

Chapter-III

Financial Management

3.1 Assessment of requirement of funds for effective management of Solid Waste

Section 1.4.1.4 of MSWM Manual, 2016 (Part-II) and Rule 15(x) of SWM Rules, 2016 stipulates that the Municipal Authorities should make adequate provision of funds for capital investments as well as operation and maintenance of Solid Waste management services in the annual budget. They should do this after ensuring that funds for discretionary functions of the local body have been allocated only after meeting the requirement of necessary funds for SWM and other obligatory functions of the local body as per these rules.

Para 6.16 of State policy mandates that all the ULBs should make separate budgeting provisions under the head of SWM for ‘capex’ (Capital Expenditure) and ‘opex’ (Operating Expenditure). The approved budgetary amount should be exclusively used for the implementation of SWM.

3.1.1 Budget allocation for Solid Waste Management and Expenditure

In GHMC: The details of total budget allocation, allocation for SWM and expenditure on SWM during the period 2017-18 to 2021-22 in GHMC are shown in **Table-3.1**.

Table-3.1: Year-wise details of total budget allocation, allocation for SWM and expenditure on SWM in GHMC

(₹ in crore)

Year	Total Budget	Budget allocation		Expenditure (SWM)		Total Expenditure
		SWM	Others	Revenue	Capital	
2017-18	5,643	293	5,350	151	153	304
2018-19	6,077	373	5,704	187	185	372
2019-20	6,150	354	5,796	190	183	373
2020-21	5,380	427	4,953	182	205	387
2021-22	5,600	377	5,223	214	258	472
Total	28,850	1,824	27,026	924	984	1,908

Source: Information furnished by GHMC

Greater Hyderabad Municipal Corporation allocated 6.3 per cent of total budget for SWM and the required infrastructure for IMSWM Project was established through the Concessionaire as per the CA (Para 2.6.1 refers).

In test-checked other 14 ULBs: The details of total budget allocation, allocation for SWM and expenditure on SWM during the period 2017-18 to 2021-22 in 14 test-checked ULBs are shown in **Table-3.2**.

Table-3.2: Year-wise details of total budget allocation, allocation for SWM and expenditure on SWM in test-checked other 14 ULBs

(₹ in crore)

Year	Total Budget allocation	Budget Allocation		Expenditure (SWM)		Total Expenditure
		SWM	Others	Revenue	Capital	
2017-18	72	14	58	11	2	13
2018-19	100	9	91	8	2	10
2019-20	142	11	131	10	5	15
2020-21	142	21	121	14	16	30
2021-22	171	21	150	16	13	29
Total	627	76	551	59	38	97

Source: Information furnished by CDMA, Hyderabad

It could be observed from **Table-3.2** above that overall, the test-checked other 14 ULBs allocated only 12 *per cent* of the total budget towards SWM.

Further, in the test-checked other 14 ULBs less than 50 *per cent* of waste was processed and major portion of remaining Solid Waste was dumped at dumpsites (*Para 5.3, Table-5.5 refers*). In the absence of planning and budgeting for adequate treatment/processing facilities in 14 ULBs, more than 50 *per cent* of unprocessed MSW was disposed to open dumpsites, posing health and environment hazards in the area.

Hence, the ULBs did not make adequate provision of funds for capital investments for Solid Waste management services. The 14 test checked ULBs did not carry out scientific SWM on similar lines as GHMC. The test-checked ULBs did not produce any records to Audit to indicate that attempts had been made to engage private agencies for the processing of SWM.

3.1.2 Receipt and utilisation of funds under Swachh Bharat Mission-Urban

The Ministry of Urban Development, GoI launched its flagship scheme of Swachh Bharat Mission-Urban (SBM-U), Phase-I in October 2014 and SWM was one of its six components⁹⁶. The funding pattern for SWM component was 25 *per cent* Central share and 75 *per cent* by the State/PPP/ULB (with mandatory 5 *per cent* State share). This was revised (January 2017) to 35 *per cent* Central share and 65 *per cent* State share. The details of funds received by the State under SBM-U, Phase-I during the years 2017-22, allocation for SWM and expenditure incurred thereon are given in **Table-3.3**.

⁹⁶ (i) Household toilets, including conversion of insanitary latrines into pour-flush latrines, (ii) Community toilets, (iii) Public toilets and urinals, (iv) Solid Waste management, (v) IEC & Public Awareness and (vi) Capacity building and Administrative & Office Expenses (A&OE)

Table-3.3: Details of funds received by the State under SBM-U, Phase-I during the years 2017-22, allocation for SWM and expenditure incurred thereon

(₹ in crore)

Year	Funds received under SBM		Total funds received under SBM	Allocation for SWM Component		Total allocation for SWM (percentage to total funds received)	Expenditure	Closing Balance
	Central share	State share		Central share	State share			
2017-18	30	72	102	27	50	77 (75)	Details not furnished	Details not furnished
2018-19	20	36	56	20	36	56 (100)		
2019-20	NIL	NIL	NIL	NIL	NIL	NIL		
2020-21	130	239	369	111	207	318 (86)		
2021-22	54	97	151	36	65	101(67)		
Total	234	444	678	194	358	552 (81)		

Source: Information furnished by CDMA

In GHMC: GHMC informed (July 2023) that for the period 2017-22, an amount of ₹76.33 crore was received during the year 2021-22 from CDMA, Hyderabad as Central share for SBM-U and was utilised towards procurement of SATs and Capping & Leachate Treatment at Jawaharnagar T&D facility. However, Audit observed that no corresponding State Share was released.

In test-checked other 14 ULBs: The details of total allocation of funds for SBM-U, Phase-I, allocation towards SWM component and expenditure on SWM during the period 2017-18 to 2021-22 in 14 test-checked ULBs are shown in **Table-3.4**.

Table-3.4: Details of funds received by the test-checked other 14 ULBs under SBM-U, Phase-I during the years 2017-22, allocation for SWM and expenditure incurred thereon

(₹ in crore)

Year	Funds received		Total Funds received	Allocation for SWM Component	Expenditure SWM component	Closing Balance (SWM)
	GoI	State				
2017-18	4	2	6	1	0.6	0.4
2018-19	NIL	NIL	NIL	NIL	NIL	NIL
2019-20	NIL	NIL	NIL	NIL	NIL	NIL
2020-21	6	16	22	17	11	6
2021-22	7	11	18	13	8	5
Total	17	29	46	31	19.6	11.4

Source: Information furnished by CDMA, Hyderabad

In the test-checked 14 ULBs, against allocated total funds of ₹31 crore towards SWM component, the expenditure was 63 per cent, leaving 37 per cent of funds unutilised as on 31 March 2022.

During 2018-19, the State Government released ₹56 crore (*Table-3.3 refers*) to the ULBs in the State towards SWM component. However, these 14 ULBs were not allocated funds for that year, depriving them of funds required for SWM.

3.2 Loss of Central Assistance

Paragraphs 9.70 and 9.71 of Fourteenth Finance Commission (FFC) recommendations stipulate that GoI allocates basic grants (BG) and performance grants (PG) for ULBs. The BG is to provide a measure of unconditional support to ULBs for delivering basic functions assigned to them. To be eligible for PG, ULBs have to submit audited annual accounts (10 per cent weightage) that relate to a year not earlier than two years preceding the year

in which they seek to claim. It will also have to show an increase in own revenues over preceding year (40 *per cent* weightage), as reflected in audited accounts. In addition, ULBs have to measure and publish SLBs for essential four services (50 *per cent* weightage) - (i) Water Supply Coverage Ratio (15 *per cent* weightage), (ii) Reduction in Non-Revenue Water (15 *per cent* weightage), (iii) Coverage of Water Supply for Public/Community Toilets (10 *per cent* weightage) and (iv) Scientific Disposal of Solid Waste (10 *per cent* weightage).

The details of FFC Grants recommended and received by the State and shortfall are given in **Table-3.5**.

Table-3.5: Details of FFC Grants recommended, received by the State and shortfall during the period 2017-22

(₹ in crore)

Year	Grants Recommended			Grants Received			Shortfall of Grants		
	BG	PG	Total	BG	PG	Total	BG	PG	Total
2017-18	520	150	670	475	126	601	45	24	69
2018-19	602	171	773	532	NIL	532	70	171	241
2019-20	813	224	1,037	779	NIL	779	34	224	258
2020-21	889	NIL	889	889	NIL	889	NIL	NIL	NIL
2021-22	672	NIL	672	672	NIL	672	NIL	NIL	NIL
Total	3,496	545	4,041	3,347	126	3,473	149	419	568

Source: Information furnished by CDMA, Hyderabad

From above **Table-3.5**, it could be seen that shortfall in PG was 77 *per cent* of the total recommended PG Grants and there was a loss of central assistance of ₹568 crore (BG: ₹149 crore + PG: ₹419 crore), which was due to non-achievement of SLBs for four basic essential services including scientific disposal of Solid Waste apart from other mandatory conditions.

3.3 Levy and collection of user charges for Solid Waste Management

Rule 15(f) of SWM, Rules, 2016 stipulates that the local authorities should prescribe from time-to-time user fee as deemed appropriate and collect the fee from the waste generators on its own or through an authorised agency.

Section 1.4.5.6.3 of MSWM Manual, 2016, stipulates *inter alia* that the user fees should be in proportion to the quantity of waste generated and level of service provided to waste generators. Households generate much less waste as compared to commercial, institutional, and industrial establishments; and among the households, the poor generate less waste as compared to the rich households. Therefore, the Manual mandates that variable rates need to be prescribed for different categories of waste generators keeping in mind their waste generation potential.

In GHMC: GHMC notified (September 2016) user charges within the limits of GHMC as minimum ₹50 per month for each household and for those living in slums as ₹25 per month. These user charges were proposed with an annual escalation based on the wholesale price

index. In respect of Bulk Waste Generators (BWGs)⁹⁷, the rate was fixed as ₹2.25 per kg. If the generator establishes either composting or bio-methanation in-situ, then 25 per cent of user charges cost may be waived off as an incentive.

Further, the State Government issued orders (March 2022) authorising the Concessionaire to collect user charges from Commercial/ BWGs as notified by GHMC from time to time. Subsequently, in the case of Commercial/BWGs, the rate was revised to ₹2.9 per kg in September 2022 after six years of the first such notification by GHMC.

Greater Hyderabad Municipal Corporation stated that for household MSW collection, user charges were being collected by the waste collectors (mostly uneducated waste pickers from informal sector) doing primary collection by operating SATs (owned, operated and maintained by them). These user charges for waste collection from households and slums vary from locality to locality based on the understanding between the waste generators and waste collectors. The waste collectors were encouraged to sell recyclables by sorting/segregation of collected MSW from the households.

The Equal Monthly Instalments (EMIs) for the SATs procured through loans from Banks (90 per cent of the cost of SATs) would be borne by GHMC and the remaining 10 per cent of the cost of SATs would be borne by the beneficiary (waste collector).

Greater Hyderabad Municipal Corporation informed that 1,876 Bulk Waste Generators (BWGs) were identified as on 31 March 2023 and bulk waste was being collected by GHMC vehicles and transported upto the Secondary Collection Transport Points (SCTP)/ Transfer Stations (TS). It was stated that a self-declaration of waste generated was obtained from the BWG and the same was verified by the Sanitation staff of the respective Circle from where the waste was generated.

The in-charge of the Sanitation wing in the Circle collects the user charges through Demand Draft/Cheque and remits it to GHMC General Fund. GHMC informed that an amount of ₹4.23 crore was levied and collected from the BWGs during 2017-22.

Audit observed that periodical revision of user charges for household MSW collection with an annual escalation based on wholesale price index, maximum user charges rate and area-wise rates were not notified by GHMC. Also based on the category of waste generators, variable rates were notified by GHMC in consonance with Manual provisions, leaving the discretion for collection of user charges more than the notified rates or otherwise to the waste collectors.

Further, there were no incentives for waiving of user charges as the Bulk Waste Generators had not established composting or bio-methanation, thereby increasing the load on Jawaharnagar T&D facility. Though GHMC stated that self-declaration of waste generated was obtained from the BWGs, documentary evidence for this was not furnished to Audit. The mechanism put in place by GHMC to verify the correctness or otherwise of the self-declaration of waste reported by BWGs was also not furnished to Audit.

⁹⁷ Rule 3(8) of SWM Rules, 2016-“bulk waste generator” means and includes buildings occupied by the Central Government departments or undertakings, State Government departments or undertakings, local bodies, public sector undertakings or private companies, hospitals, nursing homes, schools, colleges, universities, other educational institutions, hostels, hotels, commercial establishments, markets, places of worship, stadia and sports complexes having an average waste generation rate exceeding 100 kg per day

The State Government replied (September 2023) that GHMC submitted (January 2023) proposals for revision of user charges for household MSW collection to Standing Committee and the approval was pending. Regarding providing incentives to Bulk Waste Generators, it was replied that the matter would be examined by GHMC.

In test-checked other 14 ULBs: The following mechanism was observed in collection and transportation of MSW from households and slums to the dumpsites in the test-checked 14 ULBs and collection of user charges:

- a. Collection and transportation of MSW by the sanitary workers of ULBs with their own vehicles but without collection of user charges-Chandur, Haliya, Khanapur, Kalwakurthy, Kothagudem, Mancherial, Wardhannapet and Yellareddy.
- b. Collection and transportation of MSW by waste collectors operating SATs⁹⁸ (vehicles are operated by them including their maintenance) with collection of user charges by them at the rates per month fixed⁹⁹ by the ULBs-Bollaram, Khammam, Mahabubnagar, Nagaram, Peerzadiguda, and Zaheerabad.

In Khammam ULB, collection of MSW from households was being done by both sanitary workers with ULB's own vehicles and also waste collectors operating SATs. User charges were collected by the waste collectors at the rates notified by Khammam ULB. However, no user charges were collected from households for waste collection done by the sanitary workers with the ULB's vehicles.

The details of BWGs, mechanism for collection of MSW from BWGs and the user charges fixed for such collection in the 14 ULBs during 2017-22, amount collected were not furnished to Audit, though called for.

However, in Khammam ULB, from October 2021, a private agency, Ecotech Environment Solutions was engaged for collection of MSW from BWGs/Commercial Establishments at the user charges notified by the ULB. As per the Agreement entered into (October 2021) with the private agency for three years, Khammam ULB was to pay to the private agency at the agreed rate (₹10.49 lakh per month) for collection and processing of MSW (by composting of wet waste and dry waste segregation of recyclable items at DRCCs to be done by the private agency).

The private agency, out of the revenue generated from user charges collection and sale of compost, was to pay a lumpsum fixed amount of ₹one lakh per month to the Khammam ULB. No payments were made to the agency as of February 2023.

3.4 Short collection of user charges from Railway authorities

Section 2.2.1.5 of MSWM Manual, 2016 (Part-II) stipulates that the SWM Rules, 2016 are also applicable to industrial townships, areas under the control of Indian Railways, Airports, Airbases, Ports and Harbours, Defence establishments, Special Economic Zones, etc., As such, user fee should be collected from those authorities.

⁹⁸ In 13 ULBs except Mahabubnagar, SATs are procured by the ULBs from their own funds. In Mahabubnagar, SATs procured by obtaining loans from Banks and EMIs payable by the ULB

⁹⁹ Bollaram-₹50, Khammam-₹30, Mahabubnagar-₹40, Nagaram-₹50 to 100, Peerzadiguda-₹100 and Zaheerabad-₹60

Further, as per SWM Rules, 2016, waste generator means and includes every person or group of persons, every residential premises and non-residential establishments including Indian Railways, Defence establishments, which generate Solid Waste.

In GHMC: There are major railway stations under GHMC limits at Secunderabad, Nampally, Kacheguda and also other minor railway stations, apart from the Multi-Modal Transit System (MMTS) and the Metro Stations. However, Audit noticed that no proper mechanism for assessment and collection of user charges has been formulated by GHMC. Further, 1,350 MT of MSW was collected from Secunderabad and Nampally Railway Stations during 2017-22 and an amount of ₹8.78 lakh was collected as user charges for that period.

Audit analysis of the information furnished by GHMC revealed that 739 kgs¹⁰⁰ of MSW was generated per day on an average daily by the two Railway Stations and hence they had to be categorised as BWGs. For BWGs, the user charges fixed are ₹2.25 per kg and accordingly user charges payable by Railway authority is worked out to ₹30.37 lakh for 1,350 MT. This resulted in short collection of ₹21.59 lakh.

Greater Hyderabad Municipal Corporation may take suitable action to collect the amount short collected.

The State Government replied (September 2023) that the data on user charges collected from Railways stations would be reconciled.

In test-checked other 14 ULBs: Though there are Railway stations within the municipal area limits in Khammam, Kothagudem, Mahabubnagar, Mancherial and Zaheerabad ULBs, the respective ULBs stated that no user charges are being collected from the Railway Authorities concerned. There was no mechanism for assessment and collection of user charges from Railway Stations.

The State Government replied (November 2023) that Railway Stations in Mancherial and Zaheerabad ULBs fall under BWG category and hence the BWGs are responsible for SWM.

The reply is contrary to the provisions of MSWM Manual (Para 1.4.5.6.3), which stipulate that user charges as prescribed are to be levied and collected by the ULBs from BWGs.

The State Government may evolve proper mechanism for assessment and collection of user charges by the ULBs from Railway Stations for collection and processing of MSW.

3.5 Arrears in collection of Tipping Fee

Greater Hyderabad Municipal Corporation permitted 12 ULBs¹⁰¹ and two GPs¹⁰² to transport at their own cost, the MSW collected in their limits to Jawaharnagar T&D facility, as these ULBs/GPs do not have dumpsites and treatment facilities. GHMC for processing & disposal of MSW received from these ULBs/GPs, charges Tipping Fee (TF) at the yearly prescribed rate and also charges an additional 20 per cent of the TF amount as

¹⁰⁰ Total MSW generated in five years: 1,350 MT, i.e., 13,50,000 kgs. For one year: (13,50,000/5) = 2,70,000 kgs and for one day it would be on an average: (2,70,000 kgs/365 days) = 739 kgs per day

¹⁰¹ 9 ULBs: Ameenpur, Bandlaguda, Boduppall, Kompally, Manikonda, Narsingi, Nizampet, Peerzadiguda and Pocharam, and 3 affected ULBs exempted from payment of TF: Dammaiguda, Jawaharnagar and Nagaram

¹⁰² Cheeriyal and Peeram Cheruvu

administrative overheads. GHMC stated that out of 12 ULBs and two GPs, three ULBs- Dammaiguda, Jawaharnagar and Nagaram and one GP-Cheeriyal were being exempted from payment of TF, as these are considered as affected ULBs/GP due to proximity to Jawaharnagar T&D facility.

Audit observed from the records relating to TF dues that an amount of ₹19.34 crore was receivable from the remaining nine ULBs and one GP as of 31 March 2022, details of which are given in **Appendix-3.1**. It was also observed that TF dues of ₹28.43 crore were receivable from Secunderabad Cantonment Board (SCB) as of September 2023. There was no data with GHMC on year-wise dues receivable from the nine ULBs, one GP and SCB.

Non-realisation of dues of ₹47.77 crore¹⁰³ by GHMC had resulted in financial burden towards payment of TF to the Concessionaire to the extent of processing & disposal of MSW received from the nine ULBs, one GP and SCB.

3.6 Conclusion

Test-checked 14 ULBs did not make adequate provision of funds for capital investments for Solid Waste Management services. They did not fully utilise the funds allocated by the State under SBM-U towards SWM component, leaving 37 per cent of funds unutilised as on 31 March 2022. Greater Hyderabad Municipal Corporation (GHMC) did not make a periodical revision of user charges for household MSW collection with an annual escalation based on wholesale price index. Though mandated in the Manual, based on the category of the waste generators variable rates were not notified. GHMC did not review the mechanism for collection of user charges for MSW from the Railway stations, MMTS and Metro Stations under its limits and had not reconciled the user charges collected from the Railway stations generating more than 100 kgs of MSW per day, which have to be categorised as BWGs. GHMC failed to collect Tipping fee of ₹47.77 crore from nine Urban Local Bodies, one GP and Secunderabad Cantonment Board.

3.7 Recommendations

- (i) *State Government should direct the ULBs to make adequate budget provision towards SWM and effectively utilise the SBM-Urban funds received towards SWM component for creating adequate infrastructural facilities.*
- (ii) *State Government should direct GHMC for undertaking periodical revision of user charges for household MSW collection, to notify area-wise rates and variable rates based on the category of the waste generators.*
- (iii) *State Government should direct the ULBs to identify BWGs and apply the prescribed user charges rates for collection of MSW.*
- (iv) *State Government should direct the ULBs to review the mechanism of collection of user charges for MSW from all the Railway stations under the ULBs jurisdiction in consonance with the Manual provisions.*

¹⁰³ Nine ULBs and one GP: ₹19.34 crore and SCB: ₹28.43 crore