

Press Note MGNREGA

1st December 2017

Since the start of the FY 18, we have pointed out the willful misrepresentation of delays in wage payments, incomplete calculation of the full extent of compensation due to workers and the under provisioning of budgets for the program. In August, we released a report by independent researchers, that used the Ministry of Rural Development's own data to show how the Central Government is deliberately masking its own delay and therefore contributing to the delay in payment of wages and non payment of delay compensation. This report had been submitted to the Ministry of Rural Development and to Hon'ble Supreme Court. Three months later, no action has been taken, and the situation is only getting worse.

Ministry of Finance Report

Even as the Ministry of Rural Development has taken no action on the findings, the Ministry of Finance has assessed the report on wage delays. In an internal report dated 21st August, it has acknowledged our position, and stated the following:

2.3. *"The newspaper article was accurate in pointing out that the current rules do not compute nor compensate the delay in payments after the generation of FTOs."*

2.3.2. *"In cases of delays in making large number of payments, it has been found that funds have not been available either of Centre & State shares. Proposing compensation for such delays would vastly increase the expenditure."*

2.3.3. *"Delays have also been caused because the states have not fulfilled administrative requirements such as submission of utilization certificates; submission of audit reports etc. Such bulk payment of compensation would vastly increase the expenditure."*

2.4. *"It was founds that the delay in payment to states was mainly due to infrastructural bottlenecks, availability of funds and lack of administrative compliance."*

It is clear that the lack of adequate funds is one major reason for the MGNREGA is being derailed from its core objective of being a demand driven program. Consequently, the entitlements for workers of payment on time and compensation for delay, are also being severely compromised.

Findings of Independent Study

Now, the study has been repeated for the first two quarters of FY 18, using the same methodology for the same 10 states as FY 17. The payments that are being made on time is only 32%. This is in sharp contrast to the incomplete and incorrect claim by the Ministry of Rural Development that 85% payments were made in time. With nearly 90 percent of the funds being utilised and more than a quarter of the financial year remaining, the problem of delay in payments and non-provision of work is likely to increase sharply.

For the remainder of the 68% of the total transactions in this sample, delays are either completely unaccounted for or only the state responsibility for delay is computed for payment of compensation. Therefore, for the sample panchayats instead of the actual compensation of 7.52 crores payable as compensation, the Management Information System has only calculated Rs. 1.03 crores - an underestimation of 86%. **For the last financial year 57% of the compensation was accounted for, this year however it has increased sharply to 86%. If this trend holds true for the entire country, then the true payable delay compensation would be Rs. 76 crores.**

Cases/Scenarios	FY 17		FY 18	
	Government Claims	Our Findings	Government Claims	Our Findings
Percentage of transactions when workers got wages within 15 days	42%	21%	85%	32%

Table 1: Percentage under calculation of wage delays and compensation

Categories	Percent
Percentage of transactions for which only partial delays are captured	23%
Percentage of transactions for which no delays are captured	45%

Table 2: For FY 18

Compensation Categories	FY 18
Compensation calculated by MIS	1.03 crores
Actual Compensation due	7.52 crores
% under calculated	86%

Table 3: Percentage under calculation of wage delays and compensation

Status of Compensation

Thus, if this trend of under-calculation holds true, then the true delay compensation payable according to our estimates for FY 18 is 76 crore, of which the amount reflected in the MIS is 41 crore. This figure (41 crore) is severely curtailed by not accounting for central government delays. Even out of this 41 crores only 12% has been paid so far for FY 18.

If the entire extent of delays is captured only about 6.5% of what should be paid as compensation, has been paid so far. This is a total violation of a direct order from the Supreme Court to clear all pending wages and to pay compensation for the delay, albeit under calculated.

Funds Almost Over

In August, we had pointed out that despite repeated claims by the Finance Minister and the [Rural Development Minister](#) of adequately providing for MGNREGA, only 20% of the funds budgeted for 2017-18 were left. Thus in four months, 80% of the programme funds had been utilized.

Over the past three months, only 6% of the budget has been utilized, indicating a severe brake on the running of the program. Even though the Ministry had asked for an additional 17,000 crores in September. The Government of India has not provided the funds, leaving the ministry with only 7% of funds for the rest of the financial year. The Ministry of Rural Development is left with only about Rs. 6,000 crores, even as multiple states already have a negative balance amounting to approximately Rs. 3,000 crores.

Choking of FTOs at PFMS Server

This injustice to workers is reflected most ironically through the National Electronic Fund Management System (N-eFMS), which the Ministry of Rural Development claims does real time transfer of wages. The claim is far from true. For the last two months, there has been an almost 100% pendency, of all Fund Transfer Orders generated by the State Governments, pending for processing at the level of the Ministry of Rural Development. This is only intermittently broken as piecemeal funds are transferred to State Governments. For example, as can be seen from Table 4, no wage payments have been made in Kerala since 71 days, the first state to pilot the National Electronic Fund Management System. This is one amongst the 7 states that has had no funds transferred to workers for over a month.

As of today, the Ministry of Rural Development is not paying wages to workers, amounting to at least Rs. 3243 crore (see R.8.8.1.Status of FTO Pendency at PFMS Server after NEFMS Implementation). This figure is likely to increase in the days to come. This crisis situation has been mounting over the last few weeks as the Ministry of Rural Development is running out of funds to pay wages and open new works for employment.

Wages worth Rs. 3243 crores are pending as of today. Given the drying up of funds this figure is likely to be exacerbated in the days to come, intensifying the crisis. State Governments have completed all the formalities required of measurement and generating Fund Transfer Orders. This is pending for processing at the level of the Central Government at Public Fund Management System. Overall pendency of Fund Transfer Orders generated and not processed by the Public Fund Management System due to a lack of funds at the level of the Central Government is 77%.

Table 4 – State-wise FTO pendency

S. no	State	No. of days with 100 pc FTO pendency at the PFMS Server as on 29 th November 2017
1	Kerala	71
2	Haryana	59
3	Uttarakhand	40
4	Punjab	39
5	West Bengal	36
6	Karnataka	33
7	Himachal Pradesh	29
8	Bihar	27
9	Tamil Nadu	27
10	Rajasthan	16
11	Assam	15
12	Chhattisgarh	13
13	Tripura	13
14	Gujarat	12
15	Jharkhand	12
16	Uttar Pradesh	12
17	Odisha	9
18	Madhya Pradesh	6

Table 3: Number of days since FTO processing pending at PFMS

In line with the orders of the Supreme Court NREGA Sangharsh Morcha demands:

- i. Immediately clear all pending FTOs at the Public Fund Management System server
- ii. Pay full compensation for the total delay at both state and central level
- iii. Make available adequate budget for the program
- iv. Provide work as per demand

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