

Public Works in India: The National Rural Employment Guarantee

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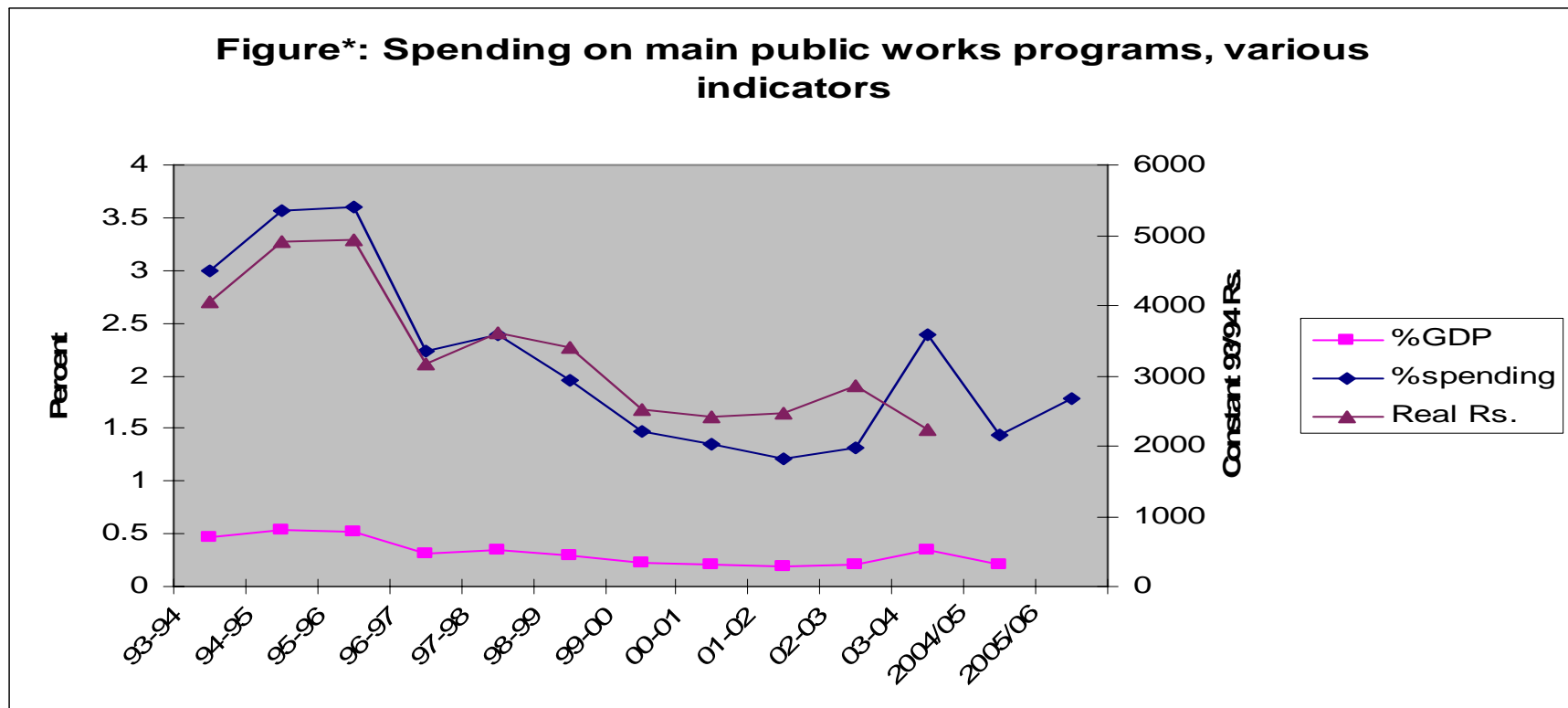
Outline

- Public works programs in India before NREG
- NREGA – program design features and innovations
- Initial years of implementation – successes and challenges

1. Public works programs before NREGA

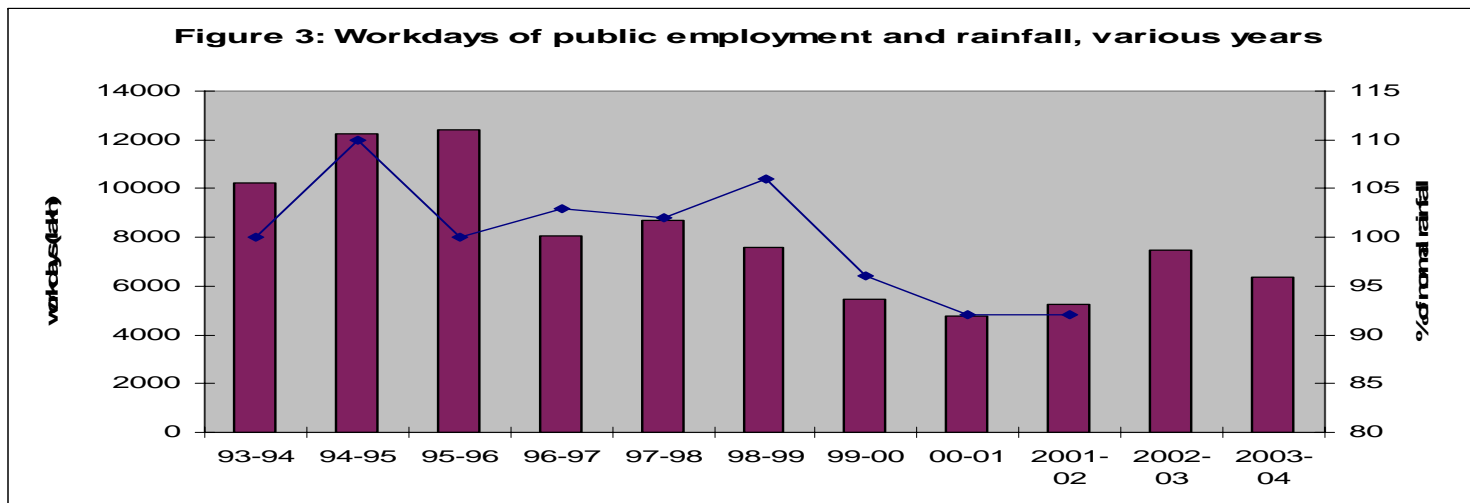
- Long history of public works in India – primarily in a relief context, e.g. 12th century Sher Shah Suri; British era relief works
- Since 1970s, succession of national public works schemes and state level programs, most famously Maharashtra Employment Guarantee Scheme
- Despite the succession of schemes, most national programs were in GoI's own words “revamping and rechristening” (CAG, 2000)

National PW programs in the 1990s-2000s -spending



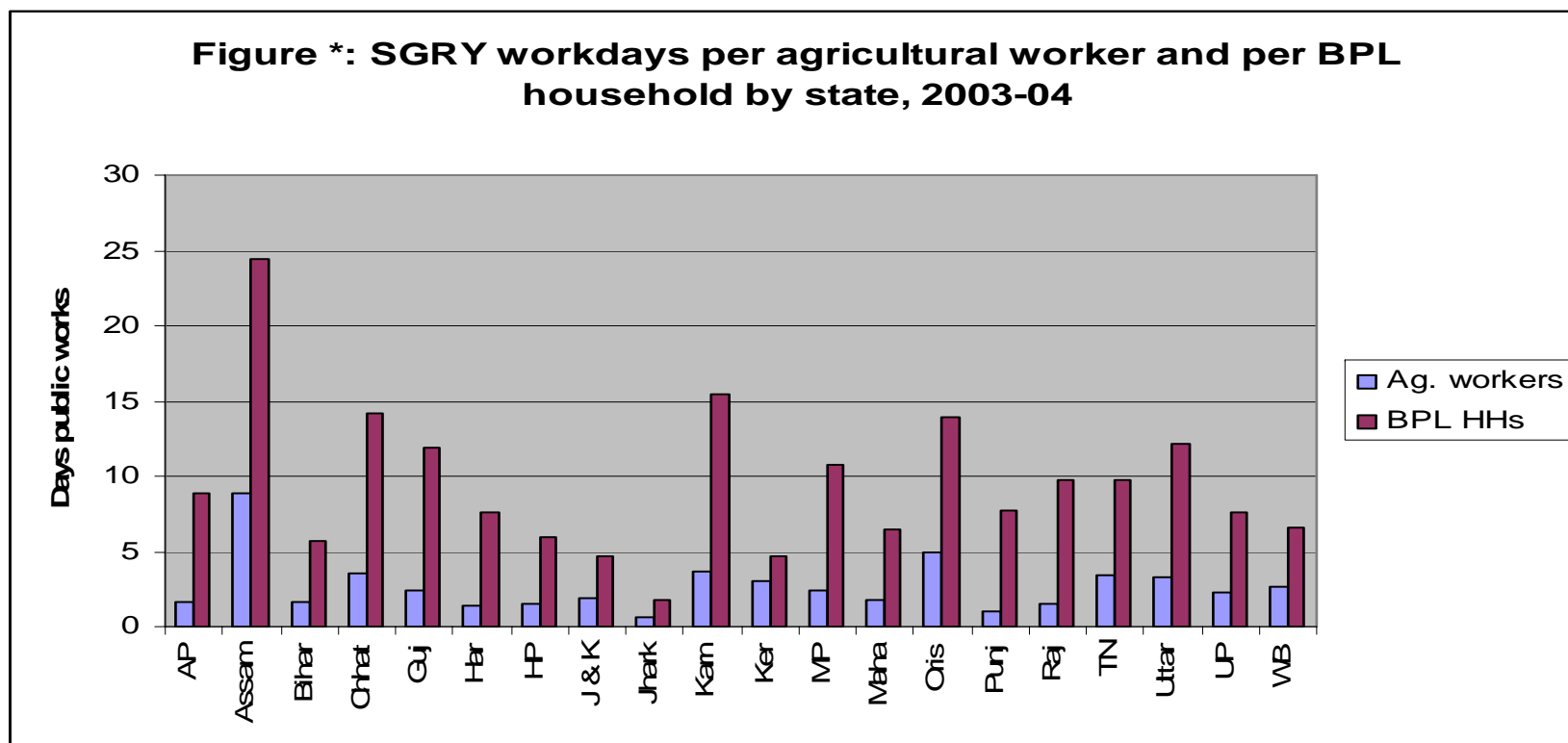
Outcomes and issues in PW programs prior to NREGA

- Person days of work generated showed a gradual decline with no obvious relationship to exogenous factors affecting demand
- Average annual employment per BPL household under SGRY in 2001-04 came to only around 6.7 days, assuming that all workdays were for BPL.



Outcomes and issues in PW programs prior to NREGA

This very low employment generation relative to program objectives (typically up to 100 days “assured”) was found in all states and much more extreme for women



Outcomes and issues in PW programs prior to NREGA

- Coverage rates low and falling from 4.8% in 1987/88 to less than 1% in 2004/05
- At same time, targeting outcomes from public works in the 2000s were better than all other “anti-poverty” programs

Cumulative share of benefits by quartile

	Poorest	Q2	Q3	Q4	Richest
Disability pension	25.5	43.3	63.9	76.4	100
PDS grain (food to poor)	29.7	54.8	77.4	93.6	100
Rural Housing construction	25.8	46.2	70.6	90.6	100
NOAPS (old age social pensions)	28.3	43.8	59.6	74.2	100
SGSY (credit)	9.6	28.7	44.3	67.4	100
Widow pension	32.7	49.9	65.7	77.8	100
Annapurna (food to elderly)	45.7	61.4	78.4	96.5	100
SGRY (public works)	48.9	64.2	76.5	86.3	13.5

Source: NCAER HD survey, 2004/05. World Bank, 2008.

Weaknesses in previous PW programs

- Low program coverage
- Low average employment created
- Low participation by women
- Top-down planning, little community participation
- Poor quality of assets created
- Corruption – contractors, false muster rolls, lower than prescribed wages

NREGA - history

- Key points of departure with the introduction of NREG:
 - rights-based framework, legislatively-backed guarantee
 - emphasis on community/PRI vs. admin. control of program
 - emphasis on accountability of public service delivery system
- Origins lay in grassroots social movement, driven by civil society >>>> Right to Food, Right to Information
- Key plank of social policy under government's Common Minimum Program (and personal support from Sonia Gandhi)
- However, also skepticism (Finance, parts of Planning) largely on fiscal concerns
- Wage rate debate – rights-based (right to min. wages)

NREGA – design features

- 100 days of work per rural household per year guaranteed upon demand
- State-specific agricultural minimum wages (cash) paid on piece rate basis (based on rural schedules of rates)
- Entirely self-targeted through the wage rate
- Unemployment allowance if state fails to provide work for HH within 15 days
- Types of works eligible have a heavy focus on water/irrigation activities, as well as connectivity
- *Panchayats* at district, block and gram levels are intended as the "principal authorities for planning and implementation" of NREG works – first major program with significant resource in control of those levels

NREG – implementation features

- Centre-state financing shares
- Phasing – initially in most backward districts, gradually extended to all districts
- Operational guidelines at centre and state
- Emphasis on monitoring – community-based, national monitors (Min. RD), independent researchers, MIS
- Institutionalizing innovations – e.g., social audits
- Activity mapping and role definition a first in India – unbundling APP service delivery

NREG – experience to date (1)

- Highly variable roll-out pace and effectiveness by state
- Contrary to expectations/fears, fiscal constraint has not been binding
- Employment generation far outstripped previous programs – c. 31 mln HH per year
- Targeting outcomes still to be rigorously confirmed but admin. and localized surveys suggest positive (over-representation ST, SC)

States	% rural HH provided emp	Total Person days	Of which:			Person days per HH	% HHs completed 100 days
			SCs	STs	Women		
AP	30	127	28	13	57	33	4.55
Bihar	21	53	43	3	27	20	0.51
MP	48	205	18	49	43	53	7.45
Orissa	12	29	25	43	34	35	1.38
Raj	29	131	19	47	70	65	20.53
UP	19	91	54	2	14	24	3.78
India	20	1003	27	31	43	36	4.94

Ministry of Rural Development; <http://nrega.nic.in>

NREG – experience to date (2)

- Female participation far higher than previous PW programs
- Objective of flushing money through GPs has been realized despite risks/flaws
- Appears that program awareness high relative to other public works and safety net programs
- Works carried out largely water conservation (60%), road connectivity (16%), land development (13%)
- Anecdotal evidence of impacts on local labor markets – higher wages; migration etc.
- Considerable state-level innovation – ICT; social audit; financial inclusion

NREG – key challenges (1)

- Interaction of demand for employment with supply-side features of the program
- All emphasis on employment in practice rather than asset creation – trade-off of demand-based labor availability and asset quality (contractors – corruption vs. project management)
- Nature of the work as a targeting mechanism or should it be more? –The role for skills development/creating more productive assets. High opp. cost if only targeting mechanism for HH
- Wages – (a) Piece rate according to schedule of rates (SoR) vs. right to minimum wage, (b) Measurement issues and shortfalls even in piece-rate; Variable state responses through revising SoR

NREG – key challenges (2)

- Planning process – lack of integration with wider village-level planning
- List of eligible works slow to adapt to variable state needs; dovetail with other programs
- Worksite facilities largely not provided – crèche etc.
- Administrative machinery – variable state staffing
- Delays in release of funds
- Despite heavy focus on monitoring, no feedback loop into program design; emphasis on improved transparency rather than better management
- Mixed appetite for evaluation
- Reports of irregularities and corruption
- Push back to social empowerment/transparency