



# JEEVIKA

Rural Development Department, Government of Bihar

## Bihar Rural Livelihoods Promotion Society State Rural Livelihoods Mission, Bihar



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Ref No: BRLPS/Proj-CF/1818/20/3906


Date: 17.03.2021

### Office Order

100 Model CLFs under NRETP have been adopted as Model CLFs. Release of Viability Gap Fund(VGF) at each Model CLF has been mandated through MoRD vide its letter no. J-1160/58/2020-RL (370499) dated 17<sup>th</sup> June, 2020 with the objective of strengthening of higher level of SHG Federation. VGF has to be computed on the basis of financial projection for next three years, taking base year 2018-19 & 2019-20. The eligibility criteria, appraisal for release of VGF have been prescribed in guideline issued by MoRD. Complying with the guidelines, demands for VGF have been raised by CLFs through their respective BPIUs to DPCUs. After appraisal through the committee at DPCU level, recommendation for 1<sup>st</sup> trench of VGF have been submitted at SPMU level. Based on the facts mentioned above, following is approved by the competent authority:-

- Approval has been given for transfer of 1<sup>st</sup> trench of Viability Gap fund (VGF) to 2 Model CLFs namely Pragati CLF, Khizarsarai, Gaya for Rs.9,12,000/- (Nine Lakhs Twelve Thousands only) and to Mithila CLF, Benipatti, Madhubani for Rs.9,04,000/ (Nine Lakhs Four Thousands only). Total amount to be transferred to 2 CLFs is worth Rs. **18,16,000/-** (Rs Eighteen Lakhs & Sixteen Thousands only).
- Viability Gap Funding (VGF) was supposed to be provided to 100 CLFs. It has been earlier provided to 98 CLFs as per mentioned guidelines by the order of ACEO, BRLPS vide letter no. **BRLPS/Proj-CF/1818/20/2701 dated 17.12.2020**. Post facto approval has been given by the CEO, BRLPS for disbursement of fund to CLFs.
- Districts are required to ensure booking of expenditure under budget head Community Investment Support, Sub head: Institutional Gap Support & infrastructure Fund (Viability Gap Fund to MCLFs).
- Districts need to ensure improvement on indicators like attendance in BoD meetings, integration of SHGs into VOs and VOs in CLFs. It is critical and SPM-IBCB to lead way forward. Roles of District Mentors and Block Mentors along with IBCB & FI Team to be framed for proper follow up.

By the order of CEO, BRLPS

  
16.03.2021  
Mukesh Chandra Sharan

PC-FI

Annexure I:- Mentioned NRLM Guidelines.

Copy to:- All NRETP District team and SPMU Team for needful compliance.

File No: J-11060/58/2020-RL (370499)  
**Government of India**  
**Ministry of Rural Development**  
**Department of Rural Development**  
**(RL Division)**

7th Floor, NDCC Building-II  
Jai Singh Road  
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Date 17<sup>th</sup> June, 2020

To,

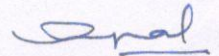
The State Mission Directors/CEOs,  
SRLMs of Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh,  
Maharashtra, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal

**Subject: Guideline on Viability Gap Fund under NRETP**

Dear Madam/Sir,

Please find attached herewith guidelines on release of Viability Gap Fund (VGF) to Model CLFs under NRETP for your information and necessary action.

Yours faithfully,



(Nita Kejrewal)

Joint Secretary to Govt. of India

**Encl.: Annexure A- Guidelines on VGF**

## Guidelines on Viability Gap Fund (VGF) in NRETP Blocks

### **Introduction**

1. The Ministry of Rural Development (MoRD), Government of India (GOI) has been implementing Deendayal Antyodaya Yojana- National Rural Livelihoods Mission (DAY-NRLM) since June 2011. The main objective of the DAY-NRLM is to eliminate rural poverty through social mobilization, building organizations of the rural poor, enabling the institutions of rural poor to access financial services, promotion of livelihoods as well as convergence with other line departments.

### **National Rural Economic Transformation Project (NRETP)<sup>1</sup>**

2. MoRD has signed a loan agreement with World Bank to implement National Rural Economic Transformation Project (NRETP) to strengthen SHG federations and promote higher-order livelihoods interventions in select districts of the country, with an outlay of USD 500 million (USD 250 credit from World Bank and USD 250 from GoI) which is effective from 24 April, 2019. Under NRETP, it is proposed to develop 600 Model Cluster Level Federation (CLFs), @ one CLF per block, as self-reliant and financially sustainable community institution during the project period.

#### **3. Model CLF initiatives under NRETP:**

Strengthening of higher level SHG federations as part of Institution Building and Capacity Building component is the major focus under NRETP. It is proposed to strengthen the higher-level community institutions in selected blocks of 13 states viz., Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal in which social mobilization and promotion of SHGs and VOs have been completed to a large extent and promotion of CLFs have been initiated.

Currently, there are two models of SHG federations prominently existing in the country- (1). All three tiers viz., SHG, Primary level federation (Village Organisation) and secondary level federation (Cluster Level Federation) are involved in lending operations, (2). Only two tiers viz., SHG and Secondary level federation (Gram Panchayat level federation) are doing the lending operations. DAY-NRLM considers Gram Panchayat level federations as equivalent of CLFs.

4. Approximately, 600 CLFs and their VOs and SHGs in the selected blocks will be supported intensively in terms of preparation of vision, strategic and business development plans, customization and adoption of standard operational procedures, leadership development, strengthening of VO and CLF sub-committees, institutionalization of ICT systems for effective financial management and accounting, provision of human resources and gap financing etc. The VOs and CLFs will be capacitated to undertake review of their member organisations based on certain performance indicators.

#### **5. Need for Viability Gap Fund:**

The DAY-NRLM provides Community Investment Support Funds (start-up fund and community investment fund) to CLFs. The CLFs are envisaged to be the custodian of CIF and earn income to meet their operational expenditures. There are circumstances where CLFs still need financial support to become financially viable. To address this gap (if any), NRETP proposes to provide Viability Gap Fund to CLFs.

#### **6. Viability Gap Fund (VGF):**

The main purpose of Viability Gap fund is to fill the gap between operational income and expenditure of the federations for a period of 3 years. Viability gap funding will only be applicable to Model CLFs in NRETP blocks. It is envisaged that providing a maximum of Rs. 20 lakh per Model CLF may be required to achieve financial sustainability. In case of three tier structure (SHG, VO and CLF) where SHG, VO and CLF are

<sup>1</sup>NRETP is being implemented by 13 states namely- Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal

involved in financial intermediation, Viability gap fund of a maximum of Rs. 20 lakh will be given. In case where only SHG and Village / Gram Panchayat level federation (VO/GPLF) are acting as financial intermediary, a maximum of Rs. 3 lakh will be given. The Viability Gap Fund will be released based on the performance of CLFs in three tranches in the ratio of 50:30:20.

#### 7. Appraisal Committee:

The CEO/SMD may constitute an Appraisal Committee at SMMU level comprising of the concerned SPMs, SPM-Finance or any other person who is experienced on accounting and development & appraisal of similar nature of documents or Senior staff members. It is also suggested that a National Resource Person for model CLFs may be included in the Committee. The committee may visit the CLFs, assess the CLFs performance, study its financial status, identify the viability gap through CLFs financial projections and recommend for the release of funds. The appraisal process has to be taken up mandatorily before release of each tranche, though the committee may not necessarily physically visit the CLF for the second and third tranches.

In view of COVID-19 lockdown, the performance indicators of CLF for release of VGF funds shall be relaxed during FY 2020-21. The appraisal committee can assess the performance CLFs based on the data for 3-months pre-lockdown period for release of first tranche (on account of directions given by MoRD for stopping meetings of SHGs/VOs/CLFs). For release of second and third tranches, appraisal norms may be relaxed on %age of attendance in EC meeting, on time repayment (OTR), idle funds, velocity of funds or any other indicators, as communicated by Ministry of Rural Development from time to time.

#### 8. Appraisal Process:

To receive the Viability Gap Fund, the CLF has to prepare and submit the proposal to SRLM through BMMU and DMMU for each tranche. Preparing Vision document, Business Development Plan\* and Financial projections by CLF is mandatory for accessing Viability Gap Fund. The CLF has to submit the proposal along with financial projections document and Internal Audit report for accessing funds. The Appraisal committee has to check the below mentioned aspects in financial projections document for finalizing the Viability Gap Fund requirement:

- Assumptions made in the financial projections (increase in the unit cost should not more than 10% per year)
- Last two financial years expenditure pattern to understand CLFs expenditure capability
- Justification for increase in the operational costs
- Rationalization of CLF staff and community cadres
- Positive trend in achieving operational self-sufficiency of CLF
- Positive trend in profit earning and increased "General Reserve"
- Presence of CLF HR as per the Guidelines
- Capital adequacy

\* **Business Development Plan (BDP):** The CLF needs to prepare Business Development plan (BDP) which covers financial projections for 3 years by clearly articulating its financial, economic and social agendas to become eligible to access the first tranche. The viability gap at CLF level will be assessed by the Appraisal Committee based on the 3 years financial projections. *Draft financial projections template is attached in Annexure-1.*

#### 9. Readiness Indicators for Model CLF to receive the Viability Fund

##### 9.1. Eligibility criteria for Tranche-1:

- At least 60% eligible Households (automatically included households and households with at least one deprivation as per SECC Data) should have mobilized into SHGs
- 80% SHGs federated into VOs and 90% VOs federated into CLF
- CLF should have at least one staff member in place
- CLF should have updated Standard books of Accounts
- Minimum 90% attendance in EC meetings of CLF in the last 3 months
- CLF should have uploaded Baseline data on CLF web-based application (available on NRLM MIS).
- CLF should have received start-up cost and have set-up the office either in rented or in own building
- CLF should have received CIF and established loan disbursement and repayment mechanism

[CLF should have the details of total CIF released from the Mission in that CLF (either to SHGs or VOs or CLF) and this is to be accounted in CLF books of Accounts. CIF amount recorded in CLF books of Accounts is to be matched with the data of DMMU/BMMU]

- CLF should have completed Internal or external Audit.

**Fulfillment of all the indicators given above are mandatory for release of Viability Gap funding Tranche-I.**

## 9.2. Eligibility criteria for Tranche- II & III:

1. The CLF has to secure a minimum of 50 marks for release of Tranche - II and 75 marks for release Tranche - III based on the below given grading tool.
2. If any CLF is securing 75 marks and above after receiving Tranche-I, both Tranche-II and III funds can be together.

S. No.	Bench Mark	Marks	Weightage
1	% of Saturation of HHs	10	Below 70% - 0 marks 70% to 80% - 5 marks Above 80% - 10 marks
2	% of SHGs taken membership in VOs	5	Below 80% - 0 marks 80% to 85% - 2.5 marks Above 85% - 5 marks
3	% of VOs taken membership in CLF	5	Below 90% - 0 marks 90% to 95% - 2.5 marks Above 95% - 5 marks
4	Percentage of attendance in EC meeting in last 6 month	5	Below 90% - 0 marks Above 90% - 5 marks
5	On Time Repayment (OTR)	15	Below 70% - 0 marks 70% to 80% - 5 marks 81% to 90%-10 marks Above 90% - 15 marks
6	Idle funds (in last 3 months)	10	Above 30% - 0 marks 16% to 30% - 5 marks Equal to and Less than 15% - 10 marks
7	Velocity of Funds	10	Below 1:1 - 0 marks 1:1 - 5 marks 1:1.1 to 1.25 - 7.5 marks 1: 1.26 and above - 10 marks
8	Registration of CLF	5	No - 0 Yes - 5
9	CBO Staff appointed and paid by CLF in place i.e. 3 staff- Manager/Coordinator-1, Accountant - 1 and MIS Coordinator -1	15	1 staff member - 5 marks Any 02 staff members- 10 marks All 3 staff members i.e. Accountant, Manager & MIS Coordinator- 15 Marks
10	Leadership rotation (at least two officer bearer change in last 3 years)	10	No- 0 Yes- 10
11	Audit Completed	10	Either Internal or External Audit - 5 marks Both Internal & External Audit - 10 marks
	<b>Total Marks</b>	<b>100</b>	

## 10. Release of Funds:

### 10.1. From NMMU to SRLM:

The SRLMs shall plan required budget under viability gap fund head by clearly indicating the physical targets in their Annual Action Plan for NRETP. SRLMs need to clearly mention how many model CLFs are eligible for receiving the fund, how many Model CLFs are proposed for release of funds, no. of tranches and their performance etc.

### 10.2. From SRLM to CLFs:

Based on the recommendation of the appraisal committee, CEO/ SMD shall approve and release funds through fund disbursement module. The fund will be released in maximum of 3 tranches in the ratio of

50:30:20, based on fulfillment of eligibility criteria by CLF. The second and third tranches may be combined based on good performance of the CLF, as mentioned in para 9.2 above.

#### 11. Timeline for the release of funds:

Tranche	Provision for % of fund	Timeline
I	50% of viability gap of the CLF/GPLF or Rs. 10 lakhs in case of CLF and Rs. 1.5 lakhs in case of GPLF whichever is less	Within 3 months of identification of CLF as a Model CLF
II	30% of viability gap of the CLF/GPLF or Rs. 6 lakhs in case of CLF and Rs. 0.9 lakhs in case of GPLF whichever is less	After 3 months of the release of Tranche-I and fulfilment of Tranche-2 criteria
III	20% of viability gap of the CLF/GPLF or Rs. 4 lakhs in case of CLF and Rs. 0.6 lakhs in case of GPLF whichever is less	Within 6 months of the release of Tranche-II and fulfilment of Tranche-3 criteria*

\* If the SRLM proposes to release Tranche II and Tranche III simultaneously it may be done after six months and within 9 months of release of Tranche I and fulfilment of criteria for release of Tranche III.

Those which can't be made viable with the abovementioned levels of support will not be chosen for extending these benefits.

#### 12. Nature of expenditure:

- The Fund will be released only through online fund disbursement module and manual process is not allowed.
- Disbursement of VGF to the CLF will be treated as expenditure. However, the CLF needs to maintain a record of the timeline of achieving the set triggers/physical targets, funds received under VGF component from the mission and the minutes of the meeting of Executive Committee of the CLF, in which the related discussions and decisions were taken. This needs to be followed for the release of each tranche.
- To generate more income, VGF may also be used for extending loans to member organisations. Purchase of physical assets, infrastructure development and capacity building expenses are not allowed from this fund.

#### 13. Monitoring of Model CLFs performance:

- SRLMs are responsible for monitoring the performance of model CLFs on a regular basis through the concerned DMMUs and BMMUs staff and submit the physical progress report to NMMU for its review. The SPM-IBCB/State Level Model CLF anchor person shall take up various capacity building activities for addressing any gaps and ensure effective functioning of the model CLFs.
- NMMU shall monitor SRLMs regularly based on progress made against the physical targets as per approved Annual Action Plan (AAP).

#### 14. Expected Outcomes:

- Model CLFs will become self-managed, able to meet their operational costs
- Model CLFs shall demonstrate standard systems planning, execution, service-delivery, finance and administration
- Model CLFs will be inclusive and equitable in nature. The CLFs shall include all eligible members especially most vulnerable into SHG fold and give priority to them in provision of all benefits and services
- Model CLFs will have PAR < 5% (>30 days)
- Model CLFs will have legal identity and fulfil statutory requirements regularly
- Model CLFs will have their own staff and cadres to support CLF in delivering the services effectively
- Higher order social capital will be developed @ 10 members per Model CLF
- As per the demand, in addition to livelihoods and financial services, all CLFs will be implementing one or more higher order development interventions like Food, Nutrition, Health and WASH (FNHW), Gender, Social Inclusion, Convergence etc.
- Model CLFs will act as demonstration sites/training centres for replication of model in the remaining blocks with necessary processes, protocols, resources in place

**Annexure- Summary sheet of BDP**

**State Name:**  
**CLF Name:**

**District Name:**  
**Date As on:**

**Block Name:**

**Details of Capital available at CLF level:**

Particulars	FY 2018-19 (Rs)	FY-2019-20(Rs)	FY 2020-21(Rs)	FY 2021-22(Rs)	FY 2022-23(Rs)
Net Savings/Subscription/contribution from member organisations (after returning to members if any)					
Net Share capital (after returning to members if any)					
Fixed deposits made by CLF					
CIF outstanding					
CEF outstanding					
PG loan outstanding					
Other loans outstanding(loans given from other grants)					
Net profit or loss*					
Cash in hand					
Cash at bank					
Total funds					

- \*If there is profit, it needs to be added to the total fund.
- \*If there are any losses, the amount has to be deducted from total funds.

**Assumptions to be made:**

1. Percentage of utilisation of funds for on-lending
2. Rate of interest on loans at CLF level
3. Future release of CIF, CEF and grants to PG (if applicable)
4. Growth of Savings and share capital

**Draft excel based format will be shared with SRLMs to develop BDP.**

**Template of Income- Expenditure Statement**  
**Income and Expenditure Statement**

S.No	Particulars	FY 2018-19 (current status based on internal/external audit report)	FY 2019-20 (current status based on internal/external audit report)	FY 2020-21	FY 2021-22	FY 2022-23*
<b>Expenditure</b>						
<b>1</b>	<b>Expenditure (Recurring) including settlement of advances during the year</b>					
	Remuneration to CBO Staff					
	Remuneration paid to CRPs/cadres					
	Office rent, water, Electricity, telephone, communication, internet etc.					
	Stationary purchased					
	Travel expenses					
	Bank /commission Charges					
	Other expenditures (if available mention expenditure incurred on training separately in remarks screen)					
	Subscription/Fee to paid higher level federations					
<b>3</b>	<b>Loan loss / Write off of bad debts</b>					
<b>4</b>	<b>Services charges paid to member organisations</b>					
	<b>Total expenditure</b>					
	<b>Excess of income over expenditure (if income is more than expenditure) is the balancing figure</b>					
<b>Income</b>						
<b>1</b>	<b>Income receipts during the said period</b>					
	Bank Interest received					

Penalty collected					
Resource fee/Institutional charges received					
CIF Interest on loans collected from member Organisations					
CEF Interest on loans received					
Interest on PG loans collected					
Interest received on loans given from other grants					
Recurring Subscription fee received from member organisations					
Membership fee received from member organisations					
Admission/ registration fees received from member organisations					
Service Fee received					
Other income					
Income from other grants					
<b>Total income</b>					
<b>Excess of expenditure over income (if expenditure is more than income) is the balancing figure</b>					

\*FY will change from the year of plan