SAN FERNANDO SOLID WASTE MANAGEMENT PROGRAM: Design, Build and Operate Sanitary Landfill

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CONTROLLED DUMPSITE
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Private Sector Participation

- Key Benefits:
  - Brings SWM design expertise and experience not readily available to local authorities
  - Local authorities already stretched to provide basic SWM services – no additional capacity to undertake more ‘complex’ projects
  - Competitive bidding process – keeps project costs down
  - Separation of roles and encourages the development of the private sector
Private Sector Participation

- In the Philippines many local authorities do not have a separate SWM department.
- SWM service provision spread across a number of departments – no single entity with absolute control over SWM services.
- SWM services are under-funded and compete for resources with many alternative demands.

Private Sector Participation

- Use of the private sector should:
  - Enhance the standard of service provision for the management and disposal of SWM;
  - Assign liability for the entire project to a single contracting entity;
  - Increase accountability;
  - Provides the basis for applying user charges to cover the cost of disposal services; and
  - Help the local authority to attain stringent performance and environmental standards imposed by central government.
Perspectives on the DBO Contract

• Project preparation different than traditional approaches – not necessary to undertake detailed engineering prior to tendering (*only feasibility level studies needed*);
• Project preparation time significantly shorter;
• Little technical liability borne by the Owner;
• Greater emphasis for Owner to provide all available information at the time of tendering.

Significant Lesson #1: Data for Bidding

• Owner needs to “invest” in basic baseline data in pre-feasibility studies
  – Environmental Assessment study
  – Basic environmental monitoring data at site
    • For example groundwater quality and geotechnical surveys
  – Legal property boundaries on survey plans
  – Historic waste quantities
  – Clear relations with neighboring property owners
• Reluctance of the local authority to do above;
  – Limited financial and manpower resources; and
  – Limited expertise.
• Conclusion – likely not to be done, thereby limiting the site data available to the bidders.
**Significant Lesson #2: Strong Evaluation Team**

- Pre-Qualification - Need extensive checking of all entities expressing interest, viz:
  - Role and involvement of each party;
  - Long-term involvement of each party – preferably not limited to specific areas;
  - Ensure adequate expertise and experience will be deployed – project requirements will be adhered to;
- Strong Bid Evaluation
  - Thorough check of apparently technically responsive bidders independent of financial evaluation;
  - Assessment made as to whether the technical bid price is realistic or simply a vehicle to win the contract
- Conclusion – evaluation critical to successful project implementation

**Significant Lesson #3: Technical Risk on Operator**

- The Operator bears the majority of the risk:
  - he evaluates level of uncertainty as to Owner requirements which is dependent on the specificity of the project;
  - he checks uncertainties over site conditions;
- Conclusion – bid price based upon Operator’s *interpretation* of what is required and not necessarily on Owner’s specified design
Significant Lesson #4: “Transfer of Knowledge” to Site

- Combination of foreign design expertise and local construction expertise is acceptable, provided that:
  - Design is submitted and discussed ‘on-site’;
  - Operator’s team reacts promptly to variable or unforeseen site conditions;
  - Operator’s team is thoroughly familiar with the requirements of the Contract — essential to level off expectations for both sides
- Conclusion – operator’s project team should be site based and intensively briefs the Owner on his milestones immediately after contract award

Significant Lesson #5: Need Supervision Team

- Much greater emphasis on contract management by the local authority:
  - Contract management team needs to be assigned;
  - Team should have expertise in landfill design and construction and operational practices;
  - Such expertise not readily available within existing staff resources;
  - Recourse to external consultants – not sustainable in the long-term.
- Conclusion – need for extensive capacity building in contract management for the local authority in parallel with providing loan funds for project implementation
Significant Lesson #6: Financial Risks

- Main financial risk lies with Owner to deliver minimum waste volumes as per contract
  - based on “put or pay principle”
- Owner has policy of constantly reducing waste at source (at household and neighborhood level)
- Contract also includes waste diversion by Operator
- So far no conflict between waste policy of Owner and payments to Operator
- Conclusion – waste volumes to be monitored and responsibility for waste separation/diversion to be clarified on “as needed basis”

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THANK YOU!