The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is the Government of India’s (GOI) flagship rural development scheme.

Using government reported data, this brief reports on MGNREGA progress along the following parameters:

a) Trends in allocation and expenditure,

b) Trends in employment provided and wages paid, and

c) Trends in labour material ratios and assets created.

**Cost Share:** 90% of funds come from the centre. Fund allocation is based on state proposals and submission of a labour budget by the states (estimating the anticipated demand for work). At least 50% of MGNREGA works are executed by the Gram Panchayats.

Complete expenditure data is publicly available for FY 2009-10.

### Highlights

<table>
<thead>
<tr>
<th></th>
<th>GOI allocation for Ministry of Rural Development in FY 2011-12 (in crores)</th>
<th>₹87,855</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>GOI allocation for MGNREGA in FY 2011-12 (in crores)</td>
<td>₹40,000</td>
</tr>
<tr>
<td>3</td>
<td>GOI release for MGNREGA in FY 2009-10</td>
<td>76%</td>
</tr>
</tbody>
</table>

### Summary and Analysis

1. In FY 2011-12, rural development accounts for 15% of GOI’s budget. MGNREGA is the largest scheme amounting to 46% of the rural development budget.

2. In FY 2009-10, 83% of total funds were spent. This is an 8% improvement from FY 2007-08.

3. There are wide inter-state variations in spending of available funds. In FY 2009-10, Mizoram spent 97% of its funds and Maharashtra spent 52%. Rajasthan saw a drop of 10 percentage points down from 89% in FY 2008-09 to 79% in FY 2009-10.

4. In FY 2009-10, MGNREGA generated 284 crore persondays of work. Mizoram, the scheme’s best spender, also generated the most days of employment at 95 persondays per rural household employed.

5. Average wage paid per personday increased from ₹64 in FY 2006-07 to ₹91 in FY 2009-10.

6. There is a mismatch between anticipated demand and actual work generated. In Maharashtra, employment demand was only 51% of the labour budget.

7. In FY 2009-10, water conservation and harvesting accounted for the largest share of the MGNREGA budget at 24%. Irrigation works on SC/ST owned land accounted for 17%. However, only 49% of sanctioned works were completed.
Trends in Central Government Allocations and Expenditures

- Rural development constitutes a significant portion of GOI expenditure. In FY 2011-12, it accounts for 15 percent of total allocations amounting to ₹87,855 crores.

- A number of programmes come under the ambit of rural development including rural employment, rural housing, land resources, drinking water and sanitation amongst others.

- In 2006, GOI launched the National Rural Employment Guarantee Act (later renamed the Mahatma Gandhi National Rural Employment Guarantee Act, MGNREGA) to promote rural employment.

- Since its launch, MGNREGA allocations have increased steadily. However, for FY 2011-12, there has been a marginal drop in allocations which stand at ₹40,000 crores. The scheme accounts for 46 percent of the rural development budget.

- MGNREGA is a demand-driven scheme. Every year, states provide details of anticipated demand for unskilled manual work and draft a plan for providing employment to labourers. This is called the labour budget and is submitted to the central government.

- The requirement of funds is based on projections made in this Labour Budget, after taking into account utilisation of funds released previously.

- Total funds available for expenditure in any given year are thus made up of total releases (centre and state) for the year and unspent monies from previous years.

- 83 percent of the total available funds were spent in FY 2009-10. This is an 8 percentage point improvement from the previous year, where 75 percent of total funds available were spent.

Trends in Allocations and Expenditures at the State Level

- MGNREGA was initially implemented in 200 districts. In FY 2008-09, GOI extended the scheme to cover all districts within India.

- Despite being demand-driven, there are wide inter-state variations in the ability to spend funds.
In FY 2009-10, Mizoram, Orissa, Andhra Pradesh and West Bengal spent over 90 percent of the total monies available; on the other hand, Maharashtra spent less than 60 percent.

Karnataka reports spending 120 percent of its funds, a significant improvement from FY 2008-09 when it spent 56 percent.

- There are wide intra-state variations as well.

For instance, in Orissa, which spent 94 percent of its funds, district expenditures varied widely. In FY 2009-10, the lowest spending district spent 57 percent of funds available while the highest spent 140 percent - a difference of 83 percentage points. The intra-state variation in Andhra Pradesh is lower - there was a difference of 40 percentage points between the highest and lowest spending districts.
Trends in Break-up of Allocations and Expenditures at the State Level

- MGNREGA norms mandate a minimum 60:40 ratio for labour costs (wages) and cost of materials for asset creation. In FY 2009-10, wages accounted for 70 percent of the total expenditure on MGNREGA, materials accounted for 27 percent and administrative costs amounted to 3 percent.

- In FY 2009-10, the average wage cost per personday for Haryana and Kerala was ₹151 and ₹129 respectively.

- In the MGNREGA Act, minimum wage rates have been fixed in accordance with the Minimum Wages Act 1948 for Agricultural Labourers pertaining to the different states. In January 2009, GOI issued a circular recommending that all states provide a real wage of ₹100 to all MGNREGA workers. The wage rates have been further revised to link with CPI-AL in January 2011. This provision has now been reiterated in Union Budget 2011-12.

- In FY 2009-10, all states reported a wage-material ratio of over 60:40. While Tamil Nadu incurred 100 percent expenditures on wages, Kerala and Andhra Pradesh spent 93 and 86 percent on wages respectively. Madhya Pradesh on the other hand, spent 62 percent on wages.

- Average wage paid per personday of employment has increased from ₹64 in FY 2006-07 to ₹91 in FY 2009-10.

- However, there are differences in wages paid across states within the same year ranging from ₹69 to ₹151 per personday of employment.

![Variation in the wage-material ratio between states](image)

Source: RTI filed by Accountability Initiative. Scanned copy available at: www.accountabilityindia.in

Note: Figures are for FY 2009-10.
● Tamil Nadu and Madhya Pradesh reported expenditures of ₹72 and ₹85 respectively, which is lower than the states’ notified wage rate.

Coverage

● There is a mismatch between the anticipated demand for employment by households as provided in the labour budgets and the actual work generated.

In Kerala, 18% more households received employment than planned; in Maharashtra employment provided was only 51% of the labour budget


● States such as Kerala, Karnataka and Mizoram underestimated demand for employment in FY 2009-10. On the other hand, only 59 and 51 percent of anticipated employment demand was provided in Jharkhand and Maharashtra.

● In FY 2006-07, over ₹9,000 crore was spent on MGNREGA and 90 crore persondays of work was generated. In FY 2009-10, ₹37,905 crore was spent on MGNREGA and 284 crore persondays were generated.

● The total employment generated per household varies across states.

Mizoram provided 95 persondays of employment per rural household employed; Kerala provided 24

Source: RTI filed by Accountability Initiative. Scanned copy available at: www.accountabilityindia.in  Note: Figures are for FY 2008-09 and FY 2009-10.
Correlations can be drawn between total expenditure, wages paid and persondays of employment generated. Mizoram, a high spender, also provided the most employment at 95 persondays per rural household employed. Its average wage too was relatively high at ₹104. Orissa, another high spender, generated 40 days of employment per rural household employed at an average wage of ₹106. Maharashtra spent 52 percent of funds, generated 46 days of employment per rural household employed and paid an average wage of ₹94.

Several types of works can be undertaken under MGNREGA. These include: water conservation and water harvesting; irrigation; flood control and protection; drought-proofing; horticulture; renovation of traditional water bodies; land development and rural connectivity amongst others.

In FY 2009-10, water conservation and water harvesting accounted for the largest share of MGNREGA works at 24 percent, followed by rural connectivity and provision of irrigation facilities for land owned by Scheduled Castes and Scheduled Tribes at 17 percent each.

However, there are significant differences in the completion rates of different works started under MGNREGA.

Water conservation accounts for 24% of MGNREGA work

In FY 2009-10, water conservation and water harvesting accounted for the largest share of MGNREGA works at 24 percent, followed by rural connectivity and provision of irrigation facilities for land owned by Scheduled Castes and Scheduled Tribes at 17 percent each.

However, there are significant differences in the completion rates of different works started under MGNREGA.

49% of MGNREGA works completed in FY 2009-10


In FY 2009-10, 49 percent of the works sanctioned were completed. Apart from having the highest number of works under MGNREGA, water conservation and harvesting also had the best completion rate at 57 percent. Only 32 percent of works under drought proofing were completed in FY 2009-10.
This section offers some practical leads to accessing detailed information on the union government's rural development sector budget. However, reader patience and persistence is advised as a lot of this information tends to be dense and hidden amongst reams of data.

<table>
<thead>
<tr>
<th>Data Sources</th>
<th>Useful Tips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Budget, Expenditure Vol.2 <a href="http://www.indiabudget.nic.in">www.indiabudget.nic.in</a></td>
<td>This volume provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes from 1998-99. The data has both revised and budget estimates and should be calculated according to the Major-Head and Sub Major-Head. For rural employment the head is 2505.</td>
</tr>
</tbody>
</table>

Prepared by
Avani Kapur, akapur@accountabilityindia.org & Anirvan Chowdhury achowdhury@accountabilityindia.org

Advisory Support
Anit Mukherjee, National Institute of Public Finance and Policy (NIPFP), anit@nipfp.org.in

Budget Briefs is an attempt to undertake basic analysis on social sector budget data including trends in allocation and expenditure patterns and collate and make accessible budget data sources. Information from this document may be reproduced or redistributed for non-commercial purposes in part or in full with due acknowledgement to Accountability Initiative (“AI”). The opinions expressed are those of the author(s). More information on Budget Briefs can be found at http://www.accountabilityindia.in/budget-briefs