MGNREGA as Distribution of Dole

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According to the evidence presented in the report of the Comptroller and Auditor General of India and studies elsewhere, 11 years of the Mahatma Gandhi National Rural Employment Guarantee Act have not been able to make much of a dent in rural poverty. This article also suggests some innovative ways to help improve the outcome of the scheme.

Views expressed in this article are strictly personal.

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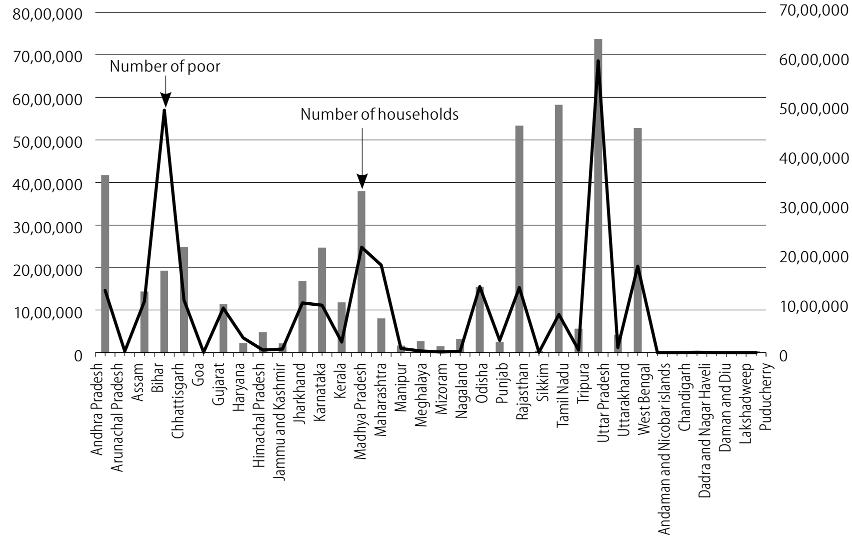
It is now 11 years since the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted by the United Progressive Alliance (UPA) government to eliminate poverty in India. While the Congress party as well as a section of economists believe that it has benefited millions and was responsible for bringing the party to power for the second consecutive time in 2009, many economists have accused it of draining our precious resources without getting concomitant benefits. Though the Prime Minister Narendra Modi had criticised MGNREGA as "a living monument" of the failure of the UPA government because of which even "after 60 years of Independence, people had to dig pits," considerations of realpolitik seem to have twisted the thinking of the National Democratic Alliance (NDA). The programme's 10th anniversary in 2016 was celebrated by the NDA government and the Congress alike with a great deal of fanfare and with both claiming credit for its successful implementation.

The country is still recovering from two successive droughts and MGNREGA can justifiably relieve rural distress to some extent. Undoubtedly it also provides valuable rural employment during seasons when there is little farm-based activity. But the moot question is, does it end the poverty of those it employs? Does it empower them with education, health and employable skills, a combination of which can alone lift them above poverty? The available evidence suggests otherwise—that it only helps the poor to subsist at a level below the poverty line (BPL) and that the intended benefits do not always reach them.

The Ministry of Rural Development (MoRD) claims that MGNREGA marks a paradigm shift from all previous allocation-based wage employment programmes and is unlike any other in its scale, architecture and thrust with its focus on transparency and accountability. It combined several anti-poverty employment generation programmes and was launched with the objective of bringing livelihood security of households in rural areas by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer for unskilled manual work.

In the Union Budget for 2015–16, ₹34,699 crore were earmarked for MGNREGA, and in the current fiscal, ₹38,500 were allocated to the scheme. Similar amounts were provided every year throughout the last decade. More than ₹3,00,000 crore have thus been fed into MGNREGA so far, but their effect in making any significant reduction of poverty for the country as a whole still remains to be seen, despite contrary claims by its hard-core supporters. The issue has become so emotive that even a mild criticism of this programme evokes the strongest and loudest chorus of condemnation from its defenders, and the high pitch of emotions often silences the demands for a dispassionate and objective analysis of its benefits vis-à-vis the costs.

Figure 1: Poverty Levels and Average Annual Number of Households Provided Employment in States



Source: Report No-6 of 2013—Union Government (Ministry of Rural Development).

The NDA government did not reduce the budget allocation for MGNREGA after coming to power, but unlike in the earlier years, the funds meant for this programme are now being routed through the state budgets, direct transfer of funds having been abolished, thus giving states more control over the use of these funds. But the capacity of the states to utilise the funds productively remains a crucial issue—and these capacities vary widely across the states.

It is undeniable that MGNREGA has helped alter the rural scenario in India over the last one decade to a large extent. Studies have noted a positive impact of MGNREGA funds on household income and monthly per capita expenditure. Most significant has been the impact on rural demand and wages, especially on agriculture wage rates. The MGNREGA-notified wages have increased significantly across all states since 2006. Studies have also highlighted the benefits to women and Adivasis in terms not only of income-consumption effects or enhancement of choice and capability, but also in correcting the gender-skewness (Pankaj and Tankha 2010). Socio-economic variables like annual per capita income, monthly per capita expenditure on food, annual per child expenditure on education, per capita savings, condition of the dwelling houses, access to healthcare facility, etc, have improved as a result of this scheme (Sarkar et al 2011). Seasonal migration of rural labour has come down significantly due to the opportunities of employment provided under the scheme, while the benefits by way of additional incomes were used by the rural households primarily for food security, education of dependents, healthcare and debt repayment (Kareemulla et al 2013)

But it is equally true that many studies conducted over the years point to the suboptimal performance of the scheme due to a number of factors. These studies indicate that the scheme was becoming supply-driven and top-down in nature, instead of remaining demand-driven and bottom-up as envisaged (Mukhopadhyay et al 2015) and that the average number of days of employment per household was declining over time (Gaiha and Jha 2012). However, its impact on rural poverty has at best been only modest.

Suboptimal Impact

The moot question is whether any such right- and entitlement-based programme can really address or reduce poverty, without integrating capacity development as an essential element of strategy. While such programmes may reduce the intensity of poverty in the beneficiary households in a limited scale, the impact of such a scheme on poverty alleviation will always remain suboptimal as it does not address the essential question of development of skill-based capacity which alone can ensure gainful employment along with economic growth.

Money spent on any social welfare programme obviously has an opportunity cost, and given the huge resources being spent on MGNREGA questions will inevitably be raised about the opportunity cost of these funds. Huge sums of money are being spent on these right-based schemes, but the cost to secure these rights as well as the cost of administrative mechanisms to extend these rights to the intended beneficiaries are not given much consideration. The tasks of the now-defunct National Advisory Council which promoted and advocated for many of these schemes were to provide inputs in the "formulation of policy by the government" and bring a "special focus on social policy and the rights of the disadvantaged groups," and it made regular recommendations to the government on multiple and diverse areas like improvements in the rights to education, strengthening of panchayats in tribal areas, livelihoods of smallholder farmers, development of the North East, rights of the disabled, etc.

Many critics pointed out that the interventions were often guided more by electoral reasons than by concerns of growth and development. The result was the colossal leakage of public funds, weak or almost non-existent vigilance and monitoring over the use of these funds and suboptimal achievement of their outcomes, evidence of which can be found in the reports of the Comptroller and Auditor General of India (CAG). An earlier CAG report on the Performance Audit of MGNREGA in 2008 had pointed out some serious deficiencies like non-transparent recording of employment demand, deficiencies in the planning and implementation, poor record maintenance demonstrating the lack reliability and authenticity of the reported figures, etc (CAG 2008).

The CAG report on MGNREGA—Report no 6 of 2013—observed that even though the average wage cost or wages paid was rising, the benefits to a rural household was negated by the decline in employment provided per household. While the average wages increased from nearly ₹80 to ₹120 per person-day between 2007–08 and 2011–12, the employment per household increased from around ₹40 per person-day to ₹60 in 2009–10 and then again declined to around ₹40 in 2011–12. The report further found that while representation of women increased to around 48% during the last three years, the share of both Scheduled Castes (SCs) and Scheduled Tribes (STs) continued to decline from around 30% to less than 20% for the STs and a little more than 20% for the SCs during 2007–12. Since the SCs/STs comprise the most vulnerable sections of the rural poor, their exclusion meant that the benefits were not reaching the poorest among the rural poors.

About the so-called "durable assets," the CAG report has observed that while the number of works taken up increased steadily from about 20 lakh in 2007–08 to more than 80 lakh in 2011–12, the number of works actually completed increased from about 1 million in 2007–08 to only about 2.5 million in 2010–11 and then declined to 2 million in 2011–12; most of the funds were still locked up in works in progress. An asset is created only after the corresponding works are completed, and 80% of the works taken up under MGNREGA remained incomplete.

But the most damning finding of the CAG report was that there was hardly any correlation between the number of rural poors in a state and the number of households given employment under the MGNREGA. There are of course some notable exceptions like Andhra Pradesh, Chhattisgarh, Rajasthan, Tamil Nadu and West Bengal which seemed to have made better utilisation of MGNREGA funds, but Bihar, Odisha and Uttar Pradesh—the three most poverty-stricken states of the country—had shown very poor utilisation of MGNREGA funds along with Maharashtra. It is also noteworthy that while in the poorer states, not all the poor households could be covered, in the richer ones most of the households covered were not poor. Thus in Bihar, only 19 lakh households could derive the benefits, while the number of poor were nearly five crore. In contrast, in Tamil Nadu, 58 lakh households were covered under MGNREGA, while there were total 78 lakh poor people in the state. Rajasthan gave employment to 53 lakh households, while it accounted for 1.3 crore poor people. In West Bengal, almost the same number of households (52.8 lakh) were provided employment under MGNREGA, while there were 1.8 crore poor people in the state. Only a few states could cover almost the entire population of poor households, notably Assam, Odisha, Gujarat and Punjab. Thus, the benefits did not go to the poor as intended, but largely went to the non-poor.

The report also noted that Bihar, Maharashtra and Uttar Pradesh accounted for 46% of the rural poor but could utilise only 20% of the MGNREGA funds; consequently only 20% of total households were provided employment under the scheme. In fact, only four states (Andhra Pradesh, Madhya Pradesh, Rajasthan and Uttar Pradesh) accounted for 50% of the total expenditure under the scheme. There was thus little correlation between the poverty level in a state and the implementation of MGNREGA. As the CAG report states categorically, "the poorest of poor were not fully able to exercise their rights under MGNREGA." This directly contradicts what the advocates of the scheme have always been claiming in order to justify its continuance in the same form.

Tools to End Poverty

The CAG report is silent on the reasons for the observed lack of correlation between MGNREGA and poverty levels, but they are not difficult to divine. The poor do not overcome their poverty until they are empowered to do so, and empowerment comes only through education, health and acquisition of an employable skill set. Programmes like MGNREGA do not facilitate any of these and merely provide subsistence-level aid, which may alleviate their poverty only temporarily. In fact, instead of addressing the roots of poverty, they only perpetuate it by denying the poor the only tools—education, health and skill—that can eradicate poverty through generation of wealth in the economy and providing productive employment while ensuring economic growth. These programmes only endeavour to keep them below the bottom of the development ladder, by ensuring mere subsistence without any real empowerment. Actually in the name of employment, MGNREGA is a scheme for the distribution of doles, and that too one that is poorly targeted. It is only a palliative, and one that works suboptimally too while draining precious resources that could have been utilised to create assets, capacity and skill (Bhattacharjee 2016).

In fact, as the experience with other similar anti-poverty schemes had shown, such dole schemes never work. Maharashtra had a similar scheme, the Employment Guarantee Scheme (EGS), which guaranteed work for anyone who demanded it. As observed by the columnist Swaminathan S A Aiyar, comparison of the rates of decline in poverty in various states did not show that Maharashtra's rate of decline was any faster than the national average. It had failed to make any dent in poverty and it was not due to the corruption and leakages that afflict MGNREGA in most states. This was not only bad economics, and not even smart politics. As Aiyar had pointed out, P V Narasimha Rao's Employment Assurance Scheme of 1994—of which MGNREGA was a replica—had provided 100 workdays per family in 200 backward districts. Rural employment rose from 875 million person-days in 1990–91 to 1,232 million in 1995–96. Yet, the Congress was thrashed in the 1996 elections. The success of the UPA in 2009 elections need not necessarily have flowed from MGNREGA.

The CAG report also cites numerous instances of leakages, corruption, inefficiencies and inadequate internal controls with very poor monitoring in the implementation of MGNREGA. A snapshot of these observations may provide some interesting insights:

(i) Obtaining a job card was no guarantee for employment when demanded by the beneficiary. CAG detected over 47,687 cases where beneficiaries were not provided employment on demand, and CAG audits check only a small sample of the total eligible population.

(ii) Even after receiving employment, CAG detected widespread instances of non-payment and delayed payment of wages in 23 states. As the report notes with alarm, "The scale of inadequacies in providing livelihood security could not be fully ascertained in view of the pervasive and extensive deficiencies in record maintenance at all levels. Non-maintenance or incorrect maintenance of basic records was noticed in 18 to 54% of the test checked gram panchayats. In such a situation the legal guarantee of 100 days of employment on demand and other aspects of the implementation of the Scheme were not fully verifiable."

(iii) Works of ₹2,252 crore which were undertaken under the Scheme were not permissible. The expenditure on works for ₹6,547 crore did not result in creation of durable assets. CAG detected diversion of MGNREGA funds for other uses in a large number of states. The statutory 60:40 wage-material ratio was also not maintained. The ministry itself relaxed this provision.

(iv) Monitoring was by and large absent. CAG noticed large gaps in the envisaged monitoring mechanisms in a large number of states. MGNREGA Guidelines require the states and the panchayati raj institutions (PRIs) to monitor the implementation of the Scheme in various ways; CAG noticed significant shortages in each of these mechanisms. Accounting for funds left much to be desired. Necessary records were not maintained.

No wonder, therefore, that the delivery and outcome of such schemes would always remain suboptimal, and instead of reducing poverty, they would only perpetuate it while draining precious resources, despite loud protestations of its supporters.

But then even a poorly designed scheme like this could have been implemented much better through appropriate convergence with other poverty alleviation schemes in an imaginative manner. Let us consider the example of the Pradhan Mantri Gram Sadak Yojana (PMGSY). The PMGSY was launched in 2000 to provide all-weather connectivity to unconnected habitations with populations of 500 each in plains areas and 250 in hill areas as part of the government's poverty reduction strategy, and to set uniform technical and management standards to ensure sustainable management of the rural roads network. This is a 100% centrally sponsored scheme financed by a cess on high-speed diesel. Monitoring and quality assurance in this scheme are provided by the National Rural Roads Development Agency (NRRDA).

About 1.67 lakh unconnected habitations were eligible for coverage under the programme, including construction of about 3.71 lakh km of roads for new connectivity and 3.68 lakh km under upgradation. The work was to be awarded to road contractors after following the usual tender procedures. To avoid overlap, it was stipulated that same work could not be taken up under MGNREGA and the PMGSY, which was unnecessary because PMGSY links villages with expensive asphalt roads, while MGNREGA, with a ban on contractors, builds only mud roads. Both need only unskilled labourers, while under the PMGSY they work under the supervision of skilled or semi-skilled workers.

Until March 2014, ₹1.14 lakh crore had been spent under the PMGSY and 4 lakh km or 54% of all-weather roads, including upgradation, were constructed, providing all-weather connectivity to 97,838 or 50% of eligible habitations. Though way behind initial targets, it has been reasonably successful in building up a large, all-weather rural road network in the country and at the same time provided productive employment while building up capital assets and capacity in the economy. Roads facilitate transportation of rural produce to the market and hence development of markets. By giving access to health and education to people living in remote areas, it includes them in growth and development. In short, it builds the future. In contrast, MGNREGA only provides for subsistence and could hardly build any durable assets, though spending more than twice the amount spent on the PMGSY during the same period. It was possible to synergise the two schemes by making the labour component of MGNREGA available to the PMGSY, to the effect that rural households could get the intended employment while helping create durable assets, and achieving a judicious balance between capital intensive growth and labour-intensive poverty alleviation measures. Similar convergence with other schemes run by other ministries is essential for creation of durable and productive assets.

There are also other imaginative ways to utilise MGNREGA as the example of a village in the Nanded district of Maharashtra has shown recently. MGNREGA funds are being used in the Tembhurni village to construct the soak pits, called "magic" pits by the locals, behind every house in the village. As reported by the *Times of India* (2016), the four-foot-deep pits dug are making the usually overflowing open drains redundant, thus depriving mosquitoes of their breeding grounds. They are covered with a cement pipe that has four equidistant holes at the top. A layer of sand and fine gravel is spread under and around the pipe to allow the water to percolate slowly into the ground that suck in the waste water. Within a year, it had rendered the village free from mosquitos, against the backdrop of dengue, malaria and various other mosquito-borne diseases that severely continue to plague rural Maharashtra. Water flowing into the 200 soak pits gradually drains down into aquifers, recharging the groundwater level, and thereby eliminating water scarcity in the village.

Vision and statesmanship are closely linked with imagination. There are many imaginative ways to make MGNREGA deliver, not by providing doles as it is mostly being employed for, but by addressing poverty by building capacity, protecting the environment, improving health and sanitation, by providing drinking water, building networks for irrigation, roads and creating other assets in the rural areas which are so starved of these. It only requires a vision to rise above the narrow considerations of vote-bank politics.

Postscript

Budgetary allocation for MGNREGA was increased to ₹48,000 crore in the 2017–18 budget from ₹47,499 crore in the revised estimates of 2016–17 (actual expenditure in 2015–16 was ₹37,341 crore). The MoRD has since introduced some reforms in the implementation of the programme to combat agrarian distress, especially in the drought-affected areas to create assets linked with augmentation of irrigation potential. The household entitlement was increased from 100 to 150 days of work in drought-affected regions of 10 states in 2015–16, which according to the ministry, had benefited 20.48 lakh households. According to a report released by the State Bank of India in March 2017, based on a study undertaken by it along with the Centre for Monitoring Indian Economy (CMIE), MGNREGA works allocated to households had increased from 83 lakh in October 2016 to 167 lakh households in February 2017.

In collaboration with the National Remote Sensing Centre, Indian Space Research Organisation and National Informatics Centre, one crore of the estimated 2.82 crore assets created under MGNREGA have been geotagged for better monitoring, transparency and accountability. To cut the delay in payment of wages, MoRD also tagged it to the National Electronic Fund Management System. Some cosmetic measures like introducing awards for convergence with other livelihood schemes and for effective implementation, etc, were also introduced in September 2016. But, the structural weaknesses pointed out in the article remain unaddressed.

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