

EXECUTIVE SUMMARY

As per the orders of the Hon'ble Supreme Court of India (27 January 2014), 50 per cent of the additional Net Present Value (NPV) recovered by the State of Odisha, from mining lessees, for the use of forest land for non-forest purposes, would be used for undertaking specific tribal welfare and area development works, so as to ensure inclusive growth of the mineral bearing areas. Accordingly, the Odisha Mineral Bearing Areas Development Corporation (OMBADC) was created (2 December 2014) for undertaking specific tribal welfare and area development works in the mineral bearing areas. For the above purpose, the Chief Executive Officer (CEO), Adhoc CAMPA released (10 January 2015) ₹869.42 crore (phase-I) to the OMBADC. Further, as per the orders of the Hon'ble Supreme Court of India (August 2017), any iron ore or manganese ore, extracted contrary to Environmental Impact Assessment (EIA) Notifications, 1994 or 2006, would constitute illegal or unlawful mining and compensation, at 100 per cent of the price of the mineral, should be recovered from 2000-01 onwards. As on 31 March 2022, ₹16,833.54 crore had already been deposited by the mining lessees, with the OMBADC fund, as compensation money (phase-II) for developmental work in the mining affected areas.

This Performance Audit on “Management of Odisha Mineral Bearing Areas Development Corporation Funds” was conducted with a focus on the planning process for selection of OMBADC projects in the mining affected areas; the financial Management of OMBADC projects; the implementation of projects; assessment of the desired outcome; and the monitoring mechanism and internal control system.

Planning and Sanction of Projects

The OMBADC approved (February 2016) three sectors, namely Housing, Drinking Water and Sanitation, Farm Forestry/ Social Forestry, in regard to projects/ works to be undertaken for implementation, in the mining affected areas of eight districts, of the adhoc CAMPA fund, in phase-I. Similarly, in phase-II, out of the compensation fund, works/ projects relating to eight activities, namely livelihood intervention, health, water supply and sanitation, education, special programmes for development of women and children, entrepreneurial development of local people, communication and infrastructure projects, and agro-silvicultural based livelihood projects were approved (January 2018).

The Hon'ble Supreme Court of India, in its judgement (Para 215) directed (02 August 2017) that the SPV, OMBADC would undertake specific tribal welfare and area development works, so as to ensure inclusive growth of the mineral bearing areas. While taking up such projects/works, a bottom-up planning and participatory approach, was to be followed.

The Project Monitoring Unit (PMU) of OMBADC submitted (June 2020) the perspective plan, containing the shelf of proposals, for the next 10 years.

However, this plan had not been approved by OMBADC (as of April 2023) for implementation.

Non-approval of the perspective plan resulted in lack of priority due to non-preparation of annual implementation plan for taking up appropriate year-wise interventions, due to which, the intended projects, for tribal welfare, could not be implemented in a systematic manner.

The Central Empowered Committee, in its report dated 17 January 2018, recommended collection of compensation amounts from mining lease holders who had violated the FC Act and/ or the EC. However, the Steel and Mines Department had not taken any effective steps to recover the amount of ₹3,966.34 crore (with interest), due as compensation from the defaulting mining lessees, although six years had been lapsed (as of January 2023).

As per para 215 of judgement (August 2017) of the Hon'ble Supreme Court, the Board of Directors (BoD) was responsible for receiving grants/funds and their custody; as also for approving the Annual Budget Estimates and sanctioning the expenditure within the limits of the Budget. However, annual budgets had not been prepared, by the OMBADC, upto FY 2019-20, due to which huge unspent balances had accumulated at the end of each year.

The OMBADC had not reviewed the money that remained unspent with the PIAs, due to which the actual unspent money, parked with them as well as the interest earned and refunded, could not be ascertained by Audit. No such review report was forwarded to the Planning and Convergence Department every year, although this was stipulated in the relevant guidelines of the Finance Department.

Drinking Water Supply Sector

Prior to sanctioning projects under the drinking water sector, OMBADC had not assessed the actual requirement of projects in the eight mining affected districts, keeping in view, the other Central and State rural water supply schemes already being implemented. Accordingly, submission of proposals for new water supply projects, out of OMBADC funds was not need-based. Such funds could have been utilised in other priority sectors, for tribal welfare and selection of projects, without need assessment, was contrary to the objectives of the OMBADC funds.

No feasibility study had been done by the Department, for 27 small PWS projects, covering 49 villages (Angul 12, Mayurbhanj 03, Jajpur 19 and Koraput 15), before submitting project proposals. As a result, after incurring expenditure of ₹1.73 crore, in four districts, the works had been stopped midway, due to non-available of sources, which had led to loss of OMBADC funds.

It was noticed that no projects had been approved for 12 villages of the Angul district and 15 villages of the Koraput district, from the funds received in phase-II. Thus, 27 mining affected villages of two districts, had been deprived of clean drinking water, through piped water supply projects.

In phase-I, 34 small projects had covered 50 villages, which were also part of eight mega PWS projects, undertaken under phase – II, out of the compensation fund. Audit conducted joint physical verification (JPI), with the representative of

Superintending Engineer, Rural Water Supply and Sanitation, on 03 December 2022, of 86 households of five villages¹ and noticed that two Functional Household Tap Connections (FHTCs) had been provided to each household, i.e., one for the small project and another for mega PWS.

There was overlapping of villages covered under small PWS projects out of the adhoc CAMPA fund, and mega PWS projects, out of compensation funds, in Keonjhar, which rendered expenditure of ₹12.45 crore avoidable, due to lack of planning and monitoring, as these funds could have been gainfully utilised for other mining affected villages.

In the Bhuban block, under the Dhenkanal district, the selection of site, preparation of DPR and survey by the contractor for intake well, prior to submission of the bid, had not been done in consultation with the villagers, stakeholders and representatives of the PRI, due to which the site was changed thrice, and completion of the project was delayed by 18 months, with an additional cost of ₹6.16 crore. Similarly, frequent changes of location of the intake well, at Hatadihi, under RWSS, Anandapur, resulted in avoidable extra expenditure of ₹4.99 crore and delayed provision of clear drinking water to 200 villages.

Although 15 small PWS projects executed under two sampled divisions², had been completed, payments had not been made towards operation and maintenance (O&M) costs. The EEs had failed to maintain these PWS projects, as also to ensure supply of clean drinking water to all households therein, rendering doubtful the longevity and sustainability of these projects, costing ₹14.03 crore, in the Jajpur and Anandpur divisions.

The AE, RWSS, Jajpur, observed (April 2022) that water was not reaching 11 villages, after five months of issue of certificate of completion. It was also found that, in the Kalangiata village, the contractor had not extended tap connections. Thus, the benefit of clean drinking water had not reached targeted beneficiaries, defeating the objectives behind setting up of mega PWS projects.

Increase of the price break-up percentage, for four items of works, in the 21st RA bill, in violation of the contract agreement, resulted in excess payment of ₹15.16 crore, to the concerned contractor, under the Sukinda block.

Housing Sector

The selection of eligible beneficiaries for pucca houses, was not carried out by using the bottom-up approach. Further, targets were set by the DRDA, without obtaining ground level data from the blocks, due to which, the targets set by the PD, DRDA were modified multiple times.

An amount of ₹13.94 crore had remained unutilised (as of March 2022), under the housing sector. However, it had not been refunded to the OMBADC, violating the decision of BoD. Out of the 29,829 pucca houses targeted, for completion by

¹ Barigon, Jhunjhuna, Kaniari, Matagadia and Mithogaon

² EEs, RWSS, Anandpur and Jajpur

May 2018, 979 houses had remained incomplete, as of October 2022. Due to lack of monitoring, although the houses were incomplete (as observed during joint physical verification), payment had been made on the basis of manipulated photographs.

Skill Development Sector

Out of 200 candidates enrolled for skill development training, 191 candidates (95.50 per cent) were not from identified villages of the mineral bearing areas. Hence, the earmarked SC/ST youth, of the mining affected districts, were deprived of the benefits of skill development training. Further, expenditure of ₹2.16 crore, incurred for imparting training to 191 candidates not from the identified villages of the mineral bearing areas, was irregular.

Further, the Project Implementing Agency (PIA) had failed to provide long-term and effective placement to the trained candidates of the mineral bearing areas.

Health Sector

The Oversight Authority asked (July 2019) the Chief District Medical Officers of the Sundargarh and Keonjhar districts, to upgrade the facilities of the district hospitals through OMBADC funds, so that tribals need not come to Cuttack or Bhubaneswar for treatment. However, non-assessment of the availability of suitable land for execution, the component, Establishment of modular ICU, modular operation theatre and Central Sterile Supply Department was dropped.

The H&FW Department had submitted a revised proposal of ₹36.76 crore, in March 2021, for additional civil works in the Mayurbhanj District. Though the earlier proposal had been submitted with a certificate of non-duplication given by the responsible authorities, components worth ₹10.49 crore had already been proposed under other schemes (and were, accordingly, in duplication), resulting in their being dropped, at a subsequent stage.

Out of the total approved budget in the health sector, only ₹229.98 crore (34.90 per cent), had been allocated to the mining blocks of four mining districts, with the balance being allocated for the non-mining blocks. This implied allocation of the compensation money for the health sector, in the mining blocks, lower, despite direct health related effects on the local inhabitants, due to illegal mining.

Silicosis screening could not be started in the four mining affected districts, though it was essential for people living in mining areas.

Nutrition Sector

Out of the 1,969 Anganawadi Centres (AWCs) targeted, the construction work was completed in only 620 AWCs (31.48 per cent) (as of December 2022). Out of the total 1,408 Model AWCs, proposed for construction in the Keonjhar and Sundargarh districts, only 485 AWCs (34 per cent) had been allocated to mining affected blocks, with the remaining 923 (66 per cent) AWCs having been allocated to non-mining affected blocks. Against the total target of construction of 3,900

toilets, in four districts³, only 1,488 (38.15 per cent) had been completed. Further, DSWOs, Keonjhar and Jajpur, had not completed the construction of even a single toilet in the AWCs, against the target of 1,332 toilets. Similarly, only 795 kitchens had been constructed as against the target of 2,239 kitchens.

Under the DSWO, Keonjhar, 651 creches were planned to be operationalised under OMBADC. However, the preparation of additional guidelines, for management of crèches, was still in progress, at the Department level (as of January 2023). Thus, the crèches had not been operationalised, even after a lapse of three years from the implementation of the project.

Education Sector

The State Project Director, Odisha School Education Programme Authority (OSEPA), had submitted DPRs, for elementary and secondary and Odisha Adarsha Vidyalayas, with delays ranging from three to 37 months. In case of DPRs for the High School transformation programme under 5T, neither had any specific directions been issued in regard to the timelines for submission of DPRs, nor had any timelines been set for completion of projects.

The District Project Coordinator (DPC), Jajpur, had submitted (November 2020) a detailed project list, of 78 elementary and 20 secondary schools, for infrastructure development. 31 elementary and secondary schools had, however, not been included in the list, even though, these schools had no basic minimum facilities (toilet, drinking water and electricity).

The School & Mass Education Department decided (August 2020) to form a technical committee, under the Chairmanship of the CEO, Odisha Computer Application Centre (OCAC), to execute the work of Information and Communications Technology (ICT) labs and smart classes, at elementary and secondary schools, under OMBADC funds. OCAC had, however, not taken any initiative, for installation of the ICT lab, in schools, till the date of audit (December 2022) even after a lapse of more than two years from the formation of the committee.

The agency M/s Uneecops Technologies Limited had not conducted any site survey, though this had been stipulated in the Request for Proposal, due to which, 688 smart class equipments, in 242 schools, had not been installed, owing to non-readiness of the sites for installation (as of September 2022).

There were no internet connections, due to which smart classes and e-library could not be utilised, in the schools of the Sukinda Block under Jajpur district.

Monitoring and Supervision

The OMBADC's main role was in regard to designing, co-ordination, facilitation, monitoring, supervision and impact assessment, in regard to projects taken up in the mining affected areas. However, OMBADC had failed to establish either a State level monitoring unit, or district level monitoring sub-committees.

³ i) Jajpur, ii) Keonjhar, iii) Mayurbhanj and iv) Sundargarh

As specified by the Government of Odisha, a full time CEO was required for supervision and monitoring of the operations of the OMBADC. However, no full-time CEO had been appointed as of the date of Audit (November 2023), though six CEOs of OMBADC had been appointed, on an additional charge basis, since its inception. Moreover, the CEO, OMBADC had informed (June 2021) the BoD, regarding the difficulties being faced in regard to reviewing and monitoring the progress of all projects, in detail. Accordingly, a sub-committee had been constituted, only in June 2021, to oversee the implementation of the project after a lapse of more than six years from the inception of the OMBADC.

Clause vi of the guidelines for project monitoring, issued by the OMBADC, states that a record of any permanent or semi-permanent asset, created out of the funds provided by the OMBADC for the project, should be maintained and audited by an agency or the Department. Six mega rural PWS projects had been implemented between March 2018 and December 2019, in two districts⁴. However, only two of these mega projects had been completed as of September 2021, out of which, in one mega project⁵, no asset register had been maintained. The EE, RWSS Division, Jajpur, had maintained an asset register for one mega PWS project and had not maintained any asset registers for two small PWS projects. As multiple schemes were in operation for drinking water, in the absence of asset registers for OMBADC work, it was difficult to validate the project achievements. Further, the chances of duplication of similar assets, in different schemes, could not be ruled out. The other three implementing agencies⁶ had not maintained any asset registers.

The implementing agencies, in the test-checked districts, had not prepared any database for the land acquired/ alienated for construction of the PWS projects, out of the OMBADC Funds.

⁴ Jajpur and Keonjhar

⁵ EE, RWSS Division, Anandpur

⁶ 1) EE, RWSS Division, Anandpur, 2) EE, PH – II Division, Cuttack, and 3) GM, WATCO, Keonjhar

Recommendations:

Government may consider:

1. *Approving the perspective plan, containing the shelf of proposal of projects, in a timely manner, for implementation in the mining affected areas.*
2. *Pursuing with the defaulting line departments to submit the pending DPRs, for the projects to be undertaken by them, for the development of mining affected areas.*
3. *To take effective steps, to recover the balance amount of compensation money from the mining lessees.*
4. *Conducting reviews of the unspent balances, at the end of each financial year, with all PIAs and forwarding the consolidated review report in this regard, to the Planning & Convergence (P&C) Department.*
5. *Appointing a full-time CEO and constituting sub-committees, to oversee the implementation of the projects.*
6. *Assessing the actual requirement of drinking water projects, in the mining affected areas of the districts covered under OMBADC, and expediting the works under drinking water projects.*
7. *Conducting proper surveys, before taking up piped water supply projects (PWS), to avoid overlapping of villages under small PWS and mega PWS, and also ensuring inclusion of the villages of mining affected areas only, in the drinking water supply projects funded by OMBADC.*
8. *OMBADC needs to devise a monitoring mechanism to ensure proper Operation and Maintenance for functioning of the projects upto their design life.*
9. *Preparing DPRs and conducting proper surveys before selecting sites for intake wells for water supply projects, to avoid changes in location of sites and the consequent extra expenditure.*
10. *Inviting tenders in a timely manner, for all projects, to avoid delays in the commencement of water supply projects.*
11. *Online maintenance of asset registers with proper validation to avoid duplication of resources created under various projects.*
12. *Ensuring that the executing agencies maintain asset registers and land records.*
13. *Developing a robust system of monitoring and supervision, to avoid payments on the basis of manipulated photographs of the pucca houses and fixing responsibility on the officials of Panchayati Raj and Drinking Water Department, responsible for misreporting.*

- 14. Selecting candidates for skill development training, through OMBADC funds, only from the mining affected areas and not from non-mining areas.*
- 15. Ensuring completion of training to the candidates within the stipulated time, set up a mechanism for ongoing evaluation of the training being imparted and render assistance for placement of the trained candidates.*
- 16. Including requirements of the primary health sector, in the DPRs, and planning projects using a bottom-up approach, to avoid dropping of projects in later stages.*
- 17. Posting of required number of doctors, in the hospitals of the mining affected districts.*
- 18. Starting silicosis screening, in all mining affected districts.*
- 19. Setting up a project monitoring unit at the State level, for monitoring and supervision of the projects under the nutrition sector.*
- 20. Issuing specific directions in regard to the timelines for submission of DPRs and completion of projects, under High School Transformation, under 5T.*
- 21. Implementation of an online UC management system, with supporting documentation for effective monitoring of utilisation of funds.*
- 22. Fixing responsibility on the official responsible for misreporting the actual execution of projects and manipulating information in the monthly progress reports.*
- 23. Ensuring that no school lacking basic infrastructure, in the mining affected areas, is left out for upgradation.*
- 24. Providing necessary internet connections to all schools, so that the schools are able to use the smart classrooms and e-library.*