


CHAPTER-IV

FINANCIAL

MANAGEMENT



Chapter-IV Financial Management

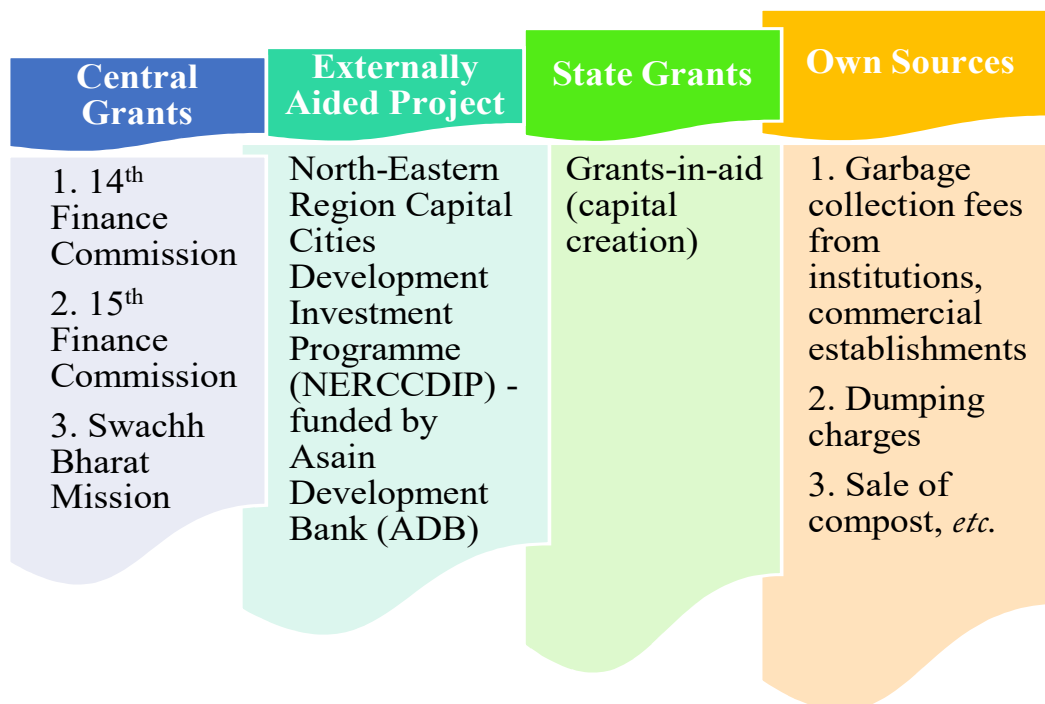
4.1 Introduction

Availability of sufficient and sustainable financing is key to the success of SWM activities. Ideally, the Municipal bodies and other local government institutions involved in managing municipal waste should be able to raise enough resources through user charges to be able to meet the expenditure pertaining to SWM activities.

This Chapter looks at the financial management of the State with regards to SWM activities.

Chart 4.1 provides an overview of various sources of financing available for solid waste management.

Chart 4.1: Sources of funds for SWM activities in Meghalaya

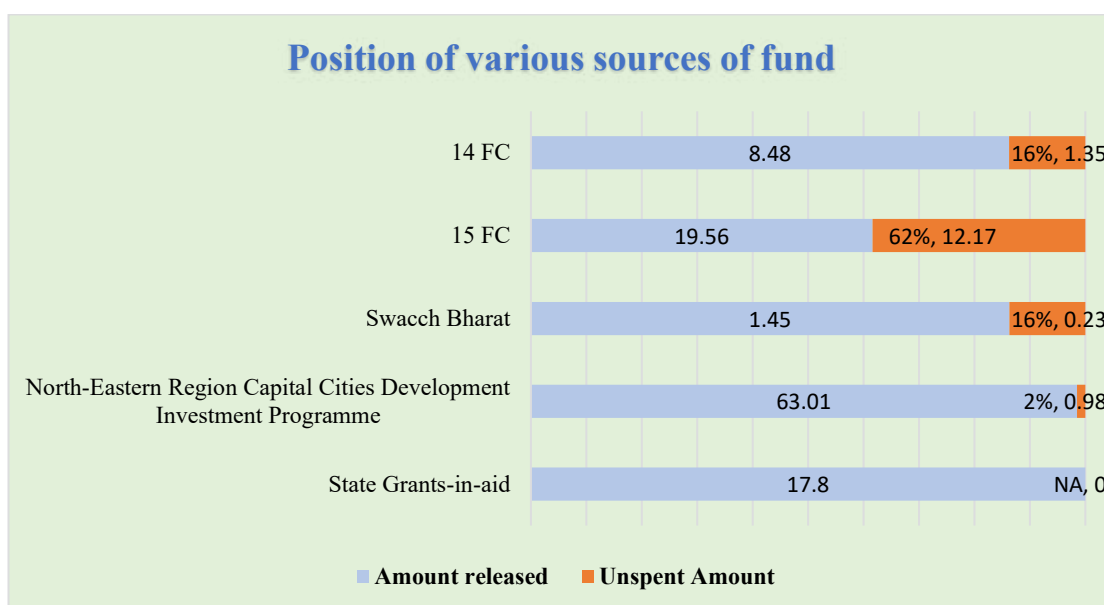
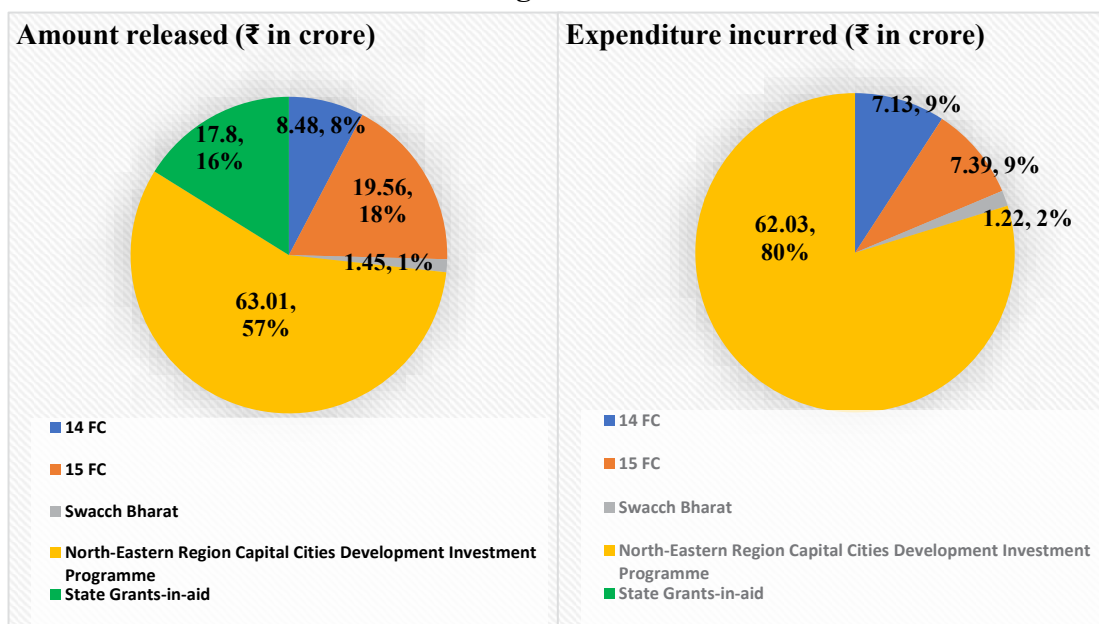


4.2 Sources of funds

During the period from 2017-18 to 2021-22 in Meghalaya, the State Government heavily relied on external funding from Asian Development Bank and Central grants, while the budgetary support from the State budget as agencies' own resources contributed only a minor share towards financing of Solid Waste Management activities.

Source-wise details of funds received, and expenditure incurred for SWM purposes in Meghalaya during 2017-18 to 2021-22, are shown in **Chart 4.2**.

Chart 4.2 : Funds released and expenditure incurred on SWM activities during 2017-2022



Source: Information furnished by Department/ULBs. However, information on expenditure incurred under State GIA was not furnished.

4.2.1 Dependence on ADB and Central Grants

During the five years period of 2017-18 to 2021-22 under audit, funds to the tune of ₹ 110.30 crore were allocated towards solid waste management in the State. As seen from **Chart 4.2** above, out of the total funds available, ₹ 63.01 crore. *i.e.* 57 per cent, were received as part of the externally aided project of the ADB funded NERCCDIP²².

²² The Government of Meghalaya, Finance (Economic Affairs) Department, vide Notification dated 05 January 2009 constituted the State Investment Project Management and Implementation Unit (SIPMIU) in Meghalaya for implementation of the North Eastern Region Capital Cities Development Investment Programme (NERCCDIP).

The objective of the NERCCDIP funding was to assist the State Government in providing the people living in the city with access to better urban services especially in the Solid waste management services and to help create citizens' awareness and behavioural changes with regards to waste management. The NERCCDIP funding was primarily for activities like construction of landfill, Compost plant at Marten, Shillong, procurement of Vehicles and equipment such as metal containers, bins, loaders *etc.* for SWM works, as detailed in **Table 4.1**.

Table 4.1: Primary projects implemented under NERCCDIP

(₹ in crore)

Sl. No.	Project component	Estimated Cost	Expenditure incurred
1.	Construction of Sanitary Landfill site at Marten	4.74	4.43
2.	Procurement of Primary and Secondary Collection Vehicles and Workshop Machineries for SMB area	1.37	1.31
3.	Procurement of different types of Bins and Personal Protective Equipment (PPE) for SMB area	1.90	1.90
4.	Construction of Garage cum Workshop shed and staff rest room at Marten	2.18	2.14
5.	Procurement of equipment for Landfill site and Compost Plant, Shillong	2.02	1.69
6.	Construction of additional landfill area of 8500 sq. m. and ancillary works at Marten	19.33	19.32
7.	Procurement of Equipment and Vehicles for Waste Management at Shillong	4.90	0.48
8.	Procurement of Primary and Secondary Refuse Collection Vehicles and Metal Containers for SWM in Greater Shillong	9.85	9.20
9.	Procurement of different types of Bins and PPE for SWM in Greater Shillong	6.70	6.53
10.	Construction of Civil Works and Supply, Installation, Testing, Commissioning and Trial Run of Mechanical Equipment of 170 TPD Compost Plant	16.32	16.24

Source: Information furnished by SIPMIU.

Thus, the funding support under this project was in the nature of one-time expenditure on construction of sanitary landfill, purchase of vehicles & equipment and construction of compost plant. However, there was no evidence available to ascertain the resources available for sustainable functioning of the vehicles and equipment purchased. In addition, the Sanitary Landfill in Marten is facing a reduced design life due to poor processing capability of the Compost Plant as discussed in **Para 6.4.3**. It is also pertinent to mention that the vehicles are 5-7 years old as they were purchased in 2015 and 2017 and may require more extensive maintenance in the near future. Further, the state received ₹ 29.49 crore, *i.e.* 27 per cent of the total funds, under 14 Finance Commission²³, 15th Finance Commission²⁴ and Swachh Bharat Mission (Urban).

²³ Procurement and repair of vehicles for Jowai, Tura, Williamnagar and Resubelpara Municipal Boards, Procurement of bins for Jowai, etc.

²⁴ Setting up of Bio Medical Waste Treatment Facility at Shillong, Tura, Williamnagar, Procurement of Garbage Tipper Trucks and other machineries for Jowai, Tura, Williamnagar and Baghmara Municipal Boards, etc.

Therefore, most of the SWM infrastructure funded by way of Central Grants during the audit period may not be sustainable in the long run without significant investment from the State Government for maintenance of the same.

The utilisation of funds during the period covered by audit under these schemes was to the extent of 84 per cent (14 FC), 38 per cent (15 FC), 84 per cent (Swachh Bharat) and 98 per cent (NERCCDIP) respectively as shown in **Chart 4.3**, reasons for low utilisation of 15 FC grants during the period covered by audit was due to delay in transfer of 1st instalment by GoM to the ULBs. Though GoI released the 1st instalment of 15 FC grants on 19 May 2020 (Untied grants) and 05 November 2020 (Tied grants), the State Government released the untied grants only on 22 January 2021 and the tied grants on 23 February 2022 after a delay of 248 days and 475 days respectively.

The budgetary support from the State's budget for SWM was ₹ 17.80 crore (16 per cent), during the five-year period.

Thus, on one hand the State was heavily dependent on external sources for financing the activities of SWM, on the other hand, the resources available were mostly tied to specific conditions. State's own budgetary support being meagre, this model of financing indicated a non-sustainable funding pattern for the SWM functions in the State.

4.3 Municipal Finances

The financial resources of the six Municipal Boards in Meghalaya from 2017-18 to 2021-22, primarily consisted of their own revenue, Central Finance Commission transfers and State Grants-in-aid, but a significant gap between operating revenue and operating expenses for Solid Waste Management activities exists due to insufficient collection of user charges, indicating the need for improved revenue generation and strict enforcement of SWM charges.

4.3.1 Overview of MB wise sources of revenue

The 74th Constitutional Amendment Act sought to empower ULBs to function as Local Self-Government and to deliver efficient & effective services for economic development and social justice with regard to 18 subjects²⁵ listed in XII Schedule of the Constitution. In Meghalaya, functions to the urban local bodies has been carried out under the Meghalaya Municipal Act 1973. Though the Director, Urban Affairs Department stated (June 2023) that Government of Meghalaya has devolved 16 functions²⁶ to the ULBs, it

²⁵ 1. Urban planning including town planning; 2. Regulation of land-use and construction of buildings; 3. Planning for economic and social development; 4. Roads and bridges; 5. Water supply for domestic, industrial and commercial purposes; 6. Public health, sanitation, conservancy and solid waste management; 7. Fire services; 8. Urban forestry, protection of the environment and promotion of ecological aspects 9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded 10. Slum improvement and upgradation 11. Urban poverty alleviation; 12. Provision of urban amenities and facilities such as parks, gardens, playgrounds; 13. Promotion of cultural, educational and aesthetic aspects; 14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums 15. Cattle pounds; prevention of cruelty to animals; 16. Vital statistics including registration of births and deaths; 17. Public amenities including street lighting, parking lots, bus stops and public conveniences; 18. Regulation of slaughter houses and tanneries.

²⁶ Except for (i) Fire Service and (ii) Urban Forestry, protection of the environment and promotion for ecological aspects.

was seen that only three²⁷ functions have been fully devolved and discharged²⁸ by the six Municipal Boards of Meghalaya of which solid waste management is one of the fully devolved functions. As such, it was expected that the State had put in place mechanisms for devolution of funds to the ULBs with respect to the functions devolved.

Audit noticed that the State Government is yet to set up the State Finance Commission even though the notification for the same has already been given in March 2012. Thus, there was no formal mechanism for the devolution of funds to the Municipal Boards.

Further, under Section 68 of the Meghalaya Municipal Act, 1973 (as amended), the MBs can impose within their limits, taxes on holdings (property tax), water tax, light tax, latrine tax, drainage tax, private markets tax, fees on carts, carriages and animals, registration fees for dogs and cattle and any other tax, toll and fee duly sanctioned by the Government.

However, the power to raise taxes by the Municipal Boards is limited due to absence of an elected Board. In Meghalaya, elections for the Municipal Boards have not been held ever since their formation²⁹.

Besides their own revenue, the MBs also receive Central Finance Commission (CFC) grants and State Government grants released through the Director, Urban Affairs Department for salary, maintenance and development purposes.

The overall financial position of all the six MBs during the period from 2017-18 to 2021-22 is tabulated below:

Table 4.2: ULB resources

(₹ in crore)						
Source	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Own Revenue	13.95	15.72	12.80	11.74	10.87	65.08
State Grants-in-Aid	4.50	8.54	6.07	20.67	49.20	88.98
Central Finance Commission (CFC) transfers	5.49	Nil	Nil	43.04	21.19	69.72
Total	23.94	24.26	18.87	75.45	81.26	223.78

It could be seen from the above that out of total receipts of ₹ 223.78 crore during 2017-22, ₹ 65.08 crore (29 per cent) was from their own revenue, ₹ 69.72 crore (31 per cent) was from CFCs while ₹ 88.98 (40 per cent) was from State Grants-in-Aid.

4.3.2 Resource gap for SWM in Municipal Boards

In order for the MBs to become self-sufficient in meeting operation and maintenance costs of SWM, it is desirable that the ULBs are able to generate sufficient revenue from their own resources. Strict enforcement of levy and collection of SWM charges is essential.

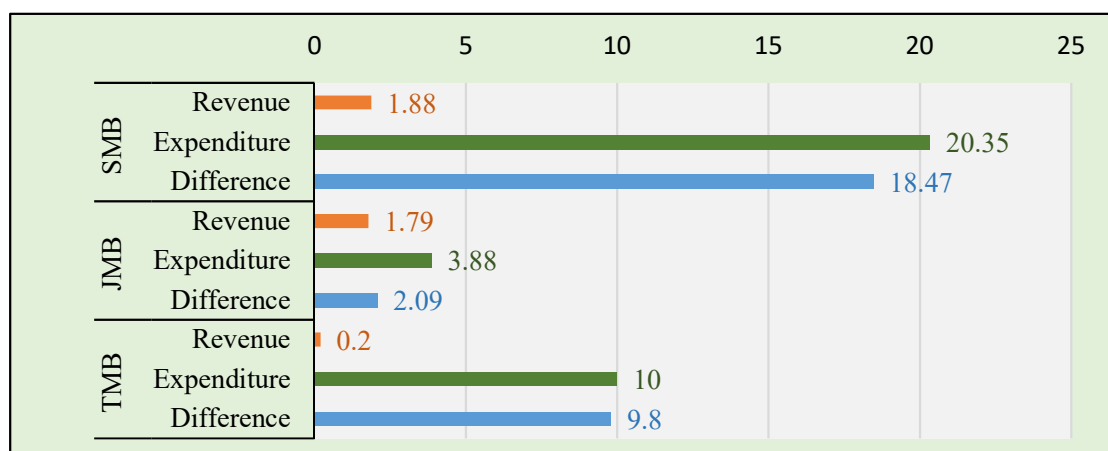
²⁷ (i) Public health, sanitation conservancy and solid waste management (ii) Urban poverty alleviation and (iii) Vital statistics including birth and deaths.

²⁸ For Public health, sanitation conservancy and solid waste management, all the five MBs was discharging this function except Williamnagar MB.

²⁹ Year of formation of SMB – 1913; TMB-1979; JMB-1995; WMB-1995; BMB-1995; RMB – 1997.

Test check of municipal finances³⁰ revealed that revenue receipts³¹ under SWM in the three test checked ULBs was not adequate to meet their revenue expenditure³² for the period from 2017-18 to 2021-22 as shown in **Chart 4.4**.

Chart 4.4: Resource Gap for SWM activities in selected ULBs for the period from 2017-22 (₹ in crore)



SMB, JMB and TMB could recover 9, 46 and 2 *per cent* respectively of the O&M costs. Compared to SMB and TMB, JMB fared relatively better in recovering the O&M costs. One of the main reasons for less recovery of O&M costs by SMB and TMB was due to non-levy of user charges from households which is discussed in the succeeding paragraph.

4.4 Collection of User charges

Despite the provision in SWM Rules and local bye-laws for the collection of user fees from households to cover solid waste management costs, most Municipal Boards did not collect user fee resulting in a significant loss of potential revenue that could have helped offset operating losses incurred in SWM activities.

Rule 15 (f) read with Rule 3 (54) of the SWM rules 2016 stipulates that the local authorities shall prescribe from time-to-time user fee and collect the fee from the waste generators on its own or through authorised agency to cover full or part cost of providing solid waste collection, transportation, processing and disposal services. As per Clause 16 of the Meghalaya Solid Waste Management Bye Law, 2020 which was notified by the Urban Affairs Department on 19 May 2020, an amount of ₹ 50 per household per month was to be charged by the local authorities *viz.* ULBs.

During audit, it was seen that Jowai Municipal Board was collecting user fees from the households for collection of solid waste. During the period from 2017-18 to 2021-22, out of total assessed User Fee of ₹ 2.67 crores, JMB had managed to collect ₹ 1.76 crores resulting in shortfall of ₹ 0.91 crore in collection of user fee. In Nongpoh,

³⁰ In Nongpoh Town Committee, the Dorbar Shnongs of the respective localities are carrying out the collection and transportation of waste from the localities.

³¹ Includes garbage collection fees from institutions, shops; penalties, sale of compost, *etc.*

³² O&M expenditure on SWM activities which includes salaries, wages, fuel, vehicle maintenance, *etc.*

the Town Committee was not involved in the collection and transportation of waste and it was managed by the Dorbar Shnongs of the localities from their own funds.

The other test checked ULBs have not collected the user fees during the period covered by audit resulting in loss of revenue as shown in **Table 4.3**.

Table 4.3: Details of loss of revenue due to non-collection of user fees from households (₹ in crore)

Name of ULB/Town Committee	Number of households (HH)	Amount of user fees not collected since June 2020 to March 2022
Shillong Municipal Board	34158 HH during 2020-21 & 34655 HH during 2021-22	3.79
Tura Municipal Board	13359 HH during 2021-22	1.47
Total		5.26

Source: Information furnished by the test checked ULBs/Town Committee.

It could be seen from the above that the SMB and TMB lost revenue amounting to ₹ 5.26 crore due to non-collection of user fees from households which could have mitigated the operating losses incurred by the ULBs on SWM activities.

During the Exit Conference (May 2023), the Department agreed with the audit observation and stated that the issue of collection of user fees as a standard charge under the Property Tax has been proposed in the Agenda before the Cabinet.

4.4.1 Finances of traditional local bodies (Dorbar Shnongs) in the Census Towns

It has been pointed out in Chapter II that in urban areas not falling under the Municipality or Cantonment Board, Dorbar Shnongs were responsible for SWM activities. Audit carried out a survey of 26 Dorbar Shnongs (localities) under Mawlai and Umpling Census Towns in East Khasi Hills District to ascertain the collection of user charges in census town areas.

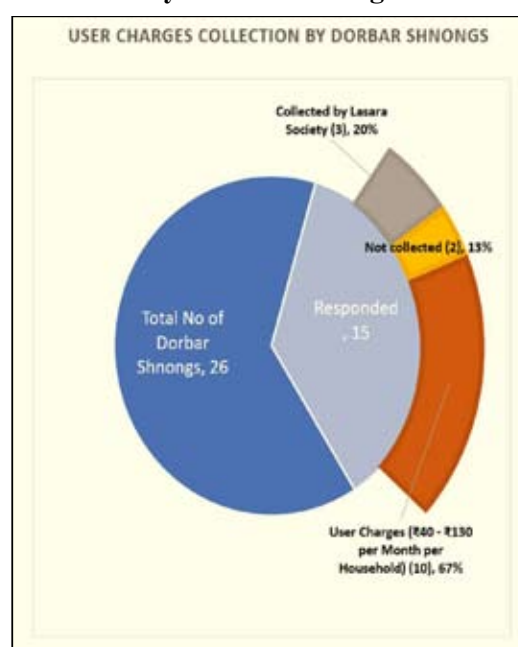
Responses received from 15 out of 26 Dorbar Shnongs surveyed revealed that user charges ranging from ₹ 40.00 to ₹ 130.00 per household per month were being collected in ten Dorbar Shnongs. Further, three Dorbar Shnongs had outsourced the waste collection to “Lasara Society” i.e. a Self Help Group, which was collecting household waste on payment basis from the individual households.

Best Practices

In Sikkim, Gangtok Municipal Corporation (GMC) engaged 22 NGOs (operators) to organise door to door collection of solid waste from households. User fee is collected by the NGOs from the households, part of which is shared with the GMC.

In Meghalaya, the Urban Affairs Department may explore the feasibility of carrying out similar initiatives in the urban areas.

Chart 4.5 - Collection of user charges by Dorbar Shnongs



No user charges were collected in the remaining two Dorbar Shnongs.

The survey thus revealed that though there was no institutional presence of the state or municipality in these areas, the traditional bodies and SHGs were playing an important role in municipal waste collection. However, in the absence of a legal framework in the form of bye laws governing the functioning of traditional institutions, the activity of household waste collection was carried out as an informal and unorganised activity. Determination of user charges was ad hoc and unscientific, while collection of user charges by these bodies seemed more as a way to augment the earnings of Dorbar Shnongs/SHGs, rather than as a means to sustain the SWM activity.

There were no records in SMB/Urban Affairs Department to indicate that this Society had been registered as a SHG by SMB/Urban Affairs Department.

Moreover, since the Dorbar Shnongs were not covered under any bye law nor were they recognised as a formal agency involved in household waste collection, no funds could be released to them under the state budget or under CFC grants.

It was interesting to note that although 87 *per cent* of localities under Mawlai and Umpling Census Towns were paying user charges to the Dorbars, SMB and TMB were yet to impose user charges in their jurisdiction up till the audit period.

4.5 Conclusion

Analysis of financial resources for the solid waste management in Meghalaya has brought out that over a period of previous five years, bulk of the financial resource has been received under the Asian Development Bank's external funded project of NERCCDIP. However, the NERCCDIP funding agreement being for a period of 10³³ years and for specified activities, this remained a finite source of fund. The Municipal Boards were unable to meet even the operational costs of collection and disposal of municipal waste due to poor collection of user charges. In the absence of any significant budgetary support from the state government, and lack of own funds in the Municipal Boards, the SWM activities in Meghalaya suffer from paucity of funds.

Recommendation:

5. Necessary steps should be taken for augmentation of sustainable financial resources of the Municipal Boards including system of collection of user charges and for strengthening their administrative capacity by recruiting the required manpower and imparting regular training to them to improve efficiency and effectiveness in solid waste collection, transportation and processing.

³³ Tranche 1- Date of loan agreement-04.08.2009, Loan closing date-22.06.2019.
Tranche 2- Date of loan agreement-19.11.2012, Loan closing date-22.06.2019.