

UID and NREGA

Background

Launched in 2006, the National Rural Employment Guarantee Scheme (NREGS) is an attempt to transform the rural economy through legally guaranteed employment for up to 100 days per household. The scheme, run jointly by the Centre and the states, has a total budget allocation of Rs. 39,100 crores, which is 8.1% of the total plan budget for the fiscal year 2008-2009. The NREGS has reached several milestones towards its goal, but suffers from the same challenges like most other public projects — corruption and diversion of funds. Incidents of guaranteed minimum wages being denied to workers have been reported from nearly every state where the program is currently functional¹.

When implemented and adopted efficiently, the Unique Identification (UID) project possesses the power to eliminate financial exclusion, enhance accessibility, and uplift living standards for the majority poor. This can be achieved when the UID is effectively associated with pro poor welfare projects like the NREGS. The Unique Identification Authority of India (UIDAI) aims to issue a unique identification number to all Indian residents that is (a) robust enough to eliminate duplicate and fake identities, and (b) can be verified and reliably authenticated in an easy, cost-effective way. The ability of UID to positively establish and authenticate the identity of every individual can overcome many of the challenges faced by targeted benefit programs.

UID Ready NREGS

To effectively leverage the UID program, the NREGS scheme will need to be modified to incorporate the UID number into beneficiary interactions. In order to accommodate UID authentication, NREGS will need to reengineer its business processes. The most basic requirement for change will be in the form of incorporating the UID method of authentication. Work sites will have to adhere to norms and procedures specified by the UIDAI for fingerprint capture and verification, and introduce a robust biometric authentication process at every point.

The key areas in the NREGS process that need to be addressed are summarized below:

- UID in Job Cards – The job cards will need to be updated with the UID numbers of all family members. This could be accomplished by issuing a new job card or by

¹ The GB Pant Social Science Institute at Allahabad University reported that officials and contractors in Orissa siphoned off 32 percent of the funds, depriving 90 days of wage employment to about 10 lakh poor families in the state.

collecting and incorporating the UID numbers into the beneficiary database without reissue of the job cards.

- UID in Muster Rolls – The muster rolls should contain a reference to the UID of the citizen who is earning wages. This should be incorporated at the time of allocation of the labor to the project (works).
- UID in Bank account – The UID should be incorporated with the bank / post office account information of a beneficiary to which the wages are being paid. A mechanism to encourage bank / post office to incorporate the UID into their systems is being pursued.
- Transaction Authentication - The transaction authentication against the UID database should be implemented at different citizen touch points starting with the job card. The ideal situation would be the recording of attendance on a handheld system using biometric authentication. UID will also endeavor to introduce a biometrics authentication for amount withdrawal from the account into which wages are paid.

The above change can be implemented in the NREGS program with minimal effort. There are also synergies with other government programs such as TPDS that can be explored that can further ease the implementation in areas such as handheld deployment.

UID Powered NREGS

Incorporation of UID into the NREGS program will assist in addressing some of the major challenges that impedes progress. The major areas that can be addressed and ways of addressing them are described in this section:

- Payment of Wages - Payment of wages remains one of the major challenges faced in NREGS. Wherever possible these payments are supposed to be automated through local bank branches or through post offices. In many areas the wages continue to be paid in the form of cash. The UID can fully replace the need to provide supporting documentation for the standard Know Your Customer (KYC) fields making opening a bank account significantly simpler. Arrangements of seamlessly opening a bank account in the name of one of the family members at the time of job card issue with embedded UID can also be explored.

- Theft from beneficiaries - One form of corruption in NREGS is 'theft from beneficiaries' where officials under-paid workers for the work they have done². The responsibility of determining and authenticating the amount of work done lies in the hands of the official supervisors who are prone to siphoning off funds. The system of UID authentication when introduced at the site of work can ensure that there is a match between the hours of work claimed by the worker and the official supervising the site. The ability of UID to identify the presence of a specific individual also makes it much easier to centrally monitor delinquency among government servants who are authenticating the work and checking whether the allocated work was completed satisfactorily.

- Theft from Taxpayers - The study also threw light on another form of corruption which the researchers called 'theft from taxpayers' wherein the officials over-reported the amount of work done when they sent their reports up the hierarchy. This effort can be corroborated against the wages paid to beneficiaries establishing the execution of the project. Suspicious activity can be flagged and verified by an appropriate government official.

- Ghost Beneficiaries – Once each citizen in a job card needs to provide his UID before claiming employment, the potential for ghost or fictitious beneficiaries is eliminated. A further reinforcement of paying only to real citizens will happen by way of opening bank accounts with UIDs.

- Beneficiary Misuse - UID will ensure that misuse by claiming benefits under multiple job cards is avoided. The UID de-duplication process which will assure a positive identification of every resident in the country, can overcome the challenge of uniquely identifying every worker.

- Beneficiary Management – The UID system will provide an excellent platform for managing citizens who relocate or migrate from one place to another and want to seamlessly enjoy benefits of the program.

- Social Audit - The village level social audit committee can be selected after authentication with the UID database. The social audit reports filed by the village level committees can be authenticated by the biometrics of the committee members and the social audit coordinator.

² Paper on "Corruption Dynamics: The Golden Goose Effect" by Sandeep Sukhtankar and Paul Niehaus of Harvard University

- Transparency – The above benefits combined with the positive beneficiary identification will ensure accurate details of benefits can be published providing greater transparency at the individual beneficiary level.

UID Enrollment by NREGS

The NREGS program provides an extensive reach and extensive citizen interaction opportunity. The NREGS program can be used to enrol residents into the UID program with the state machinery acting as the registrars. A resident seeking to get a job card and not having a UID can be enrolled into the UID system at the point of job card preparation. Necessary arrangements and business model for providing the necessary technology can be put in place.

The enrolment into the UID program by NREGS will provide a convenient mode for procuring a UID to rural citizens and strengthen both programs.

With convenient IT enabled systems, households with changes in the family structure due to death, birth or marriage as also relocation will update changes to their job cards which can be reflected in the UID database.

Summary

There are significant synergies between the NREGS and the UID program allowing improved implementation of the NREGS program with a increased transparency. The UID program benefits by increased enrolment and an opportunity to capture changes to beneficiary data.