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BUDGET BRIEFS

MGNREGA, GOI 2011-12

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:

- Trends in allocation and expenditure,
- Trends in employment provided and wages paid, and
- 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

1	GOI allocation for Ministry of Rural Development in FY 2011-12 (in crores)	₹87,855
2	GOI allocation for MGNREGA in FY 2011-12 (in crores)	₹40,000
3	GOI release for MGNREGA in FY 2009-10	76%

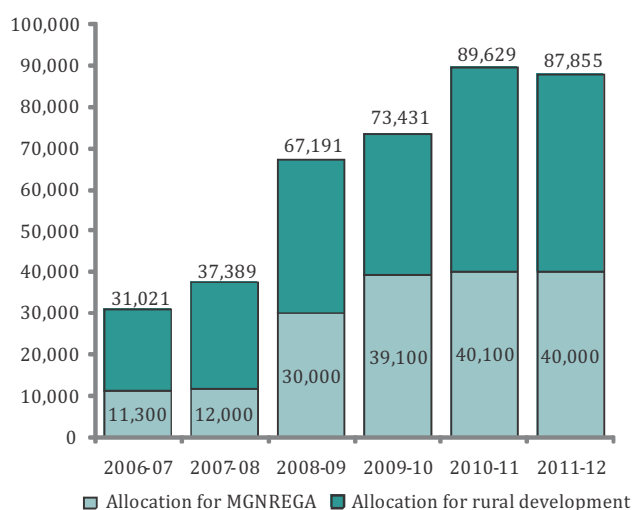
Summary and Analysis

- 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.
- In FY 2009-10, 83% of total funds were spent. This is an 8% improvement from FY 2007-08.
- 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.
- 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.
- Average wage paid per personday increased from ₹64 in FY 2006-07 to ₹91 in FY 2009-10.
- There is a mismatch between anticipated demand and actual work generated. In Maharashtra, employment demand was only 51% of the labour budget.
- 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.

Nearly 3-fold increase in allocation for rural development in the last 5 years



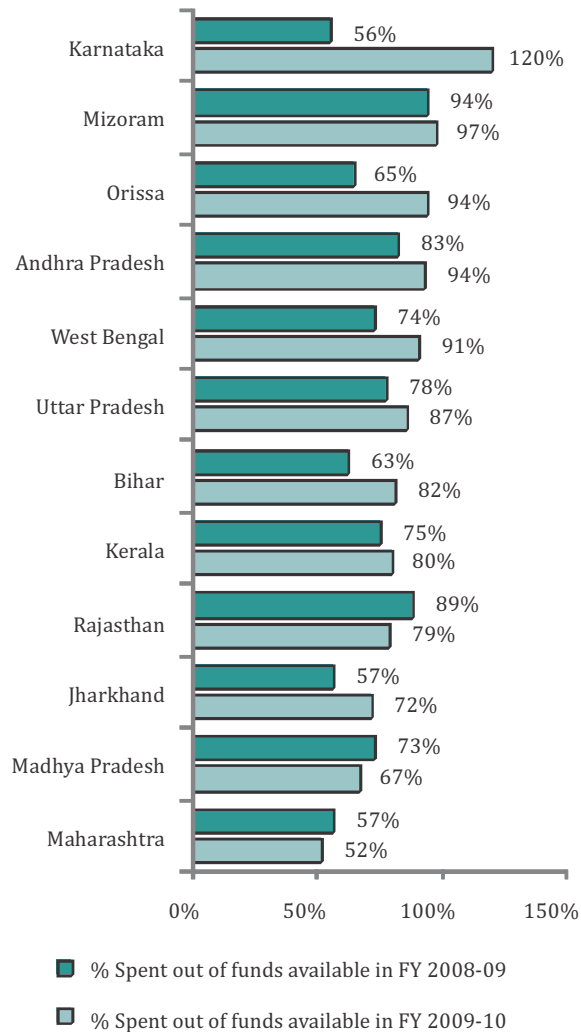
Source: Union Expenditure Budget, Vol II, Ministry of Rural Development FY 2005-06 till FY 2011-12. Available online at: www.indiabudget.nic.in Note: Figures in crores of rupees. Till FY 2010-11, figures are revised estimates. Figures for FY 2011-12 are budget estimates.

- 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.

Mizoram spent 97% of its funds in FY 2009-10; Maharashtra spent 52%

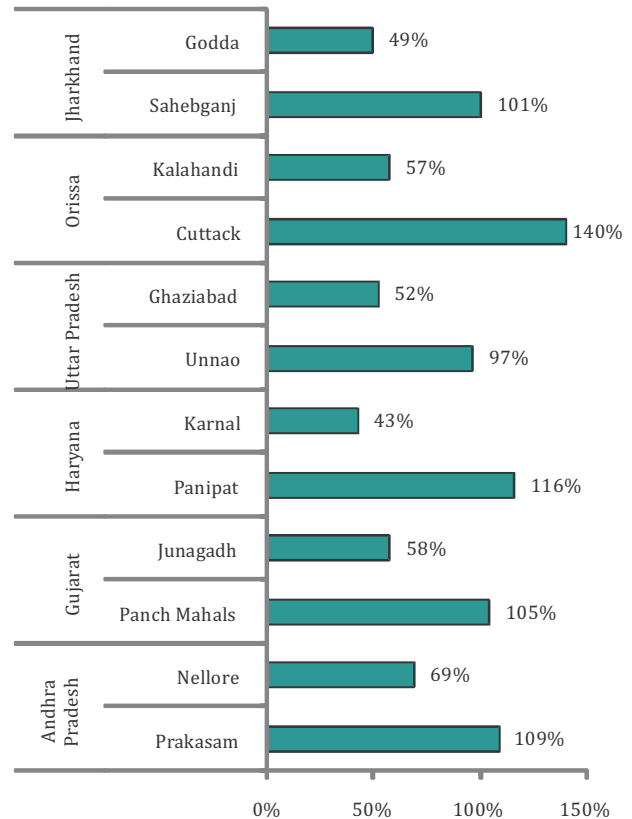


Source: Calculated from MGNREGA, Monthly Progress Reports Financial Performance under MGNREGA during the year. Available online at: http://nrega.nic.in/netnrega/mpr_ht/stMPR_fin.aspx Note: Figures pertain to FY 2008-09 and FY 2009-10.

- 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.

Intra-state differences in spending ability



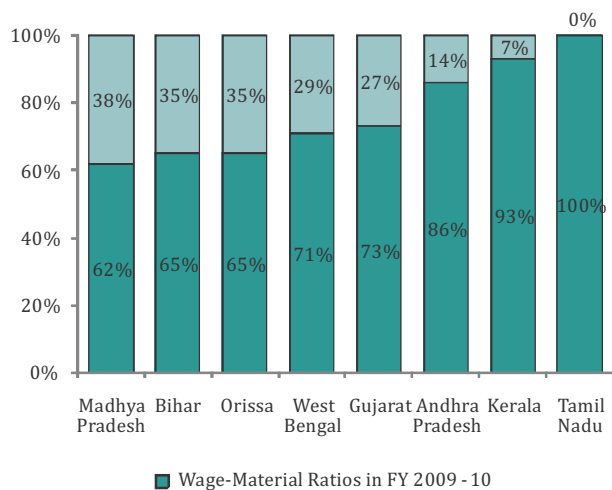
Source: Calculated from MGNREGA, Monthly Progress Reports Financial Performance under MGNREGA during the year. Available online at: http://nrega.nic.in/netnrega/mpr_ht/stMPR_fin.aspx Note: Figures pertain to FY 2009-10.

- 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.

Variation in the wage-material ratio between states

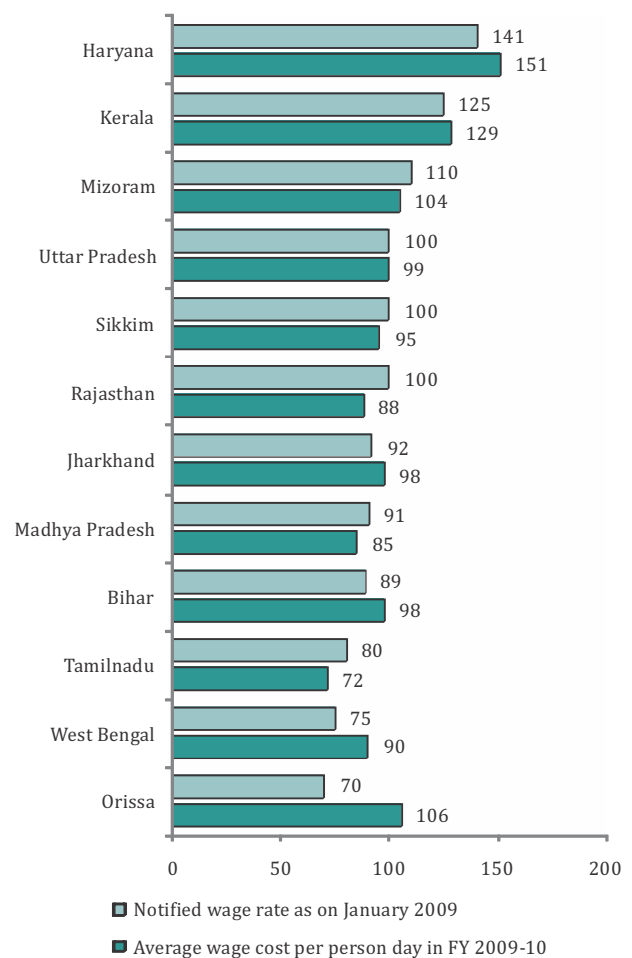


Source: RTI filed by Accountability Initiative. Scanned copy available at: www.accountabilityindia.in Note: Figures are for FY 2009-10.

- 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.

- 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.

Haryana pays ₹151, Tamil Nadu pays ₹72 as minimum wage



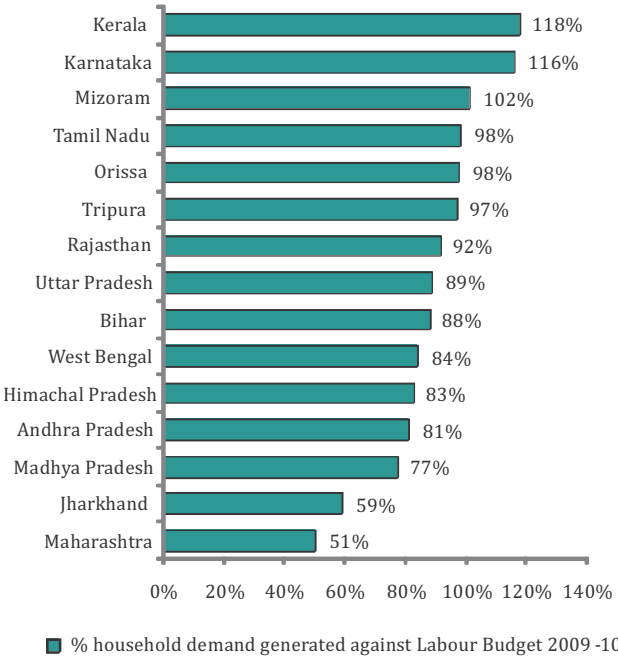
Source: RTI filed by Accountability Initiative. Scanned copy available at: www.accountabilityindia.in Note: Figures are for FY 2009-10. Notified wage rate as on January 2009 is available online at: http://nrega.nic.in/Min_wages_new.pdf

- 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



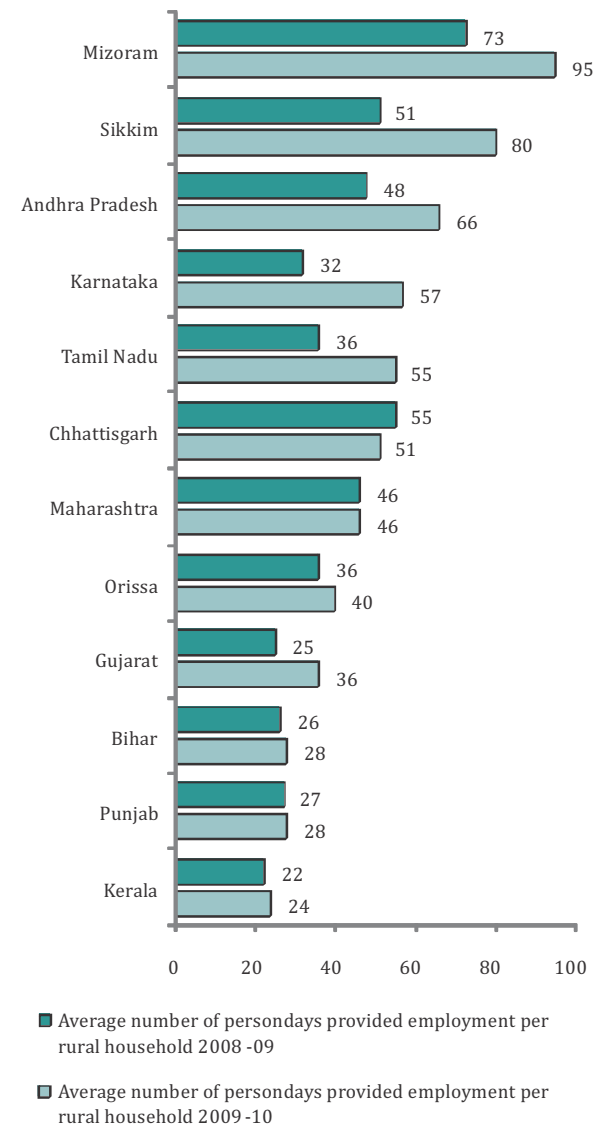
Source: Calculated from MGNREGA, Labour Budget Report, demand Projection Analysis for individual states. Available online at: <http://164.100.12.7/netnrega/morelabour.aspx> Note: Figures pertain to FY 2009-10.

- 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

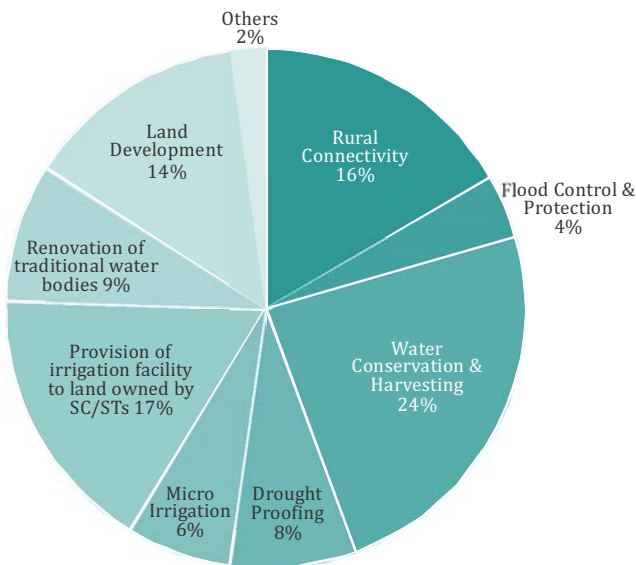


Source: RTI filed by Accountability Initiative. Scanned copy available at: www.accountabilityindia.in Note: Figures are for FY 2008-09 and FY 2009-10.

- 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.

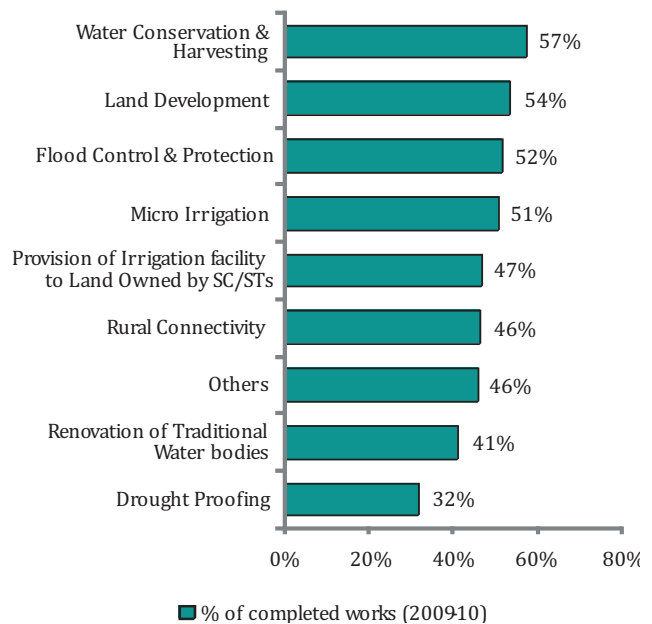
Water conservation accounts for 24% of MGNREGA work



Works taken up under MGNREGA - 2009 -10

Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Physical (Asset). Note: Figures are for FY 2009-10. Available online at: http://nrega.nic.in/Netnrega/mpr_ht/nregampr_dmu.aspx?fin_year=2009-2010&month=Latest&flag=2&page1=S

49% of MGNREGA works completed in FY 2009-10



Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Physical (Asset). Note: Figures pertain to FY 2009-10. Available online at: http://nrega.nic.in/Netnrega/mpr_ht/nregampr_dmu.aspx?fin_year=2009-2010&month=Latest&flag=2&page1=S

- 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.

Data Sources	Useful Tips
Union Budget, Expenditure Vol.2 www.indiabudget.nic.in	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.
MGNREGA, Monthly Progress Reports, Financial Performance under MGNREGA during the year http://nrega.nic.in/netnrega/mpr_ht/stMPR_fin.aspx <i>Accessed on February 17, 2011.</i>	State-wise and year wise details on opening balance, releases (centre and state), fund availability and cumulative expenditure on wages, materials and administration.
MGNREGA, Monthly Progress Reports Implementation Status Reports http://nrega.nic.in/netnrega/mpr_ht/nregampr.aspx <i>Accessed on February 17, 2011.</i>	State-wise and year wise details on cumulative number of job cards issued, persondays in lakhs, number of households demanded and received employment, funds available, central release and total expenditure.
MGNREGA, Monthly Progress Report, DMU Report, http://nrega.nic.in/Netnrega/mpr_ht/nregampr_dmdu.aspx?fin_year=2009-2010&month=Latest&flag=2&page1=S <i>Accessed on February 18, 2011.</i>	State-wise data on physical assets taken up and completed under MGNREGA. Data is available for FY 2008-09 and FY 2009-10.
MGNREGA, MIS, Labour Budget Report, Demand Projection Analysis for individual states. http://164.100.12.7/netnrega/morelabour.asp <i>Accessed on February 19, 2011.</i>	State-wise Labour Budgets with details on job cards issued, households provided employment, persondays employment generated, wages and central funds received and spent.

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