



Rejuvenation of Malappu Padalam
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Executive Summary

EXECUTIVE SUMMARY

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREG Act) is a landmark social security initiative of Government of India (GoI) that has played a transformative role in empowering rural communities in the last 19 years, by providing a legal guarantee of 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. In Kerala too, MGNREG Act has had a marked impact as an effective programme to revive the rural economy and ensure livelihood security for the rural poor. Over the last five years, the scheme has provided employment to 77.21 lakh households in the State and ₹18,806.62 crore has been expended towards this.

Considering how pivotal the scheme has been in empowering rural poor in the last two decades, we undertook this audit to assess the implementation of the scheme in the State, by examining the process of planning, generation of employment opportunities, creation of assets and monitoring and grievance redressal mechanism. As part of this examination, we selected twenty-four Grama Panchayats in three districts viz., Thiruvananthapuram, Palakkad and Kasaragod, for detailed scrutiny.

The MGNREGS was intended to be a bottom-up, people-centred, demand-driven, self-selecting scheme and was to be purely dependent on the demand by beneficiary in the Grama Sabha. However, we found that the State gave additional targets to GPs for creation of individual assets like construction of cattle shed, poultry shed, etc., over and above the demand raised by the beneficiaries, thereby infringing on the right of the Grama Sabha. This ultimately led to non-identification of beneficiaries by GPs and non-implementation of 88.73 *per cent* of individual projects included in their Annual Plan. We found that demand for work declined by 13.77 *per cent* during the period 2020-21 to 2023-24. As a result of the declining demand for work, the person days of employment generated declined by six *per cent*. We also found that 16 to 22 *per cent* of works included in the Annual Plan and for which Administrative and Technical Sanctions had been obtained did not take off.

We also noticed absence of a convergence plan for identifying projects implemented by other departments which could have been converged with MGNREGS, though GPs had executed various schemes through institutions under Agriculture, Animal Husbandry departments, etc., thereby losing out an opportunity to optimise resource utilisation.

Social inclusion has been a cornerstone of the scheme with prioritisation of women and marginal communities in the coverage. We found that women constituted a significant majority of beneficiaries in Kerala, accounting for 90 *per cent* of total person-days, the highest in the country. With regard to empowering marginalised communities, especially differently abled and vulnerable persons, average days of employment provided to differently abled persons ranged between 51 days and 62 days. However, in the absence of baseline survey, special drives/special Rozgar Diwas, IEC activities, etc., to assess/invite demand from various sections of people including differently

abled, we could not draw an assurance that capturing of demand for jobs by all the needy was ensured.

The MGNREGS' role as a crucial safety net for rural households by providing livelihood security for the poor cannot be emphasised enough. However, we noticed instances such as issuance of job cards after a delay of 264 days, payment of wages and material cost after 22 months of closure of muster roll, non-reckoning actual date of payment for calculation of delay compensation and rejection of claims for delay compensation. Though MGNREG Act stipulated for payment of wages within 15 days of closure of muster roll, wages amounting to ₹269.27 crore was paid after 16 to 90 days and ₹39.24 crore was paid after three months from the date of closure of muster rolls. We also found that an amount of ₹43.59 crore was outstanding (December 2024) towards payment in respect of unskilled wages, semi-skilled/skilled wages, material and taxes during the period from 2019-20 to 2023-24. Further, 19,792 transactions towards payment of wages and material were pending regeneration for a period ranging from six months to more than four years. We noticed that lapse on the part of the State in ensuring timely release of funds also contributed to delayed payment of wages and material cost. There was delay ranging from eight days to four months in the release of State share by GoK. We also saw that dated receipts on receiving application for job card/work were not issued violating the mandatory transparency provision to ensure the provision of work within stipulated time. These instances are persuasive of the fact that the beneficiaries were denied the livelihood security envisioned by the MGNREG Act.

To provide social security to the beneficiaries of MGNREG Act, the scheme provided for enrollment of the beneficiaries in insurance schemes viz. Pradhan Mantri Jan Arogya Yojana (PM-JAY), Aam Admi Bima Yojana and PM Suraksha Bima Yojana (PMSBY). However, during beneficiary survey we found that 44.01 *per cent* of beneficiaries surveyed were not enrolled in any of the insurance schemes, indicating that the State has not fulfilled its responsibilities regarding sensitising and enrolling job card holders in insurance schemes.

Project 'UNNATI', introduced by GoI, intended to upgrade skills of the MGNREGS beneficiaries by providing training to one adult member in a household, who had completed 100 days of work under MGNREGS, so that they could migrate from current partial work to full-time employment and thereby reduce their dependence on MGNREGS. We found that though 22.53 lakh households completed 100 days of work during the period 2019-20 to 2023-24 and became eligible for enrollment under the scheme, only 3,272 members from these households were provided skill training. IEC activities as envisaged in the 'UNNATI' guidelines, for wider publicity of the scheme was also not seen conducted.

The MGNREG Act is designed to promote sustainable rural development with emphasis on creation of durable assets. Our examination showed that the wage-to-material ratio fell significantly below mandated 60:40, as the share of material component in works were very low and ranged between 11 and 18 *per cent* during the audit period. Further, the expenditure towards material component decreased drastically by 37 *per cent* during 2023-24, though there was nine *per cent* increase in expenditure towards wages, compared to the

previous year. We also noticed that expenditure incurred on 99 per cent of works executed by test checked GPs was below ₹five lakh. This establishes the disconnect between the scheme objective of creation of durable assets and the Annual Plans actually prepared. Further, the vital aspect of ascertaining quality and durability of assets created under MGNREGS was neglected by the State by choosing to not appoint the independent Director (QM) at the State level, non/short appointment of State and District Quality Monitors and by not ensuring effective follow up actions in respect of quality monitoring activities.

The MGNREG Act includes robust mechanism to ensure oversight and accountability in its implementation. However, it is a matter of concern that we noticed several deficiencies in the working of oversight mechanisms. Mates, envisaged for supervision of the work and capture daily attendance, were not engaged by any of the GPs. We unearthed instances of malpractices carried out in muster rolls in Pudur GP, wherein the perpetrators exploited the loopholes in the system such as manual entry of skilled beneficiaries into the muster roll, not monitoring skilled labour through National Mobile Monitoring System (NMMS), absence of Aadhaar-based payment system for semi skilled/skilled wage payments as well as lack of monitoring by GP/DP/State and engaged in fraudulent practices to misappropriate MGNREGS funds. We noticed that salaries of 33 Government employees, to the tune of ₹16.05 crore, engaged in various posts in MGNREGS were paid from the fund meant for Administrative expenses of MGNREGS in violation of GoI instructions. We also noticed failures in monitoring and grievance redressal system viz., non-empowering State Vigilance Cell after its constitution in January 2021, absence of follow-up action on review reports of district ombudspersons by LSGD, absence of effective complaint tracking system, non-submission of Annual Reports on the outcome of the scheme in the State Legislature by State Employment Guarantee Council (SEGC) for facilitating oversight by elected representatives etc. However, it is noteworthy that the State was able to register 84.17 per cent and 98.72 per cent achievement in the conduct of Social Audit during the years 2022-23 and 2023-24 respectively.

At the end of our audit effort, we concluded that, while MGNREG Act has been a game changer in the rural welfare framework for the State, even after 19 years of sustained investment in the scheme, it continues to face challenges in its implementation. This is because of the inability of the State to address persistent deficiencies in planning, execution, and monitoring of the scheme. Deficiencies in bottom-up planning, manpower shortages and delay in fund releases have collectively impeded the effective delivery of wage employment and asset creation. Low priority given to asset creation works and instances of financial irregularities further underscore challenges in achieving and sustaining the scheme's objectives. Additionally, ineffective vigilance and grievance redressal mechanisms have weakened transparency and accountability. In order to ensure that MGNREG Act fulfills its mandate and maximises its impact, urgent corrective measures are needed to strengthen planning, resource management, timely release of funds and strengthened monitoring and grievance redressal mechanisms. Accordingly, we have recommended following key recommendations in this Report:

- The Government may ensure preparation of convergence plan by GPs for ensuring convergence of MGNREGS with other schemes implemented by GPs.
- The Government may direct the Grama Panchayats to engage Mates in every work site and pay semi-skilled wages, to ensure effective supervision of works.
- The Government may ensure timely release of funds in adherence to the prescribed timelines of the Scheme.
- The Government may take action to recoup the inadmissible expenditure incurred under MGNREGS.
- The Government may direct Grama Panchayats to conduct surveys, special drives and to utilise available data with various line departments to identify eligible households and differently abled individuals including vulnerable persons and provide employment under the scheme.
- The Government may ensure that the demand for labour gets accurately recorded, including issuing dated receipts by the GPs, and matched with the actual provision of labour to calculate the entitled unemployment allowance payable to the beneficiaries.
- The Government may take concrete efforts to improve wage-material ratio by focussing on the creation of durable assets for strengthening the livelihood resource base of the rural poor.
- The Government may ensure proper functioning of the vigilance and monitoring mechanism to ensure transparency and accountability and effective implementation of the scheme in the State.