



BUDGET BRIEFS

Rural Development, GOI 2009-10

Background: The Mahatma Gandhi National Rural Employment Guarantee Act (formerly the National Rural Employment Guarantee Act) is Government of India's (GOI's) flagship rural development scheme. It accounts for over 50% of the total rural development budget.

Cost Share and Implementation: 90% of the funds come from the centre and the rest from the states. Release of funds 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 2008-09.

Highlights

GOI allocation for rural development in FY 2010-11 (in crore)	Rs. 79,387
GOI allocation for MGNREGA in FY 2010-11 (in crore)	Rs. 40,100
GOI release for MGNREGA in FY 2008-09*	96%
Unspent amount in FY 2008-09*	25%
Spent on wages in FY 2008-09*	69%

*Complete expenditure data is available up to FY 2008-09, Unspent funds are calculated from fund availability (centre+state releases+opening balance). GOI release is calculated from centre receipt not centre sanctioned.

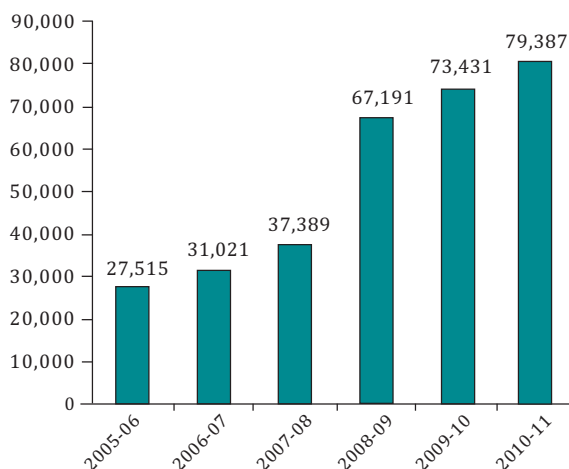
Key Facts and Analysis

- ◆ Over **50%** of total GOI rural development allocations went to MGNREGA in FY 2010-11.
- ◆ Expenditure capacity fluctuates. **75%** of available funds were spent in FY 2008-09, down from **82%** in the previous year.
- ◆ Variation in states' expenditure performance. Rajasthan and Andhra Pradesh spent **89%** and **83%** of funds available. Tamil Nadu and Maharashtra spent **56%** and **57%** respectively in FY 2008-09.
- ◆ Average wage per person-day increased from Rs. **70** in FY 2006-07 to Rs. **87** in FY 2008-09.
- ◆ Variations in wages paid across states. In FY 2008-09, average wages paid in Kerala and Haryana were over Rs. **120** while Chhattisgarh and Madhya Pradesh paid Rs. **75** and Rs. **77** respectively. Gujarat's average wage cost was Rs. **69**- much lower than the notified wage rate of Rs. **100**.
- ◆ Rajasthan provided the most employment in FY 2008-09 at **76** days per household. Gujarat provided the least at **25** days per household.

Trends in Central Government Allocations and Expenditures

- The current rural development allocations for FY 2010-11 stand at Rs. **79,387** crore.

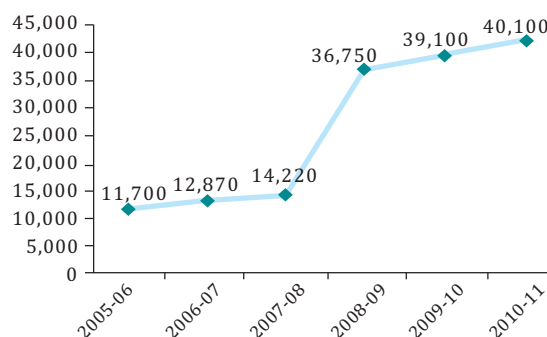
Nearly 3-fold increase in allocations for rural development in the last 5 years



Source: Union Expenditure Budget, Vol II, Ministry of Rural Development various years. Note: Figures in crores of rupees.

- Rural development expenditures constitute a significant portion of GOI expenditures. The total central expenditure (plan and non-plan) on rural development has increased from **2.59** percent in FY 2003-04 to FY **4.55** percent in 2008-09.
- Rural employment is a key priority. In 2006-07, GOI launched the National Rural Employment Guarantee Act (later renamed the Mahatma Gandhi National Rural Employment Guarantee Act, MGNREGA) to promote rural employment. MGNREGA allocations have increased steadily. In FY 2010-11, MGNREGA has been allocated over **50** percent of the rural development budget.

Over 3-fold increase allocations for rural employment in 5 years



Source: Union Expenditure Budget, Vol II, Ministry of Rural Development, rural employment various years. Note: Figures in crores of rupees.

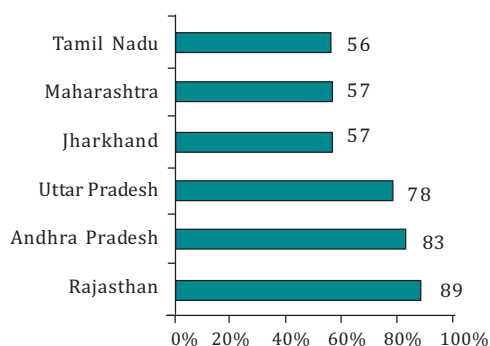
- FY 2010-11, allocation for MGNREGA stand at Rs. **40,100** crore.
- MGNREGA is a demand-driven scheme. Fund availability is based on proposals submitted to the centre by the state governments.
- Unspent funds for the current year are carried forward to the next year. Total funds available for expenditure in any given year are thus made up of total releases (centre and state) for the year and unspent monies from previous years.
- 75** percent of the total available funds were spent in FY 2008-09. This is a **7** percent drop from the previous year, where states spent **82** percent of the total funds available.

Trends in Allocations and Expenditures at the State Level

- MGNREGA was initially implemented in **200** districts in FY 2006-07. GOI extended the scheme to cover all districts within India in FY 2008-09.

- Despite being demand-driven, there are wide inter-state variations in the ability to spend funds.

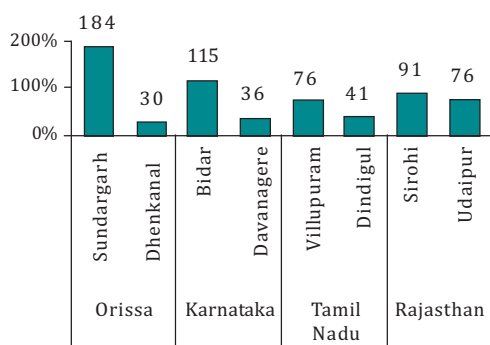
Wide variation in spending performance between states



Source: Calculated from MGNREGA, Monthly Progress Reports Financial Performance under MGNREGA during the year. Note: Figures in percentages and pertain to FY 2008-09 up to March 2009.

- In FY 2008-09, Rajasthan and Andhra Pradesh spent **89** and **83** percent of the total monies available, Maharashtra, Tamil Nadu and Jharkhand spent less than **60** percent.
- There are wide intra-state variations as well. Of the districts that implemented MGNREGA in the first phase, some districts are able to spend more than others. These intra-state differences vary across states.

Intra-state differences in spending ability



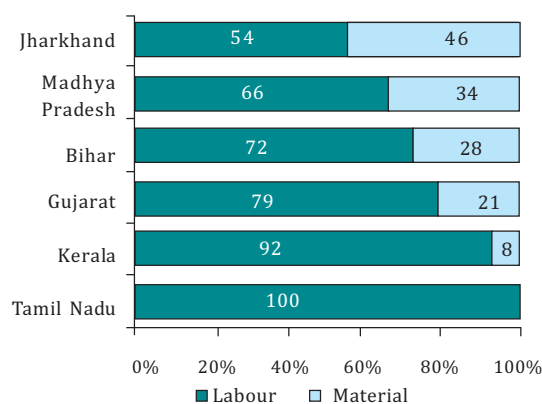
Source: Calculated from MGNREGA, Monthly Progress Reports Financial Performance under MGNREGA during the year. Note: Figures in percentages and pertain to FY 2008-09 up to March 2009.

- In FY 2008-09, in Rajasthan, the lowest spending district spent **76** percent of the funds available while the highest spent **91** percent - a difference of **15** percentage points. In Orissa on the other hand, while the lowest spending district spent **30** percent of funds available, the highest spent **184** percent of total funds available - a difference of **154** percentage points.
- Interestingly, some districts like Sundargarh in Orissa and Bidar in Karnataka report spending more than the fund availability.

Trends in Break-up of Allocations and Expenditures at the State Level

- MGNREGA norms mandate a minimum **60:40** ratio for labour costs (wages) compared to cost of materials for asset creation. In FY 2008-09, **69** percent of the total expenditure on MGNREGA went to wages, **27** percent to materials and **4** percent towards administrative costs.
- Wide variations exist between states.

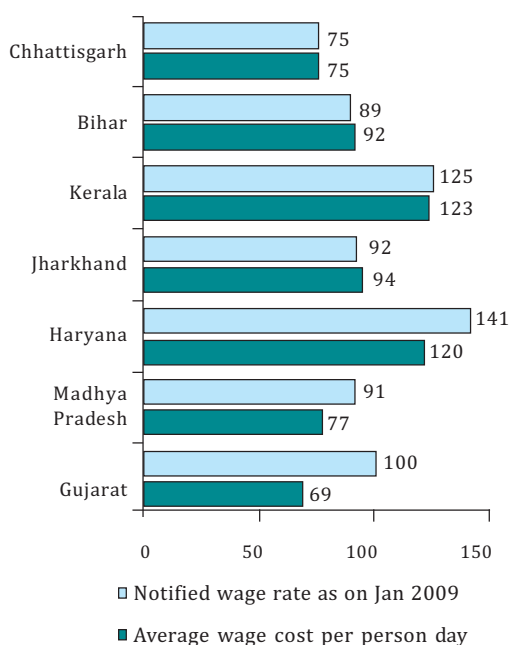
Variation in the wage-material costs ratio between states



Source: Calculated from MGNREGA, Monthly Progress Reports Financial Performance under MGNREGA during the year. Note: Figures in percentages and pertain to FY 2008-09 up to March 2009. Administration Cost is not included. Wages includes unskilled and semi-skilled combined.

- In FY 2008-09 Kerala and Gujarat spent **92** and **79** percent on wages respectively. Jharkhand on the other hand, spent **54** percent on wages.
- Tamil Nadu has the highest wages-material costs ratio at **100** percent expenditures on wages.
- Average wage paid per persondays of employment has increased from Rs. **70** in FY 2006-07 to Rs. **87** in FY 2008-09.
- However, there are differences across states.

Some states pay more wages than others



Source: Calculated from MGNREGA Monthly Progress Reports, Implementation Status and http://nrega.nic.in/Min_wages_new.pdf. Note: Figures are in rupees per personday and pertain to FY 2008-09 up to March 2009.

- In FY 2008-09, the average wage costs per persondays for Kerala and Haryana were Rs. **123** and Rs. **120** respectively.
- However, Chhattisgarh and Madhya Pradesh reported expenditures of Rs. **75** and Rs. **77** respectively.
- Minimum wage rates are fixed in

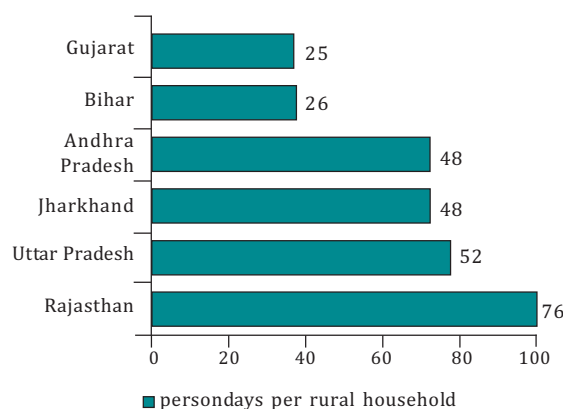
accordance with the Minimum Wages Act 1948 for Agricultural Labourers pertaining to the different states. These were the notified wage rates under MGNREGA since January 2009 and are similar to previous years. In July 2009, GOI promised to provide a real wage of Rs. **100** for all states. Many states are yet to comply with this new wage rate.

- In some states the average wage cost per persondays is lower than the states' notified wage rate. For instance, on average, Gujarat paid Rs. **69** per persondays, which is far below its notified wage rate which stands at Rs. **100**.

Coverage

- In FY 2006-07, over Rs. **9,000** crore was spent on MGNREGA and **90** crore persondays of work was generated. In FY-2008-09, Rs. **27,251** crore was spent on MGNREGA and **216** crore persondays were generated.
- The total employment generated per household varies across states.

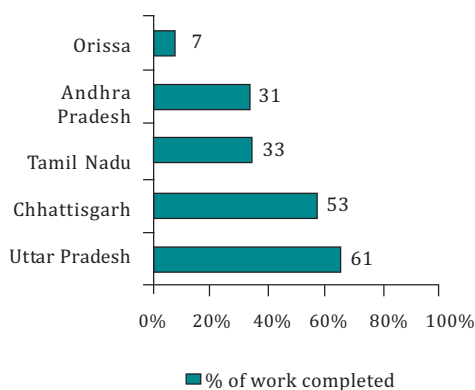
Some states provide more employment than others



Source: Calculated from MGNREGA, Monthly Progress Reports, Implementation Status. Note: Figures in persondays per rural household and pertain to FY 2008-09 up to March 2009.

- In FY 2008-09, Rajasthan provided on average, **76** days of employment per rural household. Uttar Pradesh provided **52** days while Jharkhand provided **48** days of employment per rural household.
- Gujarat and Bihar on the other hand, were only able to provide **25** and **26** days of employment respectively in FY 2008-09.
- There are significant differences in ability of states to complete the works started under MGNREGA.
- Chhattisgarh, West Bengal and Uttar Pradesh completed over **50** percent of MGNREGA works in FY 2008-09.
- However, despite being a high spending state, Andhra Pradesh completed only **31** percent of its MGNREGA works.
- Similarly, though Orissa spent **64** percent of its funds, it completed only **7** percent of MGNREGA works in FY 2008-09.

Differences in % of MGNREGA work completed



Source: Calculated from MGNREGA, Monthly Progress Reports, Work Status. Note: Figures in percentages and pertain to the year 2008-09, up to March 2009.

This section offers some practical leads to accessing further and 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 onwards. The data has both revised and budgeted estimates and should be calculated according to the Major-Head and Sub Major-Head. For rural employment the head is 2505.
Economic Survey http://indiabudget.nic.in/es2008-09/esmain.htm	Chapter 10, gives sectoral central expenditure plan and non-plan, including expenditure on rural development. The figures for 2008-09 are revised estimates.
MGNREGA, Monthly Progress Reports, Financial Performance under MGNREGA during the year http://nrega.nic.in/netnrega/mpr_ht/stMPR_fin.aspx <i>Accessed on January 28, 2010</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 January 28, 2010</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, MIS Reports, Work Status http://nrega.nic.in/Netnrega/MPR_ht/wrk_detail_new.aspx?page1=S . <i>Accessed on January 20, 2010</i>	State-wise information on types of works undertaken under MGNREGA and details on the status of undergoing works.

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