

Part A

Chapter I

Introduction

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1.1 Pradhan Mantri Khanij Kshetra Kalyan Yojana

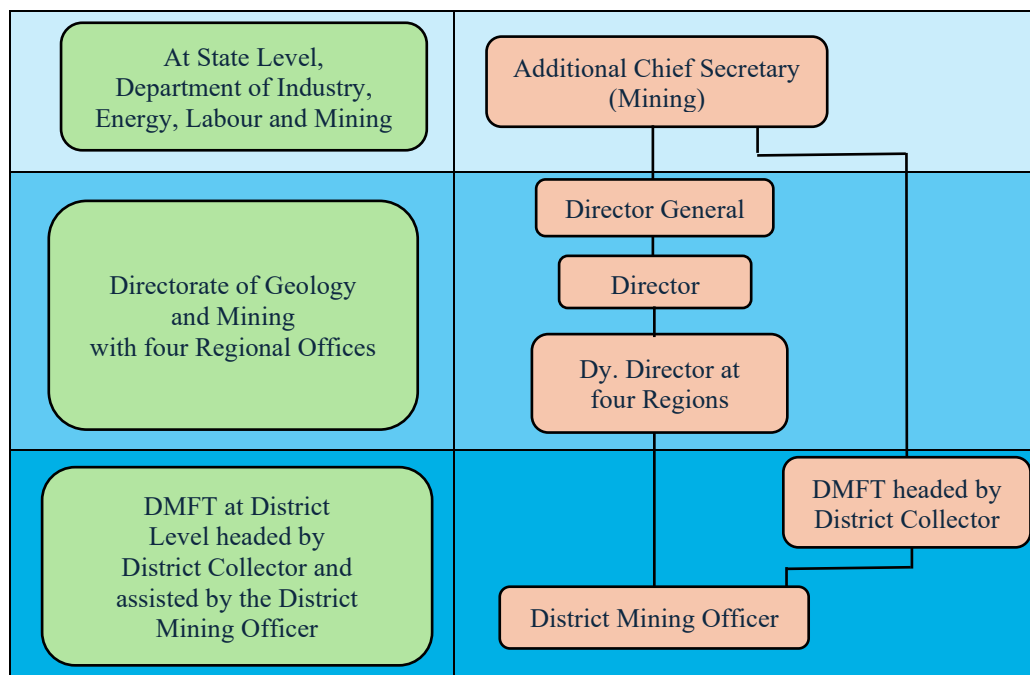
Section 9(B) inserted by the amendment in March 2015 of the Mines and Minerals (Development and Regulation) Act, 1957, required setting up of District Mineral Foundation Trust (DMFT) in every district affected by mining-related operations. As per Rule 2 of Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 notified in September 2015, every holder of a mining lease was to pay in addition to the royalty, an amount as prescribed by the Central Government to the District Mineral Foundation (DMF) of the district in which mining operations are carried out.

Government of India (GoI) launched Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) in September 2015 to ensure welfare of areas and persons affected by mining-related operations, using the funds generated by DMFs. The scheme guidelines aimed to facilitate synergy in utilisation of DMFT fund across the states for ensuring welfare of areas and persons affected by mining-related operations with the following objectives:

- (a) to implement various developmental and welfare projects/programs in mining-affected areas. These projects/programs were to complement the existing ongoing schemes/projects of State and Central Government;
- (b) to minimise/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts; and
- (c) to ensure long-term sustainable livelihoods for the affected persons in mining areas.

1.2 Organisational set-up

The organisational setup of Mining Department is given in **Chart 1**.

Chart 1: Organisational set up of Mining Department

(Source: Information furnished by Mining Department)

The Mining Department of Government of Maharashtra (GoM) administers regulatory and promotional functions for overall development of mineral sector and for collection of revenue from minerals towards the State exchequer.

The Directorate of Geology and Mining (DGM) has been entrusted with the functions of Mineral exploration and Mineral administration. The DGM has four Regional Offices at Nagpur, Chandrapur, Kolhapur and Chhatrapati Sambhajinagar.

The District Mining Officers (DMOs) are posted in the collectorates of 35 districts in Maharashtra except in Greater Mumbai to assist District Collectors in mineral administration work.

1.3 Audit objectives

Audit was conducted to assess whether there was:

1. Effective planning and institutional arrangement for implementation of PMKKKY as per the scheme guidelines and Maharashtra DMFT Rules, 2016;
2. A reliable and efficient system of collection and management of DMFT Fund;
3. Effective implementation of the scheme as per PMKKKY guidelines; and
4. Effective monitoring and evaluation of the implementation of the scheme.

1.4 Audit criteria

The audit criteria were derived from the following sources:

- PMKKKY guidelines, 2015;
- The Mines and Minerals (Development and Regulation) Act, 1957 and subsequent Amendments;

- Maharashtra District Mineral Foundation (Trust) Rules, 2016 and subsequent Amendments;
- Mineral Concession Rules, 1960 and subsequent Amendments;
- The Environment (Protection) Act, 1986;
- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013;
- Maharashtra Minor Mineral Extraction (Development and Regulation) Act, 2013;
- Mineral Conservation and Development Rules, 1988 and Amendment, 2017;
- Maharashtra Mineral (Prevention of Illegal Mining Transportation and Storage) Rules, 2001;
- Mineral (Auction) Rules, 2015;
- National Mineral Policy, 2019;
- Circulars on Rates of Royalty revised by GoI and Monthly price notifications published by Indian Bureau of Mines;
- Norms and standards set up by the State Government and other standard set up by the authorities in respect of Internal Control System; and
- Provisions of General Financial Rules, Maharashtra Treasury Code, Delegation of Financial Powers Rule, Public Procurement Guidelines, Finance Department Guidelines, any other circular, notification and guidelines of both the State and the Central Government.

1.5 Audit scope and methodology

The Performance Audit (PA) was conducted during July 2023 to June 2024 covering the period from 1 September 2016 to 31 March 2023.

An entry conference was held (September 2023) with the Joint Secretary, Mining Department and the District Mining Officers of selected five DMFTs¹, where audit methodology, scope, audit objectives and criteria thereof were discussed.

The audit process involved examination of records at the Department of Industry, Energy, Labour and Mining and five selected DMFTs. The joint physical inspection of selected projects of PMKKKY was also conducted. The audit observations were issued to the respective units and the replies wherever received have been appropriately incorporated. The draft Report was issued (30 July 2024) to the Additional Chief Secretary (Mining), GoM, DGM and the respective DMFTs.

An exit conference was held (August 2024) with the Joint Secretary, Mining Department and the District Mining Officers of selected five DMFTs wherein the audit findings were discussed.

¹ Bhandara, Chandrapur, Nagpur, Raigad and Yavatmal.

The replies received from the Government of Maharashtra (December 2024, February 2025 and May 2025) have been suitably incorporated in the Report.

1.6 Audit sampling

To arrive at the representative sample, the selection of Districts, Blocks, Gram Panchayats, Projects and Beneficiaries were done as per the approved sampling methodology as detailed in **Table 1**.

Table 1: Details of sample selection

Particulars	Methodology	Selection
Districts	Districts were selected through stratified sampling considering weighted average scores	5
Blocks	Three blocks were selected from each district, out of which two blocks having largest number of projects and one block through random sampling were selected	15
Gram Panchayats	From each selected block, three Gram Panchayats were selected through random sampling ²	42
Projects/ Works	Minimum three projects or in case, number of completed projects were less than three, all the projects were selected in each Gram Panchayat through judgemental sampling	110
Beneficiaries	15 Beneficiaries in each Gram Panchayat were selected through haphazard sampling ³	675

The list of selected Districts, Blocks, Gram Panchayats is given in **Annexure 1**.

1.7 Acknowledgement

Audit acknowledges the cooperation extended by the Department of Industry, Energy, Labour and Mining, GoM, DGM as well as respective DMFTs at various stages of conducting this Performance Audit.

² Nagpur City block has no Gram Panchayat.

³ 45 beneficiaries were selected from Nagpur city.