# UNSPENT BALANCES AND FUND FLOW MECHANISM UNDER MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)


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## Preface

The study on 'Unspent Balances and Flow of Fund Mechanism under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNRES)' was undertaken by the National Institute of Public Finance and Policy (NIPFP) at the request of Ministry of Rural Development, Government of India. These are important issues for a demand driven programme such as MGNREGS, as effective fiscal management requires optimal utilisation of the funds provided for this progamme. The authors carried out exhaustive research on the funds flow mechanisms and trends in unspent balances across Indian states and have also undertaken field visits to 8 states of India. The empirical analysis and investigations have enabled the authors to make a number of policy recommendations which I am confident will be extremely useful to the Government of India in efforts to improve the quality and effectiveness of public expenditure management.

This study was carried by Professor N.R. Bhanumurthy, Dr. H.K. Amar Nath, Mr. Akhilesh Verma and Mr. Adarsh Gupa. The views expressed in the report are that of the authors and the members of the Governing Body of the Institute are no way responsible for them.

(Rathin Roy)
Director

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At the institute, the team has received immense support and guidance from the Director, Rathin Roy for which we are grateful to him. The research team would also like to thank the institute's office staff and also the publication team S.C. Sharma and Kavita Issar for their support in successfully completing the project and also for bringing this book publication elegantly.


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# I. Introduction

The Government of India, through Ministry of Rural Development, has initiated various programmes that are targeted at rural areas and rural poor population as part of inclusive development policy. Some of them are *Mahatma Gandhi National Rural Employment Guarantee Scheme* (MGNREGS), Prime Minister's *Gram Sadak Yojana* (PMGSY) focusing on rural roads and connectivity, *Indira Awas Yojana* (IAY) for the rural housing, *National Rural Livelihood Mission* (NRLM) for the self-employment, *National Social Assistance Programme* (NSAP) for social protection and old age pensions, etc. While most of these schemes have been implemented with reasonable success, MGNREGS has been the most successful as well as the most popular programme (Sameeksha, 2013). At the same time various evaluation studies have shown that MGNREGS has been well-structured and easy to track compared to other programmes largely due to innovative use of Information Technology and banking technology. Indeed the implementation mechanism of MGNREGS has been the best practice and adopted for other social sector programmes as well.

*Mahatma Gandhi National Rural Employment Guarantee Scheme* (MGNREGS) is undoubtedly one of the massive employment generating schemes and demand driven with bottom-up approach in terms of its planning and implementation at the rural segments. With such extensive coverage, involvement of multiple organisations, huge fund allocations and fund flow mechanism play an important role in its success. Any failure in implementation, delay in fund releases, and improper planning may result into huge unspent balances, particularly when the funds move out of government treasury system and are channeled through implementing agencies outside the government set-up (such as Rural Local Bodies). However, despite being the most successful programme, the allocation to this programme over a period of time has been declining. This is causing some concern about the framework and overall fund-flow mechanism of this programme *(see, table 1)*. Further, there are huge unspent balances in many states in spite of declining allocations and linking the wages to the annual consumer price index which has been increasing annually between 8 to 10 per cent over the last three years. Nearly one third of the funds released have remained unspent in the entire period except 2012-13.

**Table 1:** Fund Release and Unspent Balance

| Year | Fund release (cr.) | Unspent balance (cr.) | Non-utilisation (%) |
|---|---|---|---|
| 2008-09 | 29945.44 | 10039.60 | 33.53 |
| 2009-10 | 33506.61 | 11597.94 | 34.61 |
| 2010-11 | 35242.71 | 13238.26 | 37.56 |
| 2011-12 | 29184.86 | 9371.22 | 32.11 |
| 2012-13 | 30001.01 | 5182.15 | 17.27 |

***Source:*** MIS, MoRD

The outcomes of spending patterns at the state level as well as over time are mixed in nature. Some states have been at the forefront in terms of successful implementation of MGNREGS while in some states they are tardy. While all the states (except Karnataka) have unspent balances, some states are experiencing huge levels of unspent balances, thus making the success of the programme uneven. Unspent balances could arise due to many reasons such as excessive allocation against predicted excessive demand, lack of capacities in planning and implementation at local levels, delay in receipt of funds, and other governance and administrative issues. Though it is necessary to look at the reasons for such unspent balances, it is reasonable to assume that all unspent balances that is reflected in the balance sheets as ‘unspent’. Otherwise there should be some minimum balance that needs to be maintained at each stage of allocation for the continuation of the programme in the new financial year until there are some releases after the sanction of budget for whole year.

Given the scarcity of public resources and with high fiscal deficits that India is running in the recent years, the issue of unspent balance and containing it becomes important as such a massive scheme is funded through borrowed funds attracting a significant interest burden. At the same time, the balance with implementing agencies is getting zero or receiving lesser interest than what the government is paying on borrowings. As the success of development programmes depend on various aspects of planning and implementation, allocations and fund flow mechanism, principles guiding the implementation and the capacities, there is a need for understanding the problems in the planning and execution of the MGNREGS and factors leading to huge unspent balances under MGNREGS. Towards this direction, in this report, an attempt has been made to understand the fund flow mechanism and implementation strategies in various states to contain the unspent balances with the implementing agencies.

There are a number of evaluation studies on MGNREGS that have dealt with its coverage and its impact. However, these studies have mainly brought out some gaps in the overall project implementation and its impact on the rural poor. None of the studies have looked at the issue of public finances of unspent balances and the gaps in fund flow mechanism. The information from the

Ministry of Rural Development (MoRD) shows that the unspent balances, although declining, are still large. Such high unspent balances could be majorly arising in three stages of implementation

i. There could be substantial discrepancy in the actual demand and the projection made by the states i.e. Labour Budget of MGNREGS.
ii. There could be due to lack of proper effective implementation of the programme.
iii. As the trends in unspent balances shows huge variation across states, there could be some state specific factors that are contributing to unspent balances.

## Trends in Unspent Balances in MGNREGS

At the all India level, the unspent balances appear to be still at high levels and are measured through the utilisation ratios. The utilisation ratio is defined as the extent of funds utilised as a proportion to total fund available. At the all India level in 2012-13 the utilisation ratio is about 80 per cent with around 20 per cent as unspent balances. However, there is an improvement over the past three years. The utilisation ratio improved from around 60 per cent in 2010-11 to 80 per cent recently in 2012-13. But the trends at the state level show some divergences.

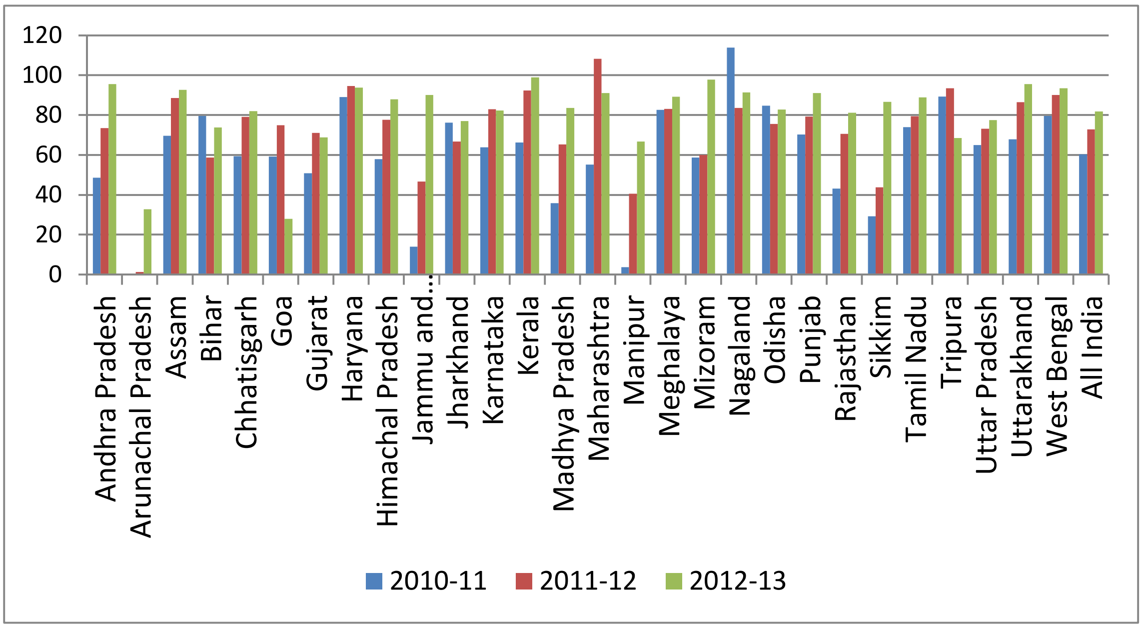
It may be noted from Graph 1 that some of the states are showing less while some are showing high unspent balances. Further, most of the states have indeed improved in their utilisation levels over three year period. States such as Andhra Pradesh, Assam, Haryana, Jammu & Kashmir, Kerala, and Uttarakhand show high utilisation ratios, while the states such as Bihar, Goa, Gujarat, Jharkhand, Uttar Pradesh and some smaller states show very less utilisation ratios. However, in some states the utilisation ratios have shown some declining trend, which is a cause of concern.

**Table 2:** Extent of Unspent Balances in MGNREGS 2011-12
(Selected states chosen for field study)

| State | Unspent balances |
|---|---|
| Andhra Pradesh | High |
| Assam | Low |
| Bihar | High |
| Karnataka | Low |
| Meghalaya | Low |
| Odisha | Low |
| Rajasthan | High |
| Uttar Pradesh | High |

***Source***: Calculation made from MIS database, MoRD

**Graph 1:** Utilisation Ratio (in per cent) in MGNREGS




***Source:*** Calculation made from MIS database, MoRD

Why such discrepancy in terms of utilisation across states? Addressing this issue is quite pertinent as there could be some best practices that could be highlighted for implementation in the states that are experiencing high unspent balances. The study tried to explore this issue in detail by undertaking in-depth analysis in eight states (and at their district levels). The states that were chosen are Andhra Pradesh, Assam, Bihar, Karnataka, Meghalaya, Odisha, Rajasthan, and Uttar Pradesh based on the utilisation data for the year 2011-12, for which final estimates were available at the beginning of this study. As shown in *table 2*, Andhra Pradesh, Bihar, Rajasthan and Uttar Pradesh were chosen for the states with high unspent balances while Assam, Meghalaya, Odisha and Karnataka for low unspent balances.

Given that rural development programmes are turning out to be a strong automatic fiscal stabiliser that is helping to smoothen the consumption of the poor in the rural areas, the effective implementation of such scheme is very important. Here the analysis is undertaken in two phases: some macro issues that could be the determinants of the unspent balances were analysed at the all India level; and in the second phase some micro issues were addressed through discussions with officials at state, district and the local body levels. Some discussions with the beneficiaries at the village level were also undertaken in order to understand the issues in fund flow mechanisms. Specifically, the study addresses the following issues:

1. Reviewing the fund flow mechanism under MGNREGS and studying the implementation strategy of the states.
2. Examining the month-wise flow of funds at selected state level.
3. Understanding the process of demand projections made by the states and the actual expenditure.
4. Comparing the inter-state utilisation pattern
5. Identifying and analysing reasons for huge opening balances in different states.
6. Analysing the unspent balances and estimating the extent of optimal balance.
7. Recommending a set of policies to address the issue of unspent balances including optimal balances that may need to be maintained at state level based on the trends and discussions.

## I.1 Structure of the Report

With brief introduction in *section I*, a brief discussion on evolution of employment generating schemes in Indian planning is given in *Section II*. *Section III* discusses the planning and implementation part of the programme particularly on Labour Budget at Gram Panchayat (GP) level, different systems of wage payments, e-FMS, social audits and convergence. *Section IV* discusses systemic issues of fund flow mechanism of MGNREGS upto implementing level. *Section V* analyses the expenditure pattern, fund availability, physical achievements etc. in detail. *Section VI* discusses the trends and issues related to unspent balances across the states. In *section VII*, an attempt was made to define ideal or optimal balances that states may have to retain in the system and discusses issues related to determinants of share of administrative expenditure in the context of unspent balances. *Section VIII* is a note on observations from the field visit of eight sample states. *Section IX* concludes with policy recommendations to reduce unspent balances under MGNREGS.

# II. Evolution of Employment Generating Programmes in India

## II.1. Brief History[1] of Wage Employment Programmes

Since Independence, the Government of India has been implementing *employment programmes* (*rojgar yojana*) given the wide-spread poverty and unemployment in rural India. The poor basically depend on the wage employment in farm or non-farm activities for their survival. Further, employment and unemployment has been one of the crucial issues that have been intensively debated among the economists and other policy makers. In spite of implementing several employment programmes, the employment situation in India appears to be not so encouraging. The details of the employment programmes implemented since 1971 are provided in table 3. While the allocation on all these programmes has been increasing over a period of time, many evaluation studies have suggested that the impact of these programmes do not show the desired results.

**Table 3:** Employment Programmes in India

| Name of the Plan | Year | Coverage | Objectives |
|---|---|---|---|
| *Cash Scheme for Rural Employment* (CSRE) | 1971 | Selected districts | To provide employment to at least 1000 persons in the selected districts for a period of 10 months in a year. |
| *Pilot Intensive Rural Employment Programme* (PIREP) | 1972 | Areas having different socio-economic conditions | To understand the scenarios and dimension of unemployment in rural areas so that the problem of rural unemployment could be solved in best possible manner in future. |
| *Food for Work* (FWP) | 1977 | India | To provide wage employment to the rural poor and to stabilise wages in rural areas and to check price rise of food gains. |
| *National Rural Employment Programme* (NREP) | 1980 | India | To provide sustained employment to the rural poor. |
| *Rural Landless Employment Guarantee Programme* (RLEGP) | 1983 | India | To provide employment opportunities for at least one member of every landless household for a period upto 100 days in a year through creation of rural infrastructure. |

[1] Tenth Five year Plan Document, *Volume 3*

| Name of the Plan | Year | Coverage | Objectives |
|---|---|---|---|
| *Jawahar Rozgar Yojana* (JRY) | 1989 | Initially 120 most backward districts then entire country | To provide additional and sustained gainful employment for rural unemployed and underemployed. |
| *Employment Assurance Scheme* (EAS) | 1993 | Initially 261 districts. Later all India | To provide about 100 days of assured manual employment during lean agricultural season at statutory minimum wages to all persons above the age of 18 years and below 60 years. |
| *Sampoorna Grameen Rozgar Yojana* (SGRY) | 2001 | India | To break the cycle of unemployment and food insecurity by providing wage employment during lean agricultural season. |
| *National Food for Work Programme* (NFFWP) | 2004 | 150 backward districts | To ensure minimum level of employment and income to the poor. |
| *Maharashtra's Employment Guarantee Scheme* | 1979 | Maharashtra | To provide a guarantee of employment to all adults above 18 years of age who were willing to do unskilled manual work on piece-rate basis. |

***Source***: Dwivedi (2005) and Planning Commission (2002)

One of the important reasons for below par success of these programmes have been attributed to the fact that conceptualisation of these programmes were flawed and were largely supply driven and, hence, only few people could be benefitted out of these programmes. With no legal binding on the part of implementing agencies and institutional mechanism for expenditure tracking system, there could have been large leakages in the implementation process. The benefit of these programmes seems to have not reached the genuine beneficiary who required employment for their livelihood. The failure of these programmes resulted in emergence of National Rural Employment Guarantee Programme as a fundamental right of the citizens under the *National Rural Employment Guarantees Act* (NREGA) in 2005. NREGA has some basis and resemblance to *Maharashtra's Employment Guarantee Scheme*[2] (EGS) of 1972, which was reasonably successful and has received a statutory basis through a legislative act of Maharashtra in 1979. With this, Maharashtra became the first state in the country to guarantee work to all adults above 18 years of age who were willing to do unskilled manual work on a piece-rate basis. The scheme was self-targeting in nature. It was totally financed by the state government. The main objectives of EGS were to sustain household's welfare in the short-run through provision of employment and to contribute towards development of the rural

[2] Dev SM, (1995), "India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience" in (*ed.*), Joachim Von Braun "Employment for Poverty Reduction and food Security", IFPRI

economy in the long run through strengthening rural infrastructure. One important difference in this programme is that the works undertaken under EGS needs to create assets.

The *National Rural Employment Guarantee Scheme* (renamed latter as *Mahatma Gandhi National Rural Employment Guarantee Scheme* (MGNREGS) was brought through an Act called *National Rural Employment Guarantee Act* (NREGA) passed in 2005. This is the flagship scheme of Government of India under Ministry of Rural Development which aims to curb rural poverty through employment generation. It was notified on 7th September, 2005 and came into effect from 2nd February 2006 initially in 200 districts. MGNREGS marked a shift from the previous wage employment programmes with its rights-based approach that makes the Government legally accountable for providing employment to those who demand it. The scheme aims at enhancing livelihood security of households in rural areas of the country by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The details about the programme are discussed in the next section.

## II.2 Objectives of MGNREGS

The primary objective of the scheme is to augment wage employment. Its auxiliary objectives are (i) to strengthen natural resource management through works that address causes of chronic poverty like drought and encourage sustainable development and (ii) to strengthen rural governance through decentralisation and process of transparency and accountability.

The MGNREGS is expected to insulate local community from adverse impacts of climate change by encouraging works on water harvesting, soil conservation, irrigation, flood protection, afforestation and plantation, The outcomes include strengthening grass root processes of democracy and infusing transparency and accountability. MGNREGS was implemented in a phased manner with 200 districts in the first phase (2006-07), followed by another 130 districts from April 2007 and the remaining districts from 1 April 2008. The scheme is now effective in the rural areas of the entire country, covering 631 districts.

## II.3 Features of MGNREGS[3]

i. Adult member of a rural household is eligible for manual wage employment under MGNREGS.
ii. Such household will have to apply for registration to the local *Gram Panchayat,* in writing or orally.

[3] MGNREGS Operational Guidelines (2013), MoRD

iii. The *Gram Panchayat* will issue the Job card to the eligible household after due verification of the details of the household. The Job Card bears the name and photo of the eligible adult members of the household and this is provided free of cost.
iv. A Job Card holding household may ask for employment through written application. The minimum employment in each application will have to be for 15 days.
v. The *Gram Panchayat* will issue a dated receipt of the written application for employment and within 15 days employment will be provided.
vi. If employment is not provided within 15 days then the unemployment allowance will be paid to the employment seeker. Liability of payment of unemployment allowance is of the States.
vii. There is a provision of 33 per cent reservation for women.
viii. Disbursement of wages should be on weekly basis and not beyond a fortnight.
ix. *Panchayati Raj* Institutions (PRIs) have a principal role in planning and implementation.
x. District will prepare a shelf of projects/permissible works on the basis of priority assigned by the *Gram Sabha*. The permissible works would be in the following areas:
    a. Water Conservation
    b. Drought Proofing (plantation and afforestation)
    c. Flood Protection
    d. Land Development
    e. Minor Irrigation, horticulture and land development on the individual land of SC/ST/BPL-IAY beneficiaries' households.
xi. A 60:40 wage and material ratio has to be maintained. Contractors and use of labour displacing machinery is prohibited.
xii. Work should be within the 5 Km radius of the village or else extra wages of 10 per cent are payable.
xiii. Work site facilities such as crèche, drinking water and shade have to be provided.
xiv. Social Audit has to be done by the *Gram Sabha*.
xv. All accounts and records relating to MGNREGS are to be made available to any person desirous of obtaining a copy of such records, on demand and after paying a specified fee.
xvi. Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process.

As mentioned earlier MGNREGS is a demand driven programme and it provides employment opportunity for most vulnerable sections of rural population. The success of the programme depends on the ownership of the public in participation, planning and monitoring. Provision for social audit in the act is in this direction of common people involvement in monitoring and evaluation to ensure accountability of system. Accountability of implementing agencies is largely ensured by social audit process, which is conducted at GP level. Employment opportunity is provided at the GP level currently but due to lack of work in recent years, convergence of MGNREGS with other programmes has been envisaged. A robust planning is ensured through Labour Budget prepared based on demand at the GP level. With such a huge mandate of providing employment, scarcity of works, stipulations on wage-material component and nature of works to be undertaken, social audit, convergence and planning becomes crucial for successful implementation of the programme. Both these issues are discussed in following sections.

## II.4 Social Audit in MGNREGS

MGNREGS has a mandatory provision for conducting social audits in the *Gram Sabha* at least once in every six months. This mandatory provision for social audits has played a key role ensuring better utilisation of funds. It is found in states such as Andhra Pradesh, where social audit is undertaken seriously, that social audit ensured better utilisation of funds. But the structure and form of conducting social audit varies from state to state. In Rajasthan, social audit has been done mainly through civil society while in Odisha, social audit has been undertaken by an autonomous society called "Odisha Society for Social Audit". Andhra Pradesh is the only state that has institutionalised the social audit through an Act, which makes the social audit mandatory for every *Gram Panchayat/Mandal* once in a year. Andhra Pradesh has constituted an independent society called "Society for Social Audit, Accountability & Transparency (SSAAT)" under the Department of Rural Development. However, the implementation of the social audit is also not uniform across the states. A report by Comptroller and Auditor General of India (CAG), which looks at these processes, suggest that the social audit across the states is not satisfactory and this is discussed in the next sub-section.

### II.4.1 A review of social audit of MGNREGS (CAG Audit of 2013)

The Audit of MGNREGS conducted by CAG was done on the basis of activities under the scheme during 2007 to 2011-12. The coverage of the audit was in 28 states and 4 UTs, from which sample of 3848 GPs were selected to conduct the audit. While the trends in the extent of social audit is not satisfactory as it was at an initial stage till 2011-12 in many states, complaint redressel mechanism appears to have been better implemented (*see table 4 & 5* ).

**Table 4:** Status of Social Audit Conducted by CAG

| Name of the State/UT | Total audits in test check GP required to be done | Total audits in test checked GP actually done (per cent of total audit to be done) |
|---|---|---|
| Andhra Pradesh | 1500 | 610 (40.7) |
| Bihar | 2380 | 528(22.2) |
| Himachal Pradesh | 730 | 313 (42.9) |
| Jharkhand | 11786 | 5660 (48.0) |
| Karnataka | 1416 | 232 (16.4) |
| Nagaland | 488 | 280 (57.4) |
| Odisha | 1890 | 938 (49.6) |
| Punjab | 1073 | 978 (91.1) |
| Rajasthan | 1560 | 1360(87.2) |
| Sikkim | 64 | 24 (37.5) |
| Uttar Pradesh | 4200 | 982 (23.3) |

***Source***: CAG report on MGNREGS, 2013.

**Table 5:** Status of Complaints Received and Disposed - 2007-12

| Name of State | No. of complaints received | No. of complaints disposed of (as per cent of total complaints) |
|---|---|---|
| Assam | 180 | 110 (61.1) |
| Bihar | 2419 | 1835 (75.9) |
| Chhattisgarh | 475 | 51 (10.7) |
| Karnataka | 1953 | 1620 (82.9) |
| Madhya Pradesh | 6537 | 5428 (83.0) |
| Punjab | 612 | 548 (89.5) |
| Uttar Pradesh | 118043 | 98215 (83.2) |
| Total | 130219 | 107807 (82.8) |

***Source:*** CAG Audit Report on MGNREGS, 2013

Independent studies on the social audit of MGNREGS are almost non-existent except for Aiyar (2013)[4] on Andhra Pradesh implementation. This study has observed that social audit has proved to be effective in ensuring answerability in implementation of MGNREGS programme in Andhra Pradesh[5].

[4] Aiyar, Y. *et. al.* (2013), "Strengthening public accountability: Lessons from implementing social audits in Andhra Pradesh", Accountability Initiative, Working Paper.

[5] However, according to CAG study on social audit, *Table 4* suggests that only 40 per cent of GPs have been undertaken social audit in Andhra Pradesh. Since CAG study in based on small GP sample using data only upto 2011-12, it doesn't depict correct status of social audit in Andhra Pradesh. In Recent SSAAT annual report for 2012-13 reveals that social audit is conducted in 1066 Mandals out of 1098 Mandals of Andhra Pradesh. Therefore, social audits coverage in AP has extended to most part of the state and it has helped to efficiently implement the programme.

**Box 1.** Social Audit

Social Audit is a democratic process that ensures public accountability of agencies through a systematic assessment of information by the community. Information on resources, financial and non-financial, used by public agencies for developmental initiatives, are shared with the people, often through a public platform and are evaluated by the representatives of the community.

MGNREGA is probably the first Act which has empowered the *Gram Sabha* to monitor the execution of the work under MGNREGS. As per provisions in the section 17 of the Act, the *Gram Sabha* shall monitor the execution of works within the *Gram Panchayat* and shall conduct regular social audits of all the projects and the *Gram Panchayat* shall make available all relevant documents including the muster rolls, bills, vouchers, measurement books, copies of sanction orders and other connected books of account and papers to the *Gram Sabha* for the purpose of conducting the social audit.

The importance and effectiveness of social audits in strengthening the efficiency in delivering of public services has been established in academic literature. Aakella and Kidambi (2007), Chandhoke (2007), Bjorkmann and Svensson (2009), Banerjee *et. al,* (2010), Farzana (2008, 2013), Olken and Pandey (2011), Aiyar *et. al,* (2013), Subbarao *et. al,* (2013) have documented the role of social accounting and monitoring of welfare and other public programmes. This is done through participation of civil societies and its effectiveness in the execution of the programmes for enhancing efficiency and curbing malpractices in these programmes.

Social audit is important as it makes the bureaucracy and elected representatives accountable to the community. The public, who are the beneficiaries, feel the ownership in the implementation of developmental works and at the same time irregularities are identified and rectified.

Andhra Pradesh has set an example by conducting six rounds of social audit under MGNREGS since 2007 with the help of Society for Social Audit and Accountability & Transparency (SSAAT). The state has conducted social audit in more than 90 per cent Mandals by 2012-13. The total MGNREGS expenditure audited was Rs 2900 crores in 2011-12. In 2012-13, there was a significant increase to Rs 4900 crore that includes convergence with other departments. In 2011-12 expenditure records not provided was 7 per cent of total expenditure whereas in 2012-13, there was a sharp increase of 13 per cent. The percentage of deviation (amount not utilised properly) was found to be 5 per cent in 2011-12 through the social audit process whereas in 2012-13 it increased to 7 per cent. Therefore, it shows that social audit process brings accountability on the state government in case of misappropriation of fund, if any, which would further check wrong practices and help to utilise fund optimally in future.

The whole process of social audit has ensured taking action on more than half of the officials implicated while it also ensured recovery of around 15 per cent from the cases of embezzlement. But there is lack of effective enforcement on social audit findings due to design of the administrative system, characterised by the complex hierarchies and overlapping lines of reporting, which makes it difficult for a single agency to effectively enforce decisions taken. As the expenses of social audit is part of the 6 per cent administrative expenditure and not fixed, allocation of such expenditures to social audit invariably became residual. Within the administrative expenditure, state/GPs generally prioritise staff salary costs and other expenditures with negligible allocation for social audit. However, social audit did create awareness about the MGNREGS in Andhra Pradesh and indeed became best practice. The success of social audit in Andhra Pradesh could be largely attributed to the fixed allocation of one per cent in the overall 6 per cent administrative expenditures. (See the box 1 for more details)

## II.5 Convergence under MGNREGS

One of the reasons that are generally attributed for the declining allocation in MGNREGS is lack of sufficient works at the GP level that can create durable assets. In such a situation, only option in order to sustain the programme is to undertake convergence of MGNREGS works with the works of other departments that are concentrated in the rural areas. Such convergence helps in creation of durable assets and ensures sustainability of natural resource use as well as creates works/jobs. This would lead to curtailment of duplication of social sector schemes, increasing efficiency and enabling cost-effectiveness.

A Task Force was set up in 2008 by the Ministry of Rural Development to explore strategy for convergence with the works of Ministry of Water Resources, Ministry of Environment and Forests, Department of Land Resources, Ministry of Agriculture, Ministry of Human Resources, Ministry of Women and Child Development. Based on the Task Force suggestions, a notification (No. J 11012/0212013-MGNREGA dated: 2-12-2013) issued by the Ministry of Rural Development has facilitated and broadened the convergence of MGNREGS with other schemes as top priority for work. Convergence has been encouraged with other schemes such as *Pradhan Mantri Gram Sadak Yojana* (PMGSY) (D.O. No. Dy.178/SRD/09-NREGA), Integrated Watershed Management Programme (IWMP) (18$^{th}$ February 2009), schemes of Ministry of Agriculture ( No. M.13016/ 1/07-Trg.Vol.II), Ministry of Water Resources (MoWR), and Ministry of Environment and Forest (MoEF)( N0.J-11019/2/2008-NREGA).

Convergence caters to mutual benefits. MGNREGs, a labour intensive programme is most suitable for all round rural development. This programme when executed through convergence with other line departments/programmes and schemes will fetch maximum benefits to the rural people and at the same time reduces overall cost.

To effectively address the issue of poverty alleviation, there is a need to optimise efforts through inter-sectoral approaches. Thus, MGNREGS becomes a crucial programme for convergence with other development programmes. This approach becomes instrumental towards a) strengthening natural resources management, b) synergy among different government programmes, c) enhancing democratic process, d) mitigating effect of climate changes, and e) sustainable development. However, implementation and co-ordination of convergence is the most crucial in this process.

Convergence can be possible only 1) through Management and Planning (formation of District Convergence committee and Block level Convergence Committee, 2) Plan (Preparation of District level Convergence plan or Block level Convergence plan headed by DPC) placed at *Gram Sabha* in presence of respective line Department, 3) Social Mobilisation (IEC and District Mapping), 4) Work Management and implementation (Preparation of common estimate and formation of core group/ supervising staff), 5) Asset Creation, and 6) Transparency and Social audit.

At present, convergence, as designed by the Ministry of Rural Development, shall carry broad sectoral convergence as specified below:

- Unskilled manual labour component under MGNREGS should be utilised with other department developmental programmes in general.
- MGNREGS and Finance Commission fund schemes
- MGNREGS, State Finance Commission fund schemes and other Govt. line departments programmes
- MGNREGS, IAY, NRLM and RGGVY
- Schemes under the Finance Commission fund schemes of AP (*Anchalik Panachyat*) Fund, DDP (District Development Project Fund), Third Finance Commission (TFC)
- Public-Private-Partnership (NRLM, MGNREGS and Finance Commission fund schemes with buyback assurances of produces by a third party)

Convergence can be broadly divided into three categories: Structural Convergence, Inter-Department Convergence and Financial Convergence. However, the consideration on the scale of usage of these categories will depend largely upon the sectoral convergence of programmes planned.

1. ***Structural Convergence***: Under structural convergence among the programmes, the heads of authorities initiate from the beginning at their individual level. The structural convergence will give impetus to the long-term goal of the initiatives. Here a state level committee will be formed for identification of schemes for convergence and follow up actions.

2. ***Inter-Department Convergence***: Under the category, representatives, experts and technocrats of the departments involved and *Panchayat Raj Institutions* (PRIs) will meet and work out modalities. Such integrated

approach will benefit all the programmes as well as stakeholder of mutual benefits.

3. ***Financial Convergence***: The financial convergence will basically follow parallel alongside the programme level convergence. Under this convergence the focus will be on allocation of fund by different departments for executing the schemes aimed at. The partner agencies will pool resources into a common hub and allocate accordingly.

## Methodology of Implementation

With the programmatic convergence taking place, a way forward mechanism has to be created towards achieving the broader objectives of the convergence initiatives. The methodology of implementation will be pooled into commonly agreed processes where by participatory and intellectual effort will be given to develop detailed work plan, selection of beneficiaries, technical support, and coordinated monitoring & evaluation.

1. ***District Level Work Plan***: An integrated detailed work plan has to be developed by all line departments, PRIs/committee member representatives corresponding to the defined activities with promising timeline of implementation. The minutes of the work plan will be prepared and followed through-out the process of convergence. Different forms of work plan can be used for making it easily understandable to the implementers at the field level.
2. ***Selection of Beneficiaries***: The selection of beneficiaries is a very important component of convergence. In the selection process, the focal implementing agency/department has to consider the basic norms and guidelines of the partnered department/agency too. Priority is given to the neediest beneficiaries and informs them about the convergence initiative to avoid any confusion during implementation process.
3. ***Technical Support by the Line Department***: Right from the beginning of works technical support in the form of expert knowledge sharing and guidance to the schemes will be provided to the beneficiaries and supervising officials. The technical support will be accompanied by necessary physical and financial inputs. The technical support on expert knowledge sharing may be referred as Technical Consultant. The engagement of number of Technical Consultants into the project may vary on the basis of the scale of sectoral convergence.
4. ***Coordinated Monitoring & Evaluation***: Towards effective implementation with focus to broader objective of convergence and long term goal, a coordinated monitoring & evaluation cell has to be created among the stakeholders. A monitoring plan will be prepared during the preparation of the detailed work plan including designing of monitoring formats. Similarly, a joint evaluation will be carried out every quarterly or at the end of phases of works

to assess the status of works in line with the guiding principles of convergence.

## Challenges & Risk Management

Convergence and coordination between different programmes and departments with different set of guidelines is not an easy task particularly when many stakeholders are involved. There are certain possible challenges which may be encountered during the implementation processes. The challenges and risk management are listed in *table 6*.

**Table 6:** Challenges and Risk Management under MGNREGS Convergence

| Challenges | Risk Management |
|---|---|
| Non-inclusive system of operation | To induce more participatory inclusive development plans and operational methodology. To remove the agency/departmental mindset of ownership over the people, and rather facilitate community ownership over the development plans and implementation processes. |
| Lack of basic understanding of target area and population | While preparing the convergence project a detailed baseline survey/assessment of target population and the areas has to be done. Community consultations on the project, processes of implementations, expected outcome, etc., has to be done before finalising the project and its schemes. |
| Lack of sustainable participatory integrated plan | The detailed work plan will be prepared after considering the suggestions/observations gathered through community consultations. The work plan and the activities under the schemes have to be integrated with reference to the concerned departments and existing skills of the beneficiaries. The schemes will be sustainable only if it is prepared through participatory integrated processes. |
| Establishing coordinated mechanism on common principles | Another factor to success of the convergence initiative will be to establish a structure of coordinated mechanism with a set of common guiding principles in line with the agreed broader objectives of convergence. |
| Changes in mindset of officials/stakeholders | To avoid hassles due to changes in the mindset of officials/stakeholders, the common guiding principles of the convergence initiative will be taken as an official decision. |
| Limitations due to financial norms & guidelines | To overcome the limitations of financial norms and guidelines of different departmental programmes/schemes, the convergence initiative will facilitate for a set guiding principles adhering to the common collective financial applicable norms and guidelines. |
| Lack of transparency & accountability | The convergence initiative will have to establish strong visible exemplary points of transparency and accountability among different stakeholders including the beneficiary community. An effective transparency and accountability factor will help in promoting ownership of the programmes/schemes by the beneficiaries and the communities. |

## Convergence Outcomes

The common possible outcomes of any convergence initiatives are as follows:

- The participatory inputs of different stakeholders will help in developing a sustainable integrated plan thereby giving a sense of ownership to all.
- A coordinated work plan with timeline and monitoring schedules will be developed towards regular handholding and close supervision.
- The convergence initiative will also ensure sharing/pooling of physical and financial resources to induce sustainability into the integrated works.
- With the sharing of resources, the cost of implementation will be at minimum. It will also reduce the physical and financial gaps/loose ends towards an effective development convergence of programmes.
- Through the convergence, the common poor people will have easy access to services rendered by different departments/agencies.

Some of the successful stories of convergence in Boko block of Assam are listed in annexure. This could become best practice and could be replicated in other states as well, where there is declining demand for works under MGNREGS.

## II.6 Electronic Fund Transfer Management System (e-FMS)

Fund flows at different levels such as District/Block/GP and then flows to beneficiaries account under MGNREGS. Therefore, there is a possibility of lack of fund or surplus fund at these levels which causes delay in wage payment and unspent balances. It has been observed through field visits that funds are lying unutilised at GP level. There is no mechanism that enables these unutilised funds to be transferred back to the state from the concerned GP. Therefore, to avoid the unspent balances and delay in disbursements, there is a need for a system with centralised account that will disburse the money directly to the beneficiaries' account. In order to solve this non-availability and surplus fund at different levels, electronic fund transfer management system (e-FMS) was suggested. This e-FMS is a complete automated transaction system which enables fund flow directly from the state to the individual beneficiary account through smart card enabled by the banks. There is complete absence of district and block level units in fund flow mechanism. Under e-FMS there will be only one account at the state headquarters in the name of Commissioner Rural Development. E-FMS is fully integrated with NREGA-Soft. However, despite being a robust system, such systems are yet to be fully implemented across the states. Andhra Pradesh has been in forefront in innovatively using the Information Technology and also integrating the whole scheme with the banking system that enhanced the financial inclusion across the state. This is discussed in detail in the Box 2. In a recent study by Muralidharan (2014)[6], it has been shown that beneficiaries have received payments faster, spent less time collecting payments, received a higher proportion of benefits, and paid less bribes after introduction of e-FMS and disbursement of payment through smart card system.

**Box 2.** Electronic Fund Management System (e-FMS)

Electronic Fund Management System (e-FMS) is a system in which all the funds are maintained in single account from which the withdrawals are made by all the implementing agencies. All Project Implementing Agencies across the State are the users of this centralised fund and have access to this fund. e-FMS enables quicker availability of resources, easy tracking of resources and effective monitoring mechanism from a centralised location. Fund availability as per requirement, timely utilisation of funds and effective monitoring mechanism are the important features of e-FMS. By reducing the multiple accounts, approvals and fund transfers e-FMS reduces the unspent balances at multiple levels and, most importantly, reduces the transaction cost.

Fund flow mechanism is homogenous across all Indian states except Andhra Pradesh. Andhra Pradesh fund flow mechanism is entirely based on electronic fund transfer which has been one of the important factors for efficient implementation of the scheme with low unspent balances. The state's efficient fund flow mechanism has helped to improve its performance in terms of fund utilisation level (60%, 74% and 95% in 2010-11, 2011-12 and 2012-13*) vis-à-vis* low unspent balance over the years. Andhra Pradesh is the first state in country which has introduced E-FMS and this has resulted in the reduction of unspent balances in Andhra Pradesh.

In Andhra Pradesh, there is only one account at state headquarters in the name of Commissioner, MGNREGS. The Commissioner is the nodal agency for fund transfer to beneficiary accounts directly. Implementing agencies at district, block and GP level draw the funds from the centralised account through digitised signatures. All other states have different fund flow mechanism in which fund flows from the State level (SEGF) to district level and then to block level and then to the GP level. The states, which have multiple accounts at each implementing level, are facing the problems of scarcity of funds in some districts and surpluses in other. The delay caused in physical transfer of funds from State account to district account has resulted in delay in implementation of the programme.

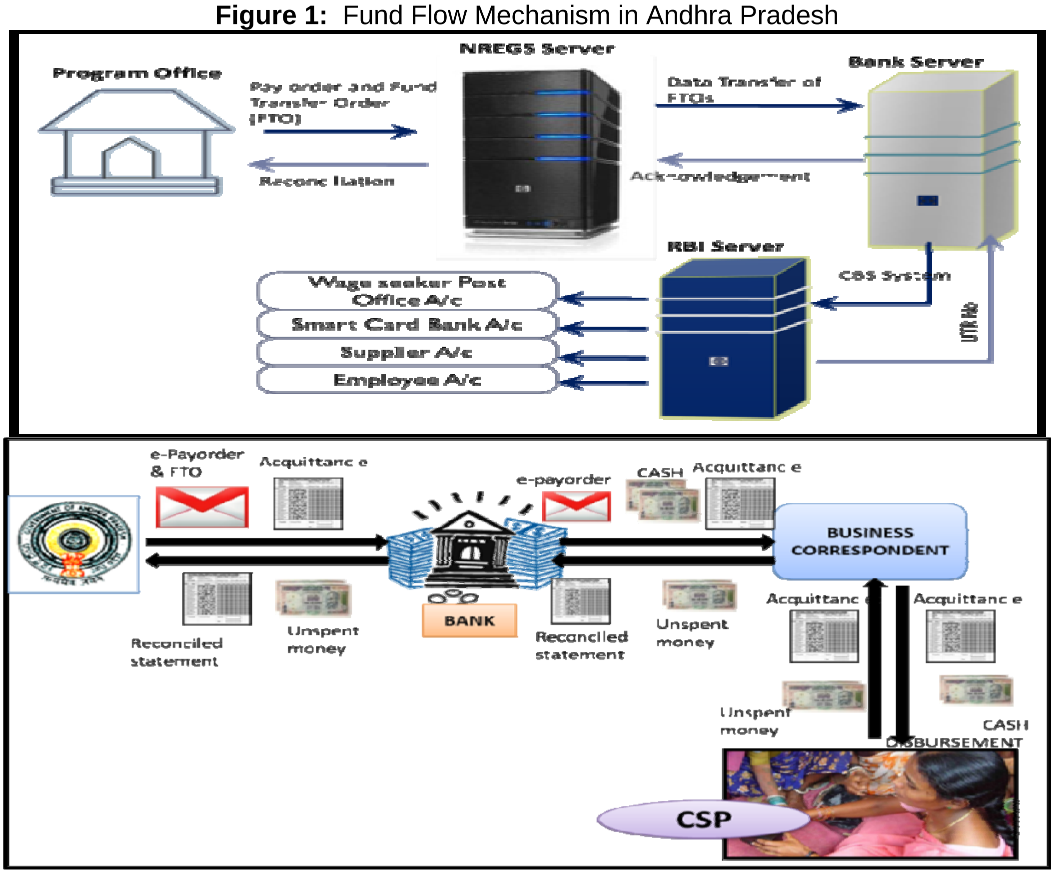
Andhra Pradesh has reduced its unspent balances to 5 per cent of the total available fund during 2012-13 whereas other non e-FMS states such as Bihar (17.66%), UP (20.29%), MP (25.35%), J&K (35%), Rajasthan (14%) and Jharkhand (25%) have large and increasing unspent balances. This suggests that adopting to e-FMS system, which is based on the principle of centralised fund and de-centralised utility, could ensure timely availability of funds at all levels with transparent and efficient usage of the programme funds.

Andhra Pradesh Fund flow mechanism (electronic fund transfer; e-FMS) has following important features:

[6] Muralidharan K. *et. al,* (2014), "Payments Infrastructure and the Performance of Public Programmes: Evidence from Biometric Smart cards in India" NBER,

i. It transfers the fund electronically through an online system known as electronic fund transfer (e-FMS).
ii. There is consolidated MGNREGS fund account (SBI account) which is linked to central server located at the state level. It consists of fund transfers from the central and state governments.
iii. All district units (District Computer unit-DCC) and mandal units (Mandal Computer Unit-MCC) are linked to the central server which is connected to the central fund where all the MGNREGS funds are pooled.
iv. e-FMS enables electronic fund transfer directly from the central server to the beneficiary's disbursing account (post-office or smart card) after submitting E-pay order at the block level. This system allows the optimisation of funds.
v. e-FMS avoids parking of the funds (deficit or excess of the funds) at Mandal or District level. It allows access of the funds uninterruptedly to all blocks/Mandals whenever there is a need of fund.

**Figure 1:** Fund Flow Mechanism in Andhra Pradesh




***Source***: Documents obtained from MGNREGS, GoAP (Government of Andhra Pradesh)
***Notes:*** 1. FTO is fund transfer order send through e-mail
2. CSP is community service provide

There are some concerns about implementation of e-FMS in other parts of the country. Some officials felt that the frequent experiments with respect to the introduction of technology are hampering the implementation of MGNREGS. They opined that frequent changes in technology from NREGA Soft to e-FMS and currently capturing MGNREGS on TAB has diverted the bureaucracy in understanding these technologies rather than focusing on planning and implementation. Further, the limited capacity of contractual employees to adapt to frequent changes in accounting formats and technology is a challenge that is being faced at the local level. Excessive importance and frequent changes in technology with limited capacities at local level have resulted in delay in execution of the work under MGNREGS.

## II.7 Labour Budget

As discussed earlier, the method followed in the preparation of Labour Budget is also the root cause for the unspent balances in MGNREGS. It is observed during the field visits that proper and scientific methods were not used in the preparation of labour budget. This has allowed allocation of more funds than actually required to a GP that resulted in under-utilisation of funds. In general, labour budget is being prepared either arbitrarily or pro-rata basis, duplication of previous year labour budget etc. For example, in *table 7* the labour budget of one of the GPs from Kendrapara district in Odisha has been almost doubled and it indicates that labour budget is being prepared unscientifically.

**Table 7:** Labour Budget: Actual Performance and Labour Projection

| Block | Kendrapara District (Odisha) | | | | | |
|---|---|---|---|---|---|---|
| | Actual Performance 2010-11 | | | Labour projection for 2011-12 | | |
| | No. of HH demanded employment | No. of total person days generated | Total expenditure (in lakhs) | No. of HH demand employment | No. of total person days to be generated | Estimated expenditure (in lakhs) |
| Block-1 | 12279 | 305044 | 519.14 | 14533 | 426911 | 942.62 |
| Block-2 | 7241 | 240822 | 439.29 | 8320 | 290288 | 640.96 |
| Block-3 | 12595 | 573801 | 918.22 | 15165 | 782430 | 1727.60 |
| Block-4 | 10415 | 316666 | 390.22 | 13134 | 478844 | 1057.29 |
| Block-5 | 8374 | 196294 | 268.71 | 10002 | 266181 | 587.74 |
| Block-6 | 4820 | 161211 | 261.88 | 5789 | 214750 | 474.17 |
| Block-7 | 8759 | 356650 | 504.91 | 9711 | 434109 | 958.51 |
| Block-8 | 5449 | 200012 | 266.97 | 6596 | 291399 | 643.41 |
| Block-9 | 7288 | 246633 | 329.24 | 9092 | 380318 | 839.73 |
| Total | 77220 | 2597133 | 3898.58 | 92342 | 3565230 | 7872.03 |

***Source:*** Odisha State Documents on Financial and Physical Performance of MGNREGS

The Labour Budget estimated under MGNREGS is based on the amount of total cost including wages, material and administrative costs. The 60:40 ratios for wage and material costs should be maintained at GP level for all works to be taken up by GP and for works to be taken by all other agencies, it should be maintained at the Block/ District level. On the basis of the approved consolidated State labour budget, the Central government will release the funds to the states in two tranches. The release of the first tranche will be 50 per cent of the approved State Labour Budget and the release of 2nd tranche will be based on unspent balances and utilisation certificates with atleast 60 per cent utilization of the previous released amount. The state will also release funds to district and lower level of implementing agencies according to their approved labour budget. Therefore, the preparation of labour budget becomes crucial and needs to be done with caution and scientifically in order to reduce the problem of unspent balances.

# III. The Fund Flow Mechanism

Planning and timely availability of funds is crucial in a demand driven mandatory programme like MGNREGS. Proper planning enables timely disbursement of funds and availability of funds for the effective implementation of the programme. To make the programme successful, it is imperative that fund flow mechanism should be robust. Timely submission of plans, and other information required for implementation of the programme and the statutorily required accounts statements helps in smooth fund allocation and timely releases. In the first stage, the states are required to estimate the labour demand and prepare a labour budget before the start of new financial year. Labour demand at the state level is determined by labour budget prepared at the GP level. This is then aggregated at block and district levels and submitted to MoRD. MoRD reviews the budget and sanctions adequate amount to the state's State Employment Guarantee fund (SEGF) which is released in two or more installments subject to the level of implementation. Total MGNREGS fund at the state level (SEGF) consists of two parts- (1) Central government share that includes entire wages of unskilled workers, 75 per cent of cost of material and wages of skilled and semi-skilled workers, administrative expenses and expenses of Central Employment Guarantee Council; ( 2) State Government Share, which includes 25 per cent of material cost and wages of skilled and semi-skilled workers, unemployment allowance, and administrative expenses of State Employment Guarantee Council.

Central government share is released in two tranches. First tranche is provided for first six months of the financial year. This would be a maximum of 50 per cent of the total fund to be released for the whole year (after taking into account unspent balance as at the beginning of the financial year). Release of second tranche is based on two factors: (1) Unspent balances (2) Actual performance against the agreed Labour Budget during the year. State has to utilise at least 60 per cent of the available funds (first installment plus unspent balance of the previous year), and also comply with other conditions such as submission of utilisation certificate.

## III.1 *State Employment Guarantee Fund* (SEGF)

The states receive the MGNREGS fund from the central government. MGNREGS fund in each state (Central and State share) is managed through State Employment Guarantee Fund (SEGF) for the implementation of programme in respective states. State government manages SEGF with a framework to effectively maintain receipts, transfers and utilisation of financial resources under MGNREGS. The states are also required to design mechanism within the SEGF to ensure transparency, efficiency and accountability.

## III.2 Fund Transfer through MGNREGS

MGNREGS fund flows from the Centre to the GP level through following steps:

### III.2.1 Steps for fund transfer from national to state level and then district level

The sanctioned amount will be released from Centre to the state towards the State Employment Guarantee Fund (SEGF). The state will receive the fund for the current year and some miscellaneous receipts. After receiving the fund from the Centre, the state will release the fund to the districts, implementing agencies, post offices at block level and the *gram panchayat*. The State share will also be released simultaneously to the districts from the consolidated account of the SEGF.

### III.2.2 Steps for fund transfer at district and block level

The district will receive the fund for the current financial year and previous due amount, if any, from the SEGF. The district will transfer the fund to *Zila Panchayat*, implementing Agency, and programming officers (POs) at the block level and *Gram Panchayat*.

### III.2.3 Fund transfer from programming officer (PO)

Programming Officer transfers the funds to *Panchayat Samithi*, Implementing Agency and *Gram Panchayat* including administrative expenditure. Finally, money is disbursed to the beneficiary’s bank accounts from GP or block level (as per state’s specific system of payment). In general practice, wage payment is made at the block level and material payment is made at the GP level. Since *Gram Sabha* and *Gram Panchayat* (GP) are key implementing agencies under MGNREGS, their efficient functioning is required to implement the programme efficiently.

## III.3 Role of *Gram Panchayat* and *Gram Sabha* under MGNREGS

***Gram Sabha***: The role of *Gram Sabha* is as follows:

i. It recommends scheme of works to be taken up under MGNREGS.
ii. It conducts social audits on implementation of the scheme.
iii. The *Gram Sabha* is being used extensively as a forum for sharing information about the scheme.

***Gram Panchayat (GP)****:* The *Gram Panchayat* is the prime institution for implementation of MGNREGS. It is responsible for the following activities:

a) Planning of works to be undertaken under MGNREGS.
b) Receiving applications for registration from workers who are willing to work under MGNREGS activities.
c) Verifying registration applications and issuing Job Cards to the beneficiaries.
d) Receiving applications for employment and issuing dated receipts.
e) Allotting employment within 15 days of application.
f) Executing works and maintaining records. It convenes the *Gram Sabha* for social audit of the MGNREGS activities and monitors the implementation of the scheme at the village level

## III.4 Issues with Fund Flow Mechanism in the Context of Inefficient Implementation of MGNREGS

Fund flow mechanism is an important and distinct feature under MGNEREGS. It ensures that fund reaches district/block/GP appropriately so that the beneficiary receives it at the right time. However, during the process of fund flow to the states, there are various systemic factors which make fund flow mechanism inefficient that leads to unspent balances. Few important factors are as follows:

i. Discreet and lumping of releases is one of the major issues. Huge fund release in the month of March (last month of financial year) tends to pile up the fund in the system and remains unspent for that financial year as cash based accounting is used (*see, section VI.2* for more details)
ii. Shortage of skilled manpower at district and block level to feed the information into MIS is another major issue. Mostly the receipts data is not entered in time mainly due to connectivity and electricity problems in rural India. The delay in feeding the information into MIS is more at the fag end of the year when lot of bunching of works take place.
iii. It has been observed that there is seasonality in demand in the state due to farming and non-farming seasons. Ignoring seasonality factor in the labour budget causes mismatch between release of the fund and demand for work. It further causes abundance or shortage of funds for occasions in the state during specific time of the year and poses difficulties in meeting the work demand.
iv. Transferring the fund from the state to district is mostly discretionary. This results into some districts having excess funds and some having scarcity of funds.
v. There has been a delay in fund release from Centre to the States, mainly with the second instalment (S*ee, table 8*). Further, there are some co-ordination issues between the Centre and States. The most common

reason for this is that states do not submit the utilisation certificates in time and then raise demand.

**Table 8:** Delay in Release of the Fund

| State | Delay in days |
|---|---|
| Assam | 47 to 354 |
| Bihar | 9 to 313 |
| Chhattisgarh | 5 to 139 |
| Jharkhand | 5 to 293 |
| Himachal Pradesh | 15 to 170 |
| Manipur | 21 to 249 |
| Meghalaya | 18 to 174 |
| Mizoram | 9 to 317 |
| Punjab | 3 to 527 |
| Rajasthan | 17 to 331 |
| Sikkim | 34 to 252 |
| Tripura | 5 to 222 |
| Uttarakhand | 8 to 211 |

***Source:*** Annexure 5E, CAG report (2013)

## Excess and Short Release of the Funds to the States

Excess or short fund refers to the situation when states receive more or less fund than the amount allocated to it from the central government. It has been observed that there are many instances of excess or short fund release to the states. Such situations generate lack of fund for needful states and further lead to non-payment of wages and materials to the beneficiary in time. Moreover, states with extra funds become idle with no prior demand or work to use such fund at their disposal. State wise excess and short release of funds as per CAG report is given *table 9* and *10*.

**Table 9:** Short Release of Fund to the States

| State | State share due | State share released | Short release |
|---|---|---|---|
| Assam(whole state) | 336.87 | 307.52 | 29.35 |
| Manipur(whole state) | 182.30 | 59.11 | 123.19 |
| Mizoram(whole state) | 105.43 | 83.52 | 21.91 |
| Nagaland (whole state) | 208.42 | 91.85 | 116.57 |
| Rajasthan (whole state) | 88.96 | 78.84 | 10.12 |
| Sikkim (whole state) | 30.79 | 8.47 | 22.32 |
| Tripura (whole state) | 232.67 | 99.58 | 133.09 |
| | Total | short release | **456.55** |

***Source***: Annexure 5D, CAG report (2013)

**Table 10:** Excess Release of the Fund to the States

| Name of state | Year | Observation |
|---|---|---|
| Andhra Pradesh | 2009-10 | Excess release of Rs. 75.21 Cr for the second tranche during the 2009-10 due to central liability not being restricted to 96 per cent of total cost. |
| | 2010-11 | Excess release of Rs. 89.48 crore for the second installment during 2010-11 due to central liability not being restricted to 96 per cent of the total cost. |
| Gujarat | 2010-11 | Ministry released (February 2011) an amount of Rs. 492.02 Crore which included Rs. 184.64 crore as pending liability, which was already adjusted by state in its demand projection for the year. |
| | 2011-12 | Similarly, in 2010-11, Ministry released (February 2012) an amount of Rs. 87.43 crore which included Rs. 43.2 Crore (96 per cent of Rs. 45 crore) as pending liability, which was already adjusted by the state in the demand projection for the year. |
| Himachal Pradesh | 2009-10 | Release of Rs. 228 crore without adjustment of unspent balance of Rs. 100.35 crore |
| Madhya Pradesh | 2010-11 | The Ministry released (February 2011) Rs. 303.18 considering opening balance on 01.04.2010 Rs. 2435.45, whereas as per audited accounts opening balance was Rs. 2664.92 crore. Thus there was unjustified/excess release of Rs. 229.47 Crore. |
| Rajasthan | 2010-11 | The Ministry released (June 2010) Rs. 1178. 39 crore considering opening balance as on 1st April 2010 as Rs. 1992.25 Crore. However, as per audited accounts opening balance was Rs. 3659.25 Crore. Thus, there was unjustified/excess release of Rs. 1178.39 Crore. |
| West Bengal | 2009-10 | The Ministry released Rs. 439.29 Crore in March 2010 for requirement of last quarter of the financial year 2009-10 without adjusting release made in February 2010 of Rs. 219.09 Crore for the same quarter. |
| Total excess release | Rs. 2374.86 Crore | |

***Source:*** Annexure5C, CAG report (2013).

Despite having some deficiencies in programme's system of implementation, MGNREGS has been comparatively successful in generating employment opportunities and asset creation in rural India in past few years. It has been proved to be an accessible avenue for work and earning the livelihoods for most of the vulnerable sections in rural India (Kareemulla, 2010; Esteves, 2013). Some of the achievements of the scheme are discussed in the next section.

## III.5 Status of MGNREGS Implementation

The main objective of MGNREGS is to ensure social protection for the most vulnerable and marginalised communities in rural India through providing minimum employment opportunities. Since its inception, MGNREGS has been widely acclaimed for its role in bringing down the rural poverty (Sameeksha 2012, Berg 2012), creating assets in rural India, increasing rural consumption (CRISIL Report 2012), as well as acting as an automatic fiscal stabiliser.

**Table 11:** Performance of MGNREGS (National overview)

| Performance Indicators | 2010-11 | 2011-12 | 2012-13 (provisional) |
|---|---|---|---|
| Total Job card issued (in crore) | 11.98 | 12.50 | 12.79 |
| Employment provided to household (in crore) | 5.49 | 5.06 | 4.98 |
| Person-days Generated (in crore) | 257.15 | 218.76 | 229.86 |
| Person-days per household (days) | 47 | 43 | 46 |
| Total work taken up (in lakhs) | 50.99 | 80.77 | 106.51 |
| Works completed(in lakhs) | 22.59 | 27.56 | 25.60 |
| Employment demanded by Household (in crore) | 5.57 | 5.03 | 5.04 |
| Employment provided to Household (in crore) | 5.49 | 4.99 | 4.85 |

***Source***: MGNREGS report to the Nation, 2014

The programme has also become one of the best practices across the world in order to achieve inclusive development (World Development Report, 2014). One of the key achievements of the scheme has been that it has provided the rural poor with a safety net during times of adversity such as droughts, floods or a failed harvest (WDR 2014). Report further highlights that implementation of the programme varies across state. It says “A state such as Rajasthan, which promotes transparency and accountability and has a long history of popular mobilisation, performs relatively better. In Rajasthan, 84 per cent of job seekers report being successful ( against 56% nationwide ), receiving 71 days of employment (against 37 nationwide ), on average”. In an important survey conducted by CAG, it indicates that in states like Haryana, Himachal Pradesh, Kerala, Meghalaya, Mizoram, Nagaland, Tripura, over 90 per cent of the beneficiaries felt that MGNREGS helped them in a significant way (CAG, 2013). About 53 per cent of the beneficiaries felt that MGNREGS helped them avoid doing works that they didn’t want to do while 71 per cent of the respondents felt that useful assets were created in villages through MGNREGS. The overall performance of the MGNREGS is summarised in *table11*.

# IV. Review of MGNREGS Programme

In this chapter, a review of the implementation of the MGNREGS at the state level and also its achievements is undertaken. Here an attempt is also being made to understand the expenditure pattern and fund utilisation at the state level as well as the behavior of wages.

## IV.1 Key Achievements of MGNREGS

1. Since inception of MGNREGS in 2005, it has provided employment to around 5 crore household on an average in the years 2010-11, 2011-12 and 2012-13 and could generate more than 200 crore person-days during last three years (*table 11*). The programme also succeeded in providing employment to more than 95 per cent households, who had demanded employment during last three years.
2. Wage payment to the beneficiary to ensure its consumption and livelihood is one of the key objectives of MGNREGS and the notified wages under this scheme has been increasing across all states since 2006. In the recent times, such revisions in the wages have been linked to the Consumer Price Index. The average wage earned per beneficiary has risen from Rs. 65 per person day in 2006 to Rs. 124 in 2013 in nominal terms (MGNREGS report to Nation, 2014).
3. A survey was conducted by the National Sample Survey Organisation (NSSO) on the implementation of the scheme in three states (Andhra Pradesh, Rajasthan and Madhya Pradesh). The survey has shown that the scheme provides work at a time when no other work or alternate employment opportunities exist. Thus, it provides work without disturbing the on-farm activities in the rural segments and also containing the forced migration from rural to urban areas. The survey also showed that 82 per cent of MGNREGS workers belong to the bottom 30 per cent (with monthly income of up to Rs 637) and middle 40 per cent (with monthly income between Rs 657 and Rs 1058) income groups (NSSO 66$^{th}$ round survey).
4. The Government of India mandated that all MGNREGS wage payments should be made through banks/ post office accounts opened in the name of the worker unless exempted by the Ministry of Rural Development. This step has been taken to ensure transparency in the wage payment and prevent fund misappropriation. As a result, nearly 9.3 crore bank/post office accounts of rural people have been opened under MGNREGS and almost 80 per cent of the payments under this scheme are made through this route. The opening of accounts has brought the poor into the organised financial sector, which also helped in providing them with better access to credit and other financial services. Indirectly, this has turned

out to be a most effective policy in enhancing financial inclusion in the rural areas.

5. MGNREGS success lies in self-targeting by the stake holders in programme, with high participation from marginalised groups including the Scheduled Castes (SCs) and Scheduled Tribes (STs). At the national level, the share of SCs and STs in the MGNREGS works has been 52, 41, and 40 per cent respectively for 2010-11, 2011-12 and 2012-13 (*figures* given in the brackets in *table 12*). The beneficiary survey conducted by CAG has shown that 80 per cent of the total 38,376 sample beneficiaries were from marginalised sections including SCs/STs/OBC.

**Table 12:** Employment Generated under MGNREGS by Social Categories

(Figures are in lakhs)

| Category | 2010-11 | 2011-12 | 2012-13 (provisional) |
|---|---|---|---|
| **SCs** | 78.76 (31%) | 48.47 (22%) | 50.96 (22%) |
| **STs** | 53.62 (21%) | 40.92 (19%) | 40.75 (18%) |
| **Total** | 257.15 | 218.76 | 229.86 |

***Note:*** Figures in parenthesis are percentages to the total.
***Source***: MGNREGS report to the Nation, 2014

6. Works on private lands (individual beneficiary) under the Act, has also greatly benefited the marginalised people. Since 2006–07, around 10 lakh households have benefited under individual beneficiary category of the programme. An impact assessment of assets created on individual lands conducted during 2012-13 by Sambodhi Research and Communications Pvt. Ltd has shown favourable influence of programme on such section of society. Their main findings are-
   a. Increment in household income
   b. Improvement in cropping intensity
   c. Positive shift of small and marginal farmers to better remunerative crops
   d. Improved quality of assets, etc.
7. MGNREGS also provides an alternative source of income for rural labourers, raising the reservation wage as well as increasing their bargaining power for wage demand in rural market. The scheme has provided labourers with a dignified choice of work. This programme has also reduced distress migration from traditionally migration-intensive areas. In CAG survey, 60 per cent of beneficiary responded that MGNREGS helped them avoid migration in search of work (CAG 2013).
8. MGNREGS has also focused on increasing women participation through providing equitable and easy access to work, decent working conditions, equal payment of wages and representation on decision- making bodies. Between 2006–07 and 2012–13 the women participation rate has ranged between 40-48 per cent of the total person-days generated, much above

the statutory minimum requirement of 33 per cent. With an increased rate of participation, many studies suggest a positive impact of the scheme on the economic well-being of women (Dasgupta 2011; Holmes 2010). The scheme has also led to gender parity in wages. This is reflected in the NSSO 66th round, which indicates a reduction in traditional wage discrimination between men and women in public works.

9. MGNREGS' key objective is to generate useful assets[7] in rural area to improve the livelihood of the rural population. The scheme gives priority to the activities related to water harvesting, groundwater recharge, drought-proofing, and flood protection. Its focus on eco-restoration and sustainable livelihoods has led over time to an increase in land productivity and aided the workers in moving from wage employment to sustainable employment (Report to the nation 2014). With almost 53 per cent works relating to soil and water conservation, MGNREGS works focus on regenerating the rural ecosystem[8] and creating rural infrastructure that supports sustainable livelihoods. A study conducted by Indian Institute of Science, Bangalore, during 2012-13 has indicated that such works taken up under MGNREGS have contributed to improved ground water levels, increased water availability for irrigation, increased area irrigated by ground and surface water sources and improved drinking water availability for humans and livestock (Report to the Nation, 2014).

Although MGNREGS programme was successful in achieving its targets of employment generation, improvement of livelihood, asset creation in rural part of the country, this performance is heterogeneous across the states. While the programme is implemented with uniform guidelines in all Indian states, their financial and physical performance has been different during 2010-11, 2011-12 and 2012-13. It could happen due to state specific characteristics such as farming season, geographical location, migration etc. Further, in some cases even the uniform guidelines might also be the source of heterogeneity among the states. Therefore, it is necessary to understand how states are utilising the fund, their expenditure, wage payments to the beneficiary etc., and they are discussed in the next section.

[7] MNGNREGS has also helped creating durable and useful assets in rural areas. For example- Vermicomposting in UP, Water tank for drinking water and Check Dam in Meghalaya, toilets under MGNREGS-NBA convergence in most of the states, *Rajiv Gandhi Seva Kendra* for e-service at GP level, Wooden bridge in Boko block (Assam) are few exemplary examples of durable assets created under the scheme.

[8] *Sasur Khaderi river*, a dry rivulet of Yamuna was revived during 2012-13 in Fathehpur district of UP under the MGNREGS. Entire cost for the revival of the river was 12.08 crore with the labour material ratio of 75:25. Following such success, UP government is planning to revive all dried-up streams of the state under MGNREGS.

## IV.2. MGNREGS: Expenditure Pattern and Fund Utilisation

Financial success of any programme can be gauged from its balance sheets in terms of extent of funds available and the level of utilisation. Once demand is generated and planning is done, availability of funds is important to implement the programme. Availability of funds and utilisation levels during past three years is given in *table 13*.

**Table 13:** Fund Utilisation and Expenditure Pattern (in Rs. crore)

| Year | Central release | Total available funds | Total expenditure | Payment due | Unspent balance | Utilisation level |
|---|---|---|---|---|---|---|
| **2010-11** | 35242 | 52614.96 | 39376.70 | ------ | 13238.26 | 74.84 |
| **2011-12** | 29184 | 47127.49 | 37756.27 | ------ | 9371.22 | 80.12 |
| **2012-13** | 30001 | 45325.80 | 36762.94 | 3380.71 | 5182.15 | 88.56 |

***Source:*** MIS

Based on the information on fund availability, expenditure and unspent balance for major 28 states for the years 2010-11, 2011-12 and 2012-13 show that fund utilisation has indeed improved over the last three years (*see, table 13*). This suggests that programme implementation is improving over the years largely through 'learning by doing' way. While such decline can be attributed to the decline in the allocation itself, when one looks at the trends in utilisation ratio, it can be clearly concluded that the utilisation ratio is increasing over the period from 75 per cent to almost 89 per cent. However, amount of unspent balance contain a large part of the funds available in the programme and there is need to utilise it in a better way and devise a better mechanism to channel the fund to the states that are in need. Worrying factor is that allocations under this programme have come down in recent period. This implies that either there is no demand for work or failure of implementation.

This trend in clearly visible in *table13* where central release, total expenditure and unspent balance has fallen during last three years. Potential reason for such pattern could be as follows:

a) According to MGNREGS guidelines (*Section 12.4.4*), central release every year is made after deducting previous year's unspent balance. Due to sustainable and high unspent balance, central release has been cut in 2011-12 and 2012-13 which has led to fall in central release over the years.
b) Expenditure has fallen during last three years due to fall in person-days generated in last three years (257crore, 218crore and 229crore in 2010-11, 2011-12, 2012-13, respectively). This could have resulted in lower demand projections for jobs in coming year resulting low expenditure projections.
c) Better planning, reduced fund release from the Centre due to high unspent balance, approved labour budget according to better labour projection over

the year are possible factors to reduce unspent balance and better utilisation level.

d) Technology has also played an important role in reducing the unspent balance. Use of e-FMS, e-muster rolls, smart card etc. in various states has made it possible to monitor the timely fund release and expenditure at district and GP level, timely payment to the beneficiary, thus utilising the fund at optimal level.

Overall, at the all India level, while utilisation ratio has been increasing over the period there still seems to be large unspent balances under the scheme. However, these trends at the state level could be heterogeneous. As discussed in *section I*, it is observed that there are few Indian states performing efficiently while others are not performing well in terms of fund utilisation. In next section, the pattern of fund allocation, expenditures and unspent balances at the state level would be analysed. Further, some discussion on the state specific factors that determine the extent of fund utilisation would also be highlighted.

## IV.3 State-wise Expenditure Pattern and Fund Utilisation

Since April 2008, MGNREGS has been implemented in every district of the country. Given that each state has different demographical and geographical structure, they have been allowed to implement the programme with different ease and constraint while the guidelines that are specified in the Act are uniform across the states. Despite this flexibility, the performance of the states in terms of implementation has varied over the last three years (between 2010-11 and 2012-13) (*see, table 14*). Andhra Pradesh is one major state that has consistently improved its performance during these years and reached from 60 per cent in 2010-11 to 95 per cent fund utilisation in 2012-13. On the same line states like Rajasthan, Tamil Nadu, West Bengal and Punjab also improved its fund utilisation significantly during last three years. However, *table 14* shows that the states such as UP, Goa, Gujarat, Jharkhand could not improve utilisation level during last three years. It has been observed during our field visit that main reason for such trends is poor planning, inflated labour budget, high market wages, use of technology, etc. During our study, only eight sample states have to be studied on issue of unspent balance. In our study, we would attempt to provide detailed report on these eight states and at the same time, it limits our outreach to analyse issues related to other states.

There are also other issues in utilisation level data. For some states, it was found that the fund utilisation is more than 100 per cent of allocation. The reasons for such discrepancy as understood from the field visits could be the presence of huge liability, wrong or no entry of the receipts data into MIS, in some cases work done but the material component of the expenditure not reimbursed as the GPs concerned violated the norms stipulated in the guidelines etc.

**Table 14:** State-wise Expenditure Pat tern and Fund Utilisation

| 2010-11 | | 2011-12 | | | | 2012-13 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Expendit-ure | Utilisation level (%) | Available funds | Expendit-ure | Utilisation level (%) | Available funds | Expendit-ure | Payment Due | Total expendit-ure | Utilisation level (%) |
| 5462.42 | 60 | 5890.98 | 4332.19 | 74 | 5244.15 | 4984.62 | 0.14 | 4984.76 | 95 |
| 50.57 | 96 | 69.99 | 0.95 | 1 | 92.38 | 24.32 | 23.59 | 47.91 | 52 |
| 921.04 | 73 | 838.80 | 748.28 | 89 | 702.23 | 642.07 | 37.05 | 679.12 | 97 |
| 2664.25 | 81 | 1575.36 | 1475.08 | 94 | 2494.67 | 1580.24 | 473.83 | 2054.08 | 82 |
| 1633.98 | 73 | 2508.19 | 2046.80 | 82 | 2618.30 | 2080.02 | 132.39 | 2212.41 | 84 |
| 9.93 | 62 | 9.33 | 7.15 | 77 | 4.97 | 1.11 | 0.21 | 1.33 | 27 |
| 788.22 | 62 | 926.16 | 649.49 | 70 | 865.83 | 588.54 | 41.56 | 630.10 | 73 |
| 214.70 | 89 | 274.66 | 316.60 | 115 | 390.15 | 369.94 | 23.30 | 393.25 | 101 |
| 501.96 | 70 | 621.98 | 504.06 | 81 | 549.46 | 455.50 | 29.79 | 485.29 | 88 |
| 377.77 | 89 | 980.42 | 388.85 | 40 | 967.65 | 587.71 | 43.26 | 630.97 | 65 |
| 1284.35 | 78 | 1618.83 | 1143.57 | 71 | 1478.44 | 1106.84 | 3.47 | 1110.32 | 75 |
| 2537.17 | 110 | 1919.20 | 2190.16 | 114 | 1773.84 | 1432.34 | 810.08 | 2242.41 | 126 |
| 704.34 | 84 | 1045.87 | 1005.03 | 96 | 1431.38 | 1415.15 | 86.00 | 1501.15 | 105 |
| 3637.25 | 71 | 4882.29 | 3398.27 | 70 | 3567.04 | 2494.58 | 168.09 | 2662.67 | 75 |
| 358.12 | 60 | 1447.71 | 1588.14 | 110 | 2383.77 | 2085.67 | 148.11 | 2233.78 | 94 |
| 440.71 | 97 | 728.09 | 281.18 | 39 | 715.60 | 271.80 | 28.31 | 300.11 | 42 |
| 319.02 | 96 | 341.19 | 281.09 | 82 | 282.01 | 220.35 | 36.16 | 256.51 | 91 |
| 293.15 | 96 | 390.43 | 204.77 | 52 | 293.12 | 225.26 | 2.78 | 228.04 | 78 |
| 605.37 | 95 | 688.82 | 453.44 | 66 | 482.83 | 225.63 | 25.36 | 250.99 | 52 |
| 1533.14 | 86 | 1372.50 | 1032.17 | 75 | 1386.38 | 1178.06 | 16.48 | 1194.53 | 86 |
| 165.84 | 73 | 199.99 | 159.26 | 80 | 168.66 | 154.94 | 14.61 | 169.55 | 101 |
| 3289.07 | 54 | 4374.55 | 3182.79 | 73 | 4003.59 | 3058.48 | 386.73 | 3445.21 | 86 |
| 85.26 | 102 | 110.19 | 70.94 | 64 | 93.56 | 63.10 | 12.18 | 75.28 | 80 |
| 2323.32 | 83 | 3546.41 | 2886.50 | 81 | 4595.13 | 4072.82 | 21.34 | 4094.16 | 89 |
| 631.87 | 99 | 1008.73 | 945.60 | 94 | 992.19 | 967.50 | 4.22 | 971.72 | 98 |
| 5631.20 | 82 | 6224.67 | 5062.22 | 81 | 3336.12 | 2482.89 | 176.35 | 2659.23 | 80 |
| 380.20 | 94 | 445.95 | 397.64 | 89 | 325.32 | 299.76 | 45.16 | 344.92 | 106 |
| 2532.46 | 91 | 3086.21 | 3004.04 | 97 | 4087.03 | 3693.69 | 590.17 | 4283.87 | 105 |
| 39376.70 | 75 | 47127.49 | 37756.27 | 80 | 45325.80 | 36762.94 | 3380.71 | 40143.65 | 89 |

## IV.4 Wage Payments

One of the main objectives is to provide opportunity of earning minimum wage to sustain rural livelihoods. Also there is cap that expenditure on materials and machinery cannot exceed 40 per cent of the total expenditure and the remaining has to be on wages only. Wage payments contain a significant part of total expenditure made through MGNREGS and data in *table15* show the share of wages that had been made under MGNREGS. It is obvious that wage payment is made more than 60 per cent of the total expenditure during last three years in almost all the states.

**Table 15:** State-wise Share of Wage Payment to Total Expenditure

| States | Percent of wage payment to total expenditure (2010-11) | Percent of wage payment to total expenditure (2011-12) | Percent of wage payment to total expenditure (2012-13) |
|---|---|---|---|
| Andhra Pradesh | 66.85 | 76.64 | 78.88 |
| Arunachal Pradesh | 61.78 | 100 | 68.81 |
| Assam | 57.45 | 65.19 | 65.99 |
| Bihar | 63.50 | 58.15 | 66.73 |
| Chhattisgarh | 74.02 | 74.14 | 74.09 |
| Goa | 68.18 | 76.02 | 82.36 |
| Gujarat | 63.89 | 58.23 | 57.33 |
| Haryana | 68.52 | 64.06 | 65.08 |
| Himachal Pradesh | 58.16 | 67.29 | 69.91 |
| Jammu and Kashmir | 64.71 | 53.98 | 53.71 |
| Jharkhand | 70.02 | 66.76 | 63.85 |
| Karnataka | 63.64 | 62.46 | 61.57 |
| Kerala | 94.57 | 96.28 | 96.45 |
| Madhya Pradesh | 61.03 | 60.63 | 62.55 |
| Maharashtra | 78.87 | 70.59 | 71.57 |
| Manipur | 65.47 | 93.18 | 79.24 |
| Meghalaya | 65.18 | 67.51 | 69.51 |
| Mizoram | 69.67 | 74.34 | 80.34 |
| Nagaland | 60.24 | 59.76 | 63.65 |
| Odisha | 62.82 | 57.39 | 60.45 |
| Punjab | 62.45 | 61.56 | 67.81 |
| Rajasthan | 72.44 | 63.05 | 70.66 |
| Sikkim | 59.91 | 57.21 | 60.18 |
| Tamil Nadu | 100 | 99.75 | 98.90 |
| Tripura | 64.19 | 63.76 | 68.90 |
| Uttar Pradesh | 65.11 | 66.28 | 69.63 |
| Uttarakhand | 64.06 | 62.69 | 64.59 |
| West Bengal | 68.00 | 68.35 | 68.33 |
| All India* | 65.00 | 66.00 | 75.00 |

***Note***: * Data is for 28 states only
***Source***: Calculation made from MIS database MoRD

At the all India level, indeed the wage shares have been increasing over the period from 65 per cent in 2010-11 to 75 per cent in 2012-13. It further means that work undertaken is mostly labour intensive in MGNREGS and all the works undertaken strictly follow the specified guidelines. However, to know whether the MGNREGS jobs are attractive, one needs to compare its wages with the statutory wage at the state level, which is discussed in the next section.

## IV.5 Wage Rates: Comparison between Statutory Wage (SoRs) and Average Rate Paid

As per MGNREGS rules, wages are paid to every worker as per the measurement of work done. Government of India notifies state wise wage rate (Schedule of rate (SoRs)), for each day of work. The SoRs, under the Act, have to be such that an average person working for nine hours, with one hour of rest, is able to earn the notified MGNREGS minimum wage. Recently wage rates have been linked to CPI-Agriculture labour (from 1$^{st}$ January 2011).

In *table 15*, a comparison of average wage rate and the statutory wage rates across the states for three years are provided. From *table 15*, one may conclude that average wage rate in some states are below or sometimes above than statutory MGNREGS wage rate. This is mainly due to piece rates or wages paid on measurement basis of the earth work done. Large states such as Andhra Pradesh, Gujarat, and Tamil Nadu have paid much less average wage rate in 2012-13.

States such as West Bengal, Punjab, Karnataka, and Maharashtra paid higher wage rate on an average compared to statutory wage rate. On the other hand, in some states such as Arunachal Pradesh, Chhattisgarh and Goa etc. average wage payment paid is satisfactory and equal to their statutory wage.

One issue here is that every state has a minimum wage act and legally bound to pay those stipulated minimum wages. But the MGNREGS stipulated wages seems to be lower than those and states are paying the additional wages from its contribution. In one of the states that the team visited this was the major issue. Therefore, states also pay more than MGNREGS statutory wage rate if their minimum agricultural wage is more than MGNREGS wage (*see, appendix table C*). Average wage data might also seem inflated than actually wage rate paid due to data discrepancy among various data sources within MIS and delays in updating the MIS particularly at the year end.

**Table 16:** Average Wage Rate Paid and Statutory Wage Rate

| States | Average wage rate (2010-11) | MGNREGS statutory wage rate (2010-11 ) | Average wage rate (2011-12) | MGNREGS statutory wage rate (2011-12) | Average wage rate (2012-13) | MGNREGS statutory wage rate (2012-13) |
|---|---|---|---|---|---|---|
| Andhra Pradesh | 108.98 | 121 | 102.58 | 121 | 107.67 | 137 |
| Arunachal Pradesh | 95.04 | 118 | 91.12 | 118 | 124.05 | 124 |
| Assam | 107.08 | 130 | 130.36 | 130 | 136.60 | 136 |
| Bihar | 101.22 | 120 | 132.89 | 120 | 160.86 | 122 |
| Chhattisgarh | 104.41 | 122 | 119.94 | 122 | 132.14 | 132 |
| Goa | 138.50 | 138 | 160.74 | 138 | 176.74 | 158 |
| Gujarat | 97.36 | 124 | 111.51 | 124 | 120.28 | 134 |
| Haryana | 168.95 | 179 | 180.41 | 179 | 195.53 | 191 |
| Himachal Pradesh | 126.53 | 120-150 | 123.37 | 120-150 | 134.81 | 126-157 |
| Jammu & Kashmir | 112.62 | 121 | 123.53 | 121 | 136.77 | 131 |
| Jharkhand | 103.27 | 120 | 120.45 | 120 | 121.86 | 122 |
| Karnataka | 143.52 | 125 | 189.29 | 125 | 215.01 | 155 |
| Kerala | 132.57 | 150 | 147.12 | 150 | 167.01 | 164 |
| Madhya Pradesh | 97.78 | 122 | 121.64 | 122 | 141.38 | 132 |
| Maharashtra | 134.43 | 127 | 165.48 | 127 | 188.10 | 145 |
| Manipur | 92.95 | 126 | 125.20 | 126 | 143.90 | 144 |
| Meghalaya | 99.72 | 117 | 114.41 | 117 | 128.09 | 128 |
| Mizoram | 115.90 | 129 | 116.30 | 129 | 136.25 | 136 |
| Nagaland | 102.88 | 118 | 118.04 | 118 | 121.14 | 124 |
| Odisha | 95.53 | 125 | 123.25 | 125 | 124.82 | 126 |
| Punjab | 129.53 | 153 | 145.03 | 153 | 171.15 | 166 |
| Rajasthan | 75.08 | 119 | 89.81 | 119 | 106.36 | 133 |
| Sikkim | 99.98 | 118 | 116.96 | 118 | 127.59 | 124 |
| Tamil Nadu | 82.45 | 119 | 92.36 | 119 | 96.69 | 132 |
| Tripura | 102.67 | 118 | 118.06 | 118 | 123.92 | 124 |
| Uttar Pradesh | 105.10 | 120 | 120.36 | 120 | 125.27 | 125 |
| Uttarakhand | 101.94 | 120 | 126.96 | 120 | 133.80 | 125 |
| West Bengal | 106.66 | 130 | 137.79 | 130 | 147.91 | 136 |

***Source:*** MIS-DMU report
Where Average wage rate = Total wage payments/Total Person-days generated

From the above discussions, it is clear that there are wide divergences across the states in terms of fund flow, expenditure pattern, wage payments, etc. Such divergences could also be reflected in the unspent balances, which is the core issue of this study. During the last few years of implementation of MGNREGS, excessive non-utilisation of funds at the state level could be due to poor planning, unscientific way of labour budget preparation, ambiguity about the guidelines, lengthy and hierarchical fund flow mechanism, and parking of fund at different level. Next section deals with these issues that are related to unspent balances.

*Table 13* shows that level of unspent balance is sustained and amount to a substantial portion of available fund on all India level during last three years. Since there is a MGNREGS provision of fund release (based on comprehensive procedure of labour budget and planning) to states after reducing their unspent balance of the previous year, thus unspent balance should ideally get diminished over the year but that is not happening on all India level. Therefore, to better understand the trends of unspent balance, there is need to understand unspent balance related issues and causes for such pattern of unspent balance at the state level. This is the main objective of this report and it is discussed in detail in following sections.

# V. Unspent Balances under MGNREGS

Unspent balance is defined as the difference between total availability of funds and actual expenditure (including liability) during the financial year. Every year some part of fund is shown as unspent balance and the extent of such balances reflects on the efficiency of programme planning and implementation. Unspent balance is a major issue because, generally, funds for MGNREGS programme are partially borrowed from market at higher interest rates and if these funds remain unutilised, there could be additional burden on the exchequer. Therefore, there is a need to devise better mechanism to utilise fund efficiently to reduce unspent balance to minimum level and lower the possibility of borrowing at high interest rates. Here, an attempt has been made to look at the trends in unspent balances across the states over the last three years. This section also discusses some main reasons for the unspent balances and also the ways to reduce the same.

## V.1 Trends in Unspent Balances

The extent of unspent balance varies across 28 states. Some states have shown unspent balance consistently over the last year due to laxity in implementation of the programme. In addition, some have performed very well and reduced unspent balance over the years. This suggests that states have improved their performance through 'learning by doing'. However, at the all India level, the programme shows that there is more than Rs. 5000 crore unspent balance (around 12 per cent of total allocation). Given that this is a flagship programme of the government, such high unspent balances in a situation where the allocation is also declining over the years becomes a cause of concern for the government aiming at achieving inclusive development.

The utilisation of MGNREGS funds has increased from 75 per cent in 2010-11 to 88 per cent in 2012-13 (*see, table 13*) at all India level but the total amount of unspent balances is still high at Rs. 5128 crore in 2012-13. There is a definite sign of decline in unspent balance over the last three years from Rs. 13238 core in 2010-11 to Rs. 5128 crore in 2012-13. There is also regional variation across different states regarding accumulation of unspent balances. There are many states which have high unspent balances with declining trends over the last three years, such as, Andhra Pradesh, Assam, Gujarat, Haryana, Kerala, Madhya Pradesh, Odisha, Punjab, Rajasthan, Tamil Nadu, Tripura and Uttar Pradesh. But some states such as Arunachal Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Manipur, Meghalaya, and Nagaland are not showing much change in reducing unspent balances. The concentration of unspent balances is evenly spread across the states. Eight sample states chosen for field study together (Andhra Pradesh, UP, Bihar, Karnataka, Rajasthan, Assam, Odisha and Meghalaya) exhibited a share of 66 per cent, 45 per cent and 32 per cent of total unspent balances in the year 2010-11, 2011-12 and 2012-13 respectively. Andhra Pradesh and Rajasthan have performed well continuously and succeeded to bring down the level of unspent balances drastically but Bihar and Uttar Pradesh could not demonstrate any improvement in improving the situation. The issue on why some states are doing better while some continue to perform poorly is discussed in the next section.

**Table 17:** State wise Amount and Rank in Unspent Balances (Rs. Crore)

| State | 2010-11 | Rank (2010-11) | 2011-12 | Rank (2011-12) | 2012-13 | Rank (2012-13) |
|---|---|---|---|---|---|---|
| Andhra Pradesh | 3645.7 | 28 | 1558.8 | 28 | 259.4 | 19 |
| Arunachal Pradesh | 2.3 | 3 | 69.0 | 11 | 44.5 | 12 |
| Assam | 343.4 | 19 | 90.5 | 13 | 23.1 | 10 |
| Bihar | 606.3 | 24 | 100.3 | 14 | 440.6 | 24 |
| Chhattisgarh | 599.1 | 23 | 461.4 | 21 | 405.9 | 22 |
| Goa | 6.2 | 5 | 2.2 | 4 | 3.6 | 7 |
| Gujarat | 481.2 | 21 | 276.7 | 18 | 235.7 | 18 |
| Haryana | 25.5 | 10 | -41.9 | 3 | -3.1 | 5 |
| Himachal Pradesh | 219.9 | 15 | 117.9 | 15 | 64.2 | 13 |
| Jammu & Kashmir | 47.1 | 12 | 591.6 | 23 | 336.7 | 20 |
| Jharkhand | 353.8 | 20 | 475.3 | 22 | 368.1 | 21 |
| Karnataka | -227.3 | 1 | -271.0 | 1 | -468.6 | 1 |
| Kerala | 139.0 | 14 | 40.8 | 7 | -69.8 | 3 |
| Madhya Pradesh | 1501.4 | 26 | 1484.0 | 27 | 904.4 | 28 |
| Maharashtra | 237.3 | 17 | -140.4 | 2 | 150.0 | 15 |
| Manipur | 13.5 | 7 | 446.9 | 20 | 415.5 | 23 |
| Meghalaya | 13.9 | 8 | 60.1 | 9 | 25.5 | 11 |
| Mizoram | 13.2 | 6 | 185.7 | 16 | 65.1 | 14 |
| Nagaland | 30.3 | 11 | 235.4 | 17 | 231.8 | 17 |
| Odisha | 256.8 | 18 | 340.3 | 19 | 191.8 | 16 |
| Punjab | 61.1 | 13 | 40.7 | 6 | -0.9 | 6 |
| Rajasthan | 2844.4 | 27 | 1191.8 | 26 | 558.4 | 26 |
| Sikkim | -1.8 | 2 | 39.3 | 5 | 18.3 | 8 |
| Tamil Nadu | 487.0 | 22 | 659.9 | 24 | 501.0 | 25 |
| Tripura | 6.2 | 4 | 63.1 | 10 | 20.5 | 9 |
| Uttar Pradesh | 1270.7 | 25 | 1162.4 | 25 | 676.9 | 27 |
| Uttrakhand | 25.2 | 9 | 48.3 | 8 | -19.6 | 4 |
| West Bengal | 237.0 | 16 | 82.2 | 12 | -196.8 | 2 |
| Total | 13238.3 | | 9371.2 | | 5182.2 | |

***Source***: Calculations made from MIS database, MoRD.

## V.2 Reasons for Unspent Balances among Indian States

### i. Unscientific way of preparation of labour budget at the GP level

At the GP level, labour budget is prepared based on demand of the GP and sanctioned accordingly. It is observed that preparation of labour budget as prescribed by the NREGA guidelines (that specifies for discussions with *Gram Sabhas* in finalising and prioritising the works) is not generally followed at GP level. At few GPs, during our visit, labour budget is not prepared on the basis of demand. It is either prepared on pro-rata basis or by repeating last year's budget. It has also been observed in some states that GPs are not involved in labour budget preparation practice. Such methods of labour budget preparation don't result in robust demand projections at the GP level and potentially result in mismatch with the actual work demand, thus, creating problem of unspent funds. At present the practice is to prepare a shelf of works to be undertaken. In this shelf of works, estimates are made about number of man-days that can be generated and the block officials approve this shelf of works. Whenever there is demand for work from the job card holders, these works have to be undertaken to provide employment. It is found that projections are higher than the actual demand when people's participation is low in preparation of labour budget (especially in states like Karnataka and Meghalaya). Allocations made on the basis of such inflated labour demand leads to low utilisation of funds.

The team has observed that the preparation of labour budget is based on pro rata basis at GP level. The GP considers the previous year labour budget and inflates it arbitrarily (based on expectation of rain and crop next year) and submits it to the higher level. The accumulated labour budget reaches the block and then district. The district authorities cut the labour budget depending upon fund availability. Then it forwards the accumulated labour budget to the state level. Finally it reaches the ministry. Therefore, it is obvious that there is vague concept of labour budget and in practice no norms are being followed for the preparation of labour budget. This causes an overestimation of number of person days and results in higher allocation and causes unspent balances at GP level. Few recommendations are given in *section IX* to improve the practice of labour budget.

### ii. Huge fund release in March month of financial year

Fund utilisation also depends on timely release. Bunching of releases in the last month (or quarter) of the financial year could lead to higher unspent balance. *Table 18* shows the funds released in the month of March and unspent balance in the last three years. It can be seen that the share of releases in the month of March has increased from 18 to 66 per cent of total unspent balance in the whole year, which itself suggest the reason for the problem. MGNREGS funds released from the state level and its expenditure at the GP level gets reported with a time lag of one month. Large funds released in the month of March remain unspent by the end of the financial year as GPs may not be able to plan and spend such funds within a month's time. Hence, they are shown as unspent balance in MIS for that year.

**Table 18**: Fund Release in March and Unspent Balance

| Year | Releases in march | Unspent balance (UB) | March releases as a per cent of UB |
|---|---|---|---|
| 2010-11 | 2358.17 | 13238.26 | 17.81 |
| 2011-12 | 4496.46 | 9371.22 | 47.98 |
| 2012-13 | 3411.98 | 5182.15 | 65.84 |

***Source***: MIS

### iii. Expenditure depends on fund release: Sanction mismatch with demand

MGNREGS is a demand driven programme but data from the states suggest that planning and expenditure is usually made when the fund is released. Demand seasonality is also present in the data from 2010-11, 2011-12, and 2012-13. The data shows that large portion of the expenditure is incurred in farm lean season i.e. initial month of financial year. Results are shown from the data from 8 sample states and are presented in *tables 19.1, 19.2* and *19.3.* The tables indicate that most of expenditures are incurred when funds get available during the year. Usually states don't receive the first tranche in the month of April. Few states like UP, Bihar and Meghalaya incurred expenditure only when funds were available in 2012-13. The trends also suggest that there is seasonality in incurring expenditure in the first four months of the financial years 2010-11, 2011-12, and 2012-13. For example- most of the expenditure in Andhra Pradesh is incurred in initial months of financial years 2011-12, and 2012-13. Later the expenditure started declining suggesting that the demand for jobs is higher in the beginning of the financial year. Thus, factors such as delay in fund release and concentration of expenditure in lean farm season (demand seasonality) together might lead to unspent balance given the lesser demand in last few months. In such cases if the allocation is not front-loaded in the first tranche itself, then the utilisation ratio in the second tranche could be very low owing to low demand

**Table 19.1:** Monthly Sanctions and Expenditures in 8 Sample States (2010-11)
(As per cent of Yearly Totals)

| Month | Andhra | | Assam | | Bihar | | Karnataka | | Meghalaya | | Odisha | | Rajasthan | | UP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures |
| April | 13.64 | 13.31 | 46.27 | 0.48 | 33.94 | 0.10 | 49.14 | 0.68 | 30.48 | 0.07 | 19.75 | 3.24 | 57.75 | 0.72 | 26.90 | 0.65 |
| May | 0.00 | 19.65 | 0.00 | 1.58 | 0.00 | -0.07 | 0.00 | 2.99 | 0.00 | 0.29 | 0.00 | 10.25 | 0.00 | 6.66 | 0.00 | 2.23 |
| June | 15.08 | 23.16 | 0.00 | 1.64 | 0.00 | 0.04 | 0.00 | 1.13 | 0.00 | 0.43 | 31.37 | 7.04 | 42.25 | 9.42 | 0.00 | 9.48 |
| July | 0.00 | 10.10 | 7.09 | 5.18 | 20.81 | 2.62 | 0.00 | 1.40 | 19.67 | 0.93 | 0.00 | 8.24 | 0.00 | 16.38 | 0.00 | 10.07 |
| August | 23.31 | 7.64 | 0.38 | 6.80 | 10.54 | 3.90 | 0.00 | 2.19 | 5.11 | 5.35 | 0.00 | 5.69 | 0.00 | 9.01 | 3.31 | 5.91 |
| September | 0.00 | 4.70 | 0.36 | 6.61 | 1.34 | 4.82 | 0.00 | 3.63 | 0.00 | 5.67 | 0.00 | 5.57 | 0.00 | 4.90 | 0.00 | 3.09 |
| October | 0.00 | 4.34 | 0.00 | 7.42 | 3.00 | 2.26 | 0.00 | 5.12 | 0.00 | 4.16 | 0.00 | 3.90 | 0.00 | 4.01 | 37.90 | 1.28 |
| November | 0.00 | 3.10 | 0.00 | 11.02 | 0.20 | 4.31 | 0.00 | 11.42 | 0.00 | 5.59 | 19.48 | 6.73 | 0.00 | 3.71 | 0.00 | 4.06 |
| December | 0.00 | 3.19 | 0.00 | 9.53 | 0.00 | 6.83 | 0.00 | 6.67 | 8.28 | 1.61 | 0.00 | 5.80 | 0.00 | 2.81 | 0.00 | 6.66 |
| January | 47.92 | 2.98 | 6.26 | 12.21 | 1.40 | 2.88 | 0.00 | 11.42 | 14.19 | 46.51 | 0.00 | 7.94 | 0.00 | 21.80 | 22.74 | 21.31 |
| February | 0.00 | 2.62 | 36.10 | 21.92 | 25.82 | 52.51 | 0.00 | 20.83 | 10.96 | 10.26 | 29.40 | 9.33 | 0.00 | 4.88 | 8.95 | 19.71 |
| March | 0.05 | 5.20 | 3.53 | 15.61 | 2.94 | 19.80 | 50.86 | 32.51 | 11.31 | 19.12 | 0.00 | 26.28 | 0.00 | 15.71 | 0.19 | 15.55 |

***Source***: Calculations made from MIS database, MoRD

**Table 19.1:** Monthly Sanctions and Expenditures in 8 Sample States (2010-11)
(As per cent of Yearly Totals)

| Month | Andhra | | Assam | | Bihar | | Karnataka | | Meghalaya | | Odisha | | Rajasthan | | UP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures |
| April | 0.00 | 7.73 | 27.91 | 2.14 | 12.12 | 0.00 | 99.35 | 0.91 | 20.26 | 0.49 | 0.00 | 2.66 | 0.00 | 4.70 | 0.00 | 1.78 |
| May | 0.00 | 12.40 | 5.86 | 3.85 | 0.00 | 1.40 | 0.00 | 0.94 | 0.00 | 7.35 | 0.00 | 2.00 | 43.22 | 0.65 | 23.58 | 0.41 |
| June | 31.19 | 15.60 | 0.00 | 8.10 | 14.09 | 4.17 | 0.00 | 3.03 | 0.00 | 0.76 | 71.52 | 9.52 | 0.00 | 14.25 | 0.00 | 10.89 |
| July | 0.00 | 10.76 | 1.10 | 6.89 | 7.75 | 4.59 | 0.00 | 3.58 | 15.19 | 2.20 | 0.00 | 8.65 | 0.00 | 12.22 | 31.81 | 8.97 |
| August | 0.00 | 6.87 | 2.33 | 10.82 | 0.33 | 5.70 | 0.00 | 5.79 | 0.00 | 3.42 | 0.00 | 7.04 | 0.00 | 9.77 | 0.00 | 9.23 |
| September | 0.00 | 3.70 | 1.89 | 6.80 | 1.10 | 3.99 | 0.00 | 11.64 | 15.44 | 5.89 | 0.00 | 4.31 | 13.44 | 5.75 | 0.00 | 7.44 |
| October | 0.00 | 2.58 | 5.72 | 7.89 | 1.42 | 8.02 | 0.00 | 7.16 | 8.10 | 10.76 | 0.00 | 5.05 | 0.00 | 5.15 | 0.00 | 7.38 |
| November | 0.00 | 4.15 | 4.70 | 6.33 | 0.00 | 6.43 | 0.00 | 10.37 | 1.90 | 12.51 | 0.00 | 10.14 | 24.70 | 6.12 | 28.30 | 7.70 |
| December | 0.00 | 6.65 | 18.69 | 5.20 | 56.65 | 3.62 | 0.00 | 8.36 | 9.87 | 10.93 | 0.00 | 9.28 | 0.00 | 6.38 | 0.00 | 6.97 |
| January | 0.00 | 8.24 | 5.91 | - | 0.00 | - | 0.00 | - | 6.43 | - | 0.00 | - | 0.00 | - | 11.75 | - |
| February | 0.00 | 10.19 | 3.72 | - | 0.00 | - | 0.00 | - | 1.09 | - | 8.24 | - | 0.00 | - | 0.00 | - |
| March | 68.81 | 11.12 | 22.18 | 21.45 | 6.53 | 55.44 | 0.65 | 26.37 | 21.72 | 32.11 | 20.24 | 20.19 | 18.65 | 21.01 | 4.56 | 23.45 |

***Source***: Calculations made from MIS database, MoRD

**Table 19.3:** Monthly Sanctions and Expenditures in 8 Sample States (2012-13)
(As per cent of Yearly Totals)

| Month | Andhra | | Assam | | Bihar | | Karnataka | | Meghalaya | | Odisha | | Rajasthan | | UP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures | Sanctions | Expenditures |
| April | 0.00 | 11.12 | 0.00 | 3.28 | 0.00 | 0.20 | 56.82 | 2.41 | 0.00 | 0.21 | 0.00 | 5.79 | 0.00 | 7.20 | 0.00 | 1.19 |
| May | 32.67 | 23.63 | 39.38 | 5.45 | 0.00 | 0.34 | 0.00 | 9.80 | 0.00 | 0.87 | 33.03 | 5.80 | 37.14 | 6.63 | 0.00 | 3.02 |
| June | 0.00 | 18.24 | 3.57 | 6.25 | 57.01 | 3.64 | 0.00 | 11.06 | 28.44 | 3.35 | 0.00 | 13.29 | 0.00 | 13.58 | 54.18 | 11.33 |
| July | 36.50 | 11.08 | 7.90 | 7.40 | 0.00 | 3.24 | 0.00 | 13.53 | 21.93 | 6.69 | 0.00 | 8.97 | 0.00 | 21.22 | 0.00 | 14.63 |
| August | 0.00 | 4.48 | 3.26 | 10.90 | 0.00 | 7.10 | 0.00 | 11.34 | 0.00 | 24.30 | 0.00 | 4.95 | 27.08 | 7.13 | 0.00 | 7.36 |
| September | 0.00 | 3.18 | 1.53 | 7.22 | 0.00 | 23.41 | 20.29 | 4.87 | 0.00 | 10.95 | 57.70 | 3.29 | 0.00 | 3.79 | 14.62 | 6.82 |
| October | 0.00 | 4.04 | 12.37 | 5.10 | 0.00 | 10.93 | 0.00 | 6.29 | 8.01 | 10.30 | 0.00 | 3.39 | 0.00 | 3.54 | 0.00 | 7.76 |
| November | 5.32 | 3.79 | 4.57 | 10.26 | 0.00 | 14.96 | 0.00 | 9.46 | 0.00 | 6.90 | 0.00 | 4.76 | 0.00 | 4.22 | 0.00 | 7.05 |
| December | 0.00 | 3.04 | 0.00 | 9.79 | 19.06 | 6.37 | 0.00 | 7.63 | 10.88 | 5.20 | 0.00 | 4.82 | 10.49 | 7.48 | 21.78 | 7.19 |
| January | 10.94 | 3.07 | 8.12 | 4.85 | 0.00 | 4.74 | 0.00 | 6.68 | 10.05 | 18.54 | 0.00 | 6.99 | 17.25 | 8.75 | 0.00 | 9.27 |
| February | 0.00 | 4.54 | 5.84 | 9.21 | 4.07 | 4.67 | 0.00 | 7.04 | 0.35 | 7.30 | 0.00 | 13.73 | 0.00 | 8.98 | 0.00 | 10.23 |
| March | 14.58 | 9.79 | 13.46 | 20.29 | 19.86 | 20.42 | 22.89 | 9.87 | 20.34 | 5.39 | 9.27 | 24.22 | 8.04 | 7.48 | 9.42 | 14.14 |

***Source:*** Calculations made from MIS database, MoRD

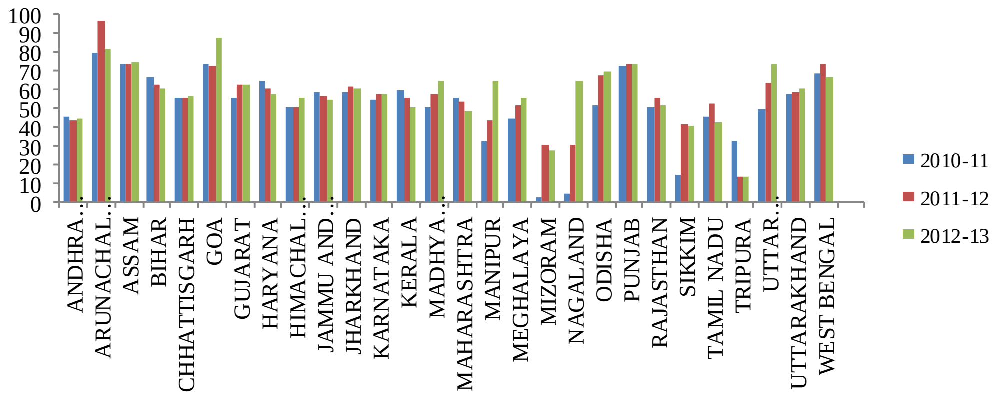
## iv. Demand gap

According to MGNREGS programme guidelines, if a household demands the work, it has to be provided up to 100 days of work in a year. However, usually a household might not be able to achieve 100 days of work (optimum person-days) due to various reasons and it leads to underachievement in person-days generation. This is known as demand gap and it is the difference between household demand for 100 days (optimum person-days) and actual person-days generated in any state. It is further normalised by optimum person-days of the respective state. As explained earlier, demand gap is the difference between the number of person-days that the state could have created and number of person-days it has actually created.

Demand gap = $\frac{\text{Household demanded employment*100 - actual person-days generated}}{\text{Household demanding employment*100}}$

Where, Household demanding employment*100 = optimum person-days generated

**Graph 2:** Demand Gap among the States




***Source***: Calculations made from MIS database, MoRD

*Graph 2* depicts that bigger states like Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal have high demand gap. It means that these states could generate less person-days than its potential to generate. If these states had been able to generate optimum person-days, more funds could have been utilised and unspent balance could be brought down. It suggests that states are not able to project the demand of work accurately through labour budget and at the same time not able to generate more jobs. As funds are released based on the labour budget sanctions, such discrepancy in both demand and supply of jobs could have led to huge unspent balances in these states.

Excess demand (demand gap) refers to the possibility that states with high demand couldn't use the available funds and excess funds get saved as unspent balance. High demand gap in a state may lead to high unspent balance. The relationship between high demand gap and unspent balance is depicted below in terms of ranking of the states on both the variables.

**Table 20:** Ranking of States based Unspent Balance* and Demand Gap**

| States | Rank of UB* (2010-11) | Rank of demand gap** (2010-11) | Rank of UB* (2011-12) | Rank of demand gap** (2011-12) | Rank of UB* (2012-13) | Rank of demand gap** (2012-13) |
|---|---|---|---|---|---|---|
| Andhra Pradesh | 27 | 7 | 18 | 6 | 9 | 5 |
| Arunachal Pradesh | 7 | 28 | 28 | 28 | 26 | 27 |
| Assam | 21 | 27 | 8 | 27 | 8 | 26 |
| Bihar | 17 | 23 | 7 | 21 | 17 | 15 |
| Chhattisgarh | 19 | 16 | 11 | 13 | 16 | 12 |
| Goa | 25 | 26 | 16 | 24 | 28 | 28 |
| Gujarat | 24 | 15 | 21 | 20 | 23 | 18 |
| Haryana | 11 | 22 | 1 | 18 | 5 | 13 |
| Himachal Pradesh | 23 | 12 | 14 | 7 | 13 | 11 |
| Jammu and Kashmir | 12 | 20 | 26 | 14 | 24 | 9 |
| Jharkhand | 18 | 19 | 20 | 19 | 21 | 17 |
| Karnataka | 1 | 14 | 2 | 16 | 1 | 14 |
| Kerala | 14 | 21 | 5 | 12 | 3 | 7 |
| Madhya Pradesh | 22 | 10 | 22 | 15 | 22 | 19 |
| Maharashtra | 26 | 17 | 3 | 10 | 10 | 6 |
| Manipur | 4 | 4 | 27 | 5 | 27 | 20 |
| Meghalaya | 5 | 6 | 10 | 8 | 11 | 10 |
| Mizoram | 6 | 1 | 25 | 2 | 20 | 2 |
| Nagaland | 8 | 2 | 23 | 3 | 25 | 21 |
| Odisha | 13 | 13 | 17 | 23 | 14 | 23 |
| Punjab | 20 | 25 | 15 | 26 | 6 | 25 |
| Rajasthan | 28 | 11 | 19 | 11 | 15 | 8 |
| Sikkim | 2 | 3 | 24 | 4 | 18 | 3 |
| Tamil Nadu | 15 | 8 | 12 | 9 | 12 | 4 |
| Tripura | 3 | 5 | 6 | 1 | 7 | 1 |
| Uttar Pradesh | 16 | 9 | 13 | 22 | 19 | 24 |
| Uttarakhand | 9 | 18 | 9 | 17 | 2 | 16 |
| West Bengal | 10 | 24 | 4 | 25 | 4 | 22 |

***Notes:*** * UB refers to share of Unspent balance as share of total available funds
** Demand Gap refers to share of demand gap to optimum person days generated.

***Source***: Calculations made from MIS database, MoRD

Unspent balance is normalised by available fund and demand gap is normalised by optimum person-days of the respective state. *Table 20* represents the ranking of the states with demand gap and unspent balance. Ranking of states i.e. Arunachal Pradesh, Gujarat, MP and UP in 2012-13 show that states with high demand gap ranking also have high-unspent balance ranking. In addition, correlation coefficient between expenditure based on demand gap and unspent balance is 0.36, 0.13, and 0.37 respectively for 2010-11, 2011-12, and 2012-13. This strengthens the fact that high demand gap is one of the potential reasons for high unspent balance. Therefore, this analysis suggests that states that have poorly projected their demand in the labour budget seem to pile up higher unspent funds.

### v. Mismatch of agricultural wage and MGNREGS wages

Unspent balances among the states are unevenly distributed. It also gives a clear impression that state specific factors are responsible for the accumulation of unspent balances. One important state specific factor which could be responsible for unspent balance is difference between minimum agricultural wage and MGNREGS wage in the state. In general it is observed that if market wages are higher, there is tendency among the labour to go for work available in market rather than MGNREGS work with lower pay. *Table 20.1* shows that states like Assam, Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Odisha, Punjab, Rajasthan, Madhya Pradesh and West Bengal have registered upward growth in market agricultural wage compared with MGNREGS wage in the respective states. These states' combined unspent balance constitutes 41 percent of the total unspent balance in India. Thus, rising market agricultural wages pose a challenge before MGNREGS programme for less supply of labour and consequently cause accumulation of unspent balances due to not enough work being provided.

### vi. Shortcomings in local capacities

During the field visit, team has observed that there is lack of trained man-power due to contractual jobs under MGNREGS. The MIS system is inefficient due to poor infrastructure and slow internet connectivity at block levels. There is also lack of skilled staff such as junior engineers to review and pass the projects under the labour budget. Currently employed junior engineers in some states are found to be overburdened with site inspection related to MGNREGS shelf of work.

**Table 20.1:** MGNREGS Wage and Minimum Agricultural Wage

| State | Ratio of MGNREGS wage to Minimum agricultural wage (2009) | Ratio of MGNREGS wage to Minimum agricultural wage (2012) | Unspent balance (Adj. Payment due) (2012-13) | Rank (UBs) |
|---|---|---|---|---|
| Andhra Pradesh | 1.12 | 0.82 | 25939 | 10 |
| Arunachal Pradesh | 1.00 | 0.65 | 4446 | 17 |
| Assam | 0.81 | 1.01 | 2312 | 19 |
| Bihar | 0.97 | 1.24 | 44059 | 5 |
| Chhattisgarh | 0.72 | 0.92 | 40589 | 7 |
| Goa | | 0.95 | 364 | 22 |
| Gujarat | 1.00 | 0.90 | 23573 | 11 |
| Haryana | 1.05 | 1.00 | -309 | 24 |
| Himachal Pradesh | 1.10 | 0.96 | 6417 | 16 |
| Jammu & Kashmir | 0.66 | 0.00 | 33668 | 9 |
| Jharkhand | 0.93 | 1.23 | 36812 | 8 |
| Karnataka | 1.08 | 1.29 | -46858 | 28 |
| Kerala | 0.79 | 0.91 | -6976 | 26 |
| Madhya Pradesh | 1.05 | 1.61 | 90437 | 1 |
| Maharashtra | 0.69 | 0.83 | 14999 | 14 |
| Manipur | 0.89 | 0.85 | 41549 | 6 |
| Meghalaya | 0.70 | 0.78 | 2549 | 18 |
| Mizoram | 0.94 | 1.25 | 6508 | 15 |
| Nagaland | 0.80 | 0.93 | 23183 | 12 |
| Odisha | 1.00 | 1.19 | 19184 | 13 |
| Punjab | 1.22 | 1.27 | -89 | 23 |
| Rajasthan | 1.00 | 1.11 | 55838 | 3 |
| Sikkim | | 0.00 | 1829 | 21 |
| Tamil Nadu | 0.80 | 0.76 | 50097 | 4 |
| Tripura | 0.85 | 1.13 | 2048 | 20 |
| Uttar Pradesh | 1.00 | 1.00 | 67688 | 2 |
| Uttarakhand | 1.00 | 1.00 | -1960 | 25 |
| West Bengal | 0.81 | 1.27 | -19684 | 27 |

***Source:*** Labour Bureau (2012), Press Information Bureau (pib.nic.in/newsite/erelease.aspx?relid=50657)

## vii. Other important reasons for unspent balance at the GP level

Apart from the reasons that are discussed, there are many other minor reasons which are largely state specific that needs some attention.

a) There is lack of participation of individual beneficiaries in the programme. Individual beneficiaries are not aware of their names included in the labour budget and later the fund released to them remains unused at the GP level.

b) Lack of administrative staff for updating the MIS. Usually MIS at the GP and block level are updated in the system with a time lag due to lack of administrative staff, slow internet connections etc. Due to this time lag, expenditure already incurred does not get reflected in MIS and unspent balance is shown more than actual unspent balance at the end of financial year.

c) There is also lack of clarity on the MGNREGS guidelines. It leads to negative balances at GP level and state level in the states such as Karnataka and Kerala. In Karnataka, due to this reason, a large portion of expenditure was fed in MIS but funds were not released for that expenditure. Hence, such states experience negative balance. In case of availability of funds, it can't be used if there is violation of guidelines of MGNREGS to complete the work.

d) Delay in the acceptance of job card application and provide the work at the GP level. Due to unavailability of fund at the GP level or small number of people turning up for work, there is reluctance among officials to accept the job card application or providing the work at the earliest.

e) Practice of providing unemployment allowance, if work is not available, is not followed on regular basis at the GP level in various states. At the same time, punitive action in such cases is not strongly taken at the GP level. Providing unemployment allowance should be seen as bringing accountability among GP officials for providing the work soon. Violation of this important rule puts the beneficiary in disadvantageous position.

f) There is too much discretion from the district officials in finalising the labour budget and limiting the role of the GP. Labour budget is prepared and sent to district official for the approval but usually district official sends it back many times to GP to cut the budget in arbitrary manner. Such actions lead to two important issues. Firstly, it delays the process of finalising the labour budget from GP to send to state level. Secondly, curtailed labour budget without the consultations with GP limits its capability to ensure the job security.

g) Unlike Andhra Pradesh, there is no common practice of grievance redressal mechanism at the GP level. In other states GP meets once a month with the beneficiaries to address the work related issues after MGNREGS work is started. Such practice helps to resolve various small complaints from job card holder and helps in the smooth implementation of the programme. It also lessens the burden on the block and district officials from such complaints and helps them to focus on handling bigger issues concerning the implementation of the programme.

While the unspent balances shown in the annual accounts are indeed a cause of concern, based on our field visits as well as the reasons that are specified above, one question that arises is whether all the unspent that is shown in balance sheets can be termed as ‘unspent’? At the first stage, one can hypothesize that within the unspent balances; some portion may be treated as ‘minimum balance’ in order to have the continuity of the programme between two financial years till the states get their first installment. Minimum level of fund needed to run the programme could be said as “Minimum Balance” for the state and may be netted out from the total unspent balance. Unspent balance after netting out the minimum balance may be treated ideally as unutilised fund and might be termed as “Adjusted unspent balance”. In next section, an attempt is made to conceptualise and calculate the minimum balance and adjusted unspent balance at the state level with different criteria.

# VI. Concept of 'Minimum Balance'

The implementing agencies /PRIs require some balance to plan and implement the programme continuously and this balance is termed as 'Minimum Balance'. Therefore, unspent balance shown in *table 17* may not be the actual 'unspent' balance as discussed in the previous section. So 'Actual or Adjusted unspent balance' is the amount that exceeds the minimum balance. Hence “Actual or Adjusted unspent balance” lying at state level needs to be considered instead of total unspent balances as shown in the balance sheets. The issue on how to conceptualise and derive adjusted unspent balance is discussed below.

## VI.1 Methodology for the Calculation of 'Minimum Balance'

On the analytical front, the state/GP needs to maintain some balance during the beginning of the financial year in order to meet the demand for employment in the month of April. Otherwise, it would be difficult to plan and execute the programme in the initial months of the financial year. Based on the discussions during the field visits, it was found that the delay in fund releases is one of the most important factors for creating less jobs as well as not creating durable assets. Sanctioning of annual budget is a necessary condition but this alone is not sufficient for the programme to be successful.

Minimum balance can be estimated through two important indicators based on the programme implementation and the availability of data in MIS: (1) Person-Days generated and (2) Wage Payment. Here one basic assumption is made that current year employment generated does not deviate much from the previous year. Two other important points for minimum balance calculation are as follows:

1. Two scenarios for minimum balance are estimated. The first is assuming that expenditure required for **average** person-days generated in a month in the previous year should be ideal minimum balance and the second is, assuming that the expenditure required for **maximum** man days generated in any month in the previous year should be ideal minimum balance. Similar method is used for wage payment as indicator to calculate minimum balance.
2. Estimated minimum balance with each variable is taken as a percentage of entire year's expenditure and available funds. Hence per cent value obtained is defined as ideal minimum balance (in percentage terms). Methodology to calculate minimum balance is discussed in detail further.

### i. Minimum balance based on person-days generated

In this section, methodology for calculation based on person-days is discussed on two aspects i.e. average person-days generated in a month and maximum person-days generated in a month.

a) *Calculation based on Average person-days generated*

Under this method, at the first step, monthly average person days generated is calculated in every state for the financial year 2010-11, 2011-12, and 2012-13. Then, imputed monthly wage payment is generated by multiplying monthly average person days generated with statutory wage rate of the respective state. Monthly imputed material payment is calculated through the formula (imputed wage payment *40/60) and the imputed administrative expenditure is calculated as 6 per cent of the total expenditure consisting of imputed wages and imputed material i.e. by using the formula (Wage + Material)*6/100. The imputed monthly average expenditure is calculated by adding all three imputed expenditures i.e. (wage + material + Administrative). Finally, percentage share of imputed expenditure (monthly) to the total availability and total expenditure given in MIS is calculated. This will give us the minimum balance based on monthly average person-days generated in a month for each state.

b) *Calculation based on Maximum person-days generated*

From the MIS data, maximum person days generated in a month is calculated for each state during the financial year 2010-11, 2011-12, and 2012-13. Then, monthly maximum imputed wage payment is calculated by multiplying the statutory wage rate with maximum person days generated in a month for each state respectively for three years. Now the material payment is calculated by the formula (wage payment*40/60). Then administrative payment is calculated as 6 per cent of the total expenditure using formula (wage + material)*6/100. The monthly-imputed expenditure based on maximum person-days in a month is calculated by adding all three components *viz.* wages, material and administrative expenditure. Finally the percentage share of monthly maximum imputed expenditure of the total availability of the fund and total expenditure is calculated. This procedure will provide the value of minimum balance based on maximum person-days generated in a month for each state.

## i. Minimum balance based on monthly wage expenditure

a) *Calculation based on Average wage payment*

Firstly, average monthly wage payment is calculated for all 28 states during the financial year 2010-11, 2011-12 and 2012-13 using the MIS data. The imputed material payment is calculated using the formula (wage payment*40/60) for every state for the three years. Now the imputed administrative expenditure is calculated as 6 per cent of the average wage payment as well as imputed material payment. The imputed average monthly expenditure is calculated as the sum of all three-expenditure *viz*. wages, imputed material and administrative expenditures. The per cent shares of imputed average monthly expenditure to the total availability of funds and total expenditure provide the value of minimum balance for every state in respective financial year.

*a) Calculation based on Maximum wage payment*

Maximum wage payment is calculated during the financial year. With maximum figure for wage payment, imputed material payment is calculated using the formula wage payment*40/60. Then the imputed administrative expenditure is calculated as 6 per cent of the total expenditure on wage and material by using the formula (wages + imputed material)*6/100. The total monthly imputed expenditure is calculated as the sum of all three components of expenditure *viz*. wages, material and administrative. Finally per cent share of monthly imputed expenditure based on maximum wage payment to the total availability of fund and total expenditure provide minimum balance for each state.

## VI.2 Some Results

### VI.2.1 Results for minimum balance: based on person days

Share of imputed average and maximum monthly expenditure (based on person-days) to the total availability and total actual expenditure is shown in *tables 21* and *22* respectively. It is found that the share of imputed average monthly expenditure to total availability or total actual expenditure at state and all India levels is between 8 to 10 per cent over the last three financial years.

The all India figure is calculated by taking the average of all 28 states. Figure at all India level and state level is consistent over the years. But the share of imputed maximum monthly expenditure to total availability or total actual expenditure is in the range of 20 to 40 per cent at all India level. Variation at the state level is very high. This method is used to have alternative estimations but the minimum balance results obtained through this method are too high for a state to maintain in a month.

**Table 21: Minimum Balance as a per cent of Total Available Funds (Based on Person-days generated))**

| | Share of imputed *average* monthly expenditure to total available funds | | | Share of imputed *maximum* monthly expenditure to total available funds | | |
|---|---|---|---|---|---|---|
| **State** | **2010-11** | **2011-12** | **2012-13** | **2010-11** | **2011-12** | **2012-13** |
| Andhra Pradesh | 5.88 | 8.60 | 12.40 | 21.21 | 62.39 | 61.59 |
| Arunachal Pradesh | 9.52 | 0.13 | 5.06 | 108.59 | 1.10 | 19.45 |
| Assam | 7.10 | 8.06 | 8.83 | 20.42 | 21.74 | 20.37 |
| Bihar | 8.97 | 4.60 | 7.68 | 64.07 | 31.37 | 18.36 |
| Chhattisgarh | 9.12 | 8.69 | 8.35 | 19.14 | 22.88 | 17.37 |
| Goa | 4.67 | 6.78 | 2.67 | 14.39 | 10.72 | 6.74 |
| Gujarat | 7.06 | 6.78 | 6.33 | 15.10 | 12.29 | 12.57 |
| Haryana | 9.56 | 10.45 | 11.12 | 44.00 | 27.81 | 21.96 |
| Himachal Pradesh | 3.26 | 9.62 | 9.46 | 13.02 | 27.44 | 15.05 |
| Jammu & Kashmir | 8.99 | 2.95 | 4.80 | 49.47 | 14.80 | 16.44 |
| Jharkhand | 8.96 | 6.26 | 8.12 | 24.46 | 16.04 | 14.39 |
| Karnataka | 9.38 | 9.81 | 8.66 | 39.87 | 42.40 | 34.04 |
| Kerala | 12.58 | 13.34 | 14.50 | 41.63 | 26.51 | 23.31 |
| Madhya Pradesh | 7.66 | 5.75 | 6.99 | 31.17 | 17.62 | 12.76 |
| Maharashtra | 6.16 | 8.41 | 7.35 | 17.64 | 36.98 | 14.81 |
| Manipur | 13.01 | 5.23 | 4.71 | 84.18 | 41.13 | 12.09 |
| Meghalaya | 10.15 | 8.21 | 10.01 | 57.92 | 29.78 | 25.60 |
| Mizoram | 11.10 | 5.97 | 8.70 | 37.75 | 29.33 | 32.83 |
| Nagaland | 10.98 | 6.56 | 4.99 | 54.09 | 52.34 | 15.23 |
| Odisha | 10.03 | 6.09 | 7.86 | 23.55 | 10.87 | 16.32 |
| Punjab | 7.37 | 7.63 | 9.62 | 17.03 | 19.28 | 15.61 |
| Rajasthan | 9.02 | 8.95 | 11.19 | 25.07 | 21.79 | 33.67 |
| Sikkim | 10.02 | 5.16 | 6.47 | 60.11 | 22.51 | 25.36 |
| Tamil Nadu | 16.98 | 14.41 | 17.79 | 79.72 | 30.02 | 32.29 |
| Tripura | 10.20 | 8.44 | 9.55 | 21.34 | 17.30 | 17.27 |
| Uttar Pradesh | 8.19 | 7.28 | 8.12 | 42.18 | 16.19 | 16.96 |
| Uttarakhand | 10.07 | 7.54 | 9.08 | 44.55 | 26.92 | 19.12 |
| West Bengal | 10.88 | 8.87 | 9.61 | 28.23 | 41.92 | 17.32 |
| Total | 9.17 | 7.52 | 8.57 | 39.28 | 26.12 | 21.03 |

***Source:*** Calculations made from MIS database, MoRD

**Table 22:** Minimum Balance as a per cent of Total Actual Expenditure (Based on Person-days generated)

| | Share of imputed *average* monthly expenditure to total actual expenditure | | | Share of imputed *maximum* monthly expenditure to total actual expenditure | | |
|---|---|---|---|---|---|---|
| **States** | **2010-11** | **2011-12** | **2012-13** | **2010-11** | **2011-12** | **2012-13** |
| Andhra Pradesh | 9.85 | 12.37 | 15.14 | 35.46 | 26.75 | 52.44 |
| Arunachal Pradesh | 10.69 | 9.32 | 9.85 | 121.93 | 81.13 | 37.83 |
| Assam | 9.78 | 9.04 | 9.14 | 28.15 | 24.37 | 21.09 |
| Bihar | 10.63 | 7.32 | 7.24 | 75.90 | 49.85 | 17.31 |
| Chhattisgarh | 12.21 | 10.64 | 10.40 | 25.62 | 28.04 | 21.63 |
| Goa | 7.57 | 8.84 | 10.01 | 23.32 | 13.98 | 25.28 |
| Gujarat | 11.39 | 8.75 | 8.78 | 24.37 | 15.85 | 17.45 |
| Haryana | 10.33 | 9.07 | 9.07 | 47.56 | 24.12 | 17.91 |
| Himachal Pradesh | 8.69 | 10.29 | 10.28 | 34.74 | 29.36 | 16.34 |
| Jammu & Kashmir | 9.94 | 7.43 | 7.36 | 54.66 | 37.31 | 25.21 |
| Jharkhand | 11.43 | 9.29 | 8.93 | 31.19 | 23.78 | 15.84 |
| Karnataka | 7.96 | 5.88 | 6.34 | 33.83 | 25.41 | 24.93 |
| Kerala | 15.06 | 13.89 | 13.45 | 49.84 | 27.59 | 21.62 |
| Madhya Pradesh | 10.85 | 8.32 | 8.12 | 44.15 | 25.50 | 14.82 |
| Maharashtra | 10.44 | 7.67 | 7.80 | 29.89 | 33.71 | 15.72 |
| Manipur | 12.44 | 13.53 | 11.22 | 80.53 | 106.50 | 28.84 |
| Meghalaya | 10.79 | 9.91 | 9.88 | 61.55 | 35.93 | 25.25 |
| Mizoram | 10.75 | 11.39 | 11.19 | 36.56 | 55.93 | 42.20 |
| Nagaland | 9.59 | 8.78 | 9.59 | 47.28 | 70.09 | 29.29 |
| Odisha | 11.72 | 8.09 | 8.48 | 27.52 | 14.45 | 17.58 |
| Punjab | 10.24 | 9.10 | 9.17 | 23.67 | 23.01 | 14.88 |
| Rajasthan | 16.12 | 11.60 | 12.43 | 44.82 | 28.23 | 37.38 |
| Sikkim | 9.81 | 8.02 | 8.11 | 58.85 | 34.97 | 31.80 |
| Tamil Nadu | 20.25 | 18.29 | 19.36 | 95.07 | 38.12 | 35.15 |
| Tripura | 10.30 | 9.00 | 9.73 | 21.54 | 18.45 | 17.60 |
| Uttar Pradesh | 10.51 | 9.26 | 9.53 | 54.10 | 20.58 | 19.91 |
| Uttarakhand | 10.70 | 8.46 | 8.58 | 47.35 | 30.19 | 18.06 |
| West Bengal | 11.74 | 9.13 | 8.97 | 30.45 | 43.15 | 16.17 |
| Total | 11.14 | 9.74 | 9.93 | 46.07 | 35.23 | 24.27 |

***Source:*** Calculations made from MIS database, MoRD

Therefore, it is suggested that the reasonable minimum balance could be based on average monthly expenditure rather than maximum monthly expenditure method and, hence, minimum balance level could be 8-10 per cent of total available fund depending upon the state's trend.

## VI.2.2 Results for the minimum balance: based on wage payment

*Tables 23* and *24* reflect the state-wise variation in the share of imputed average and maximum monthly expenditure (based on wage payment) to the total available funds for the 28 states for the years 2010-11, 2011-12 and 2012-13.

Table 23: Minimum Balance as a per cent of Total Available Funds (Based on wage payment)

| | **Share of imputed *average* monthly expenditure to total available funds** | | | **Share of imputed *maximum* monthly expenditure to total available funds** | | |
|---|---|---|---|---|---|---|
| **State** | **2010-11** | **2011-12** | **2012-13** | **2010-11** | **2011-12** | **2012-13** |
| Andhra Pradesh | 5.30 | 7.29 | 9.74 | 20.61 | 44.44 | 30.12 |
| Arunachal Pradesh | 7.67 | 0.10 | 5.07 | 85.44 | 1.11 | 21.91 |
| Assam | 5.84 | 8.09 | 8.87 | 17.61 | 21.37 | 20.34 |
| Bihar | 7.57 | 5.10 | 10.12 | 47.36 | 33.63 | 22.71 |
| Chhattisgarh | 7.81 | 8.54 | 8.36 | 15.84 | 22.35 | 17.01 |
| Goa | 4.69 | 7.89 | 2.99 | 16.03 | 12.30 | 5.75 |
| Gujarat | 5.54 | 6.10 | 5.68 | 13.44 | 10.42 | 10.88 |
| Haryana | 9.02 | 10.53 | 11.38 | 42.06 | 27.30 | 21.74 |
| Himachal Pradesh | 3.05 | 8.79 | 9.02 | 7.18 | 23.13 | 13.70 |
| Jammu & Kashmir | 8.37 | 3.01 | 5.01 | 44.01 | 15.25 | 16.70 |
| Jharkhand | 7.71 | 6.29 | 8.11 | 22.59 | 15.86 | 14.35 |
| Karnataka | 10.78 | 14.85 | 12.01 | 38.04 | 41.46 | 33.77 |
| Kerala | 11.12 | 13.09 | 14.77 | 34.97 | 33.93 | 23.28 |
| Madhya Pradesh | 6.14 | 5.73 | 7.49 | 23.99 | 16.45 | 13.93 |
| Maharashtra | 6.52 | 10.96 | 9.53 | 11.59 | 46.20 | 18.12 |
| Manipur | 9.59 | 5.19 | 4.70 | 65.88 | 41.00 | 11.95 |
| Meghalaya | 8.65 | 8.03 | 10.02 | 47.70 | 29.71 | 25.56 |
| Mizoram | 9.98 | 5.39 | 8.72 | 43.58 | 26.96 | 31.71 |
| Nagaland | 9.57 | 6.56 | 4.87 | 44.81 | 52.33 | 15.24 |
| Odisha | 7.67 | 6.00 | 7.79 | 20.03 | 10.83 | 17.22 |
| Punjab | 6.24 | 7.23 | 9.92 | 14.59 | 16.54 | 15.25 |
| Rajasthan | 5.69 | 6.76 | 8.95 | 14.78 | 16.40 | 24.58 |
| Sikkim | 8.49 | 5.12 | 6.66 | 47.89 | 21.57 | 24.79 |
| Tamil Nadu | 11.77 | 11.18 | 13.03 | 53.85 | 23.61 | 24.87 |
| Tripura | 8.87 | 8.45 | 9.54 | 17.66 | 17.44 | 16.92 |
| Uttar Pradesh | 7.18 | 7.31 | 8.14 | 19.41 | 16.45 | 17.05 |
| Uttarakhand | 8.55 | 7.98 | 9.72 | 33.28 | 26.81 | 19.17 |
| West Bengal | 8.93 | 9.40 | 10.45 | 20.72 | 41.54 | 16.83 |
| Total | 7.80 | 7.53 | 8.59 | 31.61 | 25.23 | 19.48 |

***Source:*** Calculations made from MIS database, MoRD

**Table 24:** Minimum Balance as a per cent of Total Actual Expenditure
(Based on wage payment)

| | Share of imputed *average* monthly expenditure to total actual expenditure | | | Share of imputed *maximum* monthly expenditure to total actual expenditure | | |
|---|---|---|---|---|---|---|
| **States** | **2010-11** | **2011-12** | **2012-13** | **2010-11** | **2011-12** | **2012-13** |
| Andhra Pradesh | 8.87 | 10.49 | 11.90 | 34.51 | 63.95 | 36.78 |
| Arunachal Pradesh | 8.61 | 7.20 | 9.86 | 95.94 | 81.65 | 42.63 |
| Assam | 8.05 | 9.07 | 9.18 | 24.26 | 23.95 | 21.06 |
| Bihar | 8.96 | 8.10 | 9.54 | 56.10 | 53.45 | 21.41 |
| Chhattisgarh | 10.45 | 10.46 | 10.41 | 21.20 | 27.39 | 21.18 |
| Goa | 7.60 | 10.30 | 11.19 | 25.98 | 16.05 | 21.55 |
| Gujarat | 8.94 | 7.87 | 7.88 | 21.68 | 13.45 | 15.10 |
| Haryana | 9.75 | 9.14 | 9.28 | 45.47 | 23.68 | 17.73 |
| Himachal Pradesh | 8.14 | 9.41 | 9.79 | 19.17 | 24.76 | 14.87 |
| Jammu & Kashmir | 9.25 | 7.59 | 7.68 | 48.63 | 38.45 | 25.61 |
| Jharkhand | 9.84 | 9.32 | 8.92 | 28.82 | 23.52 | 15.80 |
| Karnataka | 9.14 | 8.90 | 8.80 | 32.28 | 24.85 | 24.74 |
| Kerala | 13.31 | 13.62 | 13.70 | 41.88 | 35.31 | 21.60 |
| Madhya Pradesh | 8.70 | 8.30 | 8.70 | 33.98 | 23.81 | 16.18 |
| Maharashtra | 11.05 | 9.99 | 10.12 | 19.64 | 42.12 | 19.23 |
| Manipur | 9.18 | 13.45 | 11.21 | 63.02 | 106.15 | 28.50 |
| Meghalaya | 9.20 | 9.69 | 9.88 | 50.69 | 35.85 | 25.21 |
| Mizoram | 9.66 | 10.27 | 11.21 | 42.20 | 51.41 | 40.76 |
| Nagaland | 8.36 | 8.79 | 9.37 | 39.16 | 70.08 | 29.31 |
| Odisha | 8.96 | 7.98 | 8.40 | 23.41 | 14.39 | 18.56 |
| Punjab | 8.67 | 8.63 | 9.46 | 20.28 | 19.74 | 14.54 |
| Rajasthan | 10.17 | 8.76 | 9.94 | 26.43 | 21.26 | 27.29 |
| Sikkim | 8.31 | 7.95 | 8.35 | 46.89 | 33.51 | 31.09 |
| Tamil Nadu | 14.03 | 14.20 | 14.18 | 64.22 | 29.98 | 27.08 |
| Tripura | 8.96 | 9.01 | 9.72 | 17.83 | 18.61 | 17.23 |
| Uttar Pradesh | 9.20 | 9.29 | 9.55 | 24.90 | 20.92 | 20.02 |
| Uttarakhand | 9.09 | 8.95 | 9.18 | 35.37 | 30.07 | 18.11 |
| West Bengal | 9.63 | 9.68 | 9.75 | 22.35 | 42.77 | 15.71 |
| Total | 9.43 | 9.51 | 9.90 | 36.65 | 36.11 | 23.17 |

***Source:*** Calculations made from MIS database, MoRD

The all India figure is calculated by taking the average of all 28 states. The minimum balance as the share of imputed average monthly expenditure to the total available fund is consistent in between 7.8 per cent to 8.6 per cent over the last three years. Also there is almost consistent variation of 4 per cent to 9 per cent across most of the states over the last three financial years. However, minimum unspent balance as the share of imputed maximum monthly expenditure to total available funds varies from 32 per cent in 2010-

11 to 19.5 per cent in 2012-13. Hence, based on the wage payment method, the reasonable minimum unspent balance could be between 8 to 10 per cent on the basis of share of imputed average monthly expenditure to total available funds. This is almost similar to the minimum balance estimated through person days, although there are some differences when looked at the specific state level.

Therefore, on the basis of the calculation using average monthly wage payment/person-days, it is proposed that on an average, 9 per cent of the total available funds could be kept aside as minimum balance to allow the programme to run smoothly and Adjusted unspent balance (total unspent balance *minus* 9 per cent of the available funds) could be treated as the 'actual unspent balance'. The extent of Adjusted unspent balance and its trend across the states are discussed in the next section.

## VI.3 Adjusted Unspent Balances as “Actual Unspent Balance”

Adjusted unspent balance is defined as actual unspent balance *minus* 9 per cent of the available fund. Adjusted unspent balance is calculated for all the states in which actual unspent balance is more than 9 per cent of the available fund during the financial years 2010-11, 2011-12 and 2012-13. On this basis, the Adjusted unspent balance has declined to Rs. 9110 crore in 2010-11, Rs. 6230 Crore in 2011-12 and Rs.3000 crore in 2012-13 at all India level. These balances have also declined across the states except north-eastern states over the last three years. There are 10 states (Andhra Pradesh, Assam, Chhattisgarh, Goa, Gujrat, Himachal Pradesh, Madhya Pradesh and Maharashtra, Punjab and Rajasthan) in 2010-11 which have exhibited more than 15 per cent excess unspent balance. In 2011-12, there were twelve states (Andhra Pradesh, Arunachal Pradesh, Gujarat, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Manipur, Mizoram, Nagaland, Odisha, Rajasthan and Sikkim) which have shown more than 15 per cent excess unspent balance. But there were only 8 states, largely smaller states, (Arunachal Pradesh, Goa, Gujarat, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Manipur and Nagaland) which had exhibited more than 15 per cent Excess UB in 2012-13.

North-Eastern states especially Manipur and Nagaland have not been able to reduce significantly their adjusted unspent balances. Madhya Pradesh is the only state among the major states which could not reduce their adjusted unspent balances over the last three years. Jammu & Kashmir has reduced its Adjusted unspent balance to 26 per cent in 2012-13 from 51 per cent in 2011-12. One state that has seen complete elimination of Adjusted unspent balance is Andhra Pradesh. The state could achieve such distinction through scientific planning, e-FMS (electronic fund management system), efficient social audit, and robust labour budget. Some of the aspects that are adopted in the state could be best practices for the rest of the states in terms of implementation.

**Table 25:** Adjusted Unspent Balance, its percentage Share

| State | 2010-11 | | | | | 2011-12 | | | | | 2012-13 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total available funds | Unspent balance | Per cent of UBs of total funds | Adjusted unspent balances (UBs) | Per cent of excess UBs to total funds | Total available funds | Unspent balance | Per cent of UBs of total funds | Adjusted unspent balances (UBs) | Per cent of excess UBs to total funds | Total available funds | Unspent balance (Adj. payment due) | Per cent of UBs of total funds | Adjusted unspent balances (UBs) | Per cent of excess UBs to total funds |
| Andhra Pradesh | 910816 | 364574 | 40.03 | 282601 | 31.03 | 589098 | 155879 | 26.46 | 102860 | 17.46 | 524415 | 25939 | 4.95 | NA | NA |
| Arunachal Pradesh | 5289 | 232 | 4.38 | NA | NA | 6999 | 6904 | 98.64 | 6274 | 89.64 | 9238 | 4446 | 48.13 | 3615 | 39.13 |
| Assam | 126442 | 34337 | 27.16 | 22957 | 18.16 | 83880 | 9051 | 10.79 | 1502 | 1.79 | 70223 | 2312 | 3.29 | NA | NA |
| Bihar | 327056 | 60631 | 18.54 | 31196 | 9.54 | 157536 | 10029 | 6.37 | NA | NA | 249467 | 44059 | 17.66 | 21607 | 8.66 |
| Chhattisgarh | 223309 | 59911 | 26.83 | 39814 | 17.83 | 250819 | 46138 | 18.40 | 23565 | 9.40 | 261830 | 40589 | 15.50 | 17025 | 6.50 |
| Goa | 1610 | 616 | 38.29 | 471 | 29.29 | 933 | 218 | 23.35 | 134 | 14.35 | 497 | 364 | 73.33 | 320 | 64.33 |
| Gujarat | 126945 | 48123 | 37.91 | 36698 | 28.91 | 92616 | 27668 | 29.87 | 19332 | 20.87 | 86583 | 23573 | 27.23 | 15781 | 18.23 |
| Haryana | 24017 | 2547 | 10.60 | 385 | 1.60 | 27466 | -4194 | -15.27 | NA | NA | 39015 | -309 | -0.79 | NA | NA |
| Himachal Pradesh | 72191 | 21994 | 30.47 | 15497 | 21.47 | 62198 | 11792 | 18.96 | 6194 | 9.96 | 54946 | 6417 | 11.68 | 1472 | 2.68 |
| Jammu & Kashmir | 42483 | 4706 | 11.08 | 883 | 2.08 | 98042 | 59157 | 60.34 | 50333 | 51.34 | 96765 | 33668 | 34.79 | 24959 | 25.79 |
| Jharkhand | 163811 | 35375 | 21.60 | 20632 | 12.60 | 161883 | 47525 | 29.36 | 32956 | 20.36 | 147844 | 36812 | 24.90 | 23506 | 15.90 |
| Karnataka | 230987 | -22729 | -9.84 | NA | NA | 191920 | -27096 | -14.12 | NA | NA | 177384 | -46858 | -26.42 | NA | NA |
| Kerala | 84333 | 13899 | 16.48 | 6309 | 7.48 | 104587 | 4084 | 3.90 | NA | NA | 143138 | -6976 | -4.87 | NA | NA |
| Madhya Pradesh | 513861 | 150136 | 29.22 | 103889 | 20.22 | 488229 | 148402 | 30.40 | 104461 | 21.40 | 356704 | 90437 | 25.35 | 58334 | 16.35 |
| Maharashtra | 59544 | 23732 | 39.86 | 18373 | 30.86 | 144771 | -14043 | -9.70 | NA | NA | 238377 | 14999 | 6.29 | NA | NA |
| Manipur | 45416 | 1345 | 2.96 | NA | NA | 72809 | 44691 | 61.38 | 38139 | 52.38 | 71560 | 41549 | 58.06 | 35108 | 49.06 |
| Meghalaya | 33293 | 1391 | 4.18 | NA | NA | 34119 | 6009 | 17.61 | 2938 | 8.61 | 28201 | 2549 | 9.04 | 11 | 0.04 |
| Mizoram | 30636 | 1321 | 4.31 | NA | NA | 39043 | 18567 | 47.55 | 15053 | 38.55 | 29312 | 6508 | 22.20 | 3870 | 13.20 |
| Nagaland | 63571 | 3034 | 4.77 | NA | NA | 68882 | 23539 | 34.17 | 17339 | 25.17 | 48283 | 23183 | 48.02 | 18838 | 39.02 |
| Odisha | 178995 | 25681 | 14.35 | 9572 | 5.35 | 137250 | 34033 | 24.80 | 21680 | 15.80 | 138638 | 19184 | 13.84 | 6707 | 4.84 |
| Punjab | 22692 | 6107 | 26.91 | 4065 | 17.91 | 19999 | 4073 | 20.36 | 2273 | 11.36 | 16866 | -89 | -0.52 | NA | NA |
| Rajasthan | 613350 | 284443 | 46.38 | 229242 | 37.38 | 437455 | 119177 | 27.24 | 79806 | 18.24 | 400359 | 55838 | 13.95 | 19805 | 4.95 |
| Sikkim | 8348 | -178 | -2.13 | NA | NA | 11019 | 3925 | 35.62 | 2933 | 26.62 | 9356 | 1829 | 19.55 | 987 | 10.55 |
| Tamil Nadu | 281029 | 48697 | 17.33 | 23404 | 8.33 | 354641 | 65991 | 18.61 | 34073 | 9.61 | 459513 | 50097 | 10.90 | 8741 | 1.90 |
| Tripura | 63802 | 615 | 0.96 | NA | | 100873 | 6313 | 6.26 | NA | NA | 99219 | 2048 | 2.06 | NA | NA |
| Uttar Pradesh | 690185 | 127065 | 18.41 | 64949 | 9.41 | 622467 | 116245 | 18.67 | 60223 | 9.67 | 333612 | 67688 | 20.29 | 37663 | 11.29 |
| Uttarakhand | 40539 | 2519 | 6.21 | NA | NA | 44595 | 4831 | 10.83 | 817 | 1.83 | 32532 | -1960 | -6.02 | NA | NA |
| West Bengal | 276945 | 23699 | 8.56 | NA | NA | 308621 | 8217 | 2.66 | NA | NA | 408703 | -19684 | -4.82 | NA | NA |
| Total (28 states) | 5261496 | 1323826 | 25.16 | 910937 | 17.31 | 4712749 | 937122 | 19.88 | 622886 | 13.22 | 4532580 | 518215 | 11.43 | 298349 | 6.58 |

***Source:*** Calculations made from MIS database MoRD.

Having analysed the issue of Adjusted unspent balance, in the next section, an attempt has been made to understand the role of allocation to administrative expenditure. Based on the field visits, it is observed that 6 per cent allocation for administrative expenditure plays a crucial role in overall quality of implementation of the programme. It is observed during the field visit that the existing share of administrative expenditure is felt to be less than required to optimally implementing the programme. Therefore, in the next section the issue related to administrative expenditure in the context of better fund utilisation is discussed.

# VII. Administrative Expenditure

Administrative expenditure is a very crucial component of the overall allocation at the state level for the MGNREGS implementation. It allows states to monitor and administer the scheme. At present the scheme allows for 6 per cent of total expenditure towards administrative expenditures. In nominal terms, higher the total expenditure, higher is the availability of funds for administrative purpose. While it is not clear how the 6 per cent is arrived, in our view, such fixed share of administrative expenditure across the states itself could be a factor for divergence in implementation outcomes among the states. This is because, apart from number of jobs created, administrative expenditure could also depend on the geographical characteristics, density of population, number of districts and number of GPs. The states having higher administrative units could end up with higher expenditure compared to the states with less administrative units. In other words, within the administrative expenditure there is both fixed and variable portion. While volume of person-days generated could affect the variable portion and could be consistent across the states, the number of districts and GPs, and the density of population could affect the fixed cost. Also the fixed portion could vary substantially across the states as the determinants of fixed portion vary.

States such as Uttar Pradesh, Andhra Pradesh, Meghalaya face difficulties in managing and generating work within the limit of administrative expenditure, which is 6 per cent of total expenditure. State’s capacity to generate work and employment under MGNREGS gets constrained due to current system of administrative expenditure and *vice versa* and further lead to under utilisation of available funds. To understand and suggest a better system of providing administration expenditure, here an attempt has been made to disaggregate the fixed and variable proportion with the help of simple statistical analysis. This is discussed in next section.

## VII.1 Role of Administrative Expenditure

Administrative expenditure plays a very important role for the implementation of the MGNREGS. According to provision of Section -18 of the act, state government is required to arrange staff such as the District Programme Coordinator, necessary technical staff and Programme office with infrastructure at district level, supervisory staff at block and GP level. The local bodies in many states have shortage of man power on one hand and lack of capacity of the existing staff. Therefore there is necessity for additional manpower and capacity building to monitor and administer the scheme. According to MGNREGS guidelines, central government provides up to 6 per cent of total expenditure of MGNREGS in the financial year as administrative expenditure. At least two-third of this 6 per cent should be spent at the block and GP level and rest one-third could be spent at district and state level. *Gram Panchayats* are allowed to utilise the administrative expenses for the approved activities according to their needs. Activities allowed under administrative expenditure are broadly classified as following: Training, Information Education Communication activities, MIS, Quality Management, Grievance Redressal Mechanism, Professional/Technical Services, Operational Expenses, Social Audit, Evaluation and Research, Additional staff deployment, contingency expenditure, worksite facilities etc.

In the above classification, activities such as IT/MIS and social audit are fixed cost and the rest are variable cost because it depends upon the person-days generated. But current system doesn't follow such classification of cost and it is possibly leading to mismanagement of fund among the states as well as within states. Indeed it is clear how 6 per cent has been fixed in the first place. Therefore, there is need to understand and classify the activities to better utilise the administrative expenditure.

Under the programme, social audit should be a regular exercise which needs to be conducted to ensure accountability of the states for the programme implementation. During our visit, it is experienced that Andhra Pradesh has conducted social audit very efficiently and their cost is fixed at one per cent of total expenditure to conduct the social audit suggesting standard expenditure to conduct the exercise in the state. This also suggests that due to regular social audit, Andhra Pradesh also stands apart among the states in terms of successful implementation of the scheme with very less unspent balance. However, as there is no clear earmarking of expenditures within the 6 per cent, most of the states are not undertaking social audit and, thus, ending with high unspent balance and also resulting in lower allocations. In our view, separating the social audit from rest of administrative expenditure would also provide flexibility to the states to use fund for other important activities within administrative expenditure. Since it is a fixed cost and very important factor of the entire programme, it is recommended that expenses of social audit should be separated from rest of administrative expenditure. At the same time, states may need to continue to spend on other expenditures (other than social audit) that they are incurring at the moment. Therefore, it is suggested that the share of administrative cost should be the present level of 6 per cent *plus* one per cent for social audit (total 7 per cent instead of 6 per cent). However, it still remains the fact that is there a need to further disaggregate total administration cost for better management and effective implementation. To analyse further, an attempt is made to understand the current system of administrative expenditure and its determinants which would help in redesigning the structure of administrative cost. Although there is no clear reason is given in MGNREGS guidelines 6 per cent fixed for the administrative expenses. However, while the analysis is preliminary and needs further research, at this stage there is no clear justification for the present system of 6 per cent. Our analysis may provide some justification for its level and most importantly distribution of administrative expenditure at various levels of implementing agency.

## VII.2 Administrative Expenditure: Trends across States

MGNREGS guidelines stipulates that states limit of administrative expenditure is to be capped upto the level of 6 per cent of total expenditure. In the current system, total expenditure is based on person-days generated in any GP/Block/State. *Table 26* shows that most of the states have successfully maintained their administrative expenditure close to 6 per cent or less than that during programme implementation in 2010-11, 2011-12 and 2012-13. But bigger states such as Andhra Pradesh, UP, MP, West Bengal, and Gujarat, have breached their level of administrative expenditure to the limit of 6 per cent during past three financial years. There are also states like Punjab, Rajasthan etc. which have incurred less than 6 per cent of administrative expenditure at state level but it has few districts within the state which incur administrative expenditure of more than 6 per cent level. These facts reflect two important features regarding administrative expenditure:

1. Bigger states are not able to administer the programme within the 6 per cent level of administrative expenditure and put the additional burden on the state finances.
2. Number of districts within states that have low administrative expenditure also crosses the 6 per cent level.

Lesser availability of funds for administrative purpose at district level lead to delay in submitting the required information to the Centre, causing delay in further release of funds and finally leading to unspent balance.

## VII.3 Determinants of Administrative Expenditure

As mentioned in the previous section, the current system follows that administrative expenditure is solely based on person-days generated within a state. However, the actual expenditure could dependent largely on the size of state and district and number of GPs. It is observed in the field visit and macro-level data that administrative cost is not only function of person-days generated but also on number of GP, rural population, density and area of the state.

Correlation coefficient between administrative expenditure of the states and number of GP is estimated to be as high as 0.56. Preliminary regression estimation has been performed to check the robustness of result obtained with correlation. In the regression analysis, administrative cost is taken as function of number of GPs and person-days generated. Final results[9] confirm the fact that administrative expenditure also depends on the

[9] Administrative expenditure = 217.30 + 0.25 GP + 5.52 person-days
(0.14) (2.51) 4.94)
t-statistics are given in the bracket. 25 Indian states data for 2012-13 have been used for the analysis. Coefficient for GP and Person-days are significant suggesting the GP and Person-days both are important determinants of administrative expenditure.

number of GPs in the state (size of the state) as well as person-days generated.

**Table 26:** State's Performance in Administrative Expenditure

| States | % Administrative expenditure to total expenditure (2010-11) | % Administrative expenditure to total expenditure (2011-12) | % Administrative expenditure to total expenditure (2012-13) |
|---|---|---|---|
| Andhra Pradesh | 7.86 | 10.67 | 9.70 |
| Arunachal Pradesh | 5.34 | 5.12 | 2.69 |
| Assam | 4.78 | 5.55 | 5.49 |
| Bihar | 4.11 | 5.34 | 2.86 |
| Chhattisgarh | 4.15 | 4.14 | 4.54 |
| Goa | 24.33 | 8.00 | 7.69 |
| Gujarat | 4.91 | 8.25 | 6.62 |
| Haryana | 3.30 | 3.12 | 3.10 |
| Himachal Pradesh | 4.88 | 5.05 | 4.87 |
| Jammu & Kashmir | 2.94 | 4.54 | 2.81 |
| Jharkhand | 4.58 | 5.14 | 5.06 |
| Karnataka | 2.41 | 3.20 | 2.96 |
| Kerala | 4.40 | 3.92 | 3.51 |
| Madhya Pradesh | 3.17 | 7.04 | 5.53 |
| Maharashtra | 4.81 | 3.88 | 3.99 |
| Manipur | 4.76 | 1.98 | 3.89 |
| Meghalaya | 4.18 | 2.55 | 3.42 |
| Mizoram | 5.80 | 6.17 | 5.25 |
| Nagaland | 5.68 | 0.12 | 0 |
| Odisha | 3.13 | 5.60 | 5.66 |
| Punjab | 5.71 | 4.79 | 5.28 |
| Rajasthan | 4.64 | 5.67 | 4.47 |
| Sikkim | 5.76 | 5.61 | 5.80 |
| Tamil Nadu | 4.68 | 3.31 | 2.58 |
| Tripura | 5.20 | 4.02 | 4.17 |
| Uttar Pradesh | 4.01 | 4.83 | 6.83 |
| Uttarakhand | 3.65 | 3.07 | 3.44 |
| West Bengal | 3.80 | 3.79 | 3.07 |

***Source***: MIS

These results suggest that there are two important factors that significantly determine the administrative cost and they are number of GPs and person-days generated. It further hints that allocation of administrative expenditure should be based also on the number of GPs in addition to person-days generated in the state. Portion of administrative cost based on number of GP suggest that there is need for fixed cost component within administrative cost. States with more number of GPs would require more fixed cost than the ones with low number of GP for activities such as IT material, Computers, *Rajiv Nirman Seva Kendra* etc. State would be able to allow extra fund to that district which is having higher number of GP. After establishing the fact that there is need for fixed cost, one need to know how much weightage should be given to each component such as GP and Person-days generated (fixed cost and variable cost).

## VII.4 Distribution of Administrative Expenditure

To further analyse the distribution of administrative cost between fixed and variable cost, a simple regression is estimated and the coefficients could suggest their weights. From the regression estimates, fitted values for the administrative cost have been estimated and then the weights have been arrived through the following ratios.

1. Ratio of fitted expenditure to total expenditure
2. Ratio of fitted constant component to total expenditure
3. Ratio of fitted GP to total expenditure
4. Ratio of fitted person-days to total expenditure

After obtaining the above ratios for each state, average for India has been calculated as given in the *appendix table B*.

Final results suggests 10, 45, 45 per cent weightage for constant, GP and person-days generated. This result reflects that 45 per cent of administrative expenditure should be based on person-days generated and 45 per cent should be allowed based on no of GP which reflect the need of fixed cost in total administrative cost. With these results it could be suggested that each state should allow only 45 per cent portion of administrative cost based on person-days and it should equally divide rest 55 per cent fixed cost portion of administrative cost among the GP of the states. As discussed earlier, while these estimates are very preliminary, given that there is no justification for the way 6 per cent is derived, our results provide a simple framework for further analysis on this issue.

Having discussed issues related to unspent balance on macro-micro data level, it is also very important to understand the programme implementation at the ground level on issues such as regulation, employment opportunity and asset creation etc. The observation made from the field visit of eight states is given in next section.

# VIII. Observations from 8 States during Field Visits for MGNREGS

## VIII.1 Rajasthan

Continuous and timely monsoons during 2010 to 2012 have resulted in lesser demand for wage employment under MGNREGS in Rajasthan. Fear of failure of monsoons makes the *Gram Sabhas* to inflate the labour budget, therefore resulting into huge unspent balances. The demand for employment under MGNREGS is more in tribal areas. Wage payment is being done at Block level whereas material component is being paid at *Gram Panchayat* (GP) level.

The time lag between the expenditure incurred and updating MIS is one of the reasons for high unspent balances in Rajasthan during reference period. The wage payments are mainly paid through post offices, which are not computerised. The other banking system at district and sub district level lacks core banking services particularly in RRBs. Lack of awareness on guidelines, capacity in preparation of labour budgets, and lack of capacity of implementing bureaucracy at GP and block level, have resulted in tardy implementation and lower utilisation of funds in Rajasthan during the reference period. Inflated labour budgets are mainly due to assumption of expected droughts which did not occur. Successful and timely monsoons have generated enough work in agriculture with higher market wages compared to statutory MGNREGS wages.

It is found in the field visit to Sikar District that in many of the villages the market wage rate ranged from Rs. 250 to Rs 300 and the MGNREGS wage rate was lower. The labour budget prepared in all the GPs the team visited were an increment (with a hike of say around 20 per cent) of the previous year’s labour budget than being estimated through *Gram Sabha* or previous year’s actual achievement.

At one of the Blocks (Fatehpur Block**)** the team visited, there was a scarcity of funds. The scarcity is mainly due to non-updation of the MIS and non-receipt of funds in 2011-12.

## VIII.2 Odisha

The performance of MGNREGS seems to be slow in Odisha due to various reasons. There is less demand for employment under MGNREGS in coastal districts due to alternative employment opportunities in these agriculturally rich areas. There is greater transparency in maintaining the expenditure under MGNREGS through Social audit. The social audit expenditure constitutes close to 1 per cent out of 6 per cent of the total administrative expenditure allocated under MGNREGS. The programme is being implemented in 6236 GPs in Odisha. The payment for wages and material are being done at GP level. There are negative balances in some block and GP levels; which could be because some funds have been spent under MGNREGS from other government schemes at initial phase of implementation of MGNREGS. Also as per the guidelines of the government, Rs. 1 lakh extra expenditure can be done under MGNREGS at GP level.

It is observed that there is large time lag between the data based on utilisation certificate (UC) and MIS due to lack of proper internet connectivity and overestimated Labour budgets in GPs with lesser demand are the two main reasons for huge unspent balances. There is a fear that funding may be stopped if they show lower demand in labour budget and which may lead to removal of contractual administrative staffs. This is the main concern for inflated labour budgets, especially in agriculturally rich coastal districts of Odisha.

While visiting the district of Kendrapara, the team found that many GPs repeated the labour budget of the previous year or copied from other GPs. In many of the GPs the labour budget was revised by the block or district machinery without the knowledge of the GP. Since the district is agriculturally rich and availability of public land is limited, the implementation of MGNREGS is slow and not forthcoming from the GP officials. It was felt that one option to increase the utilisation could be through encouraging individual beneficiaries.

## VIII.3 Assam

Assam is one of the good performing states in terms of implementation of the MGNREGS. The success of MGNREGS in Assam can majorly be attributed to convergence with agriculture and other department and schemes. However, there are some unspent balances, which are largely attributed to delayed fund transfer from the Centre. Similar to other states, in Assam also, it was noted that Labour budget preparation is unscientific. Together with this, long spell of rains are main reasons for delayed expenditures and unspent balances in the State. Another reason for low utilisation in some areas was found to be less penetration of banking services, which makes the state to depend more on postal services and, hence, delay in the wage payments.

The team visited Boko block of Kamrup (Rural) district. This is one of the best performing districts of Assam. There is lack of demand of employment under MGNREGS in this district. This is due to the alternative employment opportunities available in construction activities as well as close proximity of this district to the state capital Guwahati, which is just 60 kilometers. Fund utilisation gets delayed due to shorter working duration because of rainy season and flood in some parts of the district. Therefore this block has encouraged participation of individual beneficiaries and convergence with other agencies. The success stories of the convergence are in the *appendix.*

## VIII.4 Meghalaya

Unlike in other states, MGNREGS is being implemented through Village Employment Council (VEC) in Meghalaya. The role of community participation in the state in execution of MGNREGS programmes in Meghalaya is found to be very encouraging. The nature of works undertaken is as per the guidelines of MGNREGS but there seems to be violation of wage-material ratio of 60:40. Various activities such as road construction, check-dam construction, and field reclamation for cultivation purposes are being undertaken. Meghalaya’s performance is a very good example of durable asset creation under MGNREGS. Wage payment is being done through bank accounts but there are inconveniences for the beneficiaries to get wages in time due to lack of sufficient bank branches in rural areas. Meghalaya government has signed an agreement with Axis Bank to facilitate the wage payment to the beneficiaries in more convenient manner. The state has also undertaken MGNREGS works under convergence with other departments. Kaccha (earthen) roads are being constructed under MGNREGS fund and latter black topping is done through PMGSY fund. In the similar way the contributions from the VEC are also significant in terms of material component of the expenditures.

In its visit to Ri-bhoi district, the team found that few works were undertaken in 2012-13 compared 2011-12. This is mainly due to non-approval or delay in approval of schedule of works by the block and district authorities. Here again Labour budget is simply an increment over previous year’s labour budget rather than the actual achievements. In one of VECs, with 91 job card holders, the Labour budget increased from Rs. 16 lakhs in 2011-12 to Rs. 54 lakhs in 2012-13. Of this Rs. 52 lakhs was released for 2012-13 and 10 works were completed during 2012-13. Various works like tree (banana, pine apple) plantation, check-dam construction and road construction were undertaken under MGNREGS. As per the official record there was a liability under MGNREGS, the VEC was facing fund constraints.

East Khasi Hills was another district which the team visited. In this district major works undertaken under MGNREGS are road construction, path construction and plantation. The wage payments are made through bank account with Axis Bank. One of the social issues here in opening bank account was that people were reluctant to give personal details and finger and iris impression to the bank for opening an account. Delay in opening bank account has delayed wage payments. The team also found that wages are paid through a bearer or account payee cheque of Punjab national Bank to the job card holders. There are some VECs in Meghalaya where the wages are paid in cash due to non-availability of banking system. Overall, in the state, the team felt that, although in terms of implementation the state is better, to improve the performance there is a need for enhancing financial access at the rural level that improves the fund flow mechanism.

## VIII.5 Bihar

MGNREGS is being implemented in all 8400 GPs of Bihar. All GPs are connected with CBS branches of Banks. GPs are being strengthened through proper guidance to execute MGNREGS activities. Bihar is one of the five states of the country which pays higher wage rate compared to the MGNREGS wage to the beneficiaries. MGNREGS wage rate in Bihar is Rs. 138 while the actual wage paid is Rs. 162, which is equivalent to statutory minimum wage in the State. Various kinds of works such as road construction, pond digging, land reclamation etc. are being undertaken under MGNREGS in Bihar. The state is also facing the problem of slow fund flow from the Centre. In some districts (Bhojpur) large chunk of fund released in the month of February and March and such funds remain underutilised. Due to lack of fund, staffs' salary could not be disbursed in time. Therefore, in Bhojpur district, staff employed under MGNREGS went on strike last year and this hampered the execution of work and caused unspent balance in the district.

Officials at the State headquarters are of the opinion that there are some problems at different level that hinder the proper implementation of the MGNREGS programme. At GP level due to lack of funds, applications are not being accepted and works also got delayed. At district level, there is no well-defined organisational structure to implement the scheme. The officials opined that there are fewer funds for administrative expenditure which is at present 6 per cent. People employed for MGNREGS is of contractual nature with lack of capacity or lack of clarity about the programme or software that is being used. Transition from NREGA Soft to e-FMS and now capturing MGNREGS on TAB etc. in quick transition has put the district machinery in learning these softwares than in the programme implementation. Non-availability of qualified personnel at district level and with little scope for improving the capacities at district level, the management and implementation at district level has been slow.

MGNREGS is being implemented in all the 14 blocks of Bhojpur District and is supervised by the Director, DRDA, with the help of Programme/Project Officer (contractual post but holding the financial power). At GP level, *Mukhiya* (president) and *Panchayat Rojgar Sevak* (PRS) supervise the MGNREGS activities. Labour budget is being prepared on the basis of demanded person-days last year. Due to striking contractual employees under MGNREGS, implementation suffered and resulted in huge unspent balances or non-utilisation of allocated money. Some of the blocks received funds in the month of February and March, therefore they could not take up the work.

## VIII.6 Uttar Pradesh

In the state of Uttar Pradesh, the unspent balances are found to be very high. Labour budget is prepared at GP, Block and district level and then consolidated at the state level. Labour budget is prepared and revised every year for the proper implementation of the MGNREGS programme. Every GP is being allotted Rs. 5 lakhs in 1st instalment for MGNREGS activities. More funds will be allotted to GP if they spend 80 per cent of the 1st instalment. There is convergence of *Nirmal Bharat Abhiyan* (NBA) and MGNREGS in Uttar Pradesh. Construction of toilets is undertaken under MGNREGS in 30 districts.

One of the major problems that the team identified in UP is the low administrative cost. Compared to other states, UP has large number of GPs but at the same time it is being supervised by few contractual staff that has resulted in poor implementation of MGNREGS. This is very clearly found in Unnao district where the team has visited. Lower participation of the women under MGNREGS work due to cultural norm of the society, time lag in data feeding into the MIS, are some of the other reasons for unspent balances in the district. In one of the blocks the MGNREGS wages are lower than the market wage and GPs could not find the type of works that can be undertaken as per the MGNREGS guidelines. In almost all the blocks, the contractual staff has not been paid wages for few months due to lack of funds. From this observation, one can clearly find that fixed costs in UP would be very high compared to other smaller states where the number of GPs are less. This clearly substantiates our recommendation that there is a need for clear demarcation of fixed and variable costs within the 6 per cent administration allocation.

## VIII.7 Karnataka

In the initial stages of implementation of MGNREGS, the old system of SGRY was continued for nearly one year with same old contractor system continuing for nearly two to three years. *Gram Panchayats* getting work done with the contractor and entering the details in MIS, not paying the wages for long period as the funds were not released due to violation of various guidelines of MGNREGS were a common feature in the state. This resulted in negative balance in MIS and Karnataka has been showing negative balances for the three years in a row. In some instances the wages were paid to job card holders but the material component was withheld. In spite of the fact that state is well ahead in terms of computerisation and IT use up to GP level, due to shortage of manpower, non-filling up of the positions at GP level and lack of capacity has resulted in wrong entry of the information in MIS. With no provision for its correction at GP level, the MIS information has found to have lot of inconsistencies particularly in 2010-11.

The majority of non-utilisation of funds is due to predominance of individual beneficiaries. It is observed that the GPs include many individual beneficiary works in the labor budgets without proper discussion within the *Gram Sabha*. It is also found in many cases that some of the individual beneficiaries are not aware that their name is included in the individual beneficiary scheme. Some of them, though aware of their name being included in Individual beneficiary schemes, are either busy with their own activities or migrated to other areas for various reasons. In some of the cases, the beneficiary is not interested in the work allocated to them for various reasons. However, serious concern is about no follow up from GP officials about the sanctioning of these schemes to individual beneficiaries till the year end i.e. till February. When the GP officials approach them in last minute, most of the beneficiaries are busy with harvesting of the crop. In some cases there are inconsistencies in allocation of work. For instance, cattle shed is allotted to some beneficiaries who neither own the cattle nor have any land for this purpose in which they can construct cattle shed. Most of the individual beneficiary schemes are dominated by the activities in which beneficiaries are not involved.

## VIII.8 Andhra Pradesh

At the macro level, there is no issue of unspent balance in Andhra Pradesh. Introduction of e-FMS since 2010-11 improved the utilisation ratios, which is currently about 95 per cent of total fund allocation. Under e-FMS there is only one account at the state headquarters in the name of Commissioner, Rural Development (CRD). The e-FMS is a complete automated transaction system which enabled fund flow directly from the state to the individual beneficiary account. There is complete absence of district as well block level unit in fund flow mechanism. The community service provider (CSP) at GP level facilitates the disbursement of wage payment to the beneficiaries through Post-machine, which is a device that reads the thumb impression of the beneficiary and helps to check the leakage of fund to the ghost job card holders. There are 64 teams for inspection of MGNREGS activities and for quality checks in the state. Each district is being supervised by 2-3 teams. Each team consists of engineer and other officials. There is a provision of Social Audit of MGNREGS activities in Andhra Pradesh through an Act. Every GP/Mandal is brought under social audit once in a year.

There is end-to-end information technology utilisation in Andhra Pradesh. The e-MMS (Electronic Muster and Measurement System) and e-FMS (Electronic Fund Management System) are being implemented in entire Andhra Pradesh. Wage disbursement is done through biometric authentication only. There is 60 per cent wage disbursement through post-office and 40 per cent through banking system. Axis Bank, ICICI Bank, Corporation and Andhra Bank are involved in wage and material payments. MGNREGS is being implemented through Shram Shakti Sanghalu (SSS) which is basically labour group consisting of about 20 labourers. Every beneficiary must join a SSS group for getting employment under MGNREGS in Andhra Pradesh. A new beneficiary has to work in temporary SSS for at least 3 days before joining permanent SSS. MGNREGS has contributed a lot to horticultural activities in Andhra Pradesh. Nursery and bund plantation are the main activities under MGNREGS in Andhra Pradesh. Organic farming such as community managed sustainable agriculture (CMSA) is being undertaken. Plantation activities are undertaken on SC/ST and BPL family. There is limit of 5 acre land per household and the financial assistance is for 3 years. There is a 24/7 Call Centre to register number of complaints regarding malfunctioning of the MGNREGS in any part of the state. TCS Company has been authorised to maintain the database of the all sorts of information of the beneficiaries in digital form. Blue Frog Company is authorised to maintain the mobile phone database and facilitate the required expertise to capture the MGNREGS activities through mobile technology. Every technical staff has been provided a smart phone through which photos of MGNREGS activities are captured and uploaded to the centralised database on real time basis.

The study team visited Yacharam block of Ranga Reddy district and found that convergence activities with horticulture has been undertaken in a big way. Through this many farmers have benefited and at the same time large jobs have been created. There is a system of meeting Officials at block level on every Wednesday to discuss the problems of implementation of the programme and use of information technology at the gross root level. In terms of implementation, the team received some complaints from technical staff in terms of non-functioning of internet connectivity and mobile software that hinders the uploading of data.

# IX. Conclusions and Policy Recommendations

MGNREGS has proved to be a very effective programme to provide sustainable livelihood opportunities for most vulnerable people of rural population and creating durable assets in rural India. Since the programme is one of the largest public programmes in the world for providing job security at a very large scale, Government of India allocates huge resources for efficient implementation of the programme. In addition to this, the success of the programme also depends upon the efficient machinery to utilise the fund at the optimal level and efficiently implement at the ground level.

Despite the government's incessant efforts to make MGNREGS a successful employment providing programme, it has continuously witnessed underutilisation of the funds released (causing large unspent balance) over the years. MGNREGS is a demand driven programme and demand is projected through approved labour budget. So it has become an important policy concern for the government as to how the funds are not being optimally utilized. It has also become difficult to understand how unspent balance issue continue to remain over time despite making new fund release to the states after deducting the extent of unspent balance from the previous year. In this study, a detailed discussion about the programme, its fund release and expenditure pattern, fund flow mechanism, trends and causes of unspent balance has been made. Some of main reasons for issues in fund flow mechanism and underutilisation of funds have been highlighted in this study based on the analyses using secondary data and through discussions with officials and beneficiaries at the block level. To understand and address the issue of high unspent balance, the following policy recommendations are proposed[10].

1. Entire closing balance after the completion of the current financial year should not be treated as 'Unspent' balance. Instead, closing balance after deducting liability and some level of minimum balance, which is required to run the programme at any point during the financial year, should be treated as actual excess/unspent balance.
2. There is a need for minimum balance at the state level to implement the programme in the new financial year because of usual delay of fund release to the states. Therefore, based on present expenditure pattern it is proposed that about 9 to 10 per cent of total available fund of the previous year may be treated as minimum balance. This amount needs to be available at the state level at any point of time during the current financial year.
3. First tranche of funds in the new financial year should be released to the states without deducting unspent balance. This is required because, in addition to proposed minimum balance, states have huge liabilities to pay, which spill over to new financial year. Such flexibility

[10] Some of these recommendations have been addressed by the Ministry of Rural Development after submission of the draft report in May 2014, while some recommendations are in discussion stage with other relevant stakeholders/ministries.

would allow states to pay their liabilities from the Adjusted unspent balance. If there is still Adjusted unspent balance (after adjusting for minimum balance and liability) then the same may be deducted from the second tranche instead.

4. Given the role of social audits and based on best practices, it is proposed that expenditure on social audit may be fixed at one per cent of total available funds and is separated from the administrative expenditure. It is necessary to separate the expenditure on social audit for two reasons:

    a. This is more of a fixed nature of expenditure to be incurred at the state level unlike other kind of administrative expenditure, which depends upon person-days generated.
    b. Its important role in monitoring is helping in improving the programme implementation at the state level in every successive year.

    This suggestion means that the total administrative expenditure could be fixed at its present level of 6 per cent for administrative purpose *plus* one per cent separately for social audit (total 7 per cent instead 6 per cent). At the same time, social audit process should be made mandatory and may be linked with the next year's sanction.
5. At present there is no documentary rationale or evidence for fixing the administrative expenditure at 6 per cent. However, in our view, the extent of administrative expenditure (without social audit component) depends on number of GPs in addition to person-days generated at the state level. In other words, there is fixed as well as variable component in administrative expenditure. Fixed component depend on number of GPs while variable component ideally depend on number of person-days generated. Our preliminary empirical results suggest that 45 per cent of administrative expenditure may be based on person-days generated and the rest 55 per cent may be based on number of GPs. Districts with higher number of GPs may be given leeway to spend on administration more than 6 per cent but it should be according to 45:55 ratio of person-days and number of GPs. While at state level, administrative expenditure (without social audit component) should not exceed 6 per cent.
6. To improve the scope and quality of work done through MGNREGS, it is proposed to rely and expand the scope of convergence of the MGNREGS with other government livelihood and employment generating programmes. It would help enlarge shelf of work and help creating durable assets with modest 60:40 labour material ratio. It is also recommended to explore the possibility to advertise and replicate successful convergence of MGNREGS with other programmes that is followed in states such as AP, Assam, and Meghalaya etc. at the pan-India level. Regular workshops and training for states' MGNREGS representatives would further improve the knowledge among the states to generate sustained scope of durable works through convergence in future.

7. One of the reasons for successful implementation of the programme in few states is the robust e-FMS system. Such systems should be implemented at the earliest in all Indian states for efficient fund flow mechanism under MGNREGS as seen in states like AP and Rajasthan.
8. For efficient wage payment to the beneficiaries, it is proposed to bring India Post under Core Banking System (CBS) in all states. Expansion of India Post is deeply rooted in rural areas and equipping it with CBS system could ease the process of wage payment while lessening the burden on the public sector banks at the same time. This also enhances financial inclusion, which is the core for improving rural livelihoods.
9. To establish MGNREGS as demand driven and bottom up programme, labour budget preparation should ensure the involvement of people at GP level and its regular monitoring and reporting should be done by block and district level officials. Individual beneficiaries under MGNREGS may be allotted work under MGNREGS only after their written consent to GP. It would help the beneficiary to be more accountable for the work demanded while reducing the possibility of fund allocated being unspent under individual beneficiary scheme.
10. Wage payment to beneficiary should be completely mechanised. Cash payment should be removed and states should be encouraged to use smart card system for wage payment. States should also keep check on excess wage payments. In other words, wage rate should not exceed statutory MGNREGS wage rate as it has been witnessed in some states during previous financial years.
11. Practice of labour budget preparation should be improved. Few points to improve the labour budget preparation are as follows:

    a. *Gram Panchayat* should prepare the schedule of work on priority basis in consultation with the *Gram Sabha*
    b. The *Gram Sabha* should invite written applications, as given in the guidelines of the MGNREGA Act, from the residents of the village regarding number of days they are willing to work for the upcoming project.
    c. Based on the actual number of days demanded and the required material cost component, the labour budget should be prepared.
    d. There should be clear communication between district, block and GP levels regarding the finalisation of labour budget. *Gram Sabha* needs to be made responsible for providing the labour projection in tandem with block and district levels.

To sum up, while MGNREGS has been found to be one of the most successful rural development schemes at present. However, such success is not uniform across the states. Even within the successful states, the performance is not uniform across the districts and *Gram Panchayats*. This study, based on both macro level analysis and through field visits, has suggested some feasible policy options, which could help in efficient implementation and improving federal public finances.

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# Appendix A

**Table 1:** Number of GP and Administrative Expenditure

| States | Administrative Expenditure (in Rs. Lakhs) | No. of GP | % of administrative expenditure to total expenditure |
|---|---|---|---|
| Andhra Pradesh | 41679.59 | 21646 | 9.70 |
| Arunachal Pradesh | 127.88 | 1734 | 2.69 |
| Assam | 3725.39 | 2201 | 5.49 |
| Bihar | 5865.87 | 8470 | 2.86 |
| Chhattisgarh | 10027.48 | 9762 | 4.54 |
| Goa | 10.19 | 190 | 7.69 |
| Gujarat | 4166.72 | 13914 | 6.62 |
| Haryana | 1217.32 | 6079 | 3.10 |
| Himachal Pradesh | 2361.18 | 3243 | 4.87 |
| Jammu and Kashmir | 1773.46 | 4098 | 2.81 |
| Jharkhand | 5602.58 | 4423 | 5.06 |
| Karnataka | 6622.37 | 5631 | 2.96 |
| Kerala | 5267.56 | 978 | 3.51 |
| Madhya Pradesh | 14719.6 | 23024 | 5.53 |
| Maharashtra | 8912.3 | 27912 | 3.99 |
| Manipur | 1165.95 | 160 | 3.89 |
| Odisha | 6756.17 | 6232 | 5.66 |
| Punjab | 895.06 | 12440 | 5.28 |
| Rajasthan | 15368.71 | 9178 | 4.47 |
| Sikkim | 432.71 | 176 | 5.80 |
| Tamil Nadu | 10560.32 | 12524 | 2.58 |
| Tripura | 4048.42 | 511 | 4.17 |
| Uttar Pradesh | 18155.17 | 51915 | 6.83 |
| Uttarakhand | 1185.03 | 7995 | 3.44 |
| West Bengal | 13120.17 | 3239 | 3.07 |
| Correlation | | 0.558 | |

***Source***: MIS

# Appendix B

**Table 2**: Regression Results: Fitted Values as % share of Total Expenditure

| States | Fitted exp_total exp | Fittedint_total exp | Fitted GP_total exp | Fitted personday_ totalexp |
|---|---|---|---|---|
| Andhra Pradesh | 0.05 | 0.00 | 0.01 | 0.04 |
| Arunachal Pradesh | 0.17 | 0.05 | 0.09 | 0.03 |
| Assam | 0.04 | 0.00 | 0.01 | 0.03 |
| Bihar | 0.03 | 0.00 | 0.01 | 0.02 |
| Chhattisgarh | 0.04 | 0.00 | 0.01 | 0.03 |
| Gujarat | 0.08 | 0.00 | 0.06 | 0.02 |
| Haryana | 0.06 | 0.01 | 0.04 | 0.02 |
| Himachal Pradesh | 0.05 | 0.00 | 0.02 | 0.03 |
| Jammu and Kashmir | 0.04 | 0.00 | 0.02 | 0.02 |
| Jharkhand | 0.04 | 0.00 | 0.01 | 0.03 |
| Karnataka | 0.02 | 0.00 | 0.01 | 0.02 |
| Kerala | 0.03 | 0.00 | 0.00 | 0.03 |
| Madhya Pradesh | 0.05 | 0.00 | 0.02 | 0.02 |
| Maharashtra | 0.05 | 0.00 | 0.03 | 0.02 |
| Manipur | 0.04 | 0.01 | 0.00 | 0.03 |
| Odisha | 0.04 | 0.00 | 0.01 | 0.03 |
| Punjab | 0.22 | 0.01 | 0.18 | 0.02 |
| Rajasthan | 0.04 | 0.00 | 0.01 | 0.04 |
| Sikkim | 0.06 | 0.03 | 0.01 | 0.02 |
| Tamil Nadu | 0.06 | 0.00 | 0.01 | 0.06 |
| Tripura | 0.03 | 0.00 | 0.00 | 0.03 |
| Uttar Pradesh | 0.08 | 0.00 | 0.05 | 0.03 |
| Uttarakhand | 0.09 | 0.01 | 0.06 | 0.03 |
| West Bengal | 0.03 | 0.00 | 0.00 | 0.02 |
| Average | 0.06 | 0.01 | 0.03 | 0.03 |
| Average (% terms) | | 9.39 | 45.64 | 44.97 |

***Source:*** (Basic data); MIS

# Appendix C

**Table 3:** MGNREGS Wages and Minimum Agriculture Wage (in Rupees)

| State | MGNREGS wage rate (2012-13) with revision | Minimum agricultural wage rate (As on 31-12-2012) |
|---|---|---|
| Andhra Pradesh | 137 | 112 |
| Arunachal Pradesh | 124 | 80 |
| Assam | 136 | 137 |
| Bihar | 122 | 151 |
| Chhattisgarh | 132 | 121 |
| Goa | 158 | 150 |
| Gujarat | 134 | 120 |
| Haryana | 191 | 191 |
| Himachal Pradesh | 157 | 150 |
| Jammu & Kashmir | 131 | -- |
| Jharkhand | 122 | 150 |
| Karnataka | 155 | 200 |
| Kerala | 164 | 150 |
| Madhya Pradesh | 132 | 212 |
| Maharashtra | 145 | 120 |
| Manipur | 144 | 122 |
| Meghalaya | 128 | 100 |
| Mizoram | 136 | 170 |
| Nagaland | 124 | 115 |
| Odisha | 126 | 150 |
| Punjab | 166 | 210 |
| Rajasthan | 133 | 147 |
| Sikkim | 124 | -- |
| Tamilnadu | 132 | 100 |
| Tripura | 124 | 140 |
| Uttar Pradesh | 125 | 125 |
| Uttarakhand | 125 | 124 |
| West Bengal | 136 | 173 |

***Source:*** MIS, Labour Bureau (2012)

# Appendix D

## Best Practices in MGNREGS Convergence with other Programmes: Boko Block, Kamrup (Rural) District, (Assam)[11]

A very important component of any development programme is establishing convergence among different government flagship programmes towards holistic rural development. The Boko Development Block within its ambit of jurisdiction and coordinated networking with other Line departments has been able to foster a series of activities through greater convergence, and achieving the desired objectives. Enlisted below few success cases of the developmental convergence towards holistic development, which could become best practice for successful implementation of the programmes at the rural areas.

### 1. The Banana Revolution with Agriculture Department

The Darrangiri Banana Market is very well known in Asia for sale of banana from the region. The Darrangiri market being located near Boko block, the market demand for banana has been easily visible. However, over the years, the cultivation of banana was not scientifically done and as a result there has been less production in the state and region.

In the wake of favourable climate for banana cultivation, the Boko development block in cooperation with state agriculture department has motivated farmers, especially youths and women for taking up banana cultivation. The block has selected 376 Individual Beneficiaries Schemes (IBS) and 8 SHGs from Jobepara village for the purpose. Accordingly, at *Gram Sabhas* the estimated plans for banana cultivation through Self Help Groups and IBSs are endorsed and convergence established with the Agriculture department for technical support. A total of 8 SHGs have been shortlisted for promoting banana cultivation. The SHGs took land on lease (locally known as 'Sukimia') for 5 years at Rs. 600 per year per Bigha through formal lease agreement.

The job card holders under MGNREGS worked for cleaning, land development, fencing, etc., suitable for banana cultivation. The planting materials including fertilisers were procured under the material costs. The quality banana plants and fertilisers were provided by the agriculture department to the farmers on payment by the GPs.

The maintenance of the banana farms are done by the group members. Vendors from Guwahati and local areas come to the villages to purchase banana. The payments are made in cash to the groups who maintain separate bank accounts.

[11] This portion is largely contributed by Boko Block (by Dr J Balaji, DM of Kamrup (Rural) and Mr Pankaj Raj Chakravarty, Block Development Officer, Boko).

BANANA PLANTATION AT JOBEPARA BY PROGATISHIL SHG

**Table D.1:** The Cost and Benefit statistics of the Banana Farms Run by SHGs

| Name of SHG | Wage cost | Material cost | Total banana plants grown | Farm land (Hect.) | Present income | % of sale |
|---|---|---|---|---|---|---|
| Antaranga | 49920 | 74080 | 2750 | 1.10 | 83000 | 30 |
| Milijuli | 49920 | 74080 | 2750 | 1.10 | 50000 | 20 |
| Pragatisil | 49920 | 74080 | 2750 | 1.10 | 25000 | 10 |
| Seuj | 49920 | 74080 | 2750 | 1.10 | 30000 | 15 |
| Jobepara Uddan Sashya | 49920 | 74080 | 2750 | 1.10 | 25000 | 10 |
| Ojagarh | 49920 | 74080 | 2750 | 1.10 | 115000 | 90 |
| Cachewnut Growers Society | 49920 | 74080 | 2750 | 1.10 | 25000 | 10 |
| Kuwali | 49920 | 74080 | 2750 | 1.10 | 5000 | 3 |

Total number of Job Card holders engaged - 120
Total man-days generated - 3072 days.
Period of implementation - 2011-12
Total income upto July, 2013 - 3.58 Lakhs

## 2. Som Plantation Nursery with Sericulture Department

In 2012, the Boko Development office has come into convergence with the sericulture department functionaries for promoting Som nursery and plantations by developing the Muga Silk Development Project (MSDP) farm at Bhokotpara village under the 76 Dakhin Pachim Luki *Gaon Panchayat*, CMG Muga farm at Shakhati village under 73 No. Pachim Bekeli *Gaon Panchayat* and at Langkona & Turukpara muga farm under 10 No. Dakhin Boko *Gaon Panchayat.* The sericulture farms provided space for the Som nurseries and plantations for generating seeds at nurseries.

Accordingly, schemes for promotion of Som plantation with technical guidance from the sericulture department were developed and had approval at *Gram Sabha* for implementation under MGNREGS for the 2012-13. The total cost of the schemes was approved for 19.4 Lakhs of which Rs. 13.95 lakhs was wage costs and Rs. 5.09 lakhs was material support costs. The major schematic works were creation of the Som nurseries and plantations including drain excavation work in Langkona village.

**SOM NURSERY AT TURUKPARA MUGA FARM**


**SOM NURSERY AT TURUKPARA MUGA FARM**

**Table D.2:** Overview of MGNREGS Convergence in Boko Block

| Name of the Scheme | Estimat-ed amount (in Rs.) | Wage (in Rs) | Material Cost (in Rs.) | Job Card Holde-rs | Mandays | No. of Plantations | Land Area (in Bigha) | No. of Sapl-ings |
|---|---|---|---|---|---|---|---|---|
| Creation of Som Nursery & Plantation at CMG Saulhati | 500000 | 364616 | 135384 | 101 | 2424 | 3000 | | |
| Excavation of Protection drain at CMG Saulhati | 500000 | 492048 | 7952 | 55 | 1433 | | 7 | 50000 |
| Creation of Som Nursery & Plantation at Bhokotpara MSD | 500000 | 364616 | 135384 | 70 | 2360 | 2500 | 15 | 50000 |
| Excavation pf Protection drain at Bhokotpara MSD | 500000 | 492048 | 7952 | 125 | 2015 | | | |
| Creation of Som Nursery & plantation at Turulpara Muga Farm | 404000 | 285872 | 118128 | 57 | 1659 | 2000 | 7.5 | 50000 |
| Land development & fencing at Turukpara Muga Farm | 499700 | 294984 | 204716 | 55 | 1562 | | | |
| Creation of Som Nursery & plantation and excavation of protection drain at Lankona | 500000 | 380392 | 119608 | 31 | 2362 | 2000 | 7.5 | 50000 |
| 7 Schemes | 3403700 | 2674576 | 729124 | 494 | 13815 | 9500 | 37 | 200000 |

SOM PLANTATION AT BHAKATPARA

The other works included land development, seedbed preparation, polybags, lining, preparation & filling of polybags with sand, soil and cow dung, shed construction with local bamboo and G.I. pipe painting of bamboo for durability, seeds collection, sowing of seeds, weeding, other basic periodic maintenance, planting of seedlings, etc.

The materials costs covered polybags, cow dung, soil, pesticide, vitamins, ash, bamboo, paint, gunny bags, few minor equipments, etc. A total number of 1,12,000 seedlings were raised in the nurseries and about 10,000 Som saplings were planted. The land area covered under the Som nurseries and plantations has been 49.5 Bighas.

The Som saplings are planted separately at the age of 4 months and are generally matured by 3 or 4 years of plantation. The Som plants are used to rear the cocoon of Muga worms which produce the world famous Muga

Silk. It is also popularly known as ‘Golden Thread’. It has been recognised as a rich Assamese culture fabric with Geographical Indications Tag (GI Tag). The Som plantation Nurseries have already made its market impact by selling saplings to sericulture department in Darrang, Nalbari, Goalpara, Kamrup (M), Kamrup & Morigaon districts at government rate of Rs. 1.50 per sapling. There is also further demand of saplings by the Boko Sericulture office. A ceremonial distribution-cum sale of Som saplings was organised by Boko Block Development office.

**Convergence Components of Muga**

MGNREGS

Wage -73%; Material-27%

- Materials cost for raising 4 nurseries,
- raising plantation in 37 bighas
- Job Card holders wages

SERICULTURE DEPARTMENT

- Provided land for raising nurseries
- Seed material
- Technical Expertise
- Supervision and maintenance
- Buy Back

## 3. Lac Cultivation (in collaboration with National Institute of Gums and Resins, GOI, Ranchi*)*

The Lac, locally known as Laha in Assamese, Laksha in Sanskrit and Lakhin in Hindi, is one of the most valuable gifts of nature to man. Lac is the only resin of animal origin. Lac is a secretion of a tiny insect called – LACCIFER LACCA. Lac is, in fact, the parent of modern plastics. The importance of Lac in the modern economy, particularly in India and Thailand, is quite considerable having multidimensional uses.

The humid climatic condition of Assam is a blessing for Lac cultivation. During the pre-independence period the production figure of Lac in undivided Assam was about 50000 maunds. Colonial Britishers realising its importance established a processing unit at Chaparmukh to export atleast one-fourth of the total production to European market via Kolkata. The Lac is still an export item in India having immense international market potentialities.

The Lac cultivation under the MGNREGS was promoted with the primary objective of augmenting wage employment which is an auxiliary objective of establishing sustainable natural resources management. This initiative by the block under the MGNREGS will give boost to the almost dying age old indigenous skills and craft practice. The eco-friendly Lac cultivation with bio-diversity benefits has tremendous demand at global market which can promote employment generation, and ensure sustained livelihood options for women in rural areas of Kamrup district.

**Convergence components in Lac Cultivation**

- 65 nos. SHGs involved under NRLM
- 130 *red gram* nurseries have been created in 65 bighas under MGNREGA
- Per SHG -2 nurseries, 1 lakh per SHG Perennial crop
- 300 SHGs members were given basic training and awareness
- Plan to develop brood lac in-house
- In collaboration with **Nation Institute of Resins and Gums of GOI, Jharkhand** for technical support.
- A PPP initiative- A MoU has been signed between BDO and BRIAT (Bioved Research Institute & Technology) with buyback agreement and materials inputs.


The Lac cultivation has been taken up by about 65 SHGs out of the 133 SHGs from all the 11 *Gaon Panchayat*. The SHGs have been trained on preparation of Rahar seed bed, sapling rearing into soil, timely weeding and necessary basic agricultural practices. The technical training on scientific rearing of the LACIFER LACCA, cultivation of the insects, extracting Lah outputs, raw products, value addition to raw products, etc., will be taken up gradually. The total cost per SHG is Rs. 6,600. The percentage of wage costs is 87.5 and material costs are 12.5. A total of 38 person days would be generated in each SHG. However, presently only Rs. 4.29 lakhs has been sanctioned for utilisation of which Rs. 3.75 lakhs is wage cost and Rs. 53,560 materials cost for preparation of host tree and nursery plantation.

**Table D.3:** Lac Cultivation Boko

| Numbers of SHGs | Name of GP | Total No. of Host Trees | Total land Area |
|---|---|---|---|
| 5 SHGs | 9 NO. Dakhin Pub Boko | 2000 | 13.5 Bigha |
| 11 SHGs | 10 No. Dakhin Boko | 2000 | 36 Bigha |
| 33 SHGs | 68 No. Uttar Boko | 2105 | 90.5 Bigha |
| 15 SHGs | 69 Dakhin Pachim Boko | 1450 | 39.5 Bigha |
| 9 SHGs | 70 No. Dakhin Pub Luki | 3000 | 21 Bigha |
| 20 SHGs | 71 No. Pub Bekeli | 6500 | 48 Bigha |
| 9 SHGs | 72 No. Uttar Bekeli | 3745 | 40.5 Bigha |
| 9 SHGs | 73. Pachim Bekeli | 5700 | 20 Bigha |
| 4 SHGs | 74. No Pub Luki | 800 | 11 Bigha |
| 4 SHGs | 75 No. Dakhin Luki | 2200 | 6.5 Bigha |
| 14 SHGs | 76 No Dakhin Pachim Luki | 8500 | 27 Bigha |
| 133 SHGs | 11 *Gaon Panchayat* | 38000 | 353.5 Bigha |

The scheme of Lac cultivation and nursery plantation has been tagged into a Public private partnership initiative. An international research organisation, Bioved Research Society, is registered with the Ministry of Home Affairs, Govt. of India, Ministry of science and technology and under the Societies Registration Act of 1860, is recognised for scientific and industrial research and implementation of developmental programmes. A detailed survey has been made by BRIAT Scientists along with the Block Development Officials and recognises the Boko block suitable for Lac cultivation.

A MoU has been signed between the Boko Block Development office and the Bioved Research Institute of Agriculture & Technology (BRIAT) towards generating awareness and training to cultivators with financial support from the Boko Block Development office. The MOU also mentioned that BRIAT will provide the required brood Lac for inoculation and will buy back the harvested Lac stick. The BRIAT in the MoU also agrees to setup a processing plant soon as the production of Lac stick reaches minimum of 50 Metric Ton. As part of Lac cultivation drive of the Block, training cum awareness programme for SHG members was organised in Boko block premises. Subject experts from Indian Institute of National Rasins and Gums, Ranchi and from Rain Forest Research Institute, Jorhat of GoI have been invited to provide training. Armed with this training about 300 members from the block have now taken Lac cultivation in organised manner.

## 4. Horticulture Nursery (Value addition to revenue generation of GPs)

With the growing population and scarcity in local production of horticulture fruits, an essence of realistic needs was felt in and around Boko. The different communities of Boko are traditionally farmers, but the practices of growing horticultural products have gone down with other cash crops occupying the mainstream crops. However, with more and more demand of local fresh fruits in lists, the farmers are now turning back to previous practices. It has been observed that no community nurseries or cooperative nursery exists at Boko for which the farmers have to get saplings from commercial vendors at high rate without knowing the quality of saplings.

It was in this high note of thought, few *Gaon Panchayat* have decided to establish horticulture nursery at GP offices towards promoting horticulture products and generating revenue through the sale of saplings. Many GPs have come with their plans & estimates being endorsed at *Gram Sabha* for establishing nurseries within the broad spectrum of MGNREGS.

A total of 10,000 saplings of different plant types are planted into bed with shade in each GP. The saplings were collected from selective vendor under the supervision of Agriculture Department with assurance of good quality saplings. The different types of saplings planted into the horticulture nursery were Banana, Lemon, Guava, Papaya, Black Pepper, Olive, Betel nut, Blue Berry, Local Assam Lemon Along with Chegun, etc.

The GPs promoting horticulture nursery are 68 No. Uttar Boko, 69 No. Dakhin Pachim Boko, 72 No. Uttar Bekeli, 73 No. Pachim Bekeli, 75 No Dakhin Luki. The total cost of promoting the horticulture nursery in GP offices under MGNREGS was Rs. 7.5 lakhs of which Rs. 3.98 lakhs was wage cost and Rs. 3.42 lakhs was materials costs. The works included land development, purchase of seedlings and bamboos for fencing, seedbed preparation, maintenance works like weeding, purchase of shed cloth, etc.

**HORTICULTURE NURSERY AT 73rd NO. PACHIM BEKELI GAON PANCHAYAT**

## 5. Road Communication and Connectivity: Introduction of Sustainable Paver Blocks

Under MGNREGS, the rural road communication and connectivity have always been a very effective scheme creating local assets, generating community communication accessibility and emphasising local area development. With the capacity of durability and sustainability the block has taken up few important rural connectivity with paver blocks. Success stories of rural road communication through paver blocks are the roads from Boko Dilinga PWD road to Parbati Pahar Mandir and Fire Service Station Road.

The Parbati Pahar Mandir has been a very important place from Tourism point of view. The 68 No. Uttar Boko G.P. through a *Gram Sabha* prepared a scheme for carrying out sustainable road on the red soil hill. Being endorsed by the *Gram Sabha*, the road was constructed for an amount of Rs. 2.73 lakhs of which Rs. 2.13 lakhs was wage cost and Rs. 59896 was for material costs.

The paver blocks inducted in Parbati Pahar Mandir road has been able to make and feel the difference on the rural road connectivity. An additional amount of Rs. 4.95 lakhs was shared from the 13th Finance Commission grant fund (2011-12) for construction of road with steps from Boko Dilinga PWD road to Parbati Pahar Mandir.

In spite of its great importance to deal with emergency services, Boko Fire Service road was in a dilapidated condition during rainy period. There was always the high risk of the fire fighting vehicles getting stuck at the muddy road. In consideration of its urgent need to cope with fire havoc, the road was constructed as a paver block road.

The fire Service Station road located under the 10 No. Dakhin Boko GP has been able to create a niche among the rural community by citing an example of support and enhancement and, thus, generated sustainable rural road connectivity. The total cost of the scheme was Rs. 10 lakhs and the wage costs was Rs.2.21 lakh and the materials costs was Rs. 7.78 lakhs.

**PAVER BLOCK ROAD**

**Convergence components in Block Road**

- Success stories of rural road communication through paver blocks are durable and eco-friendly.
- The manual unskilled labour portion works shared from MGNREGS and the materials from Thirteen Finance Commission.
- Total length 458 meter
- Fund status: MGNREGS Rs.2.73 lakhs and Rs.4.95 lakh from Thirteen Finance Commission.

## 6. *Rajiv Gandhi Seva Kendra* (infrastructural Elegance of Panchayat Offices)

Under the MGNREGS (Bharat Nirman) efforts have been made towards developing local elegant infrastructural facilities of *Gaon Panchayat* offices. The most of GP offices were either in dilapidated condition or did not have enough space and basic amenities. The Boko Development Block like other blocks in the state have so far constructed 5 beautiful and elegant Rajiv

Gandhi Seva Kendras (RGSK). As a result of construction of the RGSK in 5 GPs, a lively atmosphere has been created in the villages enhancing peoples' participation in implementing the various flagship programmes at the grass-root level.

The newly built RGSKs under MGNREGS have created a very peaceful and serene environment. The RGSK was built in the financial year of 2010-11 with the budget of Rs.9.67 lakhs each with 3 rooms, open space verandah for conducting meetings, six toilets (separately for male or female). The electrification of the GP office has been supported by the GP's own fund. Operating in a multi-dimensional perspective, the RGSK-GP offices are also generating revenue by incorporating Tent House Services on hiring basis at a very low rate for any kind of events organised by community members/CSOs/ Govt. departments/Agencies, etc.

RAJIB GANDHI SEWA KENDRA, GRAM DIVAS ON EVERY THURSDAY AT 73rd NO. PACHIM BEKELI GAON PANCHAYAT

RAJIB GANDHI SEWA KENDRA AT 74th NO. PUB LUKI GAON PANCHAYAT

RAJIB GANDHI SEWA KENDRA AT 9th NO. DAKHIN PUB BOKO GAON PANCHAYAT

## 7. Micro Irrigation & Water Harvesting

Under MGNREGS, in 2011-13, initiatives have been taken-up for generating traditional irrigation facilities for farmers of 71 No. Pub Bekeli GP and Dakhin Pachim Luki GP by tapping natural water flow from the hills into the valley. The scheme is eco-friendly and its recurring cost is zero. A total budget of Rs. 9.26 lakhs was sanctioned for construction of the two irrigational canals with a length of 5.3 km that covered 1528 hectares of cultivable land.

Up gradation of the existing water tank into a commercial pisciculture venture at 10 Dakhin Boko GP located at Boko mini-stadium was taken up. The works included land development, excavation, plantations around the fishery, fencing, etc. The fishery covers 1.2 hectares of land area against the estimated amount of Rs. 5 Lakhs.

## 8. Upgradation of Cremation Ground

The Boko cremation ground at Barpara village under the 10 No Dakhin Boko *Gaon Panchayat* which was providing the cremation facilities for the entire Hindu population of the area, was in a dilapidated condition. Accordingly a discussion was held at the *Gaon Panchayat* and the Boko Block initiated revetailing convergence programmes. The cumulative budget sanctioned for the renovation works was Rs. 4.76 lakhs of which Rs. 2.26 Lac was from DDP 2011-12, Rs. 2.00 Lac from TFC 2011-12 and Rs. 50,000 from TFC 2012-13.

The works included land development and cleaning, sitting arrangements, sustainable Paver blocks road, upgrading the funeral pyre, construction of the stairs for washing at the edge of river, plantations, renovation of boundary wall and gate, basic amenities like toilet facilities, etc.

**Convergence Component in Cremation Ground**

- The Boko cremation ground has been developed with the cremation facilities for the entire Hindu population of the area, which was in a dilapidated condition.
- The cumulative budget sanctioned for works is Rs.4.76 lakhs from DDP, TFC and MGNREGS for the year 2011-12.

## 9. Re-structuring of a Bridge

Phakharapara and Dakuwapara villagers are connected by a wooden bridge over the Boko river. The wooden bridge has been the lifeline for road communication between the two villages with rest of Boko and vice-versa. In 2012 floods, the wooden bridge was heavily damaged and road communication connectivity was closed for the people, especially for the school going children. It was at this juncture, the 69 Dakhin Pachim *Gaon Panchayat,* in collaboration with the Boko Development Block, undertaken convergence of MGNREGS with *Anchalik Panchayat* Fund. Under this convergence, MGNREGS contributed towards labour costs and AP Fund supported the materials costs.

The cumulative budget shared for the convergence was Rs. 3.55 Lakhs of which Rs. 2.8 Lakhs Was from the AP Fund and Rs. 75500 was from the MGNREGS. Following convergence initiative the bridge was rebuilt and connectivity restored.

## 10. Construction of Dr. Bhupen Hazarika Suwari Ranga Mancha (Open Stage)

Boko with culturally rich ethnic groups has been well-known for cultural activities. However, lack of well-equipped open stage always stood in the way of undertaking cultural events. The block authority felt the need and accordingly a modern well-equipped open stage in the name of late Dr. Bhupen Hazarika was constructed. The open stage was constructed under convergence of *Anchalik Panchayat* Fund and DDP where both shared Rs. 5 lakhs each.

The open stage named as “Dr. Bhupen Hazarika Suwari Ranga Mancha” has been dedicated to the noted Legend Dr. Bhupen Hazarika. In addition to the open stage located at the Suwari field, there are Green room and Toilet facilities adjacent to the stage. The stage is maintained by the Suwari Committee. The construction of the stage has created very positive impact in entire Boko as all events, festivals, social meetings, etc. are held there. The Suwari committee charges Rs. 5000 for hire per day.

## 11. Water Bodies Conservation & Eco Hatchery

Water bodies constitute a major base of flora and fauna. However, growing population have become a threat to water bodies and living organisms depending on water bodies. The Boko development block has taken an initiative under convergence of the MGNREGS and AP fund for developing a pond into eco-hatchery with supplementary horticultural plantations as demonstrative model for others to follow. The scheme was implemented with a total budget of Rs. 6.00 lakhs of which MGNREGS share was of Rs.5.00 lakhs and AP fund shared Rs. 1.00 lac. The works included pond excavation, land development of the surrounding edge of the pond, construction of boundary wall, fencing construction of thatched house for the ducks, bamboo bridge, planting of horticulture saplings, procurement of local ducks and local fish fingerlings duck and fish feed, hoarding, etc.

ECO HATCHERY AT BLOCK OFFICE CAMPUS
UNDER MGNREGA, SGSY AND AP FUND

## 12. The Orchid Nursery (Linking environmental conservation with developmental programmes)

Boko the abode of lots of giant trees has ample scope for orchid plantations. Considering the increasing local, national and even global market, the block has taken up an elaborate programme in convergence with the forest department. For this purpose JFMCs have been shortlisted in the *Gram Sabha* to carry out these projects.

An initiative has been undertaken at the 69 No. Dakhin Pachim Boko GP towards establishing an orchid nursery with the greater objective of linking environmental conservation with development programmes. A convergence partnerships was setup between the MGNREGS, RKVY and AP Fund for a cumulative budget of Rs. 2.04 lakhs of which RKVY shared Rs. 64095, MGNREGS shared Rs. 88,000 and AP Fund shared Rs. 50,000.

The works included land development, construction of bamboo shelf, the green house, procurement of water sprinkler, water pump motor and pipe arrangements, display signboard, procurement of orchid blocks and orchids, etc.

ORCHID PLANTATION IN THE GREEN HOUSE AT BLOCK OFFICE CAMPUS UNDER MGNREGA, RKVY AND AP FUND

## 13. Play Ground Development and Drain Construction

Boko area having sports talents of national and international repute may be called the Brazil of Assam. To catch the budding players young, modern infrastructure especially good playground is of utmost importance.

To fulfil the constant demand from the local community people of Boko, 69 No. Dakhin Pachim, Boko GP in consultation with the Block Development Office prepared a convergence scheme where MGNREGS and Third Finance Commission grant fund was utilised for the development of the playground by constructing pucca outlet rivulet.

The works under MGNREGS included land development, digging of drain etc. the TFC supported construction of the drain with cement, bricks, skilled labour, etc. The total costs of the convergence scheme were of Rs. 17.678 Lakhs of which Rs. 2,979 was shared from MGNREGS and Rs. 14.7 lakhs was shared by TFC.

## 14. Muga Silk Project (NRLM & MGNREGS)

Boko area is known as a predominant sericulture and Muga production centre of Assam. Considering the rich tradition and favourable environment for Muga farming in the area, the Block has taken series of steps for development of the depleting practices. Since Som plants are essential for rearing Muga cocoons, the block has established several nurseries for raising Som saplings besides setting up of Muga Silk Institute at Boko in collaboration with Assam State Rural Livelihood Mission Society (ARLMS).

The Institute, first of its kind to be set up by a block, would be fully mechanised and act as a centre of training, production and demonstration. With increasing national and international demand for the Muga fabric (known as golden fabric), the Muga Silk Institute is expected to rejuvenate the age old golden fabric industry and the name of Boko would be imprinted in the tapestry of world couture. The ARLMS has sanctioned the project with a budget of Rs. 12.95 lakhs.

COSTRUCTION OF BRICK MASONARY DRAINS FROM NH 32 TO SPORT PAVILION, FIELD DEVELOPMENT AND SIDE DRAIN UNDER MGNREGA AND TFC FUND

## 15. Banana Ripening & Preservation Centre (NRLM & MGNREGS)

The banana revolution has been made by the Boko Block under MGNREGS. As the banana production of the area dominates the banana market of the state in general, and the Guwahati city in particular, the block has submitted a project to the ASRLMS for establishment of a Banana Ripening and Preservation Centre with multipurpose pack house having provision of collection, washing, brushing, ripening, storing, packing and finally transporting the banana to the markets. The banana ripening process would be without use of carbide.

As per the project, SHGs and individuals take part in the plantation, house to house collection in green stage, ripening & marketing under the strict supervision of the block authorities. Under the projects, the middle man will be eliminated resulting in remunerative price to growers and comparatively lower rate to consumers. The ASRLMS has sanctioned Rs. 11.95 lakhs towards establishment of the Banana Ripening and Preservation Centre.

## 16. The IAY Colony – The Dream of a House in the Hands of Poor & Vulnerable

The Boko Development Block has earned the distinction of setting up of an IAY colony for the benefit of 28 Hajong families. Having no farm land of their own they were working as daily wage labour languishing in abject poverty. The Hajong beneficiaries of the IAY colony previously used to stay in deplorable thatched houses near the Banana local market occupying govt. land.

With the provision of permanent dwelling houses under IAY schemes, the said BPL families got a new lease of life. All the beneficiaries received Rs.38,500 each in three instalments to construct the shelter and a subsidised toilet under the Total Sanitation Campaign.

The land development for construction of the IAY houses was done by the same community households under the MGNREGS. Valid and energetic efforts have been made to bring convergence of RKVY, ASRLM, TFC, AP Fund, RGGVY, etc. The total costs involved in construction of the IAY Shelters are 10.98 Lakhs.

**Convergence Component in IAY Colony**

– MGNREGS: Approach roads -400m
– RKVY: Lac, orchid nursery
– TFC: Tube wells
– RGVY: Electrification
– NRLM: 2 SHGs groups-piggery, handloom, lac
– Revenue Department : Allotment of lend to the poor beneficiaries

IAY COLONY AT PAKHRAPARA

**Children Park at Gaon Panchayat level- 69 Dakhin Pachim Boko**

- For the welfare of children convergence has been set up with DDP schemes and MGNREGS
- Cumulative budget of scheme is Rs. 5 Lakh
- Not only an income generating scheme but also a bridge between the administration and public.
- MGNREGS-Rs/1.04 lakh (earth filling) and rest Rs/- 4 lakh from DDP.

## New initiatives on convergence in Boko

Apart from the above activities, Boko block is exploring to undertake convergence of MGNREGS with Mid-Day Meal scheme, funded under education. Some of the jobs where convergence would be undertaken are as follows:

(i) Developing fruit garden: The sanctioned and released funds for 114 schools on pilot basis for establishing fruit gardens in the school campus is 2 bigha per schools at Rs/- 30,000 per bigha. The outcome is expected by August 2014. The technical know-how for this work is provided by the horticulture wing of Agriculture department. Some of the fruits that are planted are seasonal fruits like papaya, banana, pine apple, litchi, guava, jamun, etc. The fruits grown in these gardens will be provided to children in Mid-day Meal atleast weekly once. This will also help in engaging children in environment and gardening activities.

(ii) Poultry: Exploring feasibility of establishing poultry farms through SHGs and MOU for buyback with schools to buy eggs at fixed price (lower than market price) for children under Mid-Day Meal. Currently this is adopted as a pilot project in 5 schools per block. Depending on the success of this pilot project, the scheme would be implemented in entire district in 2 years. Here the convergence is with MGNREGS, Banks, NRLM, Education Ministry and Veterinary departments.

Overall, from the experience of Boko block, it appears that there is a vast scope for convergence of MGNREGS with many other schemes that both central and state governments have initiated in order to improve the rural life. Such convergences also help in enhancing the demand for jobs under MGNREGS and at the same time create durable assets, which is the main concern in implementing the scheme now.

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