

1 RELEASE OF FUNDS

- 1.1. The National Rural Employment Guarantee Scheme differs from SGRY in that the release of funds is based on State proposals rather than on predetermined allocations.
- 1.2. The first release to a district when it is notified under NREGA as seed money to the District NREGS account will be, made as determined by the Ministry of Rural Development. Subsequent releases will be made upon the submission of a Labour Budget. Funds may flow from the district to the Gram Panchayat directly under intimation to the Programme Officer. The fund transfer from the Ministry, States and Districts may be entered online on <http://nrega.nic.in> by going to the data entry option.

2 LABOUR BUDGET

Chapter IV, Para 14, sub section (6) of the NREG Act says that *the District Programme Coordinator shall prepare in the month of December every year a labour budget for the next financial year containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the Scheme.* The Ministry of Rural Development will estimate the requirement of funds on the basis of projections made in the Labour Budget. Central funds will be sanctioned after examining these Labour Budgets and taking into account utilization of funds previously released.

Based on the assessment of labour demand, identification of works to meet this demand and estimated cost of works and wages, in the Gram Panchayat Development Plans (Operational Guidelines Chapter 4), the district should formulate and approve the Labour Budget. The Labour Budget will be based on a realistic estimate for the number and kind of works to be taken up, as derived from the annual shelf of projects in the Development Plan.

Labour Budgets should be submitted to the Government of India latest by January 31 each year for the next financial year. State Secretaries should ensure timely submission of Labour Budgets for all NREGA districts in their States to avoid delay in fund release. For this, it is important that the district follow time bound coordination at each level in the planning process from Gram Panchayat to District Panchayat, as mentioned in Chapter 4, Para 4.4.

- Gram Sabhas should be held on October 2 of each year for identification and recommendations of work.
- Gram Panchayat has to forward the development plan with its priorities to the Programme Officer by October 15 of each year
- The Programme Officer will ensure that the Gram Panchayat approves and consolidates all Gram Sabha recommendations into the village shelf of projects. The process of scrutiny, re-reference to Gram Panchayat, if necessary, and consolidation and submission to Intermediate Panchayat will be completed by the PO by November 15.
- The Intermediate Panchayat will approve the Block Plan within fifteen days of the submission by PO and PO will submit the Block Plan to the District Programme Coordinator(DPC) by November 30.
- The DPC will submit the Block wise shelf of projects and Labour Budget based on it to the District Panchayat by December 15.
- The District Panchayat will approve the Block wise shelf of projects and the Labour Budget by December 31.
- The District Programme Coordinator will forward the Labour Budget to the State Government which will forward it with its recommendation to the Ministry of Rural Development by January 31.

Estimate of labour should be realistic and close to actual achievement trends of the previous year in terms of households demand, days of employment demanded and expenditure. If a sharp rise in the employment demand is estimated, a proper justification for this should be clearly presented by

the district in a narrative form along with the Labour Budget. The projected demand should be subsequently validated by actual trends in the months for which estimated have been made. If the actual monthly achievements do not corroborate (they may be less or higher than the estimates) this difference must be reviewed and analyzed at the district level.

An Empowered Committee, under the Secretary Rural Development, will appraise and approve the district Labour Budgets in consultation with the State Secretaries. State Labour Budgets received in the Ministry will be examined and issues, if any, will be communicated to the State for clarification/review. The States would be expected to respond to the issues raised so that the Labour Budget may be processed. The Empowered Committee will take a decision on the amount to be sanctioned.

The assessment of the Labour Budget will be based on the following factors:

2.1 (a) Projection of Rural households Demanding Employment and Average Person days to be generated per Household

- i) Increase in projected household demand against last Financial Year's household demand should be reasonable and based on past and current trends of the district.
- ii) Sharp increases in household demand/persondays should be justified by districts. If no justification is provided, the Empowered Committee will decide on a reasonable final estimate, based on discussion with the State Secretary.
- iii) The Projections should be such that it can be corroborated/ validated by actual trends of demand and employment generation ensuing months of the Financial Year for which the Labour Budget has been made. If the actual monthly achievements do not corroborate (they may be less or higher than the estimates) this difference must be reviewed and analyzed at the district level. Districts Labour Budgets may be modified accordingly.

2.1. (b) Cost per person day

- i) As per the Act, a worker is entitled to earn the minimum wage fixed by the State Government under Section 3 of the Minimum Wages Act, 1948 for agricultural labourers or as notified by the Centre.
- ii) The Central liability would be assessed at 100 per cent cost of unskilled wages, 75 per cent of material cost and 4 per cent contingency cost
- iii) The actual cost per person day of the current Financial Year should be taken as base for calculating the fund requirement
- iv) In case the estimates of labour demand are found to be reasonable, the Ministry of Rural Development would release the Central share of the projected financial requirement along with administrative cost in two tranches.

2.2. First Tranche

- i) In-principle approval would be issued for the amount decided for the Labour Budget.
- ii) The first tranche would be proportional to the percentage of persondays projected for the first six months of the year (upto September) in the District Labour Budget. However, it would not exceed 50 per cent of the total amount approved in the Labour Budget.
- iii) The first tranche will be approved in its entirety for the six months as per (ii) above, taking into account the unspent balance and funds available with the district.
- iv) The Empowered Committee may consider adhoc releases in the case of districts that have unspent balance which is more than the first tranche and the state concerned provides justification for it.
- v) A certificate or the copy of the Zila Parishad's approval indicating the fulfillment of Statutory provisions that have been taken care of while preparing the Labour Budget based on which first tranche will be release(delete)should be provided.
- vi) Audit Report (AR) for the year before last will be required during the release of first tranche of the approved Labour Budget

- vii) Chartered Accountant will certify in the Audit Report itself that he/she has seen, verified and is satisfied that Utilization Certificates and the Audit Reports of the Districts are in order and no deviation from the prescribed financial norms by any of the district has been observed. He/she has also seen and verified Bank Reconciliation Statements of the Districts. He/she will also be required to certify that Block-wise and Agency-wise expenditure has been verified and found in order and no advances has been shown as expenditure. Interest accrued has been shown separately and included in the programme availability.

2.3. First Tranche: Calculation of Cost

- i) The projected households demanding employment are multiplied with the projected average number of days of employment per household likely to be provided in that district. This would mean the total number of projected persondays for the next Financial Year.
- ii) The cost per personday, as calculated in 8.4.1. (b) is taken to calculate the total projected cost per personday to the district. In order to calculate the total cost to the district, this cost per personday would be multiplied by total persondays calculated.
- iii) To arrive at the total central liability for the district, 100 per cent of the wage cost, 75 per cent of the material cost and 4 per cent of the contingency cost (on total wage and material cost) would be calculated from (ii) above.

2.4. Second Tranche

- (a) After utilizing 60 per cent of the funds earlier released the State Government may apply to the Ministry of Rural Development for the next installment out of the National Employment Guarantee Fund.
- (b) The State government's proposal would have to be based on the application by the district to the State Government for incremental fund release. There is no automatic release of funds by the Ministry to the States/districts. The demand for funds has to come from the districts. The State Government cannot submit a financial proposal without the demand for funds being first raised by the district
- (c) The State Government should examine and recommend financial proposals that the district formulate
- (d) Proposal in prescribed format would be required with expenditure Statement
- (e) —The Second tranche would be released on the basis of the State complying with the following conditions:

Physical

Actual performance reported in the MIS/Monthly Progress Reports, compared with Labour Budget projections

Financial

- (i) Atleast 60 per cent utilization (including opening balance)
- (ii) Conformity to the 60:40 wage material ratio in cost. Unskilled Wage cost may be more than 60% but material cost cannot exceed 40%.
- (iii) Centre is informed before wage rate change as it impacts Central share
- (iv) Compliance of Ministry's instructions on Schedule of Rates impacts Central share

Administrative

- (i) Staffing as per Government of India's instructions to be in place
- (ii) Monitoring and Vigilance: 100 per cent, 10 per cent and 2 per cent monitoring done at Block/District/ State levels and 100 per cent Muster Rolls to be verified
- (iii) MIS to be fully operational and submission of authentic Monthly Progress Reports

Transparency and Public Accountability

- (i) Social Audit of all works
 - (ii) Timely disposal of complaints and action against willful defaulters
 - (iii) Accounts to be opened in Post Offices/ Banks for wage disbursement
- All Documents and conditions specified below:
- (i) Utilization Certificate up till March 31 of the previous year including opening balance as on April 1 of the current Financial Year to be submitted.
 - (ii) Certificate regarding the release and receipt of the State Share against the amount of the Central funds released so far. This must be accompanied by a copy of the order sanctioning the State Share; and a certified copy of the bank statement indicating the credit of the State Share. This bank statement must be authenticated by the Branch

Manager and the Accounts Officer in charge of the NREGS account at the District level.

- (iii) Submission of non-diversion and non-embezzlement certificate
- (iv) Any other condition indicated
- (f) The Central Government may suspend assistance to a district for improper use of funds. Assistance will be restored after remedial measures have been affected. In such cases, the workers affected will be allocated alternative employment opportunities by the Programme Officer.
- (g) The State Share of funds will be released by the State Government within 15 days of the release of the Central funds.
- (h) Central assistance to NREGS will be on the works and processes permissible under the Act and these Guidelines.
- (i) Independent Appraisals on sample basis would be conducted to assess the quality and integrity of field processes and the data reported and their findings would be used to determine the quantum of Central assistance to be released as incremental installments.