

CHAPTER-1

INTRODUCTION

This chapter provides an introduction to the transfer of additional Net Present Value and realisation of compensation from the mining lease holders, who had extracted iron ore and manganese, in violation of the Environment Impact Assessment Notifications 1994 or 2006 and the Forest Conservation Act. It describes the constitution of the Special Purpose Vehicle; coverage of districts affected by mining; and execution of projects through various line departments, out of the funds received by the SPV, in the first and second phases. It also delineates the objectives of this performance audit, the audit criteria referred to, the scope of the audit, and the methodology adopted for audit.

1. Introduction

As per the orders⁷ of the Hon'ble Supreme Court of India (27 January 2014), 50 per cent of the additional Net Present Value (NPV)⁸, recovered by the State of Odisha, from the mining lessees, would be used by the State, through a Special Purpose Vehicle (SPV), for undertaking specific tribal welfare and area development works, so as to ensure inclusive growth of the mineral bearing areas.

Pursuant to the above orders, the Government of Odisha (GoO), in consultation with the Central Empowered Committee (CEC), which was established by the Hon'ble Supreme Court of India to conduct an exhaustive fact-finding study of the illegal mining in the Keonjhar, Sundargarh and other districts of the Odisha, prepared (March 2014) a Scheme, captioned "Setting up of Special Purpose Vehicle for undertaking specific tribal welfare and area development works", for ensuring inclusive growth of the mineral bearing areas in the State. Hon'ble Supreme Court approved (24 April 2014) the Scheme and ordered the Adhoc-CAMPA to transfer to the SPV, 50 per cent of additional amount of NPV for undertaking tribal welfare development works. Accordingly, the Odisha Mineral Bearing Development Corporation (OMBADC) was created (2 December 2014), under Section 8 of the Companies Act, 2013, as a Special Purpose Vehicle.

The main objectives of OMBADC, as envisaged in its Memorandum of Association (MoA), were to: (i) implement projects for tribal welfare and area development, to promote inclusive growth in the mineral bearing areas (ii) undertake projects for holistic development, livelihood improvement, improvement of healthcare, sanitation, education and sports, in the areas impacted by mining activities and (iii) accept and mobilise funds for taking up activities for the inclusive development of mineral bearing areas, as also for socio-economic

⁷ This Supreme Court order is applicable to Odisha only

⁸ A mandatory one-time payment, that a user has to make, for diverting forestland, for non-forest use, under the Forest (Conservation) Act, 1980

and education development of the communities and persons affected by mining activities, as per applicable laws.

For the above purposes, the Chief Executive Officer (CEO), *Adhoc-CAMPA*⁹, released (10 January 2015) ₹869.42 crore (phase-I)¹⁰ to the OMBADC. The SPV covered the areas of eight mineral bearing districts, namely Angul, Dhenkanal, Jajpur, Jharsuguda, Keonjhar, Koraput, Mayurbhanj and Sundargarh, based on the areas covered by mining activities, backwardness of the areas and their contribution to the additional NPV.

Further, as per the orders of the Hon'ble Supreme Court of India (August 2017), any iron ore or manganese ore, extracted contrary to the Environmental Impact Assessment (EIA) Notifications, 1994 or 2006, would constitute illegal or unlawful mining. For such illegal mining, compensation, at 100 *per cent* of the price of the mineral, was to be recovered from FY 2000-01 onwards, if the extracted mineral had been disposed of. This compensation was to be paid within 31 December 2017. The compensation so received, was to be kept with the SPV, for undertaking specific tribal welfare and area development works, in the mining affected areas. Accordingly, the Director of Mines (DoM), Odisha, directed (September 2017) all Mining Circles, to issue demand notices, to the respective mining lease holders, of Iron and Manganese ore.

The CEC, in its 4th report of 2018 (17 January 2018), assessed that compensation totaling ₹19,174.38 crore, was to be recovered from 131 mining lessees, who had violated the Environmental Clearance (EC) and/ or the Forest Clearance (FC), in their mining activities, pertaining to iron ore and manganese ore. As on 31 March 2022, ₹16,833.54 crore had been deposited by the defaulting mining lessees, with the OMBADC fund, as compensation money (phase-II) for illegal mining.

Subsequently, the Hon'ble Supreme Court of India appointed (29 October 2017) an Oversight Authority¹¹ (OA), to oversee the work and progress carried out by the SPV and directed that priority would be given to utilise the recovered amount, in the districts of Keonjhar, Mayurbhanj, and Sundargarh. However, the OA was at liberty to ensure that the funds were utilised for nearby districts, if it was necessary, and if the nearby districts had been affected by pollution caused by mining activities. Accordingly, the OA included (December 2018) two blocks (Sukinda and Danagadi), under the Jajpur district and approved (03 January 2020)

⁹ *Based on the recommendation of the Central Empowered Committee set up by Hon'ble Supreme Court of India, Compensatory Afforestation Fund was created in October 2002 in which all monies received from the user agencies towards compensatory afforestation, additional compensatory afforestation, net present value of the forest land were to be deposited*

¹⁰ *Amount received towards 50 per cent of the additional NPV was defined as Phase-I and amount received through compensation for illegal mining was defined as Phase-II by the OMBADC*

¹¹ *The Hon'ble Supreme Court on 29 October 2018 appointed Hon'ble Mr. Justice A. K. Patnaik, retired judge of the Supreme Court as an Oversight Authority to consider the effective functioning of the SPV. He is at liberty to take the assistance of any one or two officers or retired High Court judges of his choice to assist him for this purpose. He may issue suitable communication to the State Government including the OMBADC*

coverage of the districts of Deogarh, Jharsuguda and Jajpur, as well as the Pallahara block of Angul district and the Kankadahad block of Dhenkanal district.

1.1 Implementation of sector-wise projects under OMBADC

As per the information furnished to Audit, the OMBADC had approved 51 projects for ₹17,350.58 crore as of 31 March 2022 under *Adhoc* CAMPA and compensation fund. Out of these, four projects from *Adhoc* CAMPA fund, had been approved under four sectors¹², and funds amounting to ₹1,062.33 crore were released for their implementation. All the four projects were under progress. Similarly, 47 projects, had been approved, under nine sectors¹³, out of the Compensation fund, and ₹6,226.79 crore had been released for execution of projects. As of 31 October 2022, only one project had been completed under the education sector, 45 projects were under progress and one project had not been started. However, no project had been approved under the Research sector, as of 31 March 2022.

Further, it was observed that, out of the amount of ₹1,062.33 crore, released under *adhoc* CAMPA, ₹977.64 crore had been utilised, leaving an unspent balance of ₹84.69 crore, as of 31 March 2022. Similarly, out of the amount of ₹6,226.79 crore, released under the Compensation fund, as of 31 March 2022, ₹4,401.77 crore had been utilized, leaving an unspent balance of ₹1,825.02 crore. Details of the district-wise and sector-wise projects approved; status of projects; and the funds released and utilized, are given in Tables 1.1 to 1.6.

Table 1.1: District-wise projects, approved out of the *adhoc* CAMPA fund, as of 31 March 2022

(in numbers)

Sl. No.	District	Drinking Water	Education (Skill Development)	Housing	Social Forestry and Farm Forestry	Total
1	2	3	4	5	6	7
1	Angul	1	1	1	1	4
2	Dhenkanal					
3	Jajpur					
4	Jharsuguda					
5	Keonjhar					
6	Koraput					
7	Mayurbhanj					
8	Sundargarh					
Total		1	1	1	1	4

¹² 1) Drinking water 2) Education (Skill Development) 3) Housing and 4) Social Forestry and Farm Forestry

¹³ 1) Drinking water 2) Education (Skill Development) 3) Health 4) Livelihood 5) Infrastructure and Connectivity 6) Environment protection 7) Water Conservation and Soil & Moisture conservation 8) Research project and 9) Sports

Table 1.2: District-wise projects, approved out of the Compensation Fund, as of 31 March 2022

(in numbers)

Sl. No.	District	Drinking Water	Education	Health	Livelihood	Infrastructure and connectivity	Environment protection	Water conservation and soil and moisture conservation	Research project	Sports	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	Keonjhar	7	12	7	12	2	2	5	-	-	47
2	Sundargarh								-	-	
3	Mayurbhanj								-	-	
4	Jajpur								-	-	
5	Jharsuguda								-	-	
6	Deogarh								-	-	
7	Dhenkanal								-	-	
8	Angul								-	-	
9	Koraput								-	-	
Total		7	12	7	12	2	2	5	-	-	47

Table 1.3: Sector-wise status of projects executed by line departments, out of the adhoc CAMPA fund, as of 31 October 2022

(in numbers)

Sector	Status of the project	Angul	Dhenkanal	Jajpur	Jharsuguda	Keonjhar	Koraput	Mayurbhanj	Sundargarh	Total
1	2	3	4	5	6	7	8	9	10	11
Drinking Water	In progress					1				1
Education (Skill Development)	In progress					1				1
Housing	In progress					1				1
Social Forestry	In progress					1				1
Total	In progress					4*				4

* All the four projects in four sectors, for all eight districts, sanctioned out of the adhoc CAMPA fund, as shown in Table 1.1, were in progress as of 31 October 2022

Table 1.4: Sector-wise status of projects executed by line departments, out of the Compensation Fund, as of 31 October 2022

(in numbers)

Sector	Status of the Project	Keonjhar	Sundargarh	Mayurbhanj	Jajpur	Jharsuguda	Deogarh	Dhenkanal	Angul	Koraput	Total
Drinking Water	Completed		1			-	-	-	-	-	1
	In progress		6			-	-	-	-	-	6
	Not Started		0			-	-	-	-	-	0
Education	Completed				0						0
	In progress				12						12
	Not Started				0						0
Health	Completed		0			-	-	-	-	-	0
	In progress		7			-	-	-	-	-	7
	Not Started		0			-	-	-	-	-	0
Livelihood	Completed				0				-	-	0
	In progress				12				-	-	12
	Not Started				0				-	-	0

Sector	Status of the Project	Keonjhar	Sundargarh	Mayurbhanj	Jajpur	Jharsuguda	Deogarh	Dhenkanal	Angul	Koraput	Total	
Infrastructure and connectivity	Completed	0				-	-	-	-	-	-	0
	In progress	2				-	-	-	-	-	-	2
	Not Started	0				-	-	-	-	-	-	0
Environment Protection	Completed	0				-	-	-	-	-	-	0
	In progress	1				-	-	-	-	-	-	1
	Not Started	1				-	-	-	-	-	-	1
Water conservation	Completed	0				-	-	-	-	-	-	0
	In progress	5				-	-	-	-	-	-	5
	Not Started	0				-	-	-	-	-	-	0
Research project	Completed	-	-	-	-	-	-	-	-	-	-	
	In progress	-	-	-	-	-	-	-	-	-	-	
	Not Started	-	-	-	-	-	-	-	-	-	-	
Sports	Completed	-	-	-	-	-	-	-	-	-	-	
	In progress	-	-	-	-	-	-	-	-	-	-	
	Not Started	-	-	-	-	-	-	-	-	-	-	
Total	Completed	1										1
	In progress					45						45
	Not Started	1										1

* Shaded cells indicate that no projects were sanctioned for these districts and sectors.

Table 1.5: Release and utilisation of funds, out of the *ad hoc* CAMPA fund, as of 31 March 2022 (₹ in crore)

Sector	Funds	Angul	Dhenkanal	Jajpur	Jharsuguda	Keonjhar	Koraput	Mayurbhanj	Sundargarh	Deogarh	Total	
Drinking water	Released	600.00										600.00
	Expenditure	531.85										531.85
	Balance	68.15										68.15
Education	Released	2.04										2.04
	Expenditure	1.52										1.52
	Balance	0.52										0.52
Housing	Released	402.03										402.03
	Expenditure	388.09										388.09
	Balance	13.94										13.94
Social forestry	Released	58.26										58.26
	Expenditure	56.18										56.18
	Balance	2.08										2.08
Total	Released	1,062.33*										1,062.33
	Expenditure	977.64										977.64
	Balance	84.69										84.69

(* Sector-wise total funds released are given in Table, as the information on district-wise funds released could not be furnished by OMBADC)

Table 1.6: Release and utilisation of funds, out of the Compensation Fund, as of 31 March 2022 (₹ in crore)

Sector	Funds	Angul	Dhenkanal	Jajpur	Jharsuguda	Keonjhar	Koraput	Mayurbhanj	Sundargarh	Deogarh	Total
Drinking water	Released	371.16	-	177.21	-	1,405.77	-	679.98	947.68	-	3,581.80
	Expenditure	344.99	-	141.86	-	1,314.80	-	525.48	877.82	-	3,204.95
	Balance	26.17	-	35.35	-	90.97	-	154.50	69.86	-	376.85
Education	Released	15.60	59.89	219.46	64.10	175.68	-	430.65	353.09	57.80	1,376.27
	Expenditure	2.72	5.03	57.65	9.92	96.90	-	94.92	234.99	20.98	523.11
	Balance	12.88	54.86	161.81	54.18	78.78	-	235.73	118.10	36.82	853.16
Health	Released	-	-	67.19	-	175.45	-	242.93	205.12	-	690.69
	Expenditure	-	-	11.24	-	51.75	-	93.13	103.32	-	259.44
	Balance	-	-	55.95	-	123.70	-	149.80	101.80	-	431.25
Livelihood	Released	-	1.18	19.49	34.11	29.77	-	13.18	17.82	3.08	118.63
	Expenditure	-	0.11	2.33	1.74	8.92	-	7.96	8.32	1.68	31.06
	Balance	-	1.07	17.16	32.37	20.85	-	5.22	9.50	1.40	87.57
Infrastructure and connectivity	Released	-	-	2.04	-	127.39	-	44.87	41.11	-	215.41
	Expenditure	-	-	1.86	-	119.72	-	33.37	37.72	-	192.67
	Balance	-	-	0.18	-	7.67	-	11.50	3.39	-	22.74
Environment protection	Released	-	-	-	-	-	-	7.87	-	-	7.87
	Expenditure	-	-	-	-	-	-	6.92	-	-	6.92
	Balance	-	-	-	-	-	-	0.95	-	-	0.95

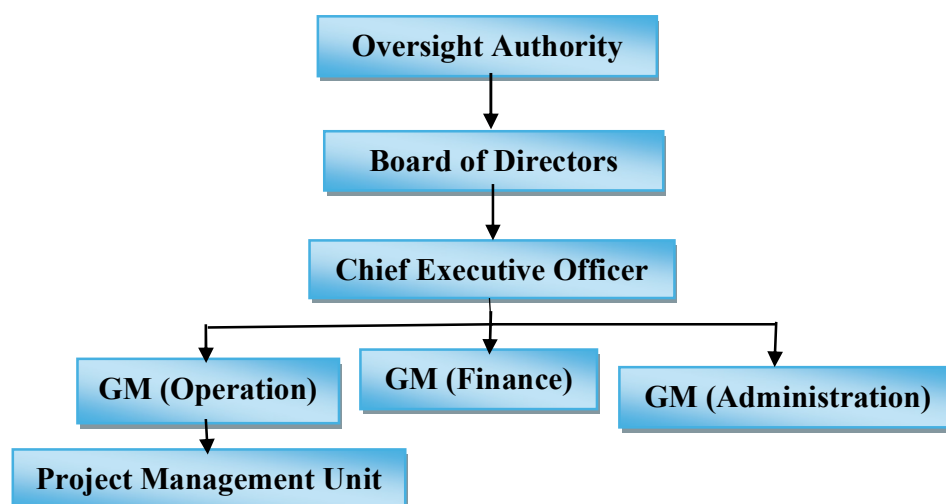
Sector	Funds	Angul	Dhenkanal	Jajpur	Jharsu guda	Keonjhar	Koraput	Mayurbhanj	Sundargarh	Deogarh	Total
Water conservation	Released	-	12.03	22.23	25.68	47.05	-	56.59	52.73	19.81	236.12
	Expenditure	-	11.64	20.64	10.79	41.27	-	42.08	41.33	15.87	183.62
	Balance	-	0.39	1.59	14.89	5.78	-	14.51	11.40	3.94	52.50
Research project	Released										-
	Expenditure										-
	Balance										-
Sports	Released										-
	Expenditure										-
	Balance										-
Total	Released	386.76	73.10	507.62	123.89	1,961.11	-	1,468.20	1,617.55	80.69	6,226.79
	Expenditure	347.71	16.78	235.58	22.45	1,633.36	-	796.94	1,303.50	38.53	4401.77
	Balance	39.05	56.32	272.04	101.44	327.75	-	671.26	314.05	42.16	1825.02

(Source: Information furnished by OMBADC)

1.2 Organisational Structure of the Special Purpose Vehicle

The State Government constituted (December 2014) the Board of Directors (BoD) of the SPV, under the chairmanship of the Chief Secretary, Odisha. The Forest, Environment and Climate Change (FE&CC) Department, nominated (December 2014) the Principal Chief Conservator of Forests and Head of Forest Force (PCCF & HoFF), as the Chief Executive Officer (CEO) of the SPV, until the nomination of a full-time CEO, which was approved by the BoD in its first meeting (December 2014). In the second meeting (March 2015), the BoD approved creation of the posts of General Manager (Operations) and General Manager (Finance). Further, in its 9th meeting (January 2018), BoD approved: (i) creation of the post of General Manager (Administration), (ii) establishment of a Programme Management Unit (PMU) and (iii) Organisational Structure for the functioning of the SPV, as shown in **Chart No.1**.

Chart No. 1: Organisational structure of the SPV, as approved by the Board of Directors



The FE&CC Department, with the orders of the Chief Minister of Odisha, placed (April 2018) the SPV under the administrative control of the Planning and Convergence (P&C) Department.

1.3 Audit Objective

The objectives of the Performance Audit were to assess whether:

- the planning process for selection of OMBADC projects, in the mining affected areas, was effective;
- the Financial Management of OMBADC projects was economical and efficient;
- the implementation of projects was effective and resulted in the desired outcomes and
- a monitoring mechanism and internal control system was in place and was efficient.

1.4 Audit Criteria

The audit observations were benchmarked against criteria derived from the following:

- Judgements of Hon'ble Supreme Court of India
- Minutes of the Board meetings of the OMBADC
- Minutes of the meetings of the Oversight Authority
- Central Vigilance Commission Guideline/ Circulars
- Odisha Public Works Department Code
- Central Public Health and Environmental Engineering Manual
- Odisha General Financial Rules/ Procurement Guidelines
- Schedule of Rates of GoO for the year 2014
- Operational Guideline of OMBADC
- Guideline of Pucca Ghar Yojana (Mining)
- Minutes of meeting conducted by Line Departments
- Panchayat Samiti Accounting Rules
- Manual for preparation of DPR and strategic plan for drinking water prescribed by the Government of India (GoI); and
- Indian standard specification for water quality.

1.5 Audit scope and methodology

This Performance Audit was conducted during September 2022 and February 2023, covering the period from FY 2017-18 to FY 2021-22. The projects funded by OMBADC were being implemented by 15 Departments¹⁴, in 10 sectors¹⁵ (both

¹⁴ (1) Agriculture and Farmers' Empowerment(A&FE) Department (2) Fisheries and Animal Resources Development (F&ARD) Department (3) Forest, Environment and Climate Change (FE&CC) Department (4) Health and Family welfare (H&FW) Department (5) Housing and Urban Development (H&UD) Department (6) Panchayati Raj and Drinking Water (PR&DW) Department (7) Mission Shakti (MS) Department (8) Rural Development (RD) Department (9) ST&SC Development, Minorities & Backward Classes Welfare Department (10) Skill Development and Technical Education (SD&TE) Department (11) Micro, Small and Medium Enterprise (MS&ME) Department (12) Women and Child Welfare (W&CD) Department (13) Handloom, Textiles and Handicrafts (HT&H) Department (14) Social Security and Empowerment of Persons with Disabilities (SS&EPD) Department and (15) Sports & Youth Service (S&YS) Department

the *ad hoc* CAMPA and Compensation fund), out of which five sectors *i.e.*, (i) Housing, (ii) Skill development, (iii) Drinking water, (iv) Education and (v) Health and Nutrition were selected for this Performance Audit. For test-check of records, out of the aforesaid sectors, five Block Development Officers¹⁶, two Executive Engineers¹⁷ (EE) of Rural Water Supply and Sanitation (RWSS), two General Managers¹⁸ of the Water Commission (WATCO) and one EE of a Public Health (PH) division, five EEs¹⁹ of Rural Works (RW) Divisions, five EEs²⁰ of Roads & Buildings (R&B) Divisions, two Chief District Medical Officers²¹ (CDMOs), two District Social Welfare Officers²² (DSWOs) and the ST & SC Development, Minorities & Backward Classes Welfare Department, were selected, through the stratified and random sampling methods. In addition, records of the Health and Family Welfare (H&FW) Department, Housing and Urban Development (H&UD) Department, Panchayati Raj and Drinking Water (PR&DW) Department, School and Mass Education (S&ME) Department, Women and Child Development (W&CD) Department and the Odisha State Medical Corporation Limited (OSMCL), were also test-checked.

The methodology of audit included scrutiny of physical and computerised records, as well as joint physical inspection (JPI) by Audit teams, with representatives of the concerned units. Further, beneficiary interviews were also conducted, to ascertain the performance of the assets created and facilities provided to the persons residing in the mining affected districts.

An Entry Conference was held on 27 September 2022, with the CEO, OMBADC, in which the Audit objectives, criteria, scope and methodology, were explained. An Exit Conference was held on 02 August 2023 with the CEO, OMBADC wherein the Audit observations were discussed and the compliances of the OMBADC along with the line Departments have been suitably incorporated in the Report.

1.6 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the CEO, OMBADC; PR&DW Department; H&UD Department; GMs, WATCO; Health and Family Welfare Department; School and Mass Education Department; and all the test-checked units, in the conduct of the Performance Audit.

¹⁵ 1. Housing Sector 2. Drinking water 3. Skill Development 4 Education 5. Health (Nutrition) 6. Water Conservation & Soil Moisture Conservation 7. Infrastructure & Connectivity 8. Livelihood 9. Research Projects and 10. Sports

¹⁶ BDOs, Lakhanpur, Jhumpura and Joda, under the Housing Sector and BDOs, Sukinda and Pallahara under Education Sector

¹⁷ EEs, RWSS, Jajpur and Anandpur, under the Drinking Water Sector (Rural)

¹⁸ GMs, WATCO, Cuttack, Keonjhar and EE, PH, Cuttack, under Drinking Water Supply (Urban)

¹⁹ EE, RD-II division, Keonjhar under the Education Sector and EEs, RD Divisions, Baripada, Karanjia, Sundargarh and Rourkela, under the Health Sector

²⁰ EE, R&B Division, Ghatagaon, under the Education Sector and EEs of R&B Divisions, Baripada, Rairangpur, Sundargarh and Rourkela

²¹ CDMOs, Mayurbhanj and Sundargarh

²² DSWOs, Keonjhar and Sundargarh