

## Chapter 3: Earlier Studies on NREGA in Orissa

**3.0 Introduction-** From the very day the NREGA came into operation in Orissa, it started attracting media attention and alongside of it public resentment too. With public resentment rising day after day over its flawed implementation, scholars and activists started probing into it with a scanning eye. In the process, not only scholars from civil society groups but also officials involved in watch and ward agencies of the Government got involved in the study into various aspects of the NREGA implementation in the State. In fact, numerous studies big and small have been undertaken till date to find out the facts relating to alleged omissions and commissions in the NREGA process in Orissa. However, out of them all, four studies that have generated debate and controversy at national level centring round the state of NREGA in Orissa deserve to be treated with necessary importance. These are -

- *Study on NREGA in Orissa by CEFS, a Delhi based NGO*
- *Study on NREGS in Orissa guided by Jean Dreze, an economist*
- *Survey of NREGS in 1<sup>st</sup> Phase States including Orissa by C&AG, GOI*
- *Pilot Survey of NREGS in Orissa by NIRD, Hyderabad*

### 3.1 Study of NREGA in Orissa by CEFS, New Delhi

**3.1.1 About the CEFS Survey-** The Survey Report on NREGA in Orissa by Sri Parshuram Rai, Director, Centre for Environment and Food Security (CEFS), a Delhi-based NGO, which was released on 17<sup>th</sup> August 2007 was the first of its kind to focus on the serious flaws and miscarriage that bedeviled the NREGA implementation in the State. The CEFS team had conducted the study in May-June 2007 in KBK region of Orissa studying the impact of NREGA on the life and livelihood of the local inhabitants, who are mostly impoverished tribals and forest dweller. Unlike the C&AG Report that covered all the 1<sup>st</sup> Phase Districts of the country including those of Orissa, the CEFS survey entitled 'Rural Job Scam in Orissa' covered 100 sample villages belonging to KBK region (Kalahandi-Bolangir-Koraput) comprising 6 districts such as Koraput, Nawrangpur, Rayagada, Kalahandi, Nuapada and Bolangir.

**3.1.2 About KBK Region-** As to why the focus of the study fell on KBK region, the CEFS Report pointed out that the current level of hunger, poverty and deprivation in Orissa's KBK region looked as deep, demeaning and dehumanising as ever despite the so-called successful implementation of the NREGS. Even to a casual visitor to the region, the NREGS made virtually no impact on the livelihood security of its poor. There appeared no let up in the level of distress migration of Adivasis and Dalits from Orissa's KBK region in search of livelihood in other parts of the country. On Human Development Index, many of the Sub-Saharan villages would fare better than most of the KBK villages. Hunger and abject poverty were widespread in all the 100 villages of KBK region the surveyors visited. Large numbers of children in the villages were suffering from severe malnutrition. Hunger and abject poverty were writ large on the hollowed cheeks, sunken eyes and distended bellies of these children.

**3.1.3 Link between NREGA Scam and Cholera Death-** In September 2007 a spate of cholera deaths broke out in Laxmipur and Nandpur blocks of Koraput district and Kashipur and Thuamulrampur blocks of Kalahandi district, where NREGA was already executed for more than one and half years. Sri Rai's survey team had visited Panasguda (Kasipur Gram Panchayat), Gottigudda (Kasipur Gram Panchayat) and Bilamal (Tikari Gram Panchayat) in Kasipur block of Rayagada district as a part of their study of sample villages. Even back in 2001 many starvation deaths were reported from these three villages and the Chief Minister had personally visited these villages to offer relief. But strangely enough, most households in these villages were still found to be living a life of semi-starvation and chronic hunger despite NREGA being implemented. For better part of the rainy season the villagers still had to make a choice between starvation or eating mango kernel gruel. Panasgudda and Gottigudda villages had not received even job cards. Some households were given job cards in Bilamal but even those households got only 2-3 days of work under NREGS. The cruel irony is that the family in Bilamal which had lost 4 members to starvation in 2001 didn't receive the job card till then. The largest number of cholera deaths were recently reported from Kashipur block. Sri Rai's team had surveyed 30 villages of this block and found that there had been proverbial open loot of NREGS funds in all the villages where this NREGA was executed. A similar loot of NREGS funds in Laxmipur and Nandpur blocks of Koraput district and Thuamulrampur block of Kalahandi district was discovered too. In the words of Sri Rai, "All these blocks are now witness to a naked dance of death scripted and choreographed by callous and corrupt bureaucracy of Orissa".

**3.1.4 The principal finding of CEFS –** In the above mentioned letter, Sri Rai quoting the CEFS study reiterated that out of Rs.733 crore spent under NREGS during 2006-7, over Rs.500 crore has been siphoned off and misappropriated by the government officials belonging to executing agencies. Moreover, as against the Orissa Government's claim that no needy household in 19 NREGA districts of the state was denied wage employment and each needy household was given an average 57 days of wage employment under NREGS, it was revealed through the CEFS study that large numbers of needy households were denied not only jobs but even job cards, and not more than 5 days of average wage employment had been given to a needy family in these 19 NREGA districts. Further more than 75 per cent of the NREGA funds spent during 2006-07 were siphoned off.

**3.1.5 Manipulation of Records galore-** The Executive Summary of CEFS Report notes with great dismay, "It is shocking to note that we could not find a single case where entries in the job cards are correct and match with the actual number of workdays physically verified with the villagers. Out of the 100 sample villages covered for this survey, 18 villages have not received any job card, 37 villages have not received any job under NREGS even after 16 months of launch of the scheme, 11 villages have received neither job cards nor any job, Job cards of 23 villages were lying with VLWs (Village Level Worker) and JEs (Junior Engineer) for more than 6-8 months against the will of card holders". In 25 villages, only half, one third or partial wage payments were made. In 20 villages, a wide discrepancy was noticed between the number of workdays recorded in the job cards and the number of actual workdays given to the workers. There were 3

villages where no wage payments were ever made even after 4-8 months of the works done. In 6 villages of Kashipur block of Rayagada district, NREGS work was being done without any job cards issued to the villagers.

**3.1.6 Official Claim-** As per the NREGA Implementation Status Report for the Financial Year 2006-7 (<http://nrega.nic.in/states/nregampr.asp>), the total number of job cards issued in Orissa was 2593194. Orissa was able to provide 7.99 crore persondays of employment to 13,94,169 households spread over 19 districts of the state. In other words, 13,94,169 families have got on average 57 days of wage employment. This includes 3.93 crore persondays of employment provided to Adivasis (STs) and 1.89 crore persondays of employment provided to Dalits (SCs). Orissa also claimed that 1,54,118/ families in the state completed 100 days of wage employment during 2006-7. But, CEFS survey of 100 villages of Orissa suggests that all these claims were bogus and manufactured only in official records in order to siphon off NREGS funds.

**3.1.7 Ground Reality-** The Executive Summary of CEFS further observes, “Our back of the envelop calculations suggest that less than 2 crore persondays of employment has been provided on the ground and more than 6 crore persondays of employment has been provided only in the pages of false job cards and fabricated muster rolls. We could not find a single family in the 100 sample villages who had actually got 100 days of wage employment. We found very few families who had got 40- 60 days of wage employment. The rest of the families, if at all they have got any employment, it is mostly between 5 to 21 days. However, online job cards of most of these households have false and fabricated job and wage entries for 108 days, 104 days, 102 days, 100 days, 96 days, 90 days, 84 days, 72 days, 65 days, 60 days, 52 days and so on. This is the way Orissa Government has “successfully” spent Rs.733/ crore and provided about 8 crore persondays of employment”. According to the Government of Orissa, each of the needy households in 19 districts of the state was given on an average 57 days of wage employment under NREGA during 2006-7. However, the CEFS Report went on to say, “Our calculations suggest that only about 5 days of average employment has been given to the needy families in the 19 districts of Orissa where NREGA was implemented during 2006-7”. In the 100 villages of six sample districts the survey team didn’t come across a single family who availed 100 days of wage employment. But in contrast, the official job records claimed that the Government provided 100 days of employment to thousands and thousands of families. On the official records, cumulative number of households that completed 100 days of employment was 10572 in Bolangir district, 9074 in Kalahandi, 13893 in Koraput, 7581 in Nabarangpur, 11292 in Nuapada and 8357 households in Rayagada district.

**3.1.8 Transparency provisions subverted-** The survey team to their surprise noted that Muster rolls in Orissa were treated more secret than the nuclear secrets of the country. They couldn’t meet a single person in any of 100 villages who had ever seen muster rolls of the NREGS works in his village. Muster rolls were always kept in the homes of VLWs, and villagers who worked in NREGS projects were made to sign on blank muster rolls. The team to their further surprise noticed that in Orissa the citizens and NGOs required BDO’s permission to see muster rolls of NREGS and moreover, they

need to procure first of all the District Collector's permission to go to the Block office or meet BDO. The BDO of Nandapur Block (Koraput district) had in fact instructed all the VLWs of the block not to show muster rolls of NREGS to anyone without his permission. When the survey team wanted to verify the muster rolls and job cards of concerned Panchayats, the VLW of Raisingh Gram Panchayat, Nagesh Choudhary, told in writing that he needed BDO's permission to show muster rolls to any body. When the team approached the BDO of Nandapur (Jyoti Ranjan Mishra) the next day, he bluntly refused to show any muster roll until and unless the District Collector or some higher authority of Govt of India permitted it. Then the survey team contacted Secretary, Panchayati Raj, Orissa Govt (Rabindra Nath Dash) and requested his intervention in the matter. The latter first assured the team that he would immediately ask the concerned BDO to show muster rolls to them. However, to their utter astonishment and shock, they received within half-an-hour a call from the Personal Staff of Panchayati Raj Secretary asking whether the team did have permission of the District Collector or any higher authority for meeting the concerned BDO. When the team asked as to why did they need District Collector's permission, he rather retorted, how dare they did go to the BDO's office without District Collector's permission. He further asked the team in a stern voice to return back from the Block office and not to visit any village in the Block. The team also got three telephone calls from APD (Additional Project Director, DRDA-Koraput) asking them not to visit any village of Nandapur block. The team had also sought intervention from the offices of District Collector (Koraput), Chief Secretary and Chief Minister of Orissa. Despite all these efforts, they couldn't succeed in seeing the muster rolls. This experience in Nandapur block proved highly demeaning and disgusting to the team. The whole administrative machinery was pressed into service to cover up the financial bungling around NREGA in the block. If this could happen to a research team coming from Delhi, one shudders to imagine what could happen to a poor and illiterate Adivasi or Dalit of Orissa. The sense of fear towards bureaucrats, as noticed among Orissa's Adivasis and Dalits was not only frightening and sickening but also reminiscent of the regime of secrecy of the British era.

**3.1.9 Nexus between poverty and corruption-** According to Sri Rai the amount of Rs 500 crore of NREGA money, which has been siphoned off would have given about 90 days of wage employment to about 10 lakh poor families of Orissa. In other words, each of these 10 lakh poorest families would have got Rs 5000 as wages. This amount of Rs. 5000 in the context of these poor and hungry families would have given 4-6 months of two subsistence meals or one meal for the whole year. He then observes with a serious concern, "it is not just another financial scam, predatory bureaucracy of Orissa has robbed 10 lakh hungry families' one meal for the whole year" and then asks the people to ponder over, 'Who is real killer of Orissa's Adivasis ?'.

**3.1.10 Absence of Social Audit-** The Survey Report noted, Social Audit looked like a fraud on the rural poor of Orissa. There was no Social Audit whatsoever held in any of the 100 villages visited by the team. There was zero accountability and conspicuous absence of transparency in the administration of NREGS. Out of 100 villages visited, the team couldn't find a single Panchayat office remaining open during the working hours. The villagers told the team that these offices used to open only once or twice in a month.

**3.1.11 The Role of Panchayats-** Though the Gram Panchayats are legally labeled as the principal authority for implementation of NREGA, it was however distressing for the surveyors to note that in the process of execution of the Rural Employment Guarantee Scheme, there occurred complete subversion of the grassroots democracy. Panchayati Raj Institutions (PRIs) were completely sidelined in the process of implementation of NREGS. Sarpanchs were asked by VLWs to sign on blank cheques and VLWs (Village Level Worker) decided everything. In most of the Panchayats, VLWs didn't not share a single information about the NREGS works in the Panchayat with any of the elected representatives of the concerned GP.

**3.1.12 Threat to NGOs-** The survey team gathered that the activists and NGOs who were spreading awareness about the NREGS among rural poor were threatened with dire consequences and many were terrorized into silence by BDOs and other executing officials. The government officials were behaving worse than any mafia or terror syndicate. When CEFS sent some activists of Orissa to collect data in some villages of Khariar block (Nuapada district) during July 2007, many villagers refused to tell them as to how many days of actual employment were given to them. Since the BDO and other officials had threatened the villagers to send them to jail if they told any one about their actual days of NREGS employment. In Tentulikhunti block of Nabarangpur district, the BDO and other officials have threatened NGOs and activists with dire consequences if they ever disclosed the irregularities in NREGS. Some local activists who accompanied the CEFS research team during survey in Tentulikhunti block in last week of May were threatened by the very government officials and contractors who had misappropriated NREGS funds. One day in the middle of night in July, some drunken goons knocked at the door of one of the activists and warned him of dire consequences.

**3.1.13 Bureaucracy, the arch villain -** As per the Survey Report the major part of the NREGS funds was sucked away by a coterie of bureaucrats. Only leakages and crumbs reached the rural poor. As a matter of fact, NREGS has become less of Employment Guarantee Scheme for the hungry and poor villagers and more of a money spinning machine and Income Guarantee Scheme for Orissa's babudom. For the surveyors it was impossible to believe that the kind of open loot in the name of NREGA could be organized without active connivance of the entire state machinery. Whatever vigilance and monitoring mechanisms are built into NREGA, these proved simply futile in a situation characterized by subdued and fear-stricken mass of illiterate and semi-literate villagers vis-à-vis the well-knit network of corrupt and manipulating officials.

**3.1.14 Response of the State Government of Orissa-** Immediately after release of the CEFS survey, the Union Ministry of Rural Development had asked the Government of Orissa to conduct a detailed official enquiry into the "Rs 500 crore NREGS scam". An enquiry was reportedly conducted by an official team consisting of Sri R N Das (Secretary cum Commissioner, Department of Panchayati Raj, Orissa Government, Sri Saswat Mishra (Director-Special Projects, Department of Panchayati Raj), and the then district Collectors of Bolangir, Kalahandi, Koraput, Nuapada, Nawarangpur and Rayagada districts. The Report of this enquiry asserted that CEFS survey findings were

bogus and baseless and the state government informed the Ministry of Rural Development, GOI that “there is no discrepancy between the work done, the records kept and the payment according to muster roll. No case of misappropriation was noticed. Quality of work was found to be good”. The official report admitted however, "There are procedural deficiencies in the record keeping on the number of working days in job cards and in the employment register” and “The online data posted on the national portal has not been validated and discrepancies have been noticed between the actual data (recorded in the register) and the data provided online." In the immediate aftermath of CEFS Report, the Union Minister for Rural Development paid a visit to Orissa and promised to get the allegations enquired into by C&AG, the audit wing of Govt. of India. The Report of C&AG, already dealt with above made a thorough exposure of the serious acts of financial bungling with the personnel in administration engineering or conniving with them. In a further effort to soften the spate of public criticism that raged following the publication of CEFS study, the State Government had to go for commissioning of another study, which was to be constituted under the aegis of NIRD, an autonomous body working under Govt of India. Again, shortly after the CEFS study rocked the public attention across the whole country, still another Study was undertaken on NREGS in Orissa i.e. by a group of scholars and activists under the active guidance of Dr. Jean Dreze, a noted economist. But as irony would have it, both the studies that took place post CEFS report with the encouragement of Government of Orissa substantiated to a more or less extent the nature of allegations on corruption advanced by CEFS.

### **3.2 Jean Dreze Report on NREGA in Orissa**

**3.2.1 About the Study-** Close on the heels of wide media coverage given to CEFS Report on ‘Rural Job Scam in Orissa’, another sample survey on NREGA works in Orissa was conducted covering 30 worksites in GPs of six blocks randomly selected from three districts of Kalahandi, Bolangir and Boudh. It was undertaken by the G B Pant Social Science Institute of Allahabad University during 3-12 October 2007. The students and local volunteers conducted the survey under the active guidance of renowned welfare economist Jean Drèze. Associated with this study were also right to food activists Reetika Khera and Rajkishore Mishra. 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 basic method of the survey was cross-verifying the muster rolls (MRs) and Job Cards (JCs) with the versions of the people. The survey team also interacted with various stakeholders to ascertain the position of the flagship scheme and the difficulties on the ground level. The findings of the Study were published as an Interim Report dated 21 October 2007 under the caption ‘NREGA in Orissa: Ten Loopholes and the Silver Lining’. It is worthwhile to mention that though the Interim Report promised to bring out the full report which was then under preparation, it never came out.

**3.2.2 Overall Finding of the Report-** The interim report noted that the verification of muster rolls for the 30 sample worksites showed that only 60% of the days of employment recorded in the muster rolls were confirmed by the concerned labourers. The corresponding discrepancies in wage payments might have been even larger. However, this was hard to ascertain as the verification of wage payments posed 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 was that, for reasons discussed in the report, the NREGA records in Orissa were virtually unverifiable. However the interim note presented a few general observations about the reasons why NREGA in Orissa appeared to be particularly vulnerable to corruption. Though NREGA had a tremendous potential in Orissa, especially in deprived areas such as the sample Districts, but corruption threatened to derail the entire programme. The general observations of the Report were discussed under the title ‘Ten Loopholes’.

**3.2.3** Each of the Ten Loopholes was discussed in the Report as follows. **(1) Faulty Design of Job Cards-** The main purpose of the Job Card was to enable NREGA labourers to “verify” their own employment and wage details. In Orissa, this purpose was defeated from the start due to faulty design of the Job Card. In particular, there was 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 was hard to verify, as the names of the labourer and worksite were replaced by “codes”. To decipher a labourer’s code, one needed to refer to page one of the Job Card, which was again in English. The worksite code, for its part, was unintelligible to the cardholder. As for employment dates, they were supposed to be written in a rectangle divided into four boxes, but these were found to be filled in different ways by different functionaries, further confusing the reader. Thus the Job Card was virtually unreadable, even for trained investigators – let alone non-literate or little literate village workers. **(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. Further, there was some lack of clarity as to who was to be held accountable in the event where Job Cards were 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. 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 a routine practice. For instance, a worker without Job Card is often accommodated by “clubbing” his/her wages with those of someone who had a Job Card, under the latter’s name. Similarly, team work performed under the piece-rate system was often recorded under the name of the team leader alone. Sometimes adjustments were 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 required under NREGA Guidelines and “completed” muster rolls were typically kept at someone’s home rather than at the Panchayat Bhawan. Third, like the Job Cards, muster rolls were difficult to verify. Indeed, the above-mentioned “adjustments” made it possible to justify almost any discrepancy between the muster rolls and workers’ testimonies. The lack of transparency in work measurement further exacerbated this problem. **(6) Rigid MIS** - The Government of Orissa’s pioneering initiative in operationalising the centrally-designed Monitoring and Information System (MIS) could be of great help in achieving some discipline and consistency in record-keeping. However, till date the rigidities of the MIS played a role in promoting “adjustments” in the written records. For instance, a muster roll could accommodate a worker without job card, but not the MIS. Similarly, the MIS didn’t allow employment to be given to a household that already secured 100 days of NREGA employment in the current financial year. These hurdles were 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 covered 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, were 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 absorbed 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 (Sarpanch, Secretary, Executive Officer and Village Labour Leader) remain 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 could 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) General Vulnerabilities-** Besides the vulnerabilities that are *specific* to Orissa’s context, there remained general vulnerabilities of NREGA, afflicting Orissa and other States also. **(i) 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). The system was also short of technical staff such as Junior Engineers. **(ii) Dormant Gram Sabhas:** There was little evidence of active involvement of the Gram Sabhas with NREGA in the sample GPs. Typically, Gram Sabhas were poorly attended and controlled by the local elite. Resolutions were easily “passed” by vested interests in the name of the whole village community. This made 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. **(iii) Ritualistic Vigilance Procedures:** In the sample GPs, Vigilance Committees were inactive, even 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 the bemused villagers. **(iv) Lack of Grievance Redressal:** 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.

**3.2.4 On PC system –** While presenting his major findings in a workshop held at Bhubaneswar in November 2007, Dr.Dreze elaborated and laid bare the mechanism of bribery called PC system that permeated the working of NREGS at different levels. In his words, “a major part of the loot is recycled through the so-called ‘PC’ (percentage) system, whereby various functionaries receive fixed percentage of NREGA funds.” He alleged that nearly 32 per cent of NREGS fund being spent to provide jobs to needy people was going to pockets of officials and contractors through PC system. The beneficiaries of percentage system were Block Development Officer (2 per cent), Junior Engineer (5 per cent), Assistant Engineer (3 per cent), Block staff (1 per cent), Village Level Worker (5 per cent), Gram Panchayat Secretary (3 per cent) and miscellaneous (3 per cent), and Contractors’ profit 10 per cent.

**3.2.5 Conclusions -** Most of the vulnerabilities of the Employment Guarantee Scheme in Orissa related to violations of the NREGA Guidelines. These included, for instance, poor Job Card maintenance, lack of transparency in muster rolls, and the continued

involvement of contractors. Thus, the first priority would be 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”). **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 was 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. The instances of swift and firm action such as this could have major “demonstration effects”, and send a critical signal that corruption in NREGA wouldn’t be tolerated. Exemplary actions against contractors involved in NREGA could have a similar impact. **Fourth**, there was need for wider awareness of the Act and Guidelines. During the survey, it was often found that, say, GP functionaries (not to speak of labourers) had inadequate knowledge of the provisions of NREGA. Most of them were untrained and had 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.

**3.2.6 Recommendations-** Specific steps were required to address the vulnerabilities noticed in course of the study. Some of these vulnerabilities (e.g. faulty design of Job Cards) were relatively easy to remove, but others (e.g. the continued involvement of contractors) called for sustained and wide-ranging action. The study made some preliminary recommendations as mentioned hereunder. **(1) Replacement of Job Cards:** Job Cards in Orissa should be re-designed and replaced to render them user-friendly and containing a column for “wage payments” as well as a list of useful phone numbers including a Helpline number. **(2) Maintenance of Job Cards:** Responsibility should be clearly fixed for Job Card maintenance, e.g. by assigning this task to the Gram Rozgar Sevaks specifically. **(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. **(6) Trained Mates:** The Village Labour Leaders (VLL) system should be phased out. Instead, worksites should be supervised by carefully selected and trained “mates”. **(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. 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. 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 as suggested by NREGA Operational Guidelines. **(9) Separation of payment agencies from implementing agencies:** Wherever possible, payment agencies should be separated from implementing agencies. Many Districts in Orissa were found to be adopting Bank payments as the separation device. However, there were 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. **(10) Awareness Drives:** Awareness drives urgently need to be conducted. 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.

**3.2.7 Jean Dreze Report An Assessment-** Since the Sample Study led by Jean Dreze was held shortly in the aftermath of the eye-opening CEFS Report that claimed massive siphoning of NREGA money by bureaucrats, it would be worthwhile to ask whether the second report contradicted the findings of the first. As a matter of fact, the claim made by CEFS that as much as 75% of the NREGA money in the year 2006-07 was embezzled away, was not expressly denied by Jean Dreze anywhere in his report, though Dreze still believed in the tremendous potential of NREGA to better the lot of the rural households. While Parshuram Rai of CEFS went into a detail calculation on the difference between the actual amount of wages received by the workers and that recorded on the muster roll or displayed on the internet, Dreze, as he admitted, didn't go for such an exercise. Rather his exercise was mostly focused on measuring the gap between the number of workdays actually performed by the workers and the number of workdays shown performed by that worker on the concerned muster roll. After interaction with the concerned workers it was noticed that only 60% of the workdays mentioned on the muster roll could be verified as true, suggesting thereby the embezzlement of wage-money to the extent of 40% by the group of vested interests. Again, though he cautiously refrained from drawing any definitive conclusion on the percentage-wise magnitude of embezzlement of wage-money, his report categorically mentioned that it would be much higher than the magnitude of gap in respect of workdays. Besides he held the opinion that muster rolls and job cards, the two important sources of verification on amount of wages, were maintained in such a messy and erratic manner that nothing could be ascertained from

them. This observation of Dreze suggests that the extent of embezzlement of wage money could be in the order of any magnitude, say 75% as claimed by Rai or even larger.

A great merit of Jean Dreze's Interim Report lay in its exposure of the serious manner of transgressions committed by the functionaries of Panchayats and Government vis-à-vis the Act and Guidelines, a concern which didn't find much space in CEFS report. Secondly, Dreze's Report brought to limelight a great lacunae in the Orissa's design of Job Cards i.e. absence of any space for mentioning the amount of wages received by a worker. Thirdly, his report, reiterating the provision of Operational Guidelines, emphasized the need for appointing full-time dedicated personnel like Programme Officer, Junior Engineer and Computer Assistant at Block level and Gram Rozgar Sewak and Mates at GP level to carry out the specifically delineated tasks mentioned under NREGA. According to him, the prevailing system of putting the additional burden of NREGA on BDO or JE who are already overburdened with so many duties would surely backfire against the very objective with which NREGA was enacted. Fourthly, Dreze's report lays bare the dubious mechanism of the middleman's role played overtly and covertly by the contractors in the NREGS process though it has been banned under the Act. Lastly, Dreze's report after making a critical discussion on anomalies that flow from present system of manipulating entries in the registers to make them correspond to the data already posted on-line, puts forward some concrete suggestions as to how both can be authentically maintained tallying with each other.

### **3.3 Performance Audit by C&AG**

**3.3.1 About NREGA Audit by C&AG-** The first ever exploration into the status of NREGA in Orissa was undertaken by Comptroller and Auditor General of India as a part of their 'Performance Audit of Implementation of National Rural Employment Guarantee Act, 2005' at the instance of Ministry of Rural Development, Govt of India. This official study covered 200 districts from 26 States of the country including 19 of Orissa during the period between February 2006 to March 2007 that coincided with 1<sup>st</sup> Phase of implementation of NREGA in the country. Based upon a sampling method the study took up at least 25% of the NREGA districts subject to a minimum 2 in each State, two sample Blocks in each District, 4 sample GPs in each Block, all the registered households in each GP and 4 NREGA

projects (3 completed and 1 ongoing). Thus 68 districts, 128 blocks within the selected districts, and 513 GPs in the selected blocks were selected for detailed examination under this study, and the activities of the study were carried out during May-September 2007. After the conclusion of the audit, its findings were shared in Dec. 2007 with the Ministry of Rural Development, GOI, the nodal agency for NREGA at national level, which had commissioned the study.

#### **3.3.2 Objectives: The prime objectives of the C&AG's audit were to ascertain whether-**

- effective preparatory steps for planning, implementation and monitoring/evaluation of outcomes had been undertaken by the Central and State Governments;

- the procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work, and preparing shelf of projects were adequate and effective;
- funds released for NREGA were accounted for and utilized in compliance with the guidelines;
- there was an effective process for registration of households, allotment of job cards, and allocation of employment in compliance with the guidelines;
- NREGA works were properly planned, and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and the guidelines, and durable assets were created and properly accounted for;
- wages and unemployment allowance were paid in accordance with the Act and the guidelines, and the intended objective of providing 100 days of annual employment at the specified wage rates was effectively achieved;
- there was an adequate and effective mechanism at different levels for monitoring and evaluation of NREGA outcomes; and
- there was an adequate and effective mechanism for social audit and grievance redressal.

**3.3.3 Summary of C&AG Findings-** The major findings of C&AG on NREGA as noticed in all the 1<sup>st</sup> Phase States are also applicable to Orissa. As its Report noted, the main deficiency was the lack of adequate administrative and technical manpower at the Block and GP levels, especially the Programme Officer, Technical Assistants, and Employment Guarantee Assistants. The lack of manpower adversely affected the preparation of plans, scrutiny, approval, monitoring and measurement of works, and maintenance of the stipulated records at the block and GP level. Besides affecting the implementation of the scheme and the provision of employment, this also impacted adversely on transparency, and made it difficult to verify the provision of the legal guarantee of 100 days of employment on demand. Planning was inadequate and delayed, which resulted in poor progress of works. Further, the provision of employment fell far short of the targeted employment in 2006-07, both vis-à-vis the Annual Plans, as well as the legal limit of 100 days. Systems for financial management and tracking were deficient, with numerous instances of diversion/ misutilisation, and delay in transfer of State Share. Monthly squaring of accounts at different levels to maintain financial accountability and transparency was also not being done. Maintenance of records at the block and GP levels was extremely poor, and the status of monitoring, evaluation and social audit was also not up to the mark. The Report concluded that the MoRD needs to ensure that State Governments take swift and immediate action to remedy these deficiencies and improve their administrative and technical infrastructure in respect of the 200 districts forming part of Phase-I, so that the forthcoming expansion of NREGA to cover all rural districts in the country can be successfully implemented.

**3.3.4 Non-appointment of full-time PO and Administrative Technical Assistants-** While the Act and Operational Guidelines mandated the provision for appointment of full-time dedicated Programme Officer at Block level and administrative and technical assistants at both Block and GP level, several States including Orissa were found to be managing the implementation of NREGA with the help of existing BDO and JE as

Programme Officer and Technical Assistant respectively. Non-appointment of a full-time dedicated Programme Officers (PO), who is pivotal to the successful implementation of NREGA, and giving the additional charge of PO to BDOs, who were responsible for other developmental schemes at the Block level, strikes at the root of effective implementation of NREGA. The State Governments should be directed to appoint full-time POs at each Block, with adequate supporting staff. Necessary administrative and financial powers should be delegated to such POs, even if they are appointed on contract basis.

**3.3.5 Non-participation of people in plan making-** It was found that the Annual Plans under NREGA in a GP, which should be framed by Gram Sabha/Palli Sabha were not formulated that way. To simplify the workload at the GP level, the Annual Plan at the GP level could be limited to identifying works, with estimation of labour demand, likely costs etc. being indicated at the PO's level. As a rule, the Annual Plans formed with people's participation at Gram Sabha/Palli Sabha level need to be consolidated into Block level Plan and Block level Plans into District Plan.

**3.3.6 Haphazard manner of Registration and Issue of Job Cards-** A meeting of Gram Sabha should have been held at the inception to explain the provisions of the Act, followed by a door-to-door survey to identify the persons willing to register themselves as Workers under NREGA. The persons/families so identified should have been issued Job Cards. Neither the introductory Gram Sabha meeting at the time of commencement of the Act was convened nor a Door-to-door survey to identify persons willing to register. Again Job cards were not issued to all the registered households in time and free of cost. State Governments must ensure time-bound survey and registration of eligible families and issue of Job Cards to all who are desirous of the same. Again, State Governments must ensure that under no condition are job cards retained by GP/ other departmental officials for any purpose.

**3.3.7 Implementation Poor and Messy -** Worksite facilities were not found in place in large number of cases. In one block (Bhawanipatna) of Kalahandi District, 149 works were executed at a cost of Rs 7.55 crore between February 2006 and March 2007 through contractors in the guise of Village Labour Leaders (VLLs) (up to November 2006) and in the name of departmental execution through the Junior Engineers (from December 2006). The VLLs and JEs procured road metal and other materials out of their own resources and also in many cases indicated payment of wages without receiving any advance/ sufficient advance. Site account registers in respect of receipt and issue of materials to the work and Temporary advance register in respect of advance availed from December 2006 for payment of wages had not been maintained, despite their mandated requirement for departmental execution. Materials were not purchased on tender/ quotation basis and purchase bills/ payment receipts were not treated as expenditure document. Instead, work bills were paid to the VLLs/ JEs based on item and volume of works executed in similar manner as allowed in the case of work done by the contractors. Measurement for these works was also made by the same JE, shown as departmentally executing the work. This is indicative of execution of works by the contractors in the guise of VLLs and in the name of departmental execution.

**3.3.8 Some Gross Irregularities:** NREGA Guidelines permit execution of road projects providing all weather connectivity in rural areas. However, joint physical inspection in September 2007 of three road works executed at a cost of Rs 15 lakh in Bhawanipatna block disclosed that the roads remained kutcha, even after improvement, and were not able to provide all weather access. Further, recording of inflated measurement in the measurement books and Level section Graph sheets in all the three cases, and excess payment of Rs.1.80 lakh in one case was also noticed. In Kalahandi district, due to delay in execution of 46 works by an executing agency (Assistant Soil Conservation Officer, Bhawanipatna), there was cost overrun by Rs 35.03 lakh. Excess payment of Rs. 7.98 lakh in 13 cases in Bhawanipatna block, due to non-deduction of voids and volume of sand and moorum utilized, was noticed. In Bhawanipatna block, one roadwork was executed at Rs 5 lakh during 2006-07 without technical sanction. Two executing agencies in Bhawanipatna block utilized Rs 47.80 lakh to complete seven numbers of incomplete works taken up under NFFWP, without following the provisions of NREGA Guidelines. Similarly, the Assistant Soil Conservation Officer, Bhawanipatna utilized Rs 29.85 lakh during 2006-07 without following the NREGA Guidelines as registered labourers were not engaged; un-authorised (kutcha) muster rolls available in the market were used without the authority of the Programme Officer.

**3.3.9 Employment and Wages:** The NREGA Operational Guidelines further stipulate that District Schedules of Rates (DSRs) should be prepared for each district, and should be posted at worksites in the local language. The States should prepare exhaustive and detailed list of tasks required for undertaking works under REGS in different geomorphological conditions, and the productivity norms for the District Schedule of Rates (DSRs) should be worked for each locale in such a way that seven hours of normal work earns minimum wages on a piece rate basis. State Governments should undertake comprehensive work, time and motion studies for observing out-turn and fixing rates; a matrix of rates for the same task needs to be drawn up for different ecological conditions. Measurements must be recorded daily in a transparent manner, whereby individuals may verify their measurement on a daily basis. However, REGS works were not measured on a daily basis, nor authenticated measurement books being used to record the measurements. The wages disbursed were not only less than minimum wages in quite many cases, but also not paid within the stipulated period of 15 days. No compensation was paid on account of delayed payment of wages.

**3.3.10 Discrepancy between records and ground reality:** Beneficiary interviews of 142 households in 21 villages of Kalahandi and Bolangir Districts in the presence of the Sarpanch/ PRI member and BDO revealed that in 98 cases, the beneficiaries disputed their engagement, and in 117 cases, they stated receipt of wages of only Rs. 3.41 lakh against Rs. 5.76 lakh shown in the online job cards and Muster Rolls. In 13 muster rolls (Bhawanipatna block), 64 ineligible labourers (30 unregistered labourers and 34 labourers belonging to the households already provided with 100 days employment in a year) were engaged on work and paid Rs.0.77 lakh as wages. Out of 142 job cards test checked, in 55 cases the employment provided as per the physical job cards ranged from 9 to 99 days – totaling 2515 days, while the online job cards showed employment

provided from 13 to 108 days – totaling 4313 days. In the remaining 87 cases, the employment provided as per the physical job cards ranged from 18 to 335 days, totaling 8272 days, while the employment provided as per the online job cards ranged from 3 to 108 days. Thus, the job cards were unreliable.

**3.3.11 Unemployment Allowance-** Dated receipts of applications for demand for work were not given, and Employment Registers not maintained. In the absence of recorded date of demand, the entitlement to unemployment allowance could not be easily established. In Orissa no budget provision was made by the State government for payment of unemployment allowance. Resultantly, in 12 test checked blocks, no unemployment allowance was paid to 5143 registered households who were not provided with employment during 2006-07 despite demanding the same. Undated applications and non-maintenance of employment registers leads to a situation where the right to unemployment allowance cannot be verified; this is compounded by lack of awareness.

**3.3.12 Muster Rolls-** The proforma for Muster Rolls prescribed by Ministry of Rural Development, GOI was not followed, nor copies of Muster Roll were available for public scrutiny in the GPs. Further the MRs didn't contain requisite details viz. the name of the person on work, job card number, days worked/ absent and wages paid. In all 12 test checked blocks, original copies of the muster rolls were not treated as expenditure documents of the concerned executing agencies. Instead, payment was released to the executants/ Junior Engineers based on items and volume of work executed in similar manner as payable to contractors. The names and wages paid as per original copy of the muster rolls did not agree with online muster rolls, due to engagement of ineligible labourers and tampering of muster rolls. In three cases (Patnagarh block), the dates of engagement of 45 labourers mentioned in original copies of the muster rolls were found to have been manipulated and changed at the time of online entry. In case of one executing agency (Bhawanipatna block), the muster rolls for the period 16 March to 30 March 2007 in support of payment of wages for Rs 1.76 lakh were tampered with by pasting another sheet of paper over the original entries. Similarly, in four other GPs, wage payment to 114 labourers for 684 mandays were manipulated on higher side (Rs 0.67 lakh) in relation to the online muster rolls. Test check of muster rolls, public complaints and cross verification with villagers revealed that in 18 cases, wage of Rs 11,521 was shown as disbursed in 18 muster rolls to seven deceased beneficiaries showing engagement even after their death, Rs 44,859 for 548 mandays to daughters of labourers living outside after marriage, students undergoing studies in towns, businessmen, employees etc who never worked as per the statement of villagers/labourers working in the projects. As per the statement of beneficiaries recorded by the District level officers in Keonjhar and Bolangir districts, 21 labourers were engaged for 155 mandays in three works whereas 762 mandays were shown in the muster rolls and online job cards. In two GPs of Narla block, the same eleven labourers were shown as engaged in different works on the same days and were paid wages amounting to Rs 23,282. State Governments should be directed to ensure compliance with the necessary rules and procedure for maintenance of MRs. Full efforts should be made to ensure that MRs are entered online, and are thus available publicly, in addition to be available at the PO and GP offices.

**3.3.13 Record Maintenance-** Maintenance of records under NREGA is critical to ensuring verifiable compliance with the legal guarantee of 100 days of employment on demand and payment of unemployment allowance. The NREGA Operational Guidelines have specified details of records and registers to be maintained at different levels. However, Audit scrutiny revealed that Employment Register and Job Card Register in computerized form, based on the duplicate copies of the Job Card Register received from GPs, were not prepared by block offices. Asset Register, in computerized form based on asset registers furnished by Gram Panchayat and Implementing Agency, was not maintained/ prepared. Application Registration Register was not maintained, or was not properly maintained (at the very least indicating the names of the applicants, date of receipt of application/ request and date of issue of job card). The photographs of applicants were not found attached to the job cards. It was observed that dated receipts of applications for demand for work were not given to the applicants. The applications for employment did not have the job card registration number, date from which employment was required, and the number of days of employment required. Complaint Register was not maintained/ prepared by block offices. In the absence of maintenance of critical registers, it was impossible to authentically verify:

*How many households demanded employment?*

*How many households were provided employment, and for how many days?*

*How many households got 100 days of employment?*

*What was the break-up of SC, ST and women beneficiaries, and how much employment did they demand and receive?*

*What was the entitlement of individual households to unemployment allowance?*

Thus, the compliance with the legal guarantee of 100 days of employment on demand is not verifiable, based on available documents. In addition, transparency and accountability is adversely affected. Also, in the absence of these documents, the relevance of social audit is undermined.

**3.3.14 Fund Mis-management-** While demanding additional funds, the GPs did not furnish the report of the VMC duly approved by the Gram Sabha. Delay in release of State share of Rs 4.03 crore for DRDA Bolangir ranged between 37 and 74 days. Against an actual expenditure of Rs. 49.80 lakh, the DRDA Kalahandi had submitted Utilisation Certificate for the entire release of Rs. 70.02 lakh during March 2006. Scheme fund of Rs 29.67 lakh was diverted during 2006-07 in Loisinga block (Rs 10.60 lakh), Bhawanipatna block (Rs 19.07 lakh) and three GPs (Rs 0.93 lakh) for purposes not connected with NREGA viz. payment of staff salary, Calamity Relief Fund etc., of which Rs. 11.16 lakh remained un-recovered. BDO Bhawanipatna, Kalahandi District irregularly charged Rs. 11.37 lakh as works contingency for miscellaneous use. Although the State Government prescribed submission of vouchers in support of advances within 7 days of receipt of cash advances, such vouchers in respect of advances of Rs. 71.74 lakh were outstanding from 13 officials/ ex-officials for periods ranging from six to nine months. In 2 GPs, the Executive Officers, despite being transferred, had not handed over the unspent cash balance of Rs. 1.77 lakh to their successors. All funds diverted or misutilised should be recovered immediately from the State Governments. GoI may consider levying interest commensurate with the delay in release of State share, to deter

such delays. State Governments should be directed to ensure that separate bank accounts at all levels, and monthly squaring of accounts is mandatorily conducted, else future GoI funding should be withheld.

**3.3.15 Social Audit, Transparency and Grievance Redressal-** NREGA gives a central role to “social audits” as a means of continuous public vigilance. The process of social audit should include public vigilance and verification of 11 stages right from registration of families through to evaluation and mandatory social audit in the Gram Sabha. Social Audit Forums must be held twice a year at the Gram Sabha level for all works done in the preceding year. However, Audit scrutiny revealed that a Gram Sabha once in every six months to conduct a social audit was not held. The updated data on demand received, registration, number of job cards issued, list of people who demanded and been given/ not given employment, funds received and spent, payments made, works sanctioned and works started, cost of works and details of expenditure on it, duration of work, person-days generated, reports of local communities and copies of muster rolls were not made public. The intimation of work allotment was not notified publicly at the block offices of the PO. In the absence of proper maintenance of records, social audit remains the only method for ensuring a degree of transparency and accountability at the GP and GS level. Non-conduct of social audit strikes at the root of the demand-driven bottom-up approach of NREGA. The State Governments should be advised to ensure conduct of Social Audits in all Gram Sabhas twice a year.

**3.3.16 Inflated/ incorrect reporting of physical and financial achievements-** It was revealed that the procedures had not been framed to ensure that data on work requested and allotted by the PO and GP are properly maintained. Besides procedures had not been framed to ensure sharing of information on employment allotments between the PO and GP on a weekly basis.

#### **3.4 Pilot Social Audits on NREGA in Orissa by NIRD**

**3.4.1 About the NIRD Study-** The publication of the report by CEFS, New Delhi that alleged mass-scale irregularities in the implementation of NREGS in Orissa and embezzlement of more than Rs 500 crore from the programme, triggered off a huge political debate on the issue of corruption in the NREGS process. In the face of criticism from all around the State Government of Orissa asked National Institute of Rural Development( NIRD), Hyderabad, an autonomous body working under the Ministry of Rural Development, Govt of India in November, 2007 to evaluate implementation of Schemes under National Rural Employment Guarantee Act (NREGA) in Orissa by conducting pilot Social Audits in 40 Gram Panchayats across the State. The NIRD was given a free hand and logistic support by the State Government in respect of conducting the Study. The Study has concluded that on the whole the performance of NREGA during the year 2007-08 has improved over that noticed during 2006-07. However, the study noted some significant deficiencies in its existing operational process, to overcome which political will on the part of the Government is barely necessary.

**3.4.2 Deficiencies noticed-** Quite a number of households are not yet registered under NREGS and a good number of households have not yet received job cards even after

registration. Ineligible works or works involving high proportion of materials have been taken up in some Gram Panchayats. Discrepancies in Muster rolls were observed due to System deficiencies, such as job cards printed for Phase-I districts did not have a provision for recording wages paid (since rectified in Phase-II districts) and on-line entry limitation. Besides such irregular practices as engaging non-job card holders, inflated measurement, inclusion of bogus names, engaging of outside labour through contractors, spill over works of other Schemes like SGRY and NFFW and fake muster rolls were noticed too.

**3.4.3 Wage Payment** – The NIRD Study stated inter alia, “It is a matter of concern that all the KBK districts which are the poorest and backward districts in the state showed worst record of performance. In the case of KBK region (Bolangir, Kalahandi, Koraput, Malkangiri, Nawarangpur, Nuapada), only 26 percent of the reported wage payments actually reached workers”. Further giving the district-wise break-up, the NIRD report stated, 88 percent of reported wage payments are bogus in Kalahandi district, 89 percent of reported wage payments are bogus in Malkangiri district, 75 percent of reported wage payments are bogus in Koraput, Keonjhar and Dhenkanal districts, 73 percent of reported wage payments are bogus in Nawarangpur district, 59 percent of reported wage payments are bogus in Nuapada district, 57 percent of reported wage payments are bogus in Bolangir district and 53 percent of reported wage payments are bogus in Rayagada district. According to the NIRD Social Audit report, during 2006-07 and 2007-08, “more than 58 percent of the reported wage payments are bogus” in Orissa on the whole. This disclosure prompted Sri Parshuram Rai of CEFS who had earlier pointed out misappropriation to the tune of 75%, to comment, “In other words, in KBK region 74 percent of the reported wage payments were siphoned off”. He further observed that In the light of the NIRD social audit report, it is clear that every single finding of the CEFS survey report was correct and the Orissa Government's official enquiry team submitted an absolutely false and fabricated report to MoRD giving clean chit to all the guilty officials of Orissa. Further he demanded, “Therefore, all the 8 IAS officers of this enquiry team are not only guilty of conspiracy to cover up the “Rs 500 crore NREGS scam” and thereby depriving millions of poor and hungry citizens their constitutionally guaranteed right to employment, they have also misled the whole nation in general and the Government of India (MoRD) in particular. They are guilty of cheating, forgery, lying, misappropriation of public funds and above all subverting the rule of law.” Sri Rai threw the query for the public to realize, “if these IAS officials were not direct beneficiaries of Rs 500 crore NREGS scam, why did they conspire to cover-up this scam?” CEFS faxed a letter to Prime Minister Manmohan Singh in Sept. 2008 seeking action against 8 IAS officers responsible for cover-up of the NREGS scam.

**3.4.4 Response of the Orissa Government-** The State Vigilance and Monitoring Committee in its meeting held at Conference Hall of Secretariat, Bhubaneswar under the chairmanship of Minister Rural Development, Law and Industries on 26<sup>th</sup> September 2008 took up the discussion inter alia on the negative findings about NREGS implementation. It was admitted, out of 48 lakh families given job cards, only 5.25 lakh families were given some work or the other under the Scheme. Then as regards the stand on CEFS report on NREGS scam, the meeting reiterated the earlier pronouncement of

Government that the allegations made in the report were mostly false as maintained by the Fact Finding Committee constituted by the Government. Then the meeting discussed the NIRD Report on the state of NREGS in Orissa and decided to comply with the Chief Minister's direction that disciplinary proceedings be initiated against the errant officials for recovery of the misappropriated funds. However, the Minister Panchayati Raj in his deliberation sought to dilute the critical edge of the NIRD report saying that as per the report itself 95% of the assets created under NREGS were in tact, and it meant that there was no misappropriation though some some irregularities might have crept into the NREGS process here and there.

**3.4.5 NREGS Scam reaches the Apex Court-** Following the circulation of NIRD Report on NREGS in Orissa which more or less corroborated the CEFS allegation about siphoning of massive NREGS funds by the executing officials, a petition was filed by Sri Parshuram Rai on behalf of Centre for Environment and Food Security (CEFS) in the Supreme Court in January 2008, highlighting the concern that most of the funds released under the Scheme were not reaching the intended beneficiaries. Lawyer-activist Prashant Bhushan, the counsel for the CEFS in the petition asked for effective execution of the schemes envisaged under the Act and pleaded that directions be issued for fixing responsibility on the Chief Secretary of the State and concerned District Collectors. Further, the Apex Court has been petitioned to order a CBI probe or a thorough enquiry by a special commission of enquiry appointed by the Court into the lack of implementation of, and the corruption in, the NREGA in Orissa. After a reality check by CAG in 68 randomly selected districts that barely 3.2 per cent of registered households were able to avail 100 days of employment as promised by the Scheme, the Supreme Court issued notices to the Centre and all States pursuant to the petition. An apex court bench comprising Chief Justice K G Balakrishnan and Justice M K Sharma directed the Ministry of Rural Development, GOI and the State Governments to respond to the allegation leveled in the petition that politicians and bureaucrats were involved in the bungling of funds released under the Scheme. The petitioner claimed inter alia, "There are thousands of villages in Orissa where around 80-90 per cent of NREGS funds have been misappropriated by executing officials."





