

जयराम रमेश  
JAIRAM RAMESH



ग्रामीण विकास मंत्री  
भारत सरकार  
कृषि भवन, नई दिल्ली-110114  
MINISTER OF RURAL DEVELOPMENT  
GOVERNMENT OF INDIA  
KRISHI BHAVAN, NEW DELHI-110 114

D. O. No. 15...../VIP/OG/M(RD) 2011

2<sup>nd</sup> September 2011

*Dear Shri Narendra Modi -*

I am sending you a note prepared in the Ministry of Rural Development on Reforms in MGNREGA Implementation. The note has been prepared on the basis of suggestions received from a large number of organizations and State Governments as well as on the basis of recommendations made by various active expert groups. These reforms do not require any legislative changes but depend on executive action both by the Centre and mostly by the State Governments.

I seek your active cooperation in ensuring the speedy implementation of these reforms in order to fulfill the objectives of MGNREGA in a more substantial manner and on a more significant scale. I look forward to working with you closely in this regard.

With regards,

Yours sincerely,

*Jairam Ramesh*  
(Jairam Ramesh)

Shri Narendra Modi  
Chief Minister  
Government of Gujarat

Encl: as above

September 1<sup>st</sup>, 2011

### **Reforms in MGNREGA Implementation**

This note summarises nine major challenges facing MGNREGA implementation, provides a diagnostics for each of them and suggests possible solutions.

*Ministry of Rural Development, Government of India*



## FOREWORD

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was launched in February 2006. Since then, there have been a number of studies highlighting its achievements as well as pointing to problems plaguing its implementation.

There is clear evidence to suggest that, while implementation has been very uneven across states and districts, four positive impacts are visible: (i) agricultural wages have increased; (ii) distress migration has shown a decline; (iii) area cultivated in some states has increased; (iv) water conservation structures have been built and, in many cases, have been revived. While there are success stories in each state, Andhra Pradesh stands out for the systematic and transparent manner with which it has gone about implementing the MGNREGA.

But at the same time, there is equally clear evidence that the original objectives of MGNREGA have yet to be achieved on a large scale and its true potential as an instrument of rural transformation is yet to be fully realised. Quite apart from the issue of fraud, misuse of funds and corruption, structural issues have emerged—like, for instance, delayed payments to workers, inadequate attention to quality of assets being created, etc. The programme has not evolved into a demand-driven and rights-based programme.

A couple of significant reform initiatives have already been taken. These include:

- Expansion of MGNREGA to cover provision of irrigation facility, horticulture plantation and land development facilities on lands owned by households belonging to the Scheduled Castes and Scheduled Tribes or below poverty line families or to beneficiaries of land reforms or to beneficiaries under the Indira Awas Yojana or that of small farmers or marginal farmers as defined in the Agricultural Waiver and Debt Relief Scheme, 2008.

- Convergence of MGNREGA with the Total Sanitation Campaign to allow for construction of individual household latrines, school toilet units, anganwadi toilets and community sanitary complexes.
- Notification of the Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011 in consultation with the CAG to institutionalise effective social audit.

The Central Employment Guarantee Council (CEGC) had set up six working groups to examine various aspects of MGNREGA's implementation. The Planning Commission has recently submitted a note suggesting major MGNREGA reforms. The National Advisory Council has made recommendations with focus on natural resource management as an integral part of the programme. In addition, the National Consortium of Civil Society Organisations on MGNREGA has brought out its second report entitled "MGNREGA: Opportunities, Challenges and the Road Ahead". I have also received a number of suggestions for improvements from various individuals.

Based on all these recommendations, suggestions and reports, a consolidated note of Reforms in MGNREGA Implementation has been prepared in the Ministry of Rural Development. Before putting these reforms into practice, I thought it would be worthwhile to put this note into the public domain for two to three weeks to get public reaction and comments. I might mention here that these reform measures do not involve any legislative amendments and can be put into effect through executive action by the Centre and states. To begin with, these reforms could be implemented in 2000 of the poorest blocks of the country, especially those with high a concentration of SC/ST population.



Jairam Ramesh  
Minister of Rural Development  
August 31st, 2011

## **Challenge 1: Ensure Demand-driven Legal Entitlements**

What distinguishes MGNREGA from all previous rural public works programmes? The fact that it provides a legal entitlement to work, that it promises work on demand. All previous RPWPs provided work when governments decided to provide work, not when people demanded work. MGNREGA was to change that once and for all. But it has not done so.

MGNREGA promises that if you are not provided work within 15 days of your applying for work, you will be provided unemployment allowance. This is the meaning of a legal entitlement to work. Has unemployment allowance been provided in such instances over the last 5 years? The short answer is: "very rarely".

### **Diagnostics for Challenge 1:**

- States need to record the demand for work. Currently, demand for work is assumed to be identical to the work provided. Although the MGNREGA-MIS has features that capture the gap between supply of and demand for work, these features are not being used by the states.

### **Solutions for Challenge 1:**

- It must be made mandatory for all States to institute systems that pro-actively seek and rigorously record the demand for work and provide workers dated receipts for their applications asking for work. In case they fail to provide work within 15 days of the application for work, workers who applied for work must be paid unemployment allowance.
- Once every 3 months every Gram Panchayat (GP) must organise a Rozgar Diwas. At this event the GP will pro-actively invite applications for work from potential workers for the current as well as subsequent quarters. Dated receipts will be issued to the applicants at this event. During the quarterly Rozgar Diwas the claims relating to unemployment allowance should also be settled and unemployment allowance paid to the workers. In addition, the provision for submitting applications for work will be kept available on a continuous basis through multiple channels so designated by the GP. GPs will be required to report on the number of applications received for work and the number of work-days demanded on a quarterly basis to the Programme Officer (PO) at the block level.

- The MGNREGA management information system (MIS) must record the demand for work. It must then track (for each GP) the gap between date of application for work and date of opening of work. MG-NREGA software should automatically generate the pay order for payment of unemployment allowance to such wage seekers whose demand for work is not met within 15 days of demand. Reports prepared on this must be part of the essential set of reports to be tracked at the State level.
- Refusal to accept applications and provide dated receipts must be treated as a contravention under Section 25 of MGNREGA.
- Provision can be made for workers to register applications for work through mobile telephones in addition to the MGNREGA website and this should feed in directly into the MIS. In case of mobile telephones the system should be made convenient to illiterate workers and must include Interactive Voice Response System (IVRS) and voice-enabled interactions. This option should automatically issue dated receipts. Such applications for work should be reported back to the relevant GP without loss of time. An IT vendor to develop this system must be appointed quickly.
- Much greater emphasis is needed on spreading awareness among MGNREGA workers about their legal entitlements and procedures of the Act. Partnerships with carefully selected NGOs could play a key role in this regard. Such partnerships could be facilitated by CAPART, which must first undergo drastic reforms itself to convert it into a transparent, accountable, professional institution
- Gram Panchayats must empower ward members, self-help groups (SHGs), village-level revenue functionaries and the labour groups to receive applications for work and issue dated receipts on behalf of the gram panchayats.

## **Challenge 2: Reduce Distress Migration from Rural Areas**

Since work is not opened in time in response to the demand of workers and workers in general have little idea when work will open, they have no option but to migrate.

### **Diagnostics for Challenge 2:**

- The current practice is to prepare a Labour Budget on the basis of the previous year's performance and "guesstimating" likely demand for work in the next year. The Labour Budget does not independently estimate the demand for work from potential workers on a seasonal basis. The Labour Budget currently is supply driven (determined by the capacity to provide work and the previous year's performance) rather than being truly demand driven (driven by demand for work as required by MGNREGA). This leads to a situation where potential MGNREGA workers are not assured of work when they need it. This explains the persistence of distress migration even in those villages where MGNREGA is active.
- Labour Budgets are currently supposed to be presented for approval only at the Gram Sabha on 2<sup>nd</sup> October each year. This is far too late to prevent migration of households because decisions on migration are normally taken in the monsoon season. In the absence of a timely work guarantee many are likely to migrate after the harvest of kharif crop. It is important therefore for the GP to inform potential workers of available employment well in advance of the kharif harvest.
- The current practice in several states is that each time GPs have to start a work, they need to seek a work order (financial sanction) from the PO at the block level. This causes great delay and makes it impossible for the GP to start work in time to meet demand for work and prevent distress migration.

## **Solutions for Challenge 2:**

- Preparation of a true Labour Budget that reflects anticipated quantum of demand for work, precise timing of the demand, as also a plan that outlines the quantum and schedule of work to be provided to those who demand work. This will enable work providers to open work in a way that is synchronized with the pattern of migration in that area so as to pre-empt distress migration. It must also be incumbent upon work providers to inform work demanders well in advance about the schedule of work to be provided so that they do not need to migrate in distress.
- A baseline survey of job card holders must be mandatorily conducted in every Gram Panchayat (GP) in order to prepare a base year Labour Budget. The survey will elicit information on the seasonal demand for labour from each job card holder. This must then be verified by the Gram Sabha (GS).<sup>1</sup> This base line Labour Budget must be a mandatory component of the Annual Plan of the GP and the district. Annual Plans and budgets should be approved only when the base line Labour Budget is formulated on the basis of a survey of job card holders.
- Expert institutions need to finalise the framework and methodology for the pilot surveys for the base-line Labour Budget and once the methodology is finalised, teams from each State could be trained to conduct the surveys. Leading NGOs can also assist in this process, again something CAPART could facilitate.
- The Labour Budget must be prepared by each GP and presented for approval at the 15th August Gram Sabha (and not the 2nd October Gram Sabha as stated in circular no G- 31011/2/2010-MGNREGA 22nd Feb 2011).
- Labour Groups need to be provided Work Orders, at the beginning of the Financial Year, which would constitute a guarantee of 100 days of work to each of the family represented in the Labour Group., leaving the choice to the Labour group when to work on the work(s) detailed in the Work order.

---

<sup>1</sup> This process should be repeated every five years to account for changes in the local pattern of livelihoods and opportunities for work in productive activities.

- All the works listed in the Annual plan should be accorded Administrative Sanction and Technical Sanction in one go. GPs should be authorised to issue Works Order for such works which are contained in the Annual Plan and open the works as per requirement, without having to seek clearance from Block each time.

### **Challenge 3: Reduce of Delays in Payments to Workers**

#### **Diagnostics for Challenge 3:**

- It must be remembered that wages under MGNREGA are related to the volume of work done. This means the work done by MGNREGA workers needs first to be measured. Wage payments are made after verification of the muster rolls, the measurement books and onsite physical valuation of works. Lack of adequate personnel to perform these tasks is a key bottleneck leading to these delays
- At times, delays in payments are caused by the fact that GPs do not have adequate funds in hand to make wage payments. This is because funds are released to GPs on individual work basis
- Ever since payments through banks/post offices have been made mandatory under MGNREGA, the lack of sufficient density of banks/POs and lack of adequate personnel manning them, has emerged as a major bottleneck, especially in remote, tribal areas, leading to major delays in wage payments.
- Most States have suffered because they are unable to track delays in payment

#### **Solutions for Challenge 3:**

- Each block must have a full-time dedicated Programme Officer (PO) for MGNREGA, rather than the current "additional charge syndrome". Each PO's office should have additional technical staff at the block-level to oversee the work of the multi-disciplinary teams at the Cluster level.
- The GPs should be able to request for a second instalment for the Annual Plan after they utilise 75% of their first instalment.

- The Business Correspondent model needs to be strengthened. The Ministry of Rural Development has recently written to all states asking them to appoint BCs through a transparent process of selection with Rs 80 per active account per year to be absorbed under the 6% administrative expenditure head. MORD is also proposing to allow payment to Postal Department of Rs 80 per active account per year serviced by it for disbursement of wages.
- In order reduce the delays in payment, States may switch over Weekly Muster rolls.
- States need to streamline payment cycle and fix time-frame for each stage, in such a manner that wages should be transferred to the individuals account within 10 days of closure of the Muster Roll.
- States need to invest in developing customized MIS that enables better tracking of delays. A transaction-based MIS along the lines implemented in Andhra Pradesh is essential. The tightly integrated, end-to-end computer network in Andhra Pradesh identifies delay in execution of any work registered online and takes corrective action immediately. The measurement sheets and muster rolls of the week's work are compiled on the sixth day of that week and transmitted to the Mandal (Sub-Block) computer centre. The next day, the muster data is fed into the computer and on the eighth day pay orders generated and cheques prepared. By the 10th day, cheques are deposited into post office accounts of workers. By the 13th day, workers are able to access wages from their accounts. Free availability of payment information facilitates public scrutiny and transparency.
- In case valuation of works cannot be done in time, the GP should be allowed to make an interim release of half of the wages due as calculated on the basis of the daily stipulated wage. For this purpose the muster rolls may be counter signed by the GP/Employment Guarantee Assistant based on a preliminary verification. The next payment in such situation should invariably be undertaken only after completing the valuation.

**Challenge 4: Provide Requisite Number of Days of Work as per Demand**

**Challenge 5: Improve Quality of Assets created under MGNREGA and their Relevance to the Livelihoods of the Poor**

**Diagnostics for Challenges 4 and 5:**

- The main bottleneck affecting works under MGNREGA is the lack of technical personnel supporting GPs who would enable plans of the requisite size and quality to be prepared and implemented. Gram Panchayats have a pivotal role in the execution of MGNREGA. Each GP is expected to a) mobilise communities, facilitate demand for work and prepare the Labour Budget, b) prepare the Annual Plan, c) execute permissible works and d) monitor the performance of other PIAs working within the GP. Currently GPs do not have the capacity to perform these functions and have no technical support in selection, siting and design of works to be provided. There is inadequate support also for matters related to administration and community mobilisation.
- Since the Shelf of Projects (SoP) is made for just one year at a time, both the number of works and their technical scrutiny is inadequate.
- Lack of capacities among personnel running MGNREGA.
- Quality of works has at times also suffered because of the way the 60:40 ratio has been implemented. Currently most States observe this ratio either at the level of individual works or at the level of the district. The former is too rigid an interpretation of the Act and does not permit use of materials to the extent required for quality in many works. And by fixing it at the district-level, it often happens that material intensive works get taken up in those parts of the district which are able to push their case early in the year. Those blocks or GPs which design labour intensive works in response to demand for employment, are not able to avail adequately of the material component even when their natural resources require higher material usage e.g. masonry check dams, blasting of hard rock strata, lining of wells and irrigation channels, fencing etc.

- States have repeatedly complained of excessive rigidity in the list of works permissible under MGNREGA that has adversely affected the quality of works undertaken by them
- Problems have also arisen in forest areas, which are generally the MGNREGA catchment areas in tribal regions, due to absence of adequate and smooth co-ordination with the Forest Department

**Solutions for Challenges 4 and 5:**

- At least two-thirds of all works in financial terms at the Block/Mandal level under MGNREGA shall focus on development of land and water resources to result in sustainable increase in productivity of such resources and incomes to the poor.
- Works shall be taken up on the basis of multi-year plans drawn at the level of a natural village or hamlet through a participative process. The plans shall be based on scientific principles (watershed principles) to develop the natural resource base in a village. Such plans shall have built-in provision for convergence of productivity enhancing and income enhancing schemes for farmers schemes, such as Rashtriya Krishi Vikas Yojana (RKVY) /Rainfed Areas Development Program (RADP), National Horticulture Mission (NHM), National Rural Livelihoods Mission, etc. to enhance productivity and incomes.
- Preference will be for community wells where irrigation wells are taken up.
- The systems of implementation shall ensure greater say of key stakeholders, e.g. wage seekers, in deciding the type of works and the timing for their opening.
- Each block should be divided into Clusters of GPs, covering 15,000 job cards and/or an area of 15,000 ha, broadly corresponding to the boundaries of a milli-watershed and local aquifer. This will also enable plans to be made based on watershed principles and on a watershed/aquifer basis. A multi-disciplinary team led by an Assistant Programme Officer (APO) will service each Cluster and will comprise specialists in community mobilisation, watershed development, agriculture and allied livelihoods. The cluster team will work under the overall supervision of the PO but will also be jointly accountable to the GPs. The cluster team will be located in the POs office at the block level and will draw its expenses from this office.

This team will assist the GPs and other Project implementation authorities to prepare a Perspective Plan, Annual Plans, Labour Budgets, selection, siting, design and execution & measurement of works etc.

- The Perspective Plan is better prepared at the cluster level rather than at the GP level because natural resource boundaries such as aquifers, streams, forests, grazing land etc. usually extend well beyond the boundary of one GP. Thus, planning water harvesting structures on a river that runs past several GPs requires an aggregate plan for the entire catchment. Similarly, silvi-pastoral interventions require joint commitments from neighbouring GPs on grazing management. There may also be advantages of scale in promoting livelihoods for a cluster of GPs rather than for a single GP.
- One Employment Guarantee Assistant (EGA) should be mandatorily recruited for each GP to support community mobilisation, assessment of demand for work, presentation of information to the Gram Sabha etc. For GPs with a population of over 6000 an additional EGA may be mandated.
- The Shelf of Projects (SoP) must include works sufficient for at least 2 years. The GP should update the SoP on a rolling basis, i.e. whenever works for the year are complete, the GP needs to identify a fresh set of works and obtain technical sanction for them and include them in the Shelf.
- A concerted national programme needs to be launched for capacity building under MGNREGA. A special cell needs to be created in the Union Ministry of Rural Development that would facilitate States in this capacity building effort. Leading NGOs must be involved in this effort that could be led by CAPART through a programme of technical planning and implementation support to GPs and other project implementation authorities.
- An inventory of best practices under MGNREGA needs to be made and a programme for disseminating these through a consortium of NGOs supported by CAPART must be initiated
- By specifying that the 60:40 ratio is to be maintained at the block level we can reduce the imbalance in the regional distribution of the material component.

- The list of permissible works under MGNREGA should be expanded to provide location-specific flexibility reflecting diversity in a) natural resource endowments, b) agro-ecological conditions, c) livelihood patterns and d) capacity of institutions responsible for planning and execution. State Governments must identify regions within the State on the basis of the above variations and for each region come up with a list of permissible works that could subsequently be approved by the Centre, in a manner that does not compromise the basic architecture of MGNREGA.
- Better co-ordination with the Forest Department to improve MGNREGA implementation in tribal areas is required. A monthly meeting between the Divisional Forest Officer and the MGNREGA District Programme Co-ordinator must be made mandatory to facilitate this coordination.

**Challenge 6: Ensure Full Payment of Wages Stipulated Under MGNREGA**

**Diagnostics for Challenge 6:**

- Some States have yet to revise their Schedule of Rates (SoRs). Historically, rural development programmes in India have been implemented by contractors using machines. The SoRs used in these programmes tend to discriminate against labour, especially women, in a programme like MGNREGA that bans both use of contractors and machinery. SoRs also tend not to be finely tuned to differing agro-ecological conditions because of which at times workers are unable to earn MGNREGA wages.
- Since January 1<sup>st</sup> 2011, MGNREGA wages have been indexed to inflation. This means that if SoRs are not also indexed to inflation, workers will be unable to get the stipulated wage under MGNREGA.
- When stipulated wages are revised, the works under progress or those which are yet to be started, cannot be completed within the existing cost estimate. This often leads to reduction in wages paid.

### **Solutions to Challenge 6:**

- States need to conduct time and motion studies to revise SoRs in line with the demands of an employment-intensive programme like MGNREGA. There is need to develop a simple and accessible template of SoRs, which could be used by the GPs, EGAs and the mates during execution of works. This template could be developed at two levels: one, with rates for the simple and often repeated tasks and the other with rates for more complicated tasks. The SoR for common tasks may be developed at the level of the district whereas the SoRs for the complex tasks may be developed for a group of districts within the same agro-climatic region.
- Every State must index its SoRs to inflation and notify the SoRs duly indexed to inflation in the beginning of every Financial Year.
- Whenever there is a revision in the SoR, the district planning committee (DPC) must revise the approved estimates for projects in the Annual Plan which are yet to be started. This should be done on a *suo moto* basis by the DPC and the revised estimates conveyed to the project implementation authorities. For projects which are under execution when the SoRs are revised, the DPC must conduct a survey re-estimating the value of the unfinished portion of works. The entire process of re-estimation must be done within a period of one month of the revision of SoRs.

### **Challenge 7: Anchor Participatory Grassroots Planning**

#### **Diagnostics for Challenge 7:**

- The Mahatma Gandhi NREGA accords centrality to Gram Panchayats to plan a shelf of works to meet demand for employment. While preparing the shelf, needs of people, the natural resource base etc are required to be factored in. At the same time, the nature of assets proposed to be created under MGNREGA should be durable and productive. Grassroots planning is not only a method of allocation of resources but even more of empowerment. The Planning Commission has also issued a circular prescribing grassroots planning vide letter dated 25<sup>th</sup> August 2006. However, in practice it is not being implemented in most places.

- The main bottleneck affecting works under MGNREGA is the lack of capacity of GPs to prepare an integrated holistic plan following a participatory approach.
- The Guidelines of Mahatma Gandhi NREGA are common to the entire country and do not differentiate between the area specific needs like the LWE districts etc with the result that a programme which is highly successful in some areas does not take off in others.

### **Solutions to Challenge 7**

- A natural habitation should be the unit for planning and execution of MGNREGA.
- A "Habitation Level Committee" (HLC) shall be constituted by the "Habitation Assembly" consisting of all adult inhabitants of the habitation. The Ward member will be the chairperson of the HLC and it would have representation from different groups such as MGNREGA Fixed Labour Groups, Habitation level watershed committees, SHGs and other such organisations of the poor, small and marginal farmer households, landless/asset-less agricultural workers, women, and SC/ST persons. Half the members of HLC should be women. The HLC will be the agency for planning and execution of works under MGNREGA with fully delegated powers of the Gram Panchayat for the purposes of MGNREGA. This is a change from the current system in which the Gram Panchayat is the sole agency.
- The plans prepared by the HLC shall be placed before the Habitation Assembly for its approval. Where the statutory Gram Sabha or Ward Sabha is co-terminus with the natural habitation, it will discharge the functions of the Habitation Assembly.
- The planning process shall cover measures which enhance the quality of management of natural resources with specific focus on in-situ rainwater harvesting to minimize rainwater run-off, bringing fallow lands into cultivation, putting common lands to productive use, developing the lands of SC/ST and small and marginal farmers so as to enhance their productivity and strengthen livelihoods.

- Rainwater harvesting measures, such as field bunds, trenches, farm ponds and check dams shall be taken up on all the lands in the village including private lands belonging to all categories of ownership and common and public land. It will be ensured, however, that lands belonging to SC, ST and BPL families are covered first on priority basis, followed by land belonging to small and marginal farmers. After completing these lands, village common and grazing lands would be covered on second priority. After saturating these categories of lands, other categories of land would be taken up for these activities.
- Land development, which includes land leveling, horticulture, irrigation (including open wells and deepening of wells), planting of trees, herbs, grasses, fodder trees, boulder removal, soil fertility measures such as tank silt application including transportation, composting, green manuring, etc. shall be limited to SC, ST, small and marginal farmers' lands. Works on lands of small and marginal farmers will be taken up only after saturating lands of SC and ST and BPL.
- In each of the works specified in Schedule I of the Act, the resources of the poor, especially BPL, SCs and STs, shall be given overriding priority
- There are a number of Voluntary Organisations that have come out with outstanding models of grassroots planning. These models need to be widely disseminated through CAPART.
- Besides these there could be a number of other models that could be non-NGO but based around Self Help Groups (SHGs), Bharat Nirman Volunteers and others as part of corporate social responsibility.
- In each District or Block, models of grassroots planning and implementation should be developed. These models will serve as training institutions for other organizations in the same way as Hiwre Bazaar in Maharashtra serves as a beacon institution for all other Panchayats in the country.

- The mode of grassroots planning has to be modified with emphasis on the total benefit that would accrue to each household programme-wise. It has to be ensured that each target household derives maximum admissible benefit from the CSS and ACA Programmes.
- The planning and implementation process has to be carefully documented for dissemination and learning.
- The Plan should include all admissible interventions on individual lands under Para 1 Schedule I of the MGNREGA. For this, the following process is suggested:
  - i) An inventory of lands owned by those entitled should be prepared. This could be done using services of rural youth who should be provided details of land records.
  - ii) Based on the type of land/ soil etc, and the needs expressed by the land owner, all possible interventions under MGNREGA should be listed and estimates prepared by deploying special teams.
  - iii) Availability of funds / inputs from other schemes should be identified so as to maximize gains from MGNREGA interventions. (e.g., electricity connection/ pump etc for dug well, from Schemes of Agriculture Deptt/ Tribal development deptt etc.)
  - iv) The record should be computerized for monitoring and follow up. This model has been successfully deployed in Andhra Pradesh and some other states.
  - v) Special drives need to be taken up for conferring rights under Forest Rights Act, settling land/ boundary disputes, restoration of alienated lands of tribals. Such lands need to be included in the land inventory.

## **Challenge 8: Sustain regular flow of funds**

### **Diagnostics for Challenge 8:**

- As per the Act, Districts have to prepare annual labour budget as per the labour demand. The central government releases fund on the basis of labour budget. For 1<sup>st</sup> tranche, States/districts take a lot of time in submitting district-wise, month wise break up of Labour Budget and also details of opening balance as on 1<sup>st</sup> April, resulting in delay in release of fund. The State Government and District administration fail to submit proposal on time because of lack of capacity.
- States do not submit Utilization Certificates (UCs) and Audit Report (ARs) in time;
- Often figures in UCs and ARs do not match, necessitating clarifications.
- Examination within the Ministry can also be a time consuming affair resulting in drying up of funds at the ground level. GPs normally take up works when they are assured that funds have reached the Gram Panchayats.
- Non-fulfilment of "pre-conditions" (for release of 2<sup>nd</sup> tranche). However, such conditions are often relaxed; and States are advised to fulfill these conditions before coming up with proposals for release of next installment.
- Large Opening Balances have built up in States leading to a classical situation of scarcity of funds amidst plenty.

### **Solutions to Challenge 8**

- The Ministry proposes to put in place a Core Accounting System whereby the Panchayats could start utilizing the funds within the credit limit communicated as per the monthly Labour Budget.
- The authority will be issued on the basis of expenditure reported in the MIS.
- Every State must train Block and Panchayat level officers on the process for the preparation of labour budget that correctively reflects the demand for employment under MGNREGA.

- Functionaries need to be trained on use of NREGASoft / updation of MIS so that proposals for release of funds from Central Govt can be prepared without errors.
- Ministry has provided facility of online submission of financial proposal. State government should ensure online submission of all fund release proposals and for this purpose, States need to train concerned functionaries. Ministry proposes to introduce a tracking system to enable the States or DPCs to track the status of the request made for release of next instalment.
- Every state must establish a state fund. This Fund is to be expended and administered as a Revolving Fund, with Rules that govern and ensure its utilization according to the purposes of the Act. The establishment of state fund will ensure monitoring of district-wise MGNREGA accounts.

### **Challenge 9: Strengthen grievance redressal mechanisms**

#### **Diagnostics for Challenge 9**

- There is a pervasive lack of grievance redressal facilities in MGNREGA. Worker don't know where and how to complain, and when they complain, action is rarely taken.
- Section 25 of MGNREGA, which provides for a penalty of up to Rs 1,000 on government officers who don't do their duty under the Act, lies dormant – most states have never used it.
- Similarly, other important provisions for grievance redressal such as the unemployment allowance (MGNREGA, Section 7), and compensation for delayed payments (MGNREGA, Schedule II, Section 30), are very rarely used.
- The “Ombudsman” system, introduced in September 2009, is very weak. Very few states have active Ombudsmen.

#### **Solutions for Challenge 9**

- Rules should be framed to activate Section 25 (penalty clause) of MGNREGA.
- Similarly, Rules should be framed for routine payment of unemployment allowance as well as compensation for delayed payments.

- Systems for pro-active automatic payment of compensation for delayed wages, at the cost of the state government, should be developed.
- It should be mandatory for every MGNREGA functionary to have a "Job Chart" spelling out his or her main responsibilities; any violation of the Job Chart without valid reason should automatically attract a penalty under Section 25.
- Modern help-lines (with computerized records accessible on the internet, etc.) should be set up in every district so that workers are able to lodge complaints without any hindrance, follow the status of their complaint, and hold someone accountable for timely action.
- A scheme to facilitate the creation of independent "Sahayata Kendras" (help centres), building on earlier experiments in Jharkhand and Chhattisgarh, should be developed.
- The "Ombudsman" system should be overhauled so that Ombudsmen act as empowered, full-time grievance redressal officers at the district level.