

**NREGA in Orissa:
Ten Loopholes and the Silver Lining***
(Interim Survey Report, 21 October 2007)

I. BACKGROUND

A survey of the National Rural Employment Guarantee Act took place in three Districts of Orissa (Balangir, Boudh and Kalahandi) on 3-12 October 2007. This survey, initiated by the G.B. Pant Social Science Institute (Allahabad University), was conducted by students from Delhi University with local volunteers. In each of the three Districts, two Blocks were selected at random, and within each Block, five randomly-selected Gram Panchayats (GPs) were studied. The survey included careful verification of “muster rolls” for one randomly-selected NREGA work in each of the 30 sample Gram Panchayats.

The verification of muster rolls for the 30 sample worksites shows that only 60% of the days of employment recorded in the muster rolls were confirmed by the concerned labourers (see Annexure for details). The corresponding discrepancies in wage payments may be even larger. However, this is hard to ascertain as the verification of wage payments poses considerable difficulties, e.g. due to “clubbing” of payments for several labourers in the muster rolls. In fact, one of the main conclusions of the muster verification exercises is that, for reasons discussed below, the NREGA records in Orissa are virtually unverifiable.

The survey report is under preparation. Meanwhile, this interim note presents a few general observations about the reasons why NREGA in Orissa appears to be particularly vulnerable to corruption. This is, indeed, an issue of overwhelming importance at this time: NREGA has a tremendous potential in Orissa (especially in deprived areas such as the sample Districts), but corruption threatens to derail the entire programme.

* Note prepared by Jean Drèze, Reetika Khera and Siddharth (survey coordinators). The observations presented here are based partly on the authors’ participation in the field survey, and partly on a debriefing workshop with field investigators held in Kesinga on 13 October 2007. This note also draws on a preliminary analysis of the muster roll “verification sheets” completed during the survey. A more detailed analysis of the survey findings is on the anvil.

II. TEN LOOPHOLES

The survey findings suggest that Orissa's Employment Guarantee Scheme is highly vulnerable to corruption. Ten specific sources of vulnerability are identified in this section. The main focus is on works implemented by the Gram Panchayats.

The term "loophole", used in the title of this section, should not obscure the possibly intentional character of some of these vulnerabilities. At least some of them reflect a deliberate sabotage of the transparency safeguards, aimed at perpetuating the traditional system of extortion in rural employment programmes. We shall return to this.

1. Faulty Design of Job Cards

The main purpose of the Job Card is to enable NREGA labourers to "verify" their own employment and wage details. In Orissa, this purpose has been defeated from the start due to faulty design of the Job Card. In particular, there is no column for "wages paid" in the Job Card, making it impossible for workers to verify their wage payments. Even the number of days worked is hard to verify, as the names of the labourer and worksite have been replaced by "codes". To decipher a labourer's code, one has to refer to page one of the Job Card, which is often in English! The worksite code, for its part, is plain Greek for the cardholder. As for employment dates, they are supposed to be written in a rectangle divided into four boxes, but these are filled in different ways by different functionaries, further confusing the reader. In this and other ways, the Job Card is virtually unreadable, even for trained investigators – let alone semi-literate labourers.

2. Erratic Maintenance of Job Cards

The problem of faulty design of Job Cards is compounded by irregular maintenance. In most of the sample villages, Job Card entries were incomplete or even blank. Even when entries were made, they were often illegible, or hard to read for one reason or another. Perhaps it is not surprising that little attention is paid to the maintenance of Job Cards, since the cards (as presently designed) are little more than symbolic documents. Further, there is some lack of clarity as to who is to be held accountable in the event where Job Cards are not adequately maintained.

3. Incomplete Distribution of Job Cards

In many of the sample villages, the distribution of Job Cards was incomplete. Cases were even found of entire hamlets where just a few households had a Job Card (in spite of an

evident demand for Job Cards from others also). Even among those who were given a dated receipt after applying for registration, some did not have a Job Card. Aside from depriving many rural households of their entitlements under the Act, the incomplete distribution of Job Cards has led to problematic “adjustments” in the records to accommodate workers without Job Card at the worksites (see below). These adjustments open the door to further adjustments that serve different purposes.

4. “Adjustments” in the Muster Rolls and Job Cards

In many of the sample GPs, it was observed that various “adjustments” in the muster rolls and/or Job Cards had become routine practice. For instance, a worker without Job Card is often accommodated by “clubbing” his/her wages with those of someone who has a Job Card, under the latter’s name. Similarly, team work performed under the piece-rate system is often recorded under the name of the team leader alone. Sometimes adjustments are also made to meet the requirements of the on-line Monitoring and Information System (MIS). These and related practices, well-intentioned as they might be in some cases, send a dangerous signal that records can be “adjusted”, and open the door to further, arbitrary “adjustments”. In fact, the pressure to make adjustments in some circumstances (e.g. meeting the requirements of the MIS) seems to have become a convenient excuse for fraudulent practices.

5. Lack of Transparency in Muster Rolls

Lack of transparency in muster rolls had several aspects in the sample GPs. First, there are “dual” records: for instance, authentic attendance details are taken in informal notebooks (“kaccha muster rolls”) at the worksite while official (“pacca”) muster rolls are filled – and often fudged – elsewhere. Second, muster rolls are rarely accessible for public scrutiny. “Live” muster rolls were not kept at the worksite (as per NREGA Guidelines) in any of the sample GPs, and “completed” muster rolls were typically kept at someone’s home rather than at the Panchayat Bhawan. Third, like the Job Cards, muster rolls are difficult to verify. Indeed, the above-mentioned “adjustments” make it possible to justify almost any discrepancy between the muster rolls and workers’ testimonies. The lack of transparency in work measurement (see below) further exacerbates this problem.

6. Rigid MIS

The Government of Orissa has taken a pioneering initiative in operationalising the centrally-designed Monitoring and Information System (MIS). This MIS can be of great help in achieving some discipline and consistency in record-keeping. However, in this initial phase, the rigidities of the MIS have played a role in promoting “adjustments” in the written records.

For instance, a muster roll can accommodate a worker without job card, but the MIS cannot. Similarly, the MIS does not allow employment to be given to a household that has already secured 100 days of NREGA employment in the current financial year. These hurdles are typically overcome by making “adjustments”, either in the written records or at the data entry stage (e.g. “clubbing” two workers’ wages in the same muster roll entry). Thus, instead of alerting users to possible inconsistencies and irregularities in record-keeping, the MIS often covers them up.

7. Continued Hold of Contractors

Private contractors are banned under NREGA. However, in a majority of the sample GPs, the investigators found evidence of continued involvement of contractors, either directly, or indirectly (e.g. through dummy “Village Labour Leaders”). The contractors, in turn, are often under the control of local political leaders. They milk the system by exploiting labourers, fudging muster rolls, and cheating on the material component. A major part of the loot is recycled through the so-called “PC” (percentage) system, whereby various functionaries receive fixed percentages of NREGA funds. According to fairly reliable testimonies from contractors and others, the PC system – where it applies - absorbs about 20 per cent of NREGA funds in the sample Blocks of Balangir and Kalahandi Districts.

8. Vulnerability to Local Collusion

In Orissa, NREGA funds are transferred directly from the District to Gram Panchayat accounts after a project is sanctioned. Thereafter, GP functionaries (the sarpanch, secretary, Executive Officer and Village Labour Leader) are in control of almost everything: funds, accounts, payments, muster rolls, job cards, and even work measurements. The Junior Engineer’s (JE) work measurements are supposed to act as a “check” against inflated muster rolls, but in practice the measurements are often done by GP functionaries and copied or endorsed by the JE in the “measurement book”. In any case, suitable inducements can often secure the cooperation of the Junior Engineer. Thus, in the event of collusion among GP functionaries, very little is left by way of checks and balances.

9. Cryptic Work Measurement

In Orissa, Junior Engineers are supposed to carry out regular (e.g. weekly) measurements of the *individual output* of each NREGA worker, and to note the individual measurements in their “measurements books”. In practice, this is rarely done, and indeed it would involve an unmanageable work burden for the Junior Engineers, at current staffing levels. What seems to happen, instead, is that GP functionaries (usually the Executive Officer and/or Village

Labour Leader) do most of the measurements, and the Junior Engineers just check them, e.g. by measuring the collective output at the end of the week. Since the initial measurements are “unofficial”, there is no authorised record of them. Further, “team measurement” is often practiced instead of individual measurement, to keep things manageable. While muster rolls include a column for “wages as per measurement”, it is impossible to verify wage calculations without having access to the measurement book *or* the unofficial notebook, both of which are jealously sheltered from public scrutiny. This expands the scope for making creative entries in the muster rolls, and makes it all the more difficult to verify them.

10. Other Vulnerabilities

So far, we have focused on vulnerabilities that are *specific* to Orissa’s Employment Guarantee Scheme (as it functions on the ground). To these must be added some *general* vulnerabilities of NREGA, not confined to Orissa. These include:

Staff Shortages: In Orissa as in many other states, there is a severe shortage of NREGA staff, from top to bottom. For instance, the responsibility for implementing NREGA is typically imposed as an “additional charge” on over-worked Block Development Officers (at the Block level) and Executive Officers (at the GP level). Gram Rozgar Sevaks are yet to be appointed in most GPs, and the system is also short of technical staff such as Junior Engineers. All this makes it harder, in many ways, to ensure effective monitoring of NREGA, and also creates a temptation to rely on contractors to fill the gap.

Dormant Gram Sabhas: There was little evidence of active involvement of the Gram Sabhas with NREGA in the sample GPs. Typically, Gram Sabhas are poorly attended and controlled by the local elite. Resolutions are easily “passed” by vested interests in the name of the whole village community. This makes it possible, for instance, for influential contractors to install themselves (or their *chamchas*) as “Village Labour Leaders” with the sanction of the Gram Sabha or Palli Sabha.

Ritualistic Vigilance Procedures: In the sample GPs, Vigilance Committees were inactive, when they existed at all. Similarly, Social Audits (where they had taken place) were still at a largely ritualistic stage, where government officials hastily read out various NREGA records (often in “summary” form) to bemused villagers.

Lack of Grievance Redressal: Last but not least, one of the major flaws of NREGA in Orissa as elsewhere is the lack of grievance redressal procedures. The grievance redressal authorities (e.g. Programme Officer and District Programme Coordinator) are essentially the same as the implementing authorities, making it difficult to hold anyone accountable. And while Section

25 of NREGA provides for penalties against anyone who “contravenes the provisions” of the Act, there is no clarity as to when or how or by whom penalties are to be imposed.

III. ASSESSMENT: NREGA AND THE TRADITIONAL EXTORTION SYSTEM

To sum up, most of the transparency safeguards under NREGA have broken down in Orissa. The records are virtually unverifiable, and the accountability mechanisms are also very weak. The main protection against corruption seems to be the complexity of the system: embezzlement of funds requires a certain amount of collusion, and manipulating a wide range of records. The MIS is also a protection of sorts, in so far as it does put muster rolls and other key documents in the public domain, and inspires fear among corrupt elements (especially those not familiar with information technology). But this leaves plenty of room for fraud, as the findings of our muster roll verification exercises illustrate.

In this vulnerable environment, Orissa is witnessing an attempted survival of the “traditional” methods of misappropriation, involving dual records (“kaccha” and “pacca”), private contractors, and the PC system. The continuation of traditional arrangements for siphoning off employment funds has been helped in no small measure by the tolerance of contractors or quasi-contractors, and of arbitrary “adjustments” in the records. Even when no embezzlement is involved, these adjustments constitute a fraud of sorts, since any tampering with the records is a form of corruption, and also because these adjustments lay the foundation for an entire system of misappropriation.

The silver lining is that the traditional system of extortion seems to be finding it harder and harder to survive. Contractors, for instance, do not seem to be particularly happy with NREGA; vulnerable as it may be, the system has become harder for them to control. They are apprehensive of a possible tightening of the checks and balances, and have started fading away in many places. In some of the sample GPS (notably in Boudh District), corruption levels in NREGA are already much lower, by all accounts, than in earlier employment programmes such as SGRY and the National Food For Work Programme. The main challenge is to accelerate this process of “phasing out” of the traditional system of corruption, and the transition towards a transparent and accountable system.

IV. PRELIMINARY RECOMMENDATIONS

From the preceding section, it should be clear that most of the vulnerabilities of the Employment Guarantee Scheme in Orissa relate to *violations of the NREGA Guidelines*.

These include, for instance, poor Job Card maintenance, lack of transparency in muster rolls, and the continued involvement of contractors. Thus, the first priority is stricter enforcement of the Guidelines, and of the provisions of the Act, especially the transparency safeguards.

Four measures would be particularly useful in achieving stricter enforcement of the Act and Guidelines. First, whenever possible *responsibility should be fixed* for specific aspects of the implementation of NREGA. For instance, the responsibility for maintenance of Job Cards should be assigned to Gram Rozgar Sevaks (and this should be clearly mentioned in their “job charts”). This would make it easier to take action in the event where the provisions of the Act or Guidelines are violated.

Second, credible grievance redressal procedures need to be put in place. In particular, Rules should be framed to activate Section 25 of NREGA, regarding penalties against contraventions of the Act. The Rules should list specific violations of the Act that would automatically attract penalties and clarify who is empowered to impose the fines.

Third, exemplary action needs to be taken in the event of confirmed violations of the Act, as happened in Boudh District on 12 October 2007 after the survey team uncovered a fake muster roll. Localised as they may be, these instances of swift and firm action can have major “demonstration effects”, and send an important signal that corruption in NREGA will not be tolerated. Exemplary actions against contractors involved in NREGA could have a similar impact.

Fourth, there is need for wider awareness of the Act and Guidelines. During the survey, we often found that, say, GP functionaries (not to speak of labourers) often had inadequate knowledge of the provisions of NREGA. Most of them are untrained and have no access to reader-friendly guidelines in the local language, such as “primers” or introductory booklets. This kind of material needs to be developed and disseminated, along with a major expansion of training programmes.

Beyond this, specific steps are required to address the vulnerabilities discussed earlier. Some of these vulnerabilities (e.g. faulty design of Job Cards) are relatively easy to remove, but others (e.g. the continued involvement of contractors) call for sustained and wide-ranging action. Some preliminary recommendations are presented below, to initiate this process.

1. Replacement of Job Cards: Job Cards in Orissa should be re-designed and replaced by 1 April 2008 (the beginning of the next financial year). The new design should be reader-friendly and contain a column for “wage payments” as well as a list of useful phone numbers including a Helpline number.

2. Maintenance of Job Cards: Regular maintenance of Job Cards should be strictly enforced. In particular, responsibility should be clearly fixed for Job Card maintenance, e.g. by assigning this task to the Gram Rozgar Sevaks specifically (as things stand, Job Card maintenance is not mentioned in their “job chart”). “Collecting” people’s Job Cards and keeping them in any place other than the Panchayat Bhawan should be considered as a contravention of the Act.

3. Distribution of Job Cards: A new registration drive should be conducted when the existing Job Cards are replaced. Adequate arrangements and instructions should be in place for issuing Job Cards on a continuous basis at the GP level, as and when someone applies.

4. No “adjustments” in the records: “Adjustments” in the records should not be allowed in any circumstances. Persons without a Job Card should be provided with a Job Card before they join a worksite. Each worker should be treated as an individual and no “clubbing” should be permitted.

5. Transparency of muster rolls: A uniform, single, numbered, well-designed muster roll should be used throughout the state. Accountability should be fixed for ensuring that live muster rolls are kept at the worksite, and that completed muster rolls are available for public scrutiny at the Panchayat Bhawan. Surprise checks should be conducted at worksites for on-the-spot verification of muster rolls. Consideration could also be given to the possibility of introducing the “Tamil Nadu system”, whereby each labourer has to sign or thumbprint the muster roll every day by way of marking attendance.

6. Trained Mates: The Village Labour Leaders (VLL) system should be phased out. Instead, worksites should be supervised by carefully selected and trained “mates”, as in Rajasthan. NREGA works implemented through Gram Panchayats should be executed by the Executive Officer with the assistance of the Gram Rozgar Sevak and trained mate.

7. Transparent Measurement: The current fictions of the work measurement system (e.g. the myth of individual measurement by Junior Engineers) should be squarely faced. The present system cannot be implemented without a considerable expansion of technical staff. Alternatively, worksite supervisors (“mates”) could be trained to take measurements, and “measurement sheets” could be developed for this purpose. Aside from other considerations, transparent measurement would help to prevent the embezzlement of wages in the name of piece-rate work.

8. Staff Deployment: Additional staff should be appointed as soon as possible, as per NREGA Guidelines, to facilitate the implementation of the Act, make collusion more difficult, and keep the contractors at bay. In particular, a Gram Rozgar Sevak should be posted in each Gram Panchayat. Also, the Programme Officer at the Block level should be “a full-time dedicated officer”, not below the rank of Block Development Officer (NREGA Operational Guidelines, p.6).

9. Separation of payment agencies from implementing agencies: Wherever possible, payment agencies should be separated from implementing agencies. Many Districts in Orissa are adopting Bank payments as the separation device. This can go a long way in preventing the appropriation of wage funds and eliminating contractors. However, there are considerable difficulties with this approach, including the lack of preparedness of the banking system, the risk of further confusion in the record-keeping system, and lack of familiarity with banking procedures among NREGA workers. Alternative means of separating payment agencies from implementing agencies could also be considered.¹

10. Awareness Drives: Awareness drives urgently need to be conducted, as most labourers are still unaware of their entitlements under NREGA. A simple, reader-friendly “primer” on NREGA should be made available to each Gram Panchayat. Related resources (booklets, pamphlets, videos, simplified guidelines, etc.) should also be prepared for training purposes. The practice of holding a weekly “Rozgar Divas” in each Gram Panchayat, as per NREGA Guidelines, should be vigorously activated.

11. Helplines: Each Block and District should have a NREGA Helpline (for information as well as for complaints). Helpline numbers should be printed or “sticked” on each Job Card.

12. Elimination of Contractors: Last but not least, the ban on contractors should be strictly enforced. Exemplary action should be taken against contractors involved in NREGA as well as against functionaries who cooperate with them. The retrenchment of contractors should also be facilitated by expanding staff appointments, separating payment agencies from implementing agencies, and enforcing the transparency safeguards. Giving priority to labour-intensive projects (e.g. “earth works”) would also help, as contractors tend to look for projects with a high material-labour ratio.

¹ A useful precedent in this respect is the payment of wages through the Revenue Department in the context of drought relief works in Rajasthan.

V. CONCLUDING REMARK

This interim report would be incomplete without a mention of the tremendous potential of NREGA in the survey areas. Where work was available, it was generally found that workers earned close to (and sometimes more than) the statutory minimum wage of Rs 70 per day, and that wages were paid within 15 days or so. This is an unprecedented opportunity for the rural poor, and there was evident appreciation of it among casual labourers and other disadvantaged sections of the population. Some of them even hoped that NREGA would enable them to avoid long-distance seasonal migration, with all its hardships. Further, there is plenty of scope for productive NREGA works in these areas, whether it is in the field of water conservation, rural connectivity, regeneration of forest land, or improvement of private agricultural land. The challenges involved in “making NREGA work” should always be seen in the light of these long-term possibilities, and their significance for the rural poor.

**ANNEXURE:
FINDINGS OF MUSTER ROLL VERIFICATION**

District	Block	Number of sample labourers^a	Total days of work according to labourers	Total days of work according to muster rolls	Ratio (labourers/ muster roll)
Kalahandi	Narala	87	1,158	2,141	54%
	Lanjigarh	96	1,653	2,740	60%
Bolangir	Belpada	88	1,036	1,769	59%
	Tureikela	107	910	1,742	52%
Boudh	Boudh	115	1,691	2,217	76%
	Kantamal	99	1,178	2,085	56%
All Sample Blocks		592	7,626	12,694	60%

^a Excluding those who were unable to recall.

Source: NREGA Survey conducted in 6 randomly-selected Blocks of Balangir, Boudh and Kalahandi Districts on 3-12 October 2007. In each Block, five Gram Panchayats were selected at random, and in each Gram Panchayat, muster roll verification (covering 30 labourers selected at random from the muster rolls) was done for one worksite. The results show that the number of days worked according to the labourers was only 60 per cent of the total employment days recorded against their names in the muster rolls.