



TRAINING MANUAL 4 Private Sector Participation

Module 4-3: Choice of the Appropriate Contract Model PSP for Waste Collection Services

Prepared by the International Consortium
GTZ-ERM-GKW



This Training Module is part of the

TRAINING MANUAL 4: ISWM Private Sector Participation for Waste Management Services

This training Module has been prepared in support of capacity development of waste management service delivery through Private Sector Participation (PSP), Second category – “Choice Appropriate Contract Models”, and forms the second module of this Section.

It focuses on the different options and key aspects of PSP for waste collection services. Special regard is also given to the social issues involved with private sector participation (especially labour redundancy and involvement of the informal sector).

Note: A general discussion of advantages and disadvantages of different contract options is provided in Module 4-2 whereas PSP for the implementation of waste management facilities is discussed in Module 4-3.



Content

- I Key Characteristics of PSP for Waste Collection
- II Institutional and technical capacities required for implementation
- III Adjusted approaches for cities with different sizes/ zoning of the service area
- IV Combination of street sweeping and waste collection contracts
- V Role of public service providers
- VI Collection of recyclable fractions and role of the informal sector
- VII Summary and Conclusion

2

TRAINING MANUAL 4 - MODULE 4-3



I Key characteristics of PSP for waste collection
to describe the key characteristics that distinguish PSP for waste collection services from PSP for WM facilities

II Institutional and technical capacities required for implementation
to discuss different options and required capacities and capabilities

III Adjusted approaches for cities with different sizes/ zoning of the service area
to outline the advantages and limitations of large collection zones

IV Combination of street sweeping and waste collection contracts
to identify advantages and disadvantages of combined service contracts

V Role of public service providers
to discuss the new role of the public service provider with special regard to labour redundancy

VI Collection of recyclable fractions and role of the informal sector
to address the critical issue of future involvement of the informal sector

VII Summary and Conclusion
to summarise lessons learned and identify major conclusions

I. Key Characteristics of PSP for Waste Collection (1)

- Costs for SWM collection and street sweeping are often high
- SWM costs consume a major portion of the municipal budget
- Well prepared contracts should lead to reasonable costs for the provision of adequate services
- Compared to waste disposal, labour costs are more and capital costs are less



3



Key Characteristics of PSP for Waste Collection

Contracting of solid waste collection and/ or street sweeping services should be the first step towards PSP in MSWM due to the following reasons:

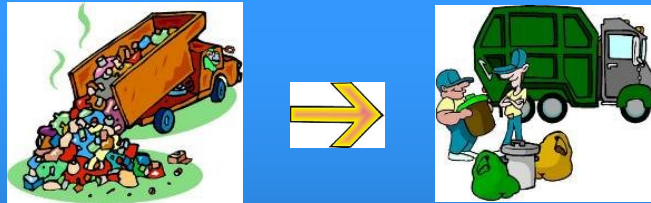
- Costs for solid waste collection and street sweeping often constitute the predominant costs of all WM services (*up to 80% of all SWM costs*)
- They also often represent a major portion of the municipal budget (*although service provision and following disposal often is insufficient*)
- Well prepared contracts should lead to reasonable costs for the provision of adequate services

Note: due to higher efficiency and better motivation in the public sector the service costs might be lower in the long term.

Note: Appropriate service levels need to be defined by the contracting authority. The highest service level is inappropriate if it cannot be financed!

- Compared to waste disposal, labour costs are more and capital costs are less. (*no facilities are required for collection*)

I. Key Characteristics of PSP for Waste Collection (2)



- Via a more optimised operation of waste collection vehicles, overall cost savings and economies of scale can be achieved
- No long term impacts (“externalities”) in the event of poor performance by the private sector
- ⇒ Waste collection and street sweeping should be the starting point for PSP in view of the immediate visible benefits and limited risks

4



Key Characteristics of PSP for Waste Collection

- However, especially with regard to a more optimised operation of collection vehicles, overall cost savings and economies of scale can be readily achieved (*e.g. use of modern compaction vehicles or waste bins*)
- Collection and street sweeping have no long term impacts (“externalities”) in the event of poor performance by the private sector.
(*In case of poor performance the contract can be terminated, a new contractor can be identified within a short period or services might be provided again via the public sector*)
- In view of the above reasons, waste collection and street sweeping should be the starting point for private sector participation as they provide more immediate benefits and related risks are limited.

Waste Collection and Transfer



5

TRAINING MANUAL 4 - MODULE 4-3



Waste Collection in Egypt

- Fleet of new collection vehicles of an international Operator in Cairo working under a long term contract
- Workshop facilities of an international Operator in Alexandria working under a long term contract
- Collection vehicles of a private Egyptian Operator working under a 3 year collection contract
- Roll on – roll off container and container vehicle of the private Operator in Egypt

Waste Collection and Transfer



- Long distance transfer vehicle in Amman, Jordan (public operator)
- Weighbridge at a transfer station in Alexandria with an incoming collection vehicle
- Different types of collection containers in Egypt operated by the private sector
(Note the different maintenance and cleaning conditions!)

Street Sweeping



7

Street Sweeping in Egypt

- *Manual and mechanised street sweeping in different Egyptian Cities*
- *Different sweeping methods have different efficiency*
- *(However no sweeping vehicle in front of the pyramid as is would negatively effect tourism!)*



II. Institutional and Technical Capacities Required for Implementation (1)

- Responsibility for waste collection in the region is usually at the municipal level
- Assessment of options and decisions with regard to the privatisation approach, preparation of tender documents, execution of procedure and contract management, should thus be undertaken at the municipal level
- The capabilities to execute such procedures need to be developed
- However, as these decisions do not involve significant capital investment in facilities the institutional and technical capacities required are not as extensive as those required for the implementation of facilities

8

TRAINING MANUAL 4 - MODULE 4-3



Institutional and technical capacities required for implementation 1

- Responsibility for service contracts for waste collection in the region is usually at the municipal level.
Nevertheless, important framework conditions need to be provided via the central government (e.g. contract framework with sufficient contracting periods, provision of suitable mechanisms for cost recovery)
- Assessment of options and decisions with regard to the privatisation approach, preparation of tender documents, execution of procedure and contract management, should thus be undertaken at the municipal level.
This is a challenging task especially if PSP is going to be implemented for the first time. Assistance and support from a central entity should be considered!
- The capabilities to execute such procedures need to be developed.
A separate WM unit responsible for planning, implementation and contract management need to be developed. Private service provision should be strictly separated from public contract management and monitoring.
- However, as these decisions do not involve significant capital investment in facilities (as compared to waste disposal/treatment) the institutional and technical capacities are not as extensive as those required for the implementation of facilities.
This is one major reason why waste collection might be a starting point for PSP!



II. Institutional and Technical Capacities Required for Implementation (2)

- Cooperation with and IFI is usually not required
 - Consulting services to assist with the procedure and during conduction are not usually used
(Municipal departments can often prepare simple tender documents without external assistance)
- Contract monitoring is a key issue in the process
- There is a changing role of the contracting authority from service provider to contracting agency

9



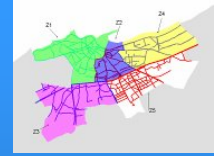
Institutional and technical capacities required for implementation 2

- Cooperation with international banks is usually not required
Except where waste collection is part of a more comprehensive waste management investment project.
IFI do not usually finance operation of waste collection systems - collection equipment, especially collection vehicles are usually owned by the private operator
- Consulting services to assist with the procedure and during conduction are not usually used. Quite often, a municipal department (i.e. solid waste department) prepares tender documents itself.
....and could therefore repeat mistakes that have been made earlier in other municipalities. Support from an experienced consultant, a central entity or at least information exchange with other municipalities that already have implemented PSP might add considerable value to the approach.
- Contract monitoring is a key issue in the process.
The best PSP approach will fail if conduction of services is not monitored carefully.
- There is a changing role of the contracting authority from service provider to contracting agency
i.e. More planning, supervision, monitoring and review of operations, and less direct involvement in day-to-day operations (contract development and management instead of operation)

III. Adjusted Approaches for Cities with Different Sizes/ Zoning of the Service Area (1)

Level of Urbanisation:

- Considerable variation of urbanisation and city size in the region requires adopted approaches for PSP/ sizing of collection zones
- Advantages of large collection zones:
 - enables increased efficiency through economies of scale
 - Some international Operators may only be attracted to large contracts
- Disadvantages of large collection zones:
 - Competition between capable service providers might be limited especially in the case of a non developed marketplace
 - Limited opportunities for small and medium scale companies
 - Indirect creation of regional monopolies



10



Adjusted approaches for cities with different sizes/ zoning of the service area 1

- Within the METAP region and in each individual country, the level of urbanisation and the size of the municipalities and cities as well as urban areas varies considerably. *Adopted approaches especially with regard to the size of the collection zone need to be identified.*
- Considering the size of collection zones there are conflicting objectives / goals:
 - On the one hand, large collection zones enable the service provider to increase efficiency through economies of scale
Examples of such effects are the need for only one workshop/ zone, an increasing flexibility with regard to replacement of equipment in case of maintenance and break down, the option of using specialised vehicles for certain areas, the reduction of overhead or decreasing purchasing cost for more equipment.
 - In addition, international waste management operators might only be interested in participation in procurement procedures for service contracts if the service area and contract values are quite substantial.
 - On the other hand, it is necessary to create competition between several service providers who are capable of providing the service in the relevant area (*well developed marketplaces are rare in the Region*).
 - In case of non developed market places there might be an insufficient number of bidders capable of executing the services. Small and medium scale companies have limited opportunities to participate in the procurement process.
- Furthermore the award of a large contract to one bidder might create a regional monopoly (*with negative long term effects such as increasing prices and decreasing performance quality*).
- The division of a big service area and award to separate private companies strengthens the long term competition within the region and also provides the opportunity to replace one service provider that does not fulfil their contractual requirements. (*fall back position*)



III. Adjusted Approaches for Cities with Different Sizes/ Zoning of the Service Area (2)

Minimum Service Area:

- Smallest unit to be operated by one private service provider:
 - > 5 vehicles
 - > 50,000 – 100,000 residents
- Municipalities < 50,000 – 100,000 residents should consider formation of an inter-municipal cooperation (this requires a unified performance specification)
- Example: Options for the development of an inter-municipal cooperation will be assessed within this project in the national activity for Tunisia: Preparation of an inter-municipal integrated waste management plan for Nabeul, Hammamet, Beni Khair and Dar Chaabane

11



Adjusted approaches for cities with different sizes/ zoning of the service area 2

- However, even in the case of separated service areas, the smallest units to be operated by a private service provider should ideally involve at least five vehicles or 50.000-100.000 residents
in order to achieve economies of scale, flexibility and redundancy. Municipalities of this size should only define one collection zone.
- Municipalities with less than 50.000 –100.000 residents should consider forming an inter-municipal cooperation
in order to define a joint collection zone and performance specification and tender the contract to one service provider.

Example from Tunisia:
 - There are several examples of small neighbouring communities which execute individual procurement procedures and are ultimately served by the same service provider under separate contracts with different technical specifications.
 - This does not allow a balanced service provision and is resulting in higher prices in some areas and is the consumption of a lot of administrative resources.
 - Formation of inter-municipal cooperation might therefore considerably improve the situation and lower costs.
 - However, such cooperation requires the joint definition of standards, which to a certain extent reduces the sovereignty of each municipal council. As the collection of waste is often a sensitive item, willingness to define compromises is usually very limited.
 - Note: Options for the development of an inter-municipal cooperation will be assessed within this project in the national activity for Tunisia: Preparation of an inter-municipal integrated waste management plan for Nabeul, Hammamet, Beni Khair and Dar Chaabane.



III. Adjusted Approaches for Cities with Different Sizes/ Zoning of the Service Area (3)

Approach for Big Cities:

- Big cities could split service areas into several equal service zones
- Example:
 - The tender procedure for solid waste collection/ street sweeping for Casablanca, Morocco divides the whole city into 5 lots
 - These lots could be awarded to different Contractors
 - Award of several zones to one Contractor is also possible
- Involvement of international operators requires large zones >> 400,000 residents and/ or comprehensive packages including transfer, treatment, disposal
- PSP should be implemented in a step-by-step approach to develop the market and support the phase out of the public service provider
- Tools for a detailed Zoning Study are available in the Regional Guidelines

12



Adjusted approaches for cities with different sizes/ zoning of the service area 3

- Bigger cities might split service areas into several equal service zones as outlined in the Morocco example
Equal or at least similar service zones have the advantage that the different operators can be compared and benchmarked easily.
- Where international contractors would be involved, the zones should at least have approximately 400.000 residents to attract foreign interest.
In order to attract the bigger and more experienced international contractors even much larger collection zones or the definition of procurement packages which combine the services of waste collection, transfer and disposal should be considered. However, for disposal a systematic planning with a phased extension of the sanitary landfill has to be studied in advance.
- PSP should be implemented in a step by step approach to develop the market (*as the Operators need to learn and improve as well*) and support phase out of the public service provider (*the problem of labour redundancy will be addressed at a later stage in this presentation*)
- The final decision with regard to the service area should be based on a Zoning Study for Privatisation of Waste Collection (*Please refer to attached Tool PSP 3.2: "Sample TOR Zoning Study for Privatisation of Waste Collection"*).



III. Adjusted Approaches for Cities with Different Sizes/ Zoning of the Service Area (4)

Analysis of the Marketplace:

- Are there other cities in the region/ country that are already served by private collection companies?
- How many private firms in the region / country are offering the services required in the collection zone?
- What are their capabilities (staff, vehicles, workshops)? Are they sufficient to serve the whole collection area?
- What is their experience with regard to the quality of their performance and capability to invest in new equipment?
- Does the service require international involvement with regard to know how or financing of equipment?
- Are international waste management operators already engaged in the region/ country and interested in providing services and what are the minimum requirements to attract their interest?

13



Adjusted approaches for cities with different sizes/ zoning of the service area 4

- Furthermore an analysis of the marketplace including the interest of international operators, should be performed *in order to decide on the approach and to assess information for the elaboration of the procurement procedure.*

The main questions that should be clarified within the framework of such a market study are listed as follows:

- Are there other cities in the region/ country that are already served by private collection companies? (*learn from their experience!*)
- How many private firms in the region/ country are offering services as required in the collection zone? (*is there competition?*)
- What are their capabilities (number of staff, vehicles, workshops)? Are these capabilities sufficient to serve the whole collection area? (*adjust the approach to the existing market*)
- What is the experience with regard to the quality of their performance and opportunity to invest in new equipment for providing services? (*try to attract suitable companies and to exclude poor service providers via definition of minimum requirements*)
- Does the service require international involvement with regard to know how or financing of equipment? (*especially in case of big cities where there is a need for advanced logistics*)
- Are international waste management operators already engaged in the region/ country and interested in providing services and what are the minimum requirements to attract their interest? (*what are the experiences in the respective country?*)

III. Adjusted Approaches for Cities with Different Sizes/ Zoning of the Service Area (5)

Conduction of Cost Estimation:



- What are the current cost of comparable services (similar standards) in the region?
- What are the current costs of the public service provider?
- Is the contracting authority able to achieve cost recovery and to guaranty payments to the private service provider via the revenues from taxes or the municipal budget?

14

TRAINING MANUAL 4 - MODULE 4-3



Adjusted approaches for cities with different sizes/ zoning of the service area 5

In addition a cost estimation needs to be prepared in order to assess the prices offered by the bidders:

- What are the current costs of comparable services (similar standards) in the region?
Try to get a feeling for the expected costs via evaluation of experiences from other municipalities
- What are the current costs of the public service provider?
Increase or decrease of costs for private sector service provision and success of PSP cannot be assessed if current costs of public service provision are unknown
- Finally it is necessary to establish whether the contracting authority is able to achieve cost recovery and to guarantee payments to the private service provider via the revenues from taxes or municipal budget.
If cost recovery cannot be ensured each PSP approach will fail. Ensure cost recovery and tailor service specification according to the financial capabilities
- Within this framework it has to be clarified as well if customers are willing and able to pay for the standards delivered.
Please refer to Tool PSP 5.3: "TOR Demand Assessment and Willingness to pay survey"

IV. Combination of Street Sweeping and Waste Collection Contracts (1)

- Currently waste collection and street sweeping are often combined and provided by the public service provider
- Advantages of service combination:
 - Both services have the same aim
 - Combination reduces interfaces between service providers
- Disadvantages of service combination:
 - Street sweeping often has to be performed manually involving large amounts of street sweepers but no major equipment
 - Service provision requires only limited technical know how and mechanisation and is not attractive for operators



15

Combination of street sweeping and waste collection contracts 1

- In several countries in the region waste collection services are traditionally provided together with street sweeping services. These services are often provided by the public sector via a municipal cleansing department.
- The combination of these services and execution via the same service provider has some advantages:
 - In general, both services have the aim of cleaned streets without waste accumulation.
 - In the case of combined services there is no interface between service providers *and therefore no conflict where there is dumped waste on the street.*
 - *In the case of separate contracts, especially if waste is collected in plastic bags without bins, there is always a conflict with regard to the competence and responsibility. The waste collector tends to shift responsibility for dumped waste to the street sweeper and vice versa.*
 - *The technical interface of handing over waste from street sweeping to waste collection can be handled in a pragmatic manner.*
- However, there are also some disadvantages, namely:
 - Depending on the urbanisation and type of area, street sweeping services often have to be performed manually involving large amounts of street sweepers without major technical equipment.
 - *Several operators in the region stated that these types of business are not the preferred one as it has too little mechanisation and requires only limited technical know how. Street sweeping services are only offered due to the requested combination with waste collection.*



IV. Combination of Street Sweeping and Waste Collection Contracts (2)

- In case of the first introduction of privatisation, separation of street sweeping and waste collection could be considered
 - Waste collection services could be tendered and provided by private companies whereas
 - Street sweeping services could be linked with other public services like operation of markets or green area maintenance

Example:

- Within the framework of contracting waste collection services in Tunisia, several municipalities decided to use their previous waste collection personnel for street sweeping services and link those services with other departments (such as green area maintenance and gardening)

16



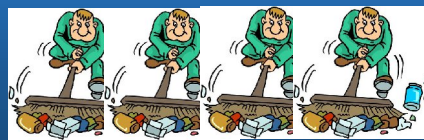
Combination of street sweeping and waste collection contracts 2

- In case of the first introduction of privatisation (i.e. where street sweeping is provided by the public sector) it could be worthwhile to consider the separation of street sweeping services from waste collection services.
 - Waste collection services could be tendered and provided by private companies whereas
 - Street sweeping services could be linked with other public services like operation of markets or green area maintenance.
- *This approach has the advantage that labour redundancy is limited*
- Example:
Within the framework of contracting waste collection services in Tunisia, several municipalities decided to combine the services and contract them to private operators whereas other municipalities decided to use their previous waste collection personnel for street sweeping services and link those services with other departments (such as green area maintenance).

V. Role of the Public Service Providers (1)

Labour Redundancy – a major obstacle for PSP:

- One of the main objectives of PSP is to provide more efficient and cost effective services using personnel and equipment provided by the private contractor
- Minimisation of dismissal of public staff within the framework of PSP is a pressing concern
- In several countries, it is not practical to dismiss public sector employees or is at the very least difficult, and this often creates several social problems



17

Role of the Public Service Providers

Labour Redundancy – a Major Obstacle for Privatisation

- One of the main objectives for involving the private sector in the delivery of waste services is to provide more efficient and cost effective services.
Private sector companies are expected to use more efficient equipment and encourage and motivate their personnel in an effective way. A typical service contract for waste collection and street sweeping is let on the basis that personnel and equipment for the execution of services will be provided by the private contractor.
- However, a pressing concern for all public waste management providers (e.g. *municipal waste management or public cleansing departments and as well the political decision makers that have to decide on PSP*) is to minimise dismissal of waste management employees within the framework of PSP.
- In several METAP countries, it is not practical to dismiss public sector employees or at the very least, difficult, and often creates several social problems.



V. Role of the Public Service Providers (2)

Labour Redundancy – a major obstacle for PSP:

- Numerous examples in which the management staff of the public service provider already know that their utility is overstaffed
- However, due to political and social reasons the inefficient system continues
- Key issues to be addressed include:
 - What to do with the staff of the department that are not required by a private sector operator?
 - How to minimise social conflicts with individual workers and their labour unions / political parties?

18

TRAINING MANUAL 4 - MODULE 4-3



Role of the Public Service Providers

Labour Redundancy – a Major Obstacle for Privatisation

- This problem gets even more serious in cases where the public service providers are often already overstaffed.
The case has been reported of a major city that was served with a total staff of 3000, of which only about 1500 would be required to deliver an effective service.
- However, due to political and social reasons the inefficient system continues
(employment, even in the waste management sector is often used as an incentive for supporters of a political group/ party)
- Key issues to be addressed include:
 - What to do with the staff of the department that are not required by a private sector operator?
 - How to minimise social conflicts with individual workers and their labour unions / political parties?



V. Role of the Public Service Providers (3)

Labour Redundancy – a major obstacle for PSP:

Approaches to solve the problem and related implications

- a. Freezing the hiring of new staff/ staged approach
- b. Identification of new tasks and service areas
- c. Transfer of personnel to the private service provider

19



Labour Redundancy – a Major Obstacle for Privatisation

Approaches to solve the problem and related implications

- a. Freezing the hiring of new staff/ staged approach
- b. Identification of new tasks and service areas
- c. Transfer of personnel to the private service provider

These approaches are described in the following slides

V. Role of the Public Service Providers (4)

a. Freezing the hiring of new staff/ stages approach

- Stop recruitment of public sector staff as early as possible, wherever practicable
- Over an extended period of time the size of the public workforce should reduce
- Implementation of a staged phase-in of private sector operators in a step-by-step approach for several service areas
- Staged approach needs a long period to reduce the total number of workers



20

TRAINING MANUAL 4 - MODULE 4-3



Labour Redundancy – a Major Obstacle for Privatisation

a. Freezing the hiring of new staff

- Where PSP is to be included as part of or the whole service, the first step that should be taken is to halt recruitment of public sector staff as early as possible, wherever practicable.
- Over an extended period of time the size of the public workforce should reduce *old workers retire and other workers search for new job opportunities within the private sector*
- This allows a staged phase-in of private sector operators in a step by step procurement approach for several service areas.
In addition such an approach:
 - *Provides the opportunity for staff to broaden their skill base;*
 - *Helps to develop the market of private sector waste management operators ,*
 - *minimise risks,*
 - *Could also help to improve the efficiency of public service provision who would then be in a strong position to compete for future tenders.*
- However such staged approach needs a long period in order to reduce the total number of workers *and is only possible in areas that can be divided into several collection zones*



V. Role of the Public Service Providers (5)

b. Identification of new tasks and service areas - 1

- If freezing of recruitment is not sufficient or impractical, consider shifting staff to other departments / service sectors

Example 1:

During the staged privatisation of waste management services in Cairo public sector personnel were:

- Shifted to other service areas which had previously not been served at all or required more staff
- Moved to other governorates outside Cairo in order to deploy their services at the various public utilities
- Furthermore, in Cairo there is still a public sector waste collection task force which can take over service delivery in the event of poor performance of the private operator

21



Labour Redundancy – a Major Obstacle for Privatisation

b. Identification of new tasks and service areas 1

- In circumstances where the freezing of recruitment is not sufficient or impractical, consideration should be given to shifting the public sector staff to other departments or service areas.

Note to the Egypt Example:

- *This approach is only possible as long as the service provision is insufficient or understaffed in certain areas.*
- *The workers might provide valuable services but still need to be paid! Therefore the overall savings on the municipal budget are limited.*

V. Role of the Public Service Providers (6)

b. Identification of new tasks and service areas - 2



Example 2:

- In several Tunisian Municipalities previous waste collection staff have been moved to other departments such as street sweeping or green area maintenance.
- In addition, re-training can be offered to public sector staff in order to enhance their qualifications for work in other public sector departments, or encourage them to seek work in the private sector

22

TRAINING MANUAL 4 - MODULE 4-3



Labour Redundancy – a Major Obstacle for Privatisation

b. Identification of new tasks and service areas 2

Note to the Example:

- From Tunisia it has been reported that previous waste collection staff have been moved to other departments of the municipal administration such as street sweeping or green area maintenance. In combination with an overall reduction of recruitment in all departments this led to a situation with no need for dismissal.
- In addition, re-training can be offered to public sector staff in order to enhance their qualifications for work in other public sector departments, or encourage them to seek work in the private sector. This could also include starting a micro enterprise business.

V. Role of the Public Service Providers (7)

c. Transfer of personnel to the private service provider - 1

- Often the new private sector service provider is obliged to take over the whole or at least a defined portion of the public staff
- Requirements are pre-defined in the tender documents and fixed within the contract
- Attractive and simple approach for the public sector



23

Labour Redundancy – a Major Obstacle for Privatisation

C Transfer of personnel to the private service provider

- A common approach to reduce the number of public sector staff is to oblige the new private sector service provider to take over the whole or at least a defined portion of the public staff.
- This obligation is usually pre-defined in the tender documents and fixed within the contract.
- This option seems to be very attractive for the public sector *as it circumvents the normal severance pay requirements of the government.*



V. Role of the Public Service Providers (8)

c. Transfer of personnel to the private service provider - 2

- Potential disadvantages:
 - Often private sector operators prefer to hire new staff
 - The approach could be unfair to older employees
 - In cases where the number of employees to be transferred to the private operator is excessive, the chances of increasing efficiency (and reducing costs) are severely limited
 - Salary levels in the public waste management utilities are often quite generous for some senior staff (unwillingness to transfer)

24

TRAINING MANUAL 4 - MODULE 4-3



Labour Redundancy – a Major Obstacle for Privatisation

C Transfer of personnel to the private service provider

However, this approach has potential disadvantages.

- Often private sector operators prefer to hire new staff , *as they do not rate the motivation, performance and productivity of public sector staff and*
- Such an approach could be unfair to older employees *who have worked for many years in the public sector with the expectation of employment security and a full pension.*
- In cases where the number of employees to be transferred to the private operator is excessive, his chances of increasing efficiency (and reducing costs) are severely limited. *Services are thus likely to continue to be delivered in an inefficient manner.*
- Furthermore, salary levels in the public waste management utilities are usually quite generous for some senior staff, who are thus often unwilling to be transferred to the private sector. (*resistance*)



V. Role of the Public Service Providers (9)

c. Transfer of personnel to the private service provider - 3

Example :

- From Akaba, Jordan it has been reported that the contractual obligation for taking over personnel finally led to the dismissal of 50% of the previous public sector staff and the need for compensation payment

Example :

- In Alexandria, the new operator has been obliged to take over a portion of the public waste management staff
- Staff have been equipped with new uniforms and vehicles
- Motivation and encouragement played a key role
- Staff are now proud to work in the sector and jobs are attractive

25



Labour Redundancy – a Major Obstacle for Privatisation

C Transfer of personnel to the private service provider

- Example: From Jordan (Akaba) it has been reported that such an obligation finally led to the dismissal of 50% of the previous public sector staff and the need for severance payment/ compensation (1 months salary).

However, there are other examples of transfer of public sector staff:

- Example: In Alexandria the new waste management contractor ONYX has been obliged to take over the public waste management staff. They equipped the staff with new uniforms and vehicles and managed to motivate and encourage them. Now it has been reported, that staff are proud to work in the waste management sector and jobs are attractive. *(However, several workers quit their jobs as they were not interested in working under the new framework conditions)*



V. Role of the Public Service Providers (10)

c. Transfer of personnel to the private service provider - 4

- To manage the issue of transfer of personnel different options should be explored
- The private sector bidder should be required to define different prices for a variety of scenarios involving to take over all staff, a selected portion or no staff at all
- Based on these priced options the contracting authority has the opportunity to select an appropriate option

26

TRAINING MANUAL 4 - MODULE 4-3

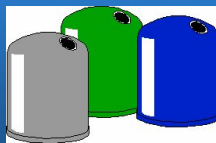


Labour Redundancy – a Major Obstacle for Privatisation

C Transfer of personnel to the private service provider

- To manage the issue of transfer of personnel different options should be explored. *(as early as possible)*
- The private sector bidder should be required to define different prices for a variety of scenarios involving the take over of all staff, a selected portion or no staff at all.
- Based on these priced options the contracting authority has the opportunity to select an appropriate option.
This would at least make the decision transparent.
- *A mixed approach considering and combining different options might be useful*

VI. Collection of Recyclable Fractions and Role of the Informal Sector (1)



- Collection of recyclable fractions is currently underdeveloped in the Region
- Recycling is often performed by the informal sector
- Within the framework of a formal PSP the collection of recyclable waste fractions could be:
 - a. integrated into the service contract for collection of household waste (comprehensive approach) or
 - b. managed under separate contracts
- Approach (a) is typical for industrialised countries with a well developed market for recyclable materials. The interfaces between different collections systems are minimised.

27

Collection of Recyclable Fractions and Role of the Informal Sector

- Collection of recyclable fractions currently is underdeveloped in the Region (*Strengthening of Recycling considerably would help to decrease the current waste management problems*).
- In the region recycling often is performed by the informal sector (*Private Sector Participation without formal contracts!*)
- The collection of recyclable waste fractions might be integrated in the service contract for collection of household waste or might be managed under separate contracts.
- The first approach is typical for industrialised countries with a well developed market for recyclable materials. The interfaces between different collections systems are minimised.



VI. Collection of Recyclable Fractions and Role of the Informal Sector (2)

However, the transfer of comprehensive approaches to the METAP region has several disadvantages:

- Advanced collection systems lead to additional costs that may not be recovered from the waste generators
- These approaches are often not tailored to the market conditions and not flexible enough to react to changes
- In addition, there are problems with regard to insufficient number and capacity of recycling facilities
- Capabilities and know how of the informal sector is often not considered at all - refusal of the informal sector to participate could lead to social conflicts

28



Collection of Recyclable Fractions and Role of the Informal Sector

However, the transfer of such an approach to the METAP region has several disadvantages.

- Implementation of an advanced collection system leads to additional collection costs that might not be recovered from the waste generators. *(several containers for recyclable waste fraction, several collection vehicles etc.)*
- These approaches are often not tailored to the market conditions and are not flexible enough to react on changes. *(market conditions for recyclable materials often change within short time periods)*
- In addition, there are problems with regard to insufficient number and capacity of recycling facilities. *(recycling so far usually is provided by the informal sector or small scale industries)*
- In the region recycling often is performed by the informal sector. *(There are several examples where with simple methods considerable added value is created.)*

The extension of services including recyclable materials *and excluding the informal sector* might lead to social conflicts

VI. Collection of Recyclable Fractions and Role of the Informal Sector (3)

- It is worth noting that the informal sector is often much more flexible and effective to perform these services
- Therefore the approach should be to integrate existing informal sector into the system as far as possible
- Major obstacles related the involvement of the informal sector:
 - How to make a contract with whom?
 - How to define the interfaces?
 - How to guarantee a certain standard?

29

TRAINING MANUAL 4 - MODULE 4-3



Collection of Recyclable Fractions and Role of the Informal Sector

- It should be noted that the informal sector is often more flexible and effective to perform these services

(e.g. collection of those materials in such a quality that they can be recycled or recycling them using various technologies)

- Therefore the approach should be to integrate existing informal sector into the system as far as possible

However, the main problem is the informality,

How to make a contract with whom? - representatives

How to define the interfaces? – collection, hand over, etc

How to guarantee a certain standard? no experience with defined performance conditions

VI. Collection of Recyclable Fractions and Role of the Informal Sector (4)



Example 1:

- A good example of a formalised informal sector is the Eco-lef system in Tunisia
- Licensed small scale enterprises (collectors) are providing collection services for the collection of packaging materials and handing over materials to a defined interface
- A detailed description is provided in a case study in the Regional Guideline

30

TRAINING MANUAL 4 - MODULE 4-3



Collection of Recyclable Fractions and Role of the Informal Sector

Example 1:

- A good example of a formalised informal sector is the Eco-lef system in Tunisia
- Licensed small scale enterprises (collectors) are providing collection services for the collection of packaging materials and handing over materials to defined interface (*they have a license to collect the material and receive a payment according to the quantity of materials collected and delivered to a certain collection station*)
- A detailed description is provided in a case study in the Regional Guideline
- *Pictures:*
 - Collection cart used within ecolef system*
 - Collected packaging waste*
 - Compaction press within collection station*
 - Baled recyclable materials*



VI. Collection of Recyclable Fractions and Role of the Informal Sector (5)

Example 2:

- An example of an involvement of the informal sector has been reported from Alexandria
- Development of relationship or international Operator to the informal sector
- Preparation of contracts with pre-collectors and provision of profit share
- Involvement of Pre-Collectors in sorting facilities

31



Collection of Recyclable Fractions and Role of the Informal Sector

- A example of first steps for the involvement of the informal sector has been reported from Alexandria
- Development of relationship to informal sector (*this requires a long time as it requires certain structures and confidence*)
- Preparation of contracts with pre-collectors and provision of profit share (*provision of incentives from collection and recycling of valuable materials*)
- Involvement of Pre-Collectors in sorting facilities (*use their know how*)
- *However, it would have been more useful to develop and define the interface and opportunities during the process of preparation of tender documents than to start after the implementation of a new system.*



VI. Collection of Recyclable Fractions and Role of the Informal Sector (6)

Example 3:

- An example of problems due to insufficient consideration of the informal sector is the PSP approach in Cairo, Egypt
- Implementation of a comprehensive PSP approach in Cairo via an international Operator did not consider service provision and needs of the informal sector/ Zabbaleen community
- The Contract did not include any interface to the informal sector
- Zabbaleen workers were no longer able to provide collection and thus reuse and recycle up to 80% of collected waste
- An effective system and the related sources of employment and income were negatively effected which further led to social conflicts

32



Collection of Recyclable Fractions and Role of the Informal Sector

- An example of problems due to insufficient consideration of the informal sector is the PSP approach in Cairo, Egypt
- Implementation of a comprehensive PSP approach in Cairo via an international Operator did not consider service provision and needs of the informal sector/ Zabbaleen community
- The Contract did not include any interface to the informal sector. The international Operators have not been obliged to design interfaces to the existing informal system or to involve the Zabbaleen workers within the new collection and disposal system.
- Zabbaleen workers were no longer able to provide collection and thus reuse and recycle up to 80% of collected waste
- An effective system and the related sources of employment and income were negatively effected which further led to social conflicts
- The Zabbaleen workers could no longer provide their door to door services and the related recycling of materials.
- Details of the conflict between PSP and the informal sector are provided in "Integrating Local Community-based Waste Management into International Contracting", Laila Iskandar published in: www.skaf-foundation.org/activities/ws/cwg/pdf/cwg-31.pdf



VII. Summary and Conclusion

- Waste collection and street sweeping should be the starting point for PSP in view of the immediate (visible) benefits and limited risks
- Implementation is usually the task of the municipal authority and requires a careful assessment, preparation and monitoring (zoning of collection areas, combination of collection and street sweeping services, market assessment, cost estimation)
- Different strategies to limit dismissal of public staff should be considered but complete transfer of personnel and thus shifting from an overstaffed public to an overstaffed private service provider is not a realistic option
- The capabilities of the informal sector involved in collection and recycling should be considered as far as possible

33



Collection of Recyclable Fractions and Role of the Informal Sector

- Waste collection and street sweeping should be the starting point for PSP in view of the immediate (visible) benefits and limited risks (*no long term impacts such as a leaking landfill*)
- Implementation is usually the task of the municipal authority and requires a careful assessment, preparation and monitoring (zoning of collection areas, combination of collection and street sweeping services, market assessment, cost estimation) (*know how needs to be developed, new role for the authority: contract preparation, management and monitoring instead of service provision*)
- Different strategies to limit dismissal of public staff should be considered *but complete transfer of personnel and thus shifting from an overstaffed public to an overstaffed private service provider is not a realistic option as it prevents cost effective services*
- The capabilities of the informal sector involved in collection and recycling should be considered as far as possible (*during the identification of the PSP approach and the elaboration of the tender documents*)