



सत्यमेव जयते

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D.O.No. 12011/9/2007-NREGA

Dated: June 8, 2007

Your attention is drawn to the procedure to be followed for request for fund release by the States to the Ministry clearly stated in the NREGA Operational Guidelines.

2. It has been noticed that despite the implementation of NREGA for more than a year for phase-I districts some districts in some States still do not conform to the prescribed financial procedure in the Guidelines. Consequently, funds release by the Ministry gets affected since financial proposals are either not received on time/or not received at all or the required information/documents are not submitted with the proposals or information contained in the different documents/reports is not consistent. Despite these difficulties the Ministry has been releasing funds by waiving a number of conditions prescribed in the Guidelines with the intent that the districts have adequate funds to meet their demand for employment.

3. The following problems have been experienced in releasing funds to the States :

- i) Financial proposals are not submitted by districts. Instead the State Government sends a request for fund that is not supported by a full-fledged financial proposal from the districts.
- ii) Financial proposal submitted by the districts is not in the format prescribed in the National Operational Guidelines for NREGA.
- iii) Financial proposals are not submitted on time, i.e., as soon as 60% of the funds have been utilized.
- iv) Information in the Utilization Certificate does not match the data in the MPR of the same period.
- v) Districts financial proposal is not recommended by the State Government.

4. States are advised to note that the following conditions are non-negotiable for fund release

- a) No funds shall be released on simple request by the State Government without accompanying financial proposal of the district.
- b) NREGA is demand-based. The application for funds has to be made by the district in accordance with the prescribed financial procedure Demand for funds has to come from the districts. There is no automatic release of funds by the Ministry to the States/districts. The role of the State Government is to examine and recommend financial proposals that the district formulates. The State Government cannot submit a financial proposal without the demand for funds being first raised by the district.
- c) Utilisation Certificates up till March 2007 including opening balance as on 1.4.2007 have to be submitted.
- d) Details of expenditure incurred from April 2007 have to be mentioned in the prescribed financial format and be consistent with information in the MPR of the same period.
- e) District proposals will have to come through the State Government with its recommendation.

5. The district qualitative parameters on which the financial proposals are evaluated seek to relate physical and financial outcomes reported by districts and are as follows :

- (i) Employment generation measured in terms of person days generated. Just employment provided is not the sufficient indicator of fund utilization person days generated is the only indicator of the amount that has been actually utilized in the form of employment and wage paid to the labourer.
- (ii) Cost per person day (inclusive of categories of expenditure) as derived from the financial MPR compared with the MPRs reporting employment generation. Generally the cost percentage should have reasonable relationship with the cost estimate based on the notified wages for agricultural labourer and a projection of 40% as permissible material component.
- (iii) At least 60:40 ratio should have been maintained. The wage component can be more than 60% but the material component cannot be more than the prescribed 40%.
- (iv) The average wage per person day should have a reasonable relationship with the notified minimum wage for agricultural labourer. If the wage rate per person per day is significantly above the notified minimum wages, the district should be able to explain the reasons for this when submitting the financial proposals.

6. The Operational Guidelines advise States to submit labour budget by January each year. This is a statutory requirement. Since 90% of NREGA funds are provided from the Central Government, the labour budget enables the Central Government to look at the districts projection of employment demand for the whole year and on that basis to decide on release of funds. In the absence of labour budget it is difficult to assess the likely scale of employment demanded. Under such circumstances the fund release get to be based only on the demand reported up to the last month and the average

number of person days generated till then. A labour budget where the estimate of employment demand and the cost per person day generation is based on a clear analysis of empirical data enables release of funds commensurate with the demand for funds.

7. It has also been noticed that in some districts, funds are parked with implementing agencies without a supportive demand for employment. As a result the Utilisation Certificate shows a high quantum of fund in balance and low expenditure. Fund release by the district alone becomes the basis of additional fund request. This is not tenable. Upfront release of funds to implementing agencies should be based on a prior assessment of labour demand (Labour Budget) and pace of utilization.

8. States are advised to ensure action as indicated above to ensure smooth and timely fund flow.

Yours sincerely,


(Amita Sharma)

To,
The Secretary Incharge of NREGS
All States