

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



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Notes from the  
Districts: 2

# Revolving Fund Mechanism Can Address Problems Relating to Delayed Fund Flow in Schemes: A Case from Krishna, Andhra Pradesh

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January 2020

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## I. Context

The Central Rural Sanitation Programme (CRSP), India's first nationwide programme for rural sanitation, was launched in 1986. Its objectives were to improve the quality of life of rural people, and to provide privacy and dignity to women. Subsequently, a 'community-led' and 'people-centred' approach, termed Total Sanitation Campaign (TSC), was launched in 1999.

In order to scale up sanitation interventions, and accelerate sanitation coverage in rural areas, TSC was revamped as Nirmal Bharat Abhiyan (NBA) in 2012. New strategies and saturation approaches were adopted. On October 2, 2014, Prime Minister launched the Swachh Bharat Mission (SBM) with an aim to eradicate open defecation in the country and provide every household with sanitation facilities within five years, i.e. by October 2, 2019. Since its announcement, construction of toilets in all parts of the country began in mission mode.

"The SBM programme received high priority in terms of budget allocation since 2014-15. The total outlay was estimated to be Rs. 1,34,386.61 crore under SBM (Gramin) between the centre and states in the ratio of 60:40 for non-special category states, and for special category states the share is 90:10. From 2014-15 to 2017-2018, the central allocation made for SBM-G has been Rs. 36,836.27 crore, of which Rs. 36,825.48 crore has been released to the States. However, during the year 2017-18, there was unspent balance to the tune of Rs. 4,197.38 crore reported under the scheme lying with different States. A large part of this unspent fund was noticed for Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Odisha, Punjab, Jammu and Kashmir and Uttar Pradesh. The Ministry of Drinking Water and Sanitation (MoDWS), Government of India, stated that these large unutilised funds were due to inadequate capacity at the grassroots level. The MoDWS also explained that such high levels

of unspent balance led to lower levels of funds to be released in the subsequent years. A series of monitoring mechanisms were put in place in order to achieve the target set for the programme"<sup>1</sup>

While the government's firm strides in the direction of making the country open defecation free (ODF) were remarkable, the pace of implementation of SBM-G varied across districts and was fraught with local challenges and impediments. In 2014-15, only 49.12 per cent rural households in Andhra Pradesh and 61.91 per cent in Krishna district in the state had individual household latrines (IHHL).

This note documents the Revolving Fund that was instituted by Tata Trusts and was instrumental in the process of making Swachh Krishna—an initiative to make Krishna district ODF. It shows how Revolving Funds, as a mechanism, can be replicated to achieve desired outcomes of various development schemes in a timely manner, the implementation of which suffers mainly due to delays in fund flow.

## II. How We Did It

- Mapped data sources to understand the progress of the scheme in the district in IHHL construction, demands versus approval, cost of construction (at market prices), flow of funds, etc.
- Collected data from various district handbooks, plan documents and web portals.
- Analysed the data and information collected from various sources.
- Documented perceptions of line department officials, local CSOs, community members and beneficiaries.

<sup>1</sup> Fifty First Report of the Standing Committee on Rural Development, 2017-18, Lok Sabha, Government of India, Pg-38.

- Interacted with the stakeholders for a deeper understanding of the Revolving Fund mechanism, including its functioning and procedures followed. The opinions and findings were documented.

### III What We Found

#### Challenges of Implementing SBM-G in Krishna District

According to SBM-G guidelines<sup>2</sup>, the Centre's share towards the construction of an IHHL is Rs. 7,200 (60 per cent) and the state's share is Rs. 4,800 (40 per cent). A state can add further incentives to this. Andhra Pradesh added Rs. 3,000, thus increasing its total subsidy for toilet construction from Rs. 12,000 to Rs. 15,000. However, the cost of construction of a toilet in Krishna was around Rs. 25,000, as shared by beneficiaries<sup>3</sup>.

The guidelines further state that, “the aim of the incentive is not to provide the full cost of the toilet but to facilitate a positive change in the behavior for people to undertake construction of the toilet on their own”. Since the intended beneficiaries of this scheme are the poorest and the most disadvantaged section of the population, they were not interested in having a toilet if it entailed spending their own money.

The payment of this subsidy is done in two installments. A sum of Rs. 6,000 is released after the foundation is laid. An assistant engineer inspects and geo-tags the location of the constructed foundation. The remaining Rs. 9,000 is released after the inspection of the geo-tagged location and completion of the entire structure. This meant a beneficiary had to bear the costs in advance to get the instalments released under the scheme. Many deserving beneficiaries could not afford this because of their poor economic condition. There were also apprehensions among beneficiaries

about spending their own money due to delays in payment of instalments by the government.

Another crucial hurdle in the process was the age-old behavioural practice of open defecation that people were habituated to. Additionally, there was the practice of ‘Vaastu’, which hindered the selection of a spot for toilet construction. Concerns were also raised regarding the decomposition of fecal matter in toilets, which would be constructed close to residential quarters.

Due to these three broad issues—the inadequacy of funds to build a toilet, delay in fund flow and need for behavioural change—the situational analysis done by Tata Trusts in one village revealed that a large number of households that needed IHHLs were not even registered as beneficiaries. This reflected low demand for IHHL in the district, and resulted in fewer sanctions than actually needed.


#### Pilot Revolving Fund: Cost-Benefit Analysis

In order to expedite the construction of IHHLs and make the district ODF, in May 2016, Tata Trusts set up a Pilot Revolving Fund of Rs. 16.5 lakh (for 110 toilets) for five villages in Nandigaama Mandal of Krishna District to work out a cost-effective way of constructing a toilet within the given subsidy amount of Rs 15,000.

A cost analysis was done by constructing toilets in three different households using three kinds of materials: cement bricks, AAC blocks and normal bricks. It was recognised that AAC blocks and cement rings were the most economical materials if the cost had to be kept within the stipulated amount of Rs. 15,000. It was also found out that instead of spending money on procuring bricks and cement rings far from the place of use, they should be manufactured locally to reduce the cost of construction of a toilet. For this purpose, a number

2 Guidelines for Swachh Bharat Mission (Gramin), Ministry of Drinking Water and Sanitation, 2017, available at: <http://swachhbharatmission.gov.in/sbmcms/writereaddata/images/pdf/Guidelines/Complete-set-guidelines.pdf>

3 Perceptions collected from the beneficiaries.



of self-help groups were given training in materials like iron moulds to make cement rings. This also increased rural livelihoods. Numerous masons were trained to meet the demand for materials and technical competency to expedite the process of toilet construction.

About 25 items were needed for toilet construction. With bulk purchases and supply chain management, material costs were reduced significantly as compared to individual purchases. To reduce the labour cost, people were encouraged to work to construct their own toilets—shramdan. This had the added advantage of increasing their sense of ownership. Once a fair understanding of economies of scale was reached and it became known how to limit the cost to Rs. 15,000, the district administration wanted the project to be scaled up to the entire district. By end-2016, Tata Trusts set up a Revolving Fund worth Rs. 9 crore to supplement the process of IHHL construction in the district.

### Workings of a Revolving Fund

First, Tata Trusts wrote to the District Collector (DC) seeking permission and support for the construction of toilets across the district by instituting an Revolving Fund. Payments for IHHLs take place at the level of Mandals. Therefore, the DC issued a letter to all officials concerned at the Mandal level in Krishna district instructing them to cooperate with the Tata Trusts initiative.

Next, ground-level NGOs were identified to facilitate the process. Centre for People's Forestry (CPF) was already on board since the pilot. Modern Architects for Rural India (MARI), a Secunderabad-based NGO, was also brought on board. Thus, numerous grassroots NGOs came on board. These NGOs, as one of the facilitators of toilet construction, had to open bank accounts in Mandals for registration and empanelment. After a review of their documents, details of NGOs were uploaded online, and they were able to receive payments.

On the one hand, there was a delay in fund flows, stalling the entire process. On the other hand, there was a clear deadline to achieve ODF status. Tata Trusts, with the support of all its NGO partners and cooperation of the district administration, requested the identified beneficiaries to sign an *angikara patra* that would declare that the state should credit the payment for their toilets to the bank account of the empaneled NGO in their Mandal. Once that was done, the twin process of beginning toilet construction, as well as getting the toilet sanctioned and ensuring timely release of Fund Transfer Orders from the Administration, began.

### Making Swachh Krishna

A crucial step towards implementation was demand creation. Along with their own Swachh Bharat Preraks, Tata Trusts collaborated with ground-level NGOs and conducted Information, Education and Communication (IEC) and Behavioural Change Communication (BCC) exercises across the district. By motivating people for shramdan for their own toilets, this exercise became an exemplary Community Led Total Sanitation (CLTS) programme in all 49 Mandals of Krishna district. Ground-level NGOs were vital in mobilising an effective team for the purpose in various locations. Tata Trusts spent an additional Rs 8 crore for the human resources required for this purpose.

Material procurement was done via efficient supply chain management and coordination with all stakeholders. Ground-level NGOs and Gram Panchayats played a key role, ensuring security of materials stocked with them. They also followed up with people, conducting hygiene awareness and healthy lifestyle programmes to ensure they used the toilets.

The Tata Trusts Revolving Fund was used to build 20,152 toilets across Krishna; further, over 93,323 toilets used the technical and knowledge support devised by Tata Trusts. The same was also used to make 58,268 toilets in Vishakhapatnam ITDA-

Paderu, which is a tribal-dominated area. The toilet facilities constructed also have space for a bathroom, are tiled from inside, and have a clothes hanger and a soap dish, all within Rs. 15,000. Having achieved ODF status, the fund used for creating the Revolving Fund was received back by Tata Trusts.

## IV. Important Takeaways

**1** Setting up a Revolving Fund in the district ensured a delay in fund flow did not deter the processes to meet the scheme target, of making the district ODF. On October 2, 2018, the district was declared as an ODF district.

**2** The initial investment required to avail the benefits of SBM-G was hindering many poor beneficiaries. The Revolving Fund helped address this resource requirement.

**3** In implementing the scheme using a Revolving Fund, there was effective coordination between ground-level implementing agencies, namely the district administration and NGOs. This coordination led to delivering scheme objectives within the timeline.

**4** The support provided to overcome behavioural change that having an IHHL entailed helped increase scheme coverage. Many deserving, yet unwilling, beneficiaries not only agreed to construct IHHLs, but also provided shramdan for the same, fostering a great sense of ownership at their end.





# 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



All outputs are available at [www.cbgaindia.org](http://www.cbgaindia.org)

To know more about Tata Trusts' role and approach to district budgets, visit <https://www.tatatrusters.org/our-work/digital-transformation/data-driven-governance>

