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BUDGET BRIEFS

MGNREGA, GOI 2012-13

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

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

- Trends in allocations and expenditures,
- Trends in employment provided and wages paid,
- Trends in assets created, and
- Coverage.

Cost Share: 90% of funds come from GOI. Fund release is based on State proposals and submission of a labour budget by States (estimating the anticipated demand for work). At least 50% of MGNREGA works are to be executed by the Gram Panchayats.

Complete expenditure data is publicly available for FY 2010-11.

Highlights

1	GOI allocation for Ministry of Rural Development* in FY 2011-13 (in crores)	₹90,435
2	GOI allocation for MGNREGA in FY 2011-12 (in crores)	₹33,000
3	GOI release for MGNREGA in FY 2010-11	86%

* This includes allocations for the newly formed Ministry of Drinking Water and Sanitation which is ₹14,005 crores.

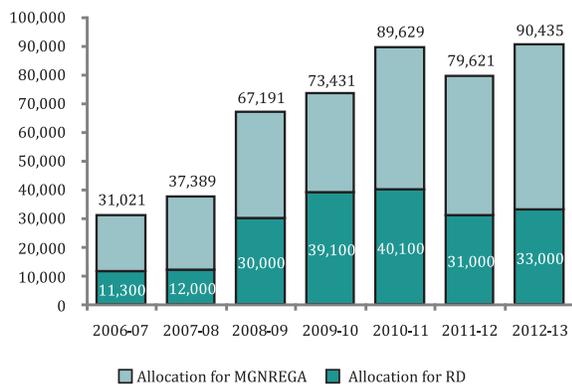
Summary and Analysis

- The Ministry of Rural Development's (MORD) budget has increased nearly 3-fold since FY 2006-07. In FY 2012-13, MORD allocations account for 14% of GOI's budget. In FY 2012-13, MGNREGA allocations account for 36% of total MORD budget.
- In FY 2010-11, GOI spent 75% of its MGNREGA funds. There are variations across states. Rajasthan spent 56% whereas Bihar spent 84% of available funds.
- In FY 2010-11, 257 crore person days of work was provided across the country. Trends across years show variations in employment provided. Employment in Rajasthan dipped from 69 person days in FY 2009-10 to 62 person days in FY 2010-11. Employment generated in Bihar increased from 28 to 34 person days over the same period.
- Employment generated in states with high Below Poverty Line (BPL) populations was low compared to states with a low BPL population. In FY 2010-11, Uttar Pradesh - which accounts for 20% of the country's BPL population - generated 13% of the total MGNREGA employment provided while Andhra Pradesh and Tamil Nadu, which together account for 8% of the country's rural BPL households, provided 23% of total MGNREGA employment.
- Employment under MGNREGA by income category indicates that 40% of households accessing MGNREGA fall within the low-income group, with a monthly per capita income of up to ₹657. 42% of MGNREGA households fall within the middle-income group with a monthly per capita income up to ₹1,058.

Trends in Overall Allocations and Expenditures at GOI level

- **Allocations:** Allocations for the Ministry of Rural Development (MORD) have increased nearly 3-fold since FY 2006-07. ₹90,435 crores have been allocated to MORD in FY 2012-13. This includes allocations to the newly formed Ministry of Drinking Water and Sanitation, earlier a department within the MORD. This year, the MORD budget accounts for 14 percent of total GOI allocations.
- Launched in 2006, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is the largest programme run by the ministry, receiving 36 percent of the total allocation for rural development in FY 2012-13. ₹33,000 crores have been allocated to MGNREGA in FY 2012-13.

Nearly 3-fold increase in allocations for rural development in the last 6 years.



Source: Union Expenditure Budget, Vol 2. Ministry of Rural Development FY 2005-06 and FY 2012-13 Note: Figures in crores of rupees. Till FY 2011-12, figures are revised estimates. Figures for FY 2012-13 are budget estimates.

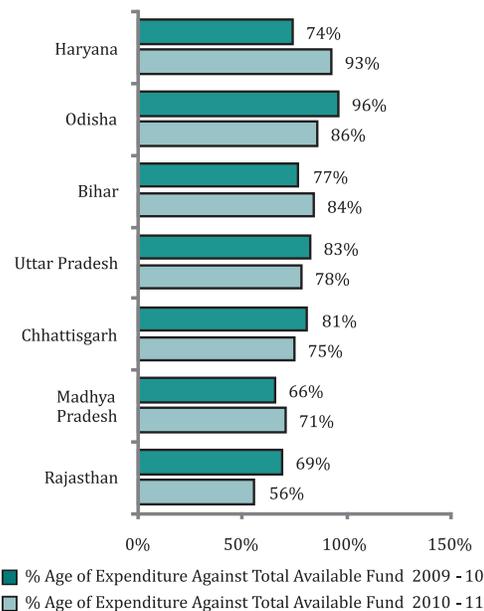
- MGNREGA is a demand-driven scheme. Every year, states provide details of anticipated demand for unskilled manual work and draft a plan for providing employment to workers. This is submitted to GOI as the Labour Budget.
- The requirement of funds is based on projections made in this Labour Budget, after taking into account utilisation of funds previously released.
- **Expenditure performance:** Total funds available for MGNREGA expenditure in a given year comprises of total releases (GOI and State), based on the Labour Budget and unspent monies from previous years.

- Expenditure as a proportion of total funds available has remained consistent over the last three financial years. In FY 2009-10, 77 percent of funds available were spent. This declined marginally to 75 percent in FY 2010-11.
- **Component-wise expenditure:** In FY 2010-11, wages accounted for 65 percent of the total expenditure on MGNREGA. Materials accounted for 30 percent. Administrative costs amounted to 5 percent of the total expenditure. This corresponds with MGNREGA norms, which mandate a minimum 60:40 ratio for labour costs (wages) to cost of materials for asset creation.

Trends in Expenditures at the State Level

- There are wide inter-state variations in spending. Between FY 2009-10 and FY 2010-11, spending improved in Haryana, Bihar and Madhya Pradesh by 19, 7 and 5 percentage points respectively. For the same period, expenditure in Rajasthan and Odisha saw a declined by of 10 percentage points, each.

In FY 2010-11 Haryana spent 93% of its funds; while Rajasthan spent 56%.



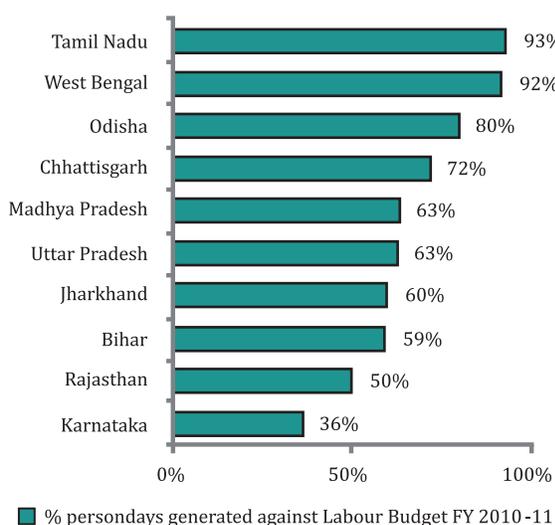
Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Financial. Available online at: http://164.100.12.7/Netnrega/mpr_ht/nregampr_dmu.aspx?flag=1&page1=S&month=Latest&fin_year=2010-2011 Note: Figures are for FY 2009-10 and FY 2010-11.

- In FY 2009-10, Karnataka spent 82 percent of available funds. This improved significantly in FY 2010-11 to 118 percent.
- **Component-wise expenditure:** There are variations across states in labour and material ratios. While states such as Assam and Bihar spent less than 60 percent of their funds on wages, Tamil Nadu spent 100 percent.

Implementation Highlights

- **Person days of work generated:** In FY 2009-10, ₹37,910 crore was spent on MGNREGA and 284 crore person days of work were generated. In FY 2010-11, expenditure increased marginally to ₹39,377 crores, and 257 crores of person days of employment were generated.
- There is a mismatch between the anticipated demand for employment by households in the Labour Budgets and the actual work generated.
- Tamil Nadu and West Bengal met over 90 percent of their Labour Budget targets. Karnataka, on the other hand, met only 36 percent of its target.

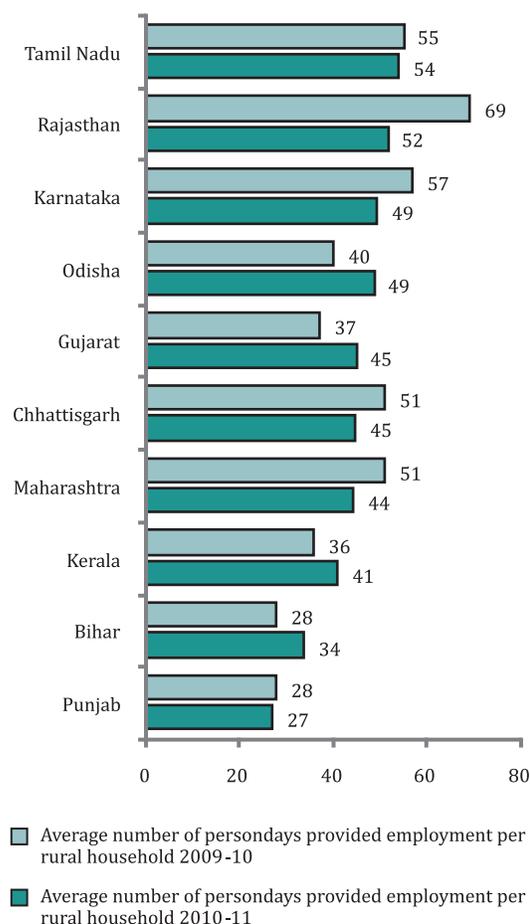
Karnataka reported high expenditures under MGNREGA but only met 36% of its Labour Budget demand.



Source: Calculated from MoRD, Performance Review Committee, June 2011, Available online at: http://rural.nic.in/sites/downloads/meeting-PRC/MGNREGA-agenda_June%202011.pdf. Figures pertain to FY 2010-11.

- **Employment provided:** Employment generation is measured in terms of average number of person days of employment provided per rural household. Trends over two years point to significant variations in employment generated. Kerala and Gujarat increased the number of person days of employment provided in FY 2010-11. However, employment was lower than in other states. Employment generated in Tamil Nadu has remained steady over the two years. Employment in Rajasthan, on the other hand, declined by 17 person days from FY 2009-10.

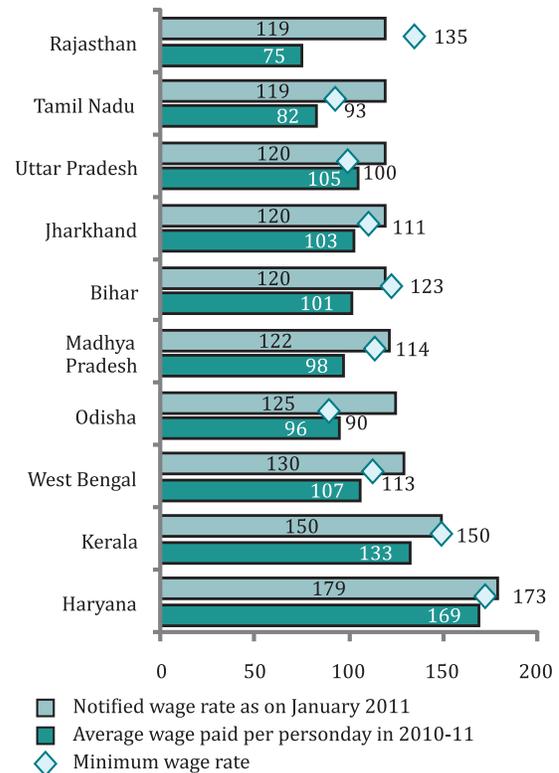
Tamil Nadu provided 54 person days of employment per rural household employed in FY 2010-11, Punjab provided 27.



Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Physical Employment Generation. Available online at: http://164.100.12.7/Netnrega/mpr_ht/nregampr_dmu.aspx?flag=1&page1=S&month=Latest&fin_year=2010-2011 Note: Figures are for FY 2009-10 and FY 2010-11.

- Wages:** Average wage paid per person day of employment increased to ₹100 in FY 2010-11. This is a 10 percentage point improvement over the previous year. The quantum of increase varies by state. Wages in Karnataka and Maharashtra, for instance, increased by ₹58 and ₹40, respectively. In contrast, wages in Rajasthan and Odisha, declined by ₹12 and ₹10, respectively.
- GOI is empowered to fix the wage rate for MGNREGA workers. In January 2011, GOI issued a notification for revising the minimum wage for MGNREGA across all states.
- A comparison of the GOI minimum wage notification with the average wages paid per person in FY 2010-11 points to wide differences in minimum wages paid under MGNREGA and the GOI notified wage rate. Rajasthan and Tamil Nadu reported average daily wage payments of ₹75 and ₹82, respectively. This is significantly below the notified wage rate of ₹119. Haryana, however, paid an average wage of ₹169 per person per day. This is much closer to the notified wage rate of ₹179.
- Another point of comparison is between MGNREGA wage rates and the minimum wages for agricultural unskilled labour in each state. Median figures were taken for states with multiple rates for agricultural unskilled workers.
- Rajasthan, Bihar, Madhya Pradesh, and Kerala currently pay less than both the minimum wage rate and the notified wage rate under MGNREGA.

In FY 2010-11, Rajasthan spent an average of ₹75 on wages. In comparison, the GOI notified wage rate for Rajasthan stood at ₹119 and the minimum wage for agricultural unskilled work was ₹135.



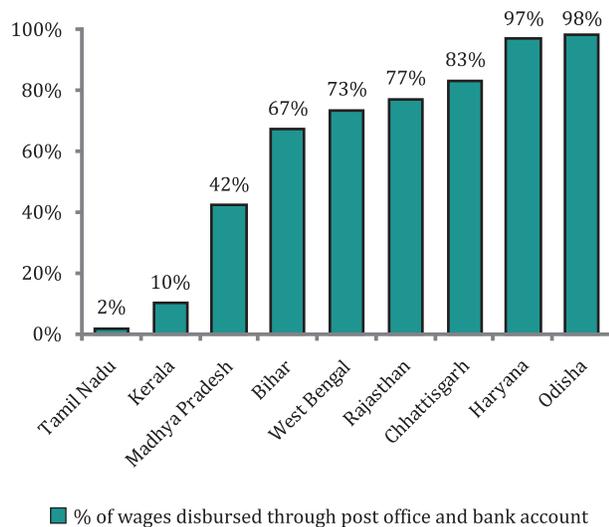
Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Financial. Available online at: http://164.100.12.7/Netnrega/mpr_ht/nregampr_dmu.aspx?flag=1&page1=S&month=Latest&fin_year=2010-2011 Note: Figures are for FY 2008-09 and FY 2009-10. Notified wage rate as on January 2011 is available online at: http://nrega.nic.in/circular/WageRate_1jan2011.pdf.

- Correlations can be drawn between total expenditure, wages paid and person days of employment generated. Rajasthan, a low spender, also provided low employment at 52 person days per rural household employed, a significant decline from the previous year. Its average wage, too, was relatively low at ₹75. Similarly, Madhya Pradesh, also a low spender, provided 50 person days at a wage rate of ₹98.

Financial Inclusion

- In May 2008, GOI directed state governments to pay MGNREGA wages through banks and post offices rather than cash payments.
- In FY 2010-11, over **90** percent of wages in Odisha and Haryana were disbursed through banks and post offices. On the other hand, Kerala and Tamil Nadu preferred cash payments and distributed only **10** and **2** percent of all wages, respectively through banks and post office accounts.

Most states report disbursing wages through post offices and banks.

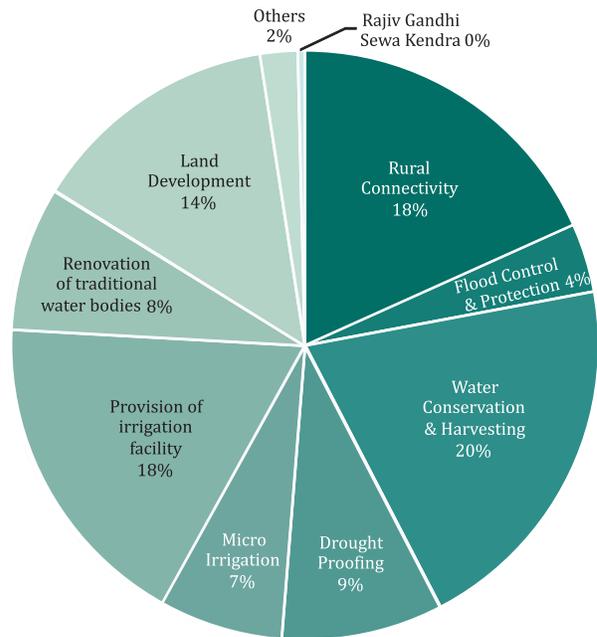


Source: Calculated from MGNREGA, Reports From MIS 2010-11. Available online at: http://164.100.12.7/netnrega/state.html/mis_bank_post_wrt_dmd.aspx?fin_year=2010-2011.

Physical Assets Created

- Several types of works are 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. FY 2010-11 saw the introduction of a new type of work - the Rajiv Gandhi Sewa Kendra (building MGNREGA offices at the Gram Panchayat (GP) and block levels).

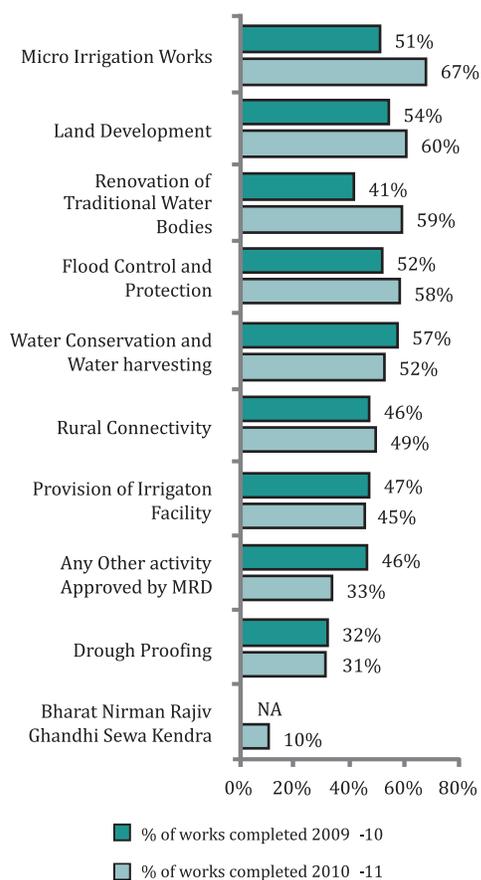
Water conservation accounts for 20% of MGNREGA work.



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.

- In FY 2010-11, water conservation and water harvesting accounted for the largest share of MGNREGA works at **20** percent. This was followed by rural connectivity and provision of irrigation facilities for land owned by Scheduled Castes (SCs), Scheduled Tribes (STs) and small and marginal farmers, at **18** percent each.
- **49** percent of works were completed in FY 2009-10 and **51** percent works were completed in FY 2010-11.
- However, trends over two years point to variations in the completion rates of different MGNREGA works.

51% of MGNREGA works were completed in FY 2010-11.



Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Physical (Asset). Note: Figures pertain to FY 2009-10 and FY 2010-11. Available online at: http://164.100.12.7/Netnrega/mpr_ht/nregampr_dmu.aspx?flag=2&page1=S&month=Latest&fin_year=2010-2011.

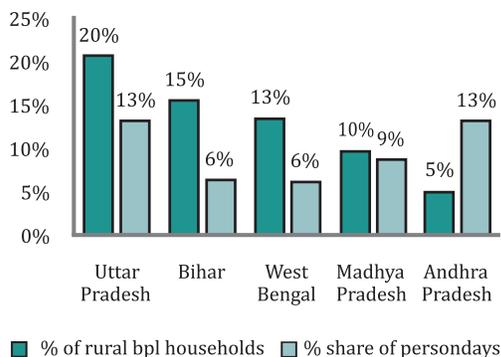
- Completion rates for micro irrigation, land development and renovation of traditional water bodies have seen an improvement in FY 2010-11.
- Completion rates for provision of irrigation facilities on land owned by SCs, STs, small and marginal farmers, and beneficiaries of land reforms and the Indira Awaas Yojana have not improved. Data on the category-

wise break-up of completed work reveals that expenditure on land owned by the above categories accounted for 44 percent of total expenditure. The remaining expenditure was booked in a category called "Others". Details of this category have not been provided in the data source.

Coverage of MGNREGA

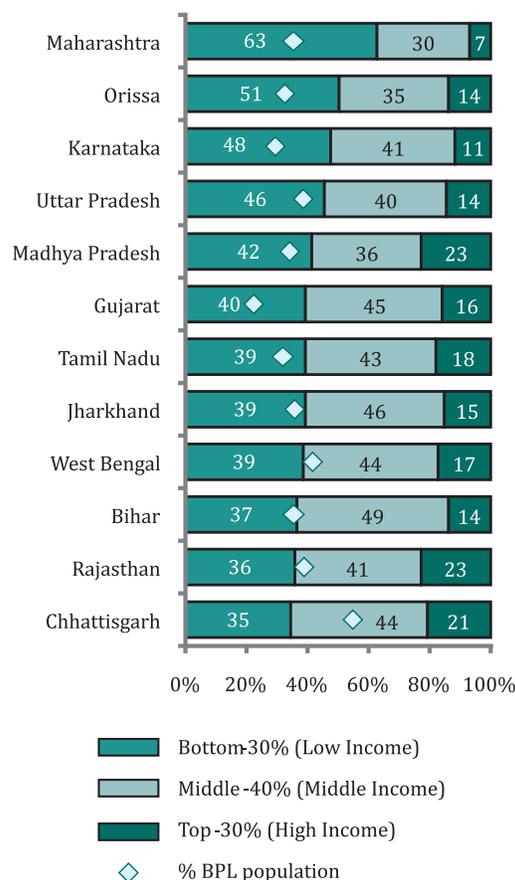
- Who accesses the MGNREGA? And to what extent has the programme provided livelihood security to India's poorest? In this brief we attempt to answer these questions in two ways. First, at a macro level, by examining employment levels in poorer states, with high BPL populations. This is based on MGNREGA MIS data. Second, we draw on NSSO data to examine MGNREGA employment trends across household income levels.
- **Employment levels in states with high BPL populations:** Using Labour Budget projections of BPL populations, we analyse the links between high BPL population states and the number of days of employment provided per person as a ratio of total employment generated in the country. Analysis highlights that Uttar Pradesh, Bihar, West Bengal and Madhya Pradesh, which together comprise 59 percent of the total rural BPL population, account for only 34 percent of the total employment generated (in person-days). On the other hand, Andhra Pradesh and Tamil Nadu, which together account for 8 percent of rural BPL households, provided 23 percent of person days of employment generated.

4 states with nearly 60% of the share of BPL households accounted for only 34% of employment generated.



Source: Calculated from MGNREGA, Delivery Monitoring Unit Report, Physical Employment Generation. Available online at: http://164.100.12.7/Netnrega/mpr_ht/nregampr_dmu.aspx?flag=1&page1=S&month=Latest&fin_year=2010-2011. Figures for percentage of rural BPL households is available from MGNREGA < Labour Budget. Available at: http://164.100.12.7/Netnrega/writereaddata/state_out/lab_budget_1_nt_2012-2013.htmlNote: Figures for rural households pertain to Census 2001 and figures for persondays pertain to FY 2010-11.

63% of MGNREGA participants in Maharashtra were from the lowest income group.



Source: 66th Round of the National Sample Survey, Employment and Unemployment Survey. Rural poverty estimates drawn from Bhalla, S, "The real scandal" Indian Express, 4th February 2012.

- Employment provided across income levels:** The 66th round of the NSSO highlights that 82 percent of MGNREGA workers belong to the low (bottom 30 percent with a monthly income of up to ₹657) and middle (middle 40 percent with a monthly income between ₹657 and ₹1,058) income group.
- In poorer states, such as Chhattisgarh, and Rajasthan, 79 and 77 percent of MGNREGA participants were drawn from the low and middle income group. In Bihar and Jharkhand 86 and 85 percent participants came from these income groups.
- In Maharashtra and Odisha, more than 50 percent MGNREGA participants belonged to the low income group.

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, 2012.</i>	State-wise and year-wise details on opening balance, releases (GOI 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, 2012.</i>	State-wise and year-wise details on cumulative number of job cards issued, person days in lakhs, number of households which 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_dmu.aspx?fin_year=2009-2010&month=Latest&flag=2&page1=S <i>Accessed on February 18, 2012.</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, 2012.</i>	State-wise Labour Budgets with details on job cards issued, households provided employment, person days employment generated, wages and central funds received and spent.
Ministry of Labour and Employment, Wage Cell, Minimum Wages, http://labour.nic.in/wagecell/welcome.html <i>Accessed on February 19, 2012.</i>	
Note: Data used for analysing MGNREGA is based on Monthly Progress Reports (MPR) available in the Delivery Monitoring Unit Report. Since FY 2011-12, the MIS is the only source of MGNREGA data and even the MPR is calculated on the basis of the MIS.	

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