4	5	6	7	8
<b>Assumptions</b>								
Savings per member per month INR	20	20	20	20	50	50	50	50
Number of members per group	18	18	18	18	18	18	18	18
Interest rate on lending	24%	24%	24%	24%	18%	18%	18%	18%
Average Interest rate on borrowing	12%	12%	12%	12%	12%	12%	12%	12%
<b>Savings mobilised</b>								
Savings at the beginning of the year		4320	8640	12,960	17,280	28,080	38,880	49,680
Incremental savings	4320	4320	4320	4320	10800	10800	10800	10800
Savings at the end of the year	4320	8640	12,960	17,280	28,080	38,880	49,680	60,480
Equity of the group (net surplus) (cumulative)		417	2,886	8,246	17,473	27,439	41,487	60,203
<b>Lending operations</b>								
Average savings & surplus available for lending	2160	6897	13686	23366	40153	60919	85767	115283
Borrowing ratio		2	3	3	3	2	2	1.5
<b>Total borrowing from banks/ MFI</b>		12000	30000	50000	100000	130000	150000	175000
Total loanable funds	2160	18897	43686	73366	140153	190919	235767	290283
% of funds lent out	90	95	95	95	95	95	95	95
Outstanding loan at group level	1944	17952	41501	69698	133146	181373	223978	275769
Interest earned on lending	467	4309	9960	16727	23966	32647	40316	49638
<b>Surplus</b>								
Interest earned	467	4309	9960	16727	23966	32647	40316	49638
Interest paid on borrowing		1440	3600	6000	12000	15600	18000	21000
Gross margin	467	2869	6360	10727	11966	17047	22316	28638
Administrative overhead	50	400	1000	1500	2000	3000	3600	3600
Net surplus	417	2469	5360	9227	9966	14047	18716	25038

1) The group is linked to bank during the second year.

2) The nature of credit can be cash credit or term loan. Many banks are giving cash credit limits and hence the interest calculation assumes that the average loan outstanding will be near about the limit.

3) It is assumed that term of the loan is one year. The loan is repaid in a year and fresh loans are availed.

4) Administrative overheads include travel, stationary, payment towards federation organiser's work, audit fees, other payments to resource centre etc.

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**Table 2: SHG mobilisation of resources, costs and benefits**

Years	1	2	3	4	5	6	7	8
Group mobilisation	2000	1000						
<b>Savings mobilised</b>								
<b>Assumptions</b>								
Savings per member per month	20	20	20	20	50	50	50	50
Number of members per group	18	18	18	18	18	18	18	18
<b>Group performance</b>								
<b>Rs per group</b>								
Savings at start of year		4320	8640	12,960	17,280	28,080	38,880	49,680
Incremental savings	4320	4320	4320	4320	10800	10800	10800	10800
Savings at year end	4320	8640	12,960	17,280	28,080	38,880	49,680	60,480
Savings mobilised by the groups	8,640,000	12,960,000	12,960,000	12,960,000	25,920,000	32,400,000	32,400,000	32,400,000
<b>Equity of the group (Net surplus)</b>								
Total borrowings from banks/MFI		12,000	30,000	50,000	100,000	130,000	150,000	175,000
<b>Cumulative savings mobilised</b>							472,000	647,000
<b>Number of groups at the end</b>								
<b>7 year old groups</b>		1000	49680		49680000			
<b>8 year old groups</b>		2000	60480		120960000			
Savings at the end of project period					170,640,000			
<b>Equity of the group</b>								
7 year old groups		1000	41487		41,487,000			
8 year old groups		2000	60203		120,406,000			
Equity at the end of the project period					161,893,000			
<b>Total loans mobilised by the group</b>								
7 year old groups		1000	472000		472000000			
8 year old groups		2000	647000		1294000000			
Total loans mobilised by the groups					1,766,000,000			
<b>Incremental loans mobilised</b>								
Loans availed each year by a group		12,000	30,000	50,000	100,000	130,000	150,000	175,000
Total loans availed each year		24,000,000	72,000,000	130,000,000	250,000,000	360,000,000	430,000,000	500,000,000
<b>Incremental loans</b>		24,000,000	48,000,000	58,000,000	120,000,000	110,000,000	70,000,000	70,000,000
Total incremental loans needed								500,000,000

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**Table 3: Loans to micro enterprises and linkage enterprises (Rs '000)**

Project Year	1	2	3	4	5	6	7	8	Total
Sub sectors each year		20	25	25	25	25	0	0	
Cumulative sub sectors		20	45	70	95	120	120	120	
<b>1. Micro Enterprises</b>									
Number of new micro enterprises each year@120 per sub sector		2400	3000	3000	3000	2600			
Cumulative enterprises		2400	5400	8400	11400	14000	14000	14000	
Borrower contribution	5	12000	15000	15000	15000	13000			70,000
Loans mobilised									
Average initial loan required per enterprise	40								
INR40,000 and after three years another 50,000 as a bank loan		<b>96,000</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>	<b>224,000</b>	<b>150,000</b>	<b>150,000</b>	<b>980,000</b>
Average repayment with 3 years repayment period			32,000	72,000	112,000	120,000	154667	114667	
Average loans for working capital, asset purchase in subsequent years	10		<b>24,000</b>	<b>54,000</b>	<b>84,000</b>	<b>114,000</b>	<b>140,000</b>	<b>140,000</b>	<b>556,000</b>
Repayment of working capital loans				24,000	54,000	84,000	114,000	140,000	
<b>Incremental loans</b>		<b>96,000</b>	<b>112,000</b>	<b>78,000</b>	<b>38,000</b>	<b>134,000</b>	<b>21,333</b>	<b>35,333</b>	<b>514,667</b>
<b>2. Linkages providing Enterprises</b>									
Sub sectors each year		20	25	25	25	25	0	0	
Cumulative sub sectors		20	45	70	95	120	120	120	
Number of enterprises set up		40	50	50	50	50			
Cumulative number of enterprises		40	90	140	190	240	240	240	
Total start up costs	500	20,000	25,000	25,000	25,000	25,000			120,000
Fresh investments every three years is INR200,000 by way of bank loan									
Venture fund investment @ 30 percent of costs	150								
Borrower contribution@ 10 percent	50	6,000	7,500	7,500	7,500	7,500			36,000
Bank Term Loan@ 60 percent	300	2,000	2,500	2,500	2,500	2,500			12,000
Average Working capital per year in the first three years and 1 lakh for next three years and 125000 later	75	12,000	15,000	15,000	15,000	23,000	10,000	10,000	100,000
Bank Loan Repayments@ one third each year			4,000	9,000	14,000	15,000	17,667	16,000	75,667
Working capital repaid			3,000	6,750	10,500	19,000	18,000	18,000	75,250
<b>Incremental Loans</b>		15,000	14,750	9,750	9,500	7,000	4,333	6,000	66,333
<b>Total incremental loans</b>		111,000	126,750	87,750	47,500	141,000	25,667	41,333	581,000
<b>Total Borrower Contribution</b>		14,000	17,500	17,500	17,500	15,500		82,000	68,000

**Table 4: Fish marketing societies (Rs '000)**

	Year 1	2	3	4	5	6	7	8	Total
Rs '000									
<b>Some assumptions</b>									
Number of societies 8	5	10	10	10	10	5			
Number of members	300	600	600	600	600	300			
Number of crew organised	600	1200	1200	1200	1200	600			
Cumulative societies	5	15	25	35	45	50			
Cumulative members	300	900	1500	2100	2700	3000	3000	3000	
Average value of sales by marketing of fish per society	4,000	20,000,000	60,000	100,000	140,000	180,000	200,000	200,000	
Compulsory savings@1 percent of the value of sales		200,000	600	1,000	1,400	1,800	2,000	2,000	208,800
<b>Credit availed##</b>									
Number of members availing loans		75	225	375	525	675	750	750	
Average size of loans	25	1,875	5,625	9,375	13,125	16,875	18,750	18,750	84,375
Loan repayments( loan term of 2 years)			938	3,750	7,500	11,250	15,000	17,813	
<b>Incremental credit</b>		1,875	4,688	5,625	5,625	5,625	3,750	938	28,125

\* - The initial start up activities such as setting up marketing infrastructure and societies, loan redemption to money lenders etc., will start in the first year and the rural finance activity will start from the second year of the project. Hence, this table reflects the societies getting to start finance related activity from the second year

## - from MFI like SIFPS and banks

The fishermen will borrow for emergency consumption purposes from the society usually free of interest

The fishermen will usually borrow for the purchase of nets, working capital etc.,

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**MICRO-ENTERPRISE DEVELOPMENT**

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**MICRO-ENTERPRISE DEVELOPMENT**

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#### ANNEX 4

#### MICRO-ENTERPRISE DEVELOPMENT

### I. APPROACH

1. The project intends to move beyond self-employment through income generating activities to micro-enterprise development using sub-sector business approach. This delivery model takes into account the sub-sector's potential for growth, economies of scale required for promoting the enterprise and the whole gamut of forward and backward linkages. The approach would include four major steps: (i) sub-sector survey and selection based on the greatest potential for growth in income and employment taking into account techno-financial viability of sectors; (ii) sub-sector analysis to gain a greater understanding of the operating context for the micro-enterprise and intelligence on the market players, their roles, and interrelationships, backward and forward linkages required for expansion; (iii) Technology Piloting to demonstrate the commercial feasibility of proposed enterprise, identification of constraints and opportunities, establishing forward and backward linkages; and (iv) expansion of the activity based on the results of technology piloting with credit from financial institutions and equity/ quasi-equity support from the project promoted Venture Capital Fund.

2. The project would facilitate the process by commissioning sub-sectors surveys that would help identify potential sectors, and then undertaking detailed studies of the sub-sectors identified for expansion. The most important reason constraining micro-enterprises development is the lack of an organization that would provide hand-holding support all required support during the initial stages of establishment. This would amount to project investing in providing the hand-holding support. There exist several NGO, Association of Serva Seva Farms, CCCD-Madhurai, Dhan Foundation undertake sub-sector related interventions. These activities can be replicated in the project area in the event sub-sector analysis

3. The proposed Venture Capital Fund on the Micro and Rural Finance component, together with loans from banks and MFIs, would assist in providing the finance required. The Micro-Enterprise Development component would support micro-enterprises by building the capacity of entrepreneurs, introducing new technologies, developing market linkages, and providing vocational training for young people. This will be implemented via three sub-components:

### II. SUB-SECTOR SELECTION

4. The objective is to choose sub-sector(s) with the greatest potential for growth in micro-enterprises income and employment. Six sub-sector surveys would be commissioned (one per district) to gather the information needed to make this selection. In making the selection three criteria can be used:

- Unmet market demand
- Potential increase in rural incomes
- Participant interest in specific sub-sectors

5. The sub-sectors can then be ranked in an attractiveness matrix.

**Table 1: Attractiveness matrix**

Potential to increase rural incomes	Potential market demand			
	High	X	X	X [Best]
	Medium	X	X	X
	Low	X [Least]	X	X
		Low	Medium	High

6. Likely sub-sectors that may be analyzed for the project are:

- Fresh fish
- Cashew nuts
- Milk
- Dried fish
- Crabs and other crustaceans
- Coconuts
- Poultry
- Handicrafts

7. In order to rank sub-sectors it would be necessary to arrive at a number, which should reflect the attractiveness of that sub-sector. There is always an arbitrary element involved in fixing relative weights. But to choose between alternatives that do not clearly dominate all others (i.e. are not in the top right-hand corner, labelled 'best'), or are not dominated by all others (i.e. are not in the bottom left-hand corner, labelled 'worst') it is necessary to arrive at some number for each sub-sector. The three criteria given above would need to be weighed. Suggested relative weights for criteria are:

- Potential to increase rural incomes (weight 2x)
- Unmet market demand (weight 2x)
- Participant interest (1x)

9. The objective of the project is to increase incomes in the project area. But for a sub-sector to fulfil this objective there would also need to be some unmet market demand, so that production expansion becomes possible. These two criteria, potential to increase rural incomes and unmet market demand, are then given an equal weight of 2. Participant interest is ranked lower than these two, precisely because there is a presumption of an information gap. The effect of an information gap is to reduce the interest of likely participants, since they are not aware of the potential existing.

### III. SUB-SECTOR ANALYSIS

10. Once sub-sectors have been chosen, the next step is sub-sector analysis. The basic objectives of this analysis are:

- Identify final sales market(s) and market segments
- Identify market channels and trends within the sub-sector
- Identify the primary actors in the sub-sector, their roles and interrelationships (with emphasis on linkages with targeted livelihoods)
- Create a sub-sector map that describes the above
- Identify constraints and opportunities that are holding back growth and competitiveness
- Identify interventions that can address sub-sector constraints

11. The initial sub-sector analysis can be restricted to that necessary to complete sub-project design and begin implementation. This is an “incremental” approach in which more is learned during implementation. The project would commission a total of 30 sub-sector analysis – to be carried out by specialist organisations who may then go on to implement a sub-sector development programme.

12. A sub-sector map presents, in graphical form, all the major actors in a targeted sub-sector. It presents the different supply channels that produce raw materials and transform them into finished products and then distribute those products to final consumers, and the different markets or market segments to which products are sold.

13. The main functions in the sub-sector are shown on the left side of the map (i.e. input supply, growing-production, brokering, exporting, transporting and exporting or importing). At the top of the map are the final product markets (i.e. wholesale and retail markets). All of the players who perform specific functions are shown in the map, with lines to illustrate the linkages and relationships between them. One of the main questions that a sub-sector map can help answer is how products move along supply chains and flow through various channels to final markets.

14. As part of the sub-sector analysis, the various constraints and opportunities need to be identified. Potential constraints are shown in Table 2.

**Table 2: Categories of constraints/opportunities**

Category	Examples
Technology/ product development	<ul style="list-style-type: none"> <li>• Inappropriate or nonexistent tools/machinery/technologies</li> <li>• Lack of technical skills and production techniques to produce to buyer specification</li> <li>• Lack of information on market demand</li> </ul>
Market access	<ul style="list-style-type: none"> <li>• Lack of linkages to large buyers</li> <li>• Lack of marketing organizations or brokers</li> <li>• Lack of information on product demand/prices</li> <li>• Lack of marketing techniques or methods</li> <li>• Lack of market outlets</li> <li>• Unmet market (opportunity)</li> <li>• High transportation costs</li> <li>• Bonded sale</li> </ul>
Input supply	<ul style="list-style-type: none"> <li>• Poor quality of raw materials</li> <li>• Lack of suppliers</li> <li>• Existing suppliers have limited outreach</li> </ul>
Management and organization	<ul style="list-style-type: none"> <li>• Inability of producers to organize for economies of scale</li> <li>• Lack of specific training for various stakeholders (financial management, internal organization, production skills, etc.)</li> <li>• Poor organization of large buyers or suppliers</li> <li>• Lack of communication and/or cooperation between different stakeholders</li> </ul>
Policy	<ul style="list-style-type: none"> <li>• Import taxes that penalize local producers</li> <li>• Artificial price subsidies</li> <li>• Lack of regulations</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Lack of supplier credit</li> <li>• Lack of access to commercial funding</li> <li>• No alternatives to bank lending</li> <li>• Inability to provide adequate bank collateral</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Poor roads</li> <li>• Water supply</li> <li>• Electricity</li> <li>• Refrigeration</li> <li>• Telecommunications</li> </ul>

15. To conclude the sub-sector analysis, a list is drawn up of what needs to be done. This would be based on the constraints identified and the corresponding business services that could be offered to deal with those constraints.

#### **IV. MICRO-ENTERPRISE TRAINING AND SUPPORT**

16. The project will provide business development training for entrepreneurs. A total of 12,000 entrepreneurs would be trained (at least 25% being women). Training would cover business management, accounting, finance, marketing as well as technical subjects. This would be supplemented by visits to enterprises and support organisations in the state. After the initial training, entrepreneurs going ahead with investments would get hand-holding support visits and advice.

17. Several Specialist NGOs undertake micro-enterprise development in Tamil Nadu and have accumulated requisite experience in medicinal plant cultivation, backyard poultry, dairy farming, vermi-composting and pickle, pappadam, lace, doll manufacture. The project would partner with such organizations who would provide the required training and support services. Selection of these NGOs could be based on specific sub-sector analysis commissioned by the project. This would incorporate a detailed proposal for implementation of micro-enterprise development in the sub-sector. Proposals submitted by specialist NGOs for the initial sub-sector survey would be appraised by a team of project consultants and district level project staff. The aim will be to contract an organisation to develop a cluster of enterprises in the same sub-sector. This will generate economies of scale in backward and forward linkages and so ensure long term sustainability.

18. To introduce new technologies and business practices, the project would have a fund to demonstrate, on a limited scale, new technologies – such as new ways of drying fish. About 120 such pilots or demonstrations would be carried out. New ideas would also be introduced by sending selected entrepreneurs overseas for training, and by hiring experts from other countries to come and give their ideas and participate in training (especially for trainers employed by the contracted specialist NGOs). The project would fund 12 person-months of overseas trainers and overseas training for 120 entrepreneurs. In addition 15 personnel from service providers would get overseas exposure visits in order to see new ideas and approaches for themselves.

#### **V. MARKETING SERVICES**

19. Using the sub-sector approach, the project would help entrepreneurs to build market linkages. This may include better ways of selling to existing customers through improved quality, packing and timeliness (out-of-season production). New customers would also be identified. These may include agribusinesses who buy and process/market crops and fish, and who buy on a contract basis. The project will fund a number of sub-sector / market studies to analyse market chains and identify opportunities. These would be followed up by market linkage workshops – which would bring together local producers (farmers, fishers etc.) with buyers of their products to find out from each other about market requirements and production potential. The project would also fund visits by producers to more distant markets to meet buyers, and visits by buyers from other districts to meet with project groups.

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**PROJECT ORGANIZATION AND MANAGEMENT**

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### Abbreviations and Acronyms

AWPB	Annual Work Plan and Budget
BCC	Basic Christian Community
CI	Cooperating Institution
DEA	Department of Economic Affairs
DIO	District Implementation Office
GOI	Government of India
GOTN	Government of Tamil Nadu
IFAD	International Fund for Agricultural Development
KAP	Knowledge, Attitude, Practice
KSSS	Kottar Social Services Society
M&E	Monitoring and Evaluation
MFI	Micro-finance Institutions
MIS	Management Information System
MTR	Mid-term Review
NCB	National Competitive Bidding
NGOs	Non-governmental Organizations
PCR	Project Completion Review
PD	Project Director
PMU	Project Management Unit
RDD	Rural Development Department
SHGs	Self-help Groups
SIFFS	South Indian Federation of Fishermen Societies
SOE	Statement of Expenditure
TOR	Terms of Reference
TNWDC	Tamil Nadu Women's Development Corporation
TNWS	Tamil Nadu Welfare Society for Self Help Groups
UNOPS	United Nations Office for Project Services
USD	United Nations Dollar
WDC	Women's Development Corporation

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#### PROJECT ORGANIZATION AND MANAGEMENT

### I. PAST AND EXISTING PROJECT MANAGEMENT MODELS

#### A. Background

1. IFAD has been working with three models of project management. First, the Apex level PMU within the line department which is strongly rooted in the government systems and allows for quick start-up since it follows existing rules and procedures. It is a low cost option and minimal extra staff are required. It is theoretically a sustainable model. Major weaknesses of this model include: (i) inflexible and rigid style of management due to adherence to government rules and regulations; (ii) no autonomy for project managers and interference by political and administrative authorities; (iii) high rate of turnover of project staff leading to disruption of activities and change in implementation methodology; (iv) little or no delegation of authority to field managers; and (v) implementation methodology similar to that of government department's delivery approach and little scope for participation of the communities.
2. Second model is the one in which an apex level dedicated PMU is established as a separate department within the implementing line department with separate staff for project implementation. This model is strongly rooted in government systems with quick start-up and assures greater flexibility with ability to influence and pilot key policy changes and with greater scope to mainstream lessons learned into the government system. Sustainability is a possibility with restructured field formation and improved coordination. But, the scope for political interference is high in this model as the PMU is directly supervised by the Line Department and the funds flow are affected by the vagaries of budgetary process. In this model no substantial autonomy is possible for the project management.
3. Third model being tried out in India is the formation of apex level specialized autonomous society promoted by the government with field level facilitation by district level branches and field level implementation by NGOs and community based organizations that are created during initial phase of project. This would require substantial and continued efforts to devolve administrative and financial powers to field formations; likely to consume disproportionate amount of time at start-up. This arrangement would provide flexibility in operations with complete focus on project with ability to attract young, motivated staff from market/ government systems. Government leadership enables influence on policy changes with possibilities for a participatory and inclusive management.
4. IFAD assistance is routed through the government; hence the government is one of the important "owners" of the project. However, among the major stated goals of the project is empowerment of poor communities to take charge of their own livelihoods, the management of the project can only be seen as being *on behalf* of the community. Therefore, the management model must create a design that opens up some space for the community to have a say in project management, as a milestone of the latter's empowerment.



## **B. Development Intervention Management and Implementation Structures**

5. **Line Departments:** The implementation of majority of developmental programmes funded by multilateral institutions are through the vertically organized line departments. This is more or less similar to the situation in other states of the Indian Union. All line departments are headquartered in Chennai, with field formations at the district level, and with limited capacity at the block and village level. The line-departments have a clearly defined sectoral mandate. The delivery mechanisms are geared to implement large scale infrastructure development projects or those that require delivery of inputs. But multi-sectoral livelihoods projects, that require involvement of several institutions, and that seek to build participatory approaches to development, are difficult to implement through a single designated line department. However, at the district level, the District Collector is the focal point where all the line departments converge.

6. **Tamil Nadu Women's Development Corporation:** IFAD's first project in Tamil Nadu focused on community empowerment, and was implemented through the Tamil Nadu Women's Development Corporation (WDC), which is a company wholly owned by the Government of Tamil Nadu. This project pioneered SHG mobilisation in Tamil Nadu. Over the years the WDC has implemented several other projects related to SHG mobilisation and micro-finance. It used NGOs as contractors to mobilise SHGs and link them to formal financial institutions. As a result, the systems and processes in SHG mobilisation became standard to enhance speed of delivery. TNWDC is about to implement a large World Bank funded poverty alleviation project (the Empowerment and Poverty Alleviation Project) that seek to strengthen SHGs by creating village level federations, assisting the SHGs to start group owned enterprises and also activity based federations. These interventions are yet to be tested and the mission is not inclined to use these approaches in this project. Though from SHG strengthening stand-point, WDC could be considered as the main implementing agency, this project covers several other activities such as Fish Marketing Societies, coastal resource management and other activities. Moreover, being a small project compared to that of World Bank, there exist a risk of using procedures similar to that of the World Bank project with little scope for flexibility and innovation.

7. **The Rural Development Department:** The Rural Development Department will implement the livelihood component of the Asian Development Bank Tsunami Emergency Assistance Project, and is closely linked to the SGSY scheme. This apart, the Rural Development Department would also implement the livelihoods related activities of the World Bank funded Emergency Tsunami Reconstruction Project. This department would provide required synergy as well as complimentary relationship for the proposed IFAD project with that of projects funded by other multilateral agencies.

8. **The Tamil Nadu Welfare Society for Self Help Groups:** The Rural Development Department has promoted District Supply and Marketing Societies with Self Help Groups as members. The District Collector is the Chairman and the Project Officer, District Rural Development Agency is the Vice Chairman. These district level societies are federated at the state level and the state level federation is called Tamil Nadu Welfare Society for Self Help Groups. This federation is registered under the societies act and is implementing marketing related activities. The Financial Advisor and the Chief Accounts Officer of the Rural Development Department is the treasurer of the society. This is a government promoted society which is at its infancy but with requisite member participation and limited involvement of government officials. This institutional framework would provide necessary flexibility to implement the proposed project.

9. **NGOs:** Many NGOs operate in Tamil Nadu. These are mostly registered under either the Societies Act or Trust Act. There has been an explosion of NGOs during the post-tsunami period to take advantage the availability of donor funding. Dhan Foundation, Sneha Foundation, Kottar Social Services Society (KSSS), Social and Education and Development, Auroville, etc are some of the major civil society organisations with long term commitments. These organisations mobilise resources from various donors both national and international to implement SHG mobilisation, livelihood

development, habitat conservation and other related issues. Post-tsunami, NGOs have formed a coordination mechanism in about three of the affected districts to coordinate their efforts to avoid duplication. Most NGOs are involved in SHG development, but there is a risk that SHG ethics will be weakened due to inadequate focus on SHG development. The stress on ensuring flow of funds to tsunami-affected communities by relaxing lending norms, and providing grants without adequate mechanisms to build the absorption capacity of the groups, remain major issues.

10. **Traditional Institutions:** Traditional Village Panchayats have a very strong presence in the Hindu fishing communities along the Coromandel coast. They elect leaders every year. The tenure for the elected leadership is one year with restrictions on the re-election of the same leaders in the next year. They have systems in place for recording the decisions taken at the monthly meeting of the adult male members of the community and for financial management. These panchayats collect contributions from the community for undertaking religious and other social activities. They act as a strong pressure group to access services from the government and have a major role in conflict resolution both inter- and intra-community. The strengths of these institutions have come to the fore during the tsunami relief and rehabilitation efforts. However, there is no systematic effort to harness their strengths into the development efforts of the government. In the Christian majority fishing villages, particularly in Kanyakumari district, the Parish Council is very strong. The council is represented by the members nominated by a cluster of about 30 households (Basic Christian Community or BCC). The council is more focussed to religious activities but, under the leadership of the Parish Priest, it is also taking up social development issues specifically in the fields of education and health. These traditional institutions play a vital role within the community, although gender concerns relating to total domination of some of these institutions by men, and inadequate focus on resource-poor households continue to be major issues of concern.

11. **Cooperatives:** Fishermen and fisherwomen are organised into cooperatives promoted and managed by the Fisheries Department. These institutions are the delivery mechanisms for social security schemes designed and implemented by the government. The most important social security instruments are: (i) a Savings-cum-Relief scheme with payment Rs. 75 member per month for eight months. This is matched by a contribution equally by the state government and the central government and this amount is repaid in equal monthly instalments of Rs 300 during the four lean season months; (ii) a Group Accident Insurance Scheme to cover fishermen actively engaged in fishing. The fishermen are insured for Rs. 50,000 against death and permanent disability and Rs. 25,000 against partial disability. The premium amount is shared equally by the state and the central government; (iii) a scheme for Development of Model Fishermen Villages that provides facilities such as housing drinking water and community halls for fishing villages. The fisher cooperatives in Tamil Nadu do not perform functions related to marketing, savings and credit and are seen as mere delivery vehicles for government schemes.

12. **Fishermen's Marketing Societies.** The South Indian Federation of Fishermen Societies (SIFFS) is promoting Fishermen's Marketing Societies comprising owners of artisanal fishing craft. It is a marketing-oriented model that transfers control over first point of sale to the society from the traders who provide loans linked to sales of fish. The SIFFS promoted societies undertake auctioning of fish by their own staff, enable members to access loans, collect savings, procure fishing equipment and undertake welfare activities. There are many of these societies promoted by SIFFS in Kerala, about 55 in Tamil Nadu, and some in other states. This model has the potential for expansion where fishing communities are cohesive.

## II. PROPOSED PROJECT MANAGEMENT STRUCTURE

### A. Rationale

13. The Rural Development Department would be the nodal department wherein the necessary budgetary allocations from the IFAD loan funds and government contribution would be routed. The Tamil Nadu Welfare Society for Self Help Groups (TNWS) which is an existing registered society promoted by the GOTN would be the implementing agency. The use of TNWS for implementing the project would provide required flexibility to open a project account in a bank to avoid return of unutilised funds to the government at the end of the financial year and bundling of releases at the fag end of the financial year. It would also facilitate contracting staff from the open market for project implementation.

### B. The Structure

14. The project would develop a three tier project management structure. The first tier would consist of a Project Management Unit (PMU) in the state capital. The PMU would be established within the TNWS. The second tier of management would consist of District Implementation Office (DIO) at each project district which would be housed in the District Supply and Marketing Societies in each project district. The third tier would consist of Cluster Resource Centres each covering about 5-7 villages. Given the necessity to achieve convergence of activities related to tsunami rehabilitation efforts of other donors, and also due to the multi-sectoral nature of the project, the project would have budgetary links with the Rural Development Department. This Department would also provide policy guidance to the project management.

15. The structure and functions of the proposed management structure is provided below:

TIMELINE	STRUCTURE	FUNCTIONS
TNWS-PMU Pre-project	Rural Development Department restructures the Board of Management of the TNWS to allow government nominees (civil servants, NGO representatives and persons of eminence in the field of rural development) to be on the Board of Directors.	Start-up functions; hiring of core staff; and framing service and financial rules. Preparing Annual Work plan and Budget including streamlining funds flow. Implementation progress monitoring and review Evaluating performance.
DIO PY 1	Establish District Implementation Offices (DIO) within the District Supply and Marketing Society.	Selection of project villages. Engagement of service providers, NGO and other partners for implementation of the project activities. Facilitate funds flow to community, NGOs and partners Provide technical backstopping and district level coordination support to the Cluster Resource Centres. MIS, monitoring, reporting and evaluation of the project.
CRC PY 1	Establish Cluster Resource Centres that become village level implementation apparatus.	Facilitate the community to access various project activities. Coordinate the field level activities of the service providers and NGOs. Undertake activities related to SHG development, micro-planning in the project villages. MIS, monitoring, reporting and evaluation of the project.
TNWS PY 6-8	Establish a committee or appoint management consultants to study the future of TNWS beyond the project period. TNWS starts resource mobilisation from other sources to replicate the successful interventions. TNWS activities would continue based on its ability to mobilize resources.	Continue development activities for the members.

16. The PMU is expected to coordinate all the project activities and ensure funds flow, financial management, and monitoring and evaluation support including those activities related to start-up of the project. Implementation of core project activities would be carried out by the District Implementation Offices and the Cluster Resource Centres. In addition, the project would also engage specialist NGOs, facilitating agencies and service providers to implement various activities related enterprise development, resource management and infrastructure development. All appointments to the positions in the PMU and DIO would be on a contractual basis and shall be obtained from the open market with the exception of Project Director and the Finance and Administration Manager. The position of the Project Director would be reserved to the officers of Indian Administrative Services. Persons experienced in accounts and procurement with the government or multilateral projects as Finance and Administration Manager of PMU and The appointment of Project Director would be done in consultation with IFAD. Government and public sector staff interested in project positions would have to compete with the applicants from the open market.

17. The long term sustainability of TNWS would depend on the ability of this institution to mobilise resources from the government and other donors. The BOD would establish a committee during the fifth year of existence and if necessary engage management consultants to study the future of this institution beyond the project life without putting additional budgetary burden on the government and at the same time move towards the goal of building an independent and sustainable institution. Moreover, the project has provided support to Cluster Resource Centres for a period of only six years and these centres by then either have to move towards self-sustainability or cease to exist.

18. **Board of Directors:** The Board of Directors of the TNWS would consist of representatives of the District Supply and Marketing Societies and the members nominated by the government. The members nominated by the government would include government officials, eminent rural development specialists and representatives of reputed NGOs. The Project Director would be the Chief Executive of the TNWS. The society would establish a Project Management Unit (PMU) located in Chennai and would have budgetary links with the Rural Development Department.

19. **Project Management Unit (PMU):** Under the aegis of the TNWS, a PMU at the headquarter level and a DIO for each project district will be created. The PMU is the central administrative unit of the project with the primary responsibility of ensuring funds flow, financial management, and monitoring and evaluation of the project. Each PMU will have at its head a chief executive designated as the **Project Director (PD)**. The GOTN would appoint the PD, in consultation with IFAD. This post would be reserved for the officers of Indian Administrative Services to ensure easier coordination with the line departments and the district collectors. This arrangement will continue for the entire duration of the project. It is also envisaged, in the interest of program effectiveness and continuity, that there will not be more than 3 changes of PD during the entire duration of the project and that each selection of the PD would be done in consultation with IFAD. The GOTN would also engage persons experienced in government accounting and procurement procedures to the post of Finance and Administration Manager.

20. The PD will be supported in the PMU by a core team that comprises of a Finance and Administration Manager, Monitoring and Evaluation Manager, Livelihood and Micro-finance Manager, Enterprise Development Manager and Communication and Information Technology Manager. The TNWS will be the final authority in the appointment and management of the staff in the PMU and the DIOs. The PMU would establish an M&E Cell headed by the Monitoring and Evaluation Manager and all the district level M&E Officers would report directly to the M&E Manager to enhance independence of this cell.

21. **District Implementation Office (DIO):** A District Implementation Officer would head each DIO. This unit is in effect the implementation arm of the PMU and must be seen as an integral part of the larger unit (i.e. the PMU). A core team comprising of a Finance and Administration Officer, a

Enterprise Development Officer and a Community Institutions Development Officer would support the District Implementation Officer at the DIO level. The DIO would be placed within the District Supply and Marketing Societies and the District Implementation Officer would be the Chief Executive of the district level society. The DIO would be guided an Implementation Advisory Committee. The District Collector would be the Chairperson of the district level Implementation Advisory Committee. This committee would consist of Project Officer, DRDA, district level officers of line departments and Tamil Nadu Women Development Corporation, and representatives from participating NGOs and participating community based organizations.

22. **Cluster Resource Centres:** The project would establish a Cluster Resource Centre to implement activities in about seven villages. This centre would have about three staff to facilitate the community in its micro-planning exercise, SHG capacity building, bank and MFI linkage and employment generation. The Cluster Resource Centres would have a Cluster Advisory Committee consisting of representatives from the Panchayat Raj Institutions, NGOs working in the area, traditional institutions, production societies and SHGs.

23. **Partner Implementing Agencies:** Competent service providers including NGOs would be engaged to implement activities related to building capacity of SHGs and their federations, skills training, promotion of production societies, resource planning and enterprise development, etc.,

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Implementation Schedule

24. The project would be implemented over a period of eight years. Several NGOs with substantial donor funding are currently working in the project area. There is considerable capacity in the state of Tamil Nadu with regard to implementation of activities related to community institution development and employment generation. In the first year, the project management structure would be established on a sound basis. This will involve: appointment of PMU and DIO staff; formulation and establishment of internal communication systems; orientation of stakeholders; and selection of service providers and NGOs.

#### B. Pre-start up Activities

25. Broad Guidelines for the initial stages of project implementation, which are to be completed before disbursement of IFAD loan, are outlined below. Most of these activities would be carried out before the project effectiveness and release of funds from the funding agency.

26. **Restructuring TNWS:** The Rural Development Department would initiate steps to amend the bye-laws of TNWS to induct members nominated by the government into the board of TNWS. The Rural Development Department would also frame administrative, financial and human resource policies for implementing the project. In addition, a government order would be issued to allow the project to be implemented through the TNWS.

27. **Recruitment of core staff:** This would include preparation of terms of reference for recruitment of core staff for the PMUs. Usual recruitment procedure would be adopted. It would include: (i) formation of a selection panel; (ii) advertisement in newspapers, circulation in all government departments and circulation to reputed NGOs; (iii) short-listing and interview; and (iv) obtaining approval of the selected candidates for the key positions by IFAD. Government staff would be encouraged to apply for the positions and face open competition. The position of the Project Director would be reserved for Officers of Indian Administrative Services. The Finance and Administration Manager shall be experienced in government accounting regulations and procurement

procedures. Appointment of the Project Director would be a condition for loan effectiveness. In the case of government officials on deputation to the project and drawing government fixed salary, appropriate project allowance may be paid to such staff.

28. **Preparation of Implementation Manual:** This project has been prepared in response to tsunami and has not gone through the usual intensive project formulation and appraisal process. Therefore, it is necessary to prepare a detailed implementation manual for implementing the project activities. Immediately upon recruiting core staff, a detailed implementation manual will have to be prepared and deliberated with various stakeholders.

29. **Reconstitution of TNWS:** TNWS would convene a meeting of the Governing Body after reconstitution to establish a Management Committee and elect the office bearers. This would be followed by updating the financial and service regulations of the TNWS. Financial regulations would provide guidelines on the operation of the bank account, authority to invest surplus funds, procurement authority and preparation of the budget and procedure for release of funds to the partner implementing agencies. The service regulations would provide guidelines on salary and allowances of the TNWS staff, mode of recruitment, medical facilities, leave and other service conditions.

### C. Start-up Activities

30. Establishment of district level set-up will follow the pre-start up activities. The PMU would also establish DIOs and required staff would be recruited. Thereafter, a start-up workshop would be organized at the State level, which would have four parts. First part would be general orientation on the objectives of the project and the envisaged process for implementation. The second part would be related to coastal areas resource management which would include resource mapping, micro-planning and community infrastructure development. The third part would consist of rural finance and risk management instruments. The fourth part would cover employment generation and skills training. The fourth part would cover community-based sea-safety and disaster management.

### D. Capacity Building

31. The project would organise exposure visits to members of PMU and other related policy makers to other ongoing IFAD funded projects such as Jharkhand-Chhattisgarh Tribal Development Program, Livelihoods Improvement Programme for the Himalayas to provide the former an understanding and enable them to learn lessons on the management and administration of the PMU and DIOs in other projects. In addition, the project would also allocate funds for the PMU and DIO staff to attend workshops in different thematic areas that are relevant to project implementation. No long-term training programmes are envisaged to the project staff as it is expected to recruit trained professional staff from the market.

### E. Coordination

32. At the Central level it is proposed that a two-step coordination mechanism will be put in place. While IFAD projects are normally coordinated and monitored by Dept. of Economic Affairs, the special nature of the post-tsunami rehabilitation effort may require a greater need to coordinate with other ministries on substantive issues. It is thus proposed that all tsunami related projects, including the IFAD assisted project for Tamil Nadu, be coordinated by a designated focal point in the Planning Commission. This body has both, the necessary technical expertise as well as the mandate and authority to coordinate with relevant central ministries. DEA will continue to perform the fiduciary control and other functions as for all IFAD projects.

At the State Level the Rural Development Department (RDD) will be in overall charge of project implementation. No separate staff creation is seen as necessary at the secretariat level in the state for the purpose of coordination. The project would establish a Steering Committee under the Chairmanship of the Secretary, Rural Development. This steering committee would consist of

members from the departments of Rural Development, Finance, Fisheries, Social Welfare and other relevant departments, and Collectors of participating districts. The Project Director would be the member secretary of this committee. The Steering Committee would meet at least twice a year and would become the focal points for ensuring coordination amongst line departments and implementing agencies. The need for any policy dialogue or policy changes would be discussed during these meetings. It is suggested that the State Government may consider coordinating all the multilateral tsunami rehabilitation projects through the SLCC. This will help in building synergy and prevent overlap and duplication of efforts.

An Executive Committee of the SLCC chaired by the Director, RDD will meet on a quarterly basis to track specific coordination issues and offer support to the PMU and the DIOs. A small group of representatives of relevant departments directly involved in implementation will be invited to the EC.

33. At the district level, while project implementation is coordinated by a specially created DIO the need for coordination with various public and private institutions is self-evident. Hence, a District Level Implementation Advisory Committee chaired by the Collector of the District is envisaged to perform a coordination role and to facilitate the project. This committee will have the district level officials of the relevant departments, Project Officer of DRDA, bankers, representatives of partner NGOs and the District Supply and Marketing Society. When required, special invitees from the public, NGO or private sector will be invited to its meetings. The DIO will be the secretary of this committee.

#### **F. Communication**

34. Communication of the project's goals and strategy is an integral part of the PMU's role. The project will have to document successful SHG- Bank/MFI linkage program, financial service product development including insurance, lessons in promotion of artisanal fishery societies, employment generation, etc. Communication tools including brochures, working papers, video films, etc, would be effective in wider replication of the success stories. These tools would also be used to train the participating households.

35. The next level of communication would be amongst the DIOs and the PMU. The project would establish a computerized management information system to assist in easy information flow amongst different stakeholders. The project would also establish web-based sharing of information. The project would establish a web site (separate site for each state) so as to show case the highlights of the project, lessons learned and best practices evolved for use by the development workers in general and staff of other IFAD projects in particular.

#### **G. Annual Work Plan and Budget, and Funds Flow**

36. **Annual Work Plan and Budget – Flexible and Performance Based:** The project would build flexible systems of management and performance based resource allocation. During the preparation of the annual work plan and budget, the project management would have the flexibility to allocate higher amount of funding to a component that has the capacity to absorb additional resources and has better implementation performance. The project management may also include new activities based on the emerging needs of the project communities after obtaining approval from the supervision missions fielded by the cooperating institution (usually UNOPS). Such changes in the allocation will have to be part of the annual work plan preparation and approval process. The annual work plan and budget of the Cluster Resource Centres would be consolidated at the district level and then at the PMU. The AWPB would be sent to the cooperating institution for approval before placing it before the BOD of the TNWS.

37. **Funds Flow:** The project funds, forming part of IFAD's assistance, having passed through GOI and the state government, would be received by the TNWS. The state government, in turn, would channel its share in funds earmarked to the TNWS directly through the Rural Development Department. The GOI would establish a Special Account in New Delhi to receive funds from IFAD. This would be a condition for loan effectiveness. The authorised allocation for the Special Account would be USD 1.0 million.

38. The TNWS would open an account, in a commercial bank acceptable to IFAD. The TNWS would also sign a memorandum of understanding with the state government outlining the procedure for release of funds, accounting, and audit and reporting obligation. The Project Director would be fully authorized to operate the Project Accounts.

39. The Rural Development Department would have to anticipate the costs involved for launching pre-project and start-up activities. Upon appointment of the Project Director and the Finance and Administration Manager, the Rural Development Department would arrange for release of funds to TNWS based on the approved AWPB to cover six months of operation. The first release should be made within 90 days from date of loan effectiveness and accounts replenished on a quarterly basis upon submission of statement of expenditure by the TNWS.

40. The TNWS would then release the funds to the DIOs within the District Supply and Marketing Societies as per the work plan and budget initially to cover six months of operation. The DIO would release funds for most project activities at the field level. PMU would directly release funds to NGOs and other service providers engaged at the state level. The DIO would submit consolidated statement of expenditure and claim reimbursement to the PMU on a quarterly basis.

41. The PMU would consolidate all the SOEs and forward the reimbursement claims to the Controller of Aid Accounts and Audit of the Department of Economic Affairs (DEA), Ministry of Finance, and GOI. The verified claims would be forwarded to IFAD / Cooperating Institution. Each reimbursement claim shall not be less than USD 50,000. Compilation of the SOEs would comply with the standard procedures normally used by GOI, which are acceptable to IFAD.

#### **H. Procurement, Accounts, Audit and Reporting**

42. **Accounts.** Separate records and accounts related to project expenditures would be maintained by all concerned institutions – TNWS and the District Supply and Marketing Societies and the Cluster Resource Centers. The accounts of the Cluster Coordination Units would be consolidated at the district level by the concerned DIO and forwarded to the PMU. The PMU would submit six-monthly and annual financial reports to IFAD no later than three months after the end of the reporting period in a format acceptable to IFAD.

43. **Audit.** The project accounts at PMU level and at each DIO level would be audited annually by a reputed firm of independent auditors acceptable to GOTN. Certified copies of the audit reports and financial statements, including a separate opinion on the SOEs and a management letter addressing adequacy of the accounting and internal control systems, would be submitted to IFAD within six months from the end of the reporting period. In these statements, the expenditures made under the project would be separated from the overall accounts. The GOTN funds are subject to Comptroller and Auditor General's audit as per prevailing provisions of GOI even after the independent auditors have undertaken auditing. In addition to the external audit, the project would establish internal audit mechanisms to ensure regular checks on the utilizations of funds and adherence to established procedures.

44. **Reports.** All project partners i.e. NGOs, and Service Providers would prepare and submit quarterly financial and physical progress reports to PMU. The PMU would develop reporting formats. The PMU would prepare and submit consolidated six-monthly financial and physical progress reports



to the BOD of the TNWS, IFAD and to the Cooperating Institution. These half-yearly reports would be based both upon project partners' reports and progress as recorded against the AWPB for the year. The PMU would also prepare an Annual Report, copies of which would be presented to IFAD and the CI within two months of the end of the financial year.

45. **Procurement.** Procurement of all goods and services financed by the loan will be subject to the provisions of IFAD's guidelines on procurement. Current procurement provisions of GOTN are adequate to meet IFAD requirements. Vehicles, office equipment for project management, and fisheries infrastructure would be procured by the PMU using National Competitive Bidding (NCB) or Local Shopping procedures as applicable to the state government funds. Switch from purchase of vehicles to renting would be acceptable as long as such decision is taken with due consideration to the cost effectiveness. Contracts to be signed between the PMU/DIOs and the NGOs would specify procurement procedures to be adopted by the NGOs and these would be in line with IFAD's procurement guidelines and the provisions laid down in the Loan Agreement.

46. Direct procurement would be allowed on terms and conditions approved by IFAD, for goods and services less than USD 10 000. The local shopping procedure would be applied for procurements costing between USD 10 000 to USD 25 000. Local Competitive Bidding procedures would apply for the procurement of goods and services costing USD 25 000 or more. The PMU would provide copies of terms of reference and all bidding documents relative to the procurement of consultant services to IFAD/CI for prior review and approval.

#### IV. MONITORING AND EVALUATION

47. Monitoring and evaluation will be a crucial part of project implementation and will involve regular beneficiary impact assessments. An independent M&E unit will be established within the PMU, headed by an M&E Manager with six M&E officers based in the field, plus Communication and Information Technology Manager. Project management staff at all levels also have a key role in monitoring – both by visiting the field to see progress for themselves and by following up activity and monitoring reports.

48. The essential actions involved in building an M&E system are to: (i) formulate outcomes and goals; (ii) select outcome indicators to monitor; (iii) gather baseline information on the current condition; (iv) set specific targets to reach and dates for reaching them; (v) regularly collect data to assess whether the targets are being met; and (v) report the results.

49. Building a results-based M&E system involves eight steps: First, the M&E system need to build in participatory and partnership processes involved in building and sustaining M&E systems. The key internal and external stakeholders will have to be consulted and engaged in setting outcomes, indicators and targets. Second, outcomes to monitor and evaluate will have to be chosen. Third, key performance indicators to monitor progress with respect to inputs, activities, outputs, outcomes, and impacts will have to be set. Indicators can provide continuous feedback and a wealth of performance information. Fourth, performance baseline – both qualitative and quantitative will have to be established at the beginning of the monitoring period. Five, selection of results targets, that is, interim steps on the way to a longer-term outcome will have to be defined. Targets can be selected by examining baseline indicator levels and desired levels of improvement. Six, monitoring for results, that includes both implementation and results monitoring. Monitoring for results entails collecting quality performance data. Seven, deciding on the ways of analyzing and reporting data to help decision makers make the necessary improvements in projects, policies, and programs. Eighth step includes generating and sharing knowledge and learning through reports and review workshops.

50. The PMU would engage a consultant during first year to help the project in designing a results-based M&E system. A key part of this work will be to draw up an M&E matrix<sup>1</sup> which expands on the logframe to include key performance questions, detailed baseline and impact indicators, and means of data collection. The project would establish an M&E unit with six district level M&E officers reporting to the M&E Manager. This unit would undertake periodic monitoring with regard to input and output. The project could engage an M&E agency or Consultants to undertake outcome-based impact evaluation or do the work itself with the M&E unit staff. M&E activities can be divided into three categories:

51. **Activity reporting:** project implementing agencies: District Implementation Offices, Cluster Resource Centres, NGOs contracted to train and support SHGs and Fish Marketing Societies, banks and MFIs, the manager of the venture capital fund, and specialist NGOs implementing the micro-enterprise component, will report each month on the activities undertaken. Where appropriate this will be disaggregated by gender and for scheduled castes and tribes. Input information would be monitored and assessed continuously to identify problems in the delivery of inputs so that they may be resolved before causing significant delays in implementation. Information on project activities would be recorded on a comprehensive computerised Management Information System (MIS). This would provide data on activities for comparison with indicators in the logframe, and keep track of the development of individual groups and villages. Key data from the MIS may be included in a project website designed to improve project communications and linkages with other organisations.

52. **Process monitoring:** M&E officers based in each district office will make regular visits to a sample of beneficiary groups to obtain feedback from participating communities on project outputs (such as number of active group members, numbers of enterprises started, and the internal management and cohesion of groups). This data would also be recorded in the MIS. The effectiveness of training and demonstrations would be monitoring via KAP (Knowledge, Attitude, Practice) data collected by M&E Officers from small samples of participating group members. Ad hoc surveys and case studies may also be carried out, particularly to maximise lesson learning from innovations in lending and insurance. These surveys may be contracted to outside agencies (as thematic surveys) or carried out by the M&E unit.

53. **Impact Monitoring** will gather information on indicators of project objectives, including IFAD RIMS (Results and Impact Monitoring System) indicators. This involves: (i) sample surveys of households participating in project groups (SHG, Fish Marketing Societies) with special reference to women and disadvantaged groups; and (ii) rapid nutrition (anthropomorphic) surveys to gather information on the extent malnutrition and stunting among children less than five years old. As the project will mainly work with SHGs that have already been formed, the baseline sample survey of SHG could be carried out soon after project start-up. It will take some time to form Fish Marketing Societies, so it may be best to gather baseline data by completing profile forms for all society members as societies are formed. The same approach could be used to collect baseline information on micro-enterprise investors. Baseline data would be followed up by sample surveys at mid-term and completion. The anthropomorphic surveys would be contracted out to an experienced nutrition survey organisation, such as the Christian Medical College at Vellore. The sample surveys may either be contracted out, or data could be collected by the M&E officers and analysed at the PMU. While the former approach reduces the workload on project management, doing the surveys internally increases the ownership of results and hence the learning that results. Experience in India and other countries suggests that impact surveys carried out by the project's own M&E staff are more effective and useful.

54. Prior to the start of these surveys, the PMU would send IFAD the proposed sampling scheme and questionnaires and other data collection forms (and the ToR for any surveys that are contracted out). Comments and suggestions from IFAD would be incorporated into the final sample plan. This would ensure that the data collected matches up with the requirements of IFAD's RIMS system.

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<sup>1</sup> / For more details see IFAD's *A Guide for Project M&E*.

55. Both quantitative and qualitative data will be collected. Although sample surveys and routine monitoring forms will primarily collect quantitative data (in order to measure project progress against key indicators), some questions can elicit respondents' opinions and views. In addition, participatory stakeholder workshops are proposed to review project progress and mid-term and completion. These workshops, which would be held at both district and cluster levels, are a good way of getting feedback from beneficiaries and implementing agencies on project performance. Finally a number of thematic impact studies are proposed, some of which may adopt a PRA approach to gather information – such as on the empowerment of women.

56. The project would develop a web site with data from the MIS to enable all the stakeholders to track and monitor the performance of project implementation. This would be the basis for e-monitoring of the project. Responsibility for maintaining the MIS would rest with the Communication and Information Technology Manager. The M&E unit would be responsible for preparing quarterly progress reports, aggregating the performance data and highlighting any problem areas requiring immediate management attention. In addition two project brochures or newsletters and a video film will be produced to disseminate information on project activities and achievements to a wider audience.

57. Project reporting would be as follows:

58. **Progress Reports.** The PMU will submit quarterly and annual progress reports in English to IFAD and UNOPS to provide essential information on the physical and financial progress of project activities and regular assessment of the project impact using a standard format.

59. **Thematic Reviews:** The Project would undertake thematic reviews. The intention to provide focus to specific themes, such as fisheries resource management, insurance, savings and credit, and enterprise development, by bringing an external perspective to implementation modalities, constraints and possible solutions. These reviews would be conducted by consultants engaged by the project.

60. **Mid-term Review:** IFAD, in cooperation with the government and UNOPS, will undertake a mid-term review (MTR) towards the end of PY3 to review: (i) the project's achievements and constraints and the performance of implementation organisations; and (ii) the conclusions of the various assessments of project impact and performance. Based on the findings of the MTR, a mutually acceptable action plan for the remainder of the project will be prepared. Prior to the MTR, impact and other surveys would be carried out to obtain information on the progress towards project objectives. This would include twelve participatory stakeholder workshops – two in each district (one at district level and one in a selected village cluster).

61. **Project Completion Review:** On completion of the investment programme, but before closing of the loan, the PMU will prepare a Project Completion Review (PCR) according to IFAD's standard format, and present the draft report to the government and IFAD for discussion. Data for the PCR would come from impact and other studies, including twelve more participatory stakeholder workshops. Following this IFAD will undertake its own PCR.

## V. INPUTS FOR PROJECT MANAGEMENT

62. The project would make allocation for equipment, staff, training of staff, workshops, etc, for PMU/TNWS at the state level and also at the district level. Allocations would be made for staff training, exposure visits and other capacity building activities. The Project would appoint an M&E agency / Consultant for designing result-based M&E systems, and undertaking baseline and impact assessment studies and other special reviews.

**INDIA**

**POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
COMMUNITIES OF TAMIL NADU**

**DESIGN DOCUMENT**

**ANNEX 6**

**PROJECT COSTS AND FINANCING**

**INDIA**

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**PROJECT COSTS AND FINANCING**

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## **Abbreviations and Acronyms**

CPP	Constant Purchasing Power
DCCB	District Central Cooperative Bank
DSA	Daily Subsistence Allowance
IGA	Income-Generation Activities
M&E	Monitoring and Evaluation
MFI	Micro-Finance Institution
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
RBI	Reserve Bank of India
RRB	Regional Rural Banks
SHG	Self-Help Group
TA	Technical Assistance
USD	United States Dollar

## INDIA

### POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL COMMUNITIES OF TAMIL NADU

#### DESIGN DOCUMENT

#### ANNEX 6

### PROJECT COSTS AND FINANCING

#### I. INTRODUCTION

1 This annex describes the assumptions underlying the derivation of project cost estimations and the financing plan. It presents the basis and details of the estimated costs of the project. The proposed project is financed over an eight-year period, and is assumed to start in the first quarter of the year 2006. Costs have been estimated on the basis of the prices prevailing in April 2005. Cost summary and detailed tables are presented in the Appendix.

#### II. THE MAIN ASSUMPTIONS

##### Physical contingencies

2 With the exception of the Incremental Credit Fund, Disaster Management Fund, Community Infrastructure Fund, the Revolving Fund, the Venture Capital Fund, and the vehicles a physical contingency at a rate of 10% has been applied to account for the uncertainty regarding the exact implementation quantities.

##### Price contingencies

3 Price contingencies have been applied on all costs, with the exception of the funds mentioned above in Para. 2. Since the project will start within a very short period no inflation projections have been considered prior to Project's negotiation and start-up. The annual local inflation of the Indian Rupees is presently around 3%, while the foreign inflation is estimated at 2.5%. Mission estimates and projections have been based on the current data from the Reserve Bank of India (RBI). Table 1 presents the annual and compound inflation rates used in the calculation of the Project price contingencies.

##### Exchange Rate

4 The initial exchange rate for the analysis has been set at Indian Rupees (INR) 43.6 to USD 1.00, the rate prevailing at the time of data collection (April 2005). Exchange rates during pre-implementation phase and the foreign exchange rates forecasts for the project costs estimates are given in Table 1. A constant purchasing power (CPP) exchange rate mechanism was used to reflect the impact of the difference between local and foreign inflation, resulting in the projected exchange rates of INR. to USD 1.00 shown in Table 1. In view of the liberalized foreign exchange market, the INR is expected to adjust in accordance with domestic and international inflation rates, this justifies the assumption behind the constant purchasing parity. Project costs are presented in Indian Rupees.

##### Foreign Exchange and Tax

5 The foreign exchange and tax contents for each expenditure item are provided in the detailed cost tables in Appendix 2. The foreign exchange for equipments, for instance, indicates the situation where goods are imported into India. The Government will finance the cost of all taxes on goods procured under the project, or will waive the duties and taxes. In general the tax rates vary among items, however, a 20% duty is levied on vehicles while equipments and local goods are assumed to include taxes and transfers at 10% of their respective value. International and national technical

assistance (TA), service provider/NGOs, exposure visits, studies, training, workshops and demonstration are assumed to be contracted out without payment of any taxes. On directly recruited local staff, the 25% of the Government contribution will be used to pay the social costs of employment.

**Table 1: Inflation and Exchange Rates**

	Up to Negotiation	Up to Project Start	2006	2007	2008	2009	2010	2011	2012	2013
<b>Inflation (in %'s) /a</b>										
<b>all</b>										
<b>Annual rates</b>										
Local	0.0	0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Foreign	0.0	0.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Compounded rates</b>										
Local	0.0	0.0	1.5	4.5	7.7	10.9	14.2	17.7	21.2	24.8
Foreign	0.0	0.0	1.3	3.8	6.4	9.0	11.8	14.6	17.4	20.4
<b>Exchange rates (Local/Foreign) /b</b>										
<b>all</b>										
Rates actually used	43.5	43.5	43.6	43.8	44.0	44.2	44.5	44.7	44.9	45.1
Constant purchasing parity rates	43.5	43.5	43.6	43.8	44.0	44.2	44.5	44.7	44.9	45.1
% deviation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>none</b>										
Rates actually used	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5
Constant purchasing parity rates	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5
% deviation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

a Yearly values are within Each Project Year  
b Yearly values are at Project Year Midpoints

## Unit Costs

6 **Unit costs.** Unit costs have been quoted in Indian Rupees (INR). Operation and maintenance expenses have generally been estimated as a percentage of capital costs<sup>1</sup>. Unit costs, which are common to several activities, are included in the detailed cost tables presented in Appendix 2. The sources of the cost estimates for the key items required by the various components are given below:

- i) **Training, workshops and demonstration.** The mission estimated the costs of training activities, workshops and demonstration with reference to expenditure and disbursement level for training activities under other on-going IFAD project in India. These estimates are then cross-checked against those of the service providers, NGOs, and other donor agencies implemented projects in India. These are presented as lump sum allocations in the respective cost tables and the totals in the expenditure account category;
- ii) **Vehicles and equipment.** Estimates were made based on recent data provided by major dealers for vehicles made in India.
- iii) **Technical assistance.** Due to the innovative nature of the Project, ad-hoc consultancies require the services of national experts. National TA is estimated to cost INR 75 000 per month and INR 5 000 on daily basis, while international TA is estimated at INR 655 000 per month. This includes fees, travel, and daily subsistence allowance (DSA). In case of local consultant, the cost comprises taxes payable to the State but not include the per diem entitlement when on internal duty travel.
- iv) **Service providers' contracts.** Due to the nature of the project interventions, which require the contracting of various service providers who have the comparative advantage in undertaking project activities<sup>2</sup>, the composition of costs for service providers were considered. However in line with the flexible project design

<sup>1</sup> For vehicles running, overhead and maintenance costs are estimated at 20% of the purchasing costs.



approach and due to the time constraint, these costs are illustrated as lump sum allocations in the respective cost tables.

### III. PROJECT COSTS

7 The total project cost, including price and physical contingencies, duties and taxes, is estimated at INR 3,043.7 million or USD 68.6 million over the eight-year project implementation period. Of this amount, about USD 0.93 million represents foreign exchange costs. Taxes and duties have been calculated at the prevailing rates, it amount to USD 1.02 million, or about 1.4% of total project costs. The total base costs, including duties and taxes, have been calculated using April 2005 prices, and amounts to INR 2,836.9 million (equivalent to USD 64.28 million). Physical and price contingencies are estimated to add another INR 206.8 million (USD 4.3 million) or 7% of the base costs to this amount. Investment costs account for 92% while recurrent costs account for 8% of the base costs. Appendix 1 contains the summary cost tables, while Appendix 2 contains the detailed cost tables for each of the sub-components.

8 Rural finance and risk transfer instruments is the largest component of the project accounting for about (55.7%) of total base costs, followed by employment generation and skills training component (23.7%), coastal areas resources management component (14.6%), Project management and coordination<sup>3</sup> (5.4%) and (0.6%) for the community based sea safety and disaster management. A summary breakdown of the project costs by components and local and foreign exchange costs is shown below in Table 2.

9 The incremental credit fund, which is financed by the Banks/MFIs (74%) and the SHGs (26%), represents the single largest project expenditure category at (52%) of the base costs, followed by training, workshops and demonstration (11%), community infrastructure fund (10%), civil works (9%), recurrent costs (8%), contracted service providers (4%). Further details on other cost categories are presented in Table 2, in Appendix 1.

10 The detailed cost tables for each of the sub-component are presented in Appendix 2. These tables contain the quantities and unit costs assumptions used to estimate the project costs for each component.

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<sup>2</sup> Such as social mobilization/sensitization, group formations, and the capacity building/strengthening of the community based organizations, SHGs, federations etc.

<sup>3</sup> Includes 6 district offices

**Table 2: Project Costs by Components**

	(Rs. '000)			(USD '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Coastal Areas Resource management</b>								
1. Community Resources Planning	10 450	1 350	11 800	240	31	271	11	-
2. Community Support	105 243	2 559	107 802	2 419	59	2 478	2	4
3. Fisheries Resources Management	27 500	-	27 500	620	-	620	-	1
4. Community Infra-structure Fund	264 500	-	264 500	5 944	-	5 944	-	9
<b>Subtotal Coastal Areas Resource management</b>	<b>407 693</b>	<b>3 909</b>	<b>411 602</b>	<b>9 223</b>	<b>90</b>	<b>9 313</b>	<b>1</b>	<b>14</b>
<b>B. Rural Finance and Risk Transfer Instruments</b>								
1. Venture Capital Fund	36 000	-	36 000	809	-	809	-	1
2. Support for Banks and MFIs	10 320	1 800	12 120	237	41	279	15	-
3. Risk Mitigation	36 550	2 620	39 170	840	60	900	7	1
4. Product Development and Innovations	10 100	900	11 000	232	21	253	8	-
5. Incremental Credit Fund	1 496 765	-	1 496 765	33 635	-	33 635	-	52
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	<b>1 589 735</b>	<b>5 320</b>	<b>1 595 055</b>	<b>35 754</b>	<b>122</b>	<b>35 876</b>	<b>-</b>	<b>56</b>
<b>C. Employment Generation &amp; Skills Training</b>								
1. Support for Self Help Groups (SHGs)	17 388	-	17 388	400	-	400	-	1
2. Support for Income Generation Activities (IGA)	36 970	-	36 970	850	-	850	-	1
3. Fish Marketing Societies	303 850	12 950	316 800	6 985	298	7 283	4	11
4. Micro Enterprise Development (MED)	198 320	8 535	206 855	4 559	196	4 755	4	7
5. Vocational Training	85 075	-	85 075	1 956	-	1 956	-	3
<b>Subtotal Employment Generation &amp; Skills Training</b>	<b>641 603</b>	<b>21 485</b>	<b>663 088</b>	<b>14 749</b>	<b>494</b>	<b>15 243</b>	<b>3</b>	<b>24</b>
<b>D. Community Based Sea Safety &amp; Disaster Management</b>								
1. Promotion of Sea Safety	2 500	500	3 000	57	11	69	17	-
2. Support for Coastal Schools	15 000	-	15 000	345	-	345	-	1
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	<b>17 500</b>	<b>500</b>	<b>18 000</b>	<b>402</b>	<b>11</b>	<b>414</b>	<b>3</b>	<b>1</b>
<b>E. Programme Management</b>								
1. Project Management Unit	25 111	628	25 739	577	14	592	2	1
2. District Offices	102 972	2 184	105 156	2 367	50	2 417	2	4
3. Project Monitoring & Evaluation	17 950	327	18 277	413	8	420	2	1
<b>Subtotal Programme Management</b>	<b>146 033</b>	<b>3 139</b>	<b>149 172</b>	<b>3 357</b>	<b>72</b>	<b>3 429</b>	<b>2</b>	<b>5</b>
<b>Total BASELINE COSTS</b>	<b>2 802 564</b>	<b>34 353</b>	<b>2 836 917</b>	<b>63 486</b>	<b>790</b>	<b>64 276</b>	<b>1</b>	<b>100</b>
Physical Contingencies	92 994	3 363	96 357	2 138	77	2 215	3	3
Price Contingencies	106 923	3 515	110 438	2 033	67	2 100	3	3
<b>Total PROJECT COSTS</b>	<b>3 002 482</b>	<b>41 230</b>	<b>3 043 712</b>	<b>67 657</b>	<b>934</b>	<b>68 591</b>	<b>1</b>	<b>107</b>

#### IV. PROJECT FINANCING

11 The proposed IFAD loan would amount to USD 30 million or 43.6% of the total project costs. The loan will be used to finance revolving funds, training, workshops and demonstration, venture capital fund, technical assistance and studies; contracted service providers; vehicles; equipment; a share of 75% of civil works and the infrastructure fund; 50% as matching grant for the disaster management fund; and 75% of the operation and management costs. The state Government of Tamil Nadu/Government of India would contribute by an amount equivalent to USD 3.5 million or 5 % in the form of taxes and some other local expenditure, including 25% the cost of civil works and 25% of operation and management costs. The banks/MFIs through lending to SHGs<sup>4</sup>, micro-enterprises, and to fish marketing societies will contribute by an amount of, about, USD 24.9 million, equivalent to 36% of the project costs. The beneficiaries would contribute by USD 10.35 million, equivalent to 15% of the project costs. Their contribution<sup>5</sup> covers 25% of the cost of community infrastructure (via contribution of labour), the provision of 25% of the incremental credit fund<sup>6</sup> (via SHG savings), and also 50% of the cost of the disaster management fund. Beneficiaries' contributions to the O&M of infrastructure, though essential for sustainability, were not taken into account in project costs. Further details on the proposed Project financing are presented in Tables 11-13 on Appendix 1.

12 The disbursement accounts and the financing rules (exclusive of taxes) adopted for each of the disbursement accounts are summarized in Table 3.

<sup>4</sup> includes incremental loans by banks/MFIs

<sup>5</sup> include contributions of the SHGs, and those of micro-enterprises and savings by fish marketing societies

<sup>6</sup> see rural finance annex for further details.

**Table 3: Disbursement Accounts and Financing Rules (USD' 000)**

Disbursement Account	IFAD	
	Amount	Financing Rule (%)
A. Civil Works	5 333	75.0
B. Infrastructure Fund	4 986	77.0
C. Venture Capital Fund	809	100.0
D. Incremental Credit Fund	-	-
E. Revolving Fund	603	100.0
F. Disaster Management Fund	152	50.6
G. Vehicles	278	80.0
H. Equipments	352	90.0
I. Training, Workshops & Demonstrations	8 214	100.0
J. Contracted Service Providers	3 384	100.0
K. National TA, Studies & Reviews	832	100.0
L. International TA & Overseas Visits	418	100.0
M. Salaries & Allowances	3 043	75.0
<b>N. Operations &amp; Maintenance (O &amp; M)</b>		
1. O &M Vehicles	257	75.0
<b>Subtotal operations &amp; Maintenance (O &amp; M)</b>	257	75.0
O. Other Expenses	1 256	75.0
<b>Total IFAD Financing</b>	<b>29 916</b>	<b>43.6</b>

#### V.EFFECTS ON EXTERNAL DEBT AND DEBT SERVICE

13 The loan amount for the proposed project will be USD 30 million, which will not increase the current external debt by a significant amount. The terms of the loan are as follows: a grace period of 10 years with a 40 year repayment period after that; annual service charge three quarters of one percent.

**INDIA**

**POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
COMMUNITIES OF TAMIL NADU**

**DESIGN DOCUMENT**

**ANNEX 6**

**PROJECT COSTS AND FINANCING**

**ATTACHMENT 1**

**SUMMARY COST TABLES**

## **INDIA**

### **POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL COMMUNITIES OF TAMIL NADU**

#### **DESIGN DOCUMENT**

#### **ANNEX 6**

#### **PROJECT COSTS AND FINANCING**

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#### **SUMMARY COST TABLES**

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**Table 1: Component Project Cost Summary**

	(Rs. '000)			(USD '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
<b>A. Coastal Areas Resource management</b>								
1. Community Resources Planning	10 450	1 350	11 800	240	31	271	11	-
2. Community Support	105 243	2 559	107 802	2 419	59	2 478	2	4
3. Fisheries Resources Management	27 500	-	27 500	620	-	620	-	1
4. Community Infra-structure Fund	264 500	-	264 500	5 944	-	5 944	-	9
<b>Subtotal Coastal Areas Resource management</b>	<b>407 693</b>	<b>3 909</b>	<b>411 602</b>	<b>9 223</b>	<b>90</b>	<b>9 313</b>	<b>1</b>	<b>14</b>
<b>B. Rural Finance and Risk Transfer Instruments</b>								
1. Venture Capital Fund	36 000	-	36 000	809	-	809	-	1
2. Support for Banks and MFIs	10 320	1 800	12 120	237	41	279	15	-
3. Risk Mitigation	36 550	2 620	39 170	840	60	900	7	1
4. Product Development and Innovations	10 100	900	11 000	232	21	253	8	-
5. Incremental Credit Fund	1 496 765	-	1 496 765	33 635	-	33 635	-	52
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	<b>1 589 735</b>	<b>5 320</b>	<b>1 595 055</b>	<b>35 754</b>	<b>122</b>	<b>35 876</b>	<b>-</b>	<b>56</b>
<b>C. Employment Generation &amp; Skills Training</b>								
1. Support for Self Help Groups (SHGs)	17 388	-	17 388	400	-	400	-	1
2. Support for Income Generation Activities (IGA)	36 970	-	36 970	850	-	850	-	1
3. Fish Marketing Societies	303 850	12 950	316 800	6 985	298	7 283	4	11
4. Micro Enterprise Development (MED)	198 320	8 535	206 855	4 559	196	4 755	4	7
5. Vocational Training	85 075	-	85 075	1 956	-	1 956	-	3
<b>Subtotal Employment Generation &amp; Skills Training</b>	<b>641 603</b>	<b>21 485</b>	<b>663 088</b>	<b>14 749</b>	<b>494</b>	<b>15 243</b>	<b>3</b>	<b>24</b>
<b>D. Community Based Sea Safety &amp; Disaster Management</b>								
1. Promotion of Sea Safety	2 500	500	3 000	57	11	69	17	-
2. Support for Coastal Schools	15 000	-	15 000	345	-	345	-	1
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	<b>17 500</b>	<b>500</b>	<b>18 000</b>	<b>402</b>	<b>11</b>	<b>414</b>	<b>3</b>	<b>1</b>
<b>E. Programme Management</b>								
1. Project Management Unit	25 111	628	25 739	577	14	592	2	1
2. District Offices	102 972	2 184	105 156	2 367	50	2 417	2	4
3. Project Monitoring & Evaluation	17 950	327	18 277	413	8	420	2	1
<b>Subtotal Programme Management</b>	<b>146 033</b>	<b>3 139</b>	<b>149 172</b>	<b>3 357</b>	<b>72</b>	<b>3 429</b>	<b>2</b>	<b>5</b>
<b>Total BASELINE COSTS</b>	<b>2 802 564</b>	<b>34 353</b>	<b>2 836 917</b>	<b>63 486</b>	<b>790</b>	<b>64 276</b>	<b>1</b>	<b>100</b>
Physical Contingencies	92 994	3 363	96 357	2 138	77	2 215	3	3
Price Contingencies	106 923	3 515	110 438	2 033	67	2 100	3	3
<b>Total PROJECT COSTS</b>	<b>3 002 482</b>	<b>41 230</b>	<b>3 043 712</b>	<b>67 657</b>	<b>934</b>	<b>68 591</b>	<b>1</b>	<b>107</b>

**Table 2: Expenditure Accounts Project Cost Summary**

	(Rs. '000)			(USD '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>I. Investment Costs</b>								
A. Civil Works	246 050	12 950	259 000	5 656	298	5 954	5	9
B. Infrastructure Fund	287 980	-	287 980	6 471	-	6 471	-	10
C. Venture Capital Fund	36 000	-	36 000	809	-	809	-	1
D. Incremental Credit Fund	1 496 765	-	1 496 765	33 635	-	33 635	-	52
E. Revolving Fund	25 000	-	25 000	575	-	575	-	1
F. Disaster Management Fund	13 100	-	13 100	301	-	301	-	-
G. Vehicles	13 775	725	14 500	317	17	333	5	1
H. Equipments	11 988	2 997	14 985	276	69	344	20	1
I. Training, Workshops & Demonstrations	297 737	-	297 737	6 845	-	6 845	-	11
J. National TA, Studies & Reviews	31 993	-	31 993	735	-	735	-	1
K. International TA & overseas visits	-	15 205	15 205	-	350	350	100	1
L. Contracted Service Providers	124 800	-	124 800	2 869	-	2 869	-	4
<b>Total Investment Costs</b>	<b>2 585 188</b>	<b>31 877</b>	<b>2 617 065</b>	<b>58 489</b>	<b>733</b>	<b>59 222</b>	<b>1</b>	<b>92</b>
<b>II. Recurrent Costs</b>								
A. Salaries & Allowances	146 904	-	146 904	3 377	-	3 377	-	5
<b>B. Operations &amp; Maintenance (O &amp; M)</b>								
2. O & M Vehicles	9 904	2 476	12 380	228	57	285	20	-
C. Other Expenses	60 568	-	60 568	1 392	-	1 392	-	2
<b>Total Recurrent Costs</b>	<b>217 376</b>	<b>2 476</b>	<b>219 852</b>	<b>4 997</b>	<b>57</b>	<b>5 054</b>	<b>1</b>	<b>8</b>
<b>Total BASELINE COSTS</b>	<b>2 802 564</b>	<b>34 353</b>	<b>2 836 917</b>	<b>63 486</b>	<b>790</b>	<b>64 276</b>	<b>1</b>	<b>100</b>
Physical Contingencies	92 994	3 363	96 357	2 138	77	2 215	3	3
Price Contingencies	106 923	3 515	110 438	2 033	67	2 100	3	3
<b>Total PROJECT COSTS</b>	<b>3 002 482</b>	<b>41 230</b>	<b>3 043 712</b>	<b>67 657</b>	<b>934</b>	<b>68 591</b>	<b>1</b>	<b>107</b>





**Table 4: Expenditure Accounts by Components – Totals Including Contingencies (US\$'000)**

	Coastal Areas Resource management				Rural Finance and Risk Transfer Instruments					Employment Generation & Skills Training					Community Based Sea Safety & Disaster Management		Programme Management			Total
	Community Resources Planning	Community Support	Fisheries Resources Management	Community Infra-structure Fund	Venture Capital Fund	Support for Banks and MFIs	Risk Mitigation	Product Development and Innovations	Incremental Credit Fund	Support for Self Help Groups (SHGs)	Support for Income Generation Activities (IGA)	Fish Marketing Societies	Micro Enterprise Development (MED)	Vocational Training	Promotion of Sea Safety	Support for Coastal Schools	Project Management Unit	District Offices	Project Monitoring & Evaluation	
<b>I. Investment Costs</b>																				
A. Civil Works	-	-	-	-	-	-	-	-	-	-	-	7 042	-	-	-	-	-	-	-	7 042
B. Infrastructure Fund	-	-	528	5 944	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 471
C. Venture Capital Fund	-	-	-	-	809	-	-	-	-	-	-	-	-	-	-	-	-	-	-	809
D. Incremental Credit Fund	-	-	-	-	-	-	-	-	33 635	-	-	-	-	-	-	-	-	-	-	33 635
E. Revolving Fund	-	-	-	-	-	-	-	-	-	-	-	603	-	-	-	-	-	-	-	603
F. Disaster Management Fund	-	-	-	-	-	-	327	-	-	-	-	-	-	-	-	-	-	-	-	327
G. Vehicles	-	196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	116	23	348
H. Equipments	-	151	-	-	-	-	-	-	-	-	-	-	-	-	66	-	56	110	9	391
I. Training, Workshops & Demonstrations	12	118	84	-	-	37	416	3	-	425	994	-	3 265	2 340	12	406	25	38	-	8 176
J. National TA, Studies & Reviews	278	-	29	-	-	-	-	27	-	38	-	-	387	6	2	6	2	-	96	871
K. International TA & overseas visits	37	-	-	-	-	50	70	24	-	-	-	-	236	-	-	-	-	-	-	418
L. Contracted Service Providers	-	-	-	-	-	240	217	240	-	-	-	904	1 825	-	-	-	-	-	-	3 426
<b>Total Investment Costs</b>	<b>327</b>	<b>465</b>	<b>641</b>	<b>5 944</b>	<b>809</b>	<b>327</b>	<b>1 030</b>	<b>294</b>	<b>33 635</b>	<b>463</b>	<b>994</b>	<b>8 548</b>	<b>5 713</b>	<b>2 346</b>	<b>79</b>	<b>412</b>	<b>97</b>	<b>263</b>	<b>127</b>	<b>62 516</b>
<b>II. Recurrent Costs</b>																				
A. Salaries & Allowances	-	1 582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	403	1 724	349	4 057
<b>B. Operations &amp; Maintenance (O &amp; M)</b>																				
2. O & M Vehicles	-	132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	156	30	343
C. Other Expenses	-	723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	766	-	1 674
<b>Total Recurrent Costs</b>	<b>-</b>	<b>2 437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>613</b>	<b>2 645</b>	<b>379</b>	<b>6 075</b>
<b>Total PROJECT COSTS</b>	<b>327</b>	<b>2 902</b>	<b>641</b>	<b>5 944</b>	<b>809</b>	<b>327</b>	<b>1 030</b>	<b>294</b>	<b>33 635</b>	<b>463</b>	<b>994</b>	<b>8 548</b>	<b>5 713</b>	<b>2 346</b>	<b>79</b>	<b>412</b>	<b>710</b>	<b>2 908</b>	<b>506</b>	<b>68 591</b>
Taxes	-	140	-	-	-	-	-	-	-	-	-	704	-	-	7	-	29	126	8	1 015
Foreign Exchange	37	67	-	-	-	50	70	24	-	-	-	352	236	-	13	-	17	59	9	934

**Table 5: Expenditure Accounts Breakdown (US\$'000)**

	Base Cost				Physical Contingencies				Price Contingencies				Total Incl. Cont.				Base Costs + Price Cont. on Base Costs	Physical Cont. Plus Price Cont. on Physical Cont.
	For. Exch.	Local		Total	For. Exch.	Local		Total	For. Exch.	Local		Total	For. Exch.	Local		Total		
		(Excl. Taxes)	Duties & Taxes			(Excl. Taxes)	Duties & Taxes			(Excl. Taxes)	Duties & Taxes			(Excl. Taxes)	Duties & Taxes			
<b>I. Investment Costs</b>																		
A. Civil Works	298	5 061	595	5 954	30	506	60	595	25	418	49	492	352	5 985	704	7 042	6 402	640
B. Infrastructure Fund	-	6 471	-	6 471	-	-	-	-	-	-	-	-	-	6 471	-	6 471	6 471	-
C. Venture Capital Fund	-	809	-	809	-	-	-	-	-	-	-	-	-	809	-	809	809	-
D. Incremental Credit Fund	-	33 635	-	33 635	-	-	-	-	-	-	-	-	-	33 635	-	33 635	33 635	-
E. Revolving Fund	-	575	-	575	-	-	-	-	-	28	-	28	-	603	-	603	603	-
F. Disaster Management Fund	-	301	-	301	-	-	-	-	-	26	-	26	-	327	-	327	327	-
G. Vehicles	17	250	67	333	-	-	-	-	1	11	3	15	17	261	70	348	348	-
H. Equipments	69	241	34	344	7	24	3	34	2	8	1	12	78	273	39	391	391	36
I. Training, Workshops & Demonstrations	-	6 845	-	6 845	-	684	-	684	-	647	-	647	-	8 176	-	8 176	7 432	743
J. National TA, Studies & Reviews	-	735	-	735	-	74	-	74	-	62	-	62	-	871	-	871	791	79
K. International TA & overseas visits	350	-	-	350	35	-	-	35	33	-	-	33	418	-	-	418	380	38
L. Contracted Service Providers	-	2 869	-	2 869	-	287	-	287	-	270	-	270	-	3 426	-	3 426	3 114	311
<b>Total Investment Costs</b>	<b>733</b>	<b>57 793</b>	<b>697</b>	<b>59 222</b>	<b>72</b>	<b>1 575</b>	<b>63</b>	<b>1 710</b>	<b>61</b>	<b>1 470</b>	<b>53</b>	<b>1 584</b>	<b>865</b>	<b>60 838</b>	<b>813</b>	<b>62 516</b>	<b>60 668</b>	<b>1 847</b>
<b>II. Recurrent Costs</b>																		
A. Salaries & Allowances	-	3 377	-	3 377	-	338	-	338	-	343	-	343	-	4 057	-	4 057	3 689	369
<b>B. Operations &amp; Maintenance (O &amp; M)</b>																		
2. O & M Vehicles	57	199	28	285	6	20	3	28	6	21	3	30	69	240	34	343	312	31
C. Other Expenses	-	1 253	139	1 392	-	125	14	139	-	129	14	143	-	1 507	167	1 674	1 522	152
<b>Total Recurrent Costs</b>	<b>57</b>	<b>4 829</b>	<b>168</b>	<b>5 054</b>	<b>6</b>	<b>483</b>	<b>17</b>	<b>505</b>	<b>6</b>	<b>492</b>	<b>17</b>	<b>515</b>	<b>69</b>	<b>5 804</b>	<b>202</b>	<b>6 075</b>	<b>5 522</b>	<b>552</b>
<b>Total</b>	<b>790</b>	<b>62 622</b>	<b>864</b>	<b>64 276</b>	<b>77</b>	<b>2 058</b>	<b>80</b>	<b>2 215</b>	<b>67</b>	<b>1 962</b>	<b>71</b>	<b>2 100</b>	<b>934</b>	<b>66 642</b>	<b>1 015</b>	<b>68 591</b>	<b>66 191</b>	<b>2 400</b>

**Table 6: Expenditure Accounts by Years – Base Costs (US\$'000)**

	Base Cost								Foreign Exchange		
	2006	2007	2008	2009	2010	2011	2012	2013	Total	%	Amount
<b>I. Investment Costs</b>											
A. Civil Works	29	1 184	2 276	1 241	1 184	40	-	-	5 954	5.0	298
B. Infrastructure Fund	-	1 189	2 483	2 483	106	106	106	-	6 471	-	-
C. Venture Capital Fund	-	809	-	-	-	-	-	-	809	-	-
D. Incremental Credit Fund	194	6 518	4 730	4 109	4 898	6 884	3 007	3 296	33 635	-	-
E. Revolving Fund	115	230	115	115	-	-	-	-	575	-	-
F. Disaster Management Fund	-	9	85	138	69	-	-	-	301	-	-
G. Vehicles	209	-	-	93	31	-	-	-	333	5.0	17
H. Equipments	240	57	-	-	47	-	-	-	344	20.0	69
I. Training, Workshops & Demonstrations	67	1 497	1 656	1 293	1 234	1 009	67	21	6 845	-	-
J. National TA, Studies & Reviews	76	168	207	148	33	26	41	35	735	-	-
K. International TA & overseas visits	-	20	147	86	61	35	-	-	350	100.0	350
L. Contracted Service Providers	46	566	714	584	514	445	-	-	2 869	-	-
<b>Total Investment Costs</b>	<b>976</b>	<b>12 247</b>	<b>12 413</b>	<b>10 290</b>	<b>8 177</b>	<b>8 545</b>	<b>3 221</b>	<b>3 352</b>	<b>59 222</b>	<b>1.2</b>	<b>733</b>
<b>II. Recurrent Costs</b>											
A. Salaries & Allowances	499	499	485	485	485	460	231	231	3 377	-	-
<b>B. Operations &amp; Maintenance (O &amp; M)</b>											
2. O & M Vehicles	40	40	40	40	40	40	22	22	285	20.0	57
C. Other Expenses	198	199	205	199	198	199	97	97	1 392	-	-
<b>Total Recurrent Costs</b>	<b>738</b>	<b>738</b>	<b>731</b>	<b>725</b>	<b>724</b>	<b>700</b>	<b>350</b>	<b>350</b>	<b>5 054</b>	<b>1.1</b>	<b>57</b>
<b>Total BASELINE COSTS</b>	<b>1 714</b>	<b>12 985</b>	<b>13 143</b>	<b>11 015</b>	<b>8 900</b>	<b>9 245</b>	<b>3 571</b>	<b>3 702</b>	<b>64 276</b>	<b>1.2</b>	<b>790</b>
Physical Contingencies	120	423	573	408	380	226	46	41	2 215	3.5	77
<b>Price Contingencies</b>											
<b>Inflation</b>											
Local	23	217	477	508	587	430	106	110	2 457	-	-
Foreign	1	4	19	16	18	7	1	1	67	100.0	67
<b>Subtotal Inflation</b>	<b>24</b>	<b>221</b>	<b>495</b>	<b>524</b>	<b>605</b>	<b>437</b>	<b>107</b>	<b>111</b>	<b>2 524</b>	<b>2.6</b>	<b>67</b>
Devaluation	-4	-36	-81	-87	-102	-76	-19	-20	-425	-	-
Subtotal Price Contingencies	20	185	415	436	503	361	88	91	2 100	3.2	67
<b>Total PROJECT COSTS</b>	<b>1 854</b>	<b>13 593</b>	<b>14 131</b>	<b>11 859</b>	<b>9 783</b>	<b>9 832</b>	<b>3 705</b>	<b>3 834</b>	<b>68 591</b>	<b>1.4</b>	<b>934</b>
Taxes	99	169	295	198	188	35	15	16	1 015	-	-
Foreign Exchange	75	113	315	192	171	57	6	6	934	-	-

**Table 7: Expenditure Accounts by Years – Totals Including Contingencies (US\$'000)**

	Totals Including Contingencies								Total
	2006	2007	2008	2009	2010	2011	2012	2013	
<b>I. Investment Costs</b>									
A. Civil Works	32	1 352	2 663	1 489	1 455	51	-	-	7 042
B. Infrastructure Fund	-	1 189	2 483	2 483	106	106	106	-	6 471
C. Venture Capital Fund	-	809	-	-	-	-	-	-	809
D. Incremental Credit Fund	194	6 518	4 730	4 109	4 898	6 884	3 007	3 296	33 635
E. Revolving Fund	116	239	122	125	-	-	-	-	603
F. Disaster Management Fund	-	10	90	150	77	-	-	-	327
G. Vehicles	212	-	-	102	35	-	-	-	348
H. Equipments	267	66	-	-	58	-	-	-	391
I. Training, Workshops & Demonstrations	75	1 708	1 938	1 550	1 517	1 272	87	28	8 176
J. National TA, Studies & Reviews	85	192	242	178	41	33	53	46	871
K. International TA & overseas visits	-	23	172	103	75	44	-	-	418
L. Contracted Service Providers	51	646	835	701	632	561	-	-	3 426
<b>Total Investment Costs</b>	<b>1 033</b>	<b>12 751</b>	<b>13 276</b>	<b>10 990</b>	<b>8 893</b>	<b>8 950</b>	<b>3 253</b>	<b>3 371</b>	<b>62 516</b>
<b>II. Recurrent Costs</b>									
A. Salaries & Allowances	556	570	568	582	597	580	299	306	4 057
<b>B. Operations &amp; Maintenance (O &amp; M)</b>									
2. O & M Vehicles	45	46	47	48	49	51	28	29	343
C. Other Expenses	221	227	240	239	244	251	125	128	1 674
<b>Total Recurrent Costs</b>	<b>822</b>	<b>843</b>	<b>855</b>	<b>869</b>	<b>890</b>	<b>882</b>	<b>452</b>	<b>463</b>	<b>6 075</b>
<b>Total PROJECT COSTS</b>	<b>1 854</b>	<b>13 593</b>	<b>14 131</b>	<b>11 859</b>	<b>9 783</b>	<b>9 832</b>	<b>3 705</b>	<b>3 834</b>	<b>68 591</b>

**Table 8: Project Components by Year – Base Costs (US\$' 000)**

	Base Cost								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
<b>A. Coastal Areas Resource management</b>									
1. Community Resources Planning	-	68	67	30	30	29	24	23	271
2. Community Support	598	369	355	448	355	355	-	-	2 478
3. Fisheries Resources Management	-	21	116	120	116	120	112	14	620
4. Community Infra-structure Fund	-	1 189	2 378	2 378	-	-	-	-	5 944
<b>Subtotal Coastal Areas Resource management</b>	<b>598</b>	<b>1 647</b>	<b>2 915</b>	<b>2 976</b>	<b>501</b>	<b>504</b>	<b>136</b>	<b>37</b>	<b>9 313</b>
<b>B. Rural Finance and Risk Transfer Instruments</b>									
1. Venture Capital Fund	-	809	-	-	-	-	-	-	809
2. Support for Banks and MFIs	-	86	129	26	26	5	5	1	279
3. Risk Mitigation	-	177	319	325	80	-	-	-	900
4. Product Development and Innovations	-	84	137	32	-	-	-	-	253
5. Incremental Credit Fund	194	6 518	4 730	4 109	4 898	6 884	3 007	3 296	33 635
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	<b>194</b>	<b>7 674</b>	<b>5 315</b>	<b>4 491</b>	<b>5 004</b>	<b>6 889</b>	<b>3 012</b>	<b>3 297</b>	<b>35 876</b>
<b>C. Employment Generation &amp; Skills Training</b>									
1. Support for Self Help Groups (SHGs)	72	91	178	43	16	-	-	-	400
2. Support for Income Generation Activities (IGA)	-	381	237	111	111	10	-	-	850
3. Fish Marketing Societies	190	1 529	2 499	1 526	1 370	169	-	-	7 283
4. Micro Enterprise Development (MED)	18	767	1 048	1 056	916	911	39	-	4 755
5. Vocational Training	6	392	392	392	392	380	1	-	1 956
<b>Subtotal Employment Generation &amp; Skills Training</b>	<b>286</b>	<b>3 160</b>	<b>4 354</b>	<b>3 128</b>	<b>2 805</b>	<b>1 470</b>	<b>40</b>	<b>-</b>	<b>15 243</b>
<b>D. Community Based Sea Safety &amp; Disaster Management</b>									
1. Promotion of Sea Safety	1	57	10	-	-	-	-	-	69
2. Support for Coastal Schools	-	51	127	24	118	12	12	-	345
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	<b>1</b>	<b>109</b>	<b>137</b>	<b>24</b>	<b>118</b>	<b>12</b>	<b>12</b>	<b>-</b>	<b>414</b>
<b>E. Programme Management</b>									
1. Project Management Unit	124	68	74	67	80	67	55	55	592
2. District Offices	436	286	286	286	342	261	261	261	2 417
3. Project Monitoring & Evaluation	76	42	63	42	50	42	54	51	420
<b>Subtotal Programme Management</b>	<b>635</b>	<b>396</b>	<b>422</b>	<b>395</b>	<b>473</b>	<b>370</b>	<b>370</b>	<b>367</b>	<b>3 429</b>
<b>Total BASELINE COSTS</b>	<b>1 714</b>	<b>12 985</b>	<b>13 143</b>	<b>11 015</b>	<b>8 900</b>	<b>9 245</b>	<b>3 571</b>	<b>3 702</b>	<b>64 276</b>
Physical Contingencies	120	423	573	408	380	226	46	41	2 215
<b>Price Contingencies</b>									
<b>Inflation</b>									
Local	23	217	477	508	587	430	106	110	2 457
Foreign	1	4	19	16	18	7	1	1	67
<b>Subtotal Inflation</b>	<b>24</b>	<b>221</b>	<b>495</b>	<b>524</b>	<b>605</b>	<b>437</b>	<b>107</b>	<b>111</b>	<b>2 524</b>
Devaluation	-4	-36	-81	-87	-102	-76	-19	-20	-425
<b>Subtotal Price Contingencies</b>	<b>20</b>	<b>185</b>	<b>415</b>	<b>436</b>	<b>503</b>	<b>361</b>	<b>88</b>	<b>91</b>	<b>2 100</b>
<b>Total PROJECT COSTS</b>	<b>1 854</b>	<b>13 593</b>	<b>14 131</b>	<b>11 859</b>	<b>9 783</b>	<b>9 832</b>	<b>3 705</b>	<b>3 834</b>	<b>68 591</b>
Taxes	99	169	295	198	188	35	15	16	1 015
Foreign Exchange	75	113	315	192	171	57	6	6	934

**Table 9: Project Components by Year – Totals Including Contingencies (US\$' 000)**

	Totals Including Contingencies								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
<b>A. Coastal Areas Resource management</b>									
1. Community Resources Planning	-	78	78	36	37	37	31	30	327
2. Community Support	656	421	415	527	436	447	-	-	2 902
3. Fisheries Resources Management	-	24	118	123	118	124	114	19	641
4. Community Infra-structure Fund	-	1 189	2 378	2 378	-	-	-	-	5 944
<b>Subtotal Coastal Areas Resource management</b>	656	1 711	2 988	3 064	592	608	145	50	9 814
<b>B. Rural Finance and Risk Transfer Instruments</b>									
1. Venture Capital Fund	-	809	-	-	-	-	-	-	809
2. Support for Banks and MFIs	-	99	151	31	32	6	7	2	327
3. Risk Mitigation	-	201	364	375	91	-	-	-	1 030
4. Product Development and Innovations	-	96	160	39	-	-	-	-	294
5. Incremental Credit Fund	194	6 518	4 730	4 109	4 898	6 884	3 007	3 296	33 635
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	194	7 722	5 405	4 553	5 021	6 890	3 014	3 298	36 096
<b>C. Employment Generation &amp; Skills Training</b>									
1. Support for Self Help Groups (SHGs)	80	104	208	51	20	-	-	-	463
2. Support for Income Generation Activities (IGA)	-	435	277	133	137	12	-	-	994
3. Fish Marketing Societies	200	1 721	2 912	1 818	1 684	213	-	-	8 548
4. Micro Enterprise Development (MED)	20	876	1 227	1 267	1 126	1 147	50	-	5 713
5. Vocational Training	7	447	459	470	482	479	1	-	2 346
<b>Subtotal Employment Generation &amp; Skills Training</b>	307	3 584	5 082	3 740	3 449	1 852	52	-	18 065
<b>D. Community Based Sea Safety &amp; Disaster Management</b>									
1. Promotion of Sea Safety	2	66	12	-	-	-	-	-	79
2. Support for Coastal Schools	-	58	149	29	145	16	16	-	412
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	2	124	161	29	145	16	16	-	491
<b>E. Programme Management</b>									
1. Project Management Unit	136	78	87	81	99	85	72	73	710
2. District Offices	477	326	334	343	418	329	337	345	2 908
3. Project Monitoring & Evaluation	83	48	73	51	61	53	70	68	506
<b>Subtotal Programme Management</b>	695	452	494	474	578	467	478	486	4 125
<b>Total PROJECT COSTS</b>	1 854	13 593	14 131	11 859	9 783	9 832	3 705	3 834	68 591

**Table 10: Project Components by Year - Investment/Recurrent Costs (US\$' 000)**

	Totals Including Contingencies								Total
	2006	2007	2008	2009	2010	2011	2012	2013	
<b>A. Coastal Areas Resource management</b>									
<b>1. Community Resources Planning</b>									
Investment Costs	-	78	78	36	37	37	31	30	327
<b>2. Community Support</b>									
Investment Costs	264	19	19	121	20	21	-	-	465
Recurrent Costs	392	402	396	406	416	426	-	-	2 437
<b>Subtotal Community Support</b>	656	421	415	527	436	447	-	-	2 902
<b>3. Fisheries Resources Management</b>									
Investment Costs	-	24	118	123	118	124	114	19	641
<b>4. Community Infra-structure Fund</b>									
Investment Costs	-	1 189	2 378	2 378	-	-	-	-	5 944
<b>Subtotal Coastal Areas Resource management</b>	656	1 711	2 988	3 064	592	608	145	50	9 814
<b>B. Rural Finance and Risk Transfer Instruments</b>									
<b>1. Venture Capital Fund</b>									
Investment Costs	-	809	-	-	-	-	-	-	809
<b>2. Support for Banks and MFIs</b>									
Investment Costs	-	99	151	31	32	6	7	2	327
<b>3. Risk Mitigation</b>									
Investment Costs	-	201	364	375	91	-	-	-	1 030
<b>4. Product Development and Innovations</b>									
Investment Costs	-	96	160	39	-	-	-	-	294
<b>5. Incremental Credit Fund</b>									
Investment Costs	194	6 518	4 730	4 109	4 898	6 884	3 007	3 296	33 635
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	194	7 722	5 405	4 553	5 021	6 890	3 014	3 298	36 096
<b>C. Employment Generation &amp; Skills Training</b>									
<b>1. Support for Self Help Groups (SHGs)</b>									
Investment Costs	80	104	208	51	20	-	-	-	463
<b>2. Support for Income Generation Activities (IGA)</b>									
Investment Costs	-	435	277	133	137	12	-	-	994
<b>3. Fish Marketing Societies</b>									
Investment Costs	200	1 721	2 912	1 818	1 684	213	-	-	8 548
<b>4. Micro Enterprise Development (MED)</b>									
Investment Costs	20	876	1 227	1 267	1 126	1 147	50	-	5 713
<b>5. Vocational Training</b>									
Investment Costs	7	447	459	470	482	479	1	-	2 346
<b>Subtotal Employment Generation &amp; Skills Training</b>	307	3 584	5 082	3 740	3 449	1 852	52	-	18 065
<b>D. Community Based Sea Safety &amp; Disaster Management</b>									
<b>1. Promotion of Sea Safety</b>									
Investment Costs	2	66	12	-	-	-	-	-	79
<b>2. Support for Coastal Schools</b>									
Investment Costs	-	58	149	29	145	16	16	-	412
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	2	124	161	29	145	16	16	-	491
<b>E. Programme Management</b>									
<b>1. Project Management Unit</b>									
Investment Costs	64	3	3	2	19	2	2	2	97
Recurrent Costs	72	75	84	79	80	83	70	71	613
<b>Subtotal Project Management Unit</b>	136	78	87	81	99	85	72	73	710
<b>2. District Offices</b>									
Investment Costs	163	4	5	5	72	5	5	5	263
Recurrent Costs	314	322	330	338	346	324	332	340	2 645
<b>Subtotal District Offices</b>	477	326	334	343	418	329	337	345	2 908
<b>3. Project Monitoring &amp; Evaluation</b>									
Investment Costs	39	4	28	4	13	4	19	16	127
Recurrent Costs	43	44	46	47	48	49	50	52	379
<b>Subtotal Project Monitoring &amp; Evaluation</b>	83	48	73	51	61	53	70	68	506
<b>Subtotal Programme Management</b>	695	452	494	474	578	467	478	486	4 125
<b>Total PROJECT COSTS</b>	1 854	13 593	14 131	11 859	9 783	9 832	3 705	3 834	68 591
Total Investment Costs	1 033	12 751	13 276	10 990	8 893	8 950	3 253	3 371	62 516
Total Recurrent Costs	822	843	855	869	890	882	452	463	6 075



**Table 11: Expenditure Accounts by Financiers (US\$' 000)**

	Government TN		Banks/MFIs		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment Costs</b>													
A. Civil Works	1 760	25.0	-	-	5 281	75.0	-	-	7 042	10.3	352	5 985	704
B. Infrastructure Fund	-	-	-	-	4 986	77.0	1 486	23.0	6 471	9.4	-	6 471	-
C. Venture Capital Fund	-	-	-	-	809	100.0	-	-	809	1.2	-	809	-
D. Incremental Credit Fund	-	-	24 924	74.1	-	-	8 711	25.9	33 635	49.0	-	33 635	-
E. Revolving Fund	-	-	-	-	603	100.0	-	-	603	0.9	-	603	-
F. Disaster Management Fund	-	-	-	-	179	54.6	149	45.4	327	0.5	-	327	-
G. Vehicles	70	20.0	-	-	278	80.0	-	-	348	0.5	17	261	70
H. Equipments	39	10.0	-	-	352	90.0	-	-	391	0.6	78	273	39
I. Training, Workshops & Demonstrations	-	-	-	-	8 176	100.0	-	-	8 176	11.9	-	8 176	-
J. National TA, Studies & Reviews	-	-	-	-	871	100.0	-	-	871	1.3	-	871	-
K. International TA & overseas visits	-	-	-	-	418	100.0	-	-	418	0.6	418	-	-
L. Contracted Service Providers	17	0.5	-	-	3 409	99.5	-	-	3 426	5.0	-	3 426	-
<b>Total Investment Costs</b>	<b>1 886</b>	<b>3.0</b>	<b>24 924</b>	<b>39.9</b>	<b>25 360</b>	<b>40.6</b>	<b>10 346</b>	<b>16.5</b>	<b>62 516</b>	<b>91.1</b>	<b>865</b>	<b>60 838</b>	<b>813</b>
<b>II. Recurrent Costs</b>													
A. Salaries & Allowances	1 014	25.0	-	-	3 043	75.0	-	-	4 057	5.9	-	4 057	-
<b>B. Operations &amp; Maintenance (O &amp; M)</b>													
2. O & M Vehicles	86	25.0	-	-	257	75.0	-	-	343	0.5	69	240	34
C. Other Expenses	419	25.0	-	-	1 256	75.0	-	-	1 674	2.4	-	1 507	167
<b>Total Recurrent Costs</b>	<b>1 519</b>	<b>25.0</b>	<b>-</b>	<b>-</b>	<b>4 556</b>	<b>75.0</b>	<b>-</b>	<b>-</b>	<b>6 075</b>	<b>8.9</b>	<b>69</b>	<b>5 804</b>	<b>202</b>
<b>Total PROJECT COSTS</b>	<b>3 405</b>	<b>5.0</b>	<b>24 924</b>	<b>36.3</b>	<b>29 916</b>	<b>43.6</b>	<b>10 346</b>	<b>15.1</b>	<b>68 591</b>	<b>100.0</b>	<b>934</b>	<b>66 642</b>	<b>1 015</b>

**Table 12: Components by Financiers (US\$' 000)**

	Government TN		Banks/MFIs		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Coastal Areas Resource management</b>													
1. Community Resources Planning	-	-	-	-	327	100.0	-	-	327	0.5	37	290	-
2. Community Support	664	22.9	-	-	2 238	77.1	-	-	2 902	4.2	67	2 696	140
3. Fisheries Resources Management	-	-	-	-	641	100.0	-	-	641	0.9	-	641	-
4. Community Infra-structure Fund	-	-	-	-	4 458	75.0	1 486	25.0	5 944	8.7	-	5 944	-
<b>Subtotal Coastal Areas Resource management</b>	664	6.8	-	-	7 664	78.1	1 486	15.1	9 814	14.3	104	9 570	140
<b>B. Rural Finance and Risk Transfer Instruments</b>													
1. Venture Capital Fund	-	-	-	-	809	100.0	-	-	809	1.2	-	809	-
2. Support for Banks and MFIs	-	-	-	-	327	100.0	-	-	327	0.5	50	277	-
3. Risk Mitigation	-	-	-	-	882	85.6	149	14.4	1 030	1.5	70	960	-
4. Product Development and Innovations	-	-	-	-	294	100.0	-	-	294	0.4	24	270	-
5. Incremental Credit Fund	-	-	24 924	74.1	-	-	8 711	25.9	33 635	49.0	-	33 635	-
<b>Subtotal Rural Finance and Risk Transfer Instruments</b>	-	-	24 924	69.0	2 312	6.4	8 860	24.5	36 096	52.6	144	35 952	-
<b>C. Employment Generation &amp; Skills Training</b>													
1. Support for Self Help Groups (SHGs)	-	-	-	-	463	100.0	-	-	463	0.7	-	463	-
2. Support for Income Generation Activities (IGA)	-	-	-	-	994	100.0	-	-	994	1.4	-	994	-
3. Fish Marketing Societies	1 778	20.8	-	-	6 771	79.2	-	-	8 548	12.5	352	7 492	704
4. Micro Enterprise Development (MED)	-	-	-	-	5 713	100.0	-	-	5 713	8.3	236	5 477	-
5. Vocational Training	-	-	-	-	2 346	100.0	-	-	2 346	3.4	-	2 346	-
<b>Subtotal Employment Generation &amp; Skills Training</b>	1 778	9.8	-	-	16 287	90.2	-	-	18 065	26.3	588	16 772	704
<b>D. Community Based Sea Safety &amp; Disaster Management</b>													
1. Promotion of Sea Safety	7	8.3	-	-	72	91.7	-	-	79	0.1	13	59	7
2. Support for Coastal Schools	-	-	-	-	412	100.0	-	-	412	0.6	-	412	-
<b>Subtotal Community Based Sea Safety &amp; Disaster Management</b>	7	1.3	-	-	485	98.7	-	-	491	0.7	13	472	7
<b>E. Programme Management</b>													
1. Project Management Unit	162	22.8	-	-	548	77.2	-	-	710	1.0	17	664	29
2. District Offices	695	23.9	-	-	2 213	76.1	-	-	2 908	4.2	59	2 723	126
3. Project Monitoring & Evaluation	100	19.8	-	-	406	80.2	-	-	506	0.7	9	489	8
<b>Subtotal Programme Management</b>	957	23.2	-	-	3 168	76.8	-	-	4 125	6.0	84	3 876	164
<b>Total PROJECT COSTS</b>	3 405	5.0	24 924	36.3	29 916	43.6	10 346	15.1	68 591	100.0	934	66 642	1 015

**Table 13: Disbursement Accounts by Financiers (US\$' 000)**

	Government TN		Banks/MFIs		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Civil Works	1 778	25.0	-	-	5 333	75.0	-	-	7 111	10.4	352	6 054	704
B. Infrastructure Fund	-	-	-	-	4 986	77.0	1 486	23.0	6 471	9.4	-	6 471	-
C. Venture Fapital Fund	-	-	-	-	809	100.0	-	-	809	1.2	-	809	-
D. Incremental Credit Fund	-	-	24 924	74.1	-	-	8 711	25.9	33 635	49.0	-	33 635	-
E. Revolving Fund	-	-	-	-	603	100.0	-	-	603	0.9	-	603	-
F. Disaster Management Fund	-	-	-	-	152	50.6	149	49.4	301	0.4	-	301	-
G. Vehicles	70	20.0	-	-	278	80.0	-	-	348	0.5	17	261	70
H. Equipments	39	10.0	-	-	352	90.0	-	-	391	0.6	78	273	39
I. Training, Workshops & Demonstrations	-	-	-	-	8 214	100.0	-	-	8 214	12.0	-	8 214	-
J. Contracted Service Providers	-	-	-	-	3 384	100.0	-	-	3 384	4.9	-	3 384	-
K. National TA, Studies & Reviews	-	-	-	-	832	100.0	-	-	832	1.2	-	832	-
L. International TA & Overseas Visits	-	-	-	-	418	100.0	-	-	418	0.6	418	-	-
M. Salaries & Allowances	1 014	25.0	-	-	3 043	75.0	-	-	4 057	5.9	-	4 057	-
<b>N. Operations &amp; Maintenance (O &amp; M)</b>													
1. O &M Vehicles	86	25.0	-	-	257	75.0	-	-	343	0.5	69	240	34
<b>Subtotal perations &amp; Maintenance (O &amp; M)</b>	86	25.0	-	-	257	75.0	-	-	343	0.5	69	240	34
O. Other Expenses	419	25.0	-	-	1 256	75.0	-	-	1 674	2.4	-	1 507	167
<b>Total PROJECT COSTS</b>	3 405	5.0	24 924	36.3	29 916	43.6	10 346	15.1	68 591	100.0	934	66 642	1 015

**Table14: Disbursements by Semesters and Government Cash Flow (US\$' 000)**

	Financing Available			Total	Costs to	Government TN	
	Banks/MFIs	IFAD	Beneficiaries		Financed	Cash Flow	Cumulative
	Amount	Amount	Amount		Project		
	Amount	Amount	Amount	Costs	Cash Flow	Cash Flow	
1	-	689	97	786	927	-141	-141
2	-	689	97	786	927	-141	-282
3	1 538	3 110	1 869	6 517	6 797	-279	-562
4	1 538	3 110	1 869	6 517	6 797	-279	-841
5	2 016	3 925	683	6 624	7 066	-441	-1 282
6	2 016	3 925	683	6 624	7 066	-441	-1 724
7	1 701	3 234	688	5 623	5 929	-307	-2 030
8	1 701	3 234	688	5 623	5 929	-307	-2 337
9	1 945	2 141	504	4 590	4 892	-301	-2 638
10	1 945	2 141	504	4 590	4 892	-301	-2 940
11	2 883	1 356	558	4 798	4 916	-118	-3 058
12	2 883	1 356	558	4 798	4 916	-118	-3 176
13	1 117	292	387	1 796	1 852	-56	-3 233
14	1 117	292	387	1 796	1 852	-56	-3 289
15	1 261	211	387	1 859	1 917	-58	-3 347
16	1 261	211	387	1 859	1 917	-58	-3 405
<b>Total</b>	24 924	29 916	10 346	65 186	68 591	-3 405	-3 405

**Table 15: Local/Foreign/Taxes by Financiers (US\$' 000)**

	Government TN		Banks/MFIs		IFAD		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Foreign	-0	-0.0	-	-	934	100.0	-	-	934	1.4
II. Local (Excl. Taxes)	2 390	3.6	24 924	37.4	28 982	43.5	10 346	15.5	66 642	97.2
III. Taxes	1 015	100.0	-	-	-	-	-	-	1 015	1.5
<b>Total Project</b>	<b>3 405</b>	<b>5.0</b>	<b>24 924</b>	<b>36.3</b>	<b>29 916</b>	<b>43.6</b>	<b>10 346</b>	<b>15.1</b>	<b>68 591</b>	<b>100.0</b>

**Table 16: Procurement Accounts by Years (US\$' 000)**

	Totals Including Contingencies								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
A. Civil Works	32	1 365	2 677	1 503	1 470	65	-	-	7 111
B. Infrastructure Fund	-	1 189	2 483	2 483	106	106	106	-	6 471
C. Venture Capital Fund	194	7 327	4 730	4 109	4 898	6 884	3 007	3 296	34 444
D. Incremental Credit Fund	-	-	-	-	-	-	-	-	-
E. Revolving Fund	116	239	196	276	77	-	-	-	903
F. Disaster Management Fund	-	-	-	-	-	-	-	-	-
G. Vehicles	212	-	-	102	35	-	-	-	348
H. Equipments	267	66	-	-	58	-	-	-	391
I. Training, Workshops & Demonstrations	113	1 708	1 938	1 550	1 517	1 272	87	28	8 214
J. Contracted Service Providers	51	643	839	687	618	546	-	-	3 384
K. National TA, Studies & Reviews	46	192	242	178	41	33	53	46	832
L. International TA & Overseas Visits	-	23	172	103	75	44	-	-	418
M. Salaries & Allowances	556	570	568	582	597	580	299	306	4 057
<b>N. Operations &amp; Maintenance (O &amp; M)</b>									
1. O & M vehicles	45	46	47	48	49	51	28	29	343
<b>Subtotal perations &amp; Maintenance (O &amp; M)</b>	45	46	47	48	49	51	28	29	343
O. Other Expenses	221	227	240	239	244	251	125	128	1 674
<b>Total</b>	1 854	13 593	14 131	11 859	9 783	9 832	3 705	3 834	68 591

**Table 17: Procurement Accounts by Financiers (US\$' 000)**

	Government TN		Banks/MFIs		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Civil Works	1 778	25.0	-	-	5 333	75.0	-	-	7 111	10.4	352	6 054	704
B. Infrastructure Fund	-	-	-	-	4 986	77.0	1 486	23.0	6 471	9.4	-	6 471	-
C. Venture Capital Fund	-	-	24 924	72.4	809	2.3	8 711	25.3	34 444	50.2	-	34 444	-
D. Incremental Credit Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
E. Revolving Fund	-	-	-	-	755	83.6	149	16.4	903	1.3	-	903	-
F. Disaster Management Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
G. Vehicles	70	20.0	-	-	278	80.0	-	-	348	0.5	17	261	70
H. Equipments	39	10.0	-	-	352	90.0	-	-	391	0.6	78	273	39
I. Training, Workshops & Demonstrations	-	-	-	-	8 214	100.0	-	-	8 214	12.0	-	8 214	-
J. Contracted Service Providers	-	-	-	-	3 384	100.0	-	-	3 384	4.9	-	3 384	-
K. National TA, Studies & Reviews	-	-	-	-	832	100.0	-	-	832	1.2	-	832	-
L. International TA & Overseas Visits	-	-	-	-	418	100.0	-	-	418	0.6	418	-	-
M. Salaries & Allowances	1 014	25.0	-	-	3 043	75.0	-	-	4 057	5.9	-	4 057	-
<b>N. Operations &amp; Maintenance (O &amp; M)</b>													
1. O & M vehicles	86	25.0	-	-	257	75.0	-	-	343	0.5	69	240	34
<b>Subtotal perations &amp; Maintenance (O &amp; M)</b>	86	25.0	-	-	257	75.0	-	-	343	0.5	69	240	34
O. Other Expenses	419	25.0	-	-	1 256	75.0	-	-	1 674	2.4	-	1 507	167
<b>Total PROJECT COSTS</b>	3 405	5.0	24 924	36.3	29 916	43.6	10 346	15.1	68 591	100.0	934	66 642	1 015





**INDIA**

**POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
COMMUNITIES OF TAMIL NADU**

**DESIGN DOCUMENT**

**ANNEX 6**

**PROJECT COSTS AND FINANCING**

**ATTACHMENT 2**

**DETAILED COST TABLES**

**INDIA**

**POST TSUNAMI SUSTAINABLE LIVELIHOODS PROGRAMME FOR THE COASTAL  
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**ANNEX 6**

**PROJECT COSTS AND FINANCING**

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**DETAILED COST TABLES**

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**Table 1: Community Resources Planning**  
**Sub-component 1.1**  
Detailed Costs Table (INR' 000)

	Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)		
		2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate
<b>I. Investment Costs</b>																							
<b>A. Resources planning</b>																							
1. Initial resources mapping	lumpsum																						
2. Studies/Reviews /a																							
Participatory micro-planning	lumpsum																						
Verification of proposals	lumpsum																						
Biannual review of planning	lumpsum																						
<b>Subtotal Studies/Reviews</b>																							
3. Exposure visits																							
Community exchange visits /b	lumpsum																						
Overseas exposure visits /c	lumpsum																						
<b>Subtotal Exposure visits</b>																							
<b>Total</b>																							

<sup>a</sup> includes micro planning, development of proposal, and reviews

<sup>b</sup> includes 400 visits (20 person each) at Rs. 1125 each

<sup>c</sup> includes 400 visits (20 person each) at Rs. 1125 each

**Table 2: Community Support  
Sub-component 1.2  
Detailed Costs Table (INR' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)				
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate		
<b>I. Investment Costs</b>																								
<b>A. Cluster resource centre (CRC) /a</b>																								
<b>1. Vehicles</b>																								
Motorcycles	number	90	-	-	90	-	-	-	-	180	45,000	4 050	-	-	4 050	-	-	-	-	8 100	0.0	5.0	20.0	
<b>2. Equipments</b>																								
Desktop computers	unit	60	-	-	-	-	-	-	-	60	30,000	1 800	-	-	-	-	-	-	-	1 800	10.0	20.0	10.0	
Printers	unit	30	-	-	-	-	-	-	-	30	10,000	300	-	-	-	-	-	-	-	300	10.0	20.0	10.0	
UPS	unit	30	-	-	-	-	-	-	-	30	20,000	600	-	-	-	-	-	-	-	600	10.0	20.0	10.0	
Cellphones	number	90	-	-	-	-	-	-	-	90	4,000	360	-	-	-	-	-	-	-	360	10.0	20.0	10.0	
furniture set /b	set	30	-	-	-	-	-	-	-	30	50,000	1 500	-	-	-	-	-	-	-	1 500	10.0	20.0	10.0	
digital camera	number	30	-	-	-	-	-	-	-	30	15,000	450	-	-	-	-	-	-	-	450	10.0	20.0	10.0	
other equipments /c	each	30	-	-	-	-	-	-	-	30	30,000	900	-	-	-	-	-	-	-	900	10.0	20.0	10.0	
<b>Subtotal Equipments</b>											5 910													
<b>3. Workshops / meetings /d</b>																								
Advisory committee meetings	lumpsum	360	360	360	360	360	-	-	-	2 160	1,000	360	360	360	360	360	-	-	-	2 160	10.0	0.0	0.0	
Coordination committee meetings	lumpsum	360	360	360	360	360	-	-	-	2 160	1,000	360	360	360	360	360	-	-	-	2 160	10.0	0.0	0.0	
<b>Subtotal Workshops / meetings</b>											4 320													
<b>Total Investment Costs</b>											10 680													
<b>II. Recurrent Costs</b>																								
<b>A. Cluster resource centres /e</b>																								
<b>1. Salaries &amp; allowances</b>																								
Cluster coordinator	person year	30	30	30	30	30	-	-	-	180	108,000	3 240	3 240	3 240	3 240	3 240	-	-	-	19 440	10.0	0.0	0.0	
Cluster facilitator	person year	30	30	30	30	30	-	-	-	180	84,000	2 520	2 520	2 520	2 520	2 520	-	-	-	15 120	10.0	0.0	0.0	
Cluster business promoter	person year	30	30	30	30	30	-	-	-	180	84,000	2 520	2 520	2 520	2 520	2 520	-	-	-	15 120	10.0	0.0	0.0	
Annual backstopping /f	lumpsum	90	90	60	60	60	-	-	-	420	20,000	1 800	1 800	1 200	1 200	1 200	-	-	-	8 400	10.0	0.0	0.0	
<b>Subtotal Salaries &amp; allowances</b>											10 080													
<b>2. Operations &amp; maintenance (O &amp; M)</b>																								
O & M motorcycles /g	amount	90	90	90	90	90	-	-	-	540	9,000	810	810	810	810	810	-	-	-	4 860	10.0	20.0	10.0	
<b>3. Other expenses</b>																								
Office rent	year	30	30	30	30	30	-	-	-	180	60,000	1 800	1 800	1 800	1 800	1 800	-	-	-	10 800	10.0	0.0	10.0	
Travel expenses /h	year	30	30	30	30	30	-	-	-	180	14,400	432	432	432	432	432	-	-	-	2 592	10.0	0.0	10.0	
Utilities	year	30	30	30	30	30	-	-	-	180	43,000	1 290	1 290	1 290	1 290	1 290	-	-	-	7 740	10.0	0.0	10.0	
Stationaries	year	30	30	30	30	30	-	-	-	180	20,000	600	600	600	600	600	-	-	-	3 600	10.0	0.0	10.0	
Other expenses	year	30	30	30	30	30	-	-	-	180	10,000	300	300	300	300	300	-	-	-	1 800	10.0	0.0	10.0	
<b>Subtotal Other expenses</b>											4 422													
<b>Total Recurrent Costs</b>											15 312													
<b>Total</b>											25 992													

/a 30 clusters for project area

/b includes desks, chairs, cupboard, sideboards, etc

/c includes telephones, fax, etc

/d includes 12 meetings per year for each cluster

/e 30 clusters for project area

/f resource NGO backstopping

/g represents 20% of vehicle's cost and includes insurance, fuel, inspection etc

/h includes DSA & travel (7 days/month x 5 person at Rs. 300 x 12 months)

**Table 3: Fisheries Resources Management**  
**Sub-component 1.3**  
Detailed Costs Table (INR' 000)

	Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)		
		2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate
<b>I. Investment Costs</b>																							
<b>A. Workshops</b>																							
1. At cluster level	workshop																						
2. At state level	workshop																						
<b>Subtotal Workshops</b>																							
<b>B. Resource Management Studies</b>																							
1. Studies /a	each																						
C. Pilot initiatives fund /b	lumpsum																						
<b>Total</b>																							

<sup>1</sup>a includes studies on various aspects of managing fisheries resources  
<sup>1</sup>b includes support for pilot initiatives to improve fisheries management

**Table 4: Community Infrastructure Fund  
Sub-component 1.4  
Detailed Costs Table (INR' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)								Parameters (in %)			
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate
I. Investment Costs																						
A. Infra-structure fund /a																						
<b>Total</b>											-	52 900	105 800	105 800	-	-	-	-	264 500	0.0	0.0	0.0
											-	52 900	105 800	105 800	-	-	-	-	264 500			

<sup>a</sup> includes skimming wells, zero energy drip irrigation, sand dunes, seed banks, sanitation, drinking water, etc for 200 villages at Rs. 1000000

**Table 5: Venture Capital Fund  
Sub-component 2.1  
Detailed Costs Table (INR ' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)		
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate
I. Investment Costs																						
A. Venture capital fund																						
lumpsum											-	36 000	-	-	-	-	-	-	36 000	0.0	0.0	0.0
<b>Total</b>											-	36 000	-	-	-	-	-	-	36 000			







**Table 8: Product Development and Innovation**  
**Sub-component 2.4**  
Detailed Costs Table (INR' 000)

Unit	Quantities									Unit Cost	Base Cost ('000)							Parameters (in %)					
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate	
	<b>I. Investment Costs</b>																						
<b>A. Micro enterprise financing product development /a</b>																							
support and allowances										lumpsum		-	2 100	3 000	900	-	-	-	-	6 000	10.0	0.0	0.0
system support										lumpsum		-	1 500	1 500	-	-	-	-	-	3 000	10.0	0.0	0.0
<b>Subtotal Micro enterprise financing product development</b>												-	3 600	4 500	900	-	-	-	-	9 000			
<b>B. Linkages to post offices</b>																							
workshops /b										lumpsum		-	50	50	-	-	-	-	-	100	10.0	0.0	0.0
<b>C. Exploratory studies</b>																							
needs assessment studies /c										lumpsum		-	-	500	500	-	-	-	-	1 000	10.0	0.0	0.0
<b>D. Overseas exposure visits</b>																							
exposure visits /d										amount		-	-	900	-	-	-	-	-	900	10.0	100.0	0.0
<b>Total</b>												-	3 650	5 950	1 400	-	-	-	-	11 000			

<sup>a</sup> 3 district offices of MFIs both in Y2 and Y3  
<sup>b</sup> for savings and insurance products  
<sup>c</sup> to assess demand for leasing and remittances  
<sup>d</sup> 20 person per visit at Rs. 45000 each

**Table 9: Incremental Credit Fund  
Sub-component 2.5  
Detailed Costs Table (INR' 000)**

	Unit	Quantities								Unit Cost	Base Cost ('000)								Parameters (in %)			
		2006	2007	2008	2009	2010	2011	2012	2013		Total	2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.
<b>I. Investment Costs</b>																						
<b>A. Incremental loans</b>																						
<b>1. Banks/MFIs loans /a</b>																						
Lending to SHGs /b	lumpsum									-	24 000	48 000	58 000	120 000	110 000	70 000	70 000	500 000	0.0	0.0	0.0	
Lending to micro-enterprises	lumpsum									-	111 000	126 750	87 750	47 500	141 000	25 667	41 333	581 000	0.0	0.0	0.0	
Lending to fish marketing societies	lumpsum									-	1 875	4 688	5 625	5 625	5 625	3 750	938	28 125	0.0	0.0	0.0	
<b>Subtotal Banks/MFIs loans</b>										-	136 875	179 438	151 375	173 125	256 625	99 417	112 271	1 109 125				
<b>2. Beneficiary contributions /c</b>																						
SHGs	lumpsum									8 640	12 960	12 960	12 960	25 920	32 400	32 400	32 400	170 640	0.0	0.0	0.0	
Micro-enterprises	lumpsum									-	140 000	17 500	17 500	17 500	15 500	-	-	208 000	0.0	0.0	0.0	
Savings by fish marketing societies	lumpsum									-	200	600	1 000	1 400	1 800	2 000	2 000	9 000	0.0	0.0	0.0	
<b>Subtotal Beneficiary contributions</b>										8 640	153 160	31 060	31 460	44 820	49 700	34 400	34 400	387 640				
<b>Total</b>										8 640	290 035	210 498	182 835	217 945	306 325	133 817	146 671	1 496 765				

<sup>a</sup> see rural finance annex for further details  
<sup>b</sup> includes incremental loans by banks/MFIs  
<sup>c</sup> see rural finance annex for further details

**Table 10: Support for Self Help Groups (SHGs)**  
**Sub-component 3.1**  
**Detailed Costs Table (INR' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)																					
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate																			
<b>I. Investment Costs</b>																																									
A. SHGs mapping	each	200	-	-	-	-	-	-	-	200	7,500	1,500	-	-	-	-	-	-	-	1,500	10.0	0.0	0.0																		
<b>B. SHGs trainings</b>																																									
1. Training modules /a	number	3,500	10,500	17,500	7,000	3,500	-	-	-	42,000	200	700	2,100	3,500	1,400	700	-	-	-	8,400	10.0	0.0	0.0																		
2. Book writers training /b	number	500	1,000	1,500	-	-	-	-	-	3,000	200	100	200	300	-	-	-	-	-	600	10.0	0.0	0.0																		
3. SHGs Kit /c	each	500	1,000	1,500	-	-	-	-	-	3,000	1,200	600	1,200	1,800	-	-	-	-	-	3,600	10.0	0.0	0.0																		
4. SHGs mobility	each	500	1,500	2,500	-	-	-	-	-	4,500	100	50	150	250	-	-	-	-	-	450	10.0	0.0	0.0																		
<b>Subtotal SHGs trainings</b>												1,450	3,650	5,850	1,400	700	-	-	-	13,050																					
<b>C. Support to federations /d</b>																																									
1. Federation development /e	lumpsum													1,200	300	-	-	-	-	1,500	10.0	0.0	0.0																		
2. Training for federations /f	lumpsum													300	150	-	-	-	-	450	10.0	0.0	0.0																		
<b>Subtotal Support to federations</b>														1,500	450	-	-	-	-	1,950																					
<b>D. NGOs staff training /g</b>																																									
1. Training of senior trainers	each	20	40	60	-	-	-	-	-	120	400	8	16	24	-	-	-	-	-	48	10.0	0.0	0.0																		
<b>2. Cost of trainers</b>																																									
Senior trainers	person month	20	40	60	-	-	-	-	-	120	4,000	80	160	240	-	-	-	-	-	480	10.0	0.0	0.0																		
Admin expenses	amount											10	20	30	-	-	-	-	-	60	10.0	0.0	0.0																		
Consultancies	day	15	25	20	-	-	-	-	-	60	5,000	75	125	100	-	-	-	-	-	300	10.0	0.0	0.0																		
<b>Subtotal Cost of trainers</b>												165	305	370	-	-	-	-	-	840																					
<b>Subtotal NGOs staff training</b>												173	321	394	-	-	-	-	-	888																					
<b>Total</b>												3,123	3,971	7,744	1,850	700	-	-	-	17,388																					

^a includes 14 training modules for SHGs at Rs. 200

^b includes book-keeping etc

^c includes books, documents, box etc

^d federation: a generic term for associations or support organisations for SHGs and other groups.

^e includes training and partial support for 30 federations at Rs. 40,000 in first year of operation, and Rs. 10,000 in the second year of operation

^f includes partial support for 30 federations at Rs. 10,000 in first year of operation, and Rs. 5,000 in the second year of operation

^g to support SHGs

**Table 11: Support for Income Generation Activities (IGA)**  
**Sub-component 3.2**  
**Detailed Costs Table (INR' 000)**

	Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)		
		2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate
<b>I. Investment Costs</b>																							
<b>A. Support for existing SHGs</b>																							
<b>1. IGA training /a</b>																							
Facilitation for business upscaling /b	SHGs											2 500	1 250	-	-	-	-	-	-	3 750	10.0	0.0	0.0
Best business practices /c	lumpsum											7 200	3 600	-	-	-	-	-	-	10 800	10.0	0.0	0.0
Training in new technology /d	lumpsum											3 600	1 800	-	-	-	-	-	-	5 400	10.0	0.0	0.0
Intra-district exchange visits /e	lumpsum											420	420	420	420	420	-	-	-	2 100	10.0	0.0	0.0
Inter-districts/states exchange visits /f	lumpsum											2 400	2 400	3 600	3 600	-	-	-	-	12 000	10.0	0.0	0.0
Market linkages workshops /g	workshop											360	720	720	720	-	-	-	-	2 520	10.0	0.0	0.0
Demonstrations /h	demonstration		50	50	50	50	-	-	-	200	2,000	100	100	100	100	-	-	-	-	400	10.0	0.0	0.0
<b>Total</b>													16 580	10 290	4 840	4 840	420	-	-	36 970			

<sup>a</sup> includes livestock, trading, poultry, etc

<sup>b</sup> 2000 SHGs in Y2 and 1000 (18 members x group) in Y3 at Rs. 1250 each

<sup>c</sup> includes 36000 person trained in Y2 and 18000 person in Y3 at Rs. 200 each

<sup>d</sup> includes 25% of 54000 best business practices trained (9000 in Y2 and 4500 in Y3), at Rs. 400 each

<sup>e</sup> 7 SHGs (10 person each) x 30 clusters at Rs. 2000

<sup>f</sup> 10 visits x 30 cluster (40 person per group for each visit) at Rs. 40000 each visit

<sup>g</sup> includes advisory services, product quality, design etc for 60 workshop in Y2 and 120 workshop for Y3-Y5 each, 30 person per workshop

<sup>h</sup> includes new crops, seed banks, etc





**Table 14: Vocational Training**  
**Sub-component 3.5**  
Detailed Costs Table (INR' 000)

	Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)		
		2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Ply. Cont. Rate	For. Exch.	Gross Tax Rate
<b>I. Investment Costs</b>																							
<b>A. Vocational training</b>																							
<b>1. Review</b>																							
TA /a	person month	3	-	-	-	-	-	-	3	75,000	225	-	-	-	-	-	-	-	225	10.0	0.0	0.0	
<b>2. Training</b>																							
Support for vocational trainees /b	trainee	-	1 000	1 000	1 000	1 000	1 000	-	5 000	16,500	-	16 500	16 500	16 500	16 500	16 500	-	-	82 500	10.0	0.0	0.0	
<b>3. Fishing skills development</b>																							
Workshops /c	workshop	1	1	1	1	1	1	1	7	50,000	50	50	50	50	50	50	50	-	350	10.0	0.0	0.0	
Training /d	trainee	-	500	500	500	500	-	-	2 000	1,000	-	500	500	500	500	-	-	-	2 000	10.0	0.0	0.0	
<b>Subtotal Fishing skills development</b>											<u>50</u>	<u>550</u>	<u>550</u>	<u>550</u>	<u>550</u>	<u>50</u>	<u>50</u>	<u>-</u>	<u>2 350</u>				
<b>Total</b>											<u>275</u>	<u>17 050</u>	<u>17 050</u>	<u>17 050</u>	<u>17 050</u>	<u>16 550</u>	<u>50</u>	<u>-</u>	<u>85 075</u>				

/a review of training needs and facilities  
 /b includes fees, board and lodging for 6-month training  
 /c includes resource person, refreshments, travel expenses, etc  
 /d includes cost of resource person





**Table 16: Support for Coastal Schools**  
**Sub-component 4.2**  
**Detailed Costs Table (INR' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)																				
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate																		
<b>I. Investment Costs</b>																																								
<b>A. Needs Assessment</b>																																								
1. Study	each	-	1	-	-	-	-	-	-	1	225,000	-	225	-	-	-	-	-	-	225	10.0	0.0	0.0																	
<b>B. Workshops</b>																																								
1. At state level /a	workshop	-	1	-	-	-	-	-	-	1	500,000	-	500	-	-	-	-	-	-	500	10.0	0.0	0.0																	
2. Teacher training workshop /b	workshop	-	-	1	1	1	1	1	-	5	108,000	-	-	108	108	108	108	108	-	540	10.0	0.0	0.0																	
3. Workshop for children /c	workshop	-	-	100	100	100	100	100	-	500	4,000	-	-	400	400	400	400	400	-	2,000	10.0	0.0	0.0																	
<b>Subtotal Workshops</b>																																								
<b>C. Resource/Training materials</b>																																								
1. School awards /d	lumpsum	-	-	-	-	-	-	-	-	-	-	-	-	30	30	30	30	30	-	150	10.0	0.0	0.0																	
2. Development of training educational materials	lumpsum	-	-	-	-	-	-	-	-	-	1,500	-	-	-	-	1,000	-	-	-	2,500	10.0	0.0	0.0																	
3. Review of training educational materials	lumpsum	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	500	10.0	0.0	0.0																	
4. Printing & dissemination /e	lumpsum	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	3,585	-	-	-	8,585	10.0	0.0	0.0																	
<b>Total</b>																																								
		-	-	-	-	-	-	-	-	-	-	-	2,225	5,538	1,038	5,123	538	538	-	15,000																				

<sup>a</sup> includes discussion of environmental education in coastal primary schools

<sup>b</sup> includes 2-days training in environmental education for children

<sup>c</sup> includes 500 workshops on environmental education for school children

<sup>d</sup> includes 6 awards of Rs. 5000 each

<sup>e</sup> includes books, posters and other educational materials

**Table 17: Project Management Unit, Sub-component 5.1**  
Detailed Costs Table (INR' 000)

Unit	Quantities										Unit Cost	Base Cost ('000)										Parameters (in %)		
	2006	2007	2008	2009	2010	2011	2012	2013	Total	2006		2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate		
<b>I. Investment Costs</b>																								
<b>A. Central PMU</b>																								
<b>1. vehicles</b>																								
4WD Jeep	number	1	-	-	-	-	-	-	-	1	600,000	600	-	-	-	-	-	-	600	0.0	5.0	20.0		
<b>2. Equipments</b>																								
desktop computers	unit	7	-	-	-	7	-	-	-	14	30,000	210	-	-	210	-	-	-	420	10.0	20.0	10.0		
laptop	unit	1	-	-	-	1	-	-	-	2	35,000	35	-	-	35	-	-	-	70	10.0	20.0	10.0		
printers	unit	5	-	-	-	5	-	-	-	10	10,000	50	-	-	50	-	-	-	100	10.0	20.0	10.0		
UPS	unit	1	-	-	-	1	-	-	-	2	70,000	70	-	-	70	-	-	-	140	10.0	20.0	10.0		
photocopier	number	1	-	-	-	1	-	-	-	2	200,000	200	-	-	200	-	-	-	400	10.0	20.0	10.0		
Cellphones	number	10	-	-	-	10	-	-	-	20	4,000	40	-	-	40	-	-	-	80	10.0	20.0	10.0		
furniture set /a	set	1	-	-	-	-	-	-	-	1	800,000	800	-	-	-	-	-	-	800	10.0	20.0	10.0		
other equipments /b	each	1	-	-	-	-	-	-	-	1	100,000	100	-	-	-	-	-	-	100	10.0	20.0	10.0		
<b>Subtotal Equipments</b>																								
<b>3. Training</b>																								
project management thematic exposure	lumpsum	2	-	-	-	-	-	-	-	2	100,000	200	-	-	-	-	-	-	200	10.0	0.0	0.0		
thematic exposure visits /c	each	2	2	2	-	-	-	-	-	4	20,000	-	40	40	-	-	-	-	80	10.0	0.0	0.0		
<b>Subtotal Training</b>																								
4. TA	person month	1	-	-	-	-	-	-	-	1	75,000	75	-	-	-	-	-	-	75	10.0	0.0	0.0		
<b>5. Workshops and meetings</b>																								
start-up workshop	lumpsum	1	-	-	-	-	-	-	-	1	100,000	100	-	-	-	-	-	-	100	10.0	0.0	0.0		
board meetings	each	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.0	0.0	0.0		
quarterly review meetings	each	4	4	4	4	4	4	4	4	32	5,000	20	20	20	20	20	20	20	160	10.0	0.0	0.0		
annual retreat /d	each	1	1	1	1	1	1	1	1	8	50,000	50	50	50	50	50	50	50	400	10.0	0.0	0.0		
<b>Subtotal Workshops and meetings</b>																								
<b>Total Investment Costs</b>																								
<b>II. Recurrent Costs</b>																								
<b>A. PMU /e</b>																								
<b>1. Salaries &amp; allowances</b>																								
Project director	person year	1	1	1	1	1	1	1	1	8	480,000	480	480	480	480	480	480	480	3,840	10.0	0.0	0.0		
Finance and admin manager	person year	1	1	1	1	1	1	1	1	8	360,000	360	360	360	360	360	360	360	2,880	10.0	0.0	0.0		
Livelihood / Micro finance manager	person year	1	1	1	1	1	1	-	-	6	240,000	240	240	240	240	240	-	-	1,440	10.0	0.0	0.0		
Enterprise development manager	person year	1	1	1	1	1	1	-	-	6	240,000	240	240	240	240	240	-	-	1,440	10.0	0.0	0.0		
Accounts assistant	person year	1	1	1	1	1	1	1	1	8	120,000	120	120	120	120	120	120	120	960	10.0	0.0	0.0		
Project assistant	person year	1	1	1	1	1	1	1	1	8	120,000	120	120	120	120	120	120	120	960	10.0	0.0	0.0		
Data entry operator / Clerks	person year	3	3	3	3	3	3	3	3	24	72,000	216	216	216	216	216	216	216	1,728	10.0	0.0	0.0		
Driver	person year	1	1	1	1	1	1	1	1	8	60,000	60	60	60	60	60	60	60	480	10.0	0.0	0.0		
Attenders / Security	person year	2	2	2	2	2	2	2	2	16	48,000	96	96	96	96	96	96	96	768	10.0	0.0	0.0		
<b>Subtotal Salaries &amp; allowances</b>																								
<b>2. Operations &amp; maintenance (O &amp; M)</b>																								
O & M vehicles /f	amount	1	1	1	1	1	1	1	1	8	110,000	110	110	110	110	110	110	110	880	10.0	20.0	10.0		
<b>3. Project communications</b>																								
Brochures and leaflets /g	amount	-	1	-	1	-	1	-	-	3	30,000	-	30	-	30	-	30	-	90	10.0	0.0	10.0		
Project mid-term videos	amount	-	-	1	-	-	-	-	-	1	300,000	-	-	300	-	-	-	-	300	10.0	0.0	10.0		
<b>Subtotal Project communications</b>																								
<b>4. Other expenses</b>																								
Office rent	year	1	1	1	1	1	1	1	1	8	200,000	200	200	200	200	200	200	200	1,600	10.0	0.0	10.0		
Travel expenses /h	year	1	1	1	1	1	1	1	1	8	96,000	96	96	96	96	96	96	96	768	10.0	0.0	10.0		
Utilities	year	1	1	1	1	1	1	1	1	8	150,000	150	150	150	150	150	150	150	1,200	10.0	0.0	10.0		
Stationaries	year	1	1	1	1	1	1	1	1	8	150,000	150	150	150	150	150	150	150	1,200	10.0	0.0	10.0		
Other expenses	year	1	1	1	1	1	1	1	1	8	135,000	135	135	135	135	135	135	135	1,080	10.0	0.0	10.0		
Project audits	year	1	1	1	1	1	1	1	1	8	50,000	50	50	50	50	50	50	50	400	10.0	0.0	10.0		
<b>Subtotal Other expenses</b>																								
<b>Total Recurrent Costs</b>																								
<b>Total</b>																								
											781	781	781	781	781	781	781	781	6,248					
											2,823	2,853	3,123	2,853	2,823	2,853	2,343	2,343	22,014					
											5,375	2,963	3,233	2,923	3,498	2,923	2,415	2,415	25,739					

/a includes desks, chairs, cupboard, sideboards, etc  
 /b includes telephones, fax, etc  
 /c every month  
 /d for staff, NGO partners, community representatives etc  
 /e for all 6 districts  
 /f represents 20% of vehicle's cost and includes insurance, fuel, inspection etc  
 /g includes videos, brochures, leaflets, etc  
 /h includes DSA & travel (4 days/month x 4 person at Rs. 500 x 12 months)

**Table 18: Project District Offices**  
**Sub-component 5.2**  
**Detailed Costs Table (INR' 000)**

Unit	Quantities									Unit Cost	Base Cost ('000)									Parameters (in %)			
	2006	2007	2008	2009	2010	2011	2012	2013	Total		2006	2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate	
<b>I. Investment Costs</b>																							
<b>A. District Implementation Offices /a</b>																							
<b>1. Vehicles</b>																							
4WD Jeep	number	6	-	-	-	-	-	-	-	6	450,000	2,700	-	-	-	-	-	-	-	2,700	0.0	5.0	20.0
Motorcycles	number	24	-	-	-	24	-	-	-	48	45,000	1,080	-	-	1,080	-	-	-	2,160	0.0	5.0	20.0	
<b>Subtotal vehicles</b>												<b>3,780</b>			<b>1,080</b>				<b>4,860</b>				
<b>2. Equipments</b>																							
desktop computers	unit	18	-	-	-	18	-	-	-	36	30,000	540	-	-	540	-	-	-	1,080	10.0	20.0	10.0	
printers	unit	12	-	-	-	12	-	-	-	24	10,000	120	-	-	120	-	-	-	240	10.0	20.0	10.0	
UPS	unit	6	-	-	-	1	-	-	-	7	40,000	240	-	-	40	-	-	-	280	10.0	20.0	10.0	
photocopier	number	6	-	-	-	6	-	-	-	12	90,000	540	-	-	540	-	-	-	1,080	10.0	20.0	10.0	
Cellphones	number	36	-	-	-	36	-	-	-	72	4,000	144	-	-	144	-	-	-	288	10.0	20.0	10.0	
furniture set /b	set	6	-	-	-	-	-	-	-	6	150,000	900	-	-	-	-	-	-	900	10.0	20.0	10.0	
digital camera	number	6	-	-	-	-	-	-	-	6	15,000	90	-	-	-	-	-	-	90	10.0	20.0	10.0	
other equipments /c	each	6	-	-	-	-	-	-	-	6	30,000	180	-	-	-	-	-	-	180	10.0	20.0	10.0	
<b>Subtotal Equipments</b>												<b>2,754</b>			<b>1,384</b>				<b>4,138</b>				
<b>3. Workshops</b>																							
district implementation committee meeting	lumpsum	24	24	24	24	24	24	24	24	192	4,000	96	96	96	96	96	96	96	768	10.0	0.0	0.0	
partnership development coordination meeting /d	each	72	72	72	72	72	72	72	72	576	1,000	72	72	72	72	72	72	72	576	10.0	0.0	0.0	
<b>Subtotal Workshops</b>												<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>1,344</b>				
<b>Total Investment Costs</b>												<b>6,702</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>2,632</b>	<b>168</b>	<b>168</b>	<b>10,342</b>				
<b>II. Recurrent Costs</b>																							
<b>A. District Implementation Offices /a</b>																							
<b>1. Salaries &amp; allowances</b>																							
district implementation officer	person year	6	6	6	6	6	6	6	6	48	240,000	1,440	1,440	1,440	1,440	1,440	1,440	1,440	11,520	10.0	0.0	0.0	
finance and admin officer	person year	6	6	6	6	6	6	6	6	48	180,000	1,080	1,080	1,080	1,080	1,080	1,080	1,080	8,640	10.0	0.0	0.0	
community development officer	person year	6	6	6	6	6	-	-	-	30	180,000	1,080	1,080	1,080	1,080	1,080	-	-	5,400	10.0	0.0	0.0	
enterprise development officer	person year	6	6	6	6	6	6	6	6	48	180,000	1,080	1,080	1,080	1,080	1,080	1,080	1,080	8,640	10.0	0.0	0.0	
district project assistant	person year	12	12	12	12	12	12	12	12	96	108,000	1,296	1,296	1,296	1,296	1,296	1,296	1,296	10,368	10.0	0.0	0.0	
data entry operators / Office clerk	person year	18	18	18	18	18	18	18	18	144	72,000	1,296	1,296	1,296	1,296	1,296	1,296	1,296	10,368	10.0	0.0	0.0	
Attendees / Security	person year	12	12	12	12	12	12	12	12	96	42,000	504	504	504	504	504	504	504	4,032	10.0	0.0	0.0	
driver	person year	6	6	6	6	6	6	6	6	48	60,000	360	360	360	360	360	360	360	2,880	10.0	0.0	0.0	
<b>Subtotal Salaries &amp; allowances</b>												<b>8,136</b>	<b>8,136</b>	<b>8,136</b>	<b>8,136</b>	<b>8,136</b>	<b>7,056</b>	<b>7,056</b>	<b>61,848</b>				
<b>2. Operations &amp; maintenance (O &amp; M)</b>																							
O & M vehicles /f	amount	6	6	6	6	6	6	6	6	48	80,000	480	480	480	480	480	480	480	3,840	10.0	20.0	10.0	
O & M motorcycles /g	amount	24	24	24	24	24	24	24	24	192	9,000	216	216	216	216	216	216	216	1,728	10.0	20.0	10.0	
<b>Subtotal Operations &amp; maintenance (O &amp; M)</b>												<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>5,568</b>				
<b>3. Other expenses</b>																							
office rent	year	6	6	6	6	6	6	6	6	48	150,000	900	900	900	900	900	900	900	7,200	10.0	0.0	10.0	
travel expenses /h	year	6	6	6	6	6	6	6	6	48	100,800	605	605	605	605	605	605	605	4,838	10.0	0.0	10.0	
utilities	year	6	6	6	6	6	6	6	6	48	100,000	600	600	600	600	600	600	600	4,800	10.0	0.0	10.0	
stationaries	year	6	6	6	6	6	6	6	6	48	100,000	600	600	600	600	600	600	600	4,800	10.0	0.0	10.0	
other expenses	year	6	6	6	6	6	6	6	6	48	120,000	720	720	720	720	720	720	720	5,760	10.0	0.0	10.0	
<b>Subtotal Other expenses</b>												<b>3,425</b>	<b>3,425</b>	<b>3,425</b>	<b>3,425</b>	<b>3,425</b>	<b>3,425</b>	<b>3,425</b>	<b>27,398</b>				
<b>Total Recurrent Costs</b>												<b>12,257</b>	<b>12,257</b>	<b>12,257</b>	<b>12,257</b>	<b>12,257</b>	<b>11,177</b>	<b>11,177</b>	<b>94,814</b>				
<b>Total</b>												<b>18,959</b>	<b>12,425</b>	<b>12,425</b>	<b>12,425</b>	<b>14,889</b>	<b>11,345</b>	<b>11,345</b>	<b>105,156</b>				

/a for all 6 districts  
 /b includes desks, chairs, cupboard, sideboards, etc  
 /c includes telephones, fax, etc  
 /d every month  
 /e for all 6 districts  
 /f represents 20% of vehicle's cost and includes insurance, fuel, inspection etc  
 /g represents 20% of vehicle's cost and includes insurance, fuel, inspection etc  
 /h includes DSA & travel (7 days/month x 5 person at Rs. 300 x 12 months)

**Table 19: Monitoring and Evaluation (M&E)  
Sub-component 5.3  
Detailed Costs Table (INR' 000)**

Unit	Quantities										Unit Cost	Base Cost ('000)								Parameters (in %)			
	2006	2007	2008	2009	2010	2011	2012	2013	Total	2006		2007	2008	2009	2010	2011	2012	2013	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rate	
<b>I. Investment Costs</b>																							
<b>A. Project M &amp; E</b>																							
<b>1. vehicles</b>																							
4WD Jeep	number	1	-	-	-	-	-	-	-	1	400,000	400	-	-	-	-	-	-	400	0.0	5.0	20.0	
Motorcycles	number	6	-	-	-	6	-	-	-	12	45,000	270	-	-	-	270	-	-	540	0.0	5.0	20.0	
<b>Subtotal vehicles</b>												<b>670</b>			<b>270</b>			<b>940</b>					
<b>2. Equipments</b>																							
Desktop computers	unit	2	-	-	-	2	-	-	-	4	30,000	60	-	-	-	60	-	-	120	10.0	20.0	10.0	
printers	unit	1	-	-	-	-	-	-	-	1	10,000	10	-	-	-	-	-	-	10	10.0	20.0	10.0	
Cellphones	number	8	-	-	-	-	-	-	-	8	4,000	32	-	-	-	-	-	-	32	10.0	20.0	10.0	
furniture set /a	set	1	-	-	-	-	-	-	-	1	150,000	150	-	-	-	-	-	-	150	10.0	20.0	10.0	
digital camera	number	1	-	-	-	-	-	-	-	1	15,000	15	-	-	-	-	-	-	15	10.0	20.0	10.0	
other equipments /b	each	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.0	0.0	0.0		
<b>Subtotal Equipments</b>												<b>267</b>			<b>60</b>			<b>327</b>					
<b>3. Technical assistance /c</b>																							
Result-based monitoring system /d	person month	1	1	-	-	-	-	-	-	2	4,000	4	4	-	-	-	-	-	8	10.0	0.0	0.0	
Baseline surveys	amount	1	-	-	-	-	-	-	-	1	500,000	500	-	-	-	-	-	-	500	10.0	0.0	0.0	
Thematic review missions	person month	2	2	2	2	2	2	2	2	16	75,000	150	150	150	150	150	150	150	1,200	10.0	0.0	0.0	
Mid-term review impact assessment study	amount	-	-	1	-	-	-	-	-	1	500,000	-	-	500	-	-	-	-	500	10.0	0.0	0.0	
Mid-term review consultants	person month	-	-	5	-	-	-	-	-	5	75,000	-	-	375	-	-	-	-	375	10.0	0.0	0.0	
Impact assessment study	amount	-	-	-	-	-	-	1	-	1	500,000	-	-	-	-	-	500	-	500	10.0	0.0	0.0	
Project completion report	person month	-	-	-	-	-	-	-	5	5	75,000	-	-	-	-	-	-	375	375	10.0	0.0	0.0	
<b>Subtotal Technical assistance</b>												<b>654</b>	<b>154</b>	<b>1 025</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>650</b>	<b>525</b>	<b>3 458</b>			
<b>Total Investment Costs</b>												<b>1 591</b>	<b>154</b>	<b>1 025</b>	<b>150</b>	<b>480</b>	<b>150</b>	<b>650</b>	<b>525</b>	<b>4 725</b>			
<b>II. Recurrent Costs</b>																							
<b>A. Project M &amp; E /e</b>																							
<b>1. Salaries &amp; allowances</b>																							
M & E Manager	person year	1	1	1	1	1	1	1	1	8	240,000	240	240	240	240	240	240	240	1 920	10.0	0.0	0.0	
Communication and information technology manager	person year	1	1	1	1	1	1	1	1	8	240,000	240	240	240	240	240	240	240	1 920	10.0	0.0	0.0	
District M & E officers	person year	6	6	6	6	6	6	6	6	48	180,000	1 080	1 080	1 080	1 080	1 080	1 080	1 080	8 640	10.0	0.0	0.0	
<b>Subtotal Salaries &amp; allowances</b>												<b>1 560</b>	<b>1 560</b>	<b>1 560</b>	<b>1 560</b>	<b>1 560</b>	<b>1 560</b>	<b>1 560</b>	<b>12 480</b>				
<b>2. Operations &amp; maintenance (O &amp; M)</b>																							
O & M vehicles /f	amount	1	1	1	1	1	1	1	1	8	80,000	80	80	80	80	80	80	80	640	10.0	20.0	10.0	
O & M motorcycles /g	amount	6	6	6	6	6	6	6	6	48	9,000	54	54	54	54	54	54	54	432	10.0	20.0	10.0	
<b>Subtotal Operations &amp; maintenance (O &amp; M)</b>												<b>134</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>1 072</b>				
<b>Total Recurrent Costs</b>												<b>1 694</b>	<b>1 694</b>	<b>1 694</b>	<b>1 694</b>	<b>1 694</b>	<b>1 694</b>	<b>1 694</b>	<b>13 552</b>				
<b>Total</b>												<b>3 285</b>	<b>1 848</b>	<b>2 719</b>	<b>1 844</b>	<b>2 174</b>	<b>1 844</b>	<b>2 344</b>	<b>2 219</b>	<b>18 277</b>			

la includes desks, chairs, cupboard, sideboards, etc

lb includes telephones, fax, etc

lc local consultants

ld includes design and implementation

le includes all 6 districts

lf represents 20% of vehicle's cost and includes insurance, fuel, inspection etc

lg represents 20% of vehicle's cost and includes insurance, fuel, inspection etc