

MINISTRY OF PANCHAYATI RAJ

**CENTRAL SECTOR SCHEME ON
RURAL BUSINESS HUBS
(2007-08 to 2011-12)**

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1. Introduction

There is a steady influx of rural people to urban areas in search of employment and economic opportunity. Also, there is a wide gap between rural and urban areas in terms of public services like health and education, in the quality of life and levels of income. This gap is perceived to be widening. The 73rd Constitutional Amendment, 1992, has mandated Panchayats as Institutions of Self Government, to plan and implement programmes of economic development and social justice. Government of India has recognized that Panchayati Raj is the medium to transform rural India into 700 million opportunities. There is also a felt need to ensure that the benefits of rapid economic growth, unleashed through the reforms of the last two decades, need to flow to all sections of society, particularly to rural India.

The Ministry of Panchayati Raj has adopted the goal of “*Haat to Hypermarket*” as the overarching objective of the Rural Business Hubs (RBH), initiative aimed at moving from mere livelihood support to promoting rural prosperity, increasing rural non-farm incomes and augmenting rural employment. RBHs set up in association with Panchayati Raj Institutions (PRIs) could thus constitute the fulcrum of “inclusive growth” – the theme of the Eleventh Plan.

The objective of the RBH initiative is to promote at least one RBH in each development block of the country by bringing to the attention of business houses, in both the public and private sectors, the unique product or skill in each development block deriving from local resource endowments, felt needs of the people and relative absorptive capacity of the local community. Ministry of Panchayati Raj is attempting, in this manner, to develop and promote the 4 Ps, that is, Public-Private-Panchayat Partnerships into RBHs through a governance relationship between the rural entrepreneur, the business partner and the PRIs. The role of the Panchayat is to facilitate the convergence of extant schemes of State and Central governments, together with initiatives of banks, financing institutions, and promotional bodies. This will help develop holistic and integrated partnerships between decentralized rural production units, and larger corporate entities.

2. Aim

Usher in prosperity to the Rural areas of the country and all sections of the society by reaping the benefits of rapid economic growth unleashed through the economic reforms and synergistically harnessing the resource/ skill rich rural areas and technology/ marketing skills of the industry, the entire process mediated/ facilitated by empowered PRIs.

3. Objectives

To identify rural products which have potential for national/ international markets and standardize their quality.

To ensure value addition in rural products and increase production volumes to levels viable for marketing.

To promote Rural Non-Farming Enterprises (RNFE) which utilise local skills and/or resources and promote rural employment.

To foster mutually beneficial relations between the producers and industrial houses as identified above.

4. Strategy

- Build the capacity of PRIs, if necessary, by extending the services of competent agencies, to plan for economic development of their area and implement these plans.
- Achieve convergence of Institutions and schemes (both Central and State) at the Panchayat level for filling in gaps in the infrastructure and services required to facilitate the development of the RBH in the area.
- Retain the decentralised production units where they exist but introduce and ensure compliance of high process/product standards.
- Engage the competent business professionals to identify business opportunities in the Panchayat area which could not be developed so far.
- Identify interested Business Partners having required marketing / technical skills.
- Handhold the PRIs so that they can effectively negotiate with business partners to secure a non exploitative, mutually beneficial business relationship.

5. Roles and Responsibilities of Key Stakeholders

Business partners for RBH can be members of industry, Central/State supported agencies like PSUs, Promotional Organisations, large Cooperatives etc. having access to wider markets and interested in taking up rural products. They will play a lead role in establishing and maintaining RBH.

Any of three levels of PRIs can initiate RBH, but production base of reasonable size will be a necessary criteria. In the initial phase, focus will be on Intermediate (Block) Panchayats. Ideally, Panchayat will play the role of a governance partner and not necessarily that of a business partner. State Government and Ministry of Panchayati Raj will provide overall supporting and enabling environment.

Roles and responsibilities of key stakeholders are as follows:

Panchayati Raj Institutions

- As institutions of Local Self Government, extend institutional support to viable business activities, which will benefit the rural populace.
- Allay fears and doubts of local inhabitants and address their concerns on new business initiatives in rural areas.
- Identify skills and endowments of people as well as natural resources in the Panchayat area.
- Jointly organise awareness programmes to bring together the business interest and the community to the same platform.
- Facilitate acceptance of business plan for establishment of RBHs.
- Integrate the economic development plan emerging from the RBH initiative into the overall decentralised planning process at the Panchayat level.
- Dovetail and converge government schemes and other initiatives with the RBH approach wherever relevant.
- Provide infrastructure support to enterprises.
- Facilitate rural entrepreneurship by setting up common facility centers, incubators and other supports for starting up small and micro enterprises
- Demonstrate continued community support through joint programs and partnerships.
- Evaluate impact of the initiative in terms of what it has achieved for the community in terms of better livelihood opportunities, better and more sustainable use of naturally available resources etc.

Business Partner

- Identify local skills/products with wider market potential.
- Formulate business plans which are Panchayat based & Community accepted
- Facilitate acceptance of business plans by Panchayat
- Provide sustainable local employment and skill development
- Use one or more local resources.

- Demonstrate continued interest in the community through joint programs and partnerships.

Government

- Facilitate policy
- Help in dovetailing government schemes
- Create basic minimum infrastructure
- Empower Panchayats as single window

6. Geographical coverage and phasing of the scheme

Through the Scheme, RBHs will be developed as a pilot project in the selected districts of the country. In the first phase, districts included under BRGF will be covered. However, in case of 8 North Eastern States, pilot projects will be selected from among all the districts.

7. Funding from the Ministry of Panchayati Raj

Under the Scheme, following supports will be extended to the implementing Panchayats / Organisations.

A. Components of Funding

i(a) District / Sub district level RBH Workshop

The RBH process in pilot districts would start with a sub district level workshop followed by a workshop under the Chairpersonship of Chairperson Zila Parishad of the identified district, which will be attended by District Collector, CEO Zila Panchayat, heads of all line departments and partnering organizations. The RBH concept, components of RBH Scheme, convergence with other Schemes/Institutions and leveraging BRGF fund for RBH will be explained. The Workshop which will also identify champion products (block-wise), potential sources for funding, develop action plan and timelines for setting up RBHs, constitute a Working Group for effective coordination and a Monitoring Committee for timely implementation.

Maximum eligible assistance for this will be Rs. 60,000/- per district

Where found necessary and for further reinforcing the district workshop, similar workshops can be held at sub district level also. Maximum eligible financial assistance will be Rs. 15,000/- per sub-district workshop.

i(b) Professional Facilitators:

Preparatory to setting up RBHs, detailed appraisals/assessment studies are to be carried out with a view to identify the business potential that different blocks have to offer and to formulate strategies and implementation plans to harness the same and providing lead for achieving convergence and synergy between business, financial institutions, government agencies and the Panchayats. Pilot projects also require support and hand holding activities so that they are able to take off and become self-sustaining.

Panchayats which are Institutions of local self Governance do not have the required skills nor can they provide the dedicated attention that a pilot project demands. Panchayats can avail the services of professionals to identify potential business activities, bring about convergence, access resources and to nurture the RBHs through their formative stage. Gateway Agencies have been assigned the responsibility of handholding Zila Panchayats in the focus districts for which no remuneration is paid. To help them extend the required professional support, Gateway Agencies can also avail financial assistance under this component.

Guidelines for engaging professionals are given in the Annexure.

i(c) Bridging critical gaps in local infrastructure

Several RBH proposals include setting up of common facilities / infrastructure (like common facility centers for artisans / pooling centers for farm products / minor equipment / connectivity). This fund can be used for filling small but critical gaps in such facilities. Improvement of skills is another critical gap hindering wider marketing of rural products for which training by master artisan / experts are required. In such cases, fee for trainers, purchase of minor training equipment, training material (including raw material), stipend for trainees, labour compensation etc. can be supported. This assistance can also be availed for design intervention and technical upgradation. In case of raising plantations with long gestation period, labour compensation for the pre-yielding phase can also be supported. This fund will be placed at the disposal of implementing Panchayat / implementing agency after the Ministry approves the proposal and MoU is signed between Panchayat / rural producers and the business partner.

Financial support from MoPR under this component will not exceed Rs. 25 lakh per project.

(ii) RBH Cell, documentation, information and communication

CII, the leading institutional partner for RBH, has set up an RBH Secretariat with professionals and support staff who are helping in identifying interested business partners, developing mutually beneficial business proposals and coordinating the initiative. CII provides required office space, furniture / office equipment and remuneration of the personnel. In addition to the above – mentioned scope of work, CII – RBH Secretariat will receive and process proposals under the Scheme, short – list eligible ones and present them before the Empowered Committee of the Ministry for final approval. Ministry will share the cost of an adequately staffed RBH Secretariat including their travel expenses as per the eligibility and restricted to actuals. The provision under this component will be limited to 10% of the annual allocation or Rs. 50 lakh per year, whichever is less, and subject to actual.

B. Proposals

Interested Panchayats, companies interested to link with rural producers and other reputed organisations who can effectively link the rural producers and interested buyers can submit proposals. Panchayats who have identified an economic activity with potential to be developed as RBH can seek assistance of professionals for conducting feasibility study and develop the proposal as per the guidelines for engaging professionals. Proposals from other organisations should be accompanied by a proper analysis of the cluster / product / economic activity with gaps / weakness in the existing system identified and the proposed interventions. Such proposals should also have willingness of at least one Business Partner to enter into relation with rural producers.

Proposals can be submitted directly to the Ministry or through the concerned Panchayats / State Government. However, proposals from other than Panchayats should have been discussed / developed in consultation with the Panchayats

C. Approval of Proposals

CII – RBH Secretariat, along with representative of Ministry, will screen the proposals and place them before the Empowered Committee with the following Constitution:

1 Secretary, Ministry of Panchayati Raj

Chairperson

2	Addl. Secretary, Ministry of Panchayati Raj	Member
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3	JS/FA (Ministry of Panchayati Raj)	Member
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4	Director, Ministry of Panchayati Raj	Member
.		Secretary

Empowered Committee will consider each proposal and approve the ones to be funded under the Scheme.

D. Funding of RBH under BRGF

Panchayats / Implementing Organisations can seek similar assistance from Backward Region Grant Fund (BRGF) implemented by the Ministry of Panchayati Raj for which the proposals are to be initiated by the concerned Panchayats and processed through the planning mechanism laid down in the BRGF guidelines.

8. Release of funds

The fund for sanctioned projects will be released to the implementing Panchayats / Organisations after it is approved by the Empowered Committee. In case of proposals from Panchayats for Professional Facilitators, entire assistance will be released in one instalment. In case of other proposals, 75% of total assistance will be released as one instalment. Remaining 25% will be released on receiving the utilization certificate.

9. Monitoring and evaluation of the scheme

National RBH Executive Committee chaired by Secretary Panchayati Raj will monitor the implementation of the Scheme. The Committee will review the progress of the pilot projects assisted under the scheme and provide necessary guidance. Performance of the RBHs, their sustainability and future course of action will be evaluated through professional researchers also.

An Implementation Coordination Committee consisting of members from Panchayats, business partner and implementing organisations, if any, will monitor the field implementation of individual scheme.

In successful pilot RBHs, producers and business partners are expected to develop a sustainable commercial relation benefiting both the partners. In such cases implementing Panchayats will gain experience in facilitating economic activities for local area development. Impact of the pilots in these aspects will be assessed by the members of the RBH Cell before the direct funding concludes. Suggestions will also be made on the future course of action so that the RBHs sustain as a business activity.

Guidelines for engaging Professional Facilitators for setting up pilot RBHs

RBH initiative works on the 4P model of public-private-panchayat-partnership. The primary role of Panchayats will be to facilitate a mutually beneficial business relation between rural producers and business enterprises through convergence of central / state schemes, financial institutions and implementing agencies.

Professional Facilitators can be engaged to assist the Panchayat in identifying the project proposal, preparation of detailed project reports and right up to establishing marketing linkages. They will also help in bringing in convergence and nurture the RBHs through their formative stage.

As per these guidelines the professionals can be engaged in two phases by the Panchayats / Implementing Agencies.

First Phase

- Prepare profile of products / clusters, which industries/marketing organisations can use as starting material.
- In consultation with officials of development departments at district level, identify at least one product per block, which can form the core of the RBH.
- Identify the schemes / institutions, which can converge on to the short listed RBH.
- In collaboration with members of industry, arrange meet of potential investors and short list one product / cluster per district Panchayat for setting up RBH.
- Help Panchayat to plan for required common infrastructure using the fund available to them, including that of BRGF.
- Support the Panchayat in discussion / negotiation with the industry/marketing organisation.
- Reduce the mutually agreed working relation to MoU with Action Plan and also specify well defined roles and responsibilities for each partner.

Timeframe: Not more than 6 months.

The facilitator may support more than one RBH in contiguous areas. However, the remuneration of Professional Facilitator should be based on the time they spent & their expertise, and not the number of RBHs supported by them.

Second Phase

- Facilitate timely implementation of the provisions of the MoU and the Action Plan.
- Handhold the Panchayat at all stages until the RBH is operational.

- Organise training sessions for Panchayat Pradhans of the district so that they can facilitate RBHs in their own Panchayats.
- Document the processes so that it can be used for further replication.

Timeframe: 6 to 12 months

Qualification and experience of professional facilitator:

- Degree / Post Graduation in Rural Development / Management / Social Sciences.
- First hand experience in economic development of rural area desirable.

Job requirement

- Good knowledge of working of Panchayats
- Ability to work with Government Officials and Panchayat leadership
- Capability to coordinate stakeholders with different views / priorities / expectations and achieving the desired goals.
- Ability to work without close supervision.
- Extensive traveling within the area of jurisdiction
- Ability to communicate in the language of Panchayat and industry

Reporting

- Reporting to head of implementing PRIs / CEO of Zilla Panchayat who in turn will report to State Government and MoPR

Remuneration

- Rs. 50,000/- per month which is an indicative figure for calculation purposes (including TA/DA, office expenses, etc) and actual remuneration may be fixed on a case-by-case basis by the Empowered Committees / Division.

Selection

- Zilla Panchayat / CII will secure the candidature of potential candidates through open invitation.
- Short listing / selection may be done by a committee chaired by Zilla Panchayat and having representative of State Government / CII.
- Candidates may be initially engaged for period of six months (first phase). At the end of this phase Zilla Panchayat may take a decision, based on the past performance, on whether to continue the engagement during the second phase.
- Where the implementing agency is a NGO, it can itself engage the facilitator (with the consent of the Panchayat of the area where the hub is planned).