

India's Mahatma Gandhi Guaranteed Employment programme

Case study Module 2

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Ecosystems, poverty alleviation and conditional transfers

Guidance for practitioners

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Evidence from the international research community shows that careful management of nature results in benefits to people's wellbeing. Poor people especially depend more heavily on the quality of the ecosystems and have less access to substitutes when they are degraded. Making meaningful impacts in the way ecosystems are managed requires governments to step in and scale up, but the evidence also shows that empowered communities can make strong calls to enact and implement change at the local level. Positive incentives like payments for ecosystem services (PES) and other forms of conditional transfers can provide important signals to enact this behavioural change into positive actions. Carefully designed, these incentives can also contribute to the wellbeing of people, especially poor and vulnerable groups. New tools emerge that can help with scaling up and dealing with inevitable trade-offs, but more efforts are needed to bring this information closer to those making decisions. This case study accompanies a [Guidance for Practitioners](#) that helps to bridge this space by: 1) making evidence accessible, bringing the latest evidence from research on PES in theory and practice with documented case studies written for practitioners; and 2) supporting capacity building to 'train the trainers', through teaching modules which can be used to promote capacity building of practitioners.



The world's largest works-based social protection scheme, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has covered all of India since 2006 and aims at enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work (Kaur *et al.*, 2017). It also provides improved productive assets and livelihood resources in rural areas, proactively ensuring social inclusion and strengthening Panchayat Raj (local government) institutions. The types of projects included are public works linked to natural resource management (mostly watershed-related projects), improving conditions of assets for vulnerable sections of society, and building common and rural infrastructure.

MGNREGA provides a key example for payments for ecosystem services (PES) to learn about successful combinations of social and environmental objectives to achieve political support, resources and scale. At the same time, PES experiences elsewhere can provide MGNREGA with ideas on how to improve long-term environmental impacts on the ground.

Political support

About 60 per cent of India's population is dependent on agriculture for their livelihoods. Decline in public sector investments in agriculture has contributed to the reduction in agriculture productivity (Padma, 2015). Also, farming practices are primarily rain-fed and highly vulnerable to extreme weather events. Over the last few decades, the frequency of droughts and floods in India has increased, resulting in major income losses for farmers. High unemployment and low wages linked to low productivity combine to bring about high poverty levels, food insecurity and rural-to-urban migration.

The landmark Act was passed by the Indian parliament with a high level of consensus in 2005. Its primary goal is to increase rural jobs, thereby increasing rural livelihoods. A major proportion of the resources is directed towards environmental works, which contributes to securing rural natural assets.

The programme has faced major criticism, suggesting that it makes agriculture less profitable. However, studies show that the programme is significant in overcoming rural distress and improving human resources in rural areas (Padma, 2015). This evidence is important to secure and retain political and civil society support for the programme, which in turn helps to secure financial flows to the programme (Ghosh, 2015; Jaitley, 2015).

MGNREGA's political attention has also been enhanced through its convergence with various other government schemes on livelihood development and climate change. Through this convergence it has managed to leverage its institutional and budget strengths and gain inter-ministerial support. Some of the programmes include the National Rural Livelihood Programme, the National Green India Mission and the National Mission on Green Highway.

Sustainable financing

MGNREGA is primarily funded by the national budget with a smaller percentage funded through state budgets. The funds are allocated under an Act which came into force in 2006 and therefore has a strong legal backing. According to this Act, wage payments need to be made within 15 days of work completion.

Central government covers the full cost of the unskilled wages, and 75 per cent of the costs for materials, skilled/semi-skilled workers and administrative expenses. State governments cover the remaining 25 per cent of the costs and share some of the administrative costs.

Between 2016 and 2017 the government allocated Rs 38,500 crore (about US\$5.67 billion¹) for MGNREGA activities and created State Employment Guarantee Funds (SEGFs) to ensure long-term funding for the programme.

In light of the last few years' growing fiscal deficit and changing political priorities in India, there were issues arising from low budgetary allocations which led to delays in wage payments and infrastructure

¹ Exchange rate used of 1 Indian Rupee = 0.015 USD.

construction. However, under pressure from civil society and following issuance of Supreme Court directives, the government allocated a sufficient budget for the programme.

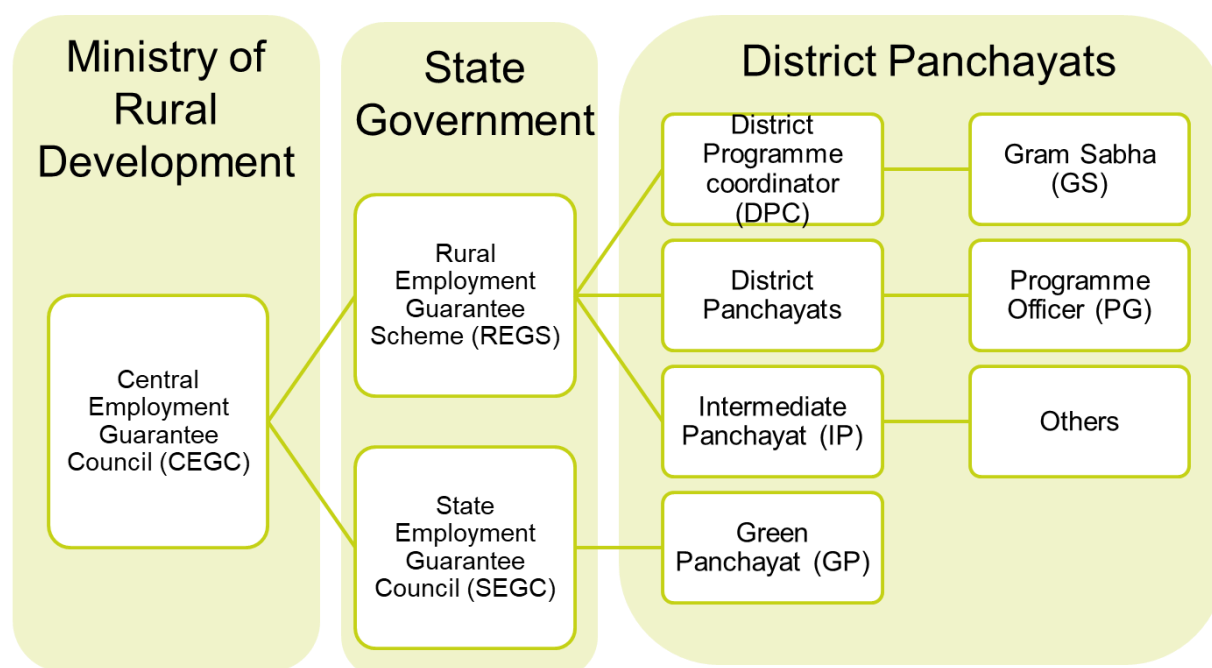
Institutional set-up

The key characteristics of this programme are:

- employment for all rural households (one member per household) who are willing to work (100 days/year)
- free registration, with a job guaranteed within 15 days of application
- fixed minimum wage, with weekly payments
- at least a third of employees must be women.

Implementing this programme in a country with over 833 million people living in rural areas requires a massive effort. The Ministry of Rural Development (MoRD) is responsible for ensuring the adequate and timely delivery of resources and funds to the states and for reviewing, monitoring and evaluating the use of these resources. It has also developed a management information system that provides real-time information on the implementation of MGNREGA at each level.

Figure 1. MGNREGA institutional set-up



Notes: Raj means 'rule' and panchayat means 'assembly' (ayat) of five (panch). This traditional form of local government is usually led by wise and respected elders chosen and accepted by the local community. Modern 'gram panchayats' are village councils, the formalised local self-governance system in India. The Gram Sabha is the meeting of all adults who live in the area covered by the Panchayat. Source: MGNREGA Division, 2017.

The state governments distribute the funds to the local implementation bodies at district, block and village panchayat levels, and provide the necessary technical and administrative support. The Central Employment Guarantee Council (CEGC) and the State Employment Guarantee Councils (SEGC) are the two key technical agencies that advise the MoRD and the state governments respectively and are also responsible for monitoring and evaluation. At the state level, project planning is carried out by village panchayats and civil society organisations including women's self-help groups (SHGs), approved by engineers at block and district levels. The district administration releases funds to the panchayats/SHGs for wage payments and material expenditure. Final implementation varies

considerably at the state level. States that have introduced pro-poor targeting, for example, by how they apply rationing, have showed a significant improvement in pro-poor participation (Liu and Barret, 2013).

The MoRD is also collaborating with the UK Department for Development (DFID) and the German Development Agency (GIZ) to enhance the livelihood and environmental benefits from the infrastructure projects and make both the infrastructure and the communities benefiting from it more climate-resilient.

Systems and tools for effective implementation

The enormous challenge to deliver the programme at ground level requires an equally effective implementing body. Some of the key components of the programme are described below.

- **Legislation:** the programme is based on legislation that provides a rights-based framework for livelihood, social security and economic improvements for India.
- **Targeting:** MGNREGA is a demand-driven programme that covers the whole of rural India. Targeted beneficiaries are the rural poor who do not have secure livelihood opportunities outside of the monsoon season. The focus is on economically disadvantaged communities who are either landless or rely primarily on natural resource-based livelihoods such as agriculture and forestry. To more effectively target communities, the Indian government has recently launched the Intensive Participatory Planning Exercise, a national initiative aiming to identify the poorest and most vulnerable communities in the country.
- **Registration takes place at household level:** adult members eligible for employment are issued a job card which is presented when applying for work. Employment is in theory guaranteed within 15 days of application and within 5 km of the village (10 per cent extra is paid if further away), although in cases of limited resources, some may be denied jobs. There is a focus on providing work for women, scheduled caste members, tribes and other vulnerable groups (MGNREGA Division, 2017).
- **Type of environmental works allowed:** the programme supports approximately 140 types of works², which the different states adapt to suit their local needs. They include plantations, playgrounds, rural connectivity in hilly sites, small and large water conservation and water harvesting works, or individual beneficiary work. There is an interest in ensuring that 60 per cent of the work is aimed at improving the agrarian sector and related activities.
- **Payments:** cash payments are based on the labour provided to build the appropriate form of infrastructure. The projects are planned at the village level depending on the needs of disadvantaged communities and households. The MoRD has developed a list of 140 permissible works to be funded under MGNREGA. The majority of projects are related to soil and water conservation, as well as agriculture to support rural household livelihood security. Payments are made weekly or fortnightly, through banks or post office beneficiary accounts. (Government of India, 2014). Despite the social protection through wage payments provided to a large segment of the population, there is still a huge and untapped potential in productive benefits from infrastructure projects built under MGNREGA.
- **Conditionality:** wages are paid upon satisfactory completion of the job consistent with project design. The work done is evaluated by trained technical experts and approved by government-appointed engineers. The National and State Employment Guarantee Councils, which also include members of civil society, regularly monitor and evaluate the MGNREGA implementation process to ensure that the workers are paid on time and treated according to their rights under the Act.
- **Monitoring and evaluation:** the CEGCs and SEGCs monitor and evaluate the implementation of MGNREGA. Performance is measured by looking at how many job cards are issued, how many households are provided with employment, how many households completed 100 days of work, the category of households employed, the type of works undertaken (and whether completed or not), and the amount of expenditure. A notable limitation is a lack of an output-based monitoring strategy or monitoring of the long-term quality of the investments (MGNREGA Division, 2017)
- **Information systems:** there is concern about the lack of ICT infrastructure at the different levels. Poor maintenance of records affects programme management, monitoring and delays in wage

² <http://www.nrega.ap.gov.in/Nregs/WorksList.jsp>.

payments. To tackle these issues and facilitate impact assessment, the MRNRENA division is designing a comprehensive management information system (MIS), which aims to include geo-tagging and geo-referencing of all MGNREGA assets, that works as an online portal with real-time reports and records for over 600,000 lakh villages, work and payment details of 130 million households and 280 million workers per year. In addition, the MoRD has developed a strong management information system for the programme to regularly monitor resource use and capacity gaps. The ministry has also initiated social audits to ensure the realisation of anticipated programme features such as the inclusion of vulnerable groups in the planning process and the derivation of livelihood benefits from the infrastructure projects.

Ability to demonstrate impact

The programme has been implemented in stages since its introduction in 2006. It was introduced initially in 200 districts, extended to 130 more districts in 2007–2008 and now covers all rural districts (Government of India, 2014). Actual implementation is carried out by local governments. According to MGNREGA Division (2017) some of the main limitations have been linked to unrealistic and ineffective planning at the local levels. Impact studies also tend to be local, with little information on impact assessment at national level. Some of the main local results are described below.

Table 1. Summary impacts of MGNREGA, 2017

Indicator	Value
Central release funds	Rs 36,645 crore US\$5.9 billion
Total expenditure	Rs 1,666 crore US\$7 billion
Total wage expenditure	Rs 30,843 crore US\$4.9 billion
Number of households getting jobs	48.2 million
Average number of person/days per household in a year	49
Women participation rate	55 per cent
Average wage	154 Rs/day US\$2.5/day
Average cost per person	211 Rs/pp/day US\$3.4 /pp/day

Source: (MGNREGA Division, 2017).

Theory of change: The programme provides guaranteed employment during the lean agricultural season and primarily funds infrastructure projects such as irrigation and water conservation structures that support agricultural activities. Therefore, through wages and productive infrastructure, MGNREGA directly tackles livelihood security issues for a major section of the population. It has thus grabbed high political attention especially at the sub-national level, ultimately influencing national policy and securing significant budget allocations for the scheme.

Social impact: The world's largest works-based social protection programme provides jobs to almost 50 million households every year — equivalent to nearly 25 per cent of India's total rural households. The programme has increased rural average wages across the country from Rs 65 per person per day when it began to Rs 154 per person per day in 2017 (Government of India, 2014). It has also been successful in strengthening the institutional capacity of panchayats and village institutions, in terms of raising their awareness about their rights and their capacity to manage various rural development schemes (Shah, 2016).

Studies to assess impacts of the programme (cited in Padma, 2015) observe a positive impact on livelihood security of rural people and recognise the programme's potential to bring social changes in rural India. The increase in income is reflected in increased consumption expenditure, mainly on food, clothing, education and health. The stable access to jobs helps the poor withstand economic shocks

and inflation. The additional purchasing power has further multiplier effects across rural economies (Babu and Rao, 2010; Pani and Lyer, 2011). Works taken up in individual land shows an increase of 15 per cent in cultivated areas, and an increase in food security from six months to nine months in a year.

With nearly 1 million rural-household bank accounts opened and approximately 80 per cent of MGNREGA payments made through this route, the programme's **financial inclusion** is significant. By 2013 nearly 90.3 million bank accounts have been opened under the programme, bringing the poor into the organised financial sector and in some cases providing them with better access to credit (Government of India, 2014; Shah, 2016). Currently, the programme is aiming to convert bank accounts to Aadhaar-based payment accounts³ (Aadhaar Based Payments Bridge System – ABPS), with efforts to universalise them within the framework of the Supreme Court (Bhakta, 2017; MGNREGA Division, 2017).

Gender and vulnerable groups: According to Padma (2015), women's share of work in the programme is higher than their share in the casual wage labour market. They are more likely to engage in paid work through the programme and earn cash income when otherwise they would have remained at home or unemployed. While there may be variations on sites, the programme has been found to reduce the traditional wage discrimination in public works. There is concern about inadequate coverage of people with disabilities and women in some states (Government of India, 2014).

Reaching the poor: A study of national and state-level data from 27 states (Liu and Barret, 2013) looked at the type of participant households. They concluded that most of these households are poor — demonstrating that, while heterogeneity exists, the programme does effectively have a pro-poor angle. The study also found that at the national level there is a bias towards middle class rather than poor households, due to the way rationing patterns are implemented. For example, while better-off households are actively rationed out of the programme, the poorest households are also highly likely to be denied employment, which suggests that rationing practices are not pro-poor but rather pro-middle class. Finally, according to Liu and Barret (2013), self-selection means that the programme is not as effective in reaching poor female-headed households, yet female participation rates at the national level have ranged between 40 and 51 per cent since the programme's introduction.

Environmental impacts: MGNREGA public works investments in soil and water conservation include water harvesting, small-scale irrigation, water supply schemes, afforestation, rural infrastructure development and social services. Almost 53 per cent of the works are linked to soil and water conservation.

Several studies have looked at the impact of these works. For example, a study in Karnataka by Tiwari *et al.* (2011) suggests that the programme provided “multiple environmental services and reduced vulnerability, apart from providing employment and income to rural communities”. The main impacts included better groundwater recharge, water percolation, more water storage in tanks, increased soil fertility, reclamation of degraded lands and carbon sequestration.

The improvement in the resource base had positive impacts on agriculture; for example, through increased crop and livestock production. A study by the Institute for Human Development of 1000 randomly selected dug wells showed 70–80 per cent completion, and high levels of use, especially to grow vegetables and domestic and husbandry use. From these figures, the study suggests a 6 per cent social return rate in real terms (Dreze, 2015).

While the flagship ideals of the programme are recognised, some studies highlight the implementation limitations on the ground, including excessive bureaucracy and corruption, especially in remote and marginal areas (Banerjee and Saha, 2010).

One challenge affecting programme implementation has been **lack of technical capacity at the local level**, which has led to delays in payments and project completion, as well as a low quality of work and non-creation of durable and quality assets (MGNREGA Division, 2017). There are concerns about the inadequate number of engineers, while the technical experts deployed are not sufficiently trained.

³ “Aadhaar” refers to non-commercial, grassroots-level development in India. The Aadhaar Based Payments Bridge System uses an Aadhaar number and biometrics for authentication and is designed for the “non-smartphone savvy” user, i.e. those not comfortable using cards or mobile wallets, helping to push for digital payments instead of cash transactions. It is designed for direct benefit transfers and subsidy payments from the government, and complements other types of Aadhaar enabled payments for the business (Bhakta, 2017).

In addition, elite capture has been affecting the planning process at the village level. In response to these issues, the government has taken a number of initiatives; for example, social audits and training workshops to strengthen technical capacity at the local level (Shah, 2016). This also includes engaging 4000 'barefoot technicians' on the ground in 2017–18.

Lessons

Key lessons from the programme:

- the legal backing of the scheme has ensured political attention and adequate budgetary allocation since its inception
- strong participation of local institutions in the programme design
- direct payment to bank accounts of beneficiaries reduces leakages and supports financial inclusion for poorer sectors of the economy
- ICT infrastructure plays an important role in improving programme implementation
- the investments provide climate-resilient and livelihood-linked assets in addition to wage guarantee for the poor
- more effort need to go into output-based monitoring (rather than only 'jobs-done' approach) and to securing the long-term quality of these environmental investments.

Overall, the programme has very clear, targeted and popular objectives: to directly tackle unemployment (thereby increasing livelihood security and reducing rural migration) and to promote sustainable development through improving rural assets, livelihoods and restoring the environment. Process outcomes of the programme include strengthening grassroots democratic processes and improving transparency and accountability in governance.

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