

Jharkhand is the testing ground for two initiatives that seek to transform how villagers in the state receive welfare payments and how they access them. M Rajshekhar explains why the two initiatives are relevant for all of India

Reach and Reliability

Watch Jharkhand. It is the testing ground for two pilot projects that challenge the historical templates for delivery of welfare services and banking services. Jharkhand is trying to use technology to retool the delivery of these services so that

every citizen in the state can access them – easily, efficiently and corruption-free. What it is doing has a bearing on the rest of India. In the next year or so, Jharkhand will start throwing up answers on whether it is a good idea to convert

India's welfare programmes — that deliver benefits of about ₹3,00,000 crore on paper, but sizeably less in real — into cash transfers. Over the same period, the state will also throw up answers on whether its new model of rural banking can ad-

dress the last-mile problem better than existing models. The state has found an ally in the Unique Identification Authority of India, the government body headed by Nandan Nilekani that is creating the backbone and the architecture

to deliver welfare benefits. The UIDAI number two, Ram Sewak Sharma, is from the Jharkhand IAS cadre. The two stories that follow explain what Jharkhand and UIDAI are doing, and why the rest of India should be interested.

Reliability A Safe Passage For Wages

Jharkhand is readying to use UID to ensure NREGS payments reach only the true beneficiaries. This is the first big test of the UID proposition

At 6 pm on the road outside the Bank of India branch at Ratu Chhatti, traffic has thinned to the occasional tempo putting its way back to Ranchi. At the branch, the watchman has pulled the steel lattices at the entrance together and padlocked them. Night is falling. Inside, however, Mayank Dhar Tiwary is hard at work. In a few days, his bank branch will be one of the 12 epicentres of a rollout being orchestrated by the Unique Identification Authority of India (UIDAI) and the Jharkhand rural development department. They aim to ensure that wages under the National Rural Employment Guarantee Scheme (NREGS) are delivered only to bonafide workers instead of being siphoned off by middlemen. The basis of worker identification will be the unique ID number, or Aadhaar. Tiwary, senior manager at this branch in Ratu block, and his team are busy linking each worker's NREGS job card, Aadhaar number and bank account number. Similar work is underway in 11 other blocks of Jharkhand. PK Upadhyay, assistant director-general at UIDAI's

Ranchi office, estimates 174,000 people in these 12 blocks will benefit from this new process of delivering NREGS wages. When the local administration finalises the payment order, the money will be electronically transferred to workers' bank accounts. They can then collect their wages through a 'common service centre', present in every panchayat, after the press of a finger to validate their identity (See accompanying story). This is a critical pilot project. The UIDAI is facing scepticism from several ministries — including the rural development ministry — on whether its proposition of online, real-time authentication using biometrics is workable. "We need to do these (pilots) to show that what we are talking about is not vapourware," says Ashok Pal Singh, deputy director-general, UIDAI. "It is time to prove that this works." The stakes are also high for the Centre and Jharkhand. UPA-II wants to replace welfare schemes with cash transfers. And it wants targeted delivery of subsidies to cut costs. As for Jharkhand, its NREGS programme, with a labour budget of

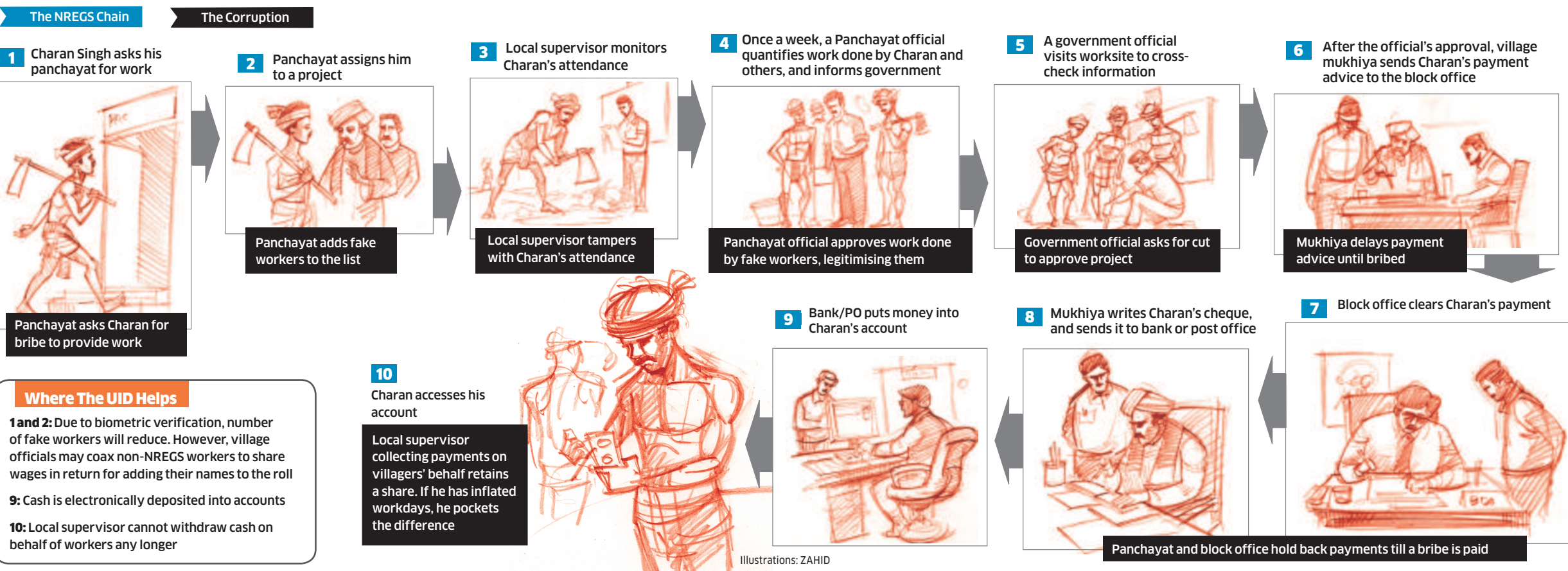
₹1,700 crore, is rife with corruption. The Centre and Jharkhand feel that biometric system will plug leakages. This rollout in Jharkhand, expected to gradually cover the whole state, is the first large-scale test on whether Aadhaar can deliver. **THE PROBLEMS** The process of doing work and receiving payments under NREGS is a long one. The decision-making passes through several village and government functionaries, and each stop is a fount of corruption (See graphic). Shambhu Mahto, a young lawyer who works with economists Jean Dreze and Reetika Khera at the NREGA Sahayata Kendra at Khunti, a district south of Ranchi, rattles off ways in which rent-seeking has entered this process. Workers, he says, have to bribe to find work and receive payments. Payments are routinely delayed and, worse, sometimes don't even happen. Gouri Devi, a young woman who lives in Khunti, is yet to be paid for her nine days of work on a pond two years ago. "Fake

workers are added to muster rolls," says Anjali Tigga, an official in the state rural development department. "Others are using fake signatures to withdraw money from worker accounts." This corruption has grown beyond petty embezzlement into something systemic. And dangerous. In March, Niyamat Ansari, an aide of Dreze, was murdered after he exposed the siphoning of NREGS funds by the block development officer in Latehar district in Jharkhand. **THE UID SOLUTION** UID-linked cash transfers cannot correct the entire NREGS chain. But once the payment is finalised, the architects of this system are betting, it will eliminate all human interface. Under the new system, once a payment advice is finalised, an electronic file containing four key details of a worker -- UID number, NREGS job card number, bank account number and amount due -- will

be sent to the local lead bank for NREGS. The bank will move the money into the worker's account. Likewise, during withdrawals, a worker will go to a common service centre. He will quote his UID number and give his fingerprints. These fingerprints will travel real-time to the central UID server for authentication. Once they match, the centre will make the payment. If the biometrics work, no third party can access a worker's bank account and the number of fake workers will also reduce. The UIDAI will monitor several parameters to test if its proposition works: what is the time taken for authentication and for a transaction, how many biometrics are rejected, how does the network behave in different ambient conditions, how is the user experience... Jharkhand also expects NREGS payments to flow faster in this new paperless process. "Against one month now, payments will reach workers' accounts in one week," says Ajoy Kumar Singh, NREGA commissioner, Jharkhand. The state government will also assess whether workers can access their bank

accounts from multiple locations, and whether the new software integrates into the government NREGS software. While UID-based cash transfers attack corruption in parts of the NREGS chain, it leaves many parts untouched (See graphic). To fix other parts, Singh says Jharkhand is planning to set up panchayat mazdoor samitis, or panchayat-level associations of NREGS workers. "This is a forum where workers can talk with local officials about their problems," he says. "This should also sizeably take care of the corruption we see." Social audits are also planned. Besides the usual questions about connectivity, whether biometrics can work, and the fear of exclusion of those without UID numbers, the biometric system is about to take on the local entrenched interests who have subverted NREGS for private gain. In the months ahead, we will know whether they can subvert the new system as well. And whether the samitis and social audits are strong enough to prevent those subversions. Nothing less than the proposed shift to cash transfers hangs in balance.

Plugging The NREGS Corruption Chain The NREGS chain is 10 steps long and the UID addresses corruption in only 4 of those



Reach All Banks in All Panchayats

Jharkhand wants its 'common service centres' to double up as extension counters of banks. Can this do what banks have failed to do – reach the villager?

On a Saturday morning, the block office at Khunti is bustling with activity. Aadhaar enrolments are underway. Villagers have been told that without an Aadhaar number, they will not receive any government services. So, young and old, they are all queuing up to submit their biometrics. They join the queue, patiently inch forward, past the room, Pragya Kendra, enter the room where two girls are briskly capturing biometrics and other information, and then leave. With its counters, computers and high-end printer, Pragya Kendra draws curious looks. In the months to come, if the Jharkhand government has its way, this room will come to play a large role in these villagers' lives. Pragya Kendra is what Jharkhand calls its 'common service centres' (CSCs). Under the National e-Governance Plan, the department of information technology is setting up 100,000 CSCs across India, each equipped with computers, a printer and an Internet connection. The idea is that these should offer services in e-governance, education and health, among others, to villagers. Jharkhand is taking this concept a step further. It is equipping these centres with biometric devices and a banking software that can link up with multiple banks. It is effectively converting the CSCs into a bank branch at the panchayat level, one that can service customers of all banks. Pragya Kendras offers better reach than banks: against 1,705 bank branches in the state, Jharkhand has 4,500 panchayats.

fingerprints will be authenticated real-time, using UID, and the transaction approved. Jharkhand is using a public-private partnership (PPP) model: the Central government bears the hardware cost; the state government provides land and infrastructure; and private companies handle software, staffing, training and operations. Districts were assigned to private companies through a tendering process. Jharkhand has 24 districts. So, for example, United Telecoms Limited (UTL), a Bangalore-based IT company, is handling 15 districts, totalling 2,943 panchayats; the other nine districts were divided between FINO and Zoom Developers but the latter's contract was cancelled earlier this year. The CSCs charge for every service. For a birth certificate, says Pawan Kumar Ojha, operations manager, UTL, Jharkhand, the centre will charge ₹15. Of this, ₹5 will go to the state government, ₹6.50 to the centre

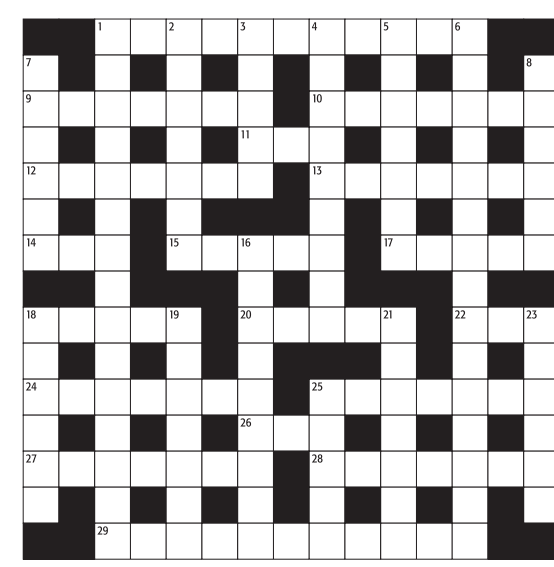
staff, ₹3 to the block office and 50 paise to UTL. The state government wants to make NREGS payments through these centres. UTL will have to generate the working capital for such payments. Ojha says it will earn 0.5% as commission from banks. "Of this, 60-70% will go to the CSC staff and the rest to UTL," he says. "In time, we will offer more banking services," adds Ojha. Says Ajoy Kumar Singh, NREGA commissioner, Jharkhand: "The centres being Aadhaar-enabled will help converge all government services (like pensions and Indira Awaas Yojana)." **PLUGGING IN** It's interesting to compare this model with the more prevalent banking correspondent (BC) model. In Jharkhand, each panchayat has 5-10 villages in its jurisdiction. So, villagers travel up to 10 km to access these centres. On this count, the BC model, with an agent in

every village, fares better. However, the Kendras fare better on two other parameters. One, the BC model ties villagers to an agent and a firm. But if villagers can access their bank account from any centre, this reduces the risk of the BC becoming a power centre in the village. This should happen once the Aadhaar Payment Bridge is up or banks move fully to electronic transfers. Two, villagers will receive welfare payments sooner. This is unlike the current system, where banks and BC companies delay NREGS payments for a month or so to earn interest income. The Pragya Kendra model, however, faces two big challenges. Says a former senior RBI official now in New Delhi: "Theoretically, this is the best model. But their numbers are not increasing." In response to a question in the Assembly in August, the Jharkhand IT department admitted that many of the 2,817 centres were unable to deliver services. NREGA commissioner Singh says the centres face three issues — connectivity, electricity and adequate infrastructure — and that fixing them will take 12-18 months. Second, if customers access their bank accounts solely through the centres, what kind of financial inclusion will this translate to? The staff is local youth. While they can handle bank deposits and payments, can they sell more evolved financial products? To get around this, Bank of India, for example, is appointing banking facilitators. Says Mayank Dhar Tiwary, operations manager at Bof's branch in Ratu block: "They will be appointed at a panchayat basis. They will do things like opening accounts, NPA recovery within a 30 km radius of their base, etc." The next two years will tell whether Jharkhand's answer to the last-mile conundrum is the right one.



NEW ASSET: Today, 'common service centres' offer e-governance services and other assistance. Tomorrow, they could morph into bank branches

Crossword 4459

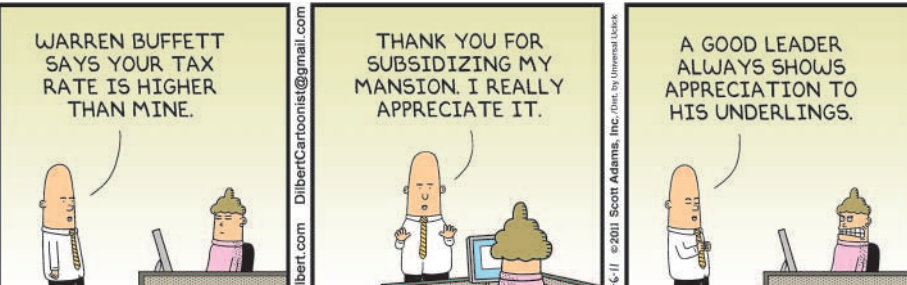


- 28 Somewhere to hide in connection with pleasure (7)
- 29 They're said to be used with powerful effect (6, 5)
- DOWN**
- 1 Marks oodball as first one to join the Civil Service (15)
- 2 Think to rise in debt having started again (7)
- 3 Somebody senior providing the translations (5)
- 4 Government offices providing one way to Parliament (9)
- 5 Good books on human error in police operation (7)
- 6 Firm operated by one who shall be nameless need not concern us (7, 8)
- 7 Crime kept quiet by a church person (6)
- 8 Almost starting now before time (6)
- 16 Go-ahead given with warning for inexperienced youth (9)
- 18 Spies don't quite fall apart for beauty treatment (6)
- 19 Manner of one with nothing to hide outside (4, 3)
- 21 Wrest it out of one that isn't honest (7)
- 23 Close the way up during dark periods (6)
- 25 Minister with imperfections shown up (5)

- ACROSS**
- 1 Roamer we can perhaps take to be one who wants to get on (6, 5)
 - 9 Piled up in the same sad tangle (7)
 - 10 Mean one to belong in a different state (7)
 - 11 Creature in a chieftain's power (3)
 - 12 Keep starting to speak (7)
 - 13 Old French money causing agitation when war ends in South America (7)
 - 14 One that's likely to be cracked (3)
 - 15 It's believed to follow the old lady (5)
 - 17 Bad-tempered enough to try you at first (5)
 - 18 Given up in favour of a shot (5)
 - 20 Ruffled face giving final moment of striking effect (5)
 - 22 Don't start to heat a vessel (3)
 - 24 Where water may be held back behind the Channel Islands (7)
 - 25 South African one needing fish leaving port (7)
 - 26 This way you can leave the woman to be a success (3)
 - 27 Wild music — you might have a go at it (7)

- Solution to 4458**
- ACROSS:** 1 Backpack. 5 Amused. 9 Birdsong. 10 Porous. 12 Lily. 13 Lotus-eater. 15 Clearance sale. 19 United we stand. 23 Intestines. 25 Poop. 28 Heeled. 29 Medicine. 30 Double. 31 Snowdrop.
- DOWN:** 1 Babbie. 2 Carol. 3 Past. 4 Contour. 6 Moose. 7 Shorthand. 8 Deserter. 11 Turn. 14 Here. 15 Cointreau. 16 Awe. 17 Elan. 18 Punished. 20 Whit. 21 Shebeen. 22 Upkeep. 24 Spell. 26 Osier. 27 View.

Dilbert by S Adams



ONE-STOP SHOP The CSCs will open from 8 am to 8 pm. They will be online and will use biometric authentication for transactions. So, if a villager wants to withdraw money, he will come to the Kendra and give his fingerprints. The