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# KUDUMBASHREE'S METHODOLOGY IN APPRAISAL OF AN AGENCY

## OVERVIEW

Kudumbashree, the State Poverty Eradication Mission has emerged as one among the Project Appraisal Agencies (PAAs) in the Country through a prestigious programme of Ministry of Rural Development, Government of India named as Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), a Skill and Placement Programme for rural youth. The Programme occupies a unique position amongst other skill training programmes, due to its focus on the rural poor youth and its emphasis on sustainable employment through the prominence and incentives given to post-placement tracking, retention and career progression. DDU-GKY follows a 3-tier implementation model. The DDU-GKY National Unit at MoRD is the agency responsible for national policy-making, funding, technical support and facilitation. The DDU-GKY State Skill Missions embedded in general within the State Rural Livelihood Missions (SRLMs), are envisioned to play a central role in providing co-funding and implementation support to DDU-GKY in the state; and the Project Implementing Agencies (PIAs) who implement the programme through skill training and placement projects. Being the Nodal Agency for implementing National Rural Livelihood Mission (NRLM) in Kerala, DDU-GKY is also catered by Kudumbashree.

During the initial stage of this programme, the Project Implementing Agencies (PIAs) were selected without much appraisal process. But later on Ministry of Rural Development has come up with a Project Appraisal Toolkit, which became the pivotal tool for appraising an Agency under DDU-GKY. This toolkit and the process of appraising the agencies were notified with the help of a Notification No. 20/2017 dated 3rd April, 2017. Based on this notification, SRLMs were asked to empanel Project Appraisal Agency for appraising new Agencies who would like to come as Project Implementing Agencies.

Accordingly, Kudumbashree also empanelled Kerala Academy For Skills Excellence (KASE) as a Project Appraisal Agency (PAA) in Kerala through the Notification No. 7725/MSKILLS/13/KSHO dated 20/01/2017. As per this empanelment, KASE appraised 18 Proposals under 2nd Phase of DDU-GKY empanelment process in Kerala. While appraising a proposal from new Agencies, KASE has charged appraisal fees from Agencies. The Appraisal fees was Rs. 4,50,000/- for Agencies having Head Quarters in Metro Cities outside Kerala, Rs. 3,50,000/- for Agencies having Head Quarters outside Kerala and Rs. 2,00,000/- . Eventhough KASE has appraised the Agencies as per the Notification, there were lot of drawbacks under their system. The first and the foremost issue raised by the prospective Agencies was that of the huge appraisal fees. Due this, lot of good Agencies have turned back to this project in Kerala. Another thing is that, some of the poor performing Agencies got an entry to this programme in Kerala.

During the 3rd Phase empanelment process, Kudumbashree has decided to reduce the QA fees to attract more agencies, but KASE expressed their inability to revise the QA fees. In the light of this, Kudumbashree itself became the Project Appraisal Agency (PAA) under DDU-GKY in Kerala through the Notification No. 7725/MSKILLS/13/KSHO dated 03/02/2018. As per this Notification, the appraisal fees was reduced as follows:

### Appraisal Fees for New Agencies

- (1) Agencies having Head Quarters within Kerala : Rs. 1,00,000/-
- (2) Agencies having Head Quarters outside Kerala : Rs. 1,50,000/-
- (3) Agencies having Head Quarters in metro cities outside Kerala : Rs. 2,00,000/-

### Appraisal Fees for Existing PIA (If QA done within a year)

- (1) PIA having Head Quarters within Kerala : Rs. 50,000/-
- (2) PIA having Head Quarters outside Kerala : Rs. 75,000/-
- (3) PIA having Head Quarters in metro cities outside Kerala : Rs. 1,00,000/-

Accordingly, Kudumbashree appraised 16 proposals under 3rd Phase DDU-GKY and 14 proposals under 4th phase DDU-GKY in Kerala.

## SCOPE AND OBJECTIVES:

The intervention of Kudumbashree in Project Appraisal of new proposals submitted by Agencies have paved the way for an opportunity in this area. Even though there are lot of big shots who have proved their mettle in this area, Kudumbashree is prominent among the Agencies who appraise proposals under DDU-GKY. This intervention has opened the doors for Kudumbashree in appraising proposals under DDU-GKY as well in other projects from different States. This is also a source of revenue for Kudumbashree, which can be used for various welfare activities under this programme. A foreign policy was structured based on the revenue got from this intervention. The policy decision is to support the DDU-GKY candidates for foreign placement with the help of this revenue. An interest-free loan will be given to the candidate who is financially poor to go abroad for employment on a mutual agreement between the candidate, PIA and Kudumbashree. The PIA will responsible for making the candidate repay the loan amount, once he get into the employment.

### The Objectives of this intervention are:

- To analyse the Strength, Weakness, Opportunity and Threat of the Agencies who proposes to become Project Implementing Agencies (PIAs).
- To analyse the Profile of Promoters/Directors in leading a successful Organisation.
- To analyse the training delivery and infrastructure of the proposed Agencies.
- To analyse the placement history and the strategies adopted by the Organisation.
- To analyse the quality of training programme imparted by the Organisation.
- To analyse the financial strength of the Organisation.

## ASSIGNMENT OF ROLES AND RESPONSIBILITIES:

An appraisal manager was appointed by the Kudumbashree for appraising the project, who review the appraisal activities at the end of every day, and make sure that appraisal activities are internally vetted. The appraisal manager is a person with work experience of more than 8

years and has led a team in the past. He has the experience of having conducted project appraisal or due diligence.

### The appraisal manager :

- Make sure that the appraisal plan is being followed
- Review the assessment, understanding and decisions of the appraisal team.
- Review risk areas and PIA's risk mitigation action plan.
- Ensure that appraisal process is being diligently followed, and sign off on the appraisal report. He is responsible for the appraisal in letter and spirit.

An expert in statutory compliances, taxation and finance was designated to provide support to the appraisal team.

- His role was to help the appraisal team with technical concepts like calculations for working capital, filing of annual returns to ROC, analyzing credit information reports issued by CIBIL, financial analyses etc.

A Subject Matter Expert was appointed to comment on the plan for tools, equipment and consumables proposed by the PIA applicant.

- The SME will comment on training plan, training curriculum, teaching and learning material (TLM), source of TLM, trainers' profiles.
- SME will be a part of the field appraisal team, and in exceptional cases, where the SME is not a part of the appraisal team.
- SME has to undertake desk appraisal and provide specific questions and areas that he wants the field appraisal team to look into.
- Skype calls can be conducted by SME with existing trainers to assess their skill training capacity.

A team of at least two appraisers is appointed for field visits. These could be the people who have the above mentioned skills and roles. Preferably, at least one of the members of the field visit team should have industry experience, and at least one of the members should have a quality certification or have worked in quality assurance.

It is recommended that at least two training centers are visited.

Two appraisers providing 3 days for visit to Head Quarters, and visits to training centers. Additionally, 3 days may be taken by one appraiser for writing the appraisal report, while up to additional 6 days may be spent by another appraiser contacting candidates and employers and conducting physical verification.

## PROJECT SCHEDULE

### Project Application Submission

The Online Project Proposals are submitted by prospective PIAs in an online portal named “Monitoring and Regulations for Improved Governance Skills Development (MRIGS)”. While submitting the proposal, an Agency will remit an amount of Rs. 25,000/- into the Bank Account of Kudumbashree as non-refundable application fees.

### Initial Screening

Kudumbashree will screen this proposal initially within ten days from the date of proposal submission. If the Initial Screening of the proposal is not done by Kudumbashree within 10 days, that proposal will get automatically lapsed. Once the proposal is initially screened, it will be recommended to the next level, ie., Qualitative Appraisal.

### Qualitative Appraisal (QA)

The Agency has to remit the non-refundable Qualitative Appraisal fees to the Bank Account of Kudumbashree within fifteen days from the date of recommendation to Qualitative Appraisal. Once the Qualitative Appraisal Fees is remitted, Qualitative Appraisal has to be done within 30 days from the date of appraisal fees remittance. If appraisal is not done within 30 days from the date of fee

remittance, it will automatically lapsed. The Qualitative Appraisal Report has to be submitted before the Project Approval Committee (PAC) of DDU-GKY immediately after the completion of QA.

### Project Approval Committee (PAC)

The Project Approval Committee headed by Principal Secretary, LSGD will conduct the meeting with 30 days from the date of Qualitative Appraisal. All the reports including recommended and non-recommended projects’ reports are placed before the PAC. The PAC will give approval for the projects, which have been recommended by the SRLM.

#### Uploading/Approval of PAC Minutes

The minutes of PAC has to be uploaded/ Approved within 10 days from the date of PAC.

#### Issue of Sanction Order and Signing of MoU

Issue of Sanction Order for PAC approved Projects and Signing of MoU between the Agencies and Kudumbashree has to be done within 21 days from the date of uploading/ approval of PAC minutes. The Performance Guarantee for 6.25% of the total Project Cost has to be submitted before signing of MoU. In case the Agency could not sign the MoU within the stipulated period, the Sanction Order shall be deemed cancelled.

#### Release of first instalment and issue of Project Commencement Order

The first instalment comprising 25% of the total Project Cost has to be issued within five days from the day of MoU signing. The Project Commencement Order (PCO) also has to be issued within 5 days from the day of MoU signing.

#### Commencement of Training

Twenty percentage of the total target numbers have to be commenced within 45 days from the release of first instalment. If this is not achieved, penalty will be imposed on the Agency.

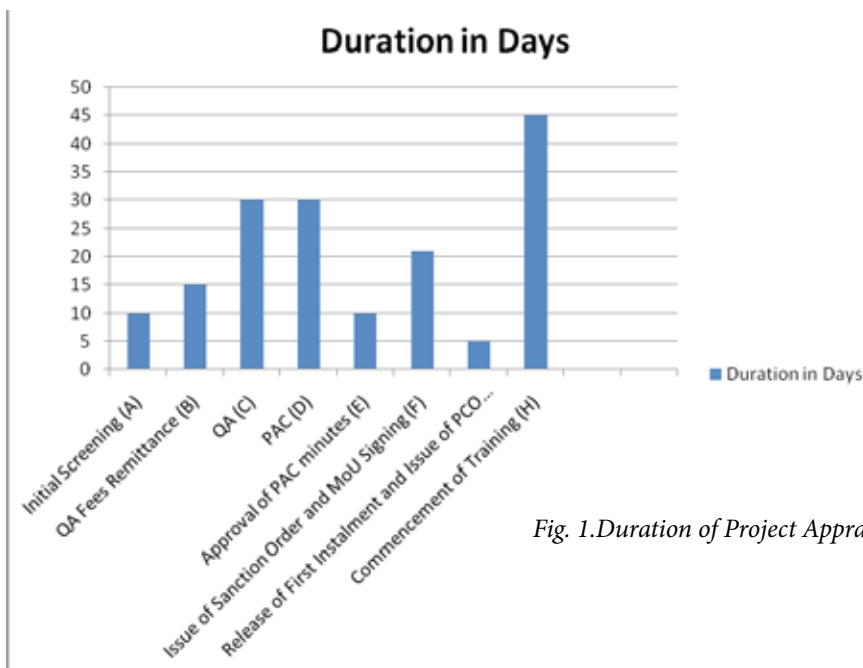


Fig. 1. Duration of Project Appraisal Process

## METHODOLOGY

The Project Appraisal is done with the help of Appraisal Toolkit given in Notification No. 20/2017. The Agencies submitting the project application are categorized into two based on their experience in Skilling. The Agencies who have conducted MES/QP\*NOS/NSQF compliant courses for at least 1 year are appraised based on the Scorecard 1. The Agencies who have not conducted MES/QP\*NOS/NSQF compliant courses for at least 1 year are appraised based on the Scorecard 2. As part of Initial Screening, Agencies have to mandatorily upload 19 documents. Under Qualitative Appraisal, those Agencies which comes under Scorecard 1 should upload 32 documents and those Agencies which comes under Scorecard 2 should upload 22 documents.

### Initial Screening

As part of Initial Screening, 19 mandatory documents have to be uploaded along with project proposal application. The documents are Copy of MoU with Champion Employers (P1), Self Certification for training institution (P2), Copy of letter of accreditation from NAAC (P3), Copy of agreement with NSDC and applicant organization for equity or loan or non-funding partnership (P4), Copy of Letter of Affiliation to University (P6), Sanction letter from UGC for grants (P7), Sanction letters From AICTE for grants (P8), Copy of Certification of a trained candidate by DGT/ SSC (P9), Manual detailing Standard operating procedure for training activities (P15), Proof for ITR acknowledgement (P17), CA Certificate of Statutory Auditor/ Annual Auditor, supported by Balance sheet and Profit and Loss account statement (P18), Copies of Sanction order for previous skills and training projects (P20), Client Certificate for previous skills and training. Project closure certificate for closed/ fore closed projects (P21), Employer Certificate for Overseas Placement (P22), Certificate for captive placement (P23), Scanned copy or the Screen-shot of the NEFT/RTGS transaction made for application fee (A13), Letter of Intent from Potential Employer (s) (A1), MoU between Outsourcing Partner and the applicant Organization (A2.1) and Registration Certificate as Legal entity of the Outsourcing Partner (A2.2). All the documents submitted for Initial Screening will be verified at two levels. The verification at L1 is done by Appraisal Executive and recommended for L2 or rejected. The approval will be given to this by the Appraisal manager at L2. Once L1 recommends and L2 approves, the proposal will be taken to next level, ie., Qualitative Appraisal.

### Qualitative Appraisal

At Qualitative Appraisal, documents uploaded are verified at the time of field visit. During the time of Qualitative Appraisal, the Applicant Organisation is appraised based on five parameters namely, Organisation Strength, Training Delivery and Infrastructure, Placement, Quality Assurance and Financial Strength. The Applicant

Organisations are categorized into two, ie., Scorecard 1 and Scorecard 2. In Scorecard 1, 32 documents have to be uploaded and in Scorecard 2, 22 documents have to be uploaded. The documents that have to be uploaded under Scorecard 1 are :

1. Description of experience of promoters, directors, and chief executives and their experience in providing skilling / training or placements in captive employment or otherwise.
2. Organisation chart with names (if available), designations and KPIs that each person is responsible for, with respect to skilling operations. Description of what standards or bands have been defined for each KPI.
3. Description of processes for engagement with employers on for facilitating interaction of candidates and employers.
4. Please quote specific examples of events organised and reference them with dates, which batches did the employers meet, and names of employers' representatives.
5. Details of prospective employers of DDU-GKY candidates, if already identified (along with written agreements with prospective employers if the arrangement is documented, and contact details).
6. Skills gap and industry analysis for the proposed trades and geographies. The analysis should make a case for why the PIA applicant wants to conduct training in a given trade and the given state, reason for entry in the state if the PIA applicant has not skilled people in the state before, demand for those skills, current scenario and supply of skills, future growth, economic factors, industry changes, technological shifts, risks etc.
7. Description of employers that have been involved in development of training program, course content or teaching learning material, or OJTs that have been arranged in the past, and the number of people that these employers have hired in the past 1 year.
8. Copies of 1. Syllabus, 2. Activity cum lesson planner with session plans for trades for which the PIA has applied, 3. Trainer's guide (domain specific), 4. Facilitator's guide (general training guidance), and 5. Trainee Guide.
9. Confirmation of whether the curriculum and teaching and learning material is ratified by the respective SSC/ NCVT.
10. Confirmation regarding languages in which teaching and learning material is available in for proposed courses, including domain skills, Information Technology, English, Numeracy and Soft Skills.
11. Description of processes for training-the trainers in the PIA, and details of any training programs conducted that the trainers currently with PIA applicant have gone through.
12. Details of salaries paid to current domain trainers and other trainers, and proposed salaries for DDU-GKY

trainers.

**13.** Description of process of staying in touch with placed candidates and obtaining their feedback and pain areas, and approach to providing post placement support and being in touch with candidates to ensure better retention of candidates after placement. Details of team members who contact placed candidates including details regarding Email ID or helpline number is also required. Telephone records substantiating calls made to candidate numbers in last 3 months and details of PIA hotline (email/ helpline number) should also be provided.

**14.** Candidate wise data for current/past projects with names, phone numbers, initial employers names, employer address, latest known employer name, starting salaries, latest known salary, whether appeared for assessment or not, permanent/family address of the candidate, result in external assessments - across the country.

**15.** Candidate wise data for current/past projects with names, phone numbers, initial employers names, employer address, latest known employer name, starting salaries, latest known salary, whether appeared for assessment or not, permanent/family address of the candidate, result in external assessments - across the country.

**16.** Description of resources, processes and their frequency to provide placement support.

**17.** Description of processes for taking employers' feedback on candidates hired and on training centers etc.

**18.** Mention which employers have shared positive/negative feedback in past one year, and the number of people these employers have hired in the past 1 year.

**19.** Process of internal or quality audit for skilling operations. Please mention name of the organisation that conducts internal audit, and names of current internal auditors, their designations, and other tasks that they handle in the organisation.

**20.** Please submit the last internal audit report submitted by the auditors.

**21.** For an existing PIA, Performance report, includes Data on number of candidates trained and placed versus target in the sanction order to be submitted by applicant.

**22.** Self declaration by the CEO/ COO/ Head of Skilling Operations if any DDU-GKY projects or other government skilling projects that have been foreclosed, of any instances of blacklisting, and until what date is the blacklisting effective, and of any bankruptcy proceedings initiated against the applicant.

**23.** Description of the information system(s) or ERP in place for managing operations and maintaining data across life cycle of the training program.

**24.** CIBIL scores of directors and promoters.

**25.** CA certified Free fund flow statement for last three years.

**26.** PIA's projected free fund flow statement for next three years, reflecting quarterly or monthly balance of working capital.

**27.** Projected DDU-GKY project cash flow based on a tentative prospective project work schedule and release of instalments (PPWS) for the concerned project only.

**28.** Audited financial statements for the last three fiscal years, along with, auditor's opinion and all footnotes (if not already submitted as part of the application), schedule and ageing of debtors.

**29.** A Company Credit Report (CCR) or a Commercial Credit Information Report issued by CIBIL within 6 months prior to date of project application.

**30.** If not already clearly stated in the audited financial statements, a declaration from the PIA applicant's statutory auditors declaring the contingent liabilities not reflected in the audited financial statements, or a statement that there are no contingent liabilities, including guarantees or assurances provided to third parties or an affiliated company, unused encashable leaves of employees, insufficient or non-payment of employee social insurance and taxes, possible litigation risks caused by violation of the laws and regulations.

**31.** Self-declaration by CEO/ CFO of which statutory payments is the organisation required to make and which statutory returns is the organisation required to file, and whether these payments and returns have been filed on time.

**32.** Statutory payments and returns--Income Tax Returns, Service Tax Returns, and annual filings with ROC (say, in case of companies), ETDS, VAT, PF, ESI and other applicable returns--may be provided for review during the appraisal.

All these documents will be verified during the time of field visit and marks (1Point, 4 Points, 8 Points and 10 Points) will be given based on the documents verified. A Scorecard will be generated at L1 and L2 level. L1 is done by the Appraisal Executive and L2 is done by the Appraisal Manager. The questions are arranged in such a way that, the appraisal scoring the done for five parameters. If the score of a parameter is between 1 and 3, it will be in Red colour. If the score of a parameter is between 4 and 7, it will be in Yellow colour. If the score of the parameter is between 8 and 10, it will be in Green Colour. If there is two or more red colour in a scorecard, then that proposal has to be rejected or not recommended.

The Scorecard 2 is having 22 documents, less than Scorecard 1.

### Project Approval Committee

The Project Approval Committee under DDU-GKY, Kerala is known as State Level Co-ordination Committee, which is headed by Principal Secretary, LSGD, Government of Kerala. The Convenor of this Committee is Executive

Director of Kudumbashree. The members of this Committee are :

1. Additional Chief Secretary, Labour and Rehabilitation Department or Representative.
2. Additional Chief Secretary, Higher Education Department or Representative.
3. Principal Secretary, Finance.
4. Director, Social Justice Department.
5. Director, Scheduled Caste Development Department.
6. Director, Scheduled Tribe Development Department.
7. Director, Employment & Training Department.
8. Director, Kerala Institute of Skills Excellence.
9. Managing Director, KSWDC.

The Qualitative Appraisal Report along with Scorecard and recommendation of SRLM is placed before the SLCC. They give approval based on their evaluation and inferences. During the time of SLCC Committee, the Applicant Organisation is called for one-to-one presentation.

### Approval of SLCC Minutes

The minutes of the State Level Co-ordination Committee is approved within 10 days from the date of SLCC meeting.

### Issue of Sanction Order and MoU Signing

Sanction Order is issued to those Agencies who have got approval from SLCC. Once the Sanction Order is issued to the selected Agencies, a Performance Guarantee

for 6.25% of the total project cost will be collected from each Agency. After getting all the Bank Guarantees, the MoU between Kudumbashree and Project Implementing Agencies will be carried out. The whole process should be done within 21 days from the date of SLCC Minutes Approval. Kudumbashree has set the National Record in this aspect by taking less than 10 days.

#### First Instalment Release

The first instalment comprising 25% of the total project cost will be released within 5 days from the date of MoU Signing.

### Commencement of Training

As per the MoRD Notification, 10% of the total allocated number has to commence within 60 days from the date of first instalment release. But Kudumbashree has modified to 20% commencement within 45 days.

### REVENUE COLLECTED THROUGH PROJECT APPRAISAL

During the Second Phase Allotment under DDU-GKY, KASE was the Appraisal Agency in Kerala. They have collected Rs. 70 Lakhs from the Qualitative Appraisal done under DDU-GKY, Kerala. But in the Third and Fourth Phase, Kudumbashree has retained it from KASE. During these two phases, Kudumbashree got a revenue of Rs. 49 Lakhs by doing Qualitative Appraisal.

