District Mineral Foundations

Implementation Status and Road Ahead

Chandra Bhushan
Deputy Director General
Centre for Science and Environment
Minerals, People and Environment
Rich Lands, Poor People
Is sustainable mining possible?

- **Sustainable mining is an oxymoron**: ore bodies are finite and non-renewable; even the best managed mines will have environmental and social costs.
  
  However the **inescapable truth is modern economy cannot do without minerals**.

  **But if mining has to happen, it must be environmentally and socially responsible**

- Environmental – clearances/permits must be tightened, stricter pollution standards must be enforced, mines once opened must be reclaimed & closed, and use of minerals must be minimized.

- Social – **people’s rights must be recognized, mining benefits equitably shared, people must be made part of decision-making**.
Considering a mechanism of benefit sharing


- **2008**: CSE published, *Rich Lands, Poor People: Is sustainable mining possible?* recommended benefit-sharing based on mechanisms of other countries.

- **2011**: MMDR Bill drafted, detailing provisions of sharing mining benefits through DMF. Equitable rights a centre-piece for determining payments - for coal and lignite, an amount equal to 26% of the profit after tax, for other major minerals an amount equivalent to the royalty paid during the financial year. (bill lapsed in 2012).

- **2015**: MMDR Amendment Act, 2015 passed, DMF instituted.

In September, Government of India launched *Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)* and aligned it to DMF, provided guideline for DMF investments in mining affected areas.
For the first time, the right of people to benefit from natural resources has been recognized.

Precise objective under law- To work for the interest and benefit of persons and areas affected by mining related operations.

Large financial resources coming directly to district, scope to directly act on people’s needs through bottom-up planning.

Fund non-lapsable- gives ample scope addressing issues urgently and through long-term planning.
District Mineral Foundation
A defining opportunity

- Has **well-defined beneficiaries** - in line with Land Acquisition Act, 2013: *people having legal or occupational rights over land being mines, user rights, traditional rights, displaced people, lost livelihoods, lost forest rights, others identified by Gram Sabha.*

- Specifies areas where money should be spent: **directly (and indirectly) affected areas as defined in DMF Rules.**

- **Specifies high priority issues** on which DMFs should focus in mining-affected areas, using **at least 60% of budget** – clean drinking water, sanitation, healthcare, women and child welfare, welfare of old and disabled, education, skill development, livelihood, environmental measures.
2 years
More than Rs. 5,800 crore in DMFs
Are mining-affected people benefitting?
Share of DMF funds in top 3 mining states 70%
CSE survey
50 districts in 11 states

<table>
<thead>
<tr>
<th>States</th>
<th>Number of Districts</th>
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</thead>
<tbody>
<tr>
<td>Rajasthan</td>
<td>3</td>
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<tr>
<td>Gujarat</td>
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<tr>
<td>Karnataka</td>
<td>2</td>
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<tr>
<td>Maharashtra</td>
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<tr>
<td>Telangana</td>
<td>3</td>
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<tr>
<td>Goa</td>
<td>2</td>
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<tr>
<td>Andra Pradesh</td>
<td>5</td>
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<tr>
<td>Madhya Pradesh</td>
<td>6</td>
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<tr>
<td>Jharkhand</td>
<td>9</td>
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<tr>
<td>Chhattisgarh</td>
<td>9</td>
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<tr>
<td>Odisha</td>
<td>6</td>
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</tbody>
</table>

Districts of Odisha include- Kendujhar, Sundargarh, Angul, Jharsuguda, Jajpur & Koraput
Key issues in CSE review

- Implementation of DMF provisions across top mining districts as related to-
  - Financial accruals
  - Institutional arrangements-
    - Administrative set-up (members of the DMF, DMF office etc.)
    - Registration of DMF Trust
    - DMF website
  - Planning and budget allocations-
    - Focus on critical issues in mining-affected areas
    - Are allocations enough
    - Are affected people the focus of investments
    - Do planning have short-term focus or long-term considerations

- Identify gaps/shortcomings.
- Consider the next steps.
Overall observations
Financial accruals

- Total funds accrued in the DMF accounts of 50 top mining districts surveyed (till March, 2017) - Rs. 5,469 crore.

- Coal mining districts have typically higher accruals followed by iron ore districts (in Odisha iron ore higher).

- Low collection in many districts of Telangana, Maharashtra.

- DMFs yet to roll out in Uttar Pradesh, Tamil Nadu; Rules only framed in May 2017.
Overall observations
Institutional arrangements

- **Administrative Setup - DMF body and office**
  - Governing Council (GC) and Managing Committee (MC) in place in all districts where DMFs have been set up. However GC & MC dominated by officials; **little representation of affected people**.
  
  - **No DMF office in place**; districts are operating in an *ad hoc* manner with intermittent meetings of DMF bodies. However, 20 districts indicated that the process is in progress.
  
  - In Odisha, districts with more than Rs. 100 crore annual receipts set up Project Management Units (PMUs).
  
  - Jharkhand and Chhattisgarh are considering combination of officials, technical and subject experts for DMF offices. **Notification issued in Chhattisgarh**
Overall observations
Institutional arrangements

- **DMF Trust registration**
  - 27 districts out of 50 surveyed had registered DMF Trusts.
  
  - Varied reasons by districts/ states for not registering-
    - Lack of clarity on mechanism of registration- eg. Odisha
    
  - Districts are registering under various laws in absence of a pan India public Trust law. Most common one- the Indian Trusts Act (1882).

- **Public disclosure of information - DMF website**
  - No proper website yet. Chhattisgarh, Odisha, Madhya Pradesh, Jharkhand have state level websites, but available information is very limited.
Overall observations
Planning and allocation

- **No plans developed as such**, only list of sector specific allocations and works to be done provided; **ad hoc allocations in many cases**.

- Decision-making is **top down rather than bottom up** in all districts, no participation of Gram Sabhas/ mining-affected people **as law requires**.

- Intervention by state governments in some states to guide investments-
  - **Chhattisgarh government direction has two emphasis:**
    - Directions for spending money in mining affected areas.
    - Using DMF funds for regional development- sharing of funds with adjoining districts.
  - **Jharkhand government has emphasized on two issues:**
    - Clean drinking water supply and sanitation (making districts open defecation free & piped-water supply).
Overall observations
Planning and allocation

- Money allocated for “high priority areas” as per state DMF Rules; common issues are drinking water, education, healthcare. But, **allocations and investment approaches widely vary**-
  - Dhanbad has allocated 62.5% of DMF budget on clean drinking water, almost entirely for piped-water supply; Singrauli with similar pollution concerns and lack of clean water has allocated only 0.9% of DMF budget for it, entirely for hand-pumps.

- Significant allocations for **physical infrastructure** such as roads and bridges in many districts-
  - Singrauli and Sundargarh have allocated 63% and 39% respectively.

- Nearly for all sectors, **allocations are heavily construction oriented** without focus on improving resources
  - Keonjhar’s entire education budget is for additional classrooms, Korba’s 89% education allocation is for mini stadiums, planetariums etc.; Raigarh’s 92% skill development budget is for building a single motor driving school.
DMF planning and investments in Odisha districts

Districts highlighted are those whose DMF budget has been analyzed by CSE
Overall trends in allocations

*(CSE findings)*

- **No plans developed as such**, budgets reflect ad hoc sectoral allocations.

- High priority sectors like drinking water, education, health-care get share of funds, but **effectiveness of investments a key concern**.

- **Women and children development grossly ignored** despite districts faring poorly on this (extremely poor IMR, Under 5 mortality, malnutrition)

- Investments are **construction oriented** for nearly all sectors.

- **High share of allocations for physical infrastructure**
Overall trends in allocations

*(DMF Status Report 2017, CSE)*
How effective are the allocations in various districts?
Kendujhar

Collection Rs. 663 crore; Yearly estimated Rs. 300 crore

% of total DMF budget

- Drinking water supply: 33.3%
- Health Care: 16%
- Education: 7.6%
- Skill Development: 4.9%
- Physical Infrastructure: 30.5%
- Energy: 0.8%
- Water Conservation: 0.9%
- Sports: 1.1%
- Tourism: 0.2%
- Welfare of women and children: 0.5%
- Irrigation: 4.4%

Collection Rs. 663 crore; Yearly estimated Rs. 300 crore
## Some key investments

<table>
<thead>
<tr>
<th>Sector/issues</th>
<th>Status in the district</th>
<th>% of DMF budget</th>
<th>Approaches</th>
</tr>
</thead>
</table>
| Drinking water | • 3% rural households get treated tap water  
• Groundwater contamination – iron, nitrate, fluoride (CGWB) | 33.3            | 85% for tube-wells                        |
| Healthcare | • Primary healthcare poor, inadequate health centers, do not have the minimum staff, resources, in rural health facilities as per IPHS | 16              | About 92% for one medical college in Kendujhar town |
| Education | • 25% primary schools without adequate teachers  
• High drop out in 5th standard | 7.6             | 100% for constructing additional classrooms |

Many red flags on allocations; urban centric; only 15% of overall allocations are for rural areas while nearly 86% of the people live in rural areas
Sectors that need attention

- **Welfare of women and children** – *Mere 0.5% of total budget*
  - High U5MR
  - High prevalence of malnutrition – 46% rural children stunted and 48% underweight.

- **Skill development** – *4.9% of total budget*
  - Nearly 60% non-working population
  - 18% marginal workers among working population
  - Entire DMF budget for construction of hostel building and skill development centre; lacks focus on creating viable and local resource oriented livelihood opportunities.
Collection Rs. 377 crore, Yearly estimated Rs. 400 crore

Sectors:
- Physical Infrastructure: 39%
- Education: 22.3%
- Drinking water supply: 7.7%
- Other Construction: 9.5%
- Sports: 0.7%
- Energy: 6.9%
- Irrigation: 10.4%
- Welfare of women and children: 1.4%
- Health Care: 1.6%
- Sanitation: 0.2%
## Some key investments

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</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td>• High drop-out at 5\textsuperscript{th} standard&lt;br&gt;• No electricity in 13% primary schools</td>
<td>22.3</td>
<td>• 99% for constructions-&lt;br&gt;• 95% for hostels and school buildings&lt;br&gt;• 4% for additional classrooms</td>
</tr>
<tr>
<td><strong>Drinking water</strong></td>
<td>• 2.6% rural households get treated tap water&lt;br&gt;• Groundwater contamination – iron, nitrate (CGWB)</td>
<td>7.7</td>
<td>• 88% for piped water supply&lt;br&gt;• 10% for installation of water purifier</td>
</tr>
<tr>
<td><strong>Physical infrastructure</strong></td>
<td></td>
<td>39</td>
<td>Roads and bridges</td>
</tr>
</tbody>
</table>

Effective approach for addressing drinking water problem
Sectors that need attention

- **Healthcare - 1.6% of total budget**
  - One of the highest prevalence of TB – 250 per 1 lakh population. National rate: 195
  - Resource crunch in primary healthcare: no sub-centers meet IPHS standards which stipulate basic requirements.

- **Welfare of women and children – 1.4% of total budget**
  - High U5MR – 67/1000 in rural areas
  - Almost 50% of children below 5 years in rural areas are stunted or underweight

- **Skill development and livelihood – No budget**
  - Nearly 60% non-working population; 16% marginal laborers
## Jharsuguda

### Collection Rs. 270 crore, Yearly estimated Rs. 150 crore

<table>
<thead>
<tr>
<th>Sectors</th>
<th>% of total DMF budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>0.35</td>
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<tr>
<td>Administrative Expenses</td>
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<td>Irrigation</td>
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<td>Physical Infrastructure</td>
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<tr>
<td>Skill Development</td>
<td>4</td>
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<tr>
<td>Environment Preservation &amp; Pollution Control</td>
<td>1.5</td>
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<tr>
<td>Welfare of aged and disabled children</td>
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<tr>
<td>Welfare of women and children</td>
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</tr>
<tr>
<td>Education</td>
<td>12.1</td>
</tr>
<tr>
<td>Health Care</td>
<td>19</td>
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<tr>
<td>Sanitation</td>
<td>0.7</td>
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<tr>
<td>Drinking water supply</td>
<td>36.1</td>
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</table>
| Drinking water     | • 4% rural households get treated water  
• High water contamination – nitrate, iron (CGWB)                                                                                                       | 36              | 91% for water supply to municipal areas, including Rs. 60 lakh for drinking water supply to airport                                         |
| Healthcare         | • Poor primary healthcare – 1 sub-centre for about 5,300 people.  
• None of them have the basic resources what IPHS suggests                                                                                              | 19              | 92% for establishing cancer hospital                                                                                                          |
| Education          | • Deficit in soft resources such as quality of teaching staff and education in local language                                                                 | 12              | 68% is for construction-  
• 39% for smart classes, digital planetariums, science centre  
• 29% for construction of mini stadiums, sports complexes, athletic buildings etc.                                                               |

Urban-centric (Lakhanpur, the biggest mining affected block is rural)
Sectors that need attention

- **Women and child development** – Mere 0.1% of the budget
  - 46% of rural children are stunted; 36% underweight
  - IMR – 45, U5MR – 53

- **Skill development** – 4% of the budget
  - 57% non-working population; 13% are marginal workers
Overall Picture: Odisha

- DMFs not registered; GC & MC has poor representation of affected communities
- No institutional structure for bottom-up planning
- No offices; PMUs in 2 districts
- Investments Adhoc and not in line with the letter and spirit of DMF
- Far away from delivering on DMF
Next steps

Institutional and administrative issues

- **Registering DMF Trust-**
  - **All DMF Trusts must be registered.** Registration will make the Trust legal entity, to ensure financial accountability and transparency.

- **Setting-up DMF office and hiring appropriate personnel-**
  - Should constitute of people having suitable background and experience in planning, accounting etc. External experts can also be engaged as per requirement for particular issues.

- **Sharing all DMF related information in public domain- DMF website-** Websites should have all information related to DMF such as administrative structure, beneficiaries, plans, budgets, work sanctions, work progress, accounts and audit reports, annual reports etc.
Next steps

Planning and investment issues

- Determine focus intervention areas through **bottom-up participatory and scientific approach**.

- **Undertake** comprehensive and perspective planning to address immediate needs, as well as long-term needs, and provide future security.

- **Investments should focus on**-
  - **Improving human capital** *(e.g., nutrition and food security, clean water access, healthcare, education).*
  - Providing skills to enhance **livelhood opportunities**.
  - Ensuring **future security** for people in mining areas.
Next steps

Planning and investment issues

- **District planning methodology can be used as a template.** Priority should be given to directly affected areas and high priority issues.

- **Convergence and integration of** various plans and programs of the Centre and state governments into the DMF plans should be done to improve the scope of intervention.

- **Collectivization of DMF funds can be done in the long-term** by pooling resources of small adjoining districts particularly for developing common facilities such as a multi-specialty hospital, skill development centre etc.

- **Capacity of people of affected areas must be built** to help them engage effectively in the DMF planning and decision-making processes.