



# Private sector participation in municipal waste management as a vehicle of PUC transformation and the regionalization of waste management

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# GTZ and PPP

GTZ as an organization for providing technical assistance and as a public sector which has over 300 PPP projects around the world, is interested in:

- Enforcement of law
- Transfer of knowledge
- Protection of the environment
- Poverty reduction

all with main goal of approximation to the EU standards.



# GTZ policy

- Private sector involvement in public services delivery is controversy debated around the world.
- In the Serbian context, GTZ is promoting PUC transformation through commercialization and regionalization in close cooperation with municipalities.
- Specially in places of transition with deficit in managerial know-how and investment capital, private sector involvement can be beneficial and is being supported by PPP projects.



# Short information

- Public – Private Partnership (PPP) involve private sector supply of infrastructure assets and services that have traditionally been provided by the government.
- This kind of program initially started in 1990s. PPP is quite new in Serbia and needs to be explored, developed and introduced to all parties.



# Short information for Serbia

Structure of public communal enterprises in Serbia shows that most of them provide many different services (according to Komdel).

Group of PUC	No. of companies
Specialized waterworks	30
Specialized heating companies	28
Combined waste, greenery and cemetery companies	11
Mixed communal companies	122
<b>TOTAL</b>	<b>191</b>



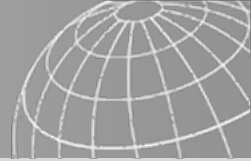
# Short information for Serbia

- Due to many crises in the past, most of these companies are poor, inefficient and large deficit have accumulated.
- By the law, waste management is a municipal obligation.
- Services provided by PUCs normally go along with rather low, non cost covering, tariffs. PUCs are relying on their founders (municipalities) when they need help and financial support.
- Their equipment is outdated, inefficient and expensive in using.



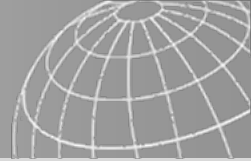
# Current problems of PUC in Serbia

- Lack of capital
- Lack of managerial capacity
- Lack of legal support
- Budgetary allowances
- Political influence in filling managerial positions.



# Private companies

- Profit oriented and therefore turned towards market and customers.
- In order to stay on the market they have to be competitive which means they must have better and more efficient equipment, modern business solutions and focus on customers.



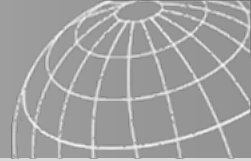
## Using private sector to solve the problems

- Limited engagement of private company can help in modernizing business operations of PUCs.
- There are many ways of bringing private sector into the waste management market, which is usually in local government hands, such as PPP, leasing of certain equipment, joint-venture, concession, privatization....
- Different forms and ways of including private sector are not to be discussed now, but only advantages of such cooperation and possibilities for PUC transformation and better waste management.



# First steps

- To form a successful PPP few adjustments are necessary first.
- First of all, municipality needs to provide certain conditions for PPP projects, otherwise all efforts from the private sector are useless. Those conditions are:
  - Policy (long term commitment of assembly)
  - Law enforcement based on frequent inspection
  - Campaigning on general public
  - Education in schools
- Also, there has to be understanding and support from the governmental level, such as laws, strategies, procedures...



# Benefits of PPP

The private company is being supported in covering activities which are typically not seen as private company obligation, such as information on legal framework, information on environmental concerns, campaigning, education...



# Advantages of PPP

- Once private company is on the market, it is interested to expand which means providing new services or expanding to new markets (municipalities).
- If company works in more than one municipality which are close to each other – it is even more cost-effective. Costs are smaller because of better utilization of labor force, better exploitation of equipment capacity and economies of scale in joint operation of a major regional landfill.



# Advantages of PPP

- In the case of non adjacent municipalities costs reduction can still be achieved by unity of central office, management and accounting.
- Based on existing experiences, opening of new working units is cheaper, faster and simpler.
- In order to implement such cooperation there has to be inter-municipal agreement and a proper legal framework.



# Advantages of PPP

Advantages for municipalities are:

- Overall cost reductions for municipality's budget
- Transfer of responsibility in providing optimal technical solutions
- All technical risks transferred to private company
- Municipality's employees move from technical to supervisory function
- Success-oriented payment system can be used by private company, which helps increasing efficiency.
- Recycling activities more likely to be promoted by private company.



# Challenges for PPP projects

- Full cooperation of partners needed.
- Since costs covering tariffs have to be introduced by private company, public opinion may turn against local government.
- Joint information about cost covering services needed.
- Tendering must be done in a proper and professional way, and lead to well balanced contracts which protect both sides.



# Fundamentals for well functioning of PPP projects

- good legal framework,
- professional company management,
- Visible improvements in service delivery.



*THANK YOU FOR YOUR ATTENTION!*

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