

## Executive Summary

Government of India (GoI) launched (September 2015) Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) with the objective to implement developmental and welfare projects/programs in mining-affected areas, to minimise/mitigate the adverse impact of mining activities on the environment, health and welfare while ensuring long-term sustainable livelihoods for affected persons in mining areas.

Government of Maharashtra (GoM) notified (September 2016) Maharashtra District Mineral Foundation (Trust) Rules, 2016 for establishment of District Mineral Foundation Trust (DMFT) in each District. DMFTs implemented PMKKKY by implementation of projects through Implementing Agencies (IAs) out of DMFT fund contribution collected from mining lease holders in addition to the royalty.

The Performance Audit on implementation of PMKKKY including DMFTs in Maharashtra was conducted to examine planning, institutional arrangements, assessment, demand and collection of DMFT fund and financial management, implementation, monitoring and supervision of the scheme, for the period from 1 September 2016 to 31 March 2023.

Audit examined the records of the Mining Department, Directorate of Geology and Mining and selected five DMFTs viz. Nagpur, Chandrapur, Yavatmal, Bhandara and Raigad to review the effectiveness of implementation of PMKKKY scheme in Maharashtra.

Total DMFT fund received during the period 2016-17 to 2022-23 in the State was ₹ 4,624.01 crore. In selected five DMFTs, out of ₹ 3,354.59 crore of DMFT contribution received during September 2016 to March 2023, ₹ 1,616.26 crore were disbursed to various Implementing Agencies under PMKKKY for utilisation of funds in sectors like healthcare, water supply, physical infrastructure *etc.*

Major observations noticed during audit are given below:

### **Institutional arrangements and Planning**

There were delays in the registration of DMFTs and the appointment of members of the Governing Council. None of the selected DMFTs had identified the directly affected areas within 10 km radius as per revised norms of GoM and continued with the older criteria of five km. This resulted in non-execution of works meant for directly affected areas beyond five to 10 km of the mining areas.

The selected DMFTs had not prepared the list of persons affected by mining-related activities. In absence of such lists, the benefits of the scheme reaching the affected persons could not be monitored by the DMFTs. The selected DMFTs had not prepared the Annual Action Plans for taking up the works and Annual Budgets within the timelines prescribed in the scheme guidelines.

### **Management of DMFT Fund**

In the absence of control and check mechanism for collection of DMFT fund *vis-a-vis* Royalty collected, there were cases of short recovery and non-recovery of DMFT fund contribution from the holder of mining lease.

In selected five DMFTs, 48 *per cent* of the total DMFT fund collected were disbursed for the projects sanctioned and 58 *per cent* of the sanctioned projects were completed during 2016-23. The unutilised funds were not invested in fixed deposits by some DMFTs despite GoM instructions.

Maharashtra State Road Development Corporation Limited did not pay the required DMFT fund contribution of ₹ 242.16 crore on the minerals lifted for Nagpur-Mumbai Super Communication Expressway.

IT application developed for monitoring of collection of royalty, DMFT and other statutory receipts for Major minerals *viz.* Integrated Lease Management System (ILMS) was not being utilised completely.

### **Implementation of the scheme**

The scheme also mandated 60 *per cent* of the funds to be utilised on high priority areas like drinking water supply, health care, education, sanitation, skill development *etc.*, however, selected DMFTs could not incur expenditure as prescribed in the scheme guidelines. Selected DMFTs were not monitoring the progress of work on regular basis which resulted in non-completion of work and non-utilisation of DMFT fund by IAs.

In selected five DMFTs during 2017-23, out of 12,554 works approved, 7,314 works were completed, 2,589 works were in progress, 2,277 works were under the tendering stage, and 374 works were cancelled.

Instances of funds spent on ineligible works, diversion of funds, unfruitful expenditure and blockade of DMFT funds which indicated lacunas in implementation of the scheme by DMFTs as follows:

- ineligible expenditure on solar panels in Collectorate premises, modernisation of milk powder factory.
- unfruitful expenditure for idling of RO water filtration units, non-functioning of adult and paediatric ventilator, renovation of badminton hall.
- blockade of DMFT funds due to non-refund of unspent amounts, non-installation of RO water ATM *etc.*

### **Monitoring and Supervision**

There was delay in formation of State Level Monitoring Committee. The Managing Committee and Governing Council meetings were not conducted regularly as required. There were delays in preparation of Annual Accounts and appointment of Chartered Accountant for the audit. Quarterly Progress Reports in respect of the approved schemes and projects were not prepared by any of the five selected DMFTs. Further, delayed submission of Annual Accounts to State Legislature and placing audited accounts in public domain resulted in lack of transparency.

The DMFTs had not conducted social audit in respect of completed works to assess the fulfilment of the objective of the scheme.

In absence of third-party inspections, the progress of incomplete works was not monitored periodically resulting in delay in construction of Cancer Hospital, installation of Tesla Machine in Government Medical College, despite the advance payments made to Implementing Agencies by DMFTs.

Audit recommends that the Government/Department may consider to:

- *prepare and maintain lists of directly and indirectly affected areas as well as persons affected by mining activities.*
- *implement the real-time monitoring of collection of DMFT fund contributions due from leaseholders through IT applications like Integrated Lease Management System.*
- *strengthen the management by Managing Committee and supervision of Governing Council as well as State Level Monitoring Committee, to avoid instances of diversion, blockade of funds as well as ineligible and unfruitful expenditure from DMFT fund.*
- *ensure timely preparation of the Annual Action Plan, Annual budget, Quarterly Progress Reports, Annual Accounts etc. for efficient utilisation of funds.*
- *conduct third-party inspections, social audits to assess the outcomes of scheme implementation and ensure transparency by publishing Annual Reports, Audit Reports, works done etc. in public domain.*