



BUDGET BRIEFS

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Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GOI, 2017-18

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is the flagship rural employment scheme of the Government of India (GOI). It aims to provide 100 days of employment per rural household.

Using government reported data, this brief reports on:

- Trends in allocations and expenditures
- Trends in employment provided and wages paid
- Coverage and participation

Cost share: GOI contributes 90% of MGNREGS funds. The releases are made to the states upon the latter's submission of labour budgets estimating the anticipated demand for work. A minimum of 50% of MGNREGS works are executed by Gram Panchayats.

Complete expenditure data is publicly available up to FY 2015-16. Data for FY 2016-17 is till 13 January, 2017.

HIGHLIGHTS

₹1,07,758 cr

Government of India (GOI) allocations for Ministry of Rural Development (MORD) in Financial Year (FY) 2017-18

₹48,000 cr

GOI allocations for MGNREGS in FY 2017-18

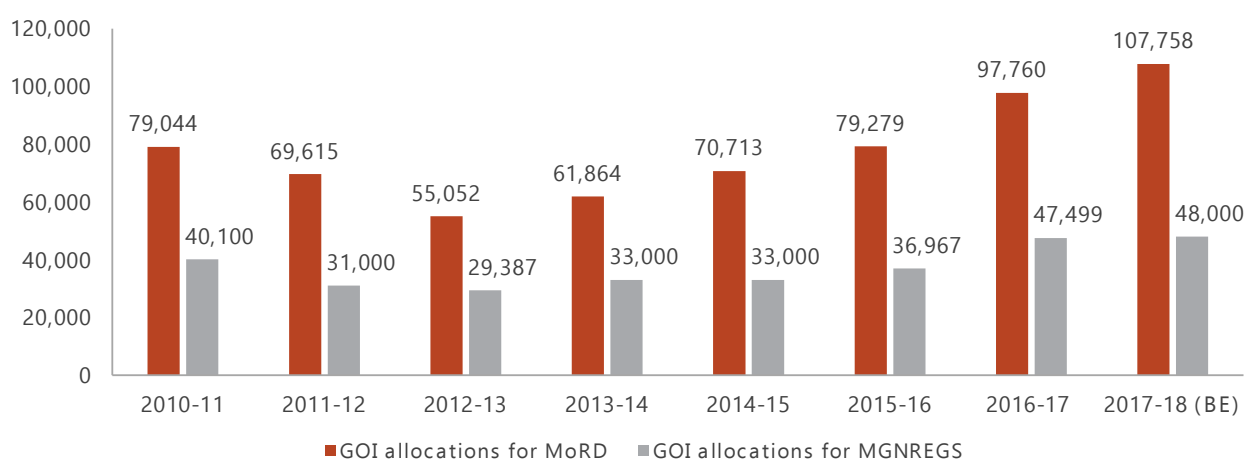
SUMMARY & ANALYSIS

- At the start of FY 2016-17, ₹38,500 crore was allocated for MGNREGS. However, due to increased demand, supplementary budgets were passed, increasing GOI's allocation for the scheme to ₹47,499 crore. For FY 2017-18, MGNREGS has been allocated ₹48,000 crore.
- In FY 2016-17, till 31 December 2016, ₹54,152 crore had been released by GOI. This includes releases of ₹12,230 crore due to pending liabilities from FY 2015-16. An additional ₹924 crore have been released in 2017, till 13 January, taking the total releases to ₹55,076 crore (including pending liabilities).
- 15 states spent more than the funds available with them in FY 2015-16. Even if the expenses incurred but not yet paid are disregarded, seven states and UTs had made payments in excess of their available funds in FY 2016-17.
- In FY 2016-17, till 13 January, 167 crore persondays of work had been generated under the scheme. While this is more than the 166 crore persondays of work generated by MGNREGS in FY 2014-15, the final figure for the year is likely to be lower than the 235 crore persondays generated in FY 2015-16.
- In FY 2015-16, 66 per cent of wage payments were delayed. In FY 2016-17, till 13 January, 53% of payments were delayed, amounting to ₹12,706 crore. Of these total delays, 59 per cent had been delayed for over 30 days, and 15 per cent by over 90 days.
- Only ₹8.7 crore had been paid out as total compensation for delayed wages across the country till 13 January 2017. This works out to 61 per cent of the approved compensation amount. However, it is important to note that the approved compensation is only 6 per cent of the total due.

TRENDS IN GOI ALLOCATIONS AND RELEASES

- At the start of FY 2016-17, budget allocations (BE) for MORD stood at ₹87,765 crore, an 11 per cent increase from ₹79,279 crore allocated in FY 2015-16. With the passing of supplementary budgets in August and December 2016, the allocation increased by 23 per cent from the previous year to ₹97,760 crore (RE). In FY 2017-18, ₹107,758 crore has been allocated to MORD.
- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is the largest scheme run by MORD. At the start of FY 2016-17 ₹38,500 crore (BE) was allocated for MGNREGS, a 4 per cent increase over the previous financial year. However, due to increased demand, supplementary budgets were passed, increasing GOI's allocation for the scheme to ₹47,499 crore. This is a 28 per cent increase over the previous year.
- In FY 2017-18, ₹48,000 crore (BE) has been allocated for MGNREGS, a 1 per cent increase over the previous year and the highest ever allocation for the scheme since its inception in 2006.

1% INCREASE IN GOI ALLOCATIONS FOR MGNREGS BETWEEN 2016-17 AND 2017-18



Source: India Expenditure Budget, Vol. 2, MORD and supplementary budgets. Available online at: <http://indiabudget.nic.in> and www.dea.gov.in/budgetdivision/supplementary-demands-grants

Note: Figures are in crore of rupees and are revised estimates (RE), except for FY 2017-18 which are budget estimates (BE). Last accessed on 1 February, 2017.

- MGNREGS is a demand-driven scheme. Release of funds by GOI is determined on the basis of an annual labour budget submitted by states. This labour budget includes estimates of the anticipated demand for unskilled manual work and a draft plan for providing employment to workers.
- In FY 2016-17, till 31 December 2016, ₹54,152 crore had been released by GOI. This includes releases of ₹12,230 crore due to pending liabilities from FY 2015-16. Excluding this amount, total releases for FY 2016-17 till the end of the third quarter amount to ₹41,922 crore. This accounts for 88 per cent of the revised allocations for the year. An additional ₹924 crore have been released in 2017, till 13 January, taking the total releases to ₹55,076 crore (including pending liabilities).

TRENDS IN EXPENDITURE

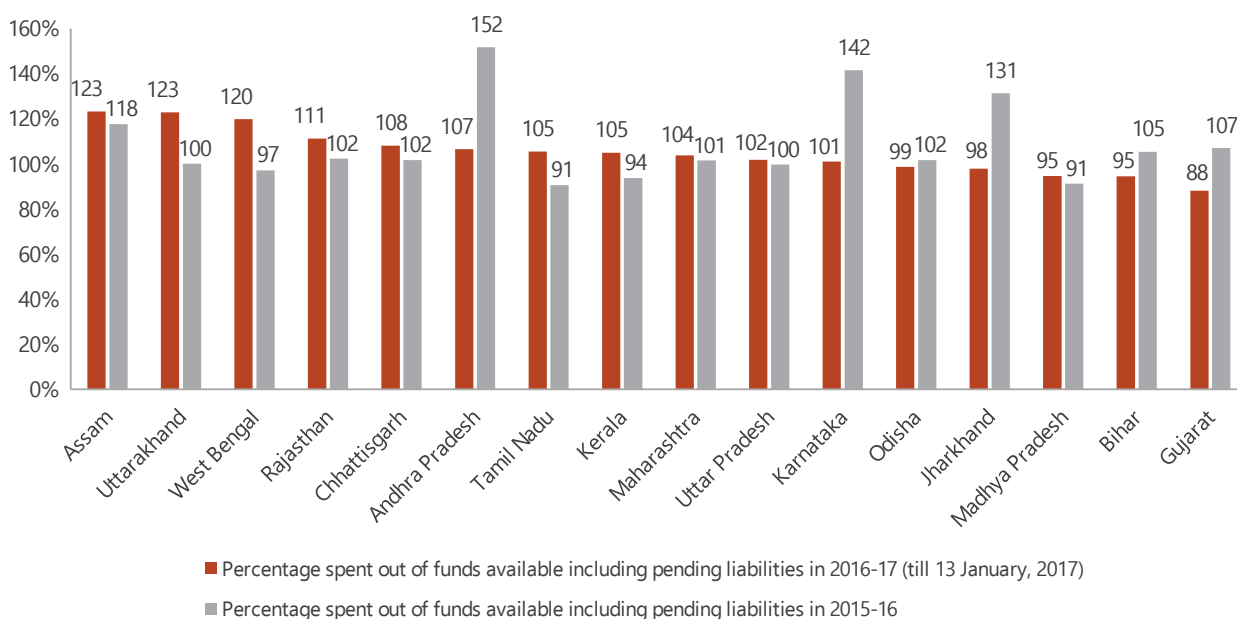
- The total funds available for MGNREGS include GOI and state releases (and unspent balances from previous years).
- Expenditure as a proportion of total funds available has been consistently high. In FY 2014-15, 96 per cent of funds available were spent. This increased to over 100 per cent in FY 2015-16. In FY 2016-17, till 13 January, 93 per cent of funds available had been spent. Interestingly, expenditure incurred in FY 2016-17 till 13 January is only 1 per cent short of the entire expenditure incurred in FY 2015-16.

- These expenditure figures do not include pending liabilities. Within a financial year, state governments generate employment and make payments by borrowing funds from various sources. This amount carries over to the next year as liabilities that GOI is expected to reimburse. The amount of pending liabilities has been increasing every year. In FY 2014-15, states had pending liabilities of ₹932 crore. This increased to ₹1,513 crore in FY 2015-16. As of 13 January in FY 2016-17, states had incurred an outstanding liability of ₹6,113 crore – four times the liabilities incurred in FY 2015-16. These liabilities account for 12 per cent of the total expenditure incurred till 13 January, 2017. Including these liabilities, states have altogether incurred a deficit of ₹2,809 crore in FY 2016-17, till 13 January, 2017.

TRENDS IN ALLOCATIONS AND EXPENDITURES AT THE STATE LEVEL

- In FY 2015-16, 15 states had incurred expenses in excess of funds available (including pending liabilities). Even if the expenses incurred but not yet paid are disregarded, seven states and UTs had made payments in excess of their available funds in FY 2015-16.
- In FY 2016-17, till 13 January, 20 states and Union Territories (UTs) had incurred expenses (including liabilities) in excess of the funds available to them. In fact, seven states, including Assam and Nagaland, had incurred expenditure over 120 per cent of the funds available.
- Pending liabilities can be in the form of wages, materials or administrative costs. In FY 2015-16, 53 per cent of pending payments were for materials costs, and only 26 per cent were for wages. In FY 2016-17, however, 52 per cent of payments pending till 13 January, 2017 were for wages and 45 per cent were for materials costs.
- There were, however, state variations. Whilst 95 per cent and 94 per cent of pending liabilities in Manipur and Tamil Nadu, and 100 per cent in Mizoram were for wages, over 80 per cent of pending liabilities were for materials costs in Karnataka and Chhattisgarh.

MOST STATES SPENDING IN EXCESS OF AVAILABLE FUNDS IN 2016-17



Source: Financial statement, MGNREGA management information system (MIS). Available online at: http://164.100.129.6/netnrega/MISreport4.aspx?fin_year=2013-2014&rpt=RP. Last accessed on 13 January, 2017.

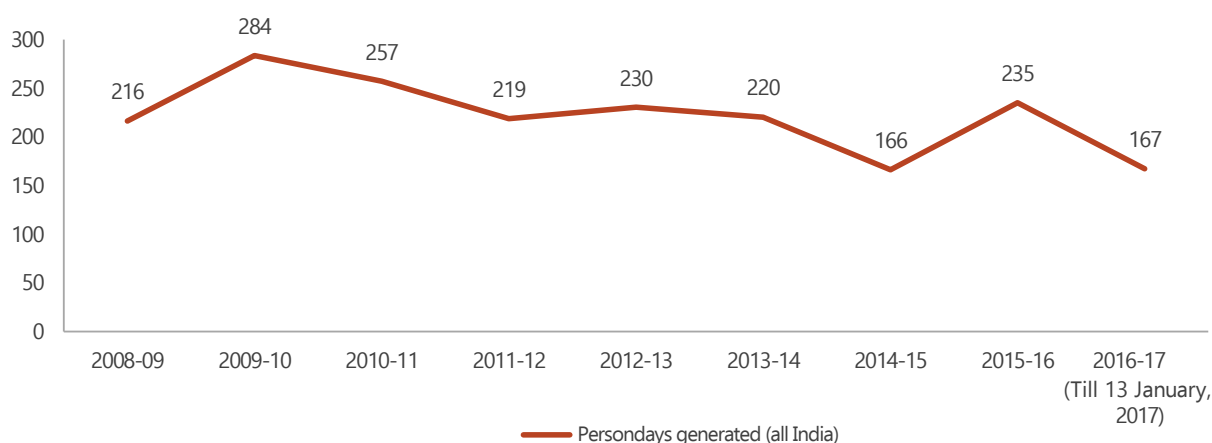
IMPLEMENTATION HIGHLIGHTS

- This brief uses two indicators to analyse employment generation under MGNREGS: a) the number of persondays of work generated in absolute terms and as proportion of projected demand, and b) average number of persondays generated per household (HH) employed under MGNREGS.

Persondays of work

- In FY 2016-17, till 13 January, 167 crore persondays of work had been generated under the scheme. While this is more than the 166 crore persondays of work generated by MGNREGS in FY 2014-15, the final figure for the year is likely to be lower than the 235 crore persondays generated in FY 2015-16. Work generation is also significantly lower than the first three years of the programme's expansion to cover all districts. For instance, 216 crore persondays were generated in FY 2008-09, 284 crore in FY 2009-10, and 257 crore in FY 2010-11.

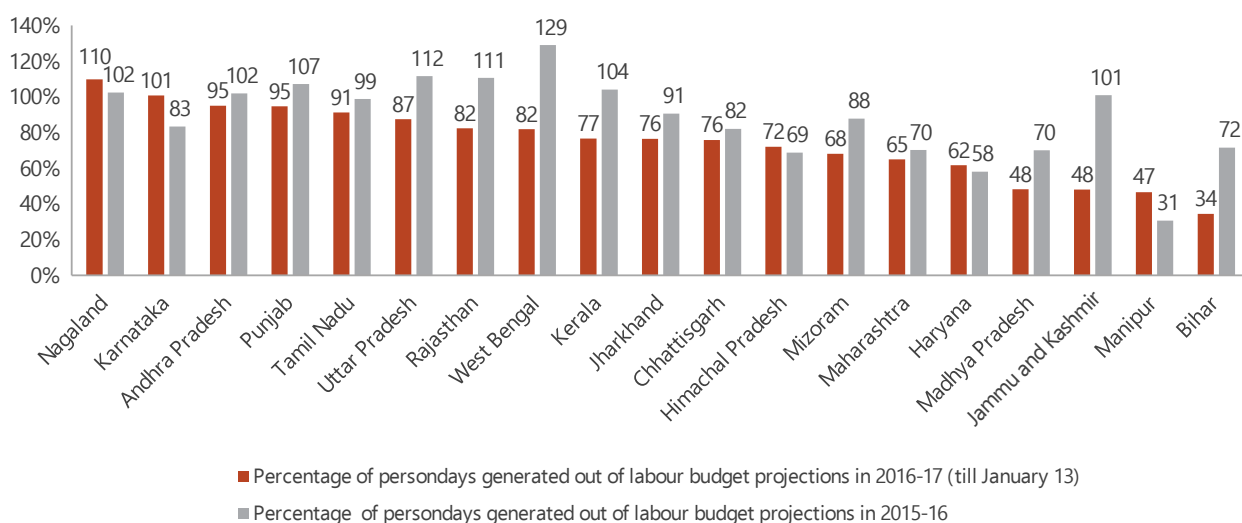
PERSONDAYS GENERATED DECLINED FROM 235 IN 2015-16 TO 167 IN 2016-17 (TILL 13 JANUARY)



Source: Employment status, MGNREGA MIS. Available online at: http://164.100.129.6/netnrega/MISreport4.aspx?fin_year=2013-2014&rpt=RP. Figures for 2011-12 and prior taken from the Report to the People, 2014. Available online at: <http://vikaspedia.in/agriculture/policies-and-schemes/nrega-report-to-people>. Last accessed on 13 January, 2017.

- The gap between anticipated demand as per labour budgets and the actual number of persondays generated has been declining. In FY 2014-15, the actual persondays generated accounted for 73 per cent of the anticipated demand. This increased to 98 per cent in FY 2015-16. In FY 2016-17, till 13 January, 77 per cent of the anticipated persondays for the financial year had been generated.
- When analysed state-wise, Nagaland and Karnataka had generated more than the projected number of persondays for FY 2016-17, till 13 January, 2017. 22 states and UTs had generated more than two-thirds of the anticipated persondays. Some states like Bihar (34 per cent), Jammu and Kashmir (48 per cent) and Madhya Pradesh (48 per cent) had not yet met half the projected target.

MADHYA PRADESH AND BIHAR HAVE GENERATED LESS THAN HALF THE PROJECTED PERSONDAYS FOR 2016-17 (TILL 13 JANUARY, 2017)

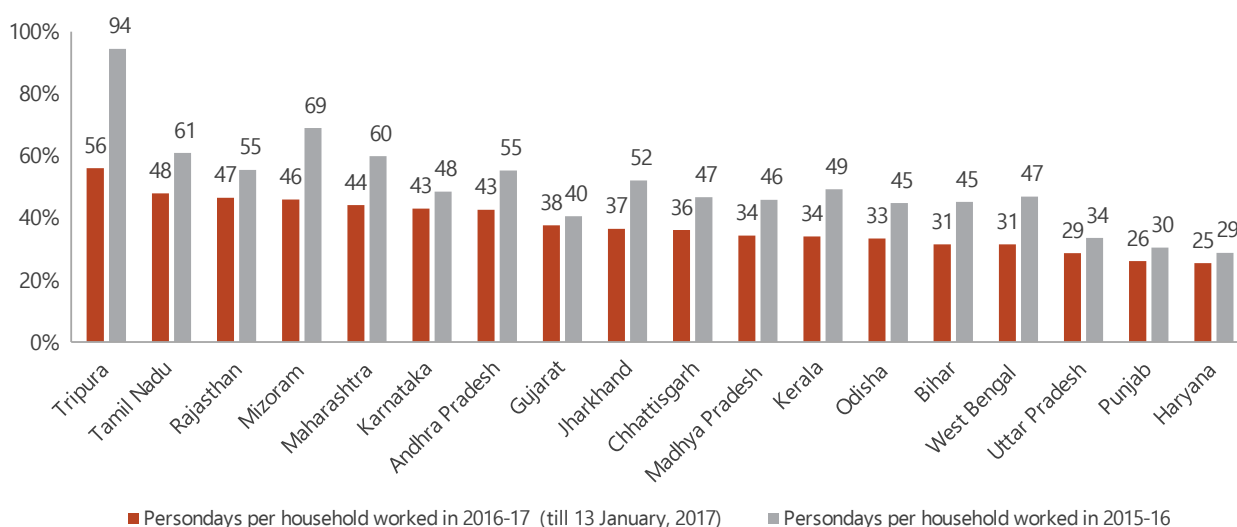


Source: Employment status, MGNREGA MIS. Available online at: http://164.100.129.6/netnrega/MISreport4.aspx?fin_year=2013-2014&rpt=RP. Report to the People, 2014. Available online at: <http://vikaspedia.in/agriculture/policies-and-schemes/nrega-report-to-people>. Last accessed on 13 January, 2017.

Persondays per household employed

- The core objective of the MGNREGS is to enhance livelihood security in rural areas 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 average persondays per household that worked increased from 40 in FY 2014-15 to 48 in FY 2015-16. In FY 2016-17, till 13 January, 38 persondays per household had been generated.

38 PERSONDAYS PER HOUSEHOLD WORKED GENERATED IN 2016-17 (TILL 13 JANUARY, 2017)



Source: MGNREGA Public Data Portal. Available online at: http://mnregaweb4.nic.in/netnrega/dynamic2/dynamicreport_new4.aspx. Last accessed on 13 January, 2017.

- There were, however, significant state-wise differences. While most states increased the number of persondays per household that worked between FY 2014-15 and FY 2015-16, no state was able to provide the targeted 100 days of employment. Tripura came close with an employment achievement of 94 persondays per household in FY 2015-16. In FY 2016-17 too, till 13 January, 2017, only Tripura had managed to provide more than 50 days of employment per household. At the end of three quarters of the financial year, most states had managed to provide less than 40 days of employment per household.
- In FY 2014-15, only 6 per cent of the households that worked in India reached the 100 day limit set in the MGNREGS. In FY 2015-16, this number increased to 10 per cent while in FY 2016-17, as of 13 January, 2017, 2 per cent of the households had completed 100 days of work. State-wise too the proportions are extremely low. Nagaland and Mizoram for instance, had a 0 per cent achievement rate for all three financial years. Maharashtra came the closest in FY 2016-17, with 9 per cent of all households that worked till 13 January, 2017 having reached 100 days.

Wages

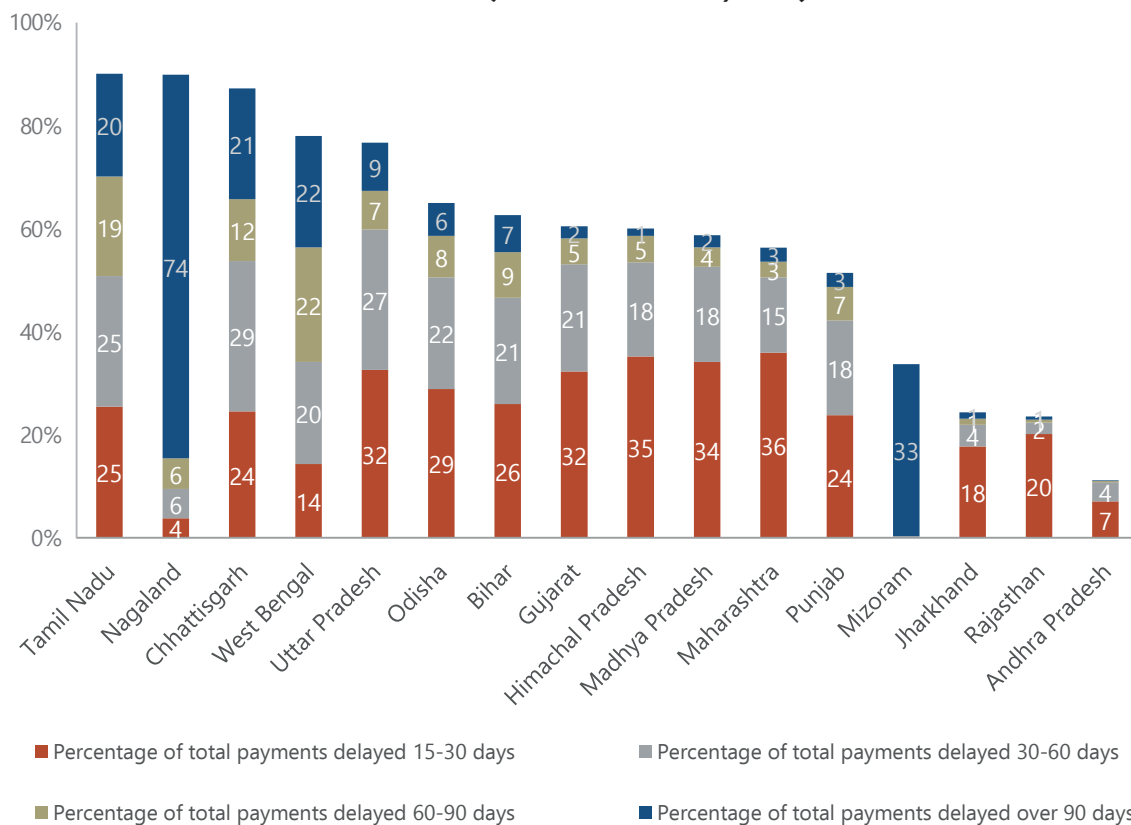
- According to the MGNREGS, both GOI and state governments can notify wage rates. Whilst GOI sets a minimum norm, state governments may provide a higher wage rate out of their own funds. According to a GOI notification in March 2015, the minimum notified wage rate for FY 2015-16 varied between ₹159 in Madhya Pradesh and ₹251 in Haryana.
- The notified wage rate was increased in April 2016. The increase varied across states. In Tamil Nadu, the wage rate increased by 11 per cent, from ₹183 to ₹203, in Rajasthan by 5 per cent, from ₹173 to ₹181, and in Karnataka by 10 per cent, from ₹204 to ₹224. Odisha was the only state to see no change, with the wage rate remaining at ₹174.

Delays in payments

- MGNREGS stipulates that wage payments must be made within 15 days of the date of closure of the muster roll. Delays in payment are calculated from the 16th day onwards.
- The proportion of payments delayed had increased from 39 per cent in FY 2012-13 to 73 per cent in FY 2014-15. There has, however, been a steady decline in the quantum of delays over the last two years. In FY 2015-16, 66 per cent of wage payments were delayed. In FY 2016-17, till 13 January, 53 per cent of payments were delayed, amounting to ₹12,706 crore. Of these total delays, 59 per cent had been delayed for over 30 days, and 15 per cent by over 90 days.
- There were significant variations across the states in FY 2016-17, till January 13. For example, Andhra Pradesh, Manipur and Telangana were the most prompt in making payments, with delays amounting to 11, 13, and 16 per cent, respectively.
- In several other states, including West Bengal, Uttar Pradesh, Tamil Nadu and Chhattisgarh, over three fourths of all payments were delayed. Nagaland and Tamil Nadu were particularly poor performers, with 90 per cent of all payments in both states being delayed.
- In 15 states, more than half of the delayed payments were pending for over 30 days. This was an improvement over FY 2015-16, when 22 states had more than half their delayed payments pending for over a month. Over one-fifth of all payments in West Bengal and Chhattisgarh, and 20 per cent of all payments in Tamil Nadu were delayed over 90 days.
- In the event of such delays, MGNREGS requires that compensation be paid to the workers. Only ₹8.7 crore had been paid out as total compensation across the country till 13 January, 2017. This works out to 61 per cent of the approved compensation amount. It is, however, important to note that the approved compensation is only 6 per cent of the total due. Thus, 94 per cent of the compensation due has not yet been approved for payment.

- Till 13 January, 2017, seven states and UTs had not paid out any compensation. These include Andhra Pradesh, Jammu and Kashmir, Meghalaya, Mizoram, Nagaland, Puducherry and Uttar Pradesh.
- Even among the states that have made compensatory payments, the amounts disbursed were a small fraction of the payments due. Chhattisgarh, for example, owed compensation payments amounting to ₹22 crore till 13 January, 2017. As against this, it had approved and made total payments of ₹7.

MORE THAN 20% OF PAYMENTS PENDING OVER 90 DAYS IN CHATTISGARH AND WEST BENGAL IN 2016-17 (TILL 13 JANUARY, 2017)



Source: Delayed payment, MGNREGA MIS. Available online at: http://164.100.129.6/netnrega/MISreport4.aspx?fin_year=2013-2014&rpt=RP. Last accessed on 13 January, 2017.

Labour-materials ratio

- According to the MGNREGS guidelines, at least 60 per cent of all expenditure must be incurred on wages. In FY 2016-17, till 13 January, 75 per cent of the payments made and 70 per cent of the expenditure incurred (including dues) was towards wages.
- All states have had a wage-to-materials ratio in excess of 60:40 as mandated by the guidelines. 15 states and UTs have managed a ratio in excess of 75:25. Mizoram and Kerala are among the states with a ratio greater than 90:10.

Female participation rate

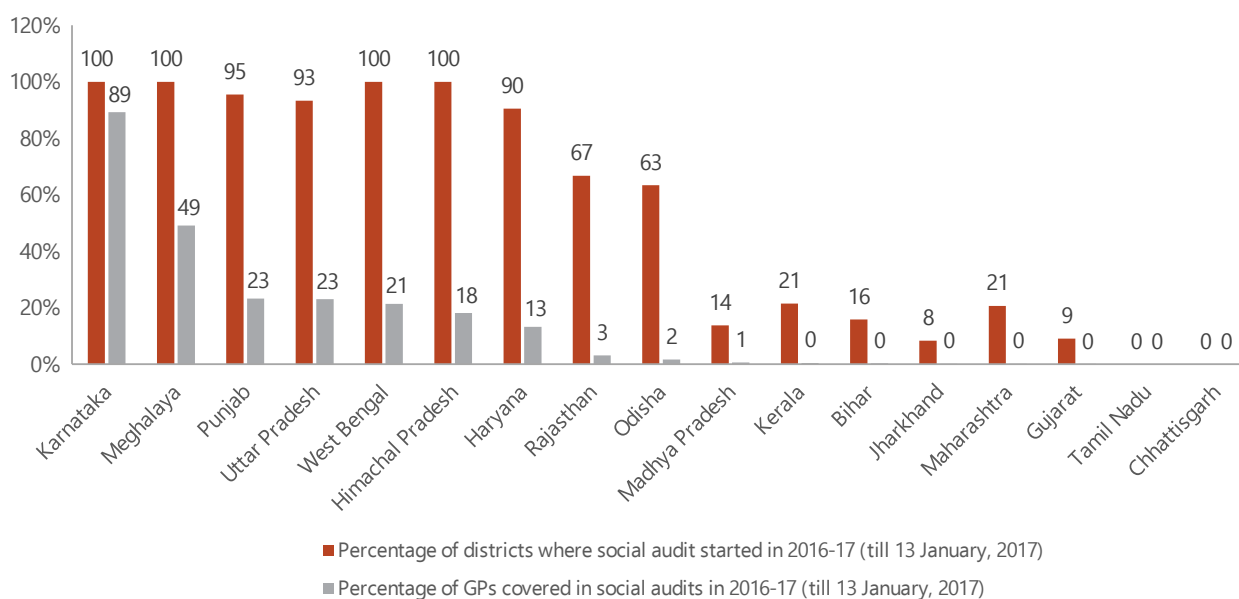
- The MGNREGS stipulates that women form at least one-third of the beneficiary population. Participation rates amongst women are high. At the national level, women accounted for more than half of the generated persondays. This proportion has remained more or less constant over the past three financial years, increasing by one percentage point each year, from 54 per cent in FY 2014-15 to 56 per cent in FY 2016-17 (till 13 January).

- There were, however, wide variations across states. In FY 2016-17, for example, Kerala and Tamil Nadu reported a high proportion (91 per cent and 86 per cent, respectively) of persondays worked by women. Participation rates were low in states such as Jammu and Kashmir (26 per cent), Nagaland (30 per cent) and Jharkhand (35 per cent).

Social audits

- Social audits are a process of reviewing official records and determining whether expenditures reported by states reflect the actual monies spent on the ground, with the objective of promoting accountability and transparency, and improving people's participation in the scheme. Section 17 of the MGNREGS Act states that Gram Sabhas are required to undertake audits of the work conducted by the Gram Panchayats (GPs).
- According to the audit rules framed by MORD in 2011, every state government must create a Social Audit Unit (SAU). These SAUs are responsible for facilitating the implementation of social audits at least once every six months and preparing reports in local languages, which are to be made available to the public.
- In FY 2015-16, only 1,492 social audits had been conducted. Of these, reports were prepared for 1,270 cases, and 277

ONLY KARNATAKA HAS COVERED MORE THAN 50% GPs IN SOCIAL AUDITS UNDERTAKEN IN 2016-17 (TILL 13 JANUARY, 2017)



Source: Social Audits, MGNREGA MIS. Available at: http://164.100.129.6/netnrega/SocialAudit/sa_status_report.aspx. Last accessed on 13 January, 2017.

were made public on either the MGNREGS or state government websites.

- The number of social audits conducted in FY 2016-17 has increased. As of 13 January 2017, 32,220 social audits had started across the country. However, only 16 of these are reported as complete.
- 18 states and UTs had not completed a single social audit, and nine states and UTs had not started a single social audit, in FY 2016-17, till January 13, 2017. These include Andhra Pradesh, Chhattisgarh, Tamil Nadu and Telangana.