Executive Summary

In an effort to tackle drought and increase access to irrigation in rural areas, the Government of Jharkhand decided to focus resources accruing from the National Rural Employment Guarantee Act (NREGA) for the construction of irrigation wells on private lands. In 2010, it ordered the construction of 50 irrigation wells in each Panchayat under NREGA. By November 2013, nearly 1,15,000 wells were sanctioned for construction. According to government data, 80 per cent of these wells have so far been completed and work is ongoing on another 15 per cent.

This study attempts to verify the truth in these claims. Physical visits to 926 NREGA wells across six randomly selected districts in Jharkhand revealed that nearly 60 per cent of the sanctioned NREGA wells were actually complete. The completion rate rose to 70 per cent if the wells complete till the ground level (that is, without a parapet) were included. This is similar to the rate of completion obtained by using data from the NREGA MIS, according to which nearly 66 per cent of the sanctioned wells in the sample panchayats were complete. Thus, the completion rates obtained through the NREGA MIS can be said to be fairly accurate.

This study also attempts to compare the actual status of the wells with the 'official' status of the wells as mentioned on the official NREGA website (www.nrega.nic.in). Nearly 75 per cent of the 'officially' complete wells were found to be actually complete, with the figure rising to 83 per cent if the wells complete till the ground level (without parapet) were considered to be complete. Therefore, most wells mentioned as 'completed' on the NREGA MIS were actually found to be completed. Unfortunately, the same cannot be said of wells categorised as 'ongoing' or as 'suspended'. We found that only around one-third of the wells categorised as 'ongoing' can actually be said to be 'ongoing'.

The next question which arises is: What has been the impact of these wells, including wells which were constructed as also those which were not?

Firstly, the study found that nearly 96 per cent of all the completed NREGA wells were being utilised, while 95 per cent were being utilised for irrigation. A few wells could not be utilised as they had dried up.

Secondly, the study found that the completed NREGA wells led to a 190 per cent increase in annual net income from agriculture in the command area of the well (NICA). The annual average rate of return (RoR) on the expenditure incurred on completed wells was estimated to be 6.5 per cent (that is, the expenses incurred on construction of the completed NREGA wells by the Government as well as by the well owners would be recovered within 15.4 years, on an average). However, this figure does not account for the fact that nearly 12 per cent of all the wells have been abandoned and hence give no returns to investment. This figure also does not account for around 7.8 per cent of the wells which were found to be 'missing'. If such wells are accounted for, the overall RoR is estimated to be 5.7 per cent. On the whole, therefore, the cost of investment (both private and public) on the wells would be recovered within 18 years of operation of the well.

However, due to several reasons, this figure is likely to be a severe underestimate. This is because firstly, the estimate does not account for benefits to households other than the well owners. Secondly, we have not quantified the various household services offered by the well such as the provision of water for bathing, cooking, washing, drinking and even rearing fish. Thirdly, various external factors have pushed down the income of farmers in the two years prior to the survey. Because of these factors, there has been a downward pressure upon the change in net income and the real annual average Rate of Return is likely to be significantly higher than 5.7 per cent.

According to the policy, the Government is supposed to cover all the investments on NREGA assets. In the case of assets constructed on private lands (such as wells), the beneficiary is expected to provide labour for the construction of the asset (while getting paid for the labour at NREGA-stipulated wage rates). However, the Government rarely covers the entire expense on assets constructed on private land. The study found that 87 per cent of the respondents with completed wells actually had to incur significant out-of-pocket expenses for constructing the well. While 36 per cent of those whose wells had been completed had had to take loans to finance the out-of-pocket expenses (with the average value of the loans being around Rs. 18,000), another 9 per cent had to actually mortgage some movable or immovable property to finance their wells.

Yet, nearly 96 per cent of the owners of the completed NREGA wells felt 'happy' at having constructed the well, 92 per cent were satisfied with the quality of the well, 86 per cent were living and eating better due to the well, and 85 per cent felt that their incomes had gone up as a result of the well.

Finally, the census of 926 wells found that 11.8 per cent of the wells had been abandoned with no likelihood of their completion nor of these wells ever being of any utility. Such wells impose a huge burden upon the beneficiary household. Payment delays were found to be the single largest factor behind the abandonment of wells, as 71 per cent of the wells had been abandoned for this reason. The owners of the abandoned wells complained that these payment delays, coupled with other payment-related issues such as the demand for commissions/PCs or embezzlement of funds, force beneficiaries to incur significant out-of-pocket expenses on labour and material costs. Strangely, beneficiaries who are not able to incur these expenses are often blamed by officials for non-completion of wells. We often heard officials alleging that the wells were incomplete because the beneficiaries were 'not motivated enough'—in other words, they were not willing to spend out of their own pocket. In fact, 26 per cent of the owners of abandoned wells claimed that the wells remained incomplete as they could not meet these expenses.

This is the first comprehensive study of an MGNREGA asset which delves deep into the issue of non-completion of assets, missing assets, out-of-pockets expenses of beneficiaries, delays in construction and accuracy of official MIS data regarding status of assets. Even after accounting for all these problems, however, MGNREGA wells are found to have immense long term impacts upon the lives and livelihoods of the rural poor in Jharkhand. Despite the huge costs of non-completion, leakages and delays, the wells programme in Jharkhand is found to have an overal annual rate of return on total expenditure (RoR) of nearly 6 per cent, a respectable figure for any economic investment. However, major reforms are needed, particularly in governance and administration in order to achieve the true potential of the programme.