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**Working Paper No. 437**

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**Enhancing Livelihood Security through the National  
Employment Guarantee Act**

**Toward Effective Implementation of the Act**

by

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and

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## **ABSTRACT**

### **Enhancing Livelihood Security through the National Employment Guarantee Act toward Effective Implementation of the Act**

The National Rural Employment Guarantee Act of 2005 is a major development in the history of poverty reduction strategies and rural development policies in India. Though the successful passage of the Act is due to the long struggle by NGOs, academics, and some policymakers, its successful implementation is a much bigger challenge. Effective implementation of the Act requires that labor-intensive works be planned for the needy poor on a continuous basis; that the right kind of assets are undertaken to promote the development of the local/regional economy; and that the labor-absorbing capacity of the mainstream economy be raised and assets maintained well and used productively to generate benefits for the poor, as well as to promote pro-poor economy growth.

The past experiences of wage employment programs in India, however, suggest that there are several challenges ahead. These include strengthening the planning component of the program, particularly planning for infrastructure and natural resource management; coordination and conversion of the Employment Guarantee Scheme with ongoing programs; ensuring supply of labor on EGS works; promoting equity in the ownership of the assets; and using assets to improve the employment generation in the long run. This paper discusses these challenges and observes that the Employment Guarantee Act should not be treated as one more poverty alleviation program, but should be seen as an opportunity to eradicate the worst kind of poverty and to empower the poor and promote pro-poor growth of the Indian economy.

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JEL Codes: J21, J31, O15, O20, and O53

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## INTRODUCTION

The National Rural Employment Guarantee Act of 2005 states that its main objective is “to provide enhancement of livelihood security of the households in rural areas of the country by providing at least 100 days of guaranteed wage employment to every household in unskilled manual work” (Ministry of Law and Justice 2005). This commitment is clearly a landmark event in the history of rural development policies in India as well as in the history of poverty reduction strategies in the world. The passing of the act is definitely due to the long struggle in which academics, NGOs, and even some policy makers participated.

Successful implementation of the act, however, is likely to be a much greater struggle and a much bigger challenge. Ensuring an employment guarantee of 100 days at the specified wage rate year after year on a continuous basis to all those who demand it in the selected 150 districts in India is not an easy task. This will be feasible only if (1) works are planned in a way that they generate a continuous flow of employment on the one hand and the targeted poor are attracted and convinced to take up the employment on the other hand, and (2) the employment guaranteed under the act is planned in a way that it keeps creating assets that generate sustainable employment avenues in the mainstream economy for a part of the labor force that demands work under the act. The latter will tend to reduce the demand for work under the employment guarantee act, gradually reducing the need for the act. If this does not happen, the employment guarantee act will not only become a permanent drain on the public exchequer but it will also be difficult to generate (one-shot) employment avenues for all those who will keep demanding it year after year. Though the focus of the act will have to be on generation of one-shot employment for the poor, the implementation of the act cannot afford to neglect creation of long-term/sustainable employment avenues in the mainstream economy. That is, the guaranteed wage employment cannot be treated as a pure welfare activity, a transfer of money to the poor, as the poor are after all a factor of production that needs to be used productively for creating assets that generate sustainable employment avenues in the main stream economy. In this sense the employment guarantee act is an opportunity for the country to reduce poverty and to promote pro-poor growth of the economy. This opportunity should not be missed!

The employment guarantee scheme (EGS), designed for the successful implementation of the act, therefore, will have to have a strong planning component of works and a well-designed strategy for implementing the scheme. Somehow these areas have always received the

inadequate attention of policymakers and implementers in India in the past, with the result that, as studies after studies have shown, the planning and implementation of all wage employment programs, including the Employment Guarantee Scheme of Maharashtra, have remained weak. (Hirway 1986; Hirway and Terhal 1994; Dev 1995; Maithreyi, Pandey, and Kanchi 2004; Acharya 1990; and Mukhopadhyay and Saha 2005). In order to make the present act successful, it is extremely important to improve these areas radically.

The main objective of this paper is to understand why these areas have remained weak in the past and how these can be strengthened under the employment guarantee scheme to be designed under the act.

## **PLANNING FOR ASSETS UNDER WAGE EMPLOYMENT PROGRAMS IN THE PAST**

Wage employment programs in independent India started with the Rural Works Program (RWP), which was introduced in 1961 in selected districts in the country to generate employment for the poor in the lean season. A series of wage employment programs have followed this program, each trying to improve upon the earlier program. The major programs have been the Crash Scheme for Rural Employment (CSRE) and Food For Work Program (FFWP) in the 1970s, followed by the first all-India wage employment programs, the National Rural Employment Program (NREP) and the Rural Labor Employment Guarantee Program (REGP) in the 1980s, and the Jawahar Rojgar Yojana (JRY), the Employment Assurance Scheme (EAS), and the Sampurna Grammen Rojgar Yojana (SGRY) in the 1990s. The two major objectives of these programs have been (1) generation of employment for the poor and (2) creation of durable assets, the first objective receiving priority over the second.

Several attempts have been made to improve the planning for assets/works under the programs in a way that they create durable assets that can promote generation of sustainable employment in the mainstream economy. Some of the improvements introduced over the years in the designing of the programs have been:

- Advance planning of assets/infrastructure at the village/district level to promote construction of local infrastructure

- Focusing on assets/works relating to natural resources management (particularly land, water, and forestry) as against roads and buildings under the programs.
- Preparation of shelf of projects at the local level on the basis of the local needs and demand
- Involvement of Gram Sabhas and Village Panchayats in the planning and implementation of the programs.
- Focus on durable assets in order to promote sustainable employment generation in the second and subsequent phases of these programs.
- Selection of beneficiaries through the Employment Register, which is expected to register all those who want work on these programs.

A growing realization that works under wage employment programs need to be labor intensive in the short run as well as in the long run, have led to a shift in the focus towards to natural resources related works. The two major limitations in the designing, however, have been more reliance on ad hoc decision making than on systematic planning and the absence of any attempt to promote productive use of the assets generated under the programs. The consequences of the first limitation were (1) the process of selection of works was in most cases not coordinated with the ongoing programs of infrastructure planning and natural resources planning, and (2) selection of works was frequently not based on any sound theoretical framework of infrastructure planning or natural resources planning. The consequences of the second limitation were (1) the completed works were frequently not maintained well and not used well, and (2) when used, the ownership and benefits were not shared (equitably) by the poor who contributed to the construction.

Of the two objectives of the programs, namely, generation of employment for the poor and creation of durable assets, the first objective received priority over the second and rightly so. Though the two objectives are, to a considerable extent complementary, there are occasions when it becomes necessary to give preference to one over the other, and giving priority to the first objective is perfectly okay. However, the second objective is an important objective that need not be neglected. The major evaluation studies of these programs show that the planning

components were less than satisfactory in terms of their impact in the short run as well as in the long run. These studies, including some recent studies,<sup>1</sup> have shown that:

- The overall impact of wage employment programs on poverty reduction has been limited, largely due to the small size of the programs as well as due to the problems of their implementation (i.e. low wages, use of contractors, low access of the poor to these programs, corruption, etc.).
- The impact has been restricted (when it is positive) to some pockets where large sums are spent and where implementation has been good. This impact, however, has been short-term impact, acquired through the generation of one-shot employment.
- There are serious problems with respect to the generation of durable assets: the assets are frequently of poor quality; they are not maintained well and not used productively in many cases to generate sustained benefits; and have not made any significant impact in terms of expanding mainstream employment except in a few cases.
- One major weak point of the programs has been their weak planning. The programs like JRY, EAS, SGRY and Maharashtra's EGS have been found weak in terms of planning in the short run and in the long run (in terms of creation of durable assets that generate sustainable employment avenues in the main stream economy).

A systematic study of wage employment programs/public works programs in different countries and in the different states in India (the study covered the experiences of China, Netherlands, Bangladesh, Maharashtra's EGS and the programs implemented in West Bengal, Karnataka, and Gujarat (Hirway and Terhal 1994)) has shown that long-term impact in terms poverty reduction and promotion of development has been observed only where the planning for the programs was sound. In the case of India, after more than two decades of the all-India wage employment programs and spending thousands of crores of rupees on them, one does not observe significant decline in the need for these programs. In fact, the need seems to have increased in the economy due to the low rate of growth of agriculture, increased environmental depletion and degradation, and the overall rural economy lagging in development!

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<sup>1</sup> These studies include review studies (which include a large number of evaluation studies), multi-country studies, studies on the long-term impact of the programs as well as studies that examine the short-term impact. Refer to the references at the end of the paper.

## **WAGE EMPLOYMENT PROGRAMS FOR ENSURING SUSTAINABLE LIVELIHOOD**

The employment guarantee act, which is a clear improvement over the earlier programs, now offers a fresh opportunity to reverse these trends and to rejuvenate the rural economy. Strengthening of the planning component under its implementation is therefore critical for the country.

It needs to be noted that wage employment programs in general have come a long way from their historical origin as relief works organized for the poor in emergency situations caused by natural disasters or economic depressions and crisis. These programs are also not seen merely as an instrument of consumption smoothing that gives the poor some support in the lean season of the year. In fact, these programs are now recognized in the literature as a modern instrument of general development policy, as they have shown tremendous potential to alleviate poverty as part of mainstream economic strategy (Tinbergen 1994). That is, these programs have emerged as a tool that promotes strategic use of surplus manpower for promoting pro-poor growth leading to sustainable development (Ibid 1994).

The inclusion of the rights approach in this program, through the guarantee component of the employment guarantee act, has strengthened the developmental role of the program through political empowerment of the marginalized poor that guarantees employment and wages to all those who demand it on the one hand and through massive employment generation by expanding the size of the program on the other hand.

What is needed, however, is strengthening of the planning component of the programs so that the short-term and long-term livelihood security for the poor can be achieved through the implementation of the employment guarantee scheme. This requires that:

- Labor-intensive works are planned for the needy poor, keeping in mind the demand for such works, to generate assets that promote development of the local/regional economy. That is, on the one hand, the right kind of assets are planned for promoting the development of the local/regional economy and on the other hand, they are taken up in a way that a continuous flow of employment is created for the local labor force that is likely to come forward to demand work.

- The assets are selected in a way that on the one hand they create ample employment avenues in subsequent rounds, and on the other hand they are social or common assets owned by the local community or the assets owned by the poor, and
- The assets are maintained well and used productively to generate benefits that will be distributed equitably, with a focus on the poor including the socially excluded communities.

The implementation of the employment guarantee act will have to take note of the above points in the design of the EGS.

### **PLANNING FOR ASSETS/WORKS UNDER THE NATIONAL EMPLOYMENT GUARANTEE ACT AND NFFWP**

It appears that the planning under the national act will depend on the EGS (employment guarantee scheme) that will be designed at the all-India level (broad guidelines) and at the state level by each state government. The shape of the scheme will be determined by the broad outline provided by the act on the one hand and the present guidelines under the Rural National Food for Work Program (NFFP) on the other hand. The work of designing state level EGS has started in most states. Karnataka has already prepared the EGS, and many other governments are using this scheme as basis for designing their own scheme.

Let us, therefore, examine the EG Act and the RNFFWP Guidelines to understand their underlying planning component. To start with, the EG Act has proposed an elaborate multi-level institutional framework to facilitate planning. At the Central level, there will be a Central Employment Guarantee Council in Delhi to advise the Central Government on all matters concerning the implementation of the Act. It will be responsible for promoting the dissemination of information of the Act, for setting up Central evaluation and monitoring system and for preparation of annual reports. As far as planning for the EGS is concerned, it will play an advisory role. At the state level, there will be State Employment Guarantee Council responsible for monitoring and reviewing the implementation of the act at the state level. It will play an important role in determining the planning component of the act, as it will be responsible for advising the state government on all matters concerning the EGS and its implementation in the state, for determining the preferred works in the state, for promoting

dissemination of information about the act and the Scheme, and for undertaking evaluation studies and monitoring the implementation of the act.

The principal authorities for planning and implementation of employment guarantees will be the Panchayat bodies at the district, intermediate (block) and village levels. The District Panchayat will be primarily responsible for finalizing and approving block-wise shelf of projects to be taken up under the scheme/act and supervising and monitoring the projects taken up at the block level and district level; the Intermediate (Block/Mandal) Panchayat will be responsible for approving the Block Plan and for supervising and monitoring the projects taken up by gram Panchayats and Block level; and the Village Panchayat will be responsible for identification of the projects in the gram Panchayat area as per the recommendation of the Gram Sabha and Ward Sabhas and for execution and supervision of the works. Every Gram Panchayat will prepare a development plan and maintain a shelf of possible works to be taken up under the EGS when demand arises. The Gram Panchayat will forward the proposals to the program officer for scrutiny and approval. At least 50 percent of the works of the program officer will be implemented through the Gram Panchayat.

There will be a district program coordinator (selected from the Administrative Cadre), responsible for the implementation of the EGS at the district level. He will assist the District Panchayat in discharging its functions: he will consolidate the plans prepared by the blocks and project proposals received from implementing agencies for inclusion in the shelf of projects to be approved by the District Panchayat; coordinate with the program officers and the implementing agencies to ensure that the applicants are provided the stipulated employment, and review, monitor, and supervise the performance of the program officers. The state government will delegate financial and administrative powers to the district program coordinator to enable him to carry out his functions. Every year in December, he will prepare a labor budget for the next financial year containing the demand for unskilled work and the plan for engagement of laborers in the works and submit it to the District Panchayat.

At the block (intermediate) level there will be a program officer, who will assist the district program coordinator and work under his direction and control. He will be responsible for matching the demand and supply at the block level, the level at which the guarantee is to be given. He will prepare the Block Plan coordinating the proposals from the village and intermediate levels and will be responsible for the monitoring of the village level and

intermediate level proposals. The program officer will also inform the Gram Panchayat about employment opportunities elsewhere.

The act has described in Schedule 1 the works that can be taken up under the act. These works, which are primarily related to natural resource management and infrastructural works like roads, are water conservation and water harvesting, drought proofing, irrigation canals and minor irrigation, irrigation for SC/ST population, renovation of traditional water bodies, land development, flood control, etc. and all-weather road connection (in their order of priority). The works, which will be labor intensive (mainly using manual labor and not machines) will meet fixed technical norms and will be durable. Appropriate arrangements will be made by the State for their maintenance.

In short, the Act has laid down an elaborate institutional network right from the Centre to the village level to carry out the tasks under the act. As far as the planning for works is concerned, the act states that works will be planned primarily at the village level (at least 50 percent), and at the block and district levels. A district plan will be prepared for each district in advance (by December every year) with a shelf of projects. The Act, however, is silent on the methods to be adopted for planning of works.

### **The NFFWP Guidelines**

It appears that the EGS will follow the methods included in the Guidelines of the National Food for Work Program, which was launched in November 2004 in the country's poorest 150 districts, where the employment guarantee act is to be implemented. Since the NFFWP is expected to pave the way for the EGS and its guidelines have already been used in preparing the block and district plans, they will form the basis of the planning under the EGS.

The Guidelines have identified the same activities, namely, water conservation and water harvesting, drought proofing including forestation, land development, flood control/protection (including drainage of water logged areas) and rural connectivity with fair-weather roads as the activities to be focused under the program. The only addition in the Act is irrigation canals and micro and minor irrigation). According to the Guidelines, an expert agency (with the required expertise in rural engineering, planning, and experience of conducting field surveys, data analysis) will be hired for formulating village, intermediate, and district plans. Panchayati Raj Institutions, local MLAs and MPs will be consulted by this agency in preparing the plans and

the shelf of projects. The works recommended by Gram Panchayats will get a priority over other works.

A perspective plan will be prepared for each district indicating the works to be undertaken under the program. The first planning exercise recommended for the selection of works will be to list all the existing employment and development oriented programs in the district, such as SGSY, RSVY, WDP, IWDP, DPAP, DDP, PMRY, REGP, MPLAD, MLALAD<sup>2</sup> and the other centrally and state sponsored programs that aim at providing additional employment and development of infrastructure in rural areas, along with the funds available, employment (self and wage employment) to be generated under them and the total un/under employment existing at the district level. Such an exercise will be conducted for each block of the district also. This exercise will give an estimate of the total resources available and the employment (self and wage employment) that will be generated through the resources as well as the total employment that needs to be generated. The next step in the exercise will be to list the infrastructure expected at the Village Panchayat level. This will include Panchayat Building (Ghar), primary/secondary school building, drinking water facility, approach road and internal roads, drainage and flood protection wall, economic infrastructure like godown and storage, marketing infrastructure, dairy/veterinary infrastructure, check dams, tanks, ponds, etc., forestry and horticulture, and other local needs.

The next exercise to be conducted in each village will be (1) listing the existing infrastructure at the village level and identifying the missing infrastructure on the basis of the list prepared earlier, (2) estimating the resources required (including 15 percent for maintenance) to construct the missing infrastructure (program-wise), and (3) estimating the employment (self and wage) generated by creating the missing infrastructure. This listing, done each year for the coming five years, will present self employment in persons and wage employment in the number of maydays, which will be divided by 100 to arrive at the number of persons figure. The village-level information on the missing infrastructure, its costs and the employment generated will be compiled in the block level plan, and the block wise information will be compiled in to the district plan.

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<sup>2</sup> These programs basically include employment programs like Swarnajayanti Gram Swaraj yojana (SGSY), Rashtriya Sam Vikas Yojana (RSVY); watershed development programs like Integrated Watershed Development Program (IWDP), Drought Prone Area Development Program (DPAP), Desert Development Program (DDP) and similar programs of Agriculture Department; rural employment generation programs of Khadi and Village Industry Commission (KVIC), Sampurna Grammen Rojgar Yojana (SGRY); programs from special funds of MPs and MLAs; and other State sponsored programs.

Based on the above exercises, a District Perspective Plan will be formulated, which will present, on a yearly basis, the works and employment to be generated at the district level under ongoing as well as the NFFWP.

In short, the Guarantee Act and the NFFWP Guidelines together have laid down a detailed institutional arrangement and the approach to planning and implementation of the EGS. The national EGS as well as the state level EGSs are expected to follow this. In fact, some states have already followed these Guidelines, got the plans prepared by NGOs under the Guidelines and are in the process of implementing these plans under the EGS.<sup>3</sup>

### **IMPROVING THE PLANNING AND IMPLEMENTATION STRATEGY UNDER THE EGS**

The above approach, however, has several limitations, which can be listed as follows:

- The weak theoretical framework underlying the planning for infrastructure and natural resources has allowed ad hoc decision making to creep in
- Weak coordination with on-going efforts in infrastructure development, natural resource management, etc. and poor convergence with the on-going plethora of programs
- Weak strategy for ensuring supply of labor on EGS works
- Inadequate provisions for ownership, maintenance, and use of assets
- Learning lessons from the past for radical improvement in the implementation of the EGS

#### **1. Planning for Infrastructure**

What kind of infrastructure needs to be constructed at different levels—village, block, and district levels? The Act has broadly identified two areas, “rural connectivity to provide all-weather access” and renovation of traditional water bodies (for drinking water). The Guidelines have added a range of infrastructure like Panchayat Ghar, school buildings, economic infrastructure like godown, marketing facility, dairy related infrastructure, and any other infrastructure demanded by local people or the Panchayat. It is laid down that village level schemes should constitute at least 50 percent of the total schemes.

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<sup>3</sup> For example, Gujarat has the district plans prepared by selected NGOs, and these plans will be implemented under the EGS. Many other states are following this pattern.

### ***Location of Infrastructure at Different Levels and Hierarchy of Service Centers***

Construction of infrastructure at different levels requires a systematic and a multilevel approach. Ad hoc selection of works, based on the “needs” of local people can be both, inefficient as well as expensive. All infrastructure facilities cannot be located anywhere and everywhere. For example, each village cannot have a secondary school, or a hospital, or a godown, or a marketing yard.

The decision about the location of an infrastructure facility depends on two theoretical concepts, namely the central place theory and the growth center theory. The central place theory states that there are some services, which are used only by local inhabitants while there are other services, which though located in one area are used by the population living in the surrounding areas. The first kind of services need to be located in each settlement, while the location of the second type of services will depend on the threshold population, i.e. a minimum number of consumers necessary to support the services. The number of consumers, of course, also refers to their purchasing power, taste etc. On the other side is the concept of the maximum distance the consumers are willing to travel to access the service. The location of a service/infrastructure thus depends as the threshold population on the one hand and the distance that people are willing to travel on the other hand. Both concepts together suggest the most important element of the central place theory, namely, the verticle and functional hierarchical organization of central places. The central places at the lower level will have a small number of lower order services, while the central places at higher levels will have a large number and higher order of services. Planning for services or infrastructure facilities will have to be done in a way that higher order centers will serve a large hinterland while the lower order services will be provided to local people by lower level centers. In short, the central place theory explains the existence of a distribution pattern of activities and settlements, and indicates that the location of the services will be different in different locations depending on the threshold population and the hinterland.

The growth pole theory, which is more than a growth theory, a theory of spatial organization, states that development is selective and appears not everywhere but in some points or growth poles. There are three aspects of the growth pole theory which are relevant to planning (1) the concept of space, not geographical, but economic space, which determines the access of people to growth centers, (2) the spread and back wash effects of a growth pole (Myrdal 1957 and Hirschman 1958), where spread refers to trickle downs of growth and its impact to the hinterland (reducing disparities in economic development), while the back lash

refers the drain of the periphery economy by the growth pole, as resources including human resources are likely to get concentrated at the pole from the hinterland and (3) the concept is the diffusion of innovation from the growth pole to the hinterland through channels of communication and related news. The growth pole concept thus can provide a framework for efficient delivery of social and infrastructural services, which include physical infrastructure like roads, markets, godown, banks, etc.

How do we determine the hierarchy of service centers in a region so that the location of the different order of services is efficient and economically viable? The service center plan will involve three planning decisions, namely (1) selection of the minimum services to be provided at the different levels of service centers, (2) selection of potential settlements as service centers and (3) planning of service centers with the necessary linkages and involvement of people.

The Central Government, in the 1970s, had initiated an area planning exercise for planning for service centres in selected tribal districts in rural India (Sharma 1975, Sharma 1977, Sambrani 1977, Sen et al. 1971, Gupta 1977). This exercise was carried out primarily to decide optimum locations of different infrastructure facilities/services in a district. Though this exercise was not implemented on a significant scale, it definitely indicated that infrastructure and services need to be planned systematically and not in a haphazard manner.<sup>4</sup> We believe that the core element of this exercise is extremely relevant for efficient infrastructure planning. The first step will be to understand the present status of services, both economic and social, at the block/taluka or intermediate level through a simple exercise of the required data collection. These services will include health services (from a dispensary to hospital), education services (from Anganvadi to tertiary educational institutions), markets and related economic infrastructure (fair price shop and weekly haat to warehouse or godown, marketing yard, etc.), transport and communication (branch post office, post office, all weather road, bus service to bus terminals, etc.), extension services, administrative and economic services. Each level of service in each of the groups will be given a score based on the nature of the service and the total scores of each settlement will be calculated. The scores will indicate the availability of the different services at different locations. This data, supported by some additional information, consultations with local people, and suitable mapping, will provide a basis for identification of

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<sup>4</sup> The exercise was carried out in the selected tribal districts with the help of academic institutes. Refer to Gupta (1977), Moseley (1974), Sambrani (1977), and Sharma (1975).

service centers of different orders in the block.<sup>5</sup> The lower order services will be planned for primary service centers (located in all villages/village panchayats); secondary service centers will have the second order services, while the third order or tertiary service centers will have the tertiary services. In short, a systematic approach is needed for identifying the different levels of service centers and for planning for these services in a way that all services are optimally available to all at the right level and at the right distance.

### ***Primary Services at the Village Level***

According to the service center approach, a primary service center is expected to provide all the basic physical infrastructure and social services, which are important for ensuring a minimum quality of life to people, particularly to the poor, for reducing their vulnerability (for example, health facility and educational facility) and for ensuring their access to developmental opportunities by improving their capabilities. The construction of these facilities will generate considerable employment for the poor.

The physical infrastructure at the village level will broadly include (1) all-weather approach road; (2) internal roads connecting different localities in the village; (3) drinking water facility, preferably from local sources, from rain water harvesting structures, and distribution of drinking water within the village; (4) village drainage system for disposal of used water and its reuse; (5) sanitation and public hygiene including arrangement for waste disposal, etc. The basic social infrastructure in the village will include Anganvadi, primary school, mid day meal arrangements, drinking water and toilets in schools, as well as drinking water, sanitation, and public hygiene.

Similarly, the secondary and tertiary services at the block level will have to be planned in an optimum manner. These services will include educational services like a secondary school or a higher secondary school, hostel or Ashram Shala and a girl's hostel; health services will include a public health center with beds, a maternity ward, and the physical infrastructure like inter connecting all-weather roads for villages, godown and market, a (cooperative) bank, a post office, etc. The territory service centers will provide much higher level of services.

In short, each block will have to undertake an exercise to determine the hierarchy of service centers and plan infrastructure based on the exercise. All the services, at the secondary and territory levels, may not be included in the EGS. The EGS should certainly include all basic

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<sup>5</sup> Please refer to Alan (1976), Hansen (1972), Hermansen (1972), Lansen (1972), and Sharma (1975).

services at the village (Panchayat) level and the related selected services at the block and district levels.

## **2. Coordination and Convergence with Ongoing Programs**

An important aspect of ensuring livelihood to the poor through the EGS is the coordination and integration of the scheme with the local/regional economic development process. This implies that on the one hand the EGS needs to be integrated with the on-going plethora of rural development programs, while on the other hand it needs to be treated as a part of the Bharat Nirman Program, which includes development of rural infrastructure like irrigation, roads, water supply, housing, electrification, etc. and the related efforts, as well as the other eco-development programs of land and water development, rain fed area program, drought proofing, etc.

The RFFWP has attempted to coordinate all ongoing rural development programs with its planning and implementation. However, some programs like grants to MPs and MLAs are likely to be left out, as MPs and MLAs may not agree to merge their grants into the common kitty. Also, horizontal coordination has always been a difficult aspect of our administration. The coordination task, therefore, needs careful monitoring.

The massive Bharat Nirman program was launched on 14<sup>th</sup> November 2005. It is a huge program meant to regenerate our rural economy. It includes NHDP (National Highway Development Program), the Rural Roads Program, programs in the field of irrigation, housing, electricity, communication, etc., amounting to Rs 1720000 crores! (TOI 13 November 2005). The EGS should be integrated with these efforts. It is important that the state level EGS lay down this requirement and organize the coordination at the district and block levels.

## **3. Planning for Natural Resource Management**

Like planning for infrastructure, planning for natural resource management is also a multilevel task. That is, natural resource management needs to be viewed in the context of a larger scene. For example, water conservation and water harvesting structures at the village level need to be planned with reference to macro water shed and the relevant river basin. The general suggestions for check dams or any such structures may not be good for the region, as the unit of planning is macro watershed and the river basin. Water harvesting structures like check dams planned at a village level in isolation may corner water at the cost of neighboring villages. Also, an isolated structure here and another there is not likely to lead to systematic water harvesting or

systematic watershed development. Similarly, drought proofing has to be promoted under a sound regional strategy. Isolated forestation or water structures will not lead to drought proofing. In short, ad hoc works recommended by people at the village Panchayat level, without any context of the macro watershed and river basin, will not be of much use.

The rich experiences of NGOs and CBOs in the field of natural resources planning has taught quite a few lessons in planning. The major lessons have been incorporated by NGOs under the Bopal Declaration, which presents “non-negotiable principles of development and management of natural resources in sustainable manner.” (Development Support Centre 2005). These eight principles include (1) community based organizations of primary stakeholders at the center of planning, budgeting, implementation, and management of natural resources; (2) management of natural resources for achieving social and economic equity; (3) decentralization in the planning and management of natural resources; (4) appointing a facilitating agency (NGO) with professional and multiple skills for motivating and organizing people; (5) participatory evaluation and monitoring—concurrent, midcourse, and outcome based—through independent expert agency; (6) allocation of resources for training and software inputs; (7) ensuring use of the works completed, and (8) organizational restructuring for implementing these principles. These principles have important implications for the proposed EGS. It appears that systematic planning for natural resources and its effective implementation calls for incorporation of the following in the EGS: To start with, it will be necessary to set up a stakeholders’ organization (community based organization) at the village level closely linked with the Gram Sabha and the Village Panchayat. Second, it will be necessary to appoint a suitable facilitating agency to motivate and organize people, and to undertake capacity building of stakeholders to enable them to participate in the planning and management of works related to natural resources. Some fixed sum, say 1 percent of the total funds, may be allotted for information, communication, and education of stakeholders. And third, it will be necessary to develop performance indicators for conducting, preferably participatory, concurrent and mid course evaluation and monitoring.

#### **4. Ensuring Supply of Labor on EGS Works**

Another important aspect of the planning under the EGS is with respect to the labor supply. It is important that (1) employment is planned as per the specific demand for work by the poor, (2)

all the potential beneficiaries for whom the scheme is to be designed come forward to demand work, and (3) they are helped in case the rich create any obstacles for them.

It needs to be recognized that many of the potential beneficiaries are already engaged in a number of economic activities as self-employed workers or as hired workers. Their demand for additional work/work under the employment guarantee act will be different in different places. The works can be planned only after an assessment is made of the size and characteristics of the supply of labor. A related aspect will be of matching the demand and supply of labor at the village level, and making arrangements for employment for those who are not likely to get work locally. This again requires proper planning at the block and district levels where the matching of the demand and supply will be essential.

Second, it is possible that the poor for whom the program is designed may not come forward to demand work, as the government does not have the credibility with the poor to encourage them to leave their present employment for a guarantee of 100 days of work. Most government programs in the past have failed to provide wage employment on any significant scale at the stipulated wage rate, in spite of the promises made. The long history of delays, inefficiency, rampant corruption, non payment of the stipulated wages, etc. have lowered the credibility of the government to such an extent that the poor will not easily leave their own work (even when they have to migrate to long distances) at lower wages to join the guaranteed employment. Systematic efforts will have to be made to establish the credibility of the program. The credibility may improve if the scheme is implemented well in the initial stages and it may be lost if this does not happen.

Again, the political consequences of the EGS are likely to be radical, as it is likely to empower the powerless and thereby disturb the existing power structure in our villages. The scheme is likely to take away the workers from the rich on the one hand and raise the market wage rate drastically on the other hand. It will empower the poor and reduce their dependence on the rich. It is clear that the rich and the powerful will use all kinds of tactics to prevent the poor from joining the scheme. Since the Panchayats are in the hands of the rich in most cases, they will not be interested in helping the poor, who are too weak and too unorganized to protect themselves. Is our administration willing and capable of facing this situation? It will be absolutely essential on the part of the government to protect the poor and help them to take up the guaranteed work. So far no strategy seems to have been worked out to help them against the vested interests. There is an urgent need to give a thought to this requirement. Otherwise the

employment guarantee act will be a failure like the other measures such as the minimum wage act, and other labor laws.

In short, ensuring livelihood to the poor through the EGS needs a strong planning element (to estimate the demand for such work and balancing the demand and the supply of workers), backed by a strong commitment as well as a well-designed strategy that encourages potential beneficiaries and protects them from the vested interests to enable them to participate in the EGS.

### **5. Ownership, Maintenance, and Use of Assets Generated**

As discussed above, the EGS assets should be used productively to promote development process in the economy so as to generate sustainable employment opportunities for the poor. There are three major aspects of this integration, namely, ownership of the assets, maintenance of the assets, and ensuring productive use of the assets.

#### ***Ownership of Assets***

It is necessary to see that the EGS does not accentuate the asset inequality, which is already very high in the economy and that it improves the asset base of the poor. This calls for, to start with, selection of works that develop social/common assets like harvesting of community water bodies, regeneration of common lands and watershed development on village lands, works that promote sanitation and hygiene of the village, construction of all-weather approach road and paving of internal roads in the village, etc. Second, when the poor are not able to benefit from a social/common asset (for example, a minor irrigation work or construction of canals will not benefit the land less poor), they should be included as owners of the asset so that they share the income received for the use of the asset. Third, when there is a need to select private land (asset) for development, priority should be given to marginal and small farmers. And last, beneficiaries of private lands should be charged for their works so as to use the charges for undertaking works for the poor (like sanitation, etc.).

Since the Act has not discussed these issues, the EGS will have to include these to ensure that the poor are partners in development and are not producers of assets for the rich.

### ***Maintenance of Assets***

Lack of proper maintenance of assets has been a major problem in almost all wage employment programs in the past. The main reasons for this have been the lack of proper identification of the agencies which will be in charge of the maintenance and/or lack of funds for the maintenance. The employment guarantee act has laid down that 15 percent of resources will be allotted for ensuring proper maintenance of the public assets created under the scheme. Looking to the extremely poor performance in the past, it is important to monitor this aspect systematically.

### ***Ensuring Productive Use of Assets***

Productive use of the assets generated under the EGS is meant to ensure generation of employment opportunities in the mainstream economy in the long run. It needs to be underlined that the assets are not likely to be used by the poor without outside support in the areas of skill training, entrepreneurship training (to help the poor develop sound projects around the assets), credit, marketing, and other infrastructure. These activities should not be considered outside the purview of the EGS, as these are very much a part of ensuring livelihood security to the poor, and as the EGS will be closely linked with the ongoing efforts on poverty reduction.

State governments will have to play an important role here. They can integrate the use of these assets under any of the ongoing rural development programs like SGRY or PMRY or programs for development of horticulture, agriculture, animal husbandry, etc.; they can design new state level rural development schemes to incorporate the use of the assets; and/or they can encourage professional NGOs or other bodies to formulate sound projects around these assets and organize funds for such projects. They can leave this task to the block level/district level employment guarantee councils, also.

Productive use of the assets created under the EGS requires a coordinated effort not only of the government departments like the rural development department, agriculture department, labor department etc., but also of institutions involved with skill training, entrepreneurship training, professional NGOs, and credit institutions. The EGS provides a good opportunity to state governments to promote sound and pro-poor growth. The state EGS Councils will have to pay attention to this task.

## 6. Learning Lessons from the Past

It is important to realize that the expectations from the Employment Guarantee Act are very high! For example, it is expected that

- All the poor who need wage employment will come forward for work, will get registered, and will be able to work without any hurdles
- All eligible workers will get work within 15 days and will be guaranteed 100 days of work year after year
- All the workers will get the stipulated wages, and will be paid every week on a regular basis
- All work sites will provide facilities like a shed, creche (if necessary), drinking water, first aid facility etc.
- There will be social auditing of the EGS in a transparent and participatory manner. The complaints and grievances of workers will be addressed in time

This list can go on and on. The question, however, is how are we going to ensure this quantum jump in the efficiency and commitment levels of the administration? How are we going to remove the inefficiencies, the delays, the corruption, the poor level of commitment, the lethargy, and the poor capabilities of the present administration? There are no easy answers to this question. However, the following can be proposed to help the situation:

### *1. Involvement of local organizations and local people in the planning and implementation of the EGS*

Our long and rich experience with rural development programs and poverty alleviation programs has clearly shown that unless people are aware and involved, their organizations are formed and recognized formally, and they have the capability to participate, the programs are not successful. It is important, therefore, that the EGS recognize the role of people and their organizations in the EGS; provide for information, education, organization, and capacity building of people, and involves NGOs to help in organizing CBOs and undertake these tasks. So far no such provisions have been made in the Act, in the NFFWP Guidelines or in the EGS designed by some states (for

example, the EGS of Karnataka). It must be realized that this point cannot be neglected if the EGS is to be successful.

*2. Concurrent monitoring and learning lessons for the field*

This is a new scheme for almost all our state governments, as they have not dealt with a legal guarantee so far and they have to face formidable challenges while implementing the scheme and the Act. It is necessary, therefore, to monitor the scheme concurrently and learn from the field on a continuous basis. The feedback from the field will have a large number of lessons for improving the scheme. State Employment Guarantee Councils can play an important role here.

*3. Capacity building of all concerned agencies*

All the agencies like the government administration at all the levels, the NGOs and CBOs, MPs, MLAs, and Panchayat bodies, people including the poor, etc. who are involved with the planning and implementation under the Act, need some kind of capacity building. Some of them need information and education, some need awareness and organization, while others need training in the different skills and capabilities. The Act is a political event and it needs to be backed by a massive campaign and a movement. It will be necessary therefore to assess all these needs and plan for suitable capacity building and training.

*4. Monitoring and evaluation of the scheme and the act*

Monitoring and evaluation will play an extremely important role in the success of the Act. The evaluation will have to be organized on a concurrent basis (with a strong component of learning from the field), mid course evaluation, and outcome evaluation. This calls for developing suitable performance and outcome indicators on the one hand, and organizing periodical evaluation studies by independent agencies on the other hand. The role of the Central and State Councils, which will be responsible for learning from the data and studies, will be critical here.

*5. Strong commitment and clear vision at the state level*

Successful implementation of the EGS and the Act ultimately depends on the commitment of the government, particularly at the state level, to the goals of the Act. The Act is not a poverty alleviation program alone. It is a political commitment, a promise to the poor, who need to use their manual labor for survival. It is important therefore that the EGS is treated as an exercise in empowering the poor, economically and politically, to help them to get out of poverty and share in the benefits of development. This calls for a vision on the part of the State Councils for leading the state economy towards pro-poor development in the state.

### ***The Employment Guarantee Scheme of Karnataka***

It will not be out of place here to mention about the EGS designed by Karnataka Government. (Government of Karnataka 2005). The scheme is being circulated to other states as a model scheme. However, we find the scheme lacking in many important aspects: First, the scheme has, in spite of elaborate provisions for registration and the forms to be filled in by beneficiaries, neglected the dissemination, extension, and education aspect, and it is perhaps assumed that there is no need to worry about this. Second, the planning of works and coordination of the scheme with the ongoing programs are quite weak. Third, the scheme is almost silent on the assessment of the demand for work by the poor. Fourth, it has not seen any role for NGOs or CBOs in the planning or implementation of the scheme. And last, there are too many forms to be completed by the potential beneficiaries under the scheme. In short, the scheme appears to be inadequate to handle the burden of implementing the Act.

## **CONCLUDING OBSERVATIONS**

Passing of the Employment Guarantee Act by the Indian Parliament is indeed a unique achievement for the country. However, successful implementation of the Act is a big challenge. While designing the EGS under the Act, it is necessary to see that the poor come forward to participate, the guarantee is enforced, and there is enhancement in the livelihood of the poor in the short run as well as in the long run.

This calls for systematic planning of the works and careful designing of the implementation strategy. The EGS at the center as well as the state level EGSs will have to take care of all the relevant aspects of the planning and enforcement of the Act. It is important that

the works are planned systematically (and not in an ad hoc manner) on the basis of a sound framework, and implementation is designed in a way that it is effective at the local level.

After a long struggle it has been possible to convert wage employment programs into this powerful tool of guarantee. The EGS therefore should not be treated as a poverty alleviation program, but it should be seen as an opportunity to eradicate the worst kind of poverty, to empower the poor, and to promote pro-poor growth of the Indian economy.

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