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EVALUATION OF THE IMPACT OF PROCESSES IN THE MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME IN KARNATAKA

A study conducted for the Planning, Programme Monitoring and
Statistics Department, Government of Karnataka



NATIONAL INSTITUTE OF ADVANCED STUDIES

Bangalore, India

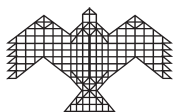
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CHIDAMBARAN G IYER

With research assistance from Raghavendra HV and Soundarya Iyer



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EXECUTIVE SUMMARY

This report seeks to evaluate the effectiveness of the processes of implementation of the Mahatma Gandhi National Rural Employment Guarantee Scheme in Karnataka and recommend specific steps that could improve these processes. The issues that arise relate to the processes involved in the worker seeking work, the process of providing that work, the consequences of that work for the rural economy and society, and the processes involved in enabling and monitoring the scheme.

In addressing these issues we need to pay special attention to the diversity of the state. Karnataka consists of parts that have very different histories, varying agro-climatic conditions, and diverse agrarian systems. In order to capture this diversity we divided the state into five regions: the Malnad and Coastal districts; Southern Karnataka; North-Western Karnataka; North-Eastern Karnataka; and the Tribal belt.

Since the study looked at both the enabling processes within government and the impact on the rural economy, it needed information from two different sources: information on and from the official machinery, and data about the households in the villages. The data about the functioning of the official machinery was collected through a qualitative survey. The second set of data from households in the villages was collected through a multi-stage stratified cluster sample, where the village was treated as a cluster of households. The details of the sample are given in Chapter 1.

GETTING WORK

The awareness of the MGNREGS is very uneven. The Northeast presents a picture of very low levels of awareness, but with this awareness concentrated among those who are most likely to need the MGNREGS. The Malnad and Coastal districts region, as well as the South, present

much higher levels of awareness, but this awareness is not the greatest among the more deprived sections of these regions. The Tribal region presents an average picture with awareness levels close to the state average, with significant levels of awareness among the Scheduled Tribes and the Scheduled Castes. The Northwest presents the most worrisome picture with the overall awareness levels being only marginally above the Northeast and this awareness is not the highest among the economically and socially backward groups.

The number of job cards per 100 households across regions broadly follows the patterns in awareness. The regions with the higher awareness are predictably the regions with the greater number of job cards per 100 households. It must be pointed out that the picture of job cards that emerges from our survey is different from the one that emerges from the official website of the MGNREGS. In all the regions our survey comes up with a lower estimate of the job cards per 100 households, with the gap being very large in Northeast and Northwest regions and quite significant in the Tribal region. The differences between the two surveys are too large to be explained in terms of sampling error alone. Also sampling errors would tend to be spread equally across all regions, whereas there is a sharp variation in the margin of difference between the northern regions and the Malnad and Coastal Districts region. We cannot rule out the possibility of over-reporting of job cards. Indeed, officials in some of these regions

pointed to the problem of fake job cards that get recorded in the official data. And official data itself records very high levels of job cards having different numbers but the same name of the head of the household.

The fact that a household has a job card does not necessarily mean that any member of that household has ever worked under the MGNREGS. A third of the households in the Tribal region and around a fifth of the job card holders in the other four regions have not had a single day's employment under the MGNREGS. In this study we treat only those who have actually worked as the labour beneficiaries of the scheme.

The transaction costs of getting employment under the MGNREGS are concentrated at two levels: getting information and getting a job. The transaction costs also appear to be built into the procedures as they are practiced on the ground. In most regions when workers approached the gram panchayat for work on their own they were told to come back in a group of 10 or 20 workers. The time taken to put together such a group as well as the delays in payments are the major transaction costs the worker has to pay in order to get work under MGNREGS.

These transaction costs ensure that while the poor do benefit from the MGNREGS, the poorest in the village community are not always the main beneficiaries of the scheme. With the exception of the Northeast the labour beneficiary households are greater among those who belong to the asset class just above the poorest.

PROVIDING WORK

The operation of the MGNREGS is expected to provide employment in works that address causes of chronic poverty such as drought, deforestation and soil erosion. The processes through which the Act is implemented are also designed to strengthen grassroots democracy. The case for looking at MGNREGS in the context of decentralization is particularly strong in Karnataka. The state has been a pioneer in the process of decentralization since the 1980s. These institutions have found it easier to gain political legitimacy than to gain

economic strength. The substantial funds provided under the MGNREGS empowered the gram panchayats economically.

A striking feature across all regions was the distance that exists between the gram panchayat and the gram sabha. Ideally the elected gram panchayat members should interact closely with the gram sabha, which is the general body of the all members of the villages under the jurisdiction of the gram panchayat. The MGNREGS also requires the gram sabha to be directly involved in the functioning and the monitoring of the scheme. This requirement



MGNREGS work in Bidar district

is typically met by calling the stipulated number of meetings of the gram sabhas. But these meetings are sparsely attended.

The immediate consequence of the disconnect between the elected gram panchayat members and their constituents is on the shelf of projects. The MGNREGA envisages the shelf of projects to be worked on under the scheme to result from the active involvement of the gram sabhas, the gram panchayats, the taluk panchayats and the zilla panchayats. In reality the gram sabha has very little role in deciding the projects or the priority of the projects across all the five regions, with only minor variations. Typically the poorly attended gram sabhas came up with, at best, an incomplete list that was later completed at the gram panchayat meeting. There were cases of lists decided in the gram sabha being modified in the gram panchayat.

The relative irrelevance of the gram sabhas ensured that the choice of projects was negotiated between the members of the gram panchayat. The gram panchayat led choice of projects was not without its successes. But our qualitative survey did come up with some pointers to other issues involved in the choice of projects and their implementation.

The unevenness in the quality of work was quite evident. There were cases where very rudimentary work was taken to be sufficient. There was also sufficient evidence throughout the state that the choice of beneficiaries could be skewed by social and political factors. There were signs in several

places of the elite capture of specific MGNREGS projects. And the negotiations within the gram panchayat over the choice and priority of works also ensured that the process of implementation of the MGNREGS was not always without the influence of local political considerations.

The choice of projects is also complicated by the provision that allows several groups of workers to work on their own land. This is an extremely useful condition to help the poor develop their own land. But there is the question of whether the labour is used for creating assets that would improve the quality of land over the long term, or simply as a labour subsidy in their regular agricultural activities. This distinction can be overlooked in the case of the very poor where a labour subsidy may itself be justified. But there are signs that the beneficiaries of this condition were not always the poorest.

The need to use the MGNREGS generated labour in other government schemes has been more widely discussed and the state government has emphasised such convergence. On the ground the results are mixed. In the Northwest and the Tribal regions, officials state there is no convergence, and there is little evidence of it found. In the Northeast officials insist there is no convergence but there are projects of the Forest Department that have been carried out with MGNREGS labour. In both the South region and the Malnad and Coastal Districts region there is much more enthusiastic support for convergence. In the

South there are claims of having worked out a complete convergence with the sanitation programme and in the Malnad the claims were of convergence with the watershed programme. Such convergence however raises its own questions relating to the distribution of costs. In the Malnad and Coastal Districts region funds from the watershed project were only tapped when the material required exceeded what was permissible under the labour material ratio of the MGNREGS. This also raises issues of whether the target of the watershed programme was suitably raised to account for the resources taken from the MGNREGS.

CONSEQUENCES OF WORK

AGRICULTURE

In evaluating whether the MGNREGS in Karnataka has created assets that improve the productivity of land, the simple answer would be positive. Check dams, irrigation canals, wells and other such assets should all have had a positive impact. Those benefitting from these projects too were also enthusiastic in their assessments of the positive impact of these assets.

The difficulty arises when we try to quantify the benefit so as to be able to decide whether the projects generated the most productive assets possible. Since the construction of these assets have many dimensions, a great deal would depend on the aspect we focus on. While some assets like an irrigation canal would have an immediate impact, others, especially some

of those related to dry land agriculture could take longer to take effect. And since the MGNREGS in most districts in Karnataka had been in place for less than three years when this study was conducted, it may be too soon to look for precise quantitative assessments.

What must be said, however, is that there are a number of elements that go into the creation of assets under the MGNREGS that may constrain the benefits of the Scheme. First, in the choice of projects so far the focus has been on those that relate to a single gram panchayat. While the formal processes that have been laid out allow for projects involving more than one gram panchayat, in reality such projects are rare. This ensures the MGNREGS projects cannot tap any economies of scale that may be available. Second, the choice of projects is typically first made informally at the gram panchayat and then checked at the taluk level to see if fits into the list of permissible projects. This process does not pay sufficient attention to the relative productivities of competing projects. Thus while the impact of MGNREGS on agricultural productivity is very likely to be significantly positive, there is reason to believe that it is not always as beneficial as it could be.

An employment guarantee scheme can affect the availability of labour for agriculture both directly and indirectly. The direct effect is when the scheme offers a wage rate that is higher than that available in agriculture at the same time. The indirect effect is that the wage rate offered in the

scheme is available to workers even when the workers do not actually work in the MGNREGS. This then becomes the floor wage rate below which workers will not be available for work.

These factors however only come into play when there is other work available at the time when the workers decide to look for MGNREGS work. In all the five regions by far the most common answer was that no other work was available, with this being the response of 99 percent of the beneficiaries in the South and over 90 percent in the two northern regions as well. It is only in the better-off Malnad and Coastal Districts region that a fourth of the beneficiaries said they had other options, and even here 16 percent were those who said the other options were in their own farms or business.

For those who have the choice, the wages earned in MGNREGS were generally well below that available in agriculture or other wage labour. This was true for male workers in all the regions with the agricultural wages being nearly twice the earnings from MGNREGS in the Northeast. For female workers too agricultural wages and the earnings of other daily wage labour were higher than the earnings from the MGNREGS in three of the five regions. It is only in the Malnad and Coastal Districts region and the South region that this was not the case. The ability of the MGNREGS to directly draw labour away from agriculture was therefore quite limited.

CHRONIC POVERTY

Given the fact that addressing chronic poverty is one of the stated goals of the scheme, it would be reasonable to expect that a greater proportion of the chronic poor are beneficiaries of the scheme when compared to other sections of society. The picture from the ground does not however suggest that this is the case in Karnataka. Other than in Northeast the proportion of beneficiaries among the chronic poor is less than the proportion of beneficiaries among the others in the rural community.

The impression of the chronic poor having to meet higher transaction costs than others is strengthened by the earnings from the MGNREGS reported by the beneficiaries. In three of the five regions of the state the earnings of the chronic poor from the MGNREGS is significantly lower than that of those who are not among the chronic poor. Even in the more developed areas, such as the Malnad and Coastal Districts region, where the earnings of the chronic poor are the highest when compared to other regions, the earning of others from the MGNREGS is greater. And in the two regions where there is no significant difference between the earnings of the chronic poor and the others – the Northeast and the Tribal regions – the actual earnings are much lower than that specified under the MGNREGS.

OTHER EFFECTS

It is sometimes suggested that the MGNREGS will have an impact on migration from the villages to the cities. By

offering rural workers work in the village it will reduce the need for workers to go to the city to seek employment. The results failed to confirm the expectation that MGNREGS reduces migration. On the contrary there may even be case to argue that the beneficiaries of the MGNREGS were more inclined to migrate.

One of the major macroeconomic effects of the schemes under the MGNREGA is believed to be the purchasing power it generates, not just from the amount directly spent but also through, what economists call, the multiplier. The multiplier from MGNREGS payments was quite significant.

Quite predictably the poorest region in Karnataka – the Northeast – spends the highest proportion of income from MGNREGS on food. The expenditure from MGNREGS income in other regions sometimes reflects the characteristics the region is commonly identified with. The fact that the only region spending a significant amount of MGNREGS income on education is the Malnad and Coastal Districts region is quite consistent with the strides that region has made in this field. What is more disconcerting is the relatively high levels of expenditure on health in the Tribal region.

Men and women workers reported significant differences in the wages earned for MGNREGS work in all five regions of Karnataka. These differences went up to nearly Rs 20 in the Malnad and Coastal Districts region and Rs 18 in the Tribal region. But the gender difference in both

agriculture and other unskilled daily wage work was substantially greater than that prevailing in the MGNREGS. Even in the areas reporting substantial gender differences in MGNREGS earnings, the differences in agriculture and other unskilled daily wage work were far greater. The norm that women should account for at least a third of the person days worked was met in all the five regions.

THE PROCESSES

Discussions at the zilla panchayats, taluk panchayats and gram panchayats give a distinct impression that the creation of awareness about the MGNREGS is generally not very high on the list of priorities of the officials. As a result the levels of awareness were typically determined outside the government machinery. Regions with long traditions of political awareness, particularly the Malnad and Coastal Districts region, also had very high levels of awareness of the MGNREGS. Conversely, regions with relatively limited successes in the past in the mobilization of rural workers, particularly the Northeast and the Northwest regions, had very little awareness of the scheme. Interestingly, even in these low awareness regions the districts with the active involvement of Non Government Organizations had a noticeably higher level of awareness.

A recurring theme in the implementation of the scheme was the informal processes on the ground that were later formalized in the MIS. This was true

for the issue of job cards, getting work, and for the implementation of projects. For instance, acknowledgement slips for those who applied for job cards were rarely issued, ensuring that there was no independent record of how many workers actually applied for a job card. This left open the possibility of job cards being issued in the names of those who did not apply. Indeed, we cannot completely rule out the possibility of job cards being issued to non-existent individuals.

The labour demand is then made through varying rule-of-thumb calculations. In some cases these calculations are based on the job cards issued. In other cases, it is simply a projection based on the current year's progress, with the overall MGNREGS budget of the current year being taken as given, and 60 percent of that figure taken as the labour expenditure. Both these processes have their limitations as there are reasons to doubt the genuineness of the number of job cards, and the labour material ratio is also not always maintained.

The processes of implementation have a number of dimensions of which two appear to be in need of early attention: the procurement of materials, and the facilities provided to workers. There were several indications of the specific steps required by the formal process to procure material not being followed.

The workers are also required to be provided with a number of facilities. In the work sites that this team visited, there were few indications of these facilities. The general

pattern appeared to be for the workers to take care of themselves, bringing even their own water.

The emphasis on Social Audits in the MGNREGS is reflected in the number of audits being carried out. These audits are typically carried out as per the requirements. But there are reasons to doubt their effectiveness. The most significant of these reasons is that there is little public involvement in these audits.

RECOMMENDATIONS

AWARENESS AND TRANSACTION COSTS

The levels of awareness are uneven across different regions. It would be useful to build on the empirical fact that within the two northern regions with very low levels of awareness, the district which has an active presence of a Non Government Organization has a relatively better awareness.

It is recommended that a portion of the Administrative costs of the MGNREGS in Karnataka be used to support advocacy Non Government Organizations working in the backward and low awareness districts of the state. The NGO should be mission driven rather than fund driven. This support can be linked to performance. The criteria for performance should include attendance at gram sabhas, the number of job cards, and jobs created. Ideally, each NGO should be given a small area so as to ensure better focus.

JOB CARDS

The process of issuing job cards appears to lack adequate scrutiny. Not only are the number of job cards listed in some of the regions very high, but the government's own process of verification has found lakhs of job cards that have a different number but the same name of the head of the household.

It is therefore recommended that a separate registry be created in each gram panchayat to issue job cards. This body will not have as its member any serving member of the gram panchayat. It will have one representative of each of the ward sabhas in that gram panchayat. It will be administered through an independent non-government agency that will create a network of gram panchayat level registries in each district. This gram panchayat level registry can then issue the job cards based on verification by the member from each ward sabha. The computerisation of this process at the taluk level will help prevent the issue of second cards to the same household.

PLACE OF THE CHRONIC POOR IN THE SCHEME

The current methods of targeting the very poor are not always effective. Using the BPL card dilutes the benefits to the poorest as this card is also available to others who may be poor but are not the poorest.

Our survey also suggests that using the BPL card as a basis for targeting the poor does not guarantee that all the poor will be covered.

On the basis of previous experience projects should be identified that tend to employ the chronic poor. Such projects should be given priority.

DIFFERENTLY ABLED

Standardised piece work criteria can discriminate against the old, and other differently abled workers. This dilutes the guarantee of work.

It is therefore proposed that a separate list of activities be notified taking into account the abilities of individuals. Differently abled individuals can then be given work in line with their abilities.

CONVERGENCE AND THE AVAILABILITY OF JOBS

In order to enable convergence between government programmes all the departments that have projects identified in a particular gram panchayat could be asked to state their demand for labour in advance. Depending on the number of workers asking for work the gram panchayat secretary could inform the department at the beginning of each week about the availability of labour for that week. While this approach will improve the availability of jobs, it runs two risks. First, additional MGNREGS funds could go into

meeting targets that are already provided for. Second, more popular schemes could crowd out the funds needed to remove the bottlenecks to development, particularly in dry land areas.

It is therefore recommended that the government based on inputs from decentralized institutions first identify the bottlenecks to development in each taluk in the state. It can then list the other state and central schemes that are best suited to remove these bottlenecks. These schemes can then provide to the local gram panchayats their weekly requirements of labour. And the gram panchayat secretary should inform those carrying out the project locally about the availability of MGNREGS workers each week. Schemes that use MGNREGS labour should have their targets suitably raised.

WORKING ON OWN LAND

The MGNREGS allows the underprivileged to work on their own land. This benefit is granted to specific groups including the beneficiaries of land reforms. In many cases this could result in MGNREGS funds being used where the farmers would have been able to use their own labour or even hire labour. Such a subsidy would only be justified on two grounds: one it helps the very poor and it contributes to food production.

It is therefore recommended that the option of working on their own

farms only be given to those growing food crops. The very poor can be exempted from this condition.

WORK ON PRIVATE LAND WITH PUBLIC BENEFIT

A major area of concern in Indian agriculture has been dry land farming. The technologies for dry land farming are designed for the entire watershed. A farm pond can be built at the lowest point in the watershed, thereby improving the availability of water to areas around it. This process faces two important bottlenecks. The pond could be on the private land of one farmer while the benefit would be to others. This would require a mechanism whereby the farmer whose land becomes a farm pond is compensated by the others. The second bottleneck is that no single farmer would find it viable to make the investment for the entire watershed. The resources available under the MGNREGS could be used to fill in this viability gap.

It is therefore recommended that the MGNREGS allows work on private land for specific watershed projects, such as the building of a farm pond. This must however only be allowed when there is a clear lease mechanism whereby a farmer whose land is taken for such an asset is compensated by the others in that watershed. It is also essential that all the members of the watershed opt for such a scheme.

SHELF OF PROJECTS

In practice, the gram panchayat typically comes up with a set of projects and the line department officials only decide whether it is feasible. Taluk officials act as the clearing house, deciding whether the projects are among those that are permissible. As the list of permissible projects is broad and can be interpreted even more broadly, a wide range of projects can go through. This process does not pay much attention to the effectiveness of individual projects in removing the local bottlenecks to development.

It is therefore recommended that after the government has worked out the list of bottlenecks for the development of each predominantly rural taluk in the state, the Line Departments can work out the specific projects required to remove the bottlenecks. The gram panchayat can then be told that at least one in every two projects should be from this sharply focused list.

LIST OF PERMISSIBLE PROJECTS

It is recommended that the larger list of permissible projects is also made taluk specific. Thus each taluk would have two lists: one of the specific projects required to remove bottlenecks, and another larger list of permissible projects that are locally relevant.

AGRICULTURE

The projects under the scheme would be particularly useful if they generate investments that individual farmers do not find viable. For example, a project may be beneficial to a group of farmers, but each one of them may not find it viable to invest in it. To the extent that it improves the overall quality of resources in agriculture, it would be a viable MGNREGS project.

It is therefore recommended that specific land improvement projects covering the land of more than one farmer be given top priority, especially in dry land areas. They could be included in the list of projects that would remove bottlenecks to development.

NON-LABOUR BENEFICIARIES

The beneficiaries of the MGNREGS are primarily the labour employed in the projects, but the individuals benefiting from the projects typically gain much more. There is a possibility of some projects benefiting just a few at great expense. It is also possible that the same households benefit repeatedly from MGNREGS projects. This leads to a distortion in the distribution of the benefits of the projects under the scheme.

It is therefore recommended that the gram panchayat maintains a record of the number of households benefitting for every Rs 10,000 spent on a project under the MGNREGS. It should distinguish between the direct

beneficiaries of the scheme, such as those who benefit from the irrigation provided by a well, and the indirect beneficiaries such as those benefiting from forestry. A work having only indirect benefits would have to have many more beneficiaries, say, three times the beneficiaries of a competing work with direct beneficiaries. When clearing a project the Taluk Panchayat must try to ensure that the number of households benefiting from money spent on a project is high, and the number of repeated beneficiaries from MGNREGS projects is low.

DEMAND FOR WORK

The current process of assessing the labour budget is quite arbitrary. In order for the scheme to be true to the spirit of guaranteeing work to every worker, it is necessary to ensure that the demand for work is recorded whenever it exists. Ideally, this would be done by finding out from every household with a job card, their requirements of labour for the week. This information collected over a year would provide a better basis to project the demand for work in the next year. This measure could also be adjusted to take into account factors like a drought.

It is therefore recommended that 15 person days of MGNREGS labour per month in each gram panchayat be devoted to finding out the weekly labour demand from each household. This exercise will have the added benefit of increasing awareness of the

scheme. The individual playing this role could also help the Ombudsperson keep track of the working of the scheme. The record of the demand for work will also provide authentic account of not just the magnitude of the demand but also its seasonality.

DELAY IN PAYMENTS

A major reason cited for the delay in payments across regions is the measurement of work done. It may be more effective to have the measurements taken locally. This does raise the possibility of error, or worse. But other methods could be used to check wrong doing.

It is therefore recommended that the measurement of work done be carried out at the gram panchayat level. The line department officials could carry out random surprise checks to find out the accuracy of these measurements. Disciplinary action could be taken against the gram panchayat officials if the error is more than 10 percent.

It is also recommended that an easily accessible mechanism should be set up to provide compensation for delays in payment.

SOCIAL AUDIT

Across Karnataka the social audits are held regularly, but their very purpose is defeated by the extremely low levels of popular interest. For this system to work to any degree it is essential that the

attendance at social audit gram sabhas improves.

It is therefore recommended that if an NGO is appointed in a district for awareness of the MGNREGS and another individual given 15 person days of MGNREGS work to collect labour demand information, the social audit coordinator must work in close coordination with them to improve the attendance at the social audit gram sabhas.

MONITORING

It is recommended that the monitoring of the scheme be done not only in terms of the process but also in terms of outcomes. The outcomes in terms of jobs would be the number of households that have gained employment in the scheme. And the outcomes in terms of the assets created would include the number of

beneficiaries of those assets as well as some technical indicator of the quality of that asset.

QUALITY OF INFORMATION

It is recommended that a detailed review be carried out of the procedures being followed at the gram panchayat level to record the work under the MGNREGS on the official website.

FACILITIES FOR LABOUR

It is recommended that each gram panchayat have a pedal-driven three-wheeler designed to provide drinking water, medical aid for emergencies, and if possible, a temporary shade that can be easily set up and dismantled. The work of the driver of the pedal driven three-wheeler should be treated as MGNREGS work.

THE ISSUES

The Mahatma Gandhi National Rural Employment Guarantee Act is, arguably, the most important official intervention into the rural economy in India over the last decade. Its emergence as a fall-back employment source is designed to make a significant difference to livelihood security in rural India. In the process the Act also envisages being a growth engine for the rural economy. The guarantee of a hundred days of employment a year for a rural household is designed to substantially increase purchasing power, and may have played a role in limiting the impact of the global recession on the Indian economy. Its emphasis on the creation of productive assets should help offset the substantial deficits that have been noticed in the past in public investment in agriculture. The provisions of the Act also provide for a significant initiative in social transformation. There are specific measures to improve the economic conditions of the Scheduled Castes and

Scheduled Tribes and other disadvantaged groups. It stipulates that at least a third of the beneficiaries should be women. And by putting in place an elaborate system of monitoring and evaluation of a decentralised operation, the implementation of the provisions of the Act are also expected to transform rural administration.

In order to implement this very substantial agenda across the country, the Ministry of Rural Development in the Government of India has gone into considerable detail in laying out the processes that need to be followed at a variety of levels, ranging from the Union government down to the gram panchayat and the worker. Well developed as these processes are, their implementation across the country is bound to be affected by the diversity that prevails on the ground. The socio-economic conditions in which the Act is implemented vary to such an extent as to influence the availability of labour. The

nature and functioning of the various institutions, from those at the state level to the gram panchayats, are very unlikely to be uniform. The effects of the various assets that have been developed, the purchasing power generated, and the social transformation initiatives are also likely to vary. The relevant processes of implementation, even when they are consistent at the national level, have to be functional in the local environment.

This report seeks to evaluate the effectiveness of the processes of implementation of the Mahatma Gandhi National Rural Employment Guarantee Act in Karnataka and recommend specific steps that could improve these processes. Such an exercise necessarily involves comparing the functioning on the ground to the guidelines provided at the central and state levels. The emphasis on effectiveness however implies that the report cannot confine itself to an investigation of whether the norms are being followed. In addition to this important element it has to also seek insights into the impact of the scheme on the rural economy. It was thus necessary to understand the functioning of the MGNREGS from the perspective of those in the village economy. At the same time the focus on practical recommendations led us to pay considerable attention to the views of those in the implementation mechanism, from those involved in designing the scheme at the central and state levels, to functionaries at the district, taluk and village institutions.

The rest of this introductory chapter outlines the approach we used to achieve the overall objective of this evaluation. We begin with an outline of the specific issues that needed to be considered. We move on to our efforts to address the diversity that exists within Karnataka. We then specify the method used in this evaluation.

THE SPECIFIC ISSUES

The National Rural Employment Guarantee Act, (NREGA) was notified on September 7, 2005. The Act was notified in 200 districts in the first phase with effect from February 2, 2006 and then extended to an additional 130 districts in the financial year 2007-2008. The remaining districts were notified under the NREGA with effect from April 1, 2008. The first phase covered five districts in Karnataka: Bidar, Chitradurga, Davangere, Gulbarga and Raichur. The second phase extended the scheme to six more districts: Belgaum, Bellary, Chikmagalur, Hassan, Kodagu and Shimoga. The rest of the state was covered in the third phase.

The objective of the Act is to enhance 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. It aims to create a strong social safety net for the vulnerable groups by providing a fall-back employment source, when other employment alternatives are scarce or inadequate. Through the process of providing

employment on works that address causes of chronic poverty such as drought, deforestation and soil erosion, the Act seeks to strengthen the natural resource base of rural livelihood and create durable assets in rural areas. It further seeks the empowerment of rural poor through the processes of a rights-based law and to provide a model of governance reform based on transparency and grassroots democracy.

The official guidelines for the Act identify its salient features as:

- “i) Adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat.
- ii) The Gram Panchayat after due verification will issue a Job Card. The Job Card will bear the photograph of all adult members of the household willing to work under NREGA and is free of cost.
- iii) The Job Card should be issued within 15 days of application.
- iv) A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be at least fourteen.
- v) The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates
- vi) Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid. Liability of payment of unemployment allowance is of the States.
- vii) Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses
- viii) Wages are to be paid according to the Minimum Wages Act 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women.
- ix) Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case.
- x) At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
- xi) Work site facilities such as crèche, drinking water, shade have to be provided.

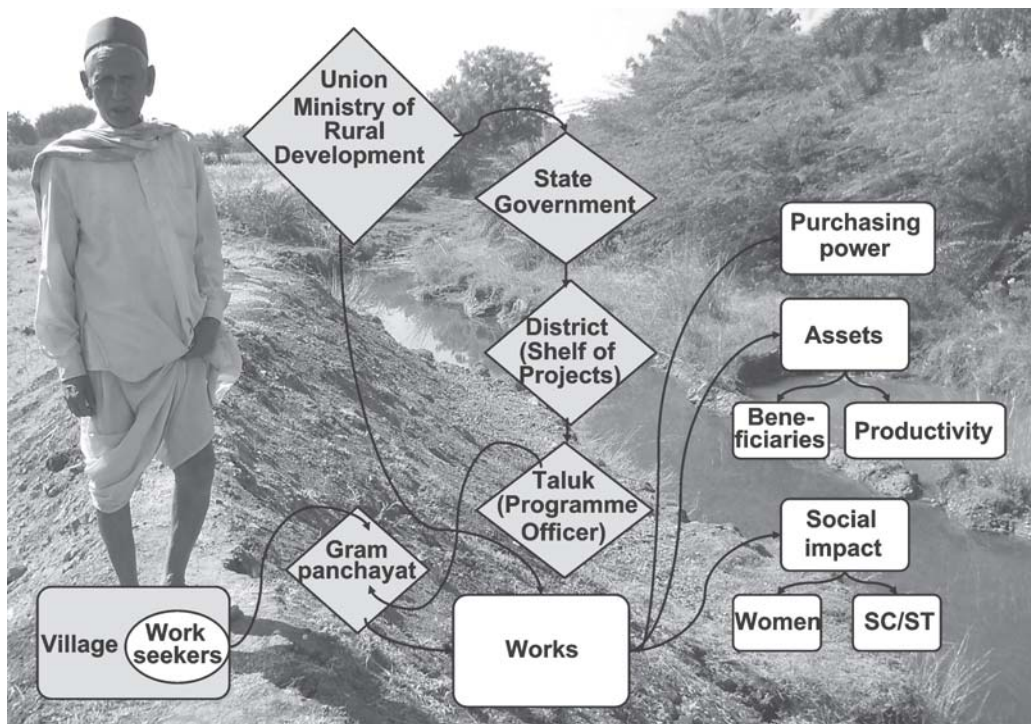
- xii) The shelf of projects for a village will be recommended by the *gram sabha* and approved by the *zilla panchayat*.
- xiii) At least 50% of works will be allotted to gram panchayats for execution.
- xiv) Permissible works predominantly include water and soil conservation, afforestation and land development works.
- xv) A 60:40 wage and material ratio has to be maintained. No contractors and machinery is allowed.
- xvi) The Central Government bears the 100 percent wage cost of unskilled manual labour and 75 percent of the material cost including the wages of skilled and semi skilled workers.
- xvii) Social Audit has to be done by the Gram Sabha.
- xviii) Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process.
- xix) All accounts and records relating to the Scheme should be available for public scrutiny.¹

There is however some scope for flexibility around these guidelines. State governments are expected to evolve their own National Rural Employment Guarantee

Schemes which, while being required to be consistent with the national operational guidelines, offer the state governments the option of introducing more detailed norms to ensure the effective implementation of the provisions of the Act. In addition, the Government of India has itself been open to reconsidering specific norms. It has, for instance, now decided that the schemes based on the Act will pay a real wage rate of Rs 100 (that is, the rate of Rs 100 will be regularly revised to take into account inflation).

The operation of the Act through these guidelines generates seven key stakeholders: wage seekers, gram sabha, panchayat raj institutions (especially the gram panchayats), Programme Officer at the block level, District Programme Coordinator, State government, and the Union Ministry of Rural Development. These stakeholders relate to each other through specific processes reflected in Chart 1. The process begins with workers in a village seeking work from the gram panchayat. The gram panchayat together with the programme officer at the taluk office prepare a shelf of projects which is cleared by the zilla panchayat. The bulk of these projects are implemented through the gram panchayat. These works have a series of effects on the village economy and society, from increasing purchasing power and creating productive assets, to providing

¹ *The National Rural Employment Guarantee Act (2005): Operational Guidelines, 2008, 3rd Edition, Ministry of Rural Development, Government of India, New Delhi, pp 2-3.*



support for women and other disadvantaged sections of society. The entire process is carried out under the scheme designed by the state government in line with the guidelines laid down by the Government of India. The Central Government has also been known to occasionally directly study the working of the scheme in some areas.

The processes involved in implementing the MGNREGS are, broadly speaking, of two kinds: those that are concerned with enabling and monitoring the scheme (the shaded boxes in the chart), and those that are directly involved in the work and the consequences of that work (the white

boxes in the chart). Addressing each of these types of processes require a different focus. An evaluation of the processes involved in enabling and monitoring the scheme must necessarily focus on the government machinery and elected officials. At the same time an evaluation of the activities of those involved in the work and the consequences of that work will be incomplete unless it is seen in the context of the larger village community. This raises methodological issues that we will address in a later section of this chapter.

When we look at the overall processes we can identify issues at four sets of issues.

The first set relates to what can be seen as the first stage with the worker seeking work. This process is designed to begin in the village where the job seekers demand to be employed. The guarantee of a 100 days of employment per rural household for all its adult members willing to do unskilled manual work is to be made effective through the provision of job cards to households and then employment when it is desired. At an administrative level the challenge is to ensure deadlines for providing job cards and jobs are met. And this would have to be done without any transaction costs. At the same time the functioning of the scheme, and indeed its very relevance, is dependent on the demand for such a safety net. It is then important to see how the village economy relates to the MGNREGS; what is the role of the scheme in the functioning of the village economy. It is also necessary to gain insights into the social impact of the scheme.

The specific issues in the process of seeking work include:

1. What is the level of awareness in the village of MGNREGS?
2. Are there transaction costs that prevent potential beneficiaries from getting job cards? Are there certain poor who are not covered by NREGS card? Are there any other difficulties faced by beneficiaries?
3. What is the place of the beneficiaries of the MGNREGS in the village community? Are

they, for instance, the poorest?

4. Does the process begin with the worker demanding jobs or is it initiated when a new work finds funds? What mechanism has been put in place to monitor demand for work?
5. Are the norms set for the scheme being followed in the issue of job cards, payments, and other elements of the scheme?

A second set of issues arises simultaneously from the process of providing work to those seeking it. The demand for work under the MGNREGS has to be matched with projects that can generate the required jobs. The MGNREGS seeks to not only provide jobs for those who need them but to do so in a manner that makes a fundamental difference to the rural economy. This requires projects that address not just a felt need in the village but also fit into the larger economic processes in the region. This makes it imperative to take a closer look at the generation of a shelf of projects and their approval by the zilla panchayat. The process of choosing projects and the providing resources for them is itself not independent of other social and political processes at the village, taluk and district level. The effect of these processes can be seen in a number of areas, ranging from the implementation of specific norms such as ensuring the work is ordinarily within a five kilometre radius of the village, to the possibility of elite capture.

The specific issues that need to be addressed here include:

1. What are the social and political processes through which the labour budget is approved in the gram sabha?
2. How is the shelf of projects developed?
3. Are norms such as the stipulated wage-material ratio followed?
4. What is the priority of works?
5. How is the site chosen?
6. How is the technical feasibility carried out?
7. Are the delivery processes effective?
8. Is there a possibility of further simplification of rules and regulations?
9. What steps can be taken to improve the efficiency of the scheme?
10. Is there a need to expand the permissible work under MGNREGS?

An intervention of the size of the MGNREGS necessarily has consequences that can transform the rural economy. The third set of issues revolves around the carrying out of the work and its consequences. The consequences fall broadly into three categories: the generation of purchasing power, the creation of assets, and the social consequences. The creation of assets can in turn be evaluated in terms of their productivity and in terms of the beneficiaries of these assets. The social

consequences too would include those affecting the Scheduled Castes and Scheduled Tribes and other vulnerable social groups, as well as those influencing gender issues.

The specific issues that form a part of this set include:

1. How is the money earned from the MGNREGS spent? How has it improved expenditure on women and children, particularly on their education, better nutrition and health?
2. Is there a difference in the tendency to migrate between beneficiary households and other households? Has MGNREGS had an impact on migration?
3. Who are the direct beneficiaries of the works that are carried out? What is the distribution of these beneficiaries across different social groups?
4. Is there a gender difference in earnings, and expenditure from income earned under MGNREGS?

The three sets of issues listed above focus on the working of the scheme on the ground. But the lessons learnt from those exercises have to be addressed through the processes through which the scheme is implemented. The fourth set of issues thus involves the processes that enable the scheme and then monitor its progress. These enabling and monitoring processes would need to be seen not only in terms of those directly involved in carrying them out, but

also in terms of how they are perceived in the village.

The specific issues that fall in this set include:

1. What is the nature and effectiveness of various social audit mechanisms at the local level?
2. What is the status of the appointment of the ombudspersons and their effectiveness?
3. Does the actual data maintained at the gram panchayat tally with MIS data?
4. Is the monitoring process put in place effective?
5. Is the complaint redressal mechanism in the state adequate?
6. How far has the MGNREGS been effectively combined with other key development programmes?
7. How effective has the vigilance mechanism of the MGNREGS been?
8. How has the MGNREGS affected minimum wages in the local labour market? Has there been any impact on agriculture due to MGNREGS?

THE CHALLENGE OF DIVERSITY

An often underestimated challenge in the analysis of policies in Karnataka is that of the impact of the diversity of the state. The state consists of parts that have very different histories. It includes territories that were once parts of princely states as well as portions of different British presidencies. Different parts of Karnataka also have varying agro-climatic conditions. The agrarian systems also vary quite significantly across the state. This diversity itself is widely acknowledged. But the impact it has on an assessment of the state as a whole has not always been given its due. Not enough attention is paid to the fact that when dealing with extremes the average could provide a picture that relates to neither end. And the multiple agrarian and other systems across the different regions in Karnataka can generate an average that does not exist anywhere in the state.

Ignoring this diversity would be particularly dangerous in studying the MGNREGS as several elements identified in the scheme have been known to vary quite substantially. The proportion of landless labour has been known to vary significantly across regions of the state.² This could have an impact on the size of the labour force that is in need of the MGNREGS. Again, the divergence in agrarian systems had led

² This can be seen in Census data going back to the late nineteenth century.

to a varying impact of land reform legislation.³ Since the beneficiaries of land reforms are entitled to some special treatment under the MGNREGS, this variation too cannot be ignored.

It may be prudent then not to confine ourselves to averages for the state as a whole, but to also carry out an analysis of regions. Our first task then is to arrive at a set of regions which would capture much of the variation across Karnataka.

Studies have shown that there are at least three broad categorisations possible of Karnataka's agrarian systems.⁴ First, the coastal districts were historically dominated by tenancy. It is hardly surprising then that these regions were the major beneficiaries of land reform that transformed the agrarian system. A generation after the reforms were implemented in the 1970s, this region is characterised by a dynamic system of farming for profit with a prominent place for horticulture. This post-tenancy reform economy can be expected to have its own dynamics in the implementation of the MGNREGS. Second, the districts that were once a part of the princely state of Mysore were, in general, dominated by peasant agriculture. Landlessness and tenancy in these districts in southern Karnataka were among the lowest in the state. The tenancy reform did not have too great an effect in

this region. Over the years, though, the division of small peasant farms from one generation to the next has resulted in a large number of holdings becoming unviable, leading to an increase in wage labour. This region provides a picture of the employment guarantee scheme working in a peasant economy with an increasing class of wage labour. The third broad classification of agrarian systems is that of northern Karnataka. Many parts of this region particularly after the famine of the late nineteenth century have been known to historically have a large landless agricultural labour class. This region characterised by large tracts of dry land agriculture was also known to have very large farms. The combination of large dry land farms and landlessness has ensured that some parts of this region are not only poor but also record high degrees of inequality.

We may however need to go beyond this simple three-fold classification. In some cases the agrarian situation in the border of a region is similar to that in the neighbouring region. For instance, tenancy, somewhat different in detail, from what prevailed in the coastal districts was also existent in the neighbouring Malnad region of old Mysore. The Malnad region was also among the earliest in Karnataka to record political movements for land reform, such as the

³ Rajan, MAS (1997) 'Effects of land reforms: What next?' in Abdul Aziz and Sudhir Krishna (eds) *Land Reforms in India, Volume 4, Karnataka-Promises kept and missed* Sage, New Delhi

⁴ Pani, Narendar (1983) *Reforms to pre-empt change: Land Legislation in Karnataka*, Concept, New Delhi

Kagodu sathyagraha.⁵ There is therefore a case for linking the Malnad region with the coastal regions rather than with old Mysore. This case is further strengthened when we consider the fact that the hilly terrain of this region is quite different from the rest of old Mysore. Further, given the size of the northern region and the fact that there were serious political variations between the districts that once belonged to the Nizam's Dominions and those that belonged to the Bombay Presidency, we may be better off treating Hyderabad-Karnataka and Bombay-Karnataka as two different regions. In addition, there are three contiguous districts – Chitradurga, Bellary and Raichur – where the tribal population is over one-sixth of the total population (in fact, over 18 percent of the population⁶). This feature merits treating the tribal districts as a separate region, especially since the MGNREGS places great emphasis on the weaker sections of society. Keeping this historical and agrarian perspective in mind, as well as geographical contiguity and the need to incorporate areas like Kodagu, we could broadly divide the state

into five regions: Coastal Karnataka and the Malnad, Southern Karnataka, North-Western Karnataka, North-Eastern Karnataka, and the Tribal belt. Table 1.1 presents the regional classification used in the study.

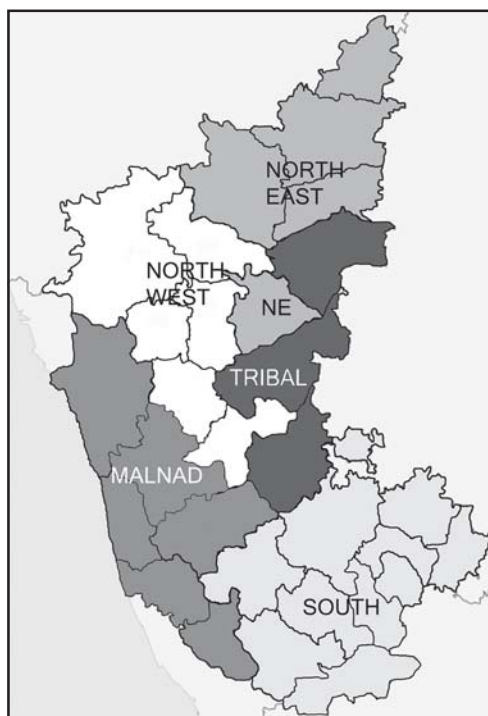


Table 1.1: Regions in the Study

| Region | Districts |
|-----------|--|
| Northeast | Bidar, Koppal, Gulbarga, Bijapur, Yadgir |
| Northwest | Haveri, Belgaum, Gadag, Bagalkote, Davanagere, Dharwar |
| Tribal | Raichur, Chitradurga, Bellary |
| Malnad | Uttara Kannada, Chikmagalur, Shimoga, Udupi, Dakshina Kannada, Kodagu |
| South | Chamaraja Nagara, Mandya, Chikkaballapura, Hassan, Tumkur, Kolar, Ramanagara, Mysore, Bangalore Rural, Bangalore |

⁵ Rajashekhar, G (1980) Kagodu Sathyagraha, Akshara Prakashana, Sagar.

⁶ Census of India, 2001

In order to confirm whether this classification helps us explain the variations in the economic profile of Karnataka, we tested an analysis of variance (Anova) on the per capita income of the districts in these regions. Since our focus was on the rural economies relevant to the MGNREGS, we left out the two Bangalore districts. As the Table 1.2 shows us, the variation explained by these regions is far greater than the variations within these regions. With a level of significance of one percent, we can treat this classification as meaningful for our economic analysis.

A similar justification can be found in the data related to MGNREGS as well. In order to take into account the difference in the size of the districts we need to adjust the data on MGNREGS with an indicator of the size of the district. This can be done by dividing the number of job cards in each district as listed in the official website of the MGNREGS by the rural population of the district in the 2001 Census. The distribution

of job cards in the year 2009-10 adjusted for the population of the districts in the Census of 2001 (that is, total job cards/population) across the same five regions follows a pattern close to that in the data on district income. This regional classification explains more of the variation in this data than that within the regions. This result is shown in Table 1.3.

With this regional classification explaining the bulk of the variation across districts in both income and job cards adjusted for population, analysing the secondary data available in Karnataka across these five regions helps us summarise the diverse conditions under which the MGNREGS functions across Karnataka.

The diversity across the five regions is revealed in their basic characteristics. Given the dominant role that this classification plays in explaining the variation in income across districts, it is hardly surprising that there is wide disparity between in income from the poorest region, the Northeast, to

Table 1.2: Anova of per capita income

| | Mean Square | F ratio | Significance |
|----------------|-------------|---------|-------------------|
| Between Groups | 1.863E8 | 4.361 | Significant at 1% |
| Within Groups | 4.272E7 | | |

Note: Bangalore and Bangalore Rural not included. Net per capita income (2007-08) current prices data obtained from Directorate of Economics and Statistics, Bangalore

Table 1.3: Anova of jobcards adjusted for rural population 2009-10

| | Mean Square | F ratio | Significance |
|----------------|-------------|---------|-------------------|
| Between Groups | 0.011 | 6.492 | Significant at 1% |
| Within Groups | 0.002 | | |

Source: Job cards data for FY10 obtained from MGNREGS website (Accessed September 24, 2010).

Table 1.4: Net per capita income by region

| Region | Average net per capita Income |
|------------------------------|-------------------------------|
| Northeast | 22562.50 |
| Northwest | 27915.50 |
| Tribal | 30240.67 |
| Malnad and Coastal Districts | 37343.17 |
| South | 24564.63 |

Source: Net per capita income (2007-08) current prices data obtained from Directorate of Economics and Statistics, Bangalore
 Note: The data on per capita income is the average of the districts in the region. This data is not adjusted for the population of the districts. The South does not include the two Bangalore districts.

the richest, the Malnad and the Coastal districts. As can be seen from Table 1.4, there is considerable disparity in the incomes of the different regions. The richest region – the Malnad and Coastal districts – has an income that is 65 percent higher than that of the poorest region, the Northeast of the state. In keeping with our focus on the rural, the data for the South does not include the two Bangalore districts. What is striking is the extent to which the Malnad and Coastal Districts region is ahead of the other regions,

once we take Bangalore out of the picture. Indeed, without Bangalore the South is the second poorest region with a per capita income that is above only that of the Northeast.

One contributor to this difference in income could be the fact that the richest region has a more active and stable occupation profile than the poorest. The Malnad and Coastal Districts region appears to have a demographic dividend over the Northeast. Workers account for over three percentage points more of the population in the Malnad and Coastal Districts region than they do in the Northeast. The contrast between these two regions can also be seen in the Census category of rural main workers—those who were employed for six months or more over the preceding twelve months. As can be seen from Table 1.5 the poorest region, the Northeast, has the lowest share of rural main workers to total workers. Indeed, its share of rural main workers to total workers is over 9 percent below the

Table 1.5: Proportion of rural main workers to total rural workers and to rural population by region, 2001

| Region | In percent | | |
|-----------|---|--|---|
| | Proportion of total workers to total population | Proportion of total women workers to total female population | Proportion of rural main workers to total workers |
| Northeast | 45.47 | 38.38 | 73.47 |
| Northwest | 48.99 | 39.87 | 78.92 |
| Tribal | 49.90 | 43.52 | 78.01 |
| Malnad | 48.79 | 38.38 | 82.60 |
| South | 50.87 | 40.14 | 79.07 |
| Karnataka | 49.09 | 39.87 | 78.60 |

Source: Tabulated from Census of India, 2001

level in the most prosperous region, the Malnad and Coastal Districts. The ranking in the middle is not consistent with the patterns recorded in income levels.

Going beyond the participation in the workforce, to the occupation structure, it is quite clear that the economic success of the Malnad and Coastal Districts region has much to do with its ability to move out of agriculture. As can be seen in Table 1.6, by 2001 itself the proportion of rural main workers in agriculture, i.e., either cultivators or agricultural labour, was down to around 41 percent, compared to the overall state average of around 71 percent. The share of agricultural labour in the rural main workers of this region was less than 15 percent.

But the ability to move out of agriculture was not the only explanation for the variations in income. The tribal region had the highest share of agriculture among the rural main workers. At nearly 82 percent it was around 6 percentage points greater than the corresponding share in the Northeast. But as we have seen the income in the Tribal

region was over a third greater than that of the Northeast. The share of rural main workers in agriculture does not also indicate uniform agricultural practices. The nature of agrarian relations is also reflected in the division between cultivators and agricultural labour. In the Northeast, Northwest and Tribal regions the dominant share of rural main workers in agriculture was accompanied by a substantial portion of the rural main workers being agricultural labour. In these regions agricultural labour accounted for around 35 percent of the rural main workers. In contrast though around three-quarters of the main workers in the South were involved in agriculture the dominant feature was one of peasant cultivation, with agricultural labour accounting for less than 20 percent of the rural main workers.

METHOD

The first choice that needed to be made when working out the methodology of our evaluation was to decide on the appropriate unit of analysis. The two types of processes

Table 1.6: Proportion of cultivators and agricultural labourers to rural main workers

In percent

| Region | Proportion of cultivators to rural main workers | Proportion of agricultural labour to rural main workers | Proportion of rural main workers in agriculture |
|-----------|---|---|---|
| Northeast | 41.04 | 34.97 | 76.01 |
| Northwest | 45.31 | 34.03 | 79.34 |
| Tribal | 44.73 | 37.02 | 81.74 |
| Malnad | 25.70 | 14.88 | 40.58 |
| South | 54.44 | 19.71 | 74.14 |
| Karnataka | 44.56 | 26.37 | 70.94 |

Source: Tabulated from from Census of India, 2001

we had identified earlier each had its own appropriate unit of analysis. The processes concerned with enabling and monitoring the scheme called for a unit of analysis that was consistent with administrative processes. Since the focus at the administrative level was on the gram panchayat it was this set of villages that had to be taken as the relevant unit of evaluation of the enabling and monitoring processes at the grassroots level. In evaluating the scheme at the level of those directly involved in the work and the consequences of that work within the village, we needed to go a step further and

also focus on specific villages within a gram panchayat. This helped us, for instance, to identify who in the village actually benefited from MGNREGS, and whether the place of the beneficiary in the village economy and community changed across different land systems and regions of the state.

The study therefore required information from two different sources: information on and from the official machinery, and data about the households in the villages. The data about the functioning of the official machinery was collected by first canvassing an elaborate



Picture 1.1: Notice for MGNREGS in Dakshina Kannada

questionnaire among the officials involved in the implementation of the scheme at the gram panchayat level. This included visits to the sites of the projects. This was followed by detailed discussions at the gram panchayat level to understand the working of the processes involved in the choice of specific works.

The data from households in the villages was collected through a multi-stage stratified cluster sample. Our earlier discussion on regional diversity in Karnataka made it clear that the first stage of this stratification had to be at the level of the region. At the next stage we had a choice between spreading our sample across a wide range of villages within the region and focusing in greater detail on fewer selected villages. Since our focus was not just on the beneficiaries of the MGNREGS but on the effect of the scheme on the village as a whole, it was felt that we could get greater insights if focused on the village as a whole. This focus allowed us to capture those who were excluded from the functioning of the MGNREGS, thereby allowing us to see whether, and to what extent, some of the poorest were excluded from the scheme. We thus went in for an intensive sampling of selected villages rather than a broad spread across many villages.

The choice of the villages within a region tried to capture the economic variation within the region as well. It did so by first choosing the economically strongest and weakest districts in the region, going primarily by the per capita income. This

exercise left out the predominantly urban districts of Bangalore. Within these ten districts we chose the taluks that had the ratio of job cards to rural households that was closest to the average for the district as a whole. The data for job cards used in this preliminary exercise was from the website of the MGNREGS while the rural household data was taken from Census of India, 2001. Within that taluk, using data from the same sources, we picked the gram panchayat whose job cards to household ratio was closest to the taluk average. Within that gram panchayat we then picked two villages, one among those with the highest number of job cards and one among those with the lowest. The list of districts, taluks and villages is provided in Appendix 1. We then took a sequential random sample of around 200 households distributed between the two villages proportionate to size. The only exception made was in the case of Shimoga district in the Malnad region where the terrain ensured that the villages were more sparsely populated. In this district the sample of around 200 households was distributed across four villages, proportionate to size. The total sample size was 2068 households in 22 villages across 10 districts in the five regions. Since the size of the sample for each region was approximately the same while the size of the regions was not, all the figures in this report have been tabulated separately for each region. The figures for Karnataka as a whole have been arrived at as a weighted average of the five regions, where the weights are the

share of each region in the rural households in the state, based on the Census of India, 2001.

The main section of the questionnaire was then canvassed with the head of the household.⁷ The questionnaire also had a section designed to capture the expenditure

of the beneficiaries of the MGNREGS. This section of the questionnaire was canvassed directly with the beneficiaries. In order to reduce the recall bias this section was only canvassed on those who had worked in the MGNREGS in the 12 months prior to the canvassing of the questionnaire.

⁷ In cases where the designated head of the household was, for health or other reasons, not in a position to answer the questions the questionnaire was canvassed with the next senior most member of the household.

The processes of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) begin, strictly speaking, with the worker seeking work. But this step is itself only possible if the rural community, especially the potential beneficiaries, are made aware of the scheme.

AWARENESS

In order to make rural households aware of the MGNREGS the official machinery at both the district and the taluk levels uses a variety of instruments from announcing the scheme along with the beating of drums to the printing of pamphlets. In some parts of the state Non Government Organizations have also stepped in.

The effects of these efforts have been quite uneven. Even as the rural areas of

some regions have very high levels of awareness of the Scheme there are other regions where the awareness is very low. As can be seen from Table 2.1 the awareness of the existence of the scheme varies from a low of less than 20 percent of the households in the Northeast region to a high of 93 percent in the Malnad and Coastal Districts region.¹ And there is a broader regional pattern to it.

Table 2.1: Region-wise awareness of MGNREGS

| Region | Awareness of scheme | Awareness of 100 days entitlement |
|-----------|---------------------|-----------------------------------|
| Northeast | 19.27 | 9.86 |
| Northwest | 25.75 | 10.25 |
| Tribal | 51.20 | 30.86 |
| Malnad | 92.84 | 77.19 |
| South | 75.29 | 67.73 |
| Karnataka | 56.33 | 44.08 |

Source: NIAS MGNREGS Survey, 2010-11

¹ In order to capture awareness of any dimension of the scheme the questions checking the awareness of the respondent extended beyond recognising the MGNREGS by name. For instance, a person not recognising the scheme by name but being aware of job cards was taken as being aware of the scheme.

The northern regions are the worst off with the awareness in the Northwest being, at 26 percent, only a little better than the Northeast. In contrast, the South region and the neighbouring Malnad and Coastal Districts region have high levels of awareness. The Tribal region to the east of the state has a level of awareness somewhere between the two extremes. It must be noted that these figures reflect a rather basic awareness, in the sense of having heard of some aspect of the scheme. Once we probe a little further and ask the residents of the villages about the basic features of the scheme – even something as widely known as the MGNREGS guaranteeing 100 days work per household – the awareness drops across all regions. This dip takes the awareness in the Northeast and the Northwest to 10 percent.

Beyond these overall levels of awareness there is the issue of the awareness of the potential beneficiaries. It does not help a great deal if the awareness is concentrated in those sections of the village community who would not be willing to carry out the physical labour that is offered under the MGNREGS. The relevant issue then is not so much the overall levels of awareness but the awareness among the potential beneficiaries. This can only become apparent when the levels of awareness are tracked in the context of the village economy and society. In tracking awareness levels across different sections of the village, as indeed in

other issues in this report, we have classified the households in three different ways in order to capture varied aspects of the village economy and society.

First, the agrarian dimension is seen primarily through the land distribution patterns. In the specific context of the potential beneficiaries of the MGNREGS we need to pay particular attention to the landless and the small farmers, as they are most likely to be in need of an employment guarantee.

Second, we need to recognize that the role of agriculture in the village economy itself tends to vary. The economic momentum and pressures of an agriculture dominated by profit-seeking are likely to be quite different from that of a village economy with a more backward agriculture. The dominance of agriculture itself does differ quite significantly across villages. The relevant economic classification to capture these dimensions would move beyond land to look at the set of assets owned by the household. In order to capture the asset profile of an household we first identified seven specific assets that we believe best reflected the ability of different classes of rural households to build their assets, namely, cycle, motorcycle/scooter, car, tractor, land, black-and-white television, and colour television. We took the number of these assets in each household and weighted them according to the relative value of the assets, on a scale of 100.² The sum of these

² The weights that were given were: cycle, 0.625; motorcycle/scooter, 6.25; car, 75; tractor, 100; an acre of land, 2.5; black and white television, 0.625; and colour television, 1.75.

weighted assets was used as an indicator of the asset level of the household. Our second classification of households in the villages is then on the basis of their asset indicators.

The third classification draws on the continuing importance of caste in the village community. The MGNREGS is particularly sensitive to these social pressures, allowing greater leeway to Scheduled Castes and Scheduled Tribes, among other disadvantaged groups, in the implementation of the scheme. Our third classification thus divides the village community into Minorities, Scheduled Castes, Scheduled Tribes, and other castes.

When seen through these classifications it is clear that the awareness levels, in addition to varying across regions, are not always uniform within each region as well.

Interestingly enough, in the region with the least awareness, the Northeast, the awareness among the landless is greater than the overall average while that of the landed is below the average. In the other four regions the awareness among the landless is less than the overall average. In these other regions it is the small and medium landowners who tend to have the most widespread awareness of MGNREGS.

The pattern across the size classes of land ownership is consistent with the awareness levels across different asset groups as well. In the Northeast the lowest asset group of households, with none of the assets we had listed, has an awareness level above the average for the region as a whole. In all the other regions the zero indicator level groups have an awareness that is less than

Table 2.2: Region-wise awareness by land ownership

In percent

| Land in Acres | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement |
| Landless | 28.64 | 14.56 | 24.46 | 9.24 | 41.98 | 23.11 | 91.91 | 69.85 | 74.31 | 66.06 |
| Less than or equal to 2 | 12.36 | 6.74 | 28.16 | 11.65 | 63.1 | 39.29 | 93.23 | 80.21 | 77.54 | 71.12 |
| More than 2 & less than or equal to 5 | 11.96 | 6.52 | 28.38 | 10.81 | 62.82 | 38.46 | 95 | 85 | 78.26 | 65.22 |
| More than 5 & less than or equal to 10 | 4.35 | 0 | 22.22 | 11.11 | 54.84 | 38.71 | 87.5 | 87.5 | 28.57 | 28.57 |
| More than 10 | 7.69 | 3.85 | 16.67 | 8.33 | 46.15 | 38.46 | 100 | 100 | 100 | 100 |
| Total | 19.27 | 9.86 | 25.75 | 10.25 | 51.2 | 30.86 | 92.84 | 77.19 | 75.29 | 67.73 |

Source: NIAS MGNREGS Survey, 2010-11

Table 2.3: Region-wise awareness by asset ownership

In percent

| Asset Indicators | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement |
| 0 | 31.34 | 14.93 | 18.57 | 8.57 | 32.63 | 15.79 | 87.1 | 58.06 | 60.27 | 52.05 |
| More than 0 & less than or equal to 5 | 20.61 | 11.45 | 27.78 | 11.11 | 57.14 | 33.33 | 91.92 | 77.27 | 81.44 | 73.86 |
| More than 5 & less than or equal to 10 | 10.29 | 5.88 | 24.24 | 10.61 | 65.91 | 40.91 | 91.18 | 73.53 | 72.34 | 65.96 |
| More than 10 & less than or equal to 20 | 9.8 | 5.88 | 28.07 | 10.53 | 53.7 | 33.33 | 98.31 | 84.75 | 67.5 | 60 |
| More than 20 & less than or equal to 100 | 7.14 | 2.38 | 23.08 | 7.69 | 60.71 | 46.43 | 100 | 94.74 | 60 | 60 |
| More than 100 | 0 | 0 | 36.84 | 10.53 | 25.93 | 18.52 | 100 | 100 | 100 | 66.67 |
| Total | 19.27 | 9.86 | 25.75 | 10.25 | 51.2 | 30.86 | 92.84 | 77.19 | 75.29 | 67.73 |

Source: NIAS MGNREGS Survey, 2010-11

Table 2.4: Region-wise awareness by caste and religion

In percent

| Caste | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement | Awareness of Scheme | Awareness of 100 days Entitlement |
| Minorities | 42.42 | 21.21 | 31.43 | 7.14 | 34.78 | 17.39 | 95.83 | 62.50 | 100.00 | 100.00 |
| Scheduled Castes | 39.64 | 20.72 | 34.21 | 5.26 | 59.26 | 33.33 | 87.27 | 70.91 | 82.19 | 75.34 |
| Scheduled Tribes | 10.53 | 10.53 | 29.41 | 14.71 | 67.69 | 44.62 | 66.67 | 58.33 | 80.39 | 72.55 |
| Other castes | 8.79 | 4.03 | 22.48 | 11.24 | 45.23 | 28.14 | 94.76 | 80.42 | 69.87 | 61.92 |
| Total | 19.27 | 9.86 | 25.75 | 10.25 | 51.20 | 30.86 | 92.84 | 77.19 | 75.29 | 67.73 |

Source: NIAS MGNREGS Survey, 2010-11

the overall average. In these regions the awareness is greatest in the middle levels. It is also interesting to note the awareness levels among richer households. We would expect the interest in these households about the scheme to be quite low, and a declining awareness as we move to the richer households is clearly visible in the Northeast. But this pattern is not as clear in other regions. Indeed, in the Malnad and the Coastal Districts region, the levels of awareness increase as we move to the richer households.

The awareness levels across different social groups reflect a significant variation not just across regions but also across different sections of the underprivileged. The awareness levels of the Scheduled Castes are higher than the overall average in four of the five regions. It is only in the Malnad and Coastal Districts region, which has high overall levels of awareness that the awareness levels of the Scheduled Castes falls below the overall average. In the case of Scheduled Tribes the pattern is rather more

mixed. As is perhaps to be expected their awareness is well above the overall average in the Tribal region. The awareness of Scheduled Tribes is also above the overall average in the South and marginally above the overall average in the Northwest region. In both the highest awareness region of the Malnad and the Coastal Districts as well as the least awareness region of the Northeast, it is well below the overall average.

JOB CARDS

The number of job cards per 100 households across regions broadly follows the patterns in awareness. The regions with the higher awareness are predictably the regions with the greater number of job cards per 100 households. The only change in the ranking across regions is that the Northwest is now the worst performing region, exchanging ranking with the Northeast. But as is to be expected there are those who are aware of the scheme but do not see themselves as potential labour beneficiaries. The better-off households that are aware of

Table 2.5: Region-wise job cards and awareness

In percent

| Region | Number of job cards in household | | | Awareness |
|-----------|----------------------------------|--------------|------------------------|-----------|
| | No job cards | One job card | More than one job card | |
| Northeast | 83.26 | 16.51 | 0.23 | 19.27 |
| Northwest | 91.00 | 8.50 | 0.50 | 25.75 |
| Tribal | 58.85 | 38.52 | 2.39 | 51.20 |
| Malnad | 51.72 | 47.48 | 0.80 | 92.84 |
| South | 53.55 | 46.22 | 0.23 | 75.29 |
| Karnataka | 66.52 | 32.84 | 0.61 | 56.33 |

Source: NIAS MGNREGS Survey, 2010-11

the scheme have no interest in doing the physical labour that is offered under the MGNREGS. Thus as the awareness grows to levels where the bulk of the village community knows of the scheme the number of job cards does not keep pace. Our data suggests that the proportion of households with job cards tends to peak at just below 50 percent. In the South region where there was 75 percent awareness, 46 percent of the households had job cards, but as the awareness reached 93 percent in the Malnad and Coastal Districts region, the proportion of households with job cards was only marginally higher at 47 percent.

It must be pointed out that the picture of job cards that emerges from our survey is different from the one that emerges from the official website of the MGNREGA. In all the regions our survey comes up with a lower estimate of the job cards per 100 households, with the gap being very large in Northeast and Northwest regions and quite significant in the Tribal region. In the Northeast there is a difference of almost a 100 percentage points. The difference is also very significant in the Northwest where it is 80 percentage points and even in the Tribal region where there is a difference of almost 50 percentage points.

We could try to explain this difference in terms of the data used by us to calculate the ratio of job cards per 100 households in the official website. We have taken the number of job cards listed on the website while the number of rural households is taken from the 2001 census. The number of

rural households may well have increased over the last decade, so that our calculation is an overestimate of the number of job cards per household. But if we take into account the migration from the rural to the urban any increase in the number of households is unlikely to be of the magnitude to fundamentally alter the patterns in the regions where the difference is substantial. It could also be pointed out that the NIAS survey being based on a sample there will be some error in its estimates. But here again the differences between the two data sets are too large for much of it to be explained in terms of sampling error. It is also important to note that the sampling error would tend to be spread equally across all regions, whereas there is a sharp variation in the margin of difference between the northern regions and the Malnad. Indeed, the

Table 2.6: Region-wise job cards per 100 households from MGNREGS website and NIAS survey

| Region | Percentage of households with jobcards | |
|-----------|--|--------------------|
| | as per MIS data | as per NIAS survey |
| Northeast | 115.22 | 16.74 |
| Northwest | 89.95 | 9.00 |
| Tribal | 89.68 | 41.15 |
| Malnad | 53.33 | 48.28 |
| South | 59.58 | 46.45 |
| Karnataka | 81.55 | 33.47 |

Source: Tabulated from data available at http://nregalndc.nic.in/netnrega/mpr_ht/employmentstatus_mpr.aspx?lflag=local&state_code=15&page=5&month=Latest&fin_year=2010-2011&state_name=KARNATAKA [Accessed on 11 March, 2011], Census of India, 2001, and NIAS Survey, 2010-11

difference between the official figures and the NIAS estimates in the Malnad region are small enough for much of it to be explained by the sampling error. It would then appear that the substantial difference between the two estimates in the northern regions and the significant difference in the Tribal region could be caused by other factors.

We cannot rule out the possibility of over-reporting of effective job cards. Indeed, officials in some of these regions pointed to the problem of fake job cards that get recorded in the official data. And the official data on job cards with a different number but the same head of household name suggests that more job cards being issued on the same name may not be a marginal error. As can be seen in Table 2.7 the phenomenon of job cards with a different number but the same household name is quite widespread across all regions. It may be worth noting, though, that the phenomenon is least in the Malnad and

Coastal Districts region which had the lowest difference between the official figures and the results of our survey.

The large number of job cards with a different number but the same household name in the official data, gives the impression of many households having more than one job card. But the NIAS survey indicates that this pattern is not quite so widespread. As Table 2.5 told us, all regions did have some households with more than one job card, but the numbers were quite small, going above the one percent mark only in the Tribal region. It must also be kept in mind that while the MGNREGA allows for only one job card per household, its definition of household is such that it is possible to have more than one job card in a household. In the Census definition of a household, and the one used in our study, a ‘household’ is usually a group of persons who normally live together and take their meals from a common kitchen unless the exigencies of work prevent any of them from

Table 2.7: Job cards with different number and same head of household name

| Region | Number of job cards with repeated names | Percentage of total job cards issued |
|-----------|---|--------------------------------------|
| Northeast | 6,11,626 | 30.15 |
| Northwest | 2,41,377 | 13.14 |
| Tribal | 5,11,411 | 41.72 |
| Malnad | 1,88,692 | 21.23 |
| South | 10,14,465 | 39.07 |
| Karnataka | 25,67,571 | 29.00 |

Source: Tabulated from data available at http://nregalndc.nic.in/netnrega/writereaddata/citizen_out/jcrVerification_15_local_1011.html and http://nregalndc.nic.in/netnrega/mpr_ht/employmentstatus_mpr.aspx?flflag=local&state_code=15&page=5&month=Latest&fin_year=2010-2011&state_name=KARNATAKA [Accessed on 31 March, 2011]

Note: We have assumed that the job cards with the repeated names are no longer included in the official number of job cards. The total job cards used to calculate the percentage is therefore the sum of the total job cards listed in the website and the job cards with repeated names.

doing so. While in the MGNREGA guidelines a 'Household' mean a nuclear family comprising mother, father, and their children, and may include any person wholly or substantially dependent on the head of the family. Household will also mean a single-member family. Thus two nuclear families living together and sharing a common kitchen would be treated as a single household in the Census and in our study, but in the MGNREGS they would be treated as two households. Despite a broader definition of a household our survey did not find too many households with more than one job card. It does seem quite clear that while there is reason to believe there are excess job cards in the various regions, as suggested by the data on the MGNREGS website, these cards are not in the hands of the households.

TRANSACTION COSTS

The fact that a household has a job card does not however necessarily mean that any member of that household has ever

worked under the MGNREGS. There are a number of households that have job cards and have not worked even as single day under the MGNREGS. A part of this phenomenon could be explained by workers picking up job cards in order to ensure they can get a job if they need one in the future. But the number of those with a job card who have never worked under the MGNREGS is not insignificant, suggesting that the problem may also be one of their not being given jobs. As can be seen from Table 2.8 around a fifth of the job card holders have not had a single day's employment under the MGNREGS in four of the five regions. And in the Tribal region job card holders who have not worked even one day goes up to well above the one-third mark. It thus makes sense in this study to treat only those who have actually worked as the labour beneficiaries of the scheme, rather than assuming all job card holders benefit in terms of employment.

Even among those who have worked under the MGNREGS the number of days

Table 2.8: Region-wise job cards and work

| Region | Percentage of total households with job cards | Percentage of total households that have worked at least one day | Percentage of households with job cards where no one has worked |
|-----------|---|--|---|
| Northeast | 16.74 | 13.53 | 19.18 |
| Northwest | 9.00 | 5.50 | 38.89 |
| Tribal | 41.15 | 32.06 | 22.09 |
| Malnad | 48.28 | 38.20 | 20.88 |
| South | 46.45 | 35.93 | 22.65 |
| Karnataka | 33.47 | 25.82 | 22.86 |

Source: NIAS MGNREGS Survey, 2010-11

Table 2.9: Region-wise mean persondays per household amongst beneficiary households in the last one year

| Region | Mean person days per household |
|-----------|--------------------------------|
| Northeast | 50.51 |
| Northwest | 70.00 |
| Tribal | 34.67 |
| Malnad | 43.79 |
| South | 51.73 |
| Karnataka | 52.50 |

Source: NIAS MGNREGS Survey, 2010-11

worked in a year tends to fall well below the 100 guaranteed days. As we can see from Table 2.9, among the households that have worked during the year preceding the study the average number of days worked for the state as a whole is only around 53 days and there is considerable regional variation here as well. The average days worked varies from 35 days in the Tribal region to 70 days in the Northwest. It is interesting to note that in the Northwest very few houses benefit in terms of getting a job under MGNREGS, but the beneficiaries do get a substantial number of days of work in a year.

The distribution of work among those who have worked in the MGNREGS is also very uneven. In order to capture this unevenness we have used a variation of the Gini coefficient that is usually used to estimate income inequality. This has been calculated under two conditions. In the first we take the job card holders as the entire population and calculate the Gini coefficient to see how the person days of employment are distributed among them. In the second

the same exercise has been carried out treating those who have had at least one day of employment as the entire population. The high coefficients in Table 2.10 make it quite clear that the unevenness in the distribution of work is not insignificant. The high coefficients among job card holders is only to be expected when a fifth of them have never worked. But it must be noted that the coefficients among those who have worked are also not low. It must be remembered that some of this variation would be the result of individuals in households with job cards not being willing to work. But if we make the possibly reasonable assumption that the households with job cards not having individuals willing to work is spread evenly across all regions, these coefficients could reflect the variation in the difficulties in getting jobs.

These patterns suggest that the transaction costs of getting employment under the MGNREGS are concentrated at two levels: getting information and getting a job. The low levels of awareness in the

Table 2.10: Region-wise gini coefficients of person-days employed

| Region | Gini coefficients for households with job cards | Gini coefficients for households at least one person-day |
|-----------|---|--|
| Northeast | 0.5766 | 0.4640 |
| Northwest | 0.7254 | 0.5334 |
| Tribal | 0.5580 | 0.4177 |
| Malnad | 0.6415 | 0.4340 |
| South | 0.6505 | 0.5429 |

Source: NIAS MGNREGS Survey, 2010-11

Northwest and the Northeast regions ensure that large sections of potential beneficiaries in these regions face huge barriers to even becoming available for employment under the scheme. The complete lack of awareness ensures that in such cases information is a transaction barrier rather than just a transaction cost, in the sense that even if a worker were to be willing to meet these costs from the wages offered under the MGNREGS it may not be possible to overcome this hurdle. In the regions with the higher levels of awareness – the Malnad and Coastal Districts region as well as the South – information is clearly not a barrier. The transaction costs in these regions would appear to be concentrated in the process of getting jobs after gaining a job card. This is reflected in the fact that the South region and the Malnad and Coastal Districts region have the second and third highest Gini coefficients for the distribution of person days of employment among job card holders. Indeed, among those who have had at least

a day's employment, the South region has the highest Gini coefficient for the distribution of person days of employment.

The fact that the major barrier in the Northeast, Northwest and Tribal regions is information must not be taken to mean that there is no difficulty for those who are aware to get job cards. As can be seen from Table 2.11, in a state where there is generally little difficulty in getting job cards, the Northeast has six percent of those who are aware of the scheme complaining about having difficulty in getting job cards. Nearly a quarter of the households that were aware of the scheme also had individuals who had been denied work or told that work was not available. Interestingly, none of these households felt it necessary to register official complaints. It is also worth noting that the Malnad and Coastal Districts region had the least proportion of households that said that they had been denied work, but had the highest proportion of households that had registered complaints. This may be no more

Table 2.11: Region-wise proportion of households who are aware of the scheme with individuals who had difficulty in getting job cards, had work denied or had registered complaints

| Region | Difficulty in getting job card | Work / additional work denied | Registered complaints |
|-----------|--------------------------------|-------------------------------|-----------------------|
| Northeast | 5.88 | 23.53 | 0.00 |
| Northwest | 0.00 | 7.77 | 0.97 |
| Tribal | 2.31 | 9.72 | 1.39 |
| Malnad | 1.14 | 2.57 | 4.86 |
| South | 0.91 | 4.26 | 0.00 |
| Karnataka | 1.64 | 8.21 | 1.16 |

In percent

Source: NIAS MGNREGS Survey, 2010-11

than a comment on the history of the region's political movements and the fact that other regions clearly have very little inclination to register their complaints.

When trying to identify the precise nature of the transaction costs involved in a job card holder getting a job there is sometimes speculation that job card holders may be expected to share their wages with those giving them a job. This possibility cannot be ruled out especially since, as we shall see later, in some regions, the average wage that MGNREGS workers said they got was less than the official wage. But we must also consider the possibility that the process of giving jobs need not be based on a direct monetary transaction. The monetary benefits could take other less direct forms. The decision to offer work to a particular household could also be influenced by other social relationships within a village.

There was also clear evidence of the transaction costs being built into the

procedures that were practiced on the ground, even if it did not form a part of the MGNREGS guidelines either from the Rural Development ministry at the national level or the Rural Development and Panchayat raj department in Karnataka. For instance, often when workers approached the gram panchayat for work on their own they were told to come back in a larger group. In most of the regions the minimum required was a group of 10 workers, though it was not unknown for gram panchayats to ask workers to first form a group of 20 workers. The time taken to put together such a group was a transaction cost the worker had to pay in order to get work under MGNREGS. The worker did not also have any alternative. The MGNREGA visualises an unemployment allowance paid in cases where workers demanding work cannot be given work within a period of 15 days. But the responsibility for this process lies with the state governments. And Karnataka's recording in paying unemployment allowance, as Table 2.12 tells us, is very poor. Even if we ignore the difficulties in recording demand for work and seeking unemployment allowance, the fact that the official data at the end of the year says no unemployment allowance was paid in any region tells its own story.

Another transaction cost in the process of getting work under the MGNREGS and getting paid for it lies in the substantial delays in payments. The MGNREGS requires that the payments must be made within 15 days of the work done. But this norm is not

Table 2.12: Unemployment Allowances for the Financial Year 2010-2011

| Region | Unemployment allowance due | Unemployment allowance paid |
|-----------|----------------------------|-----------------------------|
| | No. of days | No. of days |
| Northeast | 27188 | 0 |
| Northwest | 7560 | 0 |
| Tribal | 9057 | 0 |
| Malnad | 7826 | 0 |
| South | 25142 | 0 |
| Karnataka | 76773 | 0 |

Source: Tabulated from data available at http://nregalndc.nic.in/netnrega/writereaddata/state_out/unempall_15_local_1011.html [Accessed on 30 March, 2011]

Table 2.13: Region-wise delays in payment

| Region | Time taken for Payment | | | Mean delay in months |
|-----------|---|--|------------------------------------|----------------------|
| | Less than or equal to 1 month (In percent) | More than 1 month and less than or equal to 3 months (In percent) | More than 3 months (In percent) | |
| Northeast | 22.35 | 14.12 | 63.53 | 3.88 |
| Northwest | 62.96 | 11.11 | 25.93 | 4.19 |
| Tribal | 24.07 | 19.75 | 56.17 | 7.35 |
| Malnad | 51.93 | 13.26 | 34.81 | 3.89 |
| South | 71.10 | 19.72 | 9.17 | 1.81 |
| Total | 53.93 | 15.92 | 30.15 | 3.57 |

Source: NIAS MGNREGS Survey, 2010-11

followed completely in any region. Even if we give a margin for bureaucratic delays and keep the target time taken for payment as one month, there are significant delays in all the regions. And the extent of delay does also vary quite substantially between regions. The worst offender is the Tribal region where three-fourths of the payments are made two months or more after the work is done and as much as 56 percent of the payments are more than three months after the work is done. What is even more alarming is that the average time taken for payment is over 7 months. The Northeast also has over three-fourths of the payments taking more than three months but the extreme delays would appear to be relatively rarer with the mean time taken for payments being a little less than four months. Comparatively speaking the most prompt region is the South where 71 percent of the payments are made within a month and the mean time taken is just 1.8 months. The Malnad and Coastal Districts region as well

as the Northwest region have the greatest variation within them. While 52 percent in the Malnad and Coastal Districts region are paid within a month, 35 percent have to wait more than three months and the average time taken for payment is a little less than four months. In the Northwest 63 percent are paid within a month, but 26 percent have to wait more than three months. And the time taken beyond three months appears to be quite high with the mean time taken for payments being over four months.

PLACE OF THE BENEFICIARY IN THE VILLAGE ECONOMY AND SOCIETY

These transaction costs ensure that while the poor do benefit from the MGNREGS, the poorest in the village community are not always the main beneficiaries of the scheme. With the exception of the Northeast the labour beneficiary households – those who have at least one member who has worked at least one day in scheme – are greater among those

who belong to the asset class just above the poorest. As can be seen from Table 2.14, this group accounts for as much as three-fourths of the beneficiary households in the South region, more than half the beneficiary households in the Malnad and Coastal Districts region, and over a third in the Tribal region and the Northwest. It is only in the Northeast that the largest group of beneficiary households – 56 percent of them – belongs to the class owning none of the assets in the list we used to calculate the asset indicator. But even here the class just above the poorest accounts for a third of the beneficiary households.

This overall pattern is explained to some extent by the fact that it is typically the asset

class just above the poorest that is numerically dominant in the village. That however is not the only factor at play. It is worth noting that in all five regions the share of the beneficiary households belonging to the asset class just above the poorest is greater than the share of this class among the population as a whole. At the same time the share of the poorest among the beneficiary households in four of the five regions is below their share of the population. It is only in the Northeast that the share of the poorest among the beneficiary households is substantially above the share of this group in the population.

When we look at the place of the beneficiaries within the agrarian system, the pattern does change, but not by much. The

Table 2.14: Place of the beneficiary in terms of asset ownership

In percent

| Asset Indicators | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All |
| 0 | 55.93 | 30.73 | 13.64 | 17.5 | 11.94 | 22.73 | 6.94 | 8.22 | 14.01 | 16.7 |
| More than 0 & less than or equal to 5 | 33.90 | 30.05 | 40.91 | 40.5 | 36.57 | 30.14 | 54.86 | 52.52 | 74.52 | 60.41 |
| More than 5 & less than or equal to 10 | 5.08 | 15.6 | 22.73 | 16.50 | 27.61 | 21.05 | 15.28 | 18.04 | 5.10 | 10.76 |
| More than 10 & less than or equal to 20 | 5.08 | 11.7 | 18.18 | 14.25 | 14.18 | 12.92 | 20.14 | 15.65 | 4.46 | 9.15 |
| More than 20 & less than or equal to 100 | 0.00 | 9.63 | 0.00 | 6.50 | 8.21 | 6.70 | 1.39 | 5.04 | 0.64 | 2.29 |
| More than 100 | 0.00 | 2.29 | 4.55 | 4.75 | 1.49 | 6.46 | 1.39 | 0.53 | 1.27 | 0.69 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: NIAS MGNREGS Survey, 2010-11

largest group of beneficiary households, except in the Malnad and Coastal Districts region is landless. As Table 2.15 tells us, this group accounts for 80 percent of the beneficiary households in the Northeast, and well over half in the South. But much of this dominance is explained by the fact that the landless are, except in the Malnad and the

Coastal Districts region, the largest group in the village. When seen in the context of their numbers within the village it is only in the Northeast and the South that the landless households have a greater share among the beneficiaries than they do in the population. The MGNREGS is however by no means the preserve of the landless. There are a

Table 2.15: Place of the beneficiary in land ownership

In percent

| Land (in acres) | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All |
| Landless | 79.66 | 47.25 | 40.91 | 46.00 | 40.3 | 50.72 | 33.33 | 36.07 | 56.05 | 49.89 |
| More than 0 & less than or equal to 2 | 11.86 | 20.41 | 36.36 | 25.75 | 26.12 | 20.1 | 52.08 | 50.93 | 40.76 | 42.79 |
| More than 2 & less than or equal to 5 | 8.47 | 21.10 | 18.18 | 18.5 | 23.13 | 18.66 | 13.19 | 10.61 | 3.18 | 5.26 |
| More than 5 & less than or equal to 10 | 0.00 | 5.28 | 4.55 | 6.75 | 8.96 | 7.42 | 1.39 | 2.12 | 0.00 | 1.60 |
| More than 10 | 0.00 | 5.96 | 0.00 | 3.00 | 1.49 | 3.11 | 0.00 | 0.27 | 0.00 | 0.46 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: NIAS MGNREGS Survey, 2010-11

Table 2.16: Place of the beneficiary in terms of caste and community

In percent

| Caste or community | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--------------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All | Bene-ficiary | All |
| Minorities | 20.34 | 8.26 | 9.09 | 17.50 | 2.99 | 11.24 | 6.94 | 6.63 | 0.00 | 0.23 |
| Scheduled Castes | 59.32 | 24.77 | 13.64 | 9.50 | 33.58 | 25.84 | 7.64 | 14.59 | 45.22 | 33.41 |
| Scheduled Tribes | 1.69 | 4.36 | 9.09 | 8.50 | 24.63 | 15.55 | 2.78 | 3.18 | 13.38 | 11.67 |
| Other Castes | 18.65 | 62.61 | 68.19 | 64.50 | 38.80 | 47.37 | 82.64 | 75.60 | 41.40 | 54.69 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: NIAS MGNREGS Survey, 2010-11

significant number of landowners owning up to five acres who have worked under the scheme. This is particularly true of the Malnad and Coastal Districts region, a generation after its agrarian system was transformed through land reforms. In this region those owning up to five acres of land account for as much as 67 percent of the beneficiary households.

The caste and community profile of the beneficiary households also points to the rather different performance of the MGNREGS in the Malnad and Coastal Districts region. As can be seen from Table 2.16, the category of other castes (ie, the forward castes and the backward castes together), account for 83 percent of the beneficiary households, which is noticeably more than the share of these castes in the population. At the other end of the spectrum, the share of the Scheduled Castes in the beneficiary households is, at eight percent, well below its share in the population. In the Northwest too the share among the beneficiary households of the forward and backward castes taken together is a little more than their share of the overall population; but the share of the Scheduled Castes in this region is also greater than their share of the population. In this region it is the share of the minorities among the beneficiaries that is well below their share of the population. In the other three regions the share among the beneficiary households of the forward and backward castes, taken together, is significantly less than their share in the population, and the share of the

Scheduled Castes is significantly above their share of the population. As is to be expected in the Tribal region the Scheduled Tribes account for a quarter of the beneficiary households and, together with the Scheduled Castes, account for 58 percent of the beneficiary households. The only region where the minority communities have a significant share is the Northeast where they account for a fifth of the beneficiary households.

* * *

The process of getting work thus reveals some rather distinct patterns across the five regions of Karnataka. The Northeast region presents a picture of very low awareness and participation in the scheme, but it is the poorest in this region that are the major labour beneficiaries of the scheme. The transaction costs in this region are concentrated at the level of information, though the denial of work among those who are aware of the scheme is the highest in this region. The Northwest too presents a picture of low awareness and low participation, and its benefits do not even accrue to the poorest. The transaction costs here extend beyond the information barrier to limiting the number of holders of job cards who actually get work. The Tribal region is characterised by moderate levels of awareness, job cards and getting work. The beneficiaries here as well are poor but not the poorest. While there are clearly

transaction costs here, this region is close to the average for the state. The South presents a picture of rather high awareness and job cards, but the transaction costs here appear to be concentrated in the process of job card holders actually getting work. The work is distributed the most unevenly even among those who have actually got at least a day's work. This contributes to the main beneficiaries not being the poorest. It is the Malnad and Coastal Districts region that

shows some rather different patterns. This region has the highest awareness as well as the highest number of job cards per 100 households. It would appear that in this region that is known for its political and other awareness, the transaction costs are not as high as in some other regions in the state. But the beneficiaries in this region are not the poorest within the region. They are typically small peasants belonging either to the forward or the backward castes.

PROVIDING WORK

The significance of the guarantee of 100 days of work for a rural household every year has tended to overwhelm some of the other dimensions of the MGNREGA. The operation of the Schemes in the states are expected to provide employment in works that address causes of chronic poverty such as drought, deforestation and soil erosion. The processes through which the Act is implemented are also designed to strengthen grassroots democracy. These other dimensions of the Act cannot be treated as mere afterthoughts. High food prices point to the growing crisis in agriculture. The inability to take the Green Revolution into dry land agriculture, and the declining quality of the land in irrigated agriculture, are not issues that can be easily brushed aside. Similarly, as democracy takes root, the emergence of decentralized power structures are also not easily ignored. A meaningful evaluation of the provision of work under the MGNREGS

in Karnataka must then look not just at the number of jobs created but also at the assets created in the process, including the asset of effective decentralization.

DECENTRALIZATION

The case for looking at MGNREGS in the context of decentralization is particularly strong in Karnataka. The state has been a pioneer in the process of decentralization since the 1980s. Its decentralized institutions have been transformed over the last three decades. It took the lead in the revitalization of decentralized institutions during this period by first setting up of a two-tier panchayat raj system and then modifying it into the present three-tier one. The reservation for women in these institutions is among the few cases in post-independence India of setting up grassroots practices that national institutions are now trying to follow. The elections to the gram panchayats not being

on the basis of parties is also an important dimension of the decentralization process. While individuals elected to the gram panchayats may choose to align with one party or another, the fact that they have been elected independently of the party allows them, if they so choose, to be guided solely by the interests of their constituents and not by party diktats. And these institutions are now deeply entrenched in the politics of rural Karnataka, as is evident from their ability to function on a scale their urban counterparts in the state have found difficult to match.

The relevance of these dimensions of the gram panchayats in Karnataka to an evaluation of the MGNREGS lies in the fact that these institutions have found it easier to gain political legitimacy than to gain economic strength. Their ability to raise funds on their own is extremely limited. The substantial funds provided under the MGNREGS thus have the potential to empower the gram panchayats economically. It would be useful then to begin our analysis of the process of providing work under the MGNREGS in Karnataka by first evaluating the economic strength gained by the gram panchayat through the Scheme and then get at least a glimpse into how this economic strength interacts with the decentralized political power.

The official data for the proportion of expenditure in the MGNREGS carried out by the gram panchayat suggests that these institutions account for almost all the expenditure under this Scheme. This can be

seen in the expenditure patterns of the MGNREGS in Karnataka in 2009-10, the last financial year completed at the time of this study. With the exception of material expenditure in the Malnad and Coastal Districts region, the gram panchayat accounts for more than 97 percent of the labour and material expenditure in each of the regions. Indeed, with the further exception of material expenditure in the South region, the gram panchayat accounts for more than 99 percent of the expenditure. Detailed discussions with officials at the district, taluk and gram panchayat levels in ten districts did not give us any reason to challenge these figures.

Table 3.1: Share of Gram Panchayat in expenditure by region

| Region | In percent | | |
|-----------|------------|----------|-------|
| | Labour | Material | Total |
| Northeast | 99.99 | 99.98 | 99.99 |
| Northwest | 99.98 | 99.06 | 99.61 |
| Tribal | 99.99 | 99.99 | 99.99 |
| Malnad | 99.99 | 82.21 | 93.72 |
| South | 99.98 | 97.36 | 99.16 |

Source: Tabulated from data posted at nrega.nic.in, [Accessed on December 10, 2010]

It was also clear that in most regions the beneficiaries were expected to bring their own tools. A majority of the workers in all the regions used their own tools. While the beneficiaries using their own tools accounted for more than half the workers in the Northwest, it was typically at least three-fourths of the beneficiaries, going up to 92 percent in the South region.

Table 3.2: Region-wise proportion of beneficiaries using their own tools

| Region | Beneficiaries In percent | |
|-----------|-----------------------------|--------------------|
| | Own tools used | Own tools not used |
| Northeast | 83.33 | 16.67 |
| Northwest | 53.57 | 46.43 |
| Tribal | 73.62 | 26.38 |
| Malnad | 73.43 | 26.57 |
| South | 92.16 | 7.84 |
| Karnataka | 77.29 | 22.71 |

Source: NIAS MGNREGS Survey, 2010-11

Discussions with officials and others in villages in all the five regions did however provide some insights into the factors influencing these expenditures. A striking

feature across all regions is the distance that exists between the gram panchayat and the gram sabha. Ideally the elected gram panchayat members should interact closely with the gram sabha, which is the general body of the all members of the villages under the jurisdiction of the gram panchayat. The MGNREGS also requires the gram sabha to be directly involved in the functioning and the monitoring of the scheme. This requirement is typically met by calling the stipulated number of meetings of the gram sabhas. But these meetings are sparsely attended. Some gram panchayats spend resources on shamianas and chairs, but there is little sign that this improves attendance.



Picture 3.1: A Gram Sabha in Ramnagara district

This is evident from Picture 3.1 of the gram sabha in a village in Ramanagara district. The gram sabha had over five thousand members. The role provided in the Scheme for the gram sabha was thus largely treated as a formality by both the gram panchayats and the residents of the villages in its jurisdiction.

The immediate consequence of the disconnect between the elected gram panchayat members and their constituents is on the shelf of projects. The MGNREGA envisages the shelf of projects to be worked on under the Scheme to result from the active involvement of the gram sabhas, the gram panchayats, the taluk panchayats and the zilla panchayats. This process is expected to help integrate the technical and other knowledge available at the larger bodies with the requirements expressed at the gram sabhas. In reality the gram sabha has very little role in deciding the projects or the priority of the projects across all the five regions, with only minor variations. Typically the poorly attended gram sabhas came up with, at best, an incomplete list that was later completed at the gram panchayat meeting. There were even cases of lists decided in the gram sabha being modified in the gram panchayat. The reasons given for ignoring the gram sabha was usually the greater knowledge available at the taluk and zilla panchayat levels.

In the more politically aware regions like the Malnad and Coastal Districts too the list is made before hand, though here there is publicity for the gram sabha meeting

and more suggestions are invited. In addition another week is given for suggestions of more projects. But the prioritisation from this large list is done by the gram panchayat. Thus the effective list of projects is still primarily determined by members of the gram panchayat. Working out the lists independently of the gram sabha was termed by officials in the Malnad and Coastal Districts region as just a matter of convenience.

The convenience of this process was however not without its costs. The MGNREGS allows for irrigation and other works on the land of members of the Scheduled Castes, Scheduled Tribes, beneficiaries of Indira Awaas Yojana and those below the poverty line. But converting this potential into reality would require these groups to have their voice heard in the gram sabhas. The gram sabhas provide a forum where the underprivileged have an opportunity to stake their claims. With this forum being rendered ineffective, these sections cannot always get the full benefit of what the Act offers. This is reflected in the cost of individual works on their lands. This cost will necessarily be less than the cost of major projects affecting a large number of households. It is then no surprise that Table 3.3 tells us that the average cost of work on their land is less than the overall average cost of a work. But what is worth noting is that in four of the five regions the average cost of works on the land of the underprivileged is well below the cost of land development work on other land. In fact, in the Tribal region the cost per work on the

Table 3.3: Region-wise average expenditure per work on selected works under MGNREGS

| Region | In rupees | | |
|-----------|---|------------------------|-----------|
| | Irrigation facility and other works in SC/ST land or IAY/BPL land | Other land development | All works |
| Northeast | 27138 | 22072 | 54428 |
| Northwest | 37400 | 96404 | 92466 |
| Tribal | 7773 | 33253 | 63468 |
| Malnad | 14788 | 31681 | 33551 |
| South | 16341 | 40144 | 58948 |
| Total | 20470 | 39373 | 60995 |

Source: Tabulated from nrega.nic.in, [Accessed on December 20, 2010]

land of the underprivileged is less than a fourth of the average cost of other land development work. Interestingly, the only exception to this pattern is the Northeast region where the cost per work on the lands of the underprivileged is greater than the average cost of other land development works.

The relative irrelevance of the gram sabhas also ensured that the choice of projects was negotiated between the members of the gram panchayat. The interests the gram panchayat members represented evidently also tended to vary. While the interests of their respective constituents were the major consideration, other factors were also taken into account. Informal discussions pointed to the influence of members of other elected bodies going right up to Members of Parliament. And in some cases the projects being chosen in a way that directly benefited the panchayat member could not be ruled out.

Indeed, one of the consistent differences between the formal and informal discussions

at the village level was in the role of the panchayat members in the implementation of the projects. While the role of the panchayat members found no place in the formal discussions, the informal discussions were full of examples of panchayat members playing a role not very different from that of contractors. Informally several projects were pointed out as being carried out by the panchayat members themselves, or, in the case of the women members, by their husbands. There were also stories of panchayat members having played a role in the procurement of materials. These practices, if true, would go against both the letter and the spirit of the MGNREGS. The MGNREGA does not allow for contractors and the phenomenon of panchayat members choosing personally beneficial projects and then carrying them out themselves which suggests a very high degree of conflict of interests. But it must be stressed that this study did not have the resources to verify these casually made charges. The possibility of these charges being prompted by local factional and political

considerations cannot be ruled out. All that is done here regarding such charges, therefore, is to report what was heard, without confirming or disputing the claims.

THE NATURE OF MGNREGS PROJECTS

The gram panchayat led choice of projects was clearly not without its successes. The beneficiaries were typically, and predictably, very happy with the effects of these projects. And with good reason. Take for instance the case of the farmer in the generally dry land agriculture economy of

the Aurad taluk in Bidar district. This area in the northern extreme of Karnataka is known for being among the poorest in the state. The well dug under the MGNREGS next to this farmer's landholding has helped him convert this dry land into a sugarcane farm. While the appropriateness of growing sugarcane in this region could be a matter of debate, there is no doubt that MGNREGS has transformed the life of this farmer.

Similar anecdotal evidence of beneficiaries being very satisfied with the results of the MGNREGS is also available from other parts of the state. A walk of one



Picture 3.2: Check dam in Chitradurga district

and a half kilometres through fields in Chitradurga district brings us to the check dam in Picture 3.2. The check dam that seems, to the untrained eye, to be well constructed has helped raised water levels in the lands of the neighbouring farmers. In other regions too the beneficiary farmers were quite effusive in their claims about the increase in the water levels due to check dams. In one case in Chitradurga district the beneficiary farmer claimed the check dam had led to the water level in his land rising 60 feet. Since he did not evidently have the means to make such an assessment, this would have to be taken as no more than an indication of his appreciation of the MGNREGS project.

Moving from anecdotal evidence to the precise numbers of the benefit of specific MGNREGS projects across the state can be done at two levels. First, there can be an engineering evaluation of physical quality of the various assets. And second, especially for assets related to improving the quality of land, comparisons would have to be made



Picture 3.3: Bund work in Bijapur district



Picture 3.4: Road in Raichur district that is said to be classified as cement concrete

between the productivity of land before and after the project. Collecting such information for a representative sample of assets across the state would provide us with a meaningful assessment of the impact of the assets created. Such information is of course not currently available. But our qualitative survey did come up with some pointers to the issues involved in the choice of projects and their implementation.

One aspect of the assets created that becomes quite evident is the unevenness in the quality of work. There are cases, such as the one in the Northeast in the Picture 3.3, where very rudimentary work is often taken to be sufficient. The limited work done on this land was officially recorded as the creation of a bund. The case of the road in the Tribal region in Picture 3.4 is, if anything, even more glaring. Even to an untrained eye it is evident that it is closer to being a mud road rather than the cement concrete road the official records claim that it is. And it does not help that the informal



Picture 3.5: Household in Shimoga district which had two MGNREGS works in a year

discussions suggest that this work was carried out by a gram panchayat member.

There was also sufficient evidence throughout the state that the choice of beneficiaries could be skewed by social and political factors. There were signs in several places of the elite capture of specific MGNREGS projects. Picture 3.5 is of a house in the Malnad and Coastal Districts region. The satellite dish outside the house is an indicator of the class to which it belongs. This household had got the benefit of two MGNREGS projects in a single year. One project was for an open well dug in front

of the house and the other was for an irrigation canal to its land.



Picture 3.6: Beneficiary of a well work in Shimoga district



Picture 3.7: Completed drain work in Haveri district

Even when the bias in the choice of beneficiaries was not so blatant, there could be issues raised about the efficiency of the MGNREGS investment. In Picture 3.6 the well has made a significant difference to the women in the households benefiting from it. They had previously to walk six kilometres for the drinking water the well now provided them. But the number of beneficiaries was rather limited. Officially five households were said to benefit, but one beneficiary said it was only two households. The efficiency of this investment would depend on whether there were other projects possible where there would be a greater number of beneficiaries from an asset as crucial as one providing drinking water.

It is also possible that in areas of great social inequality, the work done under the MGNREGS reflects these differences. One stark example of this possibility was the construction of a drain in a village in the Northwest region that can be seen in the composite Picture 3.7. Not far from the

gram panchayat office a drain was constructed, as seen in the image on the left, which stopped once the row of concrete houses ended and did not extend to the poorer houses beyond that. What is more, as can be seen in the circled portion of the image on the right, the drain was constructed in a way that would take its contents directly to the area of the poorer houses. The



Picture 3.8: Incomplete road work in Ramanagara district

Secretary of the gram panchayat insisted that the work was completed.

The negotiations within the gram panchayat over the choice and priority of works also ensure that the process of implementation of the MGNREGS is not always without the influence of local political considerations. For instance, in a village in the South region a mud road was being constructed under the MGNREGS. The road was however designed to pass through land under the control of the ex-President of the gram panchayat. The current gram panchayat insisted that he had encroached on the land, a fact that was predictably disputed by the former president. As a result the project in the picture is incomplete and, as can be seen in Picture 3.8, the distance of the road that has been completed shows signs of deterioration.

The choice of projects is also complicated by the provision that allows several groups of workers to work on their own land. This is an extremely useful condition to help the poor develop their own land. But there is the question of whether the labour is used for creating assets that would improve the quality of land over the long term, or simply as a labour subsidy in their regular agricultural activities. This distinction can be overlooked in the case of the very poor where a labour subsidy may itself be justified. But there are signs that the beneficiaries of this condition are not always the poorest.

The choice of projects is thus closely related to the local economic, social and

political conditions. Where these conditions are unequal the projects could easily consolidate the inequality, while in areas that have undergone effective reform, the distortions could be of a different kind. It is hardly surprising then that the type of work that dominates each region tends to be quite varied.

TYPES OF WORK

The MGNREGS is designed in a way that emphasises labour intensive projects. It specifies that a 60:40 ratio has to be maintained between expenditure on labour and that on material. In addition, the Central government's financing is also such that the state governments have an incentive to encourage labour intensive projects. The Central government pays 100 percent of the wage cost of unskilled manual labour and 75 percent of material costs including the wages of skilled and semi-skilled workers. This did not however ensure that no capital intensive projects could be taken up on the ground. Officials argued that they were only required to maintain the 60:40 ratio of labour expenditure to expenditure on materials for the panchayat as a whole and not in individual cases. This allowed for specific capital intensive projects as long as there were more labour intensive projects to balance the overall picture. And even with this arrangement the official targets were not always met. Table 3.4 tells us that in two of the five regions – the Northwest and the Tribal region – the target of ensuring 60 percent of the expenditure was on wages was not met.

Table 3.4: Region-wise percentage of expenditure on wage, material and administration

| Region | In percent | | |
|-----------|------------|----------|----------------|
| | Wage | Material | Administration |
| Northeast | 63.72 | 35.61 | 0.68 |
| Northwest | 57.89 | 39.87 | 2.24 |
| Tribal | 55.27 | 43.13 | 1.59 |
| Malnad | 63.44 | 34.48 | 2.08 |
| South | 67.71 | 31.07 | 1.22 |
| Karnataka | 62.25 | 36.23 | 1.52 |

Source: Tabulated from data posted at nrega.nic.in, [Accessed on December 10, 2010]

When we look beyond the wage material ratio to for information about the specific types of works being carried out at the MGNREGS in the different gram panchayats, the easiest source is the official website. It classifies the expenditure on different types of works. During informal discussions at the village level, however, there were sometimes charges of the local gram panchayat working on a project in one area, say, laying of a mud road, and getting it officially classified as another, say, land development. We thus thought it prudent to see the patterns of investment that were revealed by the workers who had worked in MGNREGS in the region. The proportions we calculated were thus not of investment but of labour days. These figures are not strictly comparable with the patterns of expenditure under MGNREGS. This is particularly so since the ratio of the expenditure on labour to the expenditure on material was not identical in all cases, and the ratio for the gram panchayat as a whole was also not an easy task. With wide variations possible in the labour material

ratio the proportions that emerge from an analysis of expenditure are unlikely to be identical to those that emerge from labour days.

We then have the choice of either looking at the official data on expenditure on different activities or our data on the distribution of MGNREGS labour across different activities. To the extent that the main focus of the MGNREGS is the labour generated, the proportions calculated on the basis of labour may be more relevant. Generating this alternative set of data also allowed us to capture categories that the official data was not as easily forthcoming on, such as the emphasis on horticulture.

The patterns that emerge from Table 3.5 reflect, among other things, the conditions of agriculture in the different regions. The poor infrastructure in the two northern regions would appear to justify the emphasis of these regions on mud roads. This emphasis on roads comes down quite sharply when we move to the regions known to have better developed infrastructure, such as the South or the Malnad and Coastal Districts

Table 3.5: Region-wise distribution of MGNREGS workers by nature of activity

In percent

| Region | Type of Work | | | | | | | |
|-----------|-------------------|-------------------|---------------------|----------------------------|---------------------------|-----------|-------------------------------------|--------|
| | Construc- tion | Horticul- ture | Minor irrigation | Road laying (Kuchha) | Road laying (Pucca) | Watershed | Well digging and deepening | Others |
| Northeast | 0.00 | 4.65 | 1.16 | 54.65 | 0.00 | 0.00 | 32.56 | 6.98 |
| Northwest | 10.34 | 0.00 | 17.24 | 58.62 | 0.00 | 6.90 | 3.45 | 3.45 |
| Tribal | 7.10 | 0.00 | 2.96 | 31.95 | 1.18 | 30.77 | 23.08 | 2.96 |
| Malnad | 1.09 | 32.07 | 3.80 | 23.91 | 1.09 | 13.04 | 24.46 | 0.54 |
| South | 0.92 | 25.23 | 4.13 | 11.01 | 0.00 | 46.33 | 11.47 | 0.92 |
| Total | 3.54 | 15.07 | 6.41 | 32.38 | 0.30 | 23.56 | 16.21 | 2.54 |

Source: NIAS MGNREGS Survey, 2010-11

region. What is more striking though is the prominent place of horticulture in the South region and the Malnad and Coastal Districts region. This activity is estimated to account for a quarter of the jobs got under MGNREGS in the South and nearly a third in the Malnad and Coastal Districts.

The emphasis on horticulture in the Malnad and Coastal Districts region gains significance when seen together with the

patterns of work under the MGNREGS on public and private land. For the state as a whole a vast majority of the work is on public land. This work on public land does, and is indeed expected to, benefit the private land owned by individual farmers in the vicinity. It is also inevitable that the private lands of some farmers are benefitted more than that of others. But work done on public land to create assets that benefit private land differs from work done directly on private land in at least one important way. The work done on private land could be for recurring agricultural practices rather than the creation of a long-term asset. Indeed, even if the work is officially stated to be for the creation of a long-term asset, it would be extremely difficult to monitor the work and ensure no part of it goes into recurring agricultural practices. And in cases where it goes into recurring agricultural practices, the MGNREGS wage would be no more than a labour subsidy.

Table 3.6: Region-wise distribution of MGNREGS workers by location of activity

In percent

| Region | Other private land | Own land | Public land |
|-----------|--------------------|----------|-------------|
| Northeast | 6.98 | 0.00 | 93.02 |
| Northwest | 0.00 | 0.00 | 100.00 |
| Tribal | 0.59 | 0.59 | 98.82 |
| Malnad | 1.63 | 26.09 | 72.28 |
| South | 0.46 | 2.75 | 96.79 |
| Total | 1.54 | 5.36 | 93.10 |

Source: NIAS MGNREGS Survey, 2010-11

WORK ON OWN LAND AND OTHER PRIVATE LAND

The results of our quantitative survey make it quite clear that MGNREGS work on private land is not completely absent. As table 3.6 tells us, in the Northeast seven percent of the works was on the private land of individuals other than the workers. What is much more striking is that over a fourth of the work in the Malnad and Coastal Districts region was on the workers' own land. Taken together with the fact that over a third of the activities in this region were concentrated on horticulture, it raises the question of whether at least a part of the MGNREGS in this region had become a labour subsidy for those working on their own farms.

It is not impossible to make a case for a labour subsidy in cases of chronic poverty. A marginal landowner operating at near subsistence levels may have to choose to work on other farms rather than cultivating his land if he needs resources to survive

before the next harvest. In such cases a labour subsidy would help him cultivate his own land, thus not only benefiting him personally but also increasing the land cultivated and the overall output.

Any assumption that this is indeed always the case in the Malnad and Coastal

Table 3.8: Distribution of beneficiaries working on own land or other private land by asset class in Malnad

| Asset Indicators | Percentage of beneficiaries |
|---|-----------------------------|
| 0 | 1.90 |
| Greater than 0 and less than or equal to 5 | 61.5 |
| Greater than 5 and less than or equal to 10 | 13.5 |
| Greater than 10 and less than or equal to 20 | 21.2 |
| Greater than 20 and less than or equal to 100 | 0.00 |
| Greater than 100 | 1.90 |
| Total | 100.0 |

Source: NIAS MGNREGS Survey, 2010-11

Table 3.7: Distribution of beneficiaries working on own land or other private land by land ownership in Malnad

| Land in acres | Percentage of beneficiaries |
|--|-----------------------------|
| Landless | 7.70 |
| Greater than 0 and less than or equal to 2 | 71.2 |
| Greater than 2 and less than or equal to 5 | 21.2 |
| Total | 100.0 |

Source: NIAS MGNREGS Survey, 2010-11

Table 3.9: Distribution of beneficiaries working on own land or other private land by caste in Malnad

| Region | Percentage of beneficiaries |
|------------------|-----------------------------|
| Minorities | 0.00 |
| Other castes | 92.30 |
| Scheduled Castes | 3.80 |
| Scheduled Tribes | 3.80 |
| Total | 100.00 |

Source: NIAS MGNREGS Survey, 2010-11

Districts region does however come up against some facts that suggest otherwise. As can be seen in Table 3.7 the practice of working on their own land or other private land under the MGNREGS was not confined to the marginal farmers. More than a fifth of such cases were on the land of those owning up to five acres. No doubt 71 percent of such cases were from households owning less than two acres of land, but in the overall agrarian context of the Malnad region these are not likely to be cases of subsistence agriculture. This is also borne out by other indicators of their place in the local economy and society. Table 3.8 tells us that less than two percent of those working on their own land belonged to the zero asset indicator class, where one would expect subsistence farmers to be. And Table 3.9 tells us that 92 percent of the beneficiaries belonged to the forward castes and other backward castes, far greater than the share of these castes in the overall population of the region. The

Table 3.10: Occupational profile of beneficiaries working on own land or other private land in Malnad

| Occupation | Percentage of beneficiaries |
|--|-----------------------------|
| Agricultural and other wage labour | 53.85 |
| Cultivator | 30.8 |
| Domestic duties including free collection of goods | 9.6 |
| Others | 5.77 |
| Total | 100.00 |

Source: NIAS MGNREGS Survey, 2010-11

Scheduled Castes and Scheduled Tribes each account for just four percent of these workers.

The picture that emerges of those who do MGNREGS work on their own land is thus one of small to middle farmers getting a labour subsidy. Eighty one percent of these workers are male. And Table 3.10 tells us that while a majority of them see themselves as primarily agricultural labour, as many as 31 percent see themselves as cultivators.

CONVERGENCE AND SYNERGY

Another interesting, if still quite small feature, of those who work on private land is the case of those who work on the land of other farmers. This category accounted for seven percent of those who worked under the MGNREGS in the Northeast. In the Malnad and Coastal Districts region too, the eight percent those who worked on private land and are landless are those who worked on the land of other farmers. There is thus evidence of MGNREGS being used as a labour subsidy not just to help small farmers on their own farms, but also for other farmers. These figures are of course still very small, but they bring up the possibility of the Scheme being used to create a labour force that can be given out for other activities. Indeed, officials in the Malnad and Coastal Districts region spoke of a need for a scheme to use this labour to revive paddy cultivation in the region.

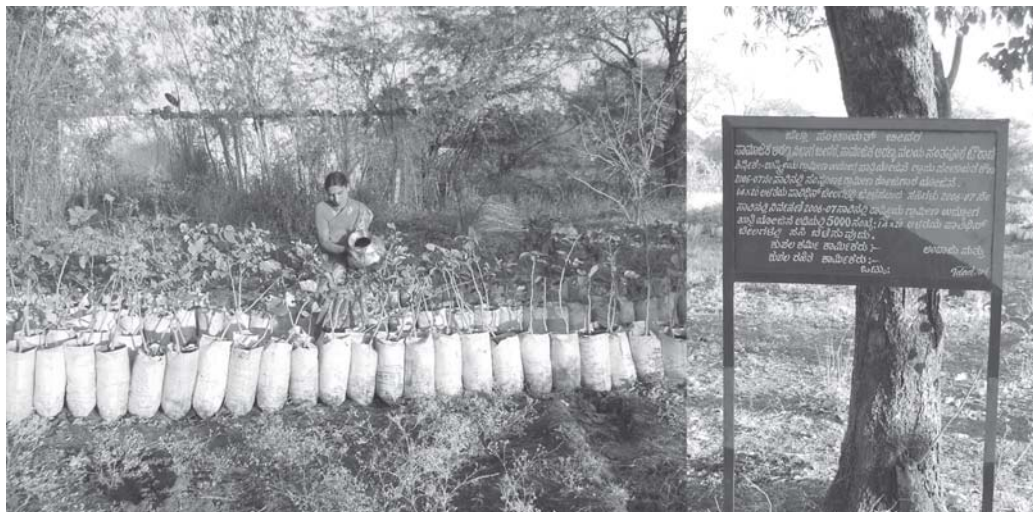
The case for using government resources to pay for such a labour force in private farms would need careful consideration to ensure that it does not

degenerate into a labour subsidy for commercially viable crops. But the need to use the MGNREGS generated labour in other government schemes has been more widely discussed and the state government has emphasised such convergence. On the ground the results are mixed. In the Northwest and the Tribal regions, officials state there is no convergence and there is little evidence of it found. In the Northeast officials insist there is no convergence but there are projects of the Forest Department that have been carried out with MGNREGS labour. The composite Picture 3.9 is of a seedlings project carried out by the Forest Department. The board states that the project was carried out with labour from the MGNREGS.

In both the South region and the Malnad and Coastal Districts region there

is much more enthusiastic support for convergence. In the South there are claims of having worked out a complete convergence with the sanitation programme and in the Malnad the claims were of convergence with the watershed programme. Such convergence however raises its own questions relating to the distribution of costs. In the Malnad and Coastal Districts region funds from the watershed project were only tapped when the material required exceeded what was permissible under the labour material ratio of the MGNREGS. This also raises issues of whether the target of the watershed programme was suitably raised to account for the resources taken from the MGNREGS.

The issue of using the MGNREGS as a labour subsidy for other government programmes also needs to explicitly discuss



Picture 3.9: Convergence with social forestry work in Bidar district

the relative importance of different programmes. The original list of MGNREGS projects are focused primarily on land development. As we have said earlier this emphasis is crucial for resolving the crisis that threatens Indian agriculture. It is of course possible to make a case for a labour force

financed through the MGNREGS and used for all government projects. In addition to being more efficient it would be easier to find work for individual workers when they demand it. But this benefit must be balanced against the risk of a dilution in the emphasis on the crucial programmes on land development.

THE CONSEQUENCES OF WORK

The consequences of a programme as wide ranging as the Mahatma Gandhi National Rural Employment Guarantee Scheme can be felt in a number of areas. We have already seen how the Scheme provided much-needed economic muscle to decentralized institutions; a process that throws up its own challenges. The impact on other areas too need not be one-dimensional. If the scheme provides agriculture with assets, there is the question of whether it starves this sector of labour. While the poor have been benefited, the poorest have not always been the main beneficiaries. Similar complexities can be found in the realm of migration as well as the process of generating purchasing power. And the impact of the Scheme in all these areas has a gender dimension as well. In this chapter we take a closer look at the impact of the MGNREGS on chronic poverty, agriculture, migration, purchasing power, and gender.

AGRICULTURE

The popular debate on the impact of MGNREGS on agriculture has tended to concentrate on the fact that as an alternative avenue of employment the Scheme could draw labour away from farms. Implicit in this contention is that the assets created under the MGNREGS are not related to agriculture. This is quite obviously not the case. The MGNREGA has been conceived in a way that the employment it guarantees should be utilised in a way that addresses some of the primary concerns of rural India, including agriculture. There are several long-term investments required in agriculture that are not viable for individual farmers. This is particularly true of dry lands where the required technologies, such as contour bunds, may involve the land of more than one farmer. In such cases no individual farmer will consider it worthwhile to invest in the asset. It is here that a programme like the MGNREGS can step in and create the required assets.

ASSET CREATION

In evaluating whether the MGNREGS in Karnataka has created assets that improve the productivity of land, the simple answer would be positive. The impact of any land development scheme on the quality of farm land is very likely to be positive. Check dams, irrigation canals, wells and other such assets we referred to in Chapter 3 should all have had a positive impact. Those benefitting from these projects too were also enthusiastic in their assessments of the positive impact of these assets.

The difficulty arises when we try to quantify the benefit so as to be able to decide whether the projects generated the most productive assets possible. Since the construction of these assets have many dimensions, a great deal would depend on the aspect we focus on. An asset that meets all the engineering standards may not be as effective in improving productivity in agriculture as another asset that could have been created with the same resources. Again, while some assets like an irrigation canal would have an immediate impact others,



Picture 4.1: An open well in Bidar

especially some of those related to dry land agriculture could take longer to take effect. And since the MGNREGS in most districts in Karnataka had been in place for less than three years when this study was conducted, it may be too soon to look for precise quantitative assessments.

What must be said, however, is that there are a number of elements that go into the creation of assets under the MGNREGS that may constrain the benefits of the Scheme. First, in the choice of projects so far the focus has been on those that relate to a single gram panchayat. While the formal processes that have been laid out allow for projects involving more than one gram panchayat, in reality such projects are rare. As a result potentially productive projects covering the land of more than one gram panchayat tend to be ignored. This ensures the MGNREGS projects cannot tap any economies of scale that may be available.

Second, the choice of projects is typically first made informally at the gram panchayat and then checked at the taluk level to see if fits into the list of permissible projects. This process does not pay sufficient attention to the relative productivities of competing projects. For instance, there could be two projects that fall under the permissible list, but which are likely to have very different effects on the productivity of land. Since the productivity aspect is not considered it is quite possible that the less productive asset will be chosen.

Third, there is a tendency in the most developed region in the state – the Malnad

and Coastal Districts region – for MGNREGS labour to be used on own farms. This approach turns the MGNREGS into a labour subsidy for the farmer. Such a subsidy could have a positive impact on productivity in the case of farmers who are so poor that they cannot make the basic investments required on their land. But in the case of the more prosperous farmers this only serves to ensure that investment that would otherwise be provided by the farmer would now be provided by the state. There would then be no additional gain in productivity. If we add the fact that these resources could have been used in alternative avenues with greater scope for increases in productivity, there will be an overall negative impact. Indeed, when the phenomenon of work under the Scheme being carried out on own farms or on other private land is most prominent in the richest region of the state, it could be said that MGNREGS funds are driving out private investment from agriculture.

And fourth, there are a number of social and political factors, outlined in Chapter 3, that could result in less productive projects gaining preference. Thus while the impact of MGNREGS on agricultural productivity is very likely to be significantly positive, there is reason to believe that it is not always as beneficial as it could be.

DEMAND FOR LABOUR

An employment guarantee scheme can affect the availability of labour for agriculture both directly and indirectly. The

direct effect is when the scheme offers a wage rate that is higher than that available in agriculture at the same time. The indirect effect is that the wage rate offered in the scheme is available to workers even when the workers do not actually work in the MGNREGS. This then becomes the floor wage rate below which workers will not be available for work.

Before we go into any detailed analysis of these effects it is necessary to first understand whether other work was available at the time. In all the five regions by far the most common answer was that no other work was available, with this being the response of 99 percent of the beneficiaries in the South and over 90 percent in the two northern regions as well. It is only in the better-off Malnad and Coastal Districts region that a fourth of the beneficiaries said they had other options, and even here 16 percent were those who said the other options were in their own farms or business. In the South all who said other options were available, were speaking of work on their own farms or business. For a vast majority of the beneficiaries therefore the question of choosing between mainstream agriculture and the MGNREGS did not arise.

For those who have the choice, the wages earned in MGNREGS were generally well below that available in agriculture or other wage labour. Table 4.2 tells us that this was true for male workers in all the regions with the agricultural wages being nearly twice the earnings from MGNREGS in the Northeast. For female workers too agricultural wages and the earnings of other daily wage labour were higher than the earnings from the MGNREGS in three of the five regions. It is only in the Malnad and Coastal Districts region and the South region that this was not the case. The ability of the MGNREGS to directly draw labour away from agriculture is therefore quite limited.

In theory the existence of an employment guarantee scheme should have ensured that the guaranteed wage was the floor below which the market wages cannot go. And it is true that, with exception of the women workers in the Malnad and Coastal Districts region and the South region, the earnings from agriculture or other unskilled daily wage work does not go below the earnings from MGNREGS. The trouble however is that in the regions of low awareness about MGNREGS the

Table 4.1: Availability of other work for beneficiaries at the same time as MGNREGS

| | In percent | | | | |
|--------------------------|------------|-----------|--------|--------|-------|
| | Northeast | Northwest | Tribal | Malnad | South |
| No other work available | 96.51 | 93.10 | 84.62 | 73.12 | 98.62 |
| In own farm/business | 0.00 | 0.00 | 5.33 | 16.13 | 1.38 |
| In others farms/business | 3.49 | 6.90 | 10.06 | 10.75 | 0.00 |

Source: NIAS MGNREGS Survey, 2010-11

Table 4.2: Daily wages in Agriculture, MGNREGS and other daily wage unskilled work

| Region | Agricultural daily wage | | | Other daily wage | | | MGNREGS earnings | | |
|-----------|-------------------------|--------|---------|------------------|--------|---------|------------------|--------|---------|
| | Male | Female | Overall | Male | Female | Overall | Male | Female | Overall |
| Northeast | 116.67 | 64.00 | 83.75 | 118.50 | 70.56 | 95.42 | 61.70 | 59.10 | 60.18 |
| Northwest | 97.61 | 68.85 | 87.22 | 133.32 | 70.92 | 100.34 | 62.20 | 52.20 | 58.27 |
| Tribal | 120.66 | 76.00 | 98.33 | 115.99 | 77.26 | 98.65 | 74.50 | 56.10 | 65.28 |
| Malnad | 127.08 | 80.00 | 113.24 | 125.35 | 80.30 | 112.53 | 112.00 | 92.70 | 103.75 |
| South | 116.67 | 62.5 | 85.72 | 111.71 | 52.65 | 92.31 | 86.70 | 80.90 | 84.56 |
| Karnataka | 114.59 | 68.42 | 91.61 | 120.20 | 66.50 | 98.55 | 80.40 | 70.70 | 76.26 |

Source: NIAS MGNREGS Survey, 2010-11

earnings are well below what is stipulated in the Act. Indeed, the ranking of the regions in terms of earnings of men under the MGNREGS is identical to the ranking of the regions in terms of awareness. The Malnad and Coastal districts region has the highest awareness, followed by the South region, the Tribal region, the Northwest and the Northeast. As can be seen from Table 4.2 the same ranking holds for earnings from MGNREGS as well.

On the whole the impact of MGNREGS on agriculture must be seen to be positive. The assets created can help develop the quality of land, especially if some of the current inadequacies are addressed. There is little evidence of it directly drawing labour away from agriculture on any substantial scale. Its ability to act as a floor wage too is not always effective, especially in regions of low awareness. There could still be complaints from those who would not like to see any government initiative to set a floor wage. But these complaints must be weighed against the fact that wages that

actually exist on the ground in some parts of rural Karnataka are well below the officially specified minimum wage.

CHRONIC POVERTY

The differences in earnings from MGNREGS that are evident between the different regions of Karnataka are mirrored within each region as well. Even within agriculture the cultivators consistently reported higher earnings from MGNREGS than the landless agricultural labour. This

Table 4.3: Region-wise MGNREGS wage rate comparison between beneficiaries who are cultivators and landless agricultural and wage labour

| Region | Mean MGNREGS daily wage | |
|-----------|-------------------------|------------------------------------|
| | Cultivator | Agricultural and other wage labour |
| Northeast | 65.67 | 64.48 |
| Northwest | 62.38 | 45.83 |
| Tribal | 76.15 | 67.70 |
| Malnad | 127.54 | 90.72 |
| South | 89.66 | 86.20 |
| Karnataka | 84.88 | 72.84 |

Source: NIAS MGNREGS Survey, 2010-11

was true for all five regions. As can be seen in Table 4.3, the only variation in this pattern was the extent of this difference. This variation in the earnings from the MGNREGS makes it clear that the mere existence of beneficiaries of the Scheme does not mean it is as good a safety net as it can be. And the main effect of such a deficiency will be on the goal of the scheme to make a significant difference to chronic poverty.

Identifying the chronic poor would normally take us into the contentious issue of defining the poverty line. Since better minds than us have been unable to reach an agreement on this issue we would be better served by not attempting an answer to this question. What we do instead is to focus entirely on those who have none of the assets we had listed when defining our asset indicator; that is those among the landless who do not have even a cycle in their household. While this rather extreme condition could leave out others who are in fact chronically poor, it is very unlikely that a household that cannot afford even basic assets would not be among the poorest. For the purpose of this study the chronic poor are those households that do not have any of the assets used to make our asset indicator.

Given the fact that addressing chronic poverty is one of the stated goals of the Scheme, it would be reasonable to expect that a greater proportion of the chronic poor are beneficiaries of the scheme when compared to other sections of society. The picture from the ground does not however

Table 4.4: Region-wise distribution of beneficiaries among chronic poor and other households In percent

| Region | Beneficiaries among | |
|-----------|-------------------------|------------------|
| | Chronic poor households | Other households |
| Northeast | 24.63 | 8.61 |
| Northwest | 4.29 | 5.76 |
| Tribal | 16.84 | 36.53 |
| Malnad | 32.26 | 38.73 |
| South | 30.14 | 37.09 |

Source: NIAS MGNREGS Survey, 2010-11

suggest that this is the case in Karnataka. Table 4.4 tells us that other than in Northeast the proportion of beneficiaries among the chronically poor is less than the proportion of beneficiaries among the others in the rural community. While the share of beneficiaries among the sections of the rural community who are not chronic poor is only marginally higher in the Northwest, the differences in the other regions are quite significant. Indeed, in the Tribal region the proportion of labour beneficiaries among those who are not amongst the chronic poor is more than twice the proportion among the chronic poor. This pattern suggests that the chronic poor may have higher transaction costs that prevent them from being among the beneficiaries of MGNREGS.

The impression of the chronic poor having to meet higher transaction costs than others is strengthened by the earnings from MGNREGS reported by the beneficiaries. As can be seen from Table 4.5, in three of the

Table 4.5: Region-wise MGNREGS wages amongst chronic poor and other beneficiaries

| Region | Mean MGNREGS wages among | |
|-----------|--------------------------|-------------------|
| | Chronic poor individuals | Other individuals |
| Northeast | 59.62 | 60.83 |
| Northwest | 53.33 | 59.71 |
| Tribal | 65.94 | 65.19 |
| Malnad | 84.44 | 105.23 |
| South | 81.83 | 85.01 |
| Karnataka | 70.98 | 77.07 |

Source: NIAS MGNREGS Survey, 2010-11

five regions of the state the earnings of the chronic poor from MGNREGS is significantly lower than that of those who are not among the chronic poor. Even in the more developed areas, such as the Malnad and Coastal Districts region, where the earnings of the chronic poor are the highest when compared to other regions, the earning of others from the MGNREGS is greater. And in the two regions where there is no significant difference between the earnings of the chronic poor and the others

– the Northeast and the Tribal regions – the actual earnings are much lower than that specified under the MGNREGS.

The case for better targeting of the chronic poor is reinforced by the fact that the current measures may not be entirely adequate. The provision that Below Poverty Line (BPL) card holders can work on their own land, for instance, can be an important benefit to marginal farmers, but it does not help the landless. And interventions through the BPL card must also deal with the fact that it does not cover all the chronically poor. While there has been much criticism of this card also being issued to some of those who are not poor, our data suggests we cannot be certain that all the poor are themselves covered. Table 4.6 tells us that even if we take the BPL cards and the Antyodaya cards together it does not cover all the chronic poor. In the Northeast, Northwest and the Tribal regions around a fifth of the chronic poor are left out. Indeed, in some regions, particularly the Northwest and the Tribal regions, there is no great difference between the proportion of chronic

Table 4.6: Access of poor households to ration cards

| Region | In percent | | | |
|-----------|---------------------------|--------|---------------------------------|--------|
| | Households with BPL cards | | Households with Antyodaya cards | |
| | Chronic poor | Others | Chronic poor | Others |
| Northeast | 62.69 | 55.63 | 19.40 | 6.62 |
| Northwest | 60.00 | 58.79 | 18.57 | 7.27 |
| Tribal | 57.89 | 55.11 | 21.05 | 8.67 |
| Malnad | 67.74 | 48.84 | 22.58 | 5.78 |
| South | 76.71 | 71.70 | 17.81 | 8.52 |

Source: NIAS MGNREGS Survey, 2010-11

poor who have BPL cards and the proportion of BPL cardholders among those who are not chronic poor. It must be mentioned that the Antyodaya scheme appears better targeted at the chronic poor.

MIGRATION

It is sometimes suggested that the MGNREGS will have an impact on migration from the villages to the cities. By offering rural workers work in the village it will reduce the need for workers to go to the city to seek employment. Keeping in mind the fact that the MGNREGS had been implemented in all the districts of Karnataka for just two years at the time of the survey, we focused on the migration that had taken

place in the preceding year. The results failed to confirm the expectation that MGNREGS reduces migration. On the contrary there may even be case to argue that the beneficiaries of the MGNREGS were more inclined to migrate. Table 4.7 tells us that in every region other than the Northeast the migration among beneficiaries was higher than among the non-beneficiaries of the Scheme.

The possible tendency for MGNREGS to encourage migration is not entirely surprising. Migration by the poor can be both a means of getting out of distress, and a means of seeking out better opportunities. In cases where the urge to migrate is the result of distress, the MGNREGS would act as an incentive *not* to migrate. In cases where the urge to migrate is in search of better opportunities the MGNREGS could well provided the limited resources need to seek better opportunities elsewhere. When we look at the purpose of migration, in Table 4.8 both these patterns are evident. In the northeast the main purpose is agriculture or other wage labour. It is quite likely that those who migrate in search of wage labour are doing so out of distress. It is thus no

Table 4.7: Migration among non beneficiaries and beneficiaries In percent

| | Non-beneficiaries | Beneficiaries |
|-----------|-------------------|---------------|
| Northeast | 2.92 | 1.69 |
| Northwest | 5.03 | 9.09 |
| Tribal | 4.58 | 6.72 |
| Malnad | 7.30 | 9.72 |
| South | 2.50 | 3.82 |

Source: NIAS MGNREGS Survey, 2010-11

Table 4.8: Region-wise, gender-wise purpose of migration In percent

| | Northeast | | Northwest | | Tribal | | Malnad | | South | |
|--------------------------------------|-----------|-------|-----------|-------|--------|-------|--------|-------|--------|-------|
| | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male |
| Agriculture and other wage labour | 80.00 | 76.92 | 0.00 | 9.52 | 80.00 | 69.57 | 0.00 | 10.34 | 0.00 | 7.14 |
| Salaried employed and other business | 0.00 | 15.38 | 0.00 | 14.29 | 0.00 | 21.74 | 45.45 | 75.86 | 100.00 | 71.43 |
| Others | 20.00 | 7.69 | 100.00 | 76.19 | 20.00 | 8.7 | 54.55 | 13.79 | 0.00 | 21.43 |

Source: NIAS MGNREGS Survey, 2010-11

surprise that in the Northeast the MGNREGS acts as a disincentive to migration. In contrast, in the Malnad and Coastal Districts region the migration in search agricultural or other wage labour is limited. The search for more permanent employment or other opportunities that dominates migration in this region is aided by the resources provided by the MGNREGS. This would contribute to the fact that the beneficiaries of MGNREGS in this region show a greater tendency to migrate than the non-beneficiaries.

PURCHASING POWER

One of the major macroeconomic effects of the schemes under the MGNREGA is believed to be the purchasing power it generates. The massive allocations for the Schemes are likely to have played their part in ensuring that India could generate an internal demand to offset the global economic crisis of 2008. This impact is not only in terms of the amounts directly spent but also due to, what economists call, the multiplier.¹ The higher the multiplier the greater is the number of times the original expenditure must be multiplied to get the overall purchasing power. In order to calculate the multiplier we needed the

propensity to consume from the earnings from MGNREGS as well as the overall propensity in the economy as a whole. To calculate the propensity to consume from MGNREGS earnings we asked beneficiaries how they spent their last MGNREGS payment, including how much was saved. In order to minimise the recall bias we only asked this information of beneficiaries of MGNREGS who had worked during the preceding year.

The picture that emerges from the patterns of expenditure from MGNREGS payments is one of the multiplier effects being quite significant, ranging from 3.14 in the Northwest region to 3.62 in the Malnad and Coastal Districts region. The limited variation across regions is not in line with the expectation that the richer regions would save more and spend less. The richest region, the Malnad and Coastal Districts region, has the highest multiplier. There are, however, no discernible patterns either across regions or across gender. There is also no suggestion that gender has a clear impact on expenditure patterns. While in some regions women do tend to save more and hence have a lower multiplier effect, this pattern is reversed in other regions.

¹ The multiplier is based on the fact that money spent is income in the hands of the receiver of the money. The recipient will save some of this income and spend the rest. What she spends is once again income for the new recipient, who will save some of it and spend the rest. And so on. It is obvious that the additional purchasing power generated depends on how much is saved and how much is spent. The more that is spent at each stage the greater will be the purchasing power that is generated from the original expenditure. This overall purchasing power is a multiple of the original expenditure. The multiplier is this multiple. The method we have used to calculate the multiplier is given in Appendix 2

Table 4.9: The Multiplier from MGNREGS payments by region and gender

| Region | Gender and Multiplier | | |
|-----------|-----------------------|------|-------|
| | Female | Male | Total |
| Northeast | 3.32 | 3.39 | 3.35 |
| Northwest | 3.23 | 3.10 | 3.14 |
| Tribal | 3.67 | 3.17 | 3.31 |
| Malnad | 3.63 | 3.60 | 3.62 |
| South | 3.01 | 3.54 | 3.35 |
| Karnataka | 3.28 | 3.40 | 3.34 |

Source: NIAS MGNREGS Survey, 2010-11

The effect of the multiplier on the rural economy would of course be influenced by how much of the additional purchasing power generated from a rural employment scheme is spent on items produced in the rural economy. Tracking the rural and non-rural component of each round of expenditure is of course an impossibility. In order to get a rough estimate we have assumed that food, rent, entertainment and tuition would be largely produced in the rural economy, while other products would not. Table 4.10 tells us that a greater proportion of the income

generated from MGNREGS tends to be spent on the rural economy, at least in the first round of the multiplier.

The focus on the purchasing power that is generated is not just for its own sake but to find out the direction of expenditure. The generation of purchasing power would be particularly useful if it was used towards easing some of the shortfalls in rural society, particularly in food, education and health. Quite predictably, Table 4.11 tells us that the poorest region in Karnataka – the Northeast – spends the highest proportion of income from MGNREGS on food. The expenditure from MGNREGS income in other regions sometimes reflects the characteristics the region is commonly identified with. The fact that the only region spending a significant amount of MGNREGS income on education is the Malnad and Coastal Districts region is quite consistent with the strides that region has made in the field of education. What is more disconcerting is the relatively high levels of expenditure on health in the Tribal region.

Table 4.10: Gender and rural expenditure

In percent

| Region | Proportion of MGNREGS income spent on items primarily produced in rural areas | | Proportion of MGNREGS income spent on other items | |
|-----------|---|-------|---|-------|
| | Female | Male | Female | Male |
| Northeast | 46.00 | 69.00 | 5.00 | 15.00 |
| Northwest | 44.00 | 30.00 | 31.00 | 16.00 |
| Tribal | 27.00 | 32.00 | 37.00 | 38.00 |
| Malnad | 29.00 | 42.00 | 31.00 | 38.00 |
| South | 37.00 | 46.00 | 30.00 | 37.00 |
| Karnataka | 38.00 | 44.00 | 27.00 | 29.00 |

Source: NIAS MGNREGS Survey, 2010-11

Table 4.11: Expenditure on health, nutrition and education

In percent

| Region | Proportion of income from MGNREGS spent on food | | Proportion of income from MGNREGS spent on health | | Proportion of income from MGNREGS spent on tuition | |
|-----------|---|-------|---|-------|--|------|
| | Female | Male | Female | Male | Female | Male |
| Northeast | 45.83 | 69.25 | 1.16 | 2.63 | 0.00 | 0.00 |
| Northwest | 43.75 | 29.65 | 11.25 | 4.17 | 0.00 | 0.00 |
| Tribal | 25.25 | 29.74 | 17.02 | 13.37 | 0.00 | 0.25 |
| Malnad | 25.60 | 36.83 | 6.63 | 8.95 | 2.62 | 3.67 |
| South | 36.33 | 46.33 | 9.57 | 11.44 | 0.07 | 0.06 |
| Karnataka | 36.47 | 42.78 | 8.97 | 8.30 | 0.46 | 0.65 |

Source: NIAS MGNREGS Survey, 2010-11

GENDER

Countering gender discrimination is a theme that is central to the MGNREGA. Men and women are expected to be paid the same wages. But there are a number of mechanisms including the measurement of work that can be used to differentiate between the wages finally earned by men and that earned by women. In our quantitative survey men and women workers reported significant differences in the wages earned for MGNREGS work. Table 4.2 earlier in this chapter indicated that women reported lower wages than men for MGNREGS work in all five regions of Karnataka. These differences went up to nearly Rs 20 in the Malnad and Coastal Districts region and Rs 18 in the Tribal region. Where the MGNREGS does appear to have been successful is in reducing the gender difference in wages when compared to both agriculture and other unskilled daily wage work. As Table 4.2 told us the gender difference in both agriculture and other unskilled daily wage work was substantially greater than

that prevailing in the MGNREGS. Even in the areas reporting substantial gender differences in MGNREGS earning, the differences in agriculture and other unskilled daily wage work was far greater. The highest difference of Rs 20 between the MGNREGS earnings was in a region where the difference between male and female wages in both agriculture and other unskilled daily wage work was over Rs 45.

The gender dimension of the MGNREGA is also reflected in the requirement that women should account for at least a third of the person days worked.

Table 4.12: Gender difference in person-days

| Region | Proportion of total person-days | |
|-----------|---------------------------------|------|
| | Female | Male |
| Northeast | 58.1 | 41.9 |
| Northwest | 37.9 | 62.1 |
| Tribal | 49.1 | 50.9 |
| Malnad | 37.6 | 62.4 |
| South | 36.7 | 63.3 |
| Karnataka | 41.6 | 58.4 |

Source: NIAS MGNREGS Survey, 2010-11

This norm is met in all the five regions. In three of the regions – the Malnad and Coastal Districts, the South, and the Northwest – the employment of women is just around the one-third mark. But in the Tribal region and in the Northeast, women account for far greater numbers than the minimum that is specified. As can be seen in Table 4.12 the share of women in the total

person-days worked in the Northeast is as high as 58 percent.

The overall impact of the MGNREGS on gender issues must then be seen as positive, though far from being revolutionary. The Scheme has reduced the gender differences in wages that are dominant in the agrarian society, but it has not been able to remove them altogether.

THE PROCESSES

The processes to be used in the implementation of the MGNREGS in Karnataka have been laid out by the Department of Rural Development and Panchayat Raj in a set of 80 specific steps. An evaluation of the processes thus has two dimensions. It must assess whether each of these specific steps has been followed; and it must consider whether these steps are the best suited to implement the Scheme in the context of the specific conditions prevailing in different parts of Karnataka. The first dimension is addressed here through assessments based on discussions with officials at the zilla panchayats, taluk panchayats and gram panchayats in all the five regions we have identified in Karnataka. This is essentially an outsider's assessment and would need to be evaluated in the context of the information available within the government. A brief summary of our


assessment of the functioning of each of the 80 steps is given in the extended Table 5.1. These processes are however not carried out in a vacuum. They interact with the specific conditions in each gram panchayat. And we have seen in the earlier chapters that these conditions do tend to vary quite substantially between regions. In what follows in this chapter therefore we will be looking at the operation of each of these steps in the context of the varying conditions across Karnataka. For convenience, the processes involved in the implementation and monitoring of the scheme are grouped into five sets: those relating to awareness, those relating to job cards, those relating to getting work, those relating to the choice of projects, those relating to the implementation of the project, and those relating to the monitoring of the scheme.


Table 5.1: MGNREGS Process Chart


| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|-----------------------|---|
| 1 | Creation of awareness about the program | State/ZP/TP/GP | Limited efforts in all five regions |
| 2 | Submission of application for registration | Labour | Both verbal and written applications accepted. In some GPs two photos are to be brought by the applicant. |
| 3 | Acknowledgement of application | PDO/GPS | Acknowledgement slip generally not given. |
| 4 | Processing of application | PDO/GPS | Enquiry about the genuineness of the applicant is done by GP officials, but quality of enquiry varies from GP to GP |
| 5 | Placing the application for approval before GP (5.3.1) | PDO/GPS | The GP secretary decides on the application based on the enquiry. |
| 6 | Issue JC or reject after the approval of GP | GP | Depending on his enquiry the GP Secretary issues the card |
| 7 | Enter the complete data in MIS | PDO/GPS | For GPs where computers/ computer operators are not available MIS is filled at the Taluk Panchayat. In GP's having computers and net connection, computer operators fill the MIS. |
| 8 | Inform the line departments to submit the list of permissible works to be taken up | CEO/EO/ PDO/GPS | Line departments are often not asked to provide lists |
| 9 | Submission of work list by the line departments to the respective IAs | EAs | Line departments do not submit lists of permissible works |
| 10 | Consolidate the list of works | CEO/EO/ PDO/GPS | This is done |




| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|---|------------------|--|
| 11 | Draw calendar to organize GS in the taluk on 2nd Oct every year | EO | The EO sends out the notices but meeting not usually held on that date |
| 12 | Notifying the date for GS and give publicity | PDO/GPS | GPs arrange for announcements by mike, accompanied by the beating of drums, and for pamphlets about Gram Sabha /Ward Sabha meetings. In some GPs in the Northwest region no announcements are made. |
| 13 | Inform the GS about the duties and responsibilities | PDO/GPS | The Gram Sabhas are informed about their duties and responsibilities by the concerned staff member, generally the Panchayat Development Officer. |
| 14 | Assessment of labour demand for the next year | GS | In some cases it is decided by the ZP and in other cases by the Taluk Panchayat. The formal budget is then worked out at the GP. The norms for deciding the budget also tends to vary. In the Northeast the norm appears to be the number of job cards times 100 days times the wage. In other regions it is taken as a percentage of this figure. In yet other areas it is decided by first estimating the overall budget based on the current year's progress and then taking 60 percent of this figure. |
| 15 | Recommendations and prioritization of works as per the labour demand by GS | GP and LD | Prioritization typically done by the GP. The line departments also participate in these meetings. |
| 16 | Draw GS proceedings | PDO/GPS | The Gram Sabha proceedings are drawn in all the GPs |


| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|---|----------------|---|
| 17 | Arrange for GP meeting | PDO/GPS | The GP staff arrange for the GP meeting. |
| 18 | Place the recommended work list in GP and get the approval | PDO/GPS | The recommended work list is placed before the GP for approval. |
| 19 | EO should get the work list to be executed from the line departments at taluk level that involve more than one GP | EO/LD | Generally there are very few works that involve more than one GP. |
| 20 | GP should send the approved list to TP within 15 days from the date of GS along with GS resolution | PDO/GPS | Due to multiple responsibilities of the GP staff and the availability of all GP members, this does not seem to be followed. |
| 21 | Check the list as per guidelines; if any discrepancies send it back for rectification by GP | EO | The TP does not accept an action plan until it follows the guidelines. |
| 22 | GP should rectify it and resubmit | PDO/GPS | The list is sent back to the GP for rectification. In some cases the rectification is done by the GP secretary in the Taluk Panchayat office. |
| 23 | Consolidate the list and place before TP for approval within 15 days | EO | No account is generally kept of the time taken, though officials insist it is done as soon as possible. |
| 24 | TP shall approve within 15 days from the date of submission by EO. If not EO shall approve it and submit to ZP (4.4.11) | TP/EO | No account is generally kept of the time taken, though officials insist it is done as soon as possible. |
| 25 | CEO shall get the work list to be executed from the line departments at district level that involve more than one taluk | CEO/LD | Typically very few works involve more than one taluk |
| | | |  |

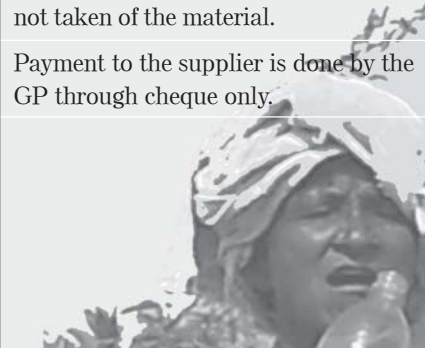
| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|--------------------|---|
| 26 | Consolidate the list and place before ZP for approval | CEO | Typically no changes are made at the ZP level |
| 27 | ZP shall approve within 15 days from the date of submission by CEO. If not CEO shall approve it and send to TP/GP.(This should be completed by 31st Dec)(4.4.11) | ZP/CEO | Generally approved and sent back by CEO |
| 28 | EO shall communicate the approved plan to the respective line departmental EAs and GPs | EO | Generally done |
| 29 | EAs shall visit sites and prepare the estimates clearly showing wage and material components and material procurement plan separately | EA | The estimates showing wage & material components for the site, are prepared by the line department officers. |
| 30 | Along with technical sanction estimates to be submitted to the respective IAs (ZP/TP/GP) | EA | The work list having the technical sanction by the line departments and the administrative approval by the TP/ZP are handed over to the GP. |
| 31 | IAs shall keep them in the shelf after due administrative sanction (Shelf of projects) | IA | Copies of the list of approved works is available at the GPs. |
| 32 | Details of shelf of projects to be entered in MIS | IA/EA | Entered either at GP or at TP depending on the availability of computer operators, generally at the TP. |
| 33 | No additional works would be permissible after approval of the LB | CEO/EO/ PDO/GPS | This is followed. |
| | | |  |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|----------------|--|
| 34 | Application for the demand for employment | Labour | GP's discourage individual applications and wait for a group of people to apply. |
| 35 | Entry of demand in MIS | PDO/GPS | Since the GP's discourage individual applications and wait for a group of people to apply, there is rarely an immediate entry of demand in the MIS. |
| 36 | Generate the acknowledgement and give to the JC holders | PDO/GPS | This is not always given. |
| 37 | Verify the status of fund and make necessary arrangements to have the required funds | PDO/GPS | The GP staff is regularly in touch with TP authorities on this issue. |
| 38 | Allocate the work within 15 days as per the Act (6.4.4) | PDO/GPS | After a group of workers have applied for work there seems to be some action in allocating work. But the delay is in accepting the applications. |
| 39 | Issue notice to the applicants to attend the work and put it on the notice board | PDO/GPS | The workers themselves come and ask about status. |
| 40 | Issue work order to the respective EAs to start the work | PDO/GPS | The EO of the TP issues the work order. In some GP's, this is not always followed; sometimes work starts before a work order is issued. |
| 41 | Generate NMR from MIS | PDO/GPS | Manual NMR is maintained at the GP which is then later used to generate the NMR for website. Due to the tight timelines associated, manual NMRs are preferred. |
| | | |  |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|---|-------------------|---|
| 42 | Issue NMR and MB to the EAs or Mates (6.5.4) | PDO/GPS | Not usually done. |
| 43 | Get the acknowledgement for the issue of NMR | PDO/GPS | Not applicable in view of above |
| 44 | Usage of NMR at the work site | EA/TA/Mate | Not done. Work records are usually maintained in informal notebook. |
| 45 | Brief the laborers about the work and give mark out at work site | EA/TA/Mate | Work is assigned to a group of workers and not individual workers. Mark out for a fixed number of days is given. |
| 46 | Photo of the work site before execution | EA/TA/Mate | Photo of the worksite before execution is not generally taken. |
| 47 | Management of work site facilities | EA/TA/Mate | While there are claims of facilities being available, these were not seen the work sites the team visited. |
| 48 | Day to day recording of measurements in MB at the work site and inspection by VMCs | EA/TA/Mate | Daily measurements are not taken at all the GP's. There are GP's where measurement of work for a fixed number of days is given to the group of workers, measurement in such cases are taken only after the completion of the fixed number of days. The GP staff prefers to take rough measurements before finalizing them. |
| 49 | Photos of the work execution | EA/TA/Mate | Once the work begins, the GP normally employs the services of a photographer to take some photos. |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|-----------------|--|
| 50 | Weekly verification of recorded measurements in MB and certification | EA/TA | Measurements are done only after some specified number of days of work and not necessarily verified weekly. |
| 51 | Closure of NMR at the end of the week | EA/TA | Since manual NMR's are used, the closure of NMR is not necessarily at the end of the week. |
| 52 | Submission of certified NMR and MB to GP along with photo | EA | The GP is the executing agency. Hence, this is generally done only after a work gets completed. |
| 53 | Verification of certificate and the correctness of data in NMR and MB | PDO/GPS | Verification is not always stringent. |
| 54 | Entry of certified filled NMR /MB in the MIS within 15 days from the date of generation of NMR | PDO/GPS | This is done, but there is often some delay. |
| 55 | If sufficient fund is available make the payment or otherwise get the funds and make the payment | CEO/EO/PDO/ GPS | Immediate payment is rarely made. It takes a minimum of 15 days after the work gets completed, for payment. The workers say the payments take much longer, going up to several months. |
| 56 | Release the funds to the respective level as per the procedure and enter in MIS | State/CEO/EO | Done with delays. |
| 57 | Receive the funds in MIS and keep update the cash book | CEO/EO/ PDO/GPS | The GP receives the funds and updates the cash book. The MIS is not always immediately updated. |
| 58 | Enter the filled NMR in the MIS and get the wage list | PDO/GPS | The NMR is filled in the MIS and the wage list is generated. |
| | | |  |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|---|--------------------|---|
| 59 | Make payment to the labourers as per the wage list | PDO/GPS | Payment is made as per Schedule of Rates and the measurements recorded by the line departments. |
| 60 | If any expenditure on administration enter the same in MIS | CEO/EO/PDO/ GPS | This is done. |
| 61 | Issue of cheque to the concerned Bank/PO for payment along with certified wage list | PDO/GPS | All GP's issue cheques to the bank/post office with the certified wage list. It was however noticed that in some cases the cheques for different job cards were made out to the same bank account. |
| 62 | Final check measurement recording and certification | EA | This is done by the JE for the GP and the concerned line department personnel. |
| 63 | Photo of the completed work | EA | The GP arranges for a photographer who captures a photo of the completed work. |
| 64 | Submission of the work completion certificate along with certified MB and completion photos (6.9) | EA | The work completion certificate along with certified MB and completion photos are available at the GP. |
| 65 | Enter the completion details in MIS and file the completion certificate | PDO/GPS | Some GP's do not complete these procedures immediately. |
| 66 | Produce all the documents to Audit | CEO/EO/ PDO/GPS | All documents required for the audit are produced by the GP. |
| | | |  |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|----------------|---|
| 67 | Submit the audited report to the respective level and compliance there of. | CEO/EO/PDO/GPS | These procedures are followed by the GP. |
| 68 | EAs shall submit the request for funds to procure the materials as per the plan | EA | Generally, the GP is involved in the procurement of material for the works. |
| 69 | Materials shall be procured by GP following the procedure or required funds may be given to EA | GP/PDO/GPS | Though, the GP is involved in the procurement of material for the works, they are directly made available at the work site. |
| 70 | If procured by GP take them into stock and issue to EA | PDO/GPS | Typically the material is directly made available at the work site. |
| 71 | Record the material in MB take photo and certify the same | EA | Material is recorded in MB but photos are not generally taken. |
| 72 | Make payment to the supplier by A/C pay cheque only | PDO/GPS | This is done. |
| 73 | Enter the details of material and payment in MIS or the fund transfer to EA | PDO/GPS | The details of material and payment given are recorded in the MIS. |
| 74 | Acknowledge the receipt of funds | EA | The GP acknowledges the receipt of funds. |
| 75 | EAs shall procure the material following the procedure | EA | Generally, the GP is involved in the procurement of material for the works. |
| 76 | Take them in stock and record it in MB, take photo and certify the same | EA | The material is usually directly made available at the work site. Photos are not taken of the material. |
| 77 | Make payment to the supplier by A/C pay cheque only | EA | Payment to the supplier is done by the GP through cheque only. |
| | | |  |

| No. | Process details | Responsibility | Assessment based on NIAS qualitative survey |
|-----|--|----------------|--|
| 78 | Enter the details of material and payment in MIS | EA | The details of material and payment given are recorded in the MIS. |
| 79 | Submit the certified copies to IAs for filing | EA | The certified copies are available at the GP. |
| 80 | EA shall keep the originals for audit and verification | EA | The certified copies are available at the GP for audit and verification. |

Abbreviations:

IA - Implementing Agency (ZP/TP/GP)

EA - Executing Agency (Line Departments)

TA - Technical Assistant taken on outsource basis

LD - Line Department

GP - GP

EO - Executive Officer

NMR - Nominal Muster roll

MIS - Management Information System

PO - Post Office

PDO - Panchayat Development Officer

GPS - GP Secretray

ZP - ZP

TP - Taluk Panchayat

CEO - Chief Executive Officer

LB - Labour Budget

JC - Job card

MB - Measurement Book

GS - Gram Sabha



PROCESSES FOR AWARENESS

Discussions at the zilla panchayats, taluk panchayats and gram panchayats give a distinct impression that the creation of awareness about the MGNREGS is generally not very high on the list of priorities of the officials. A common complaint was that given their overall workload this was an additional burden.

While the basic steps, such as making the announcements accompanied by the beating of drums or printing pamphlets, were carried out, there was not too much attention paid to just how effective these steps were in the creation of awareness.

As a result the levels of awareness were typically determined outside the government machinery. Regions with long traditions of

Table 5.2: Awareness in the Northeast and Northwest regions by NGO presence

| | Awareness of scheme | Awareness of 100 days entitlement |
|--------------------------------|---------------------|-----------------------------------|
| Districts with NGO presence | 37.0 | 18.9 |
| Districts without NGO presence | 17.1 | 6.7 |

Source: NIAS MGNREGS survey, 2010-11

political awareness, particularly the Malnad and Coastal Districts region, also had very high levels of awareness of the MGNREGS. Conversely, regions with relatively limited successes in the past in the mobilization of rural workers, particularly the Northeast and the Northwest regions, had very little awareness of the Scheme. Interestingly, even in these low awareness regions the districts with the active involvement of Non Government Organizations had a noticeably higher level of awareness. The difference between the areas with NGO work and those without such work in the two Northern regions, the regions with the least awareness, is evident in Table 5.2.

PROCESSES RELATING TO JOB CARDS

The processes relating to the issue of job cards gave us our first exposure to a recurring theme in the implementation of the Scheme: informal processes on the ground that are later formalized in the MIS. The prescribed procedure for the issue of job cards is that the worker must apply either in writing or verbally to the gram panchayat. The

application must be acknowledged. It must then be processed and placed for approval before the gram panchayat. The job card should then be issued based on the approval of the gram panchayat and the data entered into the MIS.

We could not however come up against any evidence that the acknowledgements were issued. There was also an apparent tendency for the gram panchayat secretary to take over the entire process of issuing job cards. This informal process seemed to be accepted at the local level because those who were aware of the MGNREGS typically did not face too much difficulty in getting a job card. But since the acknowledgement slips were not issued, there was no independent record of how many workers actually applied for a job card. This left open the possibility of job cards being issued in the names of those who did not apply. Indeed, we cannot completely rule out the possibility of job cards being issued to non-existent individuals.

PROCESSES RELATING TO GETTING WORK

The prescribed procedure for getting work is that once a worker applies for work his/her demand should be entered in the MIS. An acknowledgement should be generated and given to the job card holders. The status of funds should then be verified and arrangements made to have the required funds. Work must then allocated within 15 days. Notice should then be given to applicants to attend work. Once the work is

done the payment is to be made by cheque to the account of the worker.

On the ground the demand for work is not taken into account immediately. The worker is typically asked to come only after putting together a group of at least ten workers. Once such a group is formed and the funds are available, the jobs are given. Sometimes even at this stage there is no formal record and the records are maintained in a notebook. The formal procedure is launched later. Once the formal procedure is launched every effort is made to meet the deadlines that have been set. There is a possibility of there being differences between the records maintained in the notebook and the official Nominal Muster Rolls (NMRs). The check against such differences is that the payments can only be made by cheque. While this norm of only making payments by cheque is strictly maintained, it still does not rule out two possibilities of misuse. First, since acknowledgement slips are not usually issued to those applying for job cards, there is the possibility of job cards for fictitious individuals. These job cards can then be used to generate payments. Second, in several regions it was noticed that several job cards were identified with the same bank account number. This was attributed to the fact that the workers did not have bank accounts. But the fact that the payments were transferred to an account other than that of the worker, it raised the possibility of workers not getting their full wages. These practices would only be possible with the support of the gram panchayat, and it would be difficult for the gram panchayat to do so

when there is wide awareness on the ground. It is worth noting that the difference in the proportion of houses with job cards calculated from the data on the official website and the figures thrown up in our household survey is least in regions known for popular political mobilization, especially the Malnad and Coastal Districts region.

PROCESSES RELATED TO THE CHOICE OF PROJECTS

The choice of projects also provides a picture of informal processes that are later brought in line with the formal requirements. The formal procedure is based on the line departments providing a list of permissible projects. This list is then consolidated by officials at the zilla, taluk and gram panchayats. The gram sabha is to be then called to evaluate the labour demand for the next year. Based on this labour demand the gram panchayat is then expected to prioritize the works.

Typically the list of projects is worked out informally without too much involvement of the Line Departments. The labour demand is then made through varying rule-of-thumb calculations. In some cases these calculations are based on the job cards issued. In other cases, it is simply a projection based on the current year's progress, with the overall MGNREGS budget of the current year being taken as given, and 60 percent of that figure taken as the labour expenditure. Both these processes have their limitations as there are reasons to doubt the genuineness of the number of

job cards, and the labour material ratio is also not always maintained.

PROCESSES RELATING TO THE IMPLEMENTATION OF PROJECTS

The processes of implementation have a number of dimensions of which two appear to be in need of early attention: the procurement of materials, and the facilities provided to workers. The formal procedure for the procurement of materials requires that the materials either be provided by the gram panchayat or the funds be given to the executing agency, that is, the line

departments. If the material is procured by the gram panchayat, they have to be taken into stock and then issued to the executing agency. In either case, the material has to be recorded and a photograph taken. The payment has to be made to the suppliers through account payee cheques only.

Typically the gram panchayats preferred to procure the material themselves. The only exception we found was in the case of social forestry projects, where the saplings were provided by the forest department. There were however several indications of the specific steps



Picture 5.1: Women workers with their own water at a work site in the South region



Picture 5.2: Social audit in progress in Davangere

required by the formal process not being followed. No photograph was usually taken of the material and it was brought directly to the work site. Once the project was completed the required photographs were taken and the accounts updated on the MIS. The workers are also required to be provided with a number of facilities. In the work sites that this team visited, there were few indications of these facilities. The general pattern appeared to be for the workers to take care of themselves, bringing even their own water. Picture 5.1 of workers at a work site in the South region captures this reality.

THE MONITORING PROCESSES

A striking feature of the conceptualization of the MGNREGS is that it requires monitoring not only from within the government machinery but also through a Social Audit. Within the government machinery, official functionaries at the taluk level need to verify 100 percent of the works; official functionaries at the district level need to verify 10 percent of the works, while official functionaries at the state level need to verify 2 percent of the works. However, the qualitative survey found very few cases of 100 percent of the

works being verified by taluk level functionaries. Similarly, there were very few cases where district level officials and state level officials completed the mandated verification of 10 percent of works and 2 percent of works, respectively.

The emphasis on Social Audits in the MGNREGS is reflected in the number of

audits being carried out. These audits are typically carried out as per the requirements. But there are reasons to doubt their effectiveness. The most significant of these reasons, as can be seen from Picture 5.2 is that there is little public involvement in these audits. As a result, the requirement of Social Audits is met more in letter than in spirit.

CONCLUSIONS AND RECOMMENDATIONS

*O*n the basis of our analysis of the functioning of the Mahatma Gandhi National Rural Employment Guarantee Scheme in Karnataka in the preceding chapters we are now in a position to first summarise our findings and then suggest changes in processes, and fresh initiatives, that will bring the Scheme more in line with its objectives. In this summary we will confine ourselves to the specific provisions of the Act and the processes used to implement them. This is not to suggest that the impact of the MGNREGS on the rural economy and society is not significant. Indeed, many of the conclusions reached in earlier chapters make it clear that this wider influence is indeed quite substantial. But since the focus of this study is the specific processes required to implement the Act in Karnataka, we confine our summary to the working of the existing processes. In order to provide this picture in as concise a form as possible we have summarised it into a

single table, Table 6.1. This table looks at specific elements required by the Mahatma Gandhi National Rural Employment Guarantee Act, and lists our findings regarding their operation in Karnataka.

These findings call for specific recommendations to address some of the areas of concern. Before going on to the specific recommendations it would be useful to first outline the broad principles that form the basis of what we believe should be done. The first principle is that the regional variations within Karnataka are too wide to be ignored. The MGNREGS may be built on a common set of norms for the country as a whole and certainly for the state, but the interaction of these norms with the local rural economy is such that the Scheme generates very different consequences in different parts of the state. In the Northwest the low levels of awareness contribute not just to low levels of implementation, but also have transaction costs that ensure the wages

Table 6.1: Findings with regard to specific provisions in the Mahatma Gandhi National Rural Employment Guarantee Act

| Section and clause in the Act | Provisions in the Act | Outcomes in the field |
|--------------------------------------|--|--|
| 2.3.1 | Guarantee of right to work to each household | Gram panchayats discourage individual applications and wait for a group of people to apply. |
| 2.3.3 | Disbursement of wages not later than 14 days after work was done | Payment only made after measurement, which is often after completion of project. This can take up to several months. |
| 3.7.1 | Daily unemployment allowance | Unemployment allowance is typically not paid. |
| 3.8.1 | Reporting matter of non-payment of unemployment allowance | As unemployment allowance is typically not paid, this procedure is not followed. |
| 4.15.5.a | Monitoring of projects by Programme Officer | While Programme Officers do visit project sites, they typically do not visit all the projects sites in their Taluk. |
| 4.16.1 | The Gram Panchayat shall identify projects based on recommendations of gram sabhas and ward sabhas | Though gram sabhas and ward sabhas are held, the identification of projects is primarily done by members of the gram panchayat. |
| 4.16.5 | At least 50 percent of the works must be implemented by Gram Panchayat | Almost all the works are implemented by the gram panchayat. |
| 4.16.6.a | Muster rolls | Attendance is noted in a notebook at the worksite, which is later transferred to the nominal muster roll. |
| 4.18 | Availability of technical staff | Lack of adequate number of staff and technical support was noted at the gram panchayats. |
| Sch 1.3 | Creation of durable assets | Uneven quality of assets. Variable number of beneficiaries for the same amount spent. Some households benefit from more than one asset created. |
| Sch 1.9 | The cost of the material components of projects, including cost of skilled and semi-skilled workers, shall not exceed 40 percent | The 60:40 ratio is sought to be maintained only for the gram panchayat as a whole and not for individual projects. And even this target is not always met. |

| Section and clause in the Act | Provisions in the Act | Outcomes in the field |
|-------------------------------|---|--|
| Sch 1.11 | Contractors not permitted to implement projects | Officially no contractor is used. But informal information points to some gram panchayat members doubling as contractors. |
| Sch 1.14 | Inspection and supervision | Frequency of inspection and supervision by taluk, district, and state level officials below prescribed norms. |
| Sch 2.10 | Gram panchayat/programme officer must accept valid applications and issue a dated receipt. Group applications can also be submitted | Individual applications not usually accepted. Asked to apply only in a group. Receipts are not usually given. |
| Sch 2.11 | Intimation of work | Letters are not sent to applicants. Very few gram panchayats display public notices. Information usually given informally. |
| Sch 2.16 | Unemployment allowance | Found no evidence of unemployment allowance being paid. |
| Sch 2.22 | Display of list of workers | No display of list of workers on the notice board of the gram panchayat or at the office of the Programme Officer. |
| Sch 2.27 | Facilities of safe drinking water, shade for children and periods of rest, first-aid box shall be provided at the worksite | Few signs of such facilities at the worksites. |
| Sch 2.30 | Compensation in case of delayed payment | Though delay in payments can go up to several months, we did not come across any evidence of compensation being paid. |

the workers in the Scheme report are far below the stipulated amount. At the other extreme in the Malnad and the Coastal Districts region there are very high levels of implementation and workers report high wages under the Scheme. But in this region a significant proportion of the work is on

own land or other private land, so that the MGNREGS turns out to be not very different from a labour subsidy. Our recommendations must then take into account the fact that the same set of norms can mean different things in different places. A second concern underlying our

recommendations is that the goals listed in the MGNREGS that go beyond the employment guarantee – removing chronic poverty, development of agriculture, and decentralization – are as important as the 100 days of employment. The need to address the issue of chronic poverty is an essential part of the justification for using state funds to provide employment guarantee. The crisis in agriculture that is reflected in high food prices is at least partly the result of the land quality in the less developed regions being allowed to deteriorate and cultivators in the more developed regions moving out of food crops. And decentralization is an essential part of the democratic process. Any shortfalls in this system have to be rectified rather than moving back to systems of centralized control.

Based on these two broad considerations we can go on to identify specific recommendations in the processes of getting jobs, providing jobs, managing the consequences of the Scheme, and monitoring the operation of the MGNREGS.

AWARENESS AND TRANSACTION COSTS

The levels of awareness are uneven across different regions. While the Malnad and Coastal Districts region as well as the South have high levels of awareness, the Northeast and the Northwest regions have very low levels of awareness with the Tribal region being between these two extremes. The transaction costs that result from this

lack of awareness are not just at the level of not getting jobs, but also in terms of not being paid the stipulated wages. In order to address this issue it would be useful to build on the empirical fact that within the two northern regions with very low levels of awareness, the district which has an active presence of a Non Government Organization has a relatively better awareness.

It is recommended that a portion of the Administrative costs of the MGNREGS in Karnataka be used to support advocacy Non Government Organizations working in the backward and low awareness districts of the state. The NGO should be mission driven rather than fund driven. This support can be linked to performance. The criteria for performance should include attendance at gram sabhas, the number of job cards, and jobs created. Ideally, each NGO should be given a small area so as to ensure better focus.

JOB CARDS

The process of issuing job cards appears to lack adequate scrutiny. Not only are the number of job cards listed in some of the regions very high, but the government's own process of verification has found lakhs of job cards that have a different number but the same name of the head of the household. Such large numbers of job cards that may be suspect calls for a fresh look at the very process of issuing job cards. At the same time

nothing must be done to reduce the extent of decentralization of this process.

It is therefore recommended that a separate registry be created in each gram panchayat to issue job cards. This body will not have as its member any serving member of the gram panchayat. It will have one representative of each of the ward sabhas in that gram panchayat. It will be administered through an independent non-government agency that will create a network of gram panchayat level registries in each district. This gram panchayat level registry can then issue the job cards based on verification by the member from each ward sabha. The computerisation of this process at the taluk level will help prevent the issue of second cards to the same household. It would also help spot members of the registry from each ward sabha who are prone to issue second cards to the same household.

PLACE OF THE CHRONIC POOR IN THE SCHEME

Given the nature of the MGNREGS, the chronic poor should be the primary beneficiaries of the scheme; a greater proportion of the chronic poor should get jobs under the scheme than is the case with other sections of rural society. This is however true only of the Northeast. And since this region has very low levels of implementation of the Scheme the

significance of this result is limited. In the other four regions the proportion of beneficiaries among the chronic poor is less than this proportion among others. Indeed, in the Tribal region the proportion among the chronic poor is less than half the proportion among others. The current methods of targeting the very poor are not always effective. Poor land owners have the benefit of using the MGNREGS wage to work on their own land, but this is not available to the poorest who are typically landless. Using the BPL card dilutes the benefits to the poorest as this card is also available to others who may be poor but are not the poorest. Our survey also suggests that using the BPL card as a basis for targeting the poor does not guarantee that all the poor will be covered.

On the basis of previous experience projects should be identified that tend to employ the chronic poor. Such projects should be given priority.

DIFFERENTLY ABLED

Standardised piece work criteria can discriminate against the old, and other differently abled workers. This dilutes the guarantee of work.

It is therefore proposed that a separate list of activities be notified taking into account the abilities of individuals. Differently abled individuals can then be given work in line with their abilities.

CONVERGENCE AND THE AVAILABILITY OF JOBS

The fact that workers are often sent back and asked to return with a group of at least ten workers suggests that jobs are not immediately available when a worker wants them. As unemployment allowances are not usually paid in Karnataka this lack of jobs is a critical impediment to the functioning of the MGNREGS. A solution that is often suggested is to seek convergence with other government schemes. All the departments that have projects identified in a particular gram panchayat could be asked to state their demand for labour in advance. Depending on the number of workers asking for work, the gram panchayat secretary could inform the department at the beginning of each week about the availability of labour for that week. While this approach will improve the availability of jobs, it runs two risks. First, additional MGNREGS funds could go into meeting targets that are already provided for. Second, more popular schemes could crowd out the funds needed to remove the bottlenecks to development, particularly in dry land areas.

It is therefore recommended that the government, based on inputs from decentralized institutions, first identify the bottlenecks to development in each taluk in the state. It can then list the other state and central schemes that are best suited to remove these bottlenecks. These schemes can then provide to the local gram panchayats their weekly

requirements of labour. And the gram panchayat secretary should inform those carrying out the project locally about the availability of MGNREGS workers each week. Schemes that use MGNREGS labour should have their targets suitably raised.

WORKING ON OWN LAND

The MGNREGS allows the underprivileged to work on their own land. This benefit is granted to specific groups including the beneficiaries of land reforms. This acts as a labour subsidy for these land owners. In the most developed region of rural Karnataka – the Malnad and Coastal Districts region – this number is not small. And a large part of this work goes into horticulture. In many cases this could result in MGNREGS funds being used where the farmers would have been able to use their own labour or even hire labour. Such a subsidy would only be justified on two grounds: one it helps the very poor and it contributes to food production.

It is therefore recommended that the option of working on their own farms only be given to those growing food crops. The very poor can be exempted from this condition.

WORK ON PRIVATE LAND WITH PUBLIC BENEFIT

A major area of concern in Indian agriculture has been dry land farming. The technologies for dry land farming are designed for the entire watershed. A farm

pond can be built at the lowest point in the watershed, thereby improving the availability of water to areas around it. This process faces two important bottlenecks. The pond could be on the private land of one farmer while the benefit would be to others. This would require a mechanism whereby the farmer whose land becomes a farm pond is compensated by the others. The second bottleneck is that no single farmer would find it viable to make the investment for the entire watershed. The resources available under the MGNREGS could be used to fill in this viability gap.

It is therefore recommended that the MGNREGS allows work on private land for specific watershed projects, such as the building of a farm pond. This must however only be allowed when there is a clear lease mechanism whereby a farmer whose land is taken for such an asset is compensated by the others in that watershed. It is also essential that all the members of the watershed opt for such a scheme.

SHELF OF PROJECTS

In theory the MGNREGS has a well laid out procedure to marry the expertise available at the district and taluk levels with the requirements of the gram panchayat when determining the shelf of projects. The line departments are expected to suggest projects that the gram panchayat choose from, based on their needs. In practice, what happens is that the gram panchayat typically comes up with a set of projects and the line department

officials only decide whether it is feasible. Taluk officials act as the clearing house, deciding whether the projects are among those that are permissible. As the list of permissible projects is broad and can be interpreted even more broadly, a wide range of projects can go through. This process does not pay much attention to the effectiveness of individual projects in removing the local bottlenecks to development.

It is therefore recommended that after the government has worked out the list of bottlenecks for the development of each predominantly rural taluk in the state, the line departments can work out the specific projects required to remove the bottlenecks. The gram panchayat can then be told that at least one in every two projects should be from this sharply focused list.

LIST OF PERMISSIBLE PROJECTS

In determining the list of permissible projects there are two contradictory pressures. A narrow list can lead to projects that are critical to a specific area not being included. A very broad list on the other hand could result in the emphasis on key areas being diluted. A part of this conflict is met by the previous recommendation of a smaller, sharply focused list of specific projects required to remove bottlenecks. The permissible list would then be relevant only for the remaining projects. But this list too would benefit from taking into account the specificities of each local region.

It is therefore recommended that the larger list of permissible projects is also made taluk specific. Thus each taluk would have two lists: one of the specific projects required to remove bottlenecks, and another larger list of permissible projects that are locally relevant.

AGRICULTURE

The effect of the MGNREGS on agriculture is an issue that sometimes raises deep concerns. We have seen that concerns of a direct adverse impact on agriculture in the various regions of Karnataka, by drawing workers away from agriculture, are grossly exaggerated. But even the indirect effects of the scheme should be positive in the long run. Ideally the projects under the Scheme should improve the quality of land to such an extent that the farmers would be able to pay attractive wages. For this to happen the projects would have to have a direct impact on the productivity of land. The projects under the Scheme would be particularly useful if they generate investments that individual farmers do not find viable. For example, a project may be beneficial to a group of farmers, but each one of them may not find it viable to invest in it. To the extent that it improves the overall quality of resources in agriculture, it would be a viable MGNREGS project.

It is therefore recommended that specific land improvement projects covering the land of more than one farmer be given top priority,

especially in dry land areas. They could be included in the list of projects that would remove bottlenecks to development.

NON-LABOUR BENEFICIARIES

The beneficiaries of the MGNREGS are primarily the labour employed in the projects, but the individuals benefiting from the projects typically gain much more. There is a possibility of some projects benefiting just a few at great expense. It is also possible that the same households benefit repeatedly from MGNREGS projects. Our qualitative survey came up with examples of both. This leads to a distortion in the distribution of the benefits of the projects under the Scheme.

It is therefore recommended that the gram panchayat maintains a record of the number of households benefiting for every Rs 10,000 spent on a project under the MGNREGS. It should distinguish between the direct beneficiaries of the scheme, such as those who benefit from the irrigation provided by a well, and the indirect beneficiaries such as those benefiting from forestry. A work having only indirect benefits would have to have many more beneficiaries, say, three times the beneficiaries of a competing work with direct beneficiaries. When clearing a project the Taluk Panchayat must try to ensure that the number of households benefiting from money spent on a project is high, and the

number of repeated beneficiaries from MGNREGS projects is low.

DEMAND FOR WORK

The current process of assessing the labour budget is quite arbitrary. It varies across regions, ranging from assuming a certain number of days per job card to projections based on the previous year's performance. These arbitrary methods are even more misleading as the workers are often sent back to return in a larger group, so that those who do not return tend to be ignored. This is further distorted by the fact that workers who register for work are rarely given an acknowledgement slip. In order for the MGNREGS to be true to the spirit of guaranteeing work to every worker, it is necessary to ensure that the demand for work is recorded whenever it exists. Ideally, this would be done by finding out from every household with a job card, their requirements of labour for the week. This information collected over a year would provide a better basis to project the demand for work in the next year. This measure could also be adjusted to take into account factors like a drought.

It is therefore recommended that 15 person days of MGNREGS labour per month in each gram panchayat be devoted to finding out the weekly labour demand from each household. This exercise will have the added benefit of increasing awareness under

the Scheme. The individual playing this role could also help the Ombudsperson keep track of the working of the Scheme. The record of the demand for work will also provide an authentic account of not just the magnitude of the demand but also its seasonality.

DELAY IN PAYMENTS

A major reason cited for the delay in payments across regions is the measurement of work done. The line department officials making these measurements have a number of responsibilities covering more than one gram panchayat. To expect them to make the measurements more promptly would therefore be unrealistic. It may be more effective to have the measurements taken locally. This does raise the possibility of error, or worse. But other methods could be used to check wrong doing.

It is therefore recommended that the measurement of work done be carried out at the gram panchayat level. The line department officials could carry out random surprise checks to find out the accuracy of these measurements. Disciplinary action could be taken against the gram panchayat officials if the error is more than 10 percent.

It is also recommended that an easily accessible mechanism should be set up to provide compensation for delays in payment.

SOCIAL AUDIT

The social audit is one of the main features of the MGNREGS. It allows for popular monitoring of the working of the Scheme. Across Karnataka the social audits are held regularly, but their very purpose is defeated by the extremely low levels of popular interest. For this system to work to any degree it is essential that the attendance at social audit gram sabhas improves.

It is therefore recommended that if an NGO is appointed in a district for awareness of the MGNREGS and another individual given 15 person days of MGNREGS work to collect labour demand information, the social audit coordinator must work in close coordination with them to improve the attendance at the social audit gram sabhas.

MONITORING

The monitoring of the MGNREGS focuses primarily on the processes of the Scheme. This has the advantage of being able to find out if each individual is doing his or her job. But this approach is not without its limitations. We have already seen that it can cause delays. It also sometimes leads to a focus on steps in the process rather than the outcomes. When seen in terms of individual steps the number of job cards can be taken as an indicator of the working of the MGNREGS. This figure does not however take into account the households that have job cards but have never had any

of its individual members working in the MGNREGS. And these figures are not small. Over a third of the households with job cards in the Northwest region and around a fifth of the households with job cards in other regions have not had even a single day's work under the MGNREGS. Similarly, the amount spent on a project or the number of projects can also be misleading without taking into account at least the number of beneficiaries from each project and some estimate, howsoever rudimentary, of the effect of the project.

It is therefore recommended that the monitoring of the Scheme be done not only in terms of the process but also in terms of outcomes. The outcomes in terms of jobs would be the number of households that have gained employment in the scheme. And the outcomes in terms of the assets created would include the number of beneficiaries of those assets as well as some technical indicator of the quality of that asset.

QUALITY OF INFORMATION

One issue that came up repeatedly during the study was the discrepancies between the information available on the MIS and that thrown up by our study. The data on the MIS was in stark contrast to the data that emerged from our quantitative survey, especially in the two northern regions. This difference was too large to be attributed to sampling error. What is more, following up on a specific project that was

being carried out, the facts on the ground were in sharp contrast to the information available on the MIS. Since it was one of our terms of reference to find out if there was a difference between the data input in the gram panchayat and the data that emerged on the website, we carried out random checks of the two. None of these checks threw up any difference between what was being input in the gram panchayat and what was on the website. The source of the error then had to be the difference between what was recorded on the ground and the input into the MIS. The possibility of differences at this stage was heightened by the fact that the common practice was to carry out the entire work using only a notebook, and entering the information into the computer after the work was completed. This created the potential for both accidental and deliberate errors.

It is therefore recommended that a detailed review be carried out of the procedures being followed at the gram panchayat level to record the work under the MGNREGS on the official website.

FACILITIES FOR LABOUR

Very few facilities for labour are available at the worksites. Workers are often expected to even bring their own water.

It is therefore recommended that each Gram Panchayat have a pedal-driven three-wheeler designed to provide drinking water, medical aid

for emergencies, and if possible, a temporary shade that can be easily set up and dismantled. The work of the driver of the pedal-driven three-wheeler should be treated as MGNREGS work.

THE RECOMMENDATIONS

The following is the list of recommendations:

1. A portion of the Administrative costs of the MGNREGS in Karnataka should be used to support advocacy Non Government Organizations working in the backward and low awareness districts of the state. The NGO should be mission driven rather than fund driven. This support can be linked to performance. The criteria for performance should include attendance at gram sabhas, the number of job cards, and jobs created. Ideally, each NGO should be given a small area so as to ensure better focus.
2. A separate registry must be created in each gram panchayat to issue job cards. This body will not have as its member any serving member of the gram panchayat. It will have one representative of each of the ward sabhas in that gram panchayat. It will be administered through an independent non-government agency that will create a network of gram panchayat level registries in each district. This gram panchayat level registry can then issue the job cards based on verification by

- the member from each ward sabha. The computerisation of this process at the taluk level will help prevent the issue of second cards to the same household. It would also help spot members of the registry from each ward sabha who are prone to issue second cards to the same household.
3. On the basis of previous experience projects should be identified that tend to employ the chronic poor. Such projects should be given priority.
 4. A separate list of activities should be notified taking into account the abilities of individuals. Differently abled individuals can then be given work in line with their abilities.
 5. The state government, based on inputs from decentralized institutions, should first identify the bottlenecks to development in each taluk in the state. It can then list the other state and central schemes that are best suited to remove these bottlenecks. These schemes can then provide to the local gram panchayats their weekly requirements of labour. And the gram panchayat secretary should inform those carrying out the project locally about the availability of MGNREGS workers each week. Schemes that use MGNREGS labour should have their targets suitably raised.
 6. The option of working on their own farms must only be given to those growing food crops. The very poor can be exempted from this condition.
 7. The MGNREGS should allow work on private land for specific watershed projects, such as the building of a farm pond. This must however only be allowed when there is a clear lease mechanism whereby a farmer whose land is taken for such an asset is compensated by the others in that watershed. It is also essential that all the members of the watershed opt for such a scheme.
 8. After the government has worked out the list of bottlenecks for the development of each predominantly rural taluk in the state, the line departments can work out the specific projects required to remove the bottlenecks. The gram panchayat can then be told that at least one in every two projects should be from this sharply focused list.
 9. The larger list of permissible projects should also be made taluk specific. Thus each taluk would have two lists: one of the specific projects required to remove bottlenecks, and another larger list of permissible projects that are locally relevant.
 10. Specific land improvement projects covering the land of more than one farmer should be given top priority, especially in dry land areas. They could be included in the list of projects that would remove bottlenecks to development.
 11. The gram panchayat must maintain a record of the number of households

benefiting for every Rs 10,000 spent on a project under the MGNREGS. It should distinguish between the direct beneficiaries of the scheme, such as those who benefit from the irrigation provided by a well, and the indirect beneficiaries such as those benefiting from forestry. A work having only indirect benefits would have to have many more beneficiaries, say, three times the beneficiaries of a competing work with direct beneficiaries. When clearing a project the taluk panchayat must try to ensure that the number of households benefiting from money spent on a project is high, and the number of repeated beneficiaries from MGNREGS projects is low.

12. Fifteen person days of MGNREGS labour per month in each gram panchayat must be devoted to finding out the weekly labour demand from each household. This exercise will have the added benefit of increasing awareness under the Scheme. The individual playing this role could also help the Ombudsperson keep track of the working of the Scheme. The record of the demand for work will also provide an authentic account of not just the magnitude of the demand but also its seasonality.
13. In order to reduce delays in payments the measurement of work done should be carried out at the gram panchayat level. The line department officials could carry out random surprise checks to find out the accuracy of these measurements. Disciplinary action could be taken against the gram panchayat officials if the error is more than 10 percent. It is also recommended that an easily accessible mechanism should be set up to provide compensation for delays in payment.
14. If an NGO is appointed in a district for awareness of the MGNREGS and another individual given 15 person days of MGNREGS work to collect labour demand information, the social audit coordinator must work in close coordination with them to improve the attendance at the social audit gram sabhas.
15. The monitoring of the Scheme must be done not only in terms of the process but also in terms of outcomes. The outcomes in terms of jobs would be the number of households that have gained employment in the scheme. And the outcomes in terms of the assets created would include the number of beneficiaries of those assets as well as some technical indicator of the quality of that asset.
16. A detailed review must be carried out of the procedures being followed at the gram panchayat level to record the work under the MGNREGS on the official website.
17. In order to improve facilities at work sites, each gram panchayat must be given a pedal-driven three-wheeler designed to provide drinking water,

medical aid for emergencies, and if possible, a temporary shade that can be easily set up and dismantled. The

work of the driver of the pedal-driven three-wheeler should be treated as MGNREGS work.

APPENDIX 1: LIST OF SAMPLE VILLAGES

| Sl. No. | Region | District | Taluk | Gram panchayat | Village |
|---------|-----------|------------------|-------------|----------------|---------------------|
| 1 | Northeast | Bidar | Aurad | Koutha -B | Koudgaon |
| 2 | Northeast | Bidar | Aurad | Koutha -B | Koutha K |
| 3 | Northeast | Bijapur | Bijapur | Baratagi | Gugadaddi |
| 4 | Northeast | Bijapur | Bijapur | Baratagi | Inganal |
| 5 | Northwest | Haveri | Byadgi | Keravadi | Chinnikatti |
| 6 | Northwest | Haveri | Byadgi | Keravadi | Kalagonda |
| 7 | Northwest | Davanagere | Davanagere | Belavanur | Chandrana-halli |
| 8 | Northwest | Davanagere | Davanagere | Belavanur | Turchaghatta |
| 9 | Tribal | Raichur | Sindhnur | Udabal | Kyathanhatti |
| 10 | Tribal | Raichur | Sindhnur | Udabal | Sunkanur |
| 11 | Tribal | Chitradurga | Molakalmuru | Hanagal | Bommalinga-nahalli |
| 12 | Tribal | Chitradurga | Molakalmuru | Hanagal | Hanagal |
| 13 | Malnad | Dakshina Kannada | Sulya | Balpa | Balpa |
| 14 | Malnad | Dakshina Kannada | Sulya | Balpa | Kenya |
| 15 | Malnad | Shimoga | Hosnagara | Haridravathi | Alagerimandri |
| 16 | Malnad | Shimoga | Hosnagara | Haridravathi | Devarahonne-koppa |
| 17 | Malnad | Shimoga | Hosnagara | Haridravathi | H. Hunasavalli |
| 18 | Malnad | Shimoga | Hosnagara | Haridravathi | Heelagodu |
| 19 | South | Chamarajanagar | Yelandur | Yeriyooru | Ganaganurun-agara |
| 20 | South | Chamarajanagar | Yelandur | Yeriyooru | Yariyuru |
| 21 | South | Ramanagara | Channapatna | Chakkere | Govindahalli |
| 22 | South | Ramanagara | Channapatna | Chakkere | Hottigana Hosahalli |

APPENDIX 2: CALCULATING THE MULTIPLIER

As we noted in footnote 1 of Chapter 4, the multiplier is based on the fact that money spent is income in the hands of the receiver of the money. The recipient will save some of this income and spend the rest. What she spends is once again income for the new recipient, who will save some of it and spend the rest. And so on. Thus the overall impact of every rupee earned takes the form of a geometric progression

$$1+c+c^2+c^3+\dots+c^n+\dots = \frac{1}{1-c}$$

Where c = marginal propensity to consume

In the case of MGNREGS wages the money goes to the poor who typically consume a greater proportion of their income. Since the succeeding rounds of income and expenditure will not be confined to the poor, the propensity to consume in later rounds will be less. If we were to treat the propensity to consume in later rounds as the same as that of MGNREGS earnings, we would be overestimating the multiplier. Thus for the succeeding rounds we would be better off going by the overall propensity to consume in the economy. The geometric progression then becomes

$$1+c+cd+c(d)^2+\dots+c(d)^n+\dots = 1+ \frac{c}{1-d}$$

Where d = marginal propensity to consume for the economy as a whole. Since this information is not easily available the estimate of d used in the calculation is derived from the Quick Estimates of the gross domestic savings rate for 2009-10 given in the Economic Survey 2010-11, p A 10.

