

Fiscal Governance
Reforms at
District Level for
Improving Fund
Flow and
Utilisation in
Development
Schemes

Notes from the
Districts: 1



District Mineral Foundation Trust (DMFT) Fund- A Potential Source to Address Resource Gaps in Development Schemes: A Case from East Singhbhum, Jharkhand

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Background

In September 2015, Government of India launched the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY), meant for areas and people affected by mining-related operations. The basic objective of this scheme is to improve the living conditions of people in these areas. The scheme is to be implemented using funds accruing to the District Mineral Foundation Trust (DMFT) by collecting royalty from allocated and auctioned mines¹ in the district.

About 60% of the available fund must be spent on high-priority areas that lead to a district's holistic development like: drinking water supply and sanitation, environment preservation and pollution control measures, healthcare, education, welfare of women and children, and skill development. The remaining is to develop physical infrastructure like irrigation networks and watershed development. It is, however, suggested that if a district is receiving funds from the state for such infrastructure projects, it can refrain from using resources from the DMFT fund for such purposes.

Jharkhand is one of the leading states in India in terms of mineral production by value (7.7%). The East Singhbhum district of Jharkhand has deposits of iron ore, copper, uranium, gold and kyanite, and mining happens in 7 of its 11 blocks. The district constituted a DMFT in accordance with guidelines of Section 9B of the Mine and Minerals Development and Regulation (Amendment) Act, 2015.

Method

In order to understand the availability and spending priorities of the DMFT fund, and to document its potential to address the resource gap in various development schemes being implemented by the district, the following steps were followed:

- Review and analysis of the information / data available in the public domain on DMFT funds and DMFT guidelines.
- One-on-one discussions with various stakeholders such as the District Planning Officer, Aspirational District Fellow, and officers of the line department receiving DMFT funds.
- Review of existing guidelines to understand the process of planning and budgeting of the available funds for the district, and exploring the possibility of using it as a corpus or add-on support for ongoing programmes in the district.
- Review and analysis of secondary literature on utilisation of DMFT funds. A number of civil society organisations (CSOs), non-governmental organisations (NGOs) and voluntary organisations have published their findings on the DMFTs working in several mining-affected districts and states in India.
- Document the process and timing of funds received, identify priority areas of spending, and the nature and scope of the fund at the district level.
- Prepare a note for the district authority, with suggestions to address resource shortages and usage of DMFT fund.

Findings

The DMFT fund has been created as a non-profit trust fund under the Mines and Minerals (Development and Regulation) Amendment Act (MMDRA) 2015, with a clear objective to benefit people and areas affected by mining-related operations in the district. The DMFT fund is non-lapsable, i.e. unspent balance can be carried forward to subsequent financial years (FYs).

¹ 10 per cent of royalty for auctioned mines (leases granted on or after 12.01.2015) and 30 per cent of royalty for mines allocated prior to 12.01.2015

In East Singhbhum, the DMFT was established on 26 February, 2016, under the Indian Stamp Act, 1899. Seven blocks of the district—Baharagora, Chakulia, Ghatshila, Gurabandha, Patamda, Potka and Musabani—are major mining-affected blocks and, therefore, key beneficiaries of the district's DMFT fund. The district has been receiving contributions from operating miners and mining companies an amount proportionate to their royalty payments to the state government². These funds are mainly received towards the mining of certain major minerals (uranium, copper, kyanite and gold) and minor minerals (stone, soapstone, sand, quartz, quartzite and gravel). A District Mineral Officer (DMO) oversees the operations of the DMFT fund, like collection, disbursement and maintenance of accounts etc.

In the initial years, DMFT funds were mainly utilised to address drinking water issues in the district. A total of 39 projects were sanctioned because the water table in mining-affected blocks is low. Of this, 33 projects were completed, at an estimated cost of 4.56 crore in 2016-17. Most schemes focused on providing tube wells in schools to meet drinking water needs. In 2018-19, Rs. 15.26 crore was sanctioned towards 565 projects in the area of drinking water supply.

Due to the high priority accorded to Swachh Bharat Mission, a significant share of DMFT funds were

channeled into increasing sanitation coverage. Around 13,000 toilets have been constructed in the district using the Rs. 13.49 crore released from the DMFT fund during 2016-17 and 2017-18 (Table 1).

East Singhbhum also has poor educational infrastructure. Due to a shortage of classrooms, classes for different grades are conducted in the same classroom. This affects learning outcomes. Off late, DMFT funds are being used to develop new educational infrastructure. Proposed priorities under the education sector, using DMFT funds, was on safety awareness campaigns for children and their families in mining-affected areas and promoting extra-curricular activities in schools by providing requisite materials and modules.

Currently, the district is running many of its Anganwadi Centres in rented premises. The utilisation of DMFT funds to build new Anganwadi Centres has begun. This will have a positive impact on nutritional status and early childhood learning.

As per available data (Table 2), 169 projects with an allotment of Rs. 23.18 crore from DMFT funds have been sanctioned for various development activities like constructing new classrooms, installing high mast light, building new anganwadi centres, and constructing drainage and septic tank, soak pit, drainage chambers for toilets etc.

Graph 1: Funds collected, released and unspent balance under DMFT, East Singhbhum since 2016-17 (In Rs. Crore)





	Funds collected	Funds released	Closing balance
2016-17	13.33	5.86	7.47
2017-18	13.28	8.13	12.61
2018-19	16.30	7.51	21.40
2019-20	8.74	16.43	13.71

Source: Data Compiled by CBGA as per the report of District Mineral Office, East Singhbhum.

² An Inclusive and Outcome-oriented framework for DMF Planning, Centre for Science and Environment, 2019, New Delhi.

³ Sanctioned funds refer to the amount of funds sanctioned (from DMF) out of the estimated cost of the schemes

Table 1: Number of projects sanctioned, funds allotted and released across various projects through DMFT (As on 18 October 2019, in Rs. crore)

		No. of projects sanctioned	Estimated cost	Amount released	Progress
2016-17	 Drinking Water	39	6.37	6.37	33 completed; 6 incomplete as they were cancelled
	 Toilets	12	5.36	5.36	5,357 beneficiaries from the 12 completed schemes
2017-18	 Toilets	9	8.13	8.13	8134 beneficiaries from the 9 completed schemes
2018-19	 Drinking Water	565	30.52	30.52	27 completed, 538 incomplete

Source: Data Compiled by CBGA as per the report of District Mineral Office, East Singhbhum.

As on 18 October, 2019, Rs. 11.59 crore has been released for the above-mentioned projects (Table 2). Out of this, the highest priority was given to new classrooms and anganwadi centres.

Given the proportion of funds flowing into the DMFT in the district, a dedicated Programme Management Unit (PMU) for planning and co-ordination is crucial. In its absence, expenditure is below par and ad-hoc. East Singhbhum is in the process of constituting a PMU to plan, monitor and oversee the implementation of its DMFT fund.

DMFT: A Potential Source to Address Inadequacy of Resources in Social Sectors

In its brief existence, and with the gradual strengthening of its institutional structure, the DMFT fund has emerged as an important source of funding for mining-affected districts. There are numerous government schemes in social sectors that coincide with the priority areas for which DMFT funds are earmarked. Many of these development objectives get stalled because of paucity of resources, delay in flow of funds, rigid norms and

guidelines in implementing schemes, low unit costs and one-size-fits-all approach. The DMFT fund can serve as a continuous source of funding, subject to better planning and convergence of programme guidelines.

1 The DMFT fund gives mineral-based districts more flexibility (as an entitlement) to expand their funds for their short and long-term expenditure plans. Due to its untied nature, there is ample flexibility in how the money can be used and in which sectors.

2 Since resources are directly credited to the DMFT fund, which is at the disposal of the district authority, a situation of delay in fund flows for planned activities does not arise. Unlike scheme funds, the district has full control over the flow of funds from DMFT, thereby making it useful for things the district requires at a particular time.

In cases where there is a convergence of schemes, work is sometimes stalled because of the uneven flow of funds for different schemes. The DMFT Fund can resolve this issue. For instance, in East Singhbhum, where ICDS is linked with MGNREGS, at times, MGNREGS cannot provide labour budget unless the money for materials is released from ICDS. If DMFT funds can be used for the same, development work gets expedited. Such

Table 2: Number of projects sanctioned, funds allotted and released across various projects through DMFT (As on 18 October 2019, in Rs. crore)

	Date of sanction	No. of sanctioned projects	Amount allotted	Amount released
Construction of extra classes in schools	Sep. 26, 2019	47	11.37	5.69
Installation of high mast light	Oct. 10, 2019	33	2.66	1.33
Construction of new Anganwadi centres	Oct. 12, 2019	88	8.69	4.34
Construction of drainage, septic tank, soakpit and drainage chamber in Sadar Hospital of Ghatshila Block	Oct. 16, 2019	1	0.46	0.23

Source: Data Compiled by CBGA as per the report of District Mineral Office, East Singhbhum.

convergences are increasing across sectors in the district.

3 DMFT resources can address the problem of inadequacy of resources at the district by expanding the funding for priority areas and converging them with schemes under implementation. For instance, DMFT funds can be used in convergence with MGNREGS leading to better development outcomes.

4 Since the money under DMFT is non-lapsable, the district can take up long-term, capital-

intensive projects that normally span more than one financial year. Also, due to its untied nature, the district can address issues as per requirement.

In a country like India, where there is generally a shortage of funds and the usage of resources is tied, well-planned and efficient use of available resources like DMFT funds can go a long way in improving the living conditions of people in least developed regions.



Fiscal Governance Reforms at District Level for Improving Fund Flow and Utilisation in Development Schemes:

Full List of Outputs

Policy Briefs

1. Extent of Fund Utilisation in Social Sector Schemes: Does It Conceal More Than It Reveals?
2. Factors Constraining Fund Utilisation in Social Sector Schemes: An Overview
3. Delay in Fund Flow: Consequences, Causes and Remedies
4. Fund Flow Mechanisms of Centrally Sponsored Schemes in Social Sectors
5. Availability and Capacity of Human Resources for Implementing Social Sector Schemes
6. Rigid Norms and Guidelines Affecting Utilisation of Funds in Social Sector Schemes
7. Strengthening Budget Information Architecture at the District Level

Notes from the Districts

1. District Mineral Foundation Trust (DMFT) Fund-A Potential Source to Address Resource Gaps in Development Schemes: A Case from East Singhbhum, Jharkhand
2. Revolving Fund Mechanism Can Address Problems Relating to Delayed Fund Flow in Schemes: A Case from Krishna, Andhra Pradesh
3. Unspent Funds Utilised by Expanding Beneficiary Coverage: A Case from Balasore, Odisha
4. Coordination Among Multiple Agencies at the District Level Can Deliver Better Results: A Case from East Singhbhum, Jharkhand
5. Enhancing Transparency and Accountability through DISHA Committee Meetings: A Case from Bolangir, Odisha
6. Online Treasury Portals Can Enhance Fiscal Transparency at the District Level: A Case from Chandrapur, Maharashtra

Summary Report

Fiscal Governance Reforms at District Level for Improving Fund Flow and Utilisation in Development Scheme



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