

IMPROVING WASTE MANAGEMENT BY ENGAGING THE PRIVATE SECTOR

ZORAN ZAEV, MAYOR OF MUNICIPALITY OF STRUMICA,
MACEDONIA



Existing waste management situation

1. Fly tipping is the only method of waste disposal in Macedonia. Almost all existing municipal landfills need to be closed and remediated.
2. Even the present Waste Collection in the municipalities is not aligned with the EU requirements; waste hierarchy and thus waste segregation is not applied.
3. Single municipalities are not able to design, finance, build and operate EU-Standard Waste Management Facilities;



Investing in modernizing the present waste management

- Municipalities lack budgetary funds to invest in EU compliant facilities
- National funds are also scarce; they are allocated mainly in infrastructure and not in the environment
- IPA instrument is intended for two regions only
- Private sector participation is seen as an opportunity for the majority regions in Macedonia



Prerequisite for PPP

1. The economy of scale and thus regionalising the waste management investments and operations is the first prerogative of partnering with the private sector. It entails:

- Optimising the waste management concept
- Organising and overseeing efficiently the regional system
- Optimising the investment and operational costs



Inter-municipal agreement

- Shared responsibilities of municipalities based on waste generation
- Appointing a regional center to act as an interface between the municipalities and the private partner
- Setting up a guarantee fund that safeguards the private partner from losses in case of low payment discipline of service users



Risk register

1. Perceived risks in integrated regional waste management are as follows:

- Demand (low waste quantities)
- Payment (non payment of service users)
- Inflation and overall change of Consumer Price Indices (CPI)
- Exchange rate
- Change of the Scope of service
- Change of legislation



Key risks and options to deal with

1. Payment risk:

- Fees collected by the private partner
- Fees collected by the authorities

2. Demand risk:

- Setting conservative waste quantities when designing the waste management concept
- Allowing waste from other regions to be treated and disposed of.



Risk sharing

1. Each party (be a municipality, region or a concessionaire) wants the other party to take over the risk.
2. Share of risks is essential for the success of the public private partnership.
3. The bigger the risk for the project, the higher interest of the loan attached to the investment
4. The bigger the risk for the private partner the higher the prices towards the service users.



Issuing concession in southeastern planning region (Macedonia)

- Competitive dialogue started end of 2009
- Candidates developed different technical solutions throughout two rounds of the dialogue
- Final tender issued in spring 2012: one tenderer applied.
- Contract negotiations started recently.



Challenges ahead

- All the municipalities need to stick to the inter- municipal agreement
- Public should be sufficiently and adequately informed
- The inspectorates should penalize illegal dumping



THANK YOU

**ZORAN ZAEV, MAYOR OF MUNICIPALITY OF STRUMICA,
MACEDONIA
e-mail: gradonacalnik@strumica.gov.mk**

