MGNREGS – Creating Rural Livelihoods in a Demand Driven Manner

Key Features of MGNREGS

- The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is rights based legal framework for providing livelihood security to rural households. The Act mandates that at least one third of the beneficiaries under the scheme have to be women.

- Initially implemented as NREGA in 200 selected backward districts across the country on February 2, 2006, the scheme was extended to all the other districts over the next couple of years and renamed MGNREGA.

- World Bank has ranked it as the largest public works programme in the world in its report 'The State of Social Safety Nets 2015'.

> "This year, at a time when the Londhera dam does not have any water and the harvesting season is about to begin in a couple of months, it is only because of NREGA work that we have been able to repair and restore some of the old water storage structures. "
>
> - Harish Saindwane, resident of Kahatul GP, Nandurbar (Maharashtra)

Earlier in 2016, as the country was faced with a drought like situation with many districts declared drought affected by the respective state governments, the Government of India decided to leverage the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) as a drought mitigation measure by providing 50 days of additional employment in the drought affected areas. This notification once again highlighted the immense potential of the scheme as a means to ensure livelihood security to rural households. It is in this context that this brief seeks to provide a detailed anlaysis of MGNREGS, which came into being through the Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA) notified on 7th September 2005. The brief also highlights the working mechanism of the scheme and analyzes the challenges from an on ground perspective based on the Swaniti team experience and goes on to make recommendations to strengthen the scheme.

Understanding the Structure of MGNREGS – Ensuring Job Security for Rural Households

The largest public works programme in the world, which has completed 10 years of implementation, MGNREGS is a programme that empowers rural households by guaranteeing wage employment. Under this scheme, each rural household is eligible for 100 days of wage employment as long as the adult members of the household agree to do unskilled labour. The labour is employed for undertaking developmental works in and around the region. The works that can be undertaken under the scheme include structures for water conservation, drought proofing, irrigation, land development, rejuvenation of traditional water bodies, flood control and drainage work and rural connectivity. Works on the land of SC/ST/BPL/IAY beneficiaries/land reform beneficiaries/individual small and marginal farmers are also included under the ambit of the scheme. Work related to agriculture and allied activities comprise a majority of the works undertaken as part of the MGNREGS. Moreover, as a scheme envisaged to provide livelihood security to rural households, the scheme places special emphasis on creating a strong institutional structure at the Gram Panchayat level. The idea is to empower the households to demand work and participate in successful implementation of the public works undertaken under the scheme.

It is in accordance with this vision that at least 50 percent of the works undertaken (in term of cost) in all districts is to be carried out by the GP. In order to plan the works under MGNREGS, a labour budget (consisting of the amount and schedule of works to be undertaken) and an Annual Plan are prepared by each GP. Other implementing agencies like State departments, District Panchayat, Intermediate Panchayats have to send their plan of works to the concerned GP so that they can be included in the labour budget. A Gram Rozgar Sahayak (GRS) or Employment Guarantee Assistant, who oversees the execution of works in each village, is also employed in each GP for the implementation of the scheme and helping in the preparation of the two documents. This document is then placed before the Gram Sabha and discussed in detail before it is accorded approval and forwarded to the concerned authorities at the block level.

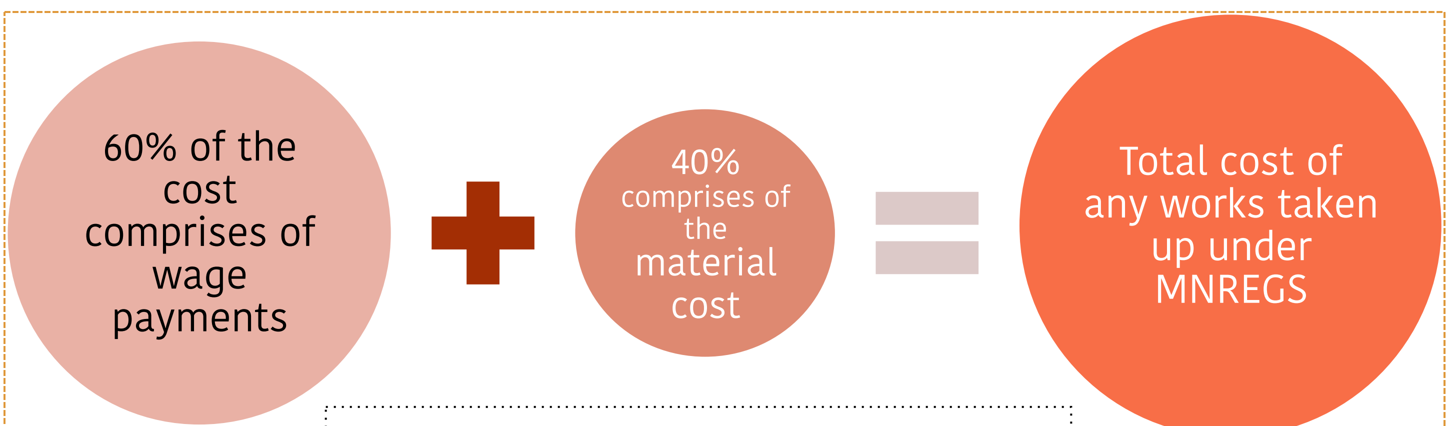

Figure 1: Wage to Material Ratio under MGNREGS i.e. 60:40

When it comes to the preparation of the labour budget, the cost planning of the work is to be done in such a manner that the majority of the funds are spent on wages. The cost estimate of any works approved under the scheme has to follow the 60:40 ratio of labour cost to material cost, which is maintained down to the GP level. This ensurees that the majority of the MGNREGS funds are spent on wage payments rather than procurement of materials.

The wages under the scheme differ from state to state as they are dependent on the Minimum Wage rate set for each state. In order to ensure competiveness of wages, they are linked to the Consumer Price Index – Agricultural Labourers (CPIAL), which measures the change of prices of those goods consumed by agricultural labourers. According to the MGNREGA, the wages cannot be less than Rs. 60 per day. The wage rates of the highest and lowest paying States, notified on 25th February 2016, are provided below.

Payment under MGNREGS in five States/UTs with the highest wages

Payment under MGNREGS in five States/UTs with the lowest wages

Name of State	Wages (daily)	Name of State	Wages (daily)
Haryana	Rs 259	Bihar	Rs. 167
Chandigarh	Rs. 248	Chhattisgarh	Rs. 167
Andaman & Nicobar (Nicobar district)	Rs. 243	Madhya Pradesh	Rs. 167
Kerala	Rs. 240	Meghalaya	Rs. 169
Lakshadweep	Rs. 220	Nagaland	Rs. 172

At present, the range of wages varies from Rs. 167 to Rs. 259 per day. Haryana offers the highest wage at Rs. 259 per day, whereas Bihar, Madhya Pradesh and Chhattisgarh offer the lowest daily wages at Rs. 167. With regards to the cost sharing, the Central Government bears the total cost of unskilled labour, and 75 percent of the cost of semi-skilled labour and material.

In terms of the implementation structure, the Ministry of Rural Development (MoRD) acts as the nodal agency for MGNREGS at the central level. Since the scheme is designed to be demand driven, the amount of funds allocated to each state is dependent on the demand of work generated in each state. At the state level, a State Employment Guarantee Council (SEGC) is set up to look over the implementation of the scheme. The fund flow within the state is managed by another government body called the State Employment Guarantee Fund (SEGF), which receives all the funds from the Centre for the implementation of the scheme. The body is also responsible for tracking the fund flow within the state down to each GP. In a situation where the state is not able to meet the generated work demand, it faces financial disincentive as the beneficiaries under the scheme are entitled to an unemployment allowance which is debited from the state's coffers.

Application for Work – ‘Jab Kaam Mangenge, Tab Kaam Khulega’

Any household, whose members are willing to do unskilled manual labour, is eligible under this scheme. To receive wage employment, the members of a household have to apply for a Job Card (JC) to the GP. The application has to contain the names and other specified details of all the adult members of the household. The application can be made on plain paper. After the due verification process conducted by the GP, the Job Card has to be issued within a fortnight, with a specific registration number. The job card is valid for a period of five years.

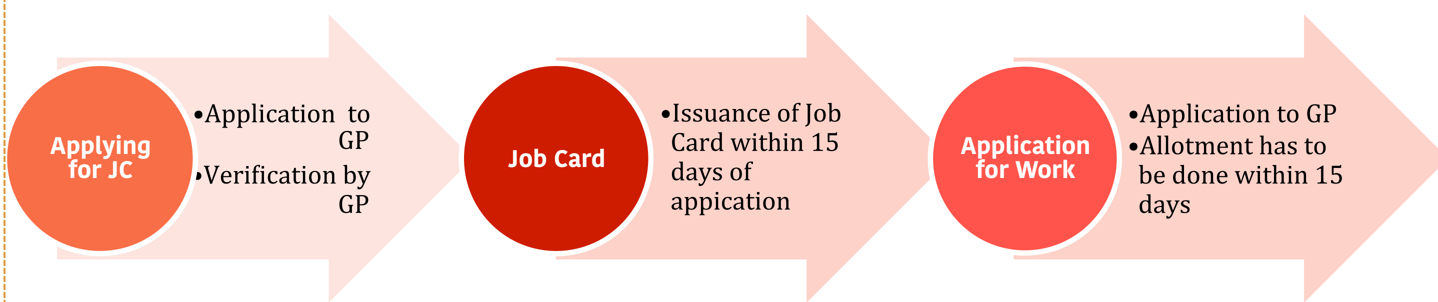

Figure 2: Work Application Process under MGNREGS

After the issuance of the job card, an application for work can be made to the GP at any time of the year. The application has to state the date from which the employment is required and the duration of the employment. Work has to be allocated within fifteen days of the application, after which the household is eligible for receiving unemployment allowance provided by the State Government. The work has to be allocated within five kilometres of the village. If the work is situated beyond that distance then the worker is eligible for transport allowance which would be 10 percent of the wages. The guidelines also mandate that the work site should contain a first aid box, drinking water facility and shade. According to the guidelines, the workers have to utilize their own tools on the work sites, sharpening facilities would be available at the work site.

The workers receive payment on a weekly basis, whereby one week’s payment is given by the end of the succeeding week. The payment is made to the bank account or the post office account of the worker. The payment has to be made within 15 days, at the most. Moreover, as per the RBI circular DBOD.AML.No. 77 /14.01.001/2010-11 dated 27th January 2011, a Job Card can be used as an identify proof i.e. it will be considered as an officially valid document for opening a bank account. In light of the fact that bank network penetration is still poor in certain areas, the MGNREGS guidelines allow for cash payments through a Payment Committee, constituted at the GP level. The PC comprising of GP Head, representative of the ward where the work is taking place, school headmaster/teacher, 2 women SHG members (if applicable) and atleast 3 MGNREGA workers (one woman and one SC/ST).

Key Stakeholders – Understanding their Roles

Members of rural households enjoy the right to demand work at any time of the year.

They have to apply to the GP for getting a job card

After the issuance of a job card, the members of HH can give in an application for work

The Gram Panchayat is required to implement at least 50% of the works under the scheme.

A Social audit has to be conducted in the GP once in six months to examine the working of the scheme.

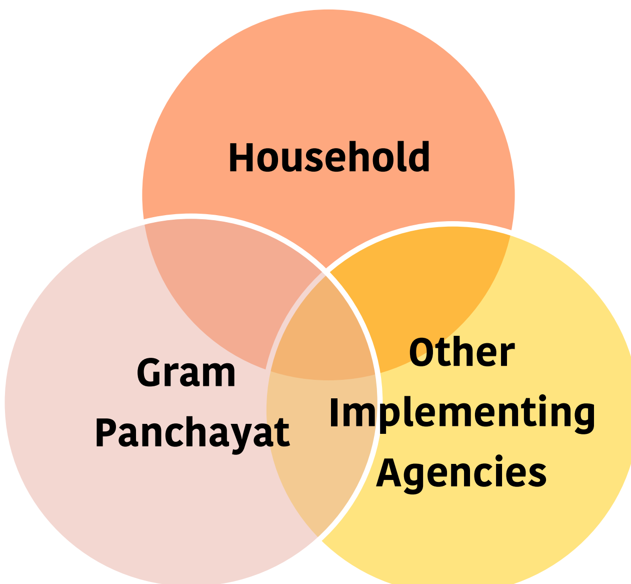

Figure 3: Key Stakeholders

In MGNREGS, the other implementing Agencies could include line departments, State bodies, district level authorities and other CSOs i.e. civil society organizations.

Implementing bodies have to send their plan of work to the GP for their approval.

Convergence of MGNREGS with other schemes – The Immense Potential

There are other schemes, which are in operation for promoting rural development. The potential to leverage resources from a combined set of schemes has been recognized by policy makers. Subsequently, there has been a push to converge MGNREGS with other schemes and programmes of the GoI so as to prevent duplicity of work and promote targeted and sustainable development. Guidelines have been issued for convergence of MGNREGS with other schemes like Indira Awas Yojana (now rechristened Pradhan Mantri Awas Yojana – Grameen) for construction of houses, Integrated Child Development Services for construction of buildings for Anganwadi Centre, the National Afforestation Programme and the Repair, Renovation and Restoration (RRR) of water bodies.

The convergence could be in the form of pooling of resources for funds or technical expertise. For the purpose of promoting convergence, a District Resource Group (DRG) is to be formed under District Programme Coordinator/Collector (DPC). The DRG would consist of representatives of all the line departments involved with the project. This committee has to identify the norms and operational model for convergence of MGNREGS with other developmental programmes. The body also has to ensure that convergence model is compatible with MGNREGS. Correspondingly, there are Block and Village level Resource groups, which work under the DRG. However, even within the convergence model the funds for MGNREGS cannot be utilized for the implementation of any other schemes.

There are several examples of convergence which have been carried out successfully in the states of Andhra Pradesh, Odisha, West Bengal, Maharashtra and Chhattisgarh. One such example is presented below.

Case Study of Convergence in Dhone Mandal, Kurnool, Andhra Pradesh

Convergence Projects have been undertaken in 123 districts across 22 states. In the Dhone Mandal of Kurnool district, Andhra Pradesh, the state government has formulated a model for convergence between NREGS and the National Horticulture Board (NHB). A micro irrigation project has been developed in collaboration with the Andhra Pradesh Micro Irrigation Department, NHB and the State Department for Rural Development. The farmers are divided into groups of four to five, and are known as Common Interest Group (CIG). Each farmer contributes two acres of land and they are provided training for cultivation of horticultural crops (mango and sweet lime). The State department of micro irrigation provides drip irrigation, while the wages for the project are provided by the MGNREGS.

Drawbacks in the implementation of the Scheme

Currently, MGNREGS has been operational for ten years and there are a total of 13.04 crore Job Card holders, out which 55% are active. However, there are certain problems or challenges that have come up during the course of implementation. The Lok Sabha Standing Committee on Rural Development, in its report on the Implementation of MGNREGA, 2013 had outlined the problems, which impede the healthy functioning of the scheme, some of them have been outlined below:

Delay in completion of works: The average work completion rate from the year 2006-07 to 2012-13 has been 33.22% (Total work completed/Total work taken up X 100). There are several reasons for the delay. One of the key faults is the cost escalation during the course of work. Revision of wages or increase in the cost of materials leads to increase in the total project cost. In some of these cases, the increase is not accommodated by the labour budget. Hence, those works have to be abandoned. There are other works which are left incomplete because of the non-feasibility of the task e.g. detection of hard rock boulder, drying up of water bodies etc. Other reasons for the delay also include the delay in uploading of data on the MIS, spill over of works from one financial year to the next, lack of technical expertise of the Implementation Agencies amongst other reasons. While the completion rate is far from satisfactory, there are some states, which have managed to consistently perform well like Kerala, Tripura, and Manipur.

Delay in payment of wages: Most of the beneficiaries of the scheme rely on MGNREGS wages for their daily subsistence. In this case, delay in the payment of wages becomes a major roadblock for the successful implementation of the scheme. The delay in payment is accounted for by the lack of adequate banking infrastructure, which hinders payment of wages. According to the committee report there are 56,000 rural branches and 1,52,000 post offices. A single person mans most of the post office branches. This kind of branch outreach network is woefully inadequate for the disbursal of wages on such a large scale. The spread of financial services is not enough to handle the kind of requirements, which is created by the wage disbursal under the scheme.

The nature of works: The works, which are commissioned under the scheme are required to be durable, however there have been a large number of complaints about the temporary and low quality nature of the works. One of the crucial factors, which lead to non-durability of the works, is the 60:40 wages to material ratio stipulated for the expenditure of any work. In some regions, where the cost of procurement of material is high like hilly areas, or flood prone regions 40% of expenditure for the material cost is not enough to create good quality structures which will stand the test of time. In some cases the material cost rises up due to market variation, which leads to insufficient funds being available for good quality material.

Apart from the problems mentioned above, there are others which plague the scheme like pilferage leading to leakage of funds, delay in the provisions of job cards, lack of trained manpower at every level.

The Way Forward – Recommendations for Strengthening MGNREGS

The present year, 2016 is the tenth year of the implementation of MGNREGS. From its inception, a total amount of Rs. 3,13,844.55 crore has been spent under this scheme, 71 percent of the amount has been expended for the wages of the beneficiaries. It has significantly contributed to rural livelihoods by increasing the income level of the households, in the lean periods of the year. Recently, certain changes have been introduced in the scheme which has increased its usage for vulnerable sections of the society. In the last two years, the number of days of wage employment has been increased from 100 to 150 for certain sections of population i.e. inhabitants of drought prone areas and ST households in forest areas. However as outlined above, there are roadblocks to the healthy functioning of the scheme which need to be addressed. Some of the measures which could be undertaken have been outline below.

Adequate and qualified manpower at every level: Adequate and qualified personnel need to be involved in the process of the implementation of the scheme. A well qualified staff for every level of process would lead to capacity augmentation of all the stakeholders involved. States/UTs can utilise 6% of the annual expenditure for the emoluments of the Programme Officer, GRS, and other support staff. The fund balance should be efficiently utilized for employing well qualified engineers and account assistants at every level, especially at the GP and GS level to not only strengthen the PRIs but also for efficient utilization of resources.

Strengthen GP capacity: The Gram Panchayat is one of the most crucial bodies for the implementation of the scheme. It is responsible for implementation of 50 % the works. They are also required to hold social audits once in every six months. However despite the devolution of power, not much has been done to enhance the capacity of the GP. Regular training sessions have to be conducted within the GP, so as to make all inhabitants aware of the features and new developments under the scheme. Special sessions need to be undertaken to spread the importance of detailed record keeping at the GP level. The members need to be made aware of the importance of the social audits and the need to organize it regularly. Civil Society organizations (CSOs) and Self Help Groups (SHGs) could be involved in the process of trainings and information dissemination.

Innovative Models for wage payment (Micro Automatic Teller Machines): In order to ensure maximum outreach of all benefits under MGNREGS, innovative models need to be experimented with to improve the wage payments mechanism. One of them is the micro ATM, which could aid in the disbursal of wage payments. The micro ATM is a portable machine which is powered by the internet. Through this machine, the beneficiaries can check the balance in their bank accounts, and withdraw funds. The person who is responsible for the machine would carry the funds, which would be withdrawn by the beneficiary on the spot. The micro ATM can be under the guardianship of a local cooperative society or SHG or a responsible member of the community. The model is functional in Andhra Pradesh. Another solution for the spread of financial services is the seeding of bank accounts with Aadhar card. Aadhar-based wage payments have been fully operational zed in the state of Himachal Pradesh, according to the Sameeksha reports of MoRD.

Annexure A

State-wise details of total number of job card (JC) holders, the fund allocation and average number of working days under MGNREGS, as on 7th October 2016, are provided in the table below:

Name of State	Total Number of Job Cards (in lakhs) (% of Active JCs)	Total funds Available (in INR lakhs)	Average number of Working Days per household
Andaman and Nicobar	0.35 (60%)	253.04	N.A.
Andhra Pradesh	84.57 (55%)	0	40.18
Arunachal Pradesh	2.1 (97%)	9789.84	18.73
Assam	48.49 (50%)	0	23.81
Bihar	139.72 (25%)	0	28.99
Chandigarh	0 (0%)	0	N.A.
Chhattisgarh	37.38 (82%)	4224.78	34.68
Dadra & Nagar Haveli	0.08 (0%)	0	N.A.
Daman & Diu	0 (0%)	0	N.A.
Goa	0.36 (31%)	189.86	11.38
Gujarat	35.47 (31%)	0	37.1
Haryana	8.38 (58%)	0	22.12
Himachal Pradesh	12.02 (59%)	1405	26.03
Jammu and Kashmir	13.26 (70%)	47,288.38	27.94
Jharkhand	39.39 (52%)	0	34.71
Karnataka	54.99 (49%)	0	39.23
Kerala	31.83 (61%)	0	21.5

Lakshadweep	0.08 (13%)	21	N.A.
Madhya Pradesh	66.59 (67%)	6349.93	31.39
Maharashtra	80.48 (29%)	0	41.78
Manipur	5.47 (95%)	27473.91	15.65
Meghalaya	5.08 (88%)	51632.19	29.33
Mizoram	1.86 (100%)	2004.88	30.06
Nagaland	4.26 (100%)	44369.96	33.64
Odisha	66.97 (45%)	0	31.01
Puducherry	0.71 (66%)	136	N.A.
Punjab	12.67 (58%)	1622.35	22.41
Rajasthan	101.84 (58%)	0	42.94
Sikkim	0.84 (90%)	7941.6	36.09
Tamil Nadu	85.4 (86%)	54439.92	38.2
Telangana	55.88 (55%)	0	33.98
Tripura	6.08 (100%)	0	54.5
Uttar Pradesh	164.39 (54%)	0	27.54
Uttarakhand	11.38 (67%)	0	28.7
West Bengal	125.72 (68%)	0	27.24

Source: nrega.nic.in