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PRIVATIZATION OF SOLID WASTE MANAGEMENT SERVICES IN CZECHOSLOVAKIA

Privatization and Development Project
Contract No. DPE-0016-Q-1002-00

Draft Final Report

April 10, 1992

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Price Waterhouse

April 10, 1992

Ms. Lee Roussel
U.S. Agency for International Development
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Mala Strana, Trziste 15
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Dear Ms. Roussel:

Re: Privatization and Development Project
Privatization of Solid Waste Management Services in Czechoslovakia
Contract No. DPE-0016-Q-1002-00

The International Privatization Group of Price Waterhouse is pleased to submit this final report describing its assistance related to privatization efforts in the field of solid waste management services in Czechoslovakia.

During the course of this project, the PW-IPG team developed an understanding of solid waste management services in Czechoslovakia by conducting a survey of municipal privatization and several case studies of cities involved in privatization efforts. In addition, the team provided technical assistance to the cities of Trnava and Hradec Kralove, and developed general recommendations for future privatization efforts.

The team's findings reveal a need for local officials in Czechoslovakia to develop a more systematic approach to contracting services to the private sector. The PW-IPG team's recommendations focus on the need for a more competitive contracting process, more comprehensive contract monitoring systems, and a more sophisticated use of efficiency and cost analysis. The PW-IPG team is planning a seminar in late June to highlight these recommendations and to provide a forum for their discussion.

We have enjoyed the opportunity to assist USAID/Prague in this important assignment. We look forward to further collaboration with the Mission.

Sincerely,

cc: Ms. Penny Farley, APRE/EM

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DRAFT FINAL

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I. EXECUTIVE SUMMARY

A. Background

In November, 1991, USAID/Prague contracted a three-person team from the Price Waterhouse International Privatization Group (PW-IPG), through the APRE Privatization and Development Project, to assist two Czechoslovakian cities in municipal privatization decisions and to develop general lessons applicable to other Czechoslovakian municipalities. The PW-IPG team was also asked to assess early privatization efforts of other Czechoslovakian cities, particularly as those efforts relate to solid waste collection and disposal. The objective of this report is to issue the findings of the PW-IPG team and to offer recommendations to serve as a guide for future municipal privatization efforts in Czechoslovakia.

B. Project Findings and Analysis

1. The Initial Situation

The PW-IPG team was originally asked to conduct a feasibility study identifying those components of the solid waste system suitable for privatization. Interviews with numerous republic and municipal officials during initial on-site research, however, revealed that the privatization of municipal services was already in progress in Czechoslovakia. In many cities, local officials appear determined to restructure and/or transfer Technical Services organizations to private enterprises. Four cities had already completed the privatization process.

The fundamental political and economic changes under way in Czechoslovakia have exacerbated the financial difficulties facing most municipalities. Under the former communist government, local municipalities depended upon regular federal grants and subsidies to fund municipal services. The decentralization of power and the federal budget difficulties, however, have removed the primary source of revenue for local governments. This declining federal support and a precarious local financial base have created an uncertain and fragile budget situation in most Czech and Slovak municipalities.

The lack of existing landfill space also serves as a significant obstacle to improving the quality and efficiency of Czechoslovakian solid waste management operations. Rapidly diminishing space and compliance with stricter regulations have prompted Czech and Slovak municipal officials to take steps toward constructing additional landfills and developing alternative waste disposal methods. The prevalence of illegal dumping in Czechoslovakia

highlights the importance of enforcing stricter penalties to discourage such activities.

2. The Legal Environment

In light of the fact that Czech and Slovak municipalities had begun to proceed with the transfer of Technical Services organizations to private enterprises, the PW-IPG team focused its legal study on analyzing the existing legal framework as related to municipal structures and solid waste services. The PW-IPG team identified three recent laws as critical to the solid waste privatization efforts of Czechoslovakian cities:

a. the "Act Concerning Communities and the Community System" transfers the responsibility for providing municipal services to the local government;

b. the "Law on the Conditions of Transfer of Property of the State to Other Persons" and the "Czech and Slovak National Council Acts on the Collection of Laws on the Transfer of State Property" provide the mechanisms for the transfer of Technical Services property to local governments;

c. the "Waste Disposal Act of May, 1991" defines the rights and responsibilities of parties involved in all areas of solid waste operations.

3. The Survey of Technical Services and Local Privatization Efforts

An on-site study at the beginning of the project revealed a lack of standardized, detailed information on solid waste collection and disposal, Technical Services organizations, and municipal privatization efforts. The IPG team commissioned a small-scale survey of Czechoslovakian communities to develop a basic institutional and economic profile of typical Czech and Slovak Technical Service organizations and solid waste systems. The survey covered fifteen cities located throughout Czechoslovakia. The survey's most important data concerned the budgets, employee levels, fees, and operations of the cities' solid waste systems. From the survey, the PW-IPG team developed a helpful background for the project's focus cities as well as future solid waste projects.

4. Focus Cities

a. Trnava

Trnava, a city of 70,000 inhabitants located 45 kilometers northeast of Bratislava, is in the process of privatizing its Technical Services organization. The PW-IPG team assisted Trnava officials in developing their general approach to the privatization process as well as structuring specific components of the plan. The PW-IPG team recommended an increased use of cost analysis, a more structured monitoring system, and more thorough assessment of contractor proposals. In addition to these short-term recommendations, this report includes long-term recommendations for city officials as they plan future involvement with private contractors. The long-term recommendations emphasize the need for Trnava officials to follow a structured, well-defined contracting plan.

b. Hradec Kralove

The city of Hradec Kralove, located in eastern Bohemia 101 kms east of Prague, is in the process of negotiating an agreement with a private, 60% foreign-owned company for the construction of a landfill to be used by Hradec Kralove and two neighboring cities. The PW-IPG team assisted city officials in evaluating the initial contract proposal. The comments on the proposed contract are serving as recommendations for city officials as they negotiate with the private firm. The PW-IPG team recommended that the contract be altered to include more detailed technical specifications, additional financial and legal safeguards, and a higher level of operational sophistication.

5. Analysis of Prior Privatization Efforts

The PW-IPG team discovered during initial, on-site research that four cities had completed the municipal privatization process. The cities of Ceske Tecin, Banska Bystrica, Zilina, and Karlovy Vary had restructured their Technical Services organizations and were contracting with private firms for essential city services.

In Ceske Tecin, a city of approximately 28,000 located in northern Moravia, a privatization plan was implemented in which city equipment was leased to newly-created, private, local firms. These firms were given five-year monopoly contracts to provide individual city services. Though the city's Technical

Services organization has been abolished, most of the private firms are composed largely of former Technical Services employees. The model developed in Ceske Tecin has been followed by Banska Bystrica and Zilina and has been studied widely across Moravia and Slovakia.

The Czech resort city of Karlovy Vary developed a different approach which is under consideration as a model in a number of Czech cities. Karlovy Vary has developed a mixed, public-private, foreign-domestic service delivery system. A German firm now provides residential solid waste collection, snow removal, street repair, and traffic marking services. Private, local firms now provide public lighting and car towing services, and a new city organization, Sprava Lazenskych Parku, now cares for the public gardens and cemeteries.

This report includes an assessment of the privatization efforts discussed above. Strengths and weaknesses of the plans are included as well as short and long-term recommendations for their improvement. The PW-IPG team's recommendations stress the need for more specificity in the public-private contracts, a more thorough evaluation and selection process, a higher level of risk sharing between the contractors and the local governments, and a more sophisticated monitoring and reporting system.

C. Summary Recommendations

1. Contracting Private Companies for the Delivery of Public Services

In addition to the recommendations and comments provided on the focus cities and early privatization efforts, the PW-IPG team developed a series of guidelines for other Czechoslovakian cities privatizing municipal services. These guidelines are focused on three critical privatization steps: 1) The Decision to Privatize; 2) The Tendering Process; and 3) The Execution Phase. These guidelines are meant to provide an implementation-oriented set of principles for local officials considering various privatization alternatives and were developed with an understanding of Czechoslovakia's existing municipal situation.

2. General Recommendations

This report also contains more general recommendations meant to address the broad economic, legal, political, and structural issues now faced by Czechoslovakian cities implementing privatization plans. To facilitate

successful municipal privatization in Czechoslovakia, this report suggests the following long-term, comprehensive efforts:

a. *Develop Contract Law*
b. *Restructure Municipal Finances*
c. *Build Contract Management Expertise*
d. *Expand Capital Markets*
e. *Institute Performance Bonding*
f. *Prevent Early Missteps*

II. PROJECT BACKGROUND AND CONTEXT

A. The Setting: Post-Communist Czechoslovakia Takes Shape

Once a firmly entrenched member of the Soviet bloc, Czechoslovakia is presently more than two years into the transition process from Communism. Pivotal questions and decisions concerning the speed and nature of the transition away from a highly-centralized system are debated daily. What is the proper balance of integration and autonomy between the Czech and Slovak Republics? How should the new Czechoslovakia deal with those citizens who (whether reluctantly or eagerly) sought accommodation and/or prospered under the former system? What principles and polices should guide relations with other countries? Finally, how can Czechoslovakia secure and accelerate a favorable integration process into Western Europe?

One of the most critical debates concerns the most effective means of developing market-oriented organization and decision-making styles. The decision to transfer largely inefficient and uncompetitive state enterprises to private entities as a means of enhancing overall economic efficiency and growth was taken during the initial stages of reform in Czechoslovakia. To date, the early stages of a phased privatization campaign have transferred hundreds of shops, restaurants, and other small enterprises into private hands. An aggressive experiment in "coupon privatization" has provided millions of Czechoslovakians with personal stakes in the market transformation. Radical reforms in tax and labor laws have begun to reshape the economy's basic contours. Despite the difficulties associated with such a far-reaching reform program, Czechs and Slovaks seemed determined to push forward with the difficult transition process to establishing a free-market economy.

B. Redefining Local Government Roles

Political restructuring is perceived in Czechoslovakia as a vital adjunct to economic reform. For market reforms to take hold across the country, municipal governments require the flexibility that accompanies political authority: economic responsibility must be closely linked with the right to make crucial decisions. Prior to Fall 1989, municipal government agencies in the Czech and Slovak Republics were merely extensions of the central government, as decision-making authority flowed from the top downward. In early 1990, however, Czechoslovakia enacted legislation that shifted substantial governing power and responsibility from the federal government to republics and local

governments. The Act Concerning Communities and the Community System (1990), for example, granted local governments an unprecedented degree of decision-making and implementation autonomy.

Municipal officials directly accountable to citizens emerged from the first round of municipal elections in Czechoslovakia in 1990. Having consolidated greater decision-making authority, local municipal officials turned their efforts toward developing the operational details of local governance. A fiscal transition is presently underway, in which municipalities' dependence on federal grants and transfers yields to greater reliance on locally generated resources.

The financial costs and strains of the transition process are severe. Federal funds to the municipalities are shrinking far more rapidly than local revenue sources (or the authority to tap them) are developing. In addition, most local governments face serious fiscal pressures that are almost certain to worsen before the completion of the new municipal finance system.

Mayors and city councils are facing difficult situations: on one hand, citizens' expectations for quality services are high; on the other hand, municipal budgets are fixed or declining, and subject to unpredictable change. Citizens' attitudes toward local government are influenced by Czechoslovakians' general skepticism--incubated during Communism and expressed with enthusiasm since the revolution--concerning the veracity and reliability of public authority. Financial urgency and limited government capacity have combined to make city officials receptive to new approaches for delivering local services, including expanding the role of private organizations.

C. New Standards for Environmental Quality

In Czechoslovakia, as in the rest of the old Soviet bloc, Communism's record of environmental protection left much to be desired. Nuclear power plants were designed without many of the safeguard standards used in the rest of the world. The environmental impact was not a critical concern during the siting and construction of industrial facilities. Trucks and automobiles burned fuel inefficiently and emitted exhaust chemicals into the atmosphere. Factories generated air and water pollutants with little or no attempts at treatment. The lack of concern for the environment, combined with the output orientation of the economic system, left environmental protection near the bottom in a list of concerns.

Since the revolution, the Czechoslovakian people have expressed rising concern about environmental damage. Organized environmental interest groups have gained political influence and helped to focus citizens' concerns. Public insistence on rapid and systematic improvement in environmental protection has been embodied in legislation setting ambitious standards for environmental protection across a sweeping range of functions. Among the implications of these developments are newly-established standards for solid waste disposal and heightened expectations for continuous improvements in waste management.

More rigorous environmental regulations are sensible and even essential in the long run as Czechoslovakia searches for its eventual place in an integrated Europe. It is important to note, however, that these new regulations will require increased expenditures by local governments as they attempt to comply. At least in the short run, these increased expenditures promise to exacerbate the existing strain on municipal finances.

III. PROJECT FINDINGS

A. The Initial Situation and Project Objectives

1. Local Initiatives in the Privatization of Technical Services

This IPG project was originally defined as a feasibility analysis, covering two to four Czechoslovakian cities, concerning the potential to begin steps towards the privatization of solid waste collection services. As soon as the team began its on-site research work, however, interviews with local and federal officials made it clear that the privatization of municipal services in Czechoslovakia, including solid waste collection, is already underway and is likely to proceed at a rapid rate.

Local officials appear determined to restructure municipal services and are likely to opt for a substantial shift to private arrangements, whether or not they are equipped with a coherent strategy to guide case-by-case privatization decisions. This general openness towards privatization is rooted in an altered legal and political framework, a fundamental mistrust and frustration with public institutions, an ever worsening budget climate, and the emergence of willing and increasingly able private suppliers. These privatization efforts have been focused on the restructuring of Technical Service organizations, the primary municipal service delivery organization in most Czechoslovakian cities.

Most Czechoslovakian cities have a Technical Services organization, though the responsibilities and services offered by the organizations vary from community to community. Technical Services organizations typically provide five to ten direct and indirect services to citizens, ranging from solid waste collection and streetlight repair to cemetery and park management. Occasionally, a Technical Services organization will provide a broader slate of services. These organizations are usually structured as a series of separate units, with a single director and internal heads responsible for individual services. At present, approximately 200 Czechoslovakian cities have active Technical Services organizations.

Under the previous administration, as their original founder, the Ministry of the Interior in each Republic had oversight and funding responsibilities to the Technical Services organizations. This linkage signified, prior to 1990, that the Technical Service organizations were responsible to the central government and

not to the local government of the city in which the organization was located. This centralized control contained significant implications for the operation of the Technical Services organizations. As political and economic power has devolved to the local level since the revolution, so has informal control of the Technical Service organizations. The municipal attempts to reform these organizations may be viewed as the final stage in this devolution.

2. *Shortage of Landfill Space*

In addition to the need and desire to restructure local services, the lack of existing landfill space is placing tremendous strains on Czechoslovakia's solid waste system. Thousands of landfills are nearing capacity and thousands more will be closed due to increased environmental standards. As a result, some Czechoslovakian municipalities are taking steps to fill the gap by building new landfills and embracing alternative waste disposal methods.

In the Trnava district, for example, only 60 of the 227 disposal sites are currently in operation. Due to the diminishing available space in existing landfills and the failure to comply with stricter regulations, 45 of the 60 landfills in operation will be sealed within one year. Estimates indicate that 12 of the remaining 15 landfills will be sealed over the next five years due to declining capacity. As in the case of other Slovakian cities, Trnava officials are planning to construct new landfills to serve the area.

"Black" or illegal dumping is also a critical problem that requires serious attention in an effort to improve the solid waste system in Czechoslovakia. In the Trnava district alone, for example, there are more than 200 illegal dumps. Efforts to decrease this illegal dumping faces two fundamental problems: the lack of landfill space is driving up prices at the precise moment that people are least willing to pay to dispose of their solid waste due to the tightening of personal finances. Without the accompaniment of stricter penalties for "black" dumping, efforts to raise landfill fees are likely to increase the amount of this illegal activity.

3. *Municipal Finances: Shortages & Uncertainty*

Under Czechoslovakia's former regime financial support usually flowed in the same direction as directives: down from the top. The dramatic political and economic changes taking place since 1989, however, have disintegrated the traditional system of grants. Though still an important component of municipal

budgets, the centralized federal and republic grant supports for municipal governments are quickly drying up, leaving most local governments with significant shortfalls and uncertainties.

In addition to the grants and subsidies from the center, Czechoslovakian cities typically collect revenues from local licensing fees, income from city-owned enterprises, a share of taxes paid by local businesses, and a range of miscellaneous levies and fees. Given the centralized nature of past financial dealings, however, local government has limited control even over locally-generated resources. National rules still constrain the definition of the tax base and the rates at which taxes may be levied.

Many of these revenue sources vary with the health of the regional economy. City budgets fluctuate with the progress of local industries. Most revenue sources are unpredictable, and especially so in the unsettled transition now underway. Local governments, as a result, face drastically falling revenues from the center and an increasingly precarious base of local financing mechanisms, creating an uncertain municipal finance situation.

4. *Project Objectives*

The project's original focus was on the feasibility of privatization of solid waste collection and disposal services in Czechoslovakia. Given the progress of municipal service privatization throughout the country when the PW-IPG team arrived, however, the project was redesigned to meet two objectives:

- assist two cities ("focus cities") currently in the process of privatizing and restructuring their solid waste collection and disposal systems; and

- identify and assess the process of several cities that had already completed the privatization of their Technical Services organizations.

In attempting to identify the two focus cities, the PW-IPG team visited numerous potential sites and interviewed knowledgeable federal and local leaders. The team sought sites that were in the process of privatizing all or part of their solid waste system but whose decisions might still benefit from the work of the PW-IPG team. The city of Hradec Kralove was selected as a focus city due to its pending consideration of a private, foreign landfill proposal. The PW-IPG team's objective in Hradec Kralove was to assist the Mayor in

assessing and modifying the proposed contract. The city of Trnava was selected as a focus city due to its decision to privatize its Technical Services organization during the early part of 1992. The PW-IPG team's goal in Trnava was to assist the city to improve its original privatization plan, particularly in the assessment of the financial costs of the current operation, the evaluation of private proposals and the development of a contract monitoring system.

In terms of cities that had already implemented privatization plans, Ceske Tecin was the first city to complete the process. The Ceske Tecin model quickly became the standard followed by several Slovakian cities, including Banska Bystrica and Zilina. After following a fundamentally different sort of privatization plan, Karlovy Vary appears to be in the process of becoming the standard to be followed in Bohemia. The underlying goals and assumptions, the pace and structure of the contracting process followed, the successes, and the failures of these municipal privatization experiments offer lessons for other Czechoslovakian cities pursuing the municipal service privatization option.

C. The Legal Environment

As Czechoslovakian cities choose to transfer the delivery of public services to private entrepreneurs, local officials face a legal framework characterized by complex procedures. Despite the fluidity of the legal framework in Czechoslovakia today four laws clearly dictate parameters for the private delivery of solid waste management services: The Act Concerning Communities and Community System, the Act on the Conditions for Transfer of Property of the State to Other Persons (Privatization Law), the Czech and Slovak Acts on the Transfer of State Property, and the Waste Disposal Act.

1. Act Concerning Communities and the Community System

As a direct result of the decentralization of power in Czechoslovakia the Federal Republic promulgated a series of acts designed to redistribute and redefine the power structure at all levels of government. On September 4, 1990 the Czech National Council passed the "Act Concerning Communities and the Community System" (Act 367/90), which presents fundamental provisions regarding communities, their definition, classification and composition, their exclusive and transferred jurisdictions, the source and management of community income, their structure and decision-making processes. Included in a community's exclusive jurisdictions is that of "administering and maintaining local communications and public lighting, providing for public sanitation and removal of home waste and its harmless liquidation". Through this act municipalities now are responsible for providing public services to their communities.

2. Law on the Conditions of Transfer of Property of the State to other Persons (The Privatization Law)

On February 26, 1991, the Federal Assembly of the Czech and Slovak Federal Republic enacted a law outlining the conditions for transferring state assets to other legal and physical persons. Once the Ministry of Finance has approved a privatization project, the state assets are transferred into a privatization fund. The provisions of the privatization law state that these assets can be transferred from the Privatization Fund to the private sector in any of the following ways: formation of a joint-stock or other commercial company; the outright sale of state assets to private entities; or the transfer of state assets to-be-privatized to local municipalities.

In order to bypass the standard privatization procedures, Municipalities and communities in Czechoslovakia must request an exemption for Technical Services organizations. City or Town Hall must petition the direct transfer of Technical Services assets to local communities. The authority to approve all exemptions ultimately rests with the Ministry of Administration of National Property and its Privatization (MASPP). The Governments of the Czech and Slovak Republics possess the right to authorize and process requests for privatization.

3. *Czech and Slovak National Council Acts on the Collection of Laws on the Transfer of State Property*

On May 24, 1991, the National Council Act No. 172/1991 of the Collection of Laws on the Transfer of Some Items from the Property of the Czech Republic to the Ownership of Municipalities came into effect. A similar law in the Slovak republic was enacted shortly thereafter (National Council Act No. 138/1991). Included among other organizations eligible for transfer to local governments are Technical Services entities. In *Methodological Recommendations for the Sector of the Technical Services for the Public Good (No. 116-689/1991)*, The Ministry of the Interior of the Czech republic issued guidelines outlining the appropriate procedures for transfer of those Technical Services assets deemed suitable for privatization to local municipalities.

Technical Services organizations begin by submitting working lists of eligible property to local municipalities for review. The Municipalities then transmit the working lists along with formal requests for property transfer to the appropriate District Office. Following consultation with the district privatization commission concerning the nature and category of property under consideration, the District Office transmits the municipality's request to the Ministry for Administration of National Property and its Privatization (MASPP) for approval. Included in municipality requests are the opinion of the district privatization commission as well as the value and nature of the property under consideration. MASPP approval is then transmitted to the District Office, where officials begin the process of transferring Technical Services property to the municipality. Decisions regarding transfer or rental of Technical Services property from municipalities to private entities fall under the Municipality's jurisdiction.

4. The Waste Disposal Act of May 1991

Once a municipality receives ownership rights to Technical Services property it may proceed to plan the transfer of public service delivery to the private sector. Regarding solid waste management services, a private company must abide by the parameters established in the Solid Waste Act, as a public entity does.

On May 22, 1991, The Federal Assembly of the Czech and Slovak Federal Republic promulgated The Waste Disposal Act entrusting state administration authorities with the rights and duties regarding solid waste activities. The Act is designed to protect the environment by bringing solid waste management practices in Czechoslovakia closer to world industry standards and clearly defining duties and responsibilities for state administrative bodies on behalf of the community.

The Act, entered into effect on August 1, 1991, is broad and far-reaching in scope. The primary intent is to define the responsibilities of all parties involved in all areas of the solid waste operations (generators, collectors or disposers of waste, and regulators). The Act grants The Ministry of the Environment and its corresponding municipal agencies the authority to approve and oversee all facilities engaged in solid waste collection and disposal activities. Hence the Czech Inspection Board of Environment examines and monitors the ways in which state administrative authorities in the Czech Republic adhere to the provisions of legal regulations and decrees pertaining to waste management operations.

The Act also authorizes relevant state administrative bodies to fine those individuals, agencies, or private enterprises found in violation of any provision of the law, such as illegal dumping of solid waste. Grounds for penalty also include failure to establish waste management plans according to the terms set forth in the Act; the provision of waste collection, processing, disposal, and transportation services without permission from the appropriate state body; and failure to ensure against deterioration, improper storage or disposal of waste.

In addition to the stipulations outlined in the Act, the Czech and Slovak Republics are responsible for developing implementation instructions and regulations governing specific activities of solid waste operations. To date, the Czech legislature has passed its implementation regulations while its Slovak counterpart is in the process of adopting similar legislation.

C. The Survey of Technical Services and Local Privatization Efforts

1. Introduction

During the first weeks of the project, as the IPG team sought to identify technical services and solid waste operations in Czechoslovakia, it became apparent that this type of information was not readily available. Information on the size and operating norms of Technical Services entities in these cities were obtainable only by individually scheduled interviews, a highly time-consuming and irregular process. As a result, the IPG team commissioned a small-scale, low-level survey of fifteen communities to a local firm. This type of survey was necessary to provide the IPG team with background information on the financial and technical operations of these organizations.

The overall objective of the survey was to develop a basic institutional and economic profile of the typical Czech and Slovak Technical Services entities and especially its solid waste operation. Given the limited scope of the survey and the relatively small number of cities surveyed, the intention was clearly not to develop a scientific data base but rather an illustrative set of representative baseline data with a special emphasis on the solid waste operations.

2. Methodology

Sixteen cities were selected to be surveyed, based on size and location. The sample included cities with populations between 40,000 and 175,000, on the assumption that this range would be representative of Czechoslovakian solid waste systems. Due to the relatively limited applicability of the data from larger and smaller cities, these were excluded from the survey. Additionally, a few cities were excluded due to the inability of the survey team to obtain the necessary data. A geographic balance was sought between cities in the Czech lands and Slovakia. On the basis of these criteria, the following sites were included in the survey:

- Ceske Budejovice
- Decin
- Jihlava
- Karlovy Vary
- Kladno
- Liberec
- Mlada Boleslav
- Most
- Nitra
- Olomouc
- Opava
- Plzen
- Pribram
- Usti Nad Labem
- Zlin

The survey provided data on the following general categories obtained: budget, employees, equipment, fees, work level, and population. General questions regarding recent activities and future plans of the city were also included. The answers to survey questions were obtained in numerous telephone and personal interviews during the months of December and January (see Appendix C for a sample questionnaire and detailed survey results).

3. Results

In light of the relatively uncharted nature of the municipal survey process in Czechoslovakia, the level of detail and standardization achieved in the survey results are impressive. All fifteen target cities were successfully surveyed. Given the relative consistency and completeness of the information collected, there are few significant gaps in the data.

Technical service departments in Czechoslovakia, as explained elsewhere in this report, typically provide a variety of direct (e.g. curbside trash pickup) and indirect (e.g. road maintenance) services to citizens. On average, these organizations spend approximately 500 crowns (kcs)[1] per citizen per year. Solid waste operations usually account for roughly 20% of that budget. Of the average per capita figure of 33 kcs devoted to solid waste collection and disposal, approximately three-quarters are attributable to service fees paid directly by citizens, with the remaining one-quarter originating from the general technical services budget. [2] Both the breakdown of costs between user fees and the general fund, and the actual level of user fees, vary considerably from city to city. Until recently, collection fees were fixed at a low level by national statute; once the ceiling was raised, cities differed in how quickly and how much they raised this fee.

The average solid waste management system in the survey cities serves approximately 1,700 people per employee and spends 157,000 kcs per employee on an annual basis. This expenditure per employee varies widely, which suggests considerable differences in operating efficiency in the survey cities. (Differences in the spending-to-employee ratio do not seem to be accounted for by differences in terrain, population density, or other factors that would affect the non-payroll components of service cost, although the survey

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1 US $ 1.00 = 28.00 kcs (Jan 1992)

2 The per capita expenditure on solid waste operations ranged considerably, from 48.57 kcs to 164.00 kcs.

was not detailed enough to permit certainty on this point). As would be expected from the budgetary breakdown cited above, solid waste employees account for roughly 20% of all technical service employees. Cities typically have approximately six operational employees per one million kcs in the solid waste budget and one administrative employee per two million kcs in the solid waste budget.

In addition to the operational and budgetary information discussed above, the survey also sought general information about the activities and plans of the survey cities with respect to the reform of Technical Services organizations. Several of the cities included in the survey had experimented with privatization and one, Karlovy Vary, has proceeded with an elaborate privatization process and is written up in this report. Perhaps the most interesting aspect of the results in this section of the survey, however, was the level of interest and consideration that the survey cities are currently giving to municipal privatization. Nearly all of the survey cities are in the process of defining their plans to reform their technical service organizations. In doing so, nearly all of these are considering privatization as a viable option.

D. Focus Cities

1. Trnava

a. Background

Trnava, a city of nearly 70,000 inhabitants, is located approximately 45 kilometers northeast of Bratislava. Traditionally an educational and trade hub, the city has remained the political and economic center of the Trnava District and an important Slovakian District Town. Trnava is home to a number of important industrial works, including the Skoda Car Works, the Railway Repair Workshop, Sklopast (glass fiber producer), and several other large industrial works in the fields of construction, furniture, textiles, sweets, brewing, and milk. The city is often associated with the Jaslovske Bohunice, a nuclear power station located near the town which experienced substantial safety-related difficulties in 1977. The Trnava District is also one of the most productive agricultural districts in Czechoslovakia.

As with most local governments in Czechoslovakia, the financial and political underpinnings of local government in Trnava have been experiencing tremendous change since 1989. City officials find themselves at the point where heightened expectations necessarily collide with diminishing public resources. Trnava faces dwindling municipal resources due to the near complete breakdown in republic and federal level financial assistance. Many public works projects initiated under the former regime now sit half-finished due to the dwindling resources. Meanwhile, political participation and expectations demand unusually innovative responses from the city's leadership.

Trnava's newly elected officials found a Technical Services organization characterized by low productivity, resistance to adapt to a new environment, and rising costs. Facing budgetary restrictions and an inefficient Technical Services organization city officials decided to pursue the private delivery of public services. City official immediately looked to other cities in which such privatization efforts had succeeded. Ceske Tecin, Banska Bystrica, and Zilina were the obvious places to start. Trnava first purchased the Ceske Tecin plan to use as a model in developing an implementation plan. In addition, one of the successful solid waste entrepreneurs from nearby Banska Bystrica offered advice to Trnava in developing its plan. As a result of these close and frequent interactions, the privatization plan chosen by city hall mirrors the plans already implemented in Ceske Tecin, Banska Bystrica and Zilina.

b. Parks Experiment

In August, 1991, the City of Trnava offered private firms the opportunity to bid on contracts for the maintenance of parks. Private firms were selected to provide the parks maintenance services in five of six newly defined districts. Trnava's Technical Services retained responsibility for the parks in the center of the city. After selecting the private firms, short term contracts were signed. Contractors were paid directly by the city based on the square meters covered, with some allowance for the type of trees, the season, and other factors. Since payment for services rendered is performance-related, deputies were appointed for each of the five districts to monitor the performance of the five contractors.

Preliminary investigation demonstrates that while the quality and coverage of park maintenance services have risen under the privatized scenario (since August 1991, a decline in citizen complaints has been experienced), the costs associated with caring for Trnava's parks has increased dramatically. However, current costs are still below the appropriate cost levels as identified in an objective study of the Czechoslovakian market. Other positive developments which resulted from the park maintenance service privatization are:

- the shift to private contractors allowed the city government to isolate the cost of at least one local service and to begin to gain control over the provision of the service;

- the arrangement followed by Trnava in this area presages the development of true market competition in local services; services not offered by any one company can be easily covered by other parks maintenance competitors.

- Trnava has gained worthwhile experience in developing and managing relationships with private contractors.

Given the success of the experiment in service privatization Trnava opted to extend its privatization plans to other services. On December 17, 1991, the privatization plan was submitted to the Trnava City Council for approval.

c. The Privatization Process

The process and personalities of Trnava's privatization program provide useful insights into how the Ceske Tecin model is slated to be implemented in cities across Slovakia. As described in the Ceske Tecin section of this report, two

basic approaches were considered by Trnava officials in privatizing the properties of Technical Services. Full privatization--the outright sale of the assets to private firms--was dismissed from consideration due to possible loss of control. The city decided to follow the standard of leasing its Technical Services equipment to private firms, thereby allowing for efficiencies but protecting the city from possible interruptions in service. The advantages cited for the leasing approach include the following:

- It will encourage efficiency gains in Technical Service operations;
- The town hall will have better control over the service; bills will be paid only after the quality and amount of work has been checked;
- The town hall will retain control of its property;
- The possibility to change the lessee will be retained in the event of unsatisfactory work;
- The plan supports the development of local private enterprise through the use of town property.
- The organizational structure of the small companies formed is very simple.
- The lessee will have direct responsibility to the town for the quality, quantity and timing of services;
- The narrow specialization of the prospective lessees (who are likely to be chosen from among the present employees of Technical Services) promotes their ability to master their professional and managerial tasks and an increase in the quality of service can be expected;
- Savings will be achieved by transferring wage and salary responsibility to the lessees.

After deciding to pursue the leasing option, the city posted advertisements aimed at attracting potential private suppliers. It is also apparent that the decision to privatize was well-known within the Technical Services department. Every manager and worker in the organization knew of the city's impending plans and were probably aware of their potential role in the new system. A committee was then convened to explain the process to interested parties and

to make initial selection decisions. This committee was comprised of several city deputies, two advisors from Banska Bystrica, the City Clerk, and a city hall official responsible for municipal services.

Approximately 50 interested parties expressed interest in bidding on service contracts at the committee's first meeting. Nearly one half of the interested parties were current Technical Service employees while nearly all of the interested parties had relevant experience. Several services up for bid received as many as five applications while one, garage and workshop management, received none. One individual proposed to take over all of the city's services but was not selected. The committee required each interested party to describe in detail the technical abilities that qualified him or her to provide a given service for the city. The committee evaluated the parties on strictly a technical basis, with little or no preliminary evaluation of financial or operational capabilities. The Ceske Tecin model dictates that winning firms are selected purely on a technical basis. Operational and financial details are worked out later.

In mid-January, 1992, the commission selected its winners. First and second choice bidders were selected in case the first becomes unable to satisfy the city's needs. It came as no surprise that current Technical Services employees fared well in the evaluation process. Winning bidders were drawn disproportionately from those with experience in the organization. After the selection process, the firms had approximately one month to present city officials with a detailed cost and technical plan. In mid-March, contracts were signed specifying the range of services to be provided, the cost of the services, the equipment to be purchased from the city, and the organizational details of the new public-private relationship. The work of the liquidator and the liquidation committee is scheduled to begin in early April.

Private contractors will lease Technical Service equipment for a period of 5 years with contractual specification of the work volumes, prices, time schedules, and quality measures. Lease and rental rates were developed from republic laws governing the depreciation of public assets. Equipment maintenance responsibilities will be shared by the city and the private firms, with the city responsible only for major overhauls. Trnava is in the process of establishing a monitoring office comprised of two employees to administer the new relationships. The city divided its services into organizational units identical to those in Ceske Tecin. The nine services to be provided by private contractor are:

- Cemetery management

- Mechanical street cleaning
- Manual sidewalk cleaning
- Garbage disposal (110-litre containers) + landfill management
- Garbage disposal (1100-litre + 3-5 sq. meter containers)
- Maintenance and repair of public lighting & public toilets
- Public gardens and parks
- Garage and workshop management

The issues faced by Trnava officials in developing relationships with potential contractors are instructive. Due to the focus of the project, most of the issues studied were based on the city's experiences with entrepreneurs chosen to provide solid waste collection services. After the selection process described above, city officials turned their attention to the technical specifications of the services to be provided, the cost of the services to the city and to the citizens, and the nature of the contractor's relationship with the city.

In terms of the technical specifications, a primary task facing city officials was to ensure that the chosen firms had a solid and detailed plan for providing their respective services. Since the firms were chosen only on the basis of past experience and not on a technical proposal, the quality of the staffing, equipment, and scheduling plans were by no means assured.

The cost of the services was also a key consideration in developing future relationships. City officials first had to negotiate a price to pay the contractors for those services for which citizens pay no service fees, such as street lighting and snow removal. The city also had to determine the acceptability of fees that would be charged directly to citizens for certain services, such as solid waste collection and cemetery management.

Another critical component of the relationship between city officials and the private contractors is the level of control retained by the city under private delivery. While the contractors prefer minimal monitoring, the city has a legitimate interest in developing the appropriate level of control. This control is likely to come in the form of monitoring and reporting systems.

Several issues are common in the development of each of these relationships between the city and the private contractors. First, difficulties arise in terms of the availability of information. Since many of the entrepreneurs chosen to provide city services are current employees of Technical Services, these entrepreneurs have access to a level of detailed information not readily available to the city officials evaluating the technical proposals. This access to budget and operational data leaves city officials at a disadvantage in assessing the

plans of contractors. A broader difficulty concerned the need to balance protection of the city and citizens interests against the need to allow the private firms the freedom necessary to adapt and survive. Finally, city officials had to develop a certain confidence and willingness to direct the overall process of privatization, especially when dealing with the private firms selected to provide the city's services.

d. Short Term Recommendations

(1) Reporting and Contract Monitoring Systems

(a) The Objectives

As the city of Trnava transfers the delivery of solid waste management services to the private sector, Town Hall will retain the responsibility for providing these services to the community. In order to fulfill that responsibility, Trnava officials need to establish a system to monitor and administer the contracts. Difficulties related to monitoring a contract can be greatly reduced if a clear understanding exists among all parties regarding the precise nature of the service to be provided (see section IV.A.3).

Contract monitoring may involve a variety of verification, compliance and enforcement channels. Following is a list of contract monitoring mechanisms which may prove to be useful to Trnava in its efforts to transfer its Technical Services to the private sector.

(b) The Mechanisms

1. Reporting System

A reporting system enables the Town Hall to assess the financial and technical aspects of the solid waste collection operations. This information will be useful particularly for planning and contracting purposes and very importantly, it will enable the town to evaluate contract compliance. Establishing a monthly reporting system will ensure a regular flow of information from the contractors without placing excessive reporting burdens on them.

As general indicators the following items provide useful information:

- solid waste collected (daily, weekly, monthly)
- equipment in use
- staff levels (administrative and operations),
- full-time, temporary and seasonal staffing levels
- number of routes and shifts

The following efficiency indicators would allow a contracting agent to assess the level of input necessary for an operation allowing the municipality to "stay in touch" with the service. This awareness will be particularly valuable when contract negotiations are performed or in case of service interruption which will be alleviated by temporary municipal provision. Currently Trnava would benefit from obtaining these indicators on a monthly basis (to observe seasonal changes). As a contracting system reaches maturity the need for this type of information will diminish and requesting it on a quarterly basis will be sufficient.:

- average number of crew members per truck
- average number of tons collected/transported per truck/day
- average number of trips to landfill per truck/day
- average number of kilometers travelled per truck/day
- average number of liters of fuel used per truck/day
- average number of liters of oil used per truck/day

If a Town Hall agrees to compensate private companies directly for delivering a service (instead of the company collecting user fees directly from residents), a financial report would accompany a monthly invoice in addition to the operations report. Penalties for shortfalls in service can be applied at the time of compensation in the form of a deduction from the total invoice amount.

2. On-Site Monitoring

On-site monitoring of the quality of service is usually performed via observation of the zone's overall appearance, and through periodic observation of equipment and crews in operation. This type of monitoring familiarizes city officials with the dynamics of the operation and allows for visual verification of information included in monthly reports. In situations where the Town Hall is responsible for compensating the private contractor for the services provided, on site monitoring proves to be extremely valuable. When performing on-site checks, monitors should at a minimum assess the following:

- effective coverage and quality of service

- compliance with the frequency of service
- compliance with the established hours of operation
- verification of the number and type of units placed into service
- verification of quality of repairs performed by the contractor
- verification of staffing by type of equipment and activity

On-site monitoring can be performed 2-4 times per month, however government entities may choose to increase or decrease the frequency depending on a company's compliance record.

(2) Community and Customer Relations

It is important to establish a regular flow of communication between the town hall and the residents. This type of communication will not only contribute to a more comprehensive assessment of the quality of the service, but also establish specific channels which will prove to be useful when services are modified, expanded, or replaced. Effective municipal service contracting includes obtaining information about the results of a service, with citizen satisfaction being the most important measure of results and citizen feedback the most important channel of information.

(a) Introductory Literature

An explanatory pamphlet describing the new system will establish initial contact with service users. This pamphlet includes descriptions of new service fees, frequency options, benefits and the new mechanism for complaints. In some cases publication of this type of information in the town newspaper may be an effective way to introduce the new system of private provision of the service.

(b) Complaint Mechanism

A complaints referral system whereby residents not only complain to the contractor but also to the Town Hall has proven to be useful. The system could include the voicing of complaints through meetings with district/neighborhood committees, the establishment of a telephone line for customer complaints/customer services or any other successful system used locally in the past.

(c) Quarterly Survey

In addition to being aware of customer satisfaction levels, the Town Hall may benefit from a more active evaluation of community satisfaction: a quarterly survey carried out jointly with the contractor. Town Hall would obtain information about the strengths and weaknesses of the system of private delivery as perceived by the service users and may also receive valuable suggestions from the public regarding areas for improvement and new community needs.

(3) Cost Assessment

A systematic monitoring of operational and administrative costs related to the delivery of a service is crucial to the achievement of acceptable cost savings expected from a transition to private delivery. It also assists city officials develop an understanding of the financial requirements of a service operation and therefore contributes to an informed negotiating stance.

In determining the cost of a specific service operation it is important to include not only direct operational and administrative costs, but also overhead costs, depreciation costs, personnel salaries and any other financial expense incurred in such as food subsidies and taxes. In order to obtain a level field of comparison the line items in a cost analysis applied to a public sector operation must correspond to those applied to a private sector operation. Table III-B and III-C present the cost analysis performed by the IPG team for the city of Trnava's public operations.

In addition to lump sum figures for each category we have determined the annual operating cost per container, according to the two main types of containers: the 110 liter "kuka" and the 1,100 liter "bobr" containers.
Line items include standard items such as salaries, maintenance, administration and depreciation costs (the team applied depreciation schedules set by law in Trnava). Also included in the budget are expenses incurred for mandatory food subsidies. The cost analysis is based on 1990-91 figures provided by city hall officials. Projections for 1992 are based on a 12% yearly average projected rate of inflation [3]. This inflation figure was applied to all line items with the exception of salaries and energy-related products. Wage projections were

[3] Source: Official Price Reports, Federal Statistical Office of Czechoslovakia, 3/92.

provided by Trnava city hall officials. Energy related products are not expected to vary as they are currently under regulation.

(4) Evaluation of Plans

The IPG team is currently assisting the city of Trnava in evaluating the plans submitted by the chosen contractor. The team has submitted a series of questions regarding the plans submitted and is awaiting a response.

e. Long Term Recommendations

At a future point in time Trnava officials will be able to incorporate lessons learned during the initial phases of privatization into the second series of service contracts. There are some parameters which can be defined at this point and applied in the future, the most evident is the need for a transparent and standardized contracting process (see section IV.A.). An essential modification, structural in nature and designed to encourage competition, suggests the issuance of two or more contracts for the same type of service if scale and other conditions permit. Given the lack of empirical data it is not yet possible to ascertain the optimal scale for each contract, nor the optimal bundle of services to be incorporated into a single contract. However, the upcoming transitional phase may shed some light on that aspect.

Equally as important to maintaining a fair and competitive environment is the severance of the landfill management contract from the waste collection services contract. Competing waste collection firms will work in close interaction with landfill management, therefore maintaining the latter as an unbiased party is important to avoid preferential treatment or dishonest behavior.

Other modifications which although of a lower order of magnitude may contribute to an efficient privatization process include assigning equipment maintenance duties (not only minor repairs) to private contractors, and the streamlining of contractual documents through a consolidation of the three agreements currently required from each contractor.

2. *Hradec Kralove*

The city of Hradec Kralove lies in Eastern Bohemia in the Czech Republic, 101 kms. east of Prague. Like most cities in Czechoslovakia, Hradec Kralove faces an immediate need for a new solid waste landfill. Given the unavailability of municipal funds and the lack of local expertise in building and operating modern landfills which meet industry and environmental standards, the Town Hall of Hradec Kralove sought foreign expertise in the area of solid waste management. Through a joint venture with the Danish firm Marius Pedersen, Hradec Kralove and the neighboring town of Pardubice plan to engage in a private-public partnership for the construction and operation of a new landfill.

In operation since 1979, the existing landfill is currently receiving 100,000-120,000 tons of solid waste per year. Although landfill supervisors are relatively selective in accepting solid waste to be disposed, the landfill does not meet industry standards greatly due to an absence of gas measurement, leachate drain, a control cell and an emergency cell. In addition the access road leading from the landfill entrance to the final disposal site is not conditioned for heavy equipment travel. To the team's knowledge, there are no records of the amount of waste deposited at the landfill. Any calculations that do exist are merely approximations as the entrance (which also serves as an exit) to the landfill possesses no scale houses. Fortunately the landfill area is securely maintained and thus no informal recycling or waste separation takes place. This landfill is expected to be in operation for less than one year as it is nearing capacity.

The situation described above, in the context of higher operating standards in waste management (set by The Waste Disposal Act of 1991), and depleted municipal resources, prompted Hradec Kralove and Pardubice to seek foreign expertise and investment in landfill management. A Danish waste management firm, Marius Pederson expressed interest in providing the expertise and capital Hradec Kralove needed to build and manage a new landfill.

The Bohemian Waste Management Company, a subsidiary of Marius Pedersen, has proposed building a new landfill on the remains of an old manganese mine. The mine, which covers a fifty-five hectare area and houses the only existing landfill serving Hradec Kralove and other neighboring towns, is located approximately 53 kms. away from downtown Hradec Kralove. Under a joint venture agreement, the Town Hall of Hradec Kralove will own 20% of the Bohemian Waste Management Company; the neighboring town of Pardubice 20%; and Marius Pederson will own the remaining 60%. Construction would

begin in July 1992 and the landfill is expected to have a lifespan of 15-20 years. Waste guaranteed for disposal at the landfill would originate in Hradec Kralove, Pardubice and Chrudim, however, other towns will be welcome to dispose of their waste in the landfill as well.

At the time of the IPG team's arrival Hradec Kralove and the BWM Co. were conducting initial negotiations. IPG's technical assistance thus focussed on advising Hradec Kralove on the terms of the contract with a particular focus on technical financial and general management provisions.

a. Short Term Recommendations

The IPG team focussed its technical assistance to the town of Hradec Kralove on evaluating the draft contract with Bohemian Waste Management Company. During its last visit to Hradec Kralove the IPG team presented a series of observations to the Mayor. These comments and recommendations were later submitted in written form to ensure their incorporation into the final draft contract. The complete list of observations is included in Appendix E. Following is a brief description of the recommendations submitted.

The team's recommendations can be grouped into four main areas: technical, financial, legal and general management recommendations. Technical observations covered issues such as dust and leachate control, gas measurement, back-up provisions for catastrophic failure of equipment and scale outages, landfill closing procedures, load inspection, construction details and specifications of cover and lining materials. The majority of the team's technical comments called for a greater level of detail. Recommendations pertaining to financial matters focussed on the need for setting tipping fees based on tonnage and type of waste, the incorporation of an escalator to the landfill fees in order to account for inflation and encourage efficiency, and the financial responsibilities of all parties involved particularly in reference to cleanup, closing and other extraordinary expenses.

The team's recommendations regarding legal matters included the definition of ownership rights to the waste and to the landfill property, dispute resolution procedures, specific reference to applicable laws and regulations at both the Federal and Republic levels, and a particular emphasis on adherence to the 1991 Solid Waste Act and its Implementing Regulations. The team addressed general management practices through comments

regarding staffing levels, back-up plans, the role and composition of the supervisory board, the decision-making process within the board, billing procedures and operating hours.

Currently the IPG team is reviewing the latest version of the draft contract and will soon be submitting additional observations.

b. Long Term Recommendations

Government officials in Hradec Kralove plan to transfer the delivery of all technical services to the private sector in the near future. In doing so, it is essential to make an informed decision regarding the services to be contracted, conduct a competitive bidding process and eliminate all possibilities of conflict of interest situations. Section IV.A. of this report will assist city officials in their decision-making, planning and execution efforts.

Within one year Hradec Kralove will be in a position to receive valuable advice from other towns which by then will have experienced the private provision of public services. A comparative analysis of the progress made in Ceske Tecin, Karlovy Vary and Trnava will provide useful guidelines for Hradec Kralove.

E. Analysis of Privatization Efforts

1. Ceske Tecin Model

a. Background

Ceske Tecin, a city of approximately 28,000 inhabitants located on the Polish border in northern Moravia, appears to be the pioneer in municipal service privatization in Czechoslovakia. The plan developed by Ceske Tecin officials has been the model followed by several Slovakian cities, and is emerging as the central influence in many public service privatization plans.

In the summer of 1990, Ceske Tecin decided to privatize its Technical Services organization. It was motivated both by the perception of low quality services and the clear reality of escalating municipal costs. Mr. Eveen Feber, a Ceske Tecin official who had tried and failed in an earlier and

probably premature experiment in nearby Karvina, developed the specifics of the plan based on his observations of local government and his private readings in economics. Mr. Feber's senior position in municipal government gave him sufficient authority to transform his ideas into a concrete privatization plan.

Ceske Tecin's innovative development of a municipal privatization program appears to have been the result of several timely and complementary developments. First, the national legal and institutional changes transforming Czechoslovakia made privatization a much more viable option by empowering local governments and shifting control of capital goods from Technical Services organizations to local governments. The allowable scope of private sector activities was also expanded to include public services. At the same time many city governments, including Ceske Tecin, began to experience the fiscal realities of governing in times of limited financial resources and radically altered political responsibilities. A final problem was specific to Ceske Tecin and a few other border towns: the public service delivery system began to strain under the weight of the daily influx of workers from across the nearby Polish border.

Ceske Tecin officials felt that private firms, when given the proper incentives, are likely to be more efficient providers of public services than government institutions. This proposition is likely to hold particularly true when those institutions are burdened by a legacy of over forty years of inefficient, bureaucratic management. Ceske Tecin officials developed a plan to encourage the emergence of private sector firms to replace the existing Technical Services organizations. By implementing such a plan, they expected to capture the cost savings of a more efficient and more motivated private sector. Opposition to the plan in its development stages was essentially non-existent, due to the low quality of the services then being provided by the Technical Service Department. The potential opposition of Technical Service employees was reduced by the prospect that these employees were likely to form the core of the eventual private alternative.

b. The Model

The privatization program developed in Ceske Tecin is a transitional plan intended to allow the local government to pursue immediate efficiency gains while fostering the steady development of an effective private service sector.

The model is distinguished by several key provisions:

- The city retains ownership but agrees to lease the equipment of Technical Services to newly-created private firms in exchange for assurances of continued service and adherence to agreed upon prices.

- The city grants exclusive contracts, extending for three to seven years, to supply designated public services. These transitional monopolies are intended to serve as an incubation period for the creation of a competitive private sector.

- The privatized provision of city services is dependent on newly-created, locally-owned firms. Thus far, no foreign firms have been included in plans based on the Ceske Tecin model. These local firms are composed almost entirely of former Technical Services employees and are locally owned and operated.

Ceske Tecin officials report that the direct advantages of this innovative approach include efficiency improvements and presumed cost savings, an increase in city hall control over services, the maintenance of property ownership and flexibility for the city, and increases in service quality. Indirect advantages cited include the encouragement of private enterprise and the development of local expertise in important service areas.

The process of privatizing Ceske Tecin's Technical Services organization began in the summer of 1990 with a brief experiment in contracting out city park management to a private firm. After evaluating the performance of the private firm, city officials were satisfied with the private provision of park management and decided to expand the experiment to other city services.

The following principles guided Ceske Tecin officials in developing the city's privatization plan:

- Despite financial pressures, the city should not seek to make public services a primary source of revenue, since increased prices and lower quality services could result in public outcry.

- Any transfer of public assets should be accompanied by an increased measure of control by city officials.

- A central office should be established in the city to specify operational requirements and oversee private contractors.

- Implementation should take into account specific local conditions and encourage more economically efficient service provision.

These principles steered the choice among three alternative privatization tactics considered. The alternatives varied according to the terms by which capital equipment was to be transferred to private control. Options included the outright sale of the equipment to the private firms, an unrestricted lease to the private sector, or a restricted lease to the private sector.

The importance of the equipment issue is a key feature of Czechoslovakian service privatization and is directly influenced by the underdevelopment of the country's capital markets. In a developed market economy, it is a relatively simple matter for qualified business people to acquire vehicles, machinery, and other equipment needed to bid on service contracts. However, in an embryonic market system like Czechoslovakia's, access to the market for equipment and, even more importantly, access to finance capital is severely limited. The implications of these restrictions for solid waste management are significant: in the short to medium term relatively few people in Czechoslovakia will be able to acquire the requisite trucks and equipment.

Ceske Tecin's first two privatization options, accordingly, were deemed too risky. It seemed entirely possible that the new private firm, once in possession of what had been Technical Services capital goods, would opt not to continue providing services to the city. In that event, no easy replacement could be found resulting in a temporary interruption in service. The decision to lease the equipment with restrictions was the option selected because it allowed for a flexible arrangement while protecting the city from potential service interruptions. Eagerness to avoid the risk of losing service entirely appears to be a key consideration of public officials in following the Ceske Tecin model.

A second special feature of early post-communist systems also comes into play. The capital equipment was not actually owned by the city government, but by the Technical Services organization--a distinct entity only loosely linked to municipal government. Before transferring control of the equipment through the leasing scheme, accordingly, the city had to first gain possession of it. And this meant <u>exempting</u> the service-delivery

equipment from what had become the normal fate of public assets--direct sale to private owners. A frequently-noted irony of Czechoslovakia's overarching privatization efforts is that "socially-owned" assets must be transformed into "state-owned" assets before they can be privatized. In an echo of that larger irony, trucks, street sweeping machines, and other assets must become "city-owned" before they can be sold or leased to private contractors.

Consequently, the city of Ceske Tecin was required to obtain an exemption from the Ministry of Administration and Privatization of National Property of the Slovak Republic (pursuant to part 2, Section 6 of law No. 138/91) allowing the removal of certain service units from the normal privatization process. This exemption would keep the specified units from being incorporated into the list of assets to be sold off, and allow them to be transferred instead to municipal government. In requesting exemption, the city must follow the process detailed below:

- The Technical Service organization assembles a list of its physical assets, the operating unit to which they pertain, and the rationale for exempting them from immediate privatization. This inventory list is then passed on to the Municipal Office.

- The Municipal Office must then submit a written application to the District Privatization Committee for the omission of the appropriate Technical Service assets from the privatization roster.

- The District Privatization Committee shall either recommend for or against the exemption of these from the privatization list. Based on these recommendations, the Municipal Office must then submit a separate application to the Ministry of Administration and Privatization of National Property.

The exemption from the privatization process is the enabling mechanism that allowed the city to seize ownership of the property and eventually lease it to the private sector. This approval is a critical step in the municipal privatization process.

Ceske Tecin officials prepared a complete inventory of the property of Technical Services and appointed a liquidator and a liquidation commission. The firms chosen as new suppliers are allowed to select the equipment that they want to lease. The remaining equipment is sold by the liquidation

commission. The liquidator and the commission then present a report to the City Council for approval.

After the liquidation process was approved in Ceske Tecin, Technical Service responsibilities were divided into eight discrete service units. Each of these units was defined to be appropriate--in scale, and in the range of activities included--for delegation to a single private supplier:

- Management of cemeteries;
- Cleaning of streets and public premises;
- General maintenance and street lighting;
- City landscaping and greenhouse operations;
- Collection of 110-litre solid waste collection containers and operation of landfill;
- Collection of 1100-litre solid waste collection containers;
- Maintenance of local streets, including winter street maintenance (snow removal);
- Miscellaneous operations activities, including parking garages, campgrounds, swimming pools, etc..

Specific caveats on the scope of services and methods of payment were included for the operation and management in each service area. In the case of the disposal operation, for example, the Ceske Tecin model recommends a subsidy to cover certain operating costs (stratification, covering, etc..) and the dependence on outside dumping fees for other types of costs such as utilities.

In terms of equipment, the private contractors were given the option to lease, for a five year period, all or any portion of the Technical Services equipment. Equipment not desired by the private firm was sold when possible. The city is responsible for major overhauls (usually on an annual basis) to the equipment while the contractor is responsible for any other standard repairs or improvements. Neither the amount of use nor the maintenance record of the leased equipment is monitored by the city. When the equipment eventually breaks down beyond repair, the contractor will be responsible for replacing it.

Employees of Technical Services were, according to city officials, guaranteed at least a chance of keeping their jobs in the private firms. After a year of operation, however, the number of employees involved in public services has dropped from a total of 178 in Technical Services to approximately 78 in the private firms. While the Technical Service

organization had 23 administrative clerks, the private firms now operate with five administrative clerks. In addition to the reduced numbers, the private firms now manage their employees with a different set of incentives. According to the owner of one of the firms now providing solid waste collection services for the city, worker output is now tied directly to salary, reducing the worker-to-truck ratio and increasing productivity.

c. Results

After over a year in operation, the city reached its goal of cost savings in service expenditures. The 1990 Technicai Services budget was approximately 11.6 million kcs while the 1991 Technical Services budget for comparable service levels is approximately 9.0 million kcs. Contractors are paid out of the city budget for general public services such as street cleaning and streetlight repair. More focused services such as solid waste collection and cemetery services, however, are now funded by individual users.

In addition to the savings in budget expenditures, Ceske Tecin is also receiving some revenue due to the creation of private firms in the form of lease payments, payroll taxes, and entrepreneurial taxes. Technical Services organizations in the past had independent access to resources hence city officials had minimal control over expenditures and operations. Under the current system city officials are able to monitor the quality and level of service through the performance-related payment system established with private contractors.

d. Application in Banska Bystrica

Banska Bystrica, a city of approximately 100,000 located in central Slovakia, followed the lead of Ceske Tecin in August 1991. In an effort to reduce operating costs and to increase the quality of city services, the city decided to contract out solid waste collection and disposal, street and traffic lighting, street maintenance and repair, and cemetery maintenance services. Like Ceske Tecin, Banska Bystrica decided to lease its equipment to newly created private firms in exchange for a guarantee of continued service. In most major respects, Banska Bystrica officials replicated the Ceske Tecin privatization model with a few exceptions.

Differences between the Banska Bystrica and the Ceske Tecin privatization plans are not drastic, yet one is worth mentioning. The method of billing

employed by Banska Bystrica creates a direct link between payment and the services provided. Where the billing methods in Ceske Tecin are based on a detailed calculation of time and material costs, in Banska Bystrica a unit price for a service is calculated and the contractor is paid depending on the number of service units provided. Such a performance based payment provides incentives to Banska Bystrica contractors, thus encouraging efficiency gains. This output-based method of payment is clearly superior to the cost-based payment used in the original Ceske Tecin model.

In terms of results, Banska Bystrica officials claim that private provision has brought about lower costs, improved quality, and increased service coverage. Annual costs have decreased for the city from a Technical Services total of 35 million kcs to a total payment of 28 million kcs. per year under private delivery. Despite problems associated with snow removal, public complaints have declined as a result of service improvement. Service difficulties and complaints have apparently decreased as well, despite several early difficulties with snow removal. The private firms in Banska Bystrica have reduced total employees by approximately 30%, now providing the city's services with 120 employees. Despite its success, Banska Bystrica officials also view this privatization plan as a transitional system likely to evolve into a more competitive system in 2-3 years. Along with officials from Ceske Tecin, Banska Bystrica leaders have been active in advising other local governments in the development of their privatization plans.

e. Applications in Zilina

Zilina, a city located near Banska Bystrica in central Slovakia, followed Ceske Tecin and Banska Bystrica in implementing a privatization program on November 1, 1991. Zilina officials opted to transfer public services to private entrepreneurs in an effort to reduce costs and increase service quality. After observing the privatization efforts in Ceske Tecin and Banska Bystrica, Zilina officials adopted a privatization plan that closely resembled the Ceske Tecin model. Once Zilina officials began to implement the plan, however, they appear to have modified several of its important components.

Perhaps the most significant adaptation of Ceske Tecin's plan pertains to equipment. In an attempt to cut costs and minimize administrative procedures, Zilina officials decided to sell the equipment to the private contractors in lieu of the standard leasing arrangement. City officials also cited perverse incentives for the contractors: with the city paying for general

overhauls and the contractors free to use the equipment on work outside the city, the contractors had an incentive to abuse and overwork the equipment. Since the city is no longer responsible for major equipment overhauls, officials expect to save over 3 million kcs annually. To facilitate the deal, contractors are given the option of financing the purchase with a loan from the city.

Another major difference in Zilina's plan concerned the mix of services contracted out. Zilina, unlike Ceske Tecin and Banska Bystrica, did not privatize its snow removal and street maintenance services. In May, 1991, these two departments were separated from Technical Services and are now provided by a separate city entity.

A final difference was the addition of a contract monitoring system based on citizen complaints. An advertisement was placed in the local paper at the beginning of the privatization process describing the situation and asking citizens to complain to the companies and to city hall if services were not adequate. Though not an advanced reporting system, this is a first step toward citizen involvement in quality monitoring.

Zilina officials claim to be generally satisfied with the initial operation of the contracts. In terms of budgetary savings, the city is now paying approximately 22 million kcs for the services formerly provided by Technical Services for 30 million kcs. The private firms have decreased staffing by approximately 50%. However, they are paying (at least in the case of solid waste collection) a significantly higher salary to the remaining employees. Zilina officials cite the decision to limit the "political" nature of the selection and management processes as a good one. The 10-member committee responsible for the selection of companies was composed of both local and out-of-town members, thus reducing the influence of local "political" agendas. This increased balance and objectivity in the selection process is seen by Zilina officials as a necessary component in a successful privatization effort.

f. Analysis and Recommendations on the Ceske Tecin Model

The service privatization plan developed by Ceske Tecin officials represents an impressive first step in the direction of contracting of municipal services to the private sector. The model promotes the creation of a group of local business designed to serve the needs of the city and eventually compete in

the open marketplace. In this transitional role, the Ceske Tecin model serves it purpose well. Many of its specific provisions are also encouraging. Despite the successes of the Ceske Tecin model, several areas might also be improved. This analysis suggests ways to improve the existing framework.

The bid process employed in the Ceske Tecin model was developed within a context where the technical qualifications of the bidding firms were the most important criteria for selection. According to the model, a contractor for each service is selected based on a perceived technical qualification to provide the service. Full technical and financial plans were not required until later in the process, thus dictating that firms are initially selected without knowledge of more detailed financial and operational plans. An improved system would be based on a two-tiered selection process. After the selection of several technically sound proposals, the city may request a bid competition to drive down the proposed price. This price contest is usually referred to as a Best and Final Offer.

Another necessary improvement concerns the implementation of an adequate monitoring and reporting system. Given the importance of monitoring private contractors, the model would be improved with the addition of a detailed monitoring and reporting system which builds the requirements into the contracts between the city and the contractors. A monitoring system will allow the city to measure both improvements and efficiencies as well as contract compliance.

Another key component of the Ceske Tecin model concerns the leasing of equipment to the private contractors. As cited in the model, this leasing approach has several advantages for the city, including a balance between ownership and flexibility. Several issues arise from this arrangement, however, that merit examination. First, there is an incentive for the lessee of the equipment (the contractor) to allow the equipment to deteriorate. In Ceske Tecin, for example, current entrepreneurs responsible for solid waste collection feel that the city desires too much maintenance of the collection trucks. Since he does not own the trucks and is not responsible for providing major overhauls, he has an incentive to run the trucks beyond the appropriate level. A second equipment issue pertains to the lack of provisions for the replacement of equipment that breaks down beyond repair while under lease. Private entrepreneurs indicate that they will be responsible for replacement from their own budgets. The likelihood that entrepreneurs will be able to afford the necessary equipment after only a short time in operation needs to be examined. Until private contractors are

positioned to purchase their own equipment, cities could develop medium-range plans to replace major equipment.

The pricing system proposed in the Ceske Tecin model also requires some attention. First, prior to beginning the privatization process, a city should make a concentrated effort to fully understand the costs involved in the operation of the service under the Technical Services organization. A cost analysis will enable city officials to negotiate more effectively the prices to pay the contractors as well as the prices that the contractors may charge the citizens. Without an appropriate level of cost information, city officials will be captive by the costs proposals of the private contractors. The timing of service price increases is also important. Cities should consider raising the prices of services closer to the true market cost well before the service is privatized. This delay will illustrate to citizens the real cost of services and prevent them from associating the cost increases with privatization.

A final observation concerns the operational groupings of the services in the Ceske Tecin model. As the model now stands, several services are grouped together with little apparent reason. Responsibility for the collection of the 110-litre solid waste containers, for example, is paired with operation of the landfill. While these two services are certainly related, grouping them may contain some degree of conflict of interest. When the contractor responsible for collection of the 1100-litre containers goes to dump in the landfill, for example, the contractor managing the landfill (and also collecting the 110-litre containers) has a clear incentive to overcharge the other contractor for dumping. Given the potential for competition that may exist between these two contractors, alternative arrangements, including some form of price regulation, will probably become necessary.

2. *Karlovy Vary Model*

a. Background

Karlovy Vary is the first, and perhaps the only, city in Bohemia that has systematically privatized most of the services once provided by the Technical Services organization. Unlike Ceske Tecin, Karlovy Vary allowed foreign firms to compete for the service contracts. As a result, the city now has a unique, public-private, foreign-domestic service provision system. Private, local firms now provide public lighting and car towing services while a German firm now provides residential solid waste collection, snow removal, street repair, and traffic marking services. To complete city

services, a new city organization, Sprava Lazenskych Parku, now cares for the public gardens and cemeteries.

Karlovy Vary's decision to privatize followed intense public pressure to alter a public service system that was seen as seriously inadequate. Consequently, this decision and the ensuing implementation occurred in a rather short period. The entire contracting process for the four services now provided by the foreign contractor lasted only two months. During these two months, the process moved from advertisement of proposal requests to the actual signing of contracts.

Karlovy Vary began its move toward privatizing its Technical Services department in early 1991 when it decided to allow private firms to provide towing services for the city. City officials apparently viewed this move as a success and a few months later chose a private firm to provide public lighting services. In November, 1991, city officials began to seek a private firm to contract for the provision of solid waste collection, snow removal, street repair, and traffic marking. After making the decision to privatize these services, bids were solicited from potential suppliers able to provide the entire package of contracted services.

b. The Model

The city issued a request for proposals and received technical and financial data from 6 firms, 3 of them Czechoslovakian and 3 German. A German firm was selected as the winner. On December 31, 1991, the Technical Services organization of Karlovy Vary ceased to exist yielding to a private contractor who began operations in Karlovy Vary on January 1, 1992.

The firm agreed to provide residential solid waste collection, snow removal, street repair, and traffic marking services in Karlovy Vary. The contract signed between the City of Karlovy Vary and the private contractor is scheduled to end on December 31, 2003. If there is no cancellation of the relationship before December 31, 2002, the contractual relationship will be extended for another five years. The contract does have a provision for unilateral termination based on "extraordinary and serious reasons" though apparently this clause is not expected to be invoked short of extreme breaches of the contractual terms. What constitutes "extraordinary and serious" is not defined.

In terms of property and equipment, the city is leasing operational and building space to the contractor and has sold necessary equipment to the firm. Operational space and immovables, which are defined in the text of the agreement, are leased for a fixed annual rent of 1,400,000 kcs. The city sold two thirds of its equipment to the private contractor and retained one third. The contract specifies in great detail the type and condition of the equipment to be leased or sold. The private firm selected the trucks that it wanted to purchase. According to city officials, the appropriately depreciated value of the trucks was probably not used to calculate the sale price for the equipment. Rather, the city and the contractor negotiated a sale price which city officials now express serious doubts.

In terms of operations, the firm is given a fairly broad set of parameters. The contract contains a minimal level of technical specification on the nature of the work to be completed by the contractor. While the broad category of work is mentioned, measurable units of work to be completed are not included. Though the contract specifies that the firm will eventually provide public education concerning the sorting of solid waste, for example, the contract does not include details on the timing or extent of the education. City amendments to the work specifications must be submitted to the contractor at least five days before execution, allowing the firm time to alter its operations. In addition, the contractor is exempted from responsibility, with no specified penalties, for most types of service interruptions, including those related to employee and equipment problems. Finally, the city retains responsibility to provide for the firm with an appropriate place to dispose of solid waste, free of charge, for the duration of the contract.

The price to be paid by the city to the contractor is fixed by the contract at an annual price of 9,500,000 kcs. Since the payment is on a lump sum basis, the contract does not attempt to tie payment to the services provided. The contract states that if foreign contractor's costs rise, Karlovy Vary is responsible for paying the increased fees, thus leaving all inflation and operational cost risk with the city. The opportunity to propose new contract prices lies exclusively with the foreign contractor. Also, the city agrees that the services provided by the contractor are to be provided on a monopoly basis: no other firm may provide these services for the city during the contract period.

The city has established an office of 7 people to administer the private contracts now in operation. According to city officials, however, the office's effectiveness is diminished due to salary and staffing difficulties. In addition to this office, city officials voiced hope that the police and citizens

would assist in checking the quality of the services provided by the contractor and the other private firms.

c. Analysis and Recommendations to Karlovy Vary Model

The Karlovy Vary plan contains several positive components. A mixed delivery system in which the community depends on several private firms and continued city involvement reflects guidelines similar to sophisticated systems in which private firms and the public entities compete for contracts to provide a particular service. Secondly, Karlovy Vary officials pursued a phased privatization plan which prevents the potential negative repercussions of a comprehensive plan. Finally, an attractive component of the city's tendering process was that it attracted six competitors for the initial bid.

Despite these positive aspects, however, the contract signed between Karlovy Vary and the contractor contains provisions which are not likely to serve the long-term interests of the city. An exclusive contract with a private business is a simple transfer of a public monopoly to the private sector. In addition the length of the contract (eleven years) does not allow for the competition and flexibility critical to the success of privatization. The desirability of such a long contract is particularly diminished when there are several private firms technically able to provide the required services. Though the appropriate contract length varies from project to project, two to five years is the norm in the solid waste industry.

From a technical standpoint, the Karlovy Vary contract does not contain sufficient detail regarding the service operation. Although there is a general description of the nature of the services to be provided, the contract lacks specific details regarding the issues such as level of service, equipment maintenance procedures, relations with the community. To avoid misunderstandings, a service contract should spell out very clearly as much of the operational detail as possible.

Another significant operational question concerns Karlovy Vary's decision to contract with a single company for four entire services. The provision of solid waste collection, snow removal, street repair, and street marking services should not necessarily be provided by a single company. In fact, a dispute with the contractor may result in an interruption in more than one service which may have serious consequences for the community. Provision

of discreet services by private companies will encourage competition and minimize the opportunities for service interruption.

A final operational concern is the contract's specification exempting the contractor from responsibility for completing services for a broad range of reasons, including illness, equipment failure, force majeure, or other undefined reasons. Responsibility for interruption due to employee illnesses and equipment failures should clearly be planned for by the contractor and should not be valid grounds for service interruptions. Those types of operational risks should be left firmly with the contractor and not with the local government.

In terms of pricing and payment arrangements, the contract appears to have several weaknesses Financial incentives or penalties are not included as a means of influencing the performance of the contractor. Incentive targets designed to reward the private contractor monetarily generally improve service efficiency and quality . Likewise, negative incentives are necessary to prevent service breakdowns. A second price-related observation pertains to the determination of price increases. Since the city allows the contractor to raise the price of the service almost unilaterally, higher than necessary cost increases are likely. Since proposed price increases are on a cost basis, the contract includes no incentives for efficient operations or cost reductions. Finally, the contract appears to leave all responsibility for the disposal of solid waste to the city. As environmental standards are tightened, disposal accounts for a larger fraction of total solid waste management costs. Incorporating disposal costs into the waste management contract would give Karlovy Vary better information on the real costs that it incurs.

Finally, several points involving the management of the Karlovy Vary privatization process should be highlighted. Hasty decision-making process leaves a municipality exposed to many unanticipated difficulties. It is also essential to the success of private provision of services to establish an effective contract monitoring system. Although city officials have established a department solely charged with this responsibility, their oversight role has been a limited one.

IV. SUMMARY RECOMMENDATIONS

A. Contracting Private Companies for the Delivery of Public Services: *General Guidelines on the Structuring and Processing of Contracts*

Private contracting of public services can be divided into numerous phases or stages, however, for the purpose of this project we have identified three principal phases: the decision to privatize, the tendering of private bids, and the execution of private contracts. A sound contracting process begins with an informed decision to transfer a traditionally public service to the private sector. The application of established criteria to a series of conditions can guide decision-makers through a usually difficult process. Once the decision to privatize is made attention focuses on the complex tendering phase which follows. Several key features of a valid tendering process are fairness, transparency and a systematic application of service requirement criteria. Once a solid tendering process is completed and a municipality awards a contract the execution phase takes top priority. Privatization becomes reality during the execution phase and the soundness of the process leading up to that phase is critical to the overall success of privatization (see Table IV-A).

1. The Decision to Privatize

The analytical process underpinning the privatization decision takes place within a network of political, economic, and legal conditions and constraints. Each step towards the decision to privatize must be made with proper attention to this surrounding context (see Table IV-B). On the political dimension, for example, the evolution of public attitudes towards business and the popular legitimacy of profit-seeking firms has implications for the pace of service privatization. Budget and accounting rules will set the economic parameters for initiatives in contracting. Labor laws and other legal constraints will often come into play if privatization proposals imply shrinking employment of shifting workers across categories of employment or the transfer of state property to private entities.

A crucial initial question concerns the acceptability of the status quo. Only if the current service has significant problems--technical, managerial, economic or otherwise--is the privatization option worth considering. Identifying problems with public delivery, however, only opens the possibility of improvement through private delivery. The question then becomes

whether the best response to perceived problems is to move towards privatization or toward efforts to reform, restructure, and improve the performance of the existing delivery system. An affirmative answer to all of the following questions is necessary to proceed with the decision to privatize the existing system.

The first step is to determine whether the service can be defined. Only if specifications can be drafted with clarity and precision can a meaningful contract be written. The second step towards the privatization decision is to ascertain the existence of potential private suppliers. This leads directly to the most important stage in the decision process: the identification of multiple suppliers, since one supplier is not enough. Unless the nature of the service and the supply of alternative contractors allow meaningful competition, there is little reason to expect efficiency gains or quality improvement from privatization. Rather the process would entail the transformation of a public monopoly into a private monopoly. The final step involves determining whether service quality can be accurately measured and contractor performance monitored to ensure that contractual promises are being met. If each of these questions is answered affirmatively, the attention then shifts to the tendering process.

2. The Tendering Process

The primary objective of the tendering process is to promote competition among highly-qualified prospective contractors. Generally, the tendering process involves the following phases: definition of service requirements; preparation of bid documents and evaluation criteria; solicitation of proposals; information session with potential bidders; submissions of proposals; evaluation of proposals; and the awarding of contracts (see Table IV-C).

a. Defining Service Requirements

The initial step in a tendering process involves identifying and defining the requirements by which quality and efficiency are measured. Clearly specifying the necessary service requirements expedites the preparation of bid documents, the evaluation of proposals and the drafting of contracts. Service requirements can be grouped into the following categories: technical, financial, legal, labor and other general requirements.

Technical requirements include the desired type, level, and quality of service to be performed; the geographical areas to be covered by the service; the desired level of competition and the type of equipment to be used. In those cases where the service is to be contracted to more than one company it is important to define clearly the physical boundaries of each area and corresponding level of service. In a mature contracting scenario physical boundaries need not be delineated as several companies will be allowed to offer a service in any given area of the city (the decision to choose which company will provide the service rests with the citizens).

Financial requirements entail the form of compensation to the private contractor, billing arrangements, service fee collection parameters, determination of equipment rental fees (if applicable), and ceilings on the fees charged to the community (if applicable). Options include a direct payment to the contractor by City Hall for services rendered (this could be done in lump sum form or on the basis of weight collected or residential units served), or a direct collection of fees from citizens by the contractor.

Legal requirements include the responsibilities and duties of the parties involved, the laws by which contractor and contracting agent are bound and the arbitration procedures to be followed in case of dispute. Specific requirements pertaining to the legal characteristics of private contractors should also be defined at this point, particularly in those cases where service delivery is open to foreign companies in the form of joint ventures, subsidiaries or any other fashion. In cases where the existing legal framework precludes the transfer of state assets to a private entity, a temporary arrangement often resorted to is the rental, or leasing of equipment. This arrangement has proven to be satisfactory in Ceske Tecin and may set the stage for the eventual transfer of property once the legal parameters allow it.

Labor requirements encompass items such as preferential hiring of public sector employees (as was done in Ceske Tecin and Banska Bystrica), training of personnel and industry-specific working conditions. Other requirements desired by the contracting agent such as the level of company expertise, technology transfer and relations with the community must also be clearly defined. A precise definition of requirements will facilitate the preparation of bid documents.

b. Preparing Bid Documents and Evaluation Criteria

Bid documents should be designed to assist the bidder in understanding and identifying what evaluators expect and in what format. A set of instructions should accompany every bid document. These instructions lead the bidder through the entire bidding process informing him what he needs to submit, when and how. The bid document itself includes the service requirements identified earlier as well as details on the type of contract being bid, the length of the contract, the type of payment mechanism to be used, the basis for payment, and any rental arrangements to be defined. Bid documents should also include samples of forms to be used by bidders when presenting their cost and technical proposal (if applicable). Although standardizing the bidding format is important because it places competing parties on a level playing field, it is also important to allow for creativity and flexibility. This can be done through optional provision whereby bidders may choose to submit an alternative proposal in addition to the required one.

At this stage it is crucial to select a committee in charge of defining bid screening and evaluation criteria. While screening criteria pertain mainly to the eligibility for evaluation, the evaluation criteria relate principally to the quality of the proposals. Although the criteria vary from one service area to another, general parameters can be grouped into three main proposal components: technical, cost and contractor qualifications. Assigning each component a percentage value of the total score is important for it not only provides a general scoring basis but also allows bidders to focus their efforts accordingly.

c. Solicitation of Proposal

Following the preparation of bid documents, it is important to assign an entity in charge of coordinating the procurement process. Typically, the contracting agent issues a Request for Proposal through an official publication or other means, public or private. It is common practice to issue requests at least three times in daily publications or twice in weekly publications. This request informs potential bidders of the type of service to be contracted, type of contractual arrangement to be employed, the deadline for proposal submissions, and the place where parties interested can obtain detailed information regarding the proposal requirements. Each potential bidder is given a package of information that includes bid documents and an invitation to an information session.

d. Information Sessions with Potential Bidders

It is useful to conduct the information sessions two weeks after the contracting agent issues the request for proposal. This allows potential bidders to review the requirements and prepare their questions. The purpose of the session is to answer questions posed by potential bidders in a public forum where all interested parties can attend. This is also the last opportunity for the contracting agency to issue addenda to the original request for proposal. It is also important to disseminate a memorandum listing the questions and answers discussed at the meeting to all parties who have obtained the informational package. At this session, the contracting party may also choose to set a deadline for the submission of written questions. In order to ensure availability of information the responses should be distributed in writing to all those included in the register at least three weeks in advance of the proposal submission deadline.

e. Submission of Proposals

Conducting a public bid-opening session, with bidders and public officials present, contributes to a transparent and fair contracting process. It is important to prepare a register of proposals submitted and abide by strict rules of acceptance and rejection of bids. It is standard practice to request three to six copies of proposals to prevent complications caused by misplacement or loss of documents. It is customary to request bidders to submit their offers in two envelopes, one containing the technical proposal and the other enclosing the financial or cost proposal.

f. Evaluation of Proposals

The evaluation stage lasts approximately 4 to 6 weeks varying according to the size and scope of the Request for Proposal. During this stage a team of evaluators applies the predetermined criteria for the screening and evaluation of proposals. Screening criteria pertains to meeting the basic requirements set in the request for proposal, i.e. is the information complete? is it technically and financially sound? are costs reasonable? If any of the bids does not meet the screening criteria the bid is rejected. Bids that meet the screening standards are evaluated. The evaluation criteria should measure the quality of the technical plan, the attractiveness of proposed pricing, the quality of the financial plan and the quality of managerial and other general plans. At this point it is important to first evaluate the technical aspects of

the proposal and then proceed to evaluate the pricing components of the bid. This chronological procedure ensures that the attractiveness of a bid's proposed cost does not affect its technical evaluation. Once the evaluation criteria are applied the team is responsible for ranking the proposals evaluated. After the selection of several technically sound proposals, the city may request a bid competition to drive down the price. This price contest is commonly referred to as a Best and Final Offer. The team then prepares a report which presents the outcome of the evaluation and recommends a winning bid. The objective of the report is not only to present a winner but to document the objective application of standard criteria to all bids.

Situations where there may be numerous bidders may call for a two-step process. The first step would be designed to review the general qualifications of interested bidders and would involve the application of screening criteria. The screening team would prepare a short list of bidders invited to participate in the second phase. The second step would involve the in-depth analysis of financial, technical and general management plans, the evaluation of bids and ranking of proposals.

g. Contract Award

Notifying winners in writing and announcing the results of the bid in an official publication ensures equal access to information. Once the winner is notified, a target date is set to define specific contract details, the first step in the execution phase.

3. Execution Phase

a. Final Definition of Contracts

Bid documents form the basis of contract documents in a manner similar to that in which bid documents are designed according to service requirements. A contract should include details on who performs what function, as well as where and how the function is performed. Details regarding the operational aspects of a service must reflect a clear understanding of the service expected from the private contractor. If improvements in terms of quality, frequency, and expansion of service are expected, they should be clearly defined in the contract and easily measured in the monitoring process.

Detailing expectations and the corresponding incentives and penalties may avoid unnecessary friction between a city and a contractor at a later date. Issues range from equipment maintenance requirements, staffing requirements, use of specific technology or methodology and level of service, to handling of special types of waste, reporting systems and relations with other contractors and the community.

From a legal standpoint, issues such as procedures to be covered in cases of emergencies, natural or non-natural disasters, service disruptions, labor disruptions, civil strife and even "acts of God", should be defined. Subsequently, in case these contracts terms are not met, a contract should include specific penalties to be applied for non-compliance. Penalties, however, should apply to both parties: the contractor for not providing the service as agreed, and the contracting party for not meeting assigned responsibilities. A frequent failure to comply with contract requirements and stipulations of the contract should be grounds for default. Hence, penalty or default terminology should be clearly defined and spelled out in the contract document. A contract should also contain an arbitration mechanism that would determine specific contract adjustments and the corresponding modifications when parties disagree on a given point.

From the financial perspective a contract must clearly state the basis of compensation and the billing and payment procedures to be followed. In cases where rental arrangements apply, the basis of payment as well as frequency and mechanism should be clearly defined. Once the parties involved have reached a mutually satisfactory agreement and signed the contracts, efforts focus on the design of a contract monitoring system and the development of a transition plan (see Table IV-D).

b. Design of a Contract Monitoring System

Contract monitoring can be defined as the systematic review and evaluation of the activities performed by a contractor under a particular contract in order to assure that such activities are consistent with all contract requirements.

Contract monitoring is generally seen as a "safety net" which ensures that private delivery of a service meets contract requirements and community needs. Contract monitoring protects not only the contracting party but also the contractor. A contractor is bound by a legal agreement to deliver certain specified services. In order to do so, however, the contractor must be able to maintain profitability. Thus, it is important that a contractor not be required to

perform work which is not clearly defined in the contract. Private provision should present a positive balance for the improvement of solid waste management systems, be it in terms of cost savings, service level and/or service quality.

Liability for the contractor's actions is an important issue within contract monitoring. Whereas in some jurisdictions the contracting entity might bear some or all of the liability, in other situations the contractor may be held solely responsible. It is also likely that the terms and provisions of the contract define liability issues. Exploring liability issues prior to entering into a contract may prevent future difficulties. This is especially true in cases where contract language may be a determining factor in contract liability once a contract is signed.

Contract monitoring also provides the contracting party with a continuous flow of information regarding the operational and financial aspects of the service. In Ceske Tecin, where city officials have been concerned about the maintenance of rented equipment, a contract monitoring system would enable it to assess the state of the equipment; if the equipment is not well maintained the city could impose penalties. If private contractors become sloppy and/or costly in providing the service, the public sector may elect to bid on the service or take control without a bid. A consistent flow of information keeps the public sector informed about the costs of providing the service and prevents the local government from taking increases in contract costs as a matter of course.

The depth and frequency of contract monitoring mechanisms vary from city to city. At a minimum, however, a contract monitoring system should include feedback communications from citizens to the city, an on-site checking system and a periodic reporting system. In those cases where the city will compensate the contractor directly for services rendered a monthly report will provide city hall sufficient information to verify compliance.

c. Development of a Transition Plan

A transition plan should establish a series of operational goals and objectives with a corresponding timeline. Industry practice points to a 1-3 month grace period during which a company is expected to gradually replace the public delivery of the service in question. The transition to private delivery will require incorporation of new routing maintenance and management systems, and implementation of new billing as well as monitoring and reporting procedures. In addition, plans require practice runs and close communication with the

community. Once the transition plan is completed and rehearsed the final phases of execution begin concurrently: takeover and implementation of the monitoring system.

d. Phased Takeover

The takeover of the service is carried out according to the timeliness contained in the transition plans. During the early stages of the takeover phase it is useful to conduct meetings where the private contractors and city officials can exchange impressions and make any necessary modifications to the original transition plan.

e. Implementation of a Contract Monitoring System

As the phased takeover begins contract monitoring activities are instituted. Assigning this task to a specific group of individuals is important. The size of the group in charge will vary according to the size and number of contracts to be monitored. The participation of the person in charge of contract monitoring during the design stage is crucial to a well-managed contract monitoring function. Training of contract monitors in a systematic methodology is important for it guarantees the consistent application of measurement standards.

B. General Recommendations

Beyond the specific suggestions presented earlier, which pertain to individual cities studied, the IPG team has developed six somewhat more general recommendations to improve Czechoslovakian service contracting over the medium term.

1. Develop Contract Law

Most generally, Czechoslovakia should continue to develop its code of contract law so that the rights, risks, and duties of private contractors and public authorities are better defined and more readily understood by both parties to the transaction.

2. Restructure Municipal Finances

Since the current instability and uncertainty in municipal revenues can tempt local officials to opt for privatization initiatives that loosen short-term fiscal constraints, at the expense of long-term efficiency and accountability, a rapid resolution of the municipal finance system--beyond its other benefits--is important to encourage the right pattern of service privatization.

3. Build Contract Management Expertise

Drafting service specifications and bid requirements, monitoring contractor performance, and enforcing compliance with contractual terms are challenging managerial tasks with which most Czechoslovakian officials have limited familiarity. Programs to build local government's capacities in contract management, accordingly, are likely to be necessary as municipal service contracting becomes more common. As an interim measure a one or two-day seminar geared not only toward Town Hall decision makers but also contract monitors, may serve that function.

4. Expand Capital Markets

In order to multiply the number of potential contractors, and thus to promote competition, the expansion of the commercial capital market should be

accelerated, and steps taken to ensure that smaller enterprises (including service contractors) have adequate access to credit.

5. Institute Performance Bonding

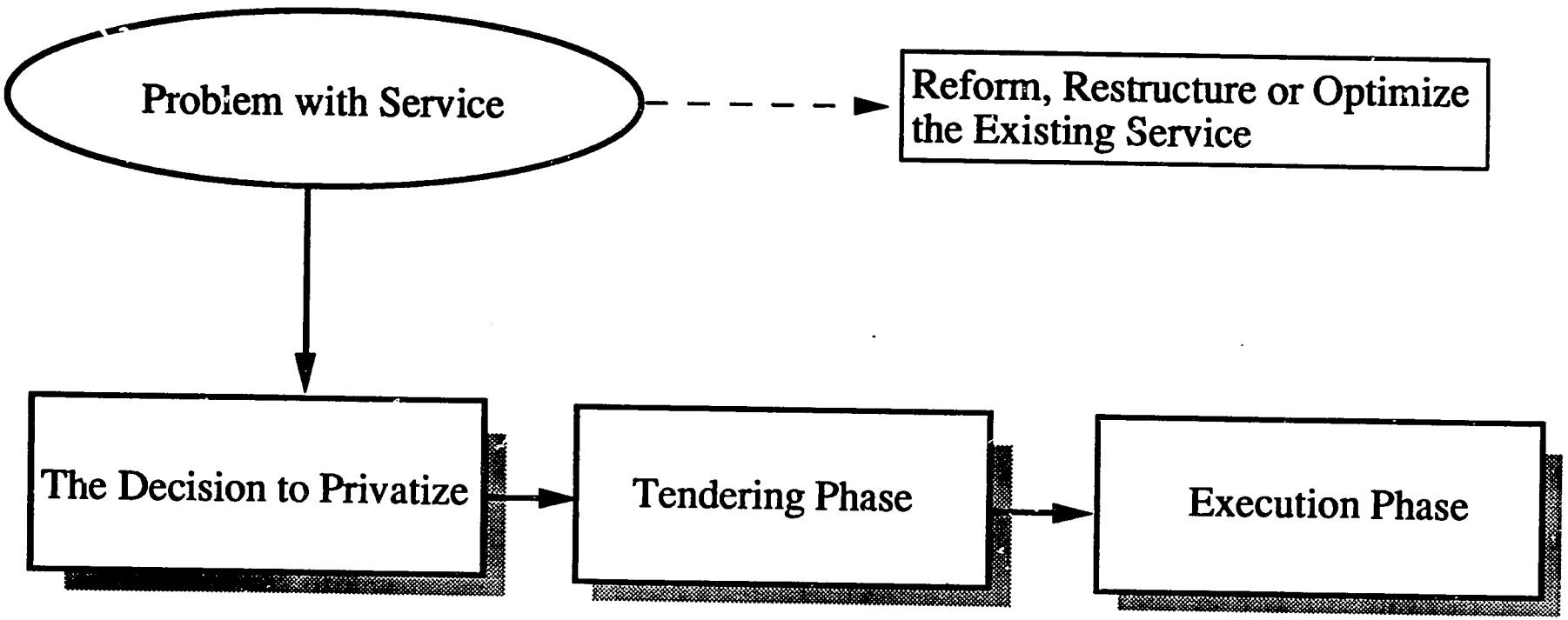
Officials need mechanisms more subtle and precise than contract cancellation to sanction poorly-performing contractors. The development of a performance bonding system--public, private, or some combination of the two--would enhance quality control in municipal service contracting.

6. Prevent Early Missteps

Early experiences with service privatization will strongly shape public opinion towards private involvement in public services. It is thus in the interest of all Czechoslovakian cities to guard against financial scandals or breakdowns in accountability that could damage the reputation of service contracting in general.

Table IV-A

Privatization of Municipal Services



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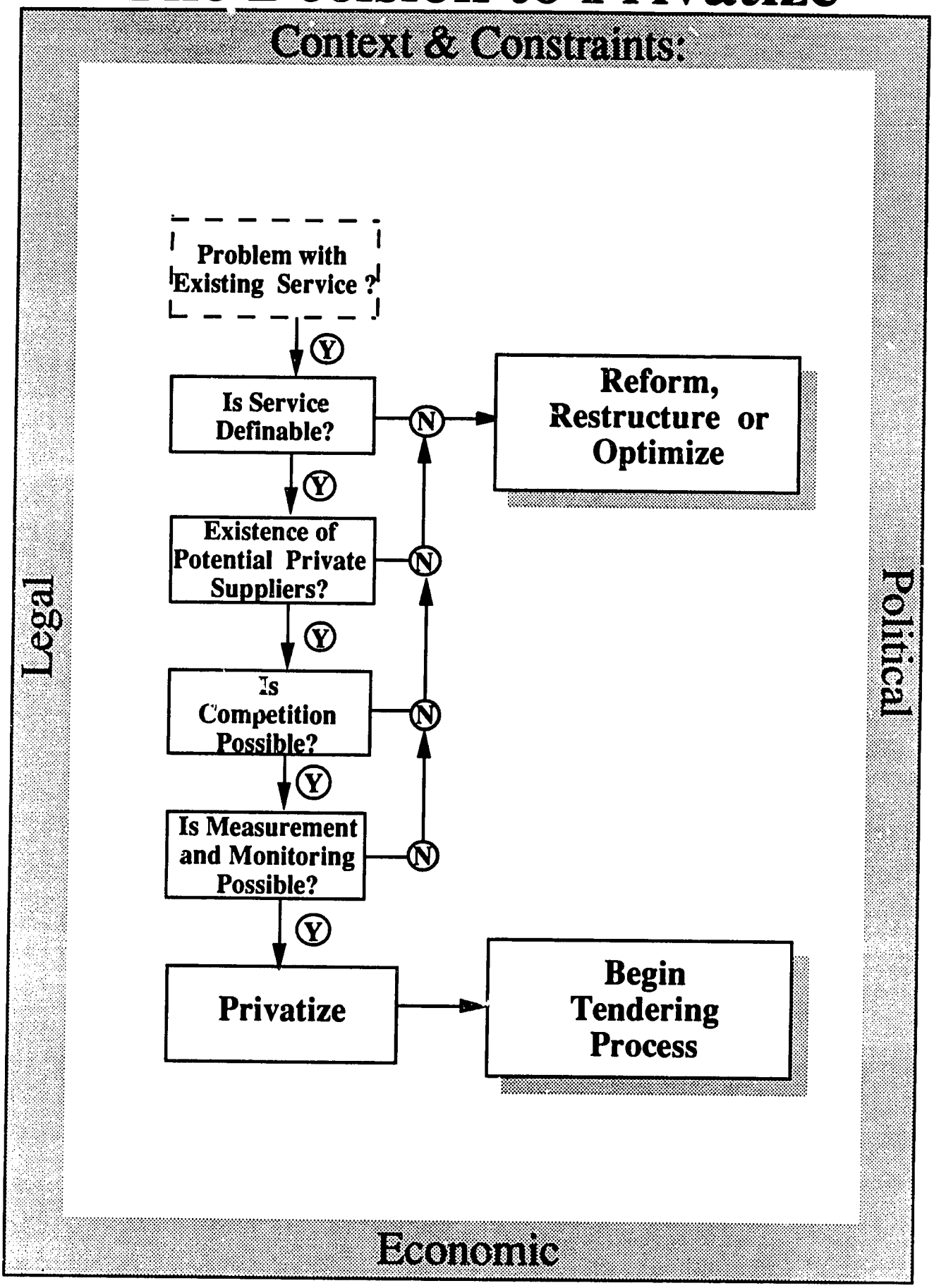
USAID Privitize Land. 3/92
MS&E INTL

The Decision to Privatize

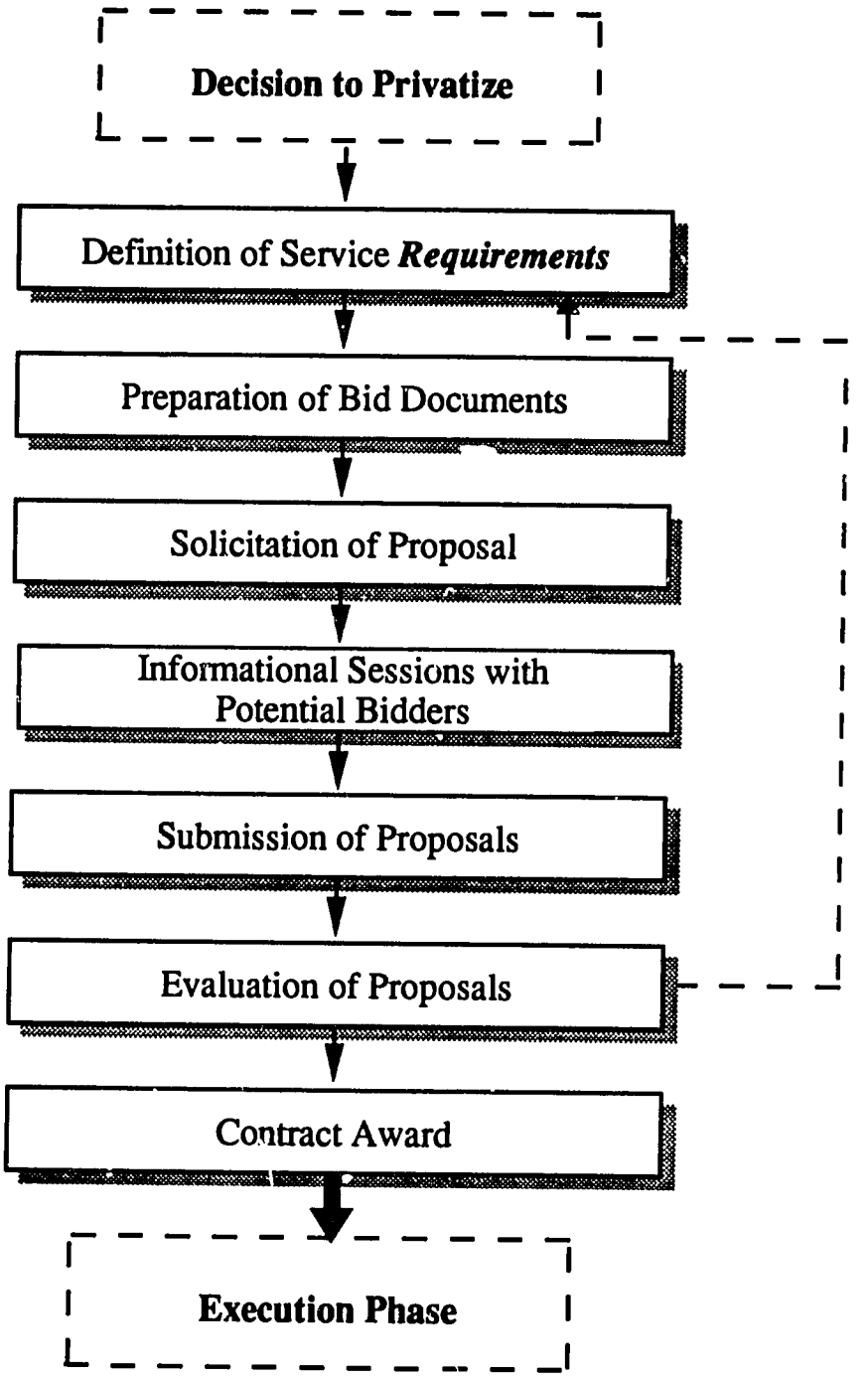
Table IV-B



USAID Context Exh. 3/92
MS&E Fees

Tendering Phase

Table IV-C



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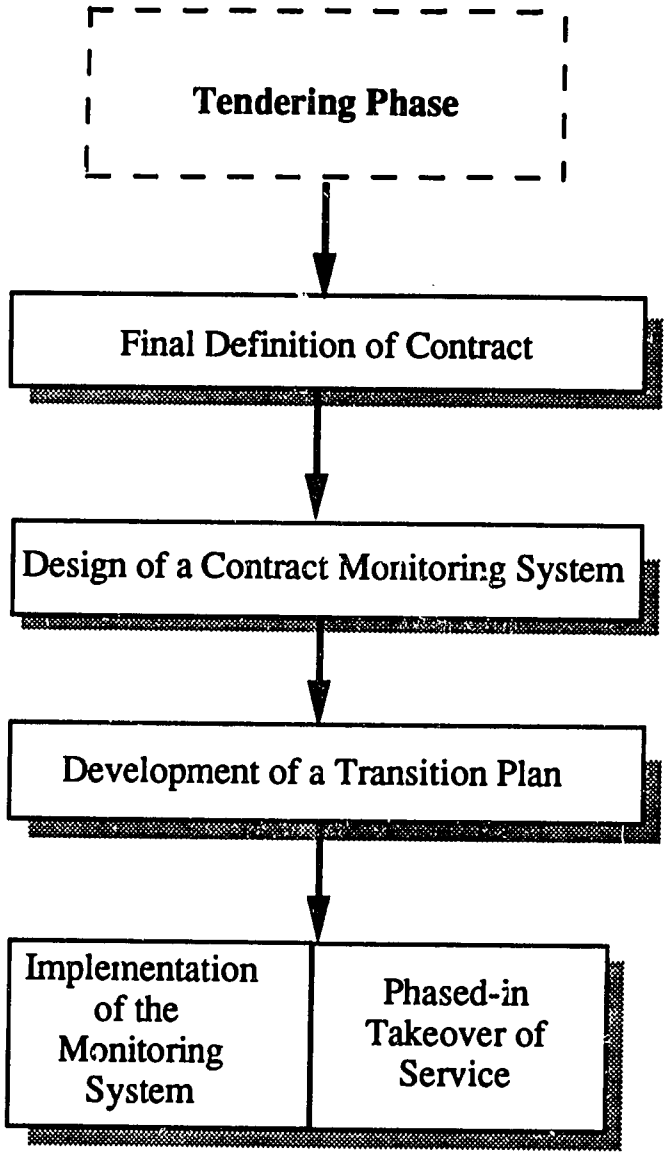
USAID Contest exh. 3/92
MS&E Fees

Implementation Phase

Table IV-D



APPENDICES

APPENDIX A

RELEVANT LEGISLATION

Act Concerning Communites and the Community System

A C T

of the Czech National Council

of September 4, 1990

Concerning Communities /Community System/

The Czech National Council has enacted the following law:

CHAPTER ONE

COMMUNITIES, THEIR ESTABLISHMENT AND EXTINCTION

D i v i s i o n O n e

Fundamental provisions concerning communities

Section 1

Communities[1/] under this Act are

/a/ territorial entities which were communities on the day this Act entered into effect,

/b/ communities established after the day this Act entered into effect.

1/ Article 86 of the Constitutional Act No.100/1960, the Constitution of the Czechoslovak Socialist Republic, as amended by Constitutional Act No.294/1990, amending Constitutional Act No. 100/1960, the Constitution of the Czechoslovak Socialist Republic, and Constitutional Act No.143/1968, concerning the Czechoslovak Federation, which shortens the electoral term for national committees.

Section 2

/1/ Municipality is a community which had been governed by a municipal national council up to the day this Act entered into effect.

/2/ A municipality is also a community so designated by the Presidium of the Czech National Council on the proposal of the Government of the Czech Republic /hereinafter referred to only as "the Government//or on the proposal of the respective community after consultation with the Government.

Section 3

Statutory municipalities

/1/ The towns of České Budějovice, Plzeň, Karlovy Vary, Ústí nad Labem, Liberec, Hradec Králové, Pardubice, Brno, Zlín, Olomouc, Ostrava, and Opava are municipalities having special statutes. A statutory municipality shall also be any other municipality so designated by the Presidium of the Czech National Council on the proposal of the Government or on the proposal of such a municipality after consultation with the Government.

/2/ The territory of a statutory municipality may be divided into municipal districts or municipal quarters.

/3/ The territory of the capital city of Prague is divided into municipal quarters. Municipal quarters are territories directly governed by municipal district national committees and territories governed by local national committees on the day this Act has entered into effect.

Section 4

/1/ As a corporation, a community acts in legal relations in its own name and bears liability ensuing from these relations.

/2/ A community has its own property and financial resources; it manages them independently under conditions specified by a special law.

Section 5

Unless a special law specifies differently, communities, their authorities and organizations may use the respective community's coat-of-arms and flag. Other authorities, organizations and institutions, legal and natural persons may do so only with the consent of the community council. If a community has no historical coat-of-arms or flag of its own, these may be bestowed on it on its proposal by the Presidium of the Czech National Council.

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Section 6

Every part of the territory of the Czech Republic shall appertain to a community, unless a special law specifies differently.[2] The territory of every community shall be a part of a district.

2/ Act No.169/1969, concerning military districts.

Section 7

/1/ The citizens of a community are all individuals who have a permanent residence[3/] in the community or who have been awarded an honorary citizenship of the community.

/2/ A citizen of a community, who is eighteen years old and older, may

/a/ attend sessions of the community assembly and inspect minutes of its deliberations,

/b/ express his or her opinion in a local referendum,

/c/ submit written proposals to the community's authorities.

/3/ Everybody has the riht to petition the community's authorities.

Section 8

A community may grant and withdraw its honorary citizenship. A community may award community prizes for significant artistic, scientific and other outstanding works.

Section 9

A community shall issue affidavits and draw up reports for the needs of individuals, state authorities, and organizations only if a generally binding regulation so specified.

3/ Act No.135/1982, concerning registration of individuals.

D i v i s i o n T w o

Merger and division of communities

Section 10

/1/ Two or more neighbouring communities may agree to merge

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into a single community if the citizens of every of the merging communities so decide in a local referendum. The merger of such communities shall constitute a new community, the territory of which shall consist of the territories of the merged communities.

/2/ A local referendum in a municipality may be replaced by a decision of the municipal assembly or of the municipal district or local assembly, unless the citizens of the municipality or a municipal quarter ask for a referendum within thirty days of the day the merger was announced at places designated for this purpose.

/3/ A merger of communities shall be consulted in advance with the respective district office and the name of a newly constituted community shall be consulted in advance with the Ministry of Interior of the Czech Republic /hereinafter referred to only as "the Ministry of Interior"/. If the merging communities belong to several districts, their merger shall require the consent of the Government which shall decide at the same time to which district the merged community will belong.

/4/ The rights and obligations of the merging communities shall be transferred to the newly constituted community on the day of its establishment.

/5/ The agreement on the merger of several communities shall specify the day of establishment of the newly constituted community, its name, and the seat of its authorities.

Section 11

/1/ A community may divide itself into two or more communities. The decision dividing the community shall be issued by the Ministry of Interior on the community's proposal. The community shall submit such proposal on the basis of the result of a local referendum.

/2/ The Ministry of Interior may reject a proposal for the division of a community only if the newly constituted communities

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could not realize the tasks communities have under this Act.

/3/ The decision dividing a community shall specify the names of the newly constituted communities and how the property, financial resources, other rights and obligations, the organizations and facilities of the original community are to be divided.

Section 12

Communities may be merged or divided only as of the beginning of a calendar year.

CHAPTER TWO

JURISDICTION OF COMMUNITIES

Division One

Exclusive jurisdiction

Section 13

/1/ Every community shall administer its affairs independently /hereinafter referred to only as "exclusive jurisdiction"/

/2/ When exercising its exclusive jurisdiction, a community shall be guided only by laws and by generally binding legal regulations issued by the central authorities for their implementation

Section 14

/1/ When exercising its exclusive jurisdiction, a community shall secure the economic, social and cultural development of its territory, protection and creation ~~of a~~ sound living environment, and satisfaction of the needs of the community's citizens in particular by

/a/ independently managing its property,

/b/ founding and establishing the necessary organizations and facilities, and, if needed, by abolishing them,

/c/ expressing its opinion on the intentions of other authorities and organizations, which may affect the community's life,

/d/ securing public order in local affairs,

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/e/ administering pre-school facilities, the elementary school, and facilities serving that school,

/f/ creating conditions for integration of physically handicapped and socially weak individuals in the community's life,

/g/ participating in social welfare provided to the community's citizens,

/h/ administering and maintaining local communications and public lighting, providing for public sanitation and removal of home waste and its harmless liquidation,

/i/ realizing other measures specified by law.

/2/ A community may also

/a/ found and establish organizations serving the needs of several communities in agreement with such communities,

/b/ establish and administer public health, cultural and sports facilities, social welfare institutions, and other facilities serving the needs of its citizens,

/c/ establish secondary schools. elementary arts schools, and language schools, and ensure their operations, unless a special law provides differently,

/d/ engage in independent business enterprise and participate in business enterprise of legal and natural persons; the scope of such enterprise is determined by a special law.

Section 15

/1/ Legal and natural persons and state authorities must obtain the consent of a community for locating their operational facilities or their part in the community's territory. This shall not affect the requirements placed by special regulations on the location of such operational facilities or their part.

/2/ The aforesadi consent may not be refused except for cases where the location of the operational facility or its part would pose a hazard to the environment.

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Section 16
Generally binding ordinances

/1/ In order to implement its tasks, a community may issue generally binding ordinances applying to its territory.

/2/ A generally binding ordinance must be in accordance with the laws and with the generally binding legal regulations issued for their implementation by the central organs of state administration.

/3/ A generally binding ordinance must be promulgated. This shall be done by the posting of such ordinance on the official bulletin board of the respective community office for the period of fifteen days, which is a condition for the validity of the ordinance. The day of promulgation of a generally binding ordinance is the first day of its posting on the official bulletin board. In addition, the generally binding ordinance shall be made public in a manner common in the respective community.

/4/ A generally binding ordinance shall enter into effect on the fifteenth day following the day of its promulgation, unless it specifies a later date of its effect. In exceptional cases where this is required by an urgent public interest, a generally binding ordinance may enter into effect already on the day of its promulgation. It must state this fact in its wording.

/5/ Generally binding ordinances must be accessible to everybody in the community office of the community which issued them.

Section 17

In order to defend their rights and interests, communities may form associations, establish partnership relations, and cooperate with communities in other states, and be members of international associations of local self-government organs.

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Community management

Section 18

/1/ The property of a community includes things and property rights defined by a special law. The community manages this property independently.

/2/ A community may also manage the property of other legal or natural persons on the basis of a contract concluded in accordance with generally binding legal regulations.

Section 19

/1/ Communities shall draw up their budgets and shall manage their activities in keeping with such budgets. The community budget shall be drawn up for the respective calendar year, and the community shall account for its management within three months of the end of the calendar year.

/2/ A community may establish permanent or temporary special-purpose funds.

/3/ The income of a community consists of:

/a/ proceeds of the community's property and community funds,

/b/ taxes paid by enterprises founded by the community, income from the activities of organizations and facilities established by the community within the scope set by a special law, and income from the community's own business activity,

/c/ local taxes, charges, and fees,

/d/ shares of taxes returned to the state budget and surcharges added to such taxes to an extent set by a special law,

/e/ credits, loans and repayable assistance,

/f/ associated funds, grants, proceeds of collections and lotteries, and other occasional income,

/g/ subsidies from the state budget,

/h/ other income specified by generally binding legal regulations.

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in which they shall define in particular

/a/ the territory of individual municipal districts or quarters,

/b/ the duties of the municipal assembly, the municipal council, and their organs under their exclusive as well as transferred

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Section 20

/1/ Communities shall keep books on the state and changes of their property, on their income and expenditures, and on their financial ties to the state budget in accordance with a special legal regulation.

/2/ The draft budget and the account of the community's management in the past calendar year shall be published in an appropriate manner not later than fifteen days and in communities with a population exceeding 5 000 inhabitants not later than thirty days before they are considered by the community assembly, so that the citizens of the community can express their opinion on them. Citizens may express their comments on the draft budget and on the account of the community's management in the past year either in writing within the set term or orally at the session of the community assembly.

D i v i s i o n T w o

Transferred jurisdiction

Section 21

/1/ A community shall exercise state administration to an extent defined by special laws /hereinafter referred to only as "transferred jurisdiction"/.

/2/ When exercising its transferred jurisdiction, the community shall be guided by laws and other generally binding legal re-

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jurisdiction,

/c/ the duties of the district or local assemblies, district or local councils, and their organs under the exclusive jurisdiction entrusted by the municipal assembly to the municipal districts or quarters, and their duties under transferred jurisdiction,

/d/ the relationship between the municipal authorities and the authorities of the municipal districts or quarters, and, in agreement with the municipal office, also the relationship between the municipal office and the municipal district or quarter offices.

/2/ The statute of a municipality shall be approved by the municipal assembly.

CHAPTER THREE
LOCAL REFERENDUM AND COMMUNITY AUTHORITIES
Division One
Local referendum
Section 26

/1/ Citizens shall decide by local referendum

/a/ if communities are to be merged or the division of their community is proposed,

/b/ if a referendum is requested by at least one third of the members of the community assembly or by one tenth of the community's citizens older than 18 years.

/2/ A local referendum may not be called if the community assembly has already decided on the matter involved.

/3/ Other matters relating to local referendum are governed by special law.

Division Two
Community assembly
Section 27

/1/ A community assembly is made up of members of the assembly

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whose number for each electoral term of office is determined in accordance with this Act by the standing community assembly prior to ~~its~~ the day elections are called.

/2/ The duties of a community assembly are performed

/a/ in a municipality by a municipal assembly,

/b/ in a municipality listed in Section 3, par.1, a city assembly,

/c/ in a district of a municipality listed in Section 3, par.1, a municipal district or local assembly to the extent entrusted thereto,

/d/ in Prague the metropolitan assembly of Prague,

/e/ in a district of the capital of Prague a metropolitan district or local assembly to the extent entrusted thereto.

Section 28

When determining the number of its members, a community assembly shall take into account in particular the size of the population and of the territory of the community. It shall set the number of its members so that the community assembly should have

/a/ in communities of up to 3 000 inhabitants...7 - 15 members

/b/ in communities of more than 3 000 and up to 20 000 inhabitants ..... 15 - 30 members

/c/ in communities of more than 20 000 and up to 50 000 inhabitants ..... 35 - 40 members

/d/ in communities of more than 50 000 inhabitants 35 - 50 members

/e/ in the municipalities listed in Section 3 .... 50 - 70 members

/f/ in the districts or quarters of the municipalities listed in Section 3 ..... 7 - 70 members.

Section 29

/1/ A member of a community assembly shall assume the rights and duties inherent in such membership upon his or her election. The validity of the election shall be verified by the community

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assembly at its first session where the members of the assembly is present.

/2/ At the first session of the community assembly a member of the assembly attends after his or her election, such member shall take the following oath of office: "I hereby pledge on my honour and conscience to be loyal to the Czech Republic and to the Czech and Slovak Federal Republic. I shall heed the will and interests of the people, observe the constitutional and other laws of the Czech Republic and of the Czech and Slovak Federal Republic, and work for their implementation."

/3/ Refusal to take this oath or taking the oath with reservation shall result in loss of mandate. The oath taken by a member of a community assembly shall be administered by the person presiding over the session of the assembly. The member of the community assembly shall certify his or her oath by signature.

Section 30

/1/ The term of office of a member of the community assembly shall end on expiration of the electoral term. The term of office of those members of the community assembly who are members of the community council shall end on the day a new community council is elected after election of community assemblies.

/2/ The conditions under which the mandate of a community assembly member is voided are governed by a special law.

Section 31

/1/ The performance of the duties ensuing from membership in a community assembly is considered as performance of public office.

/2/ A member of a community assembly may not suffer any detriment to the rights ensuing from his employment or similar relationship because of the performance of his official duties.

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Section 32

/1/ A member of a community assembly who has been granted a long-term leave of absence from his/or her employment /hereinafter referred to only as "member of the assembly on long-term leave"/ shall have his or her employment or similar relationship retained. Instead of his or her wage or other remuneration for work he or she shall be entitled to remuneration from the community, fixed in accordance with a decree issued by the Government. The same remuneration shall also be due to a member of the community assembly who is performing the duties of a member of the assembly on long-term leave and had not been earlier employed or worked in a similar relationship.

/2/ A member of a community assembly who has not been granted a long-term leave of absence by his or her employer shall be granted by such employer the necessary leave with wage compensation. The community shall reimburse the employer for the paid compensation from its funds, if the employer asks for it within 30 days of the leave. A member of the community assembly who is not employed or does not work in a similar relationship shall receive from the community reimbursement for earnings lost due to the performance of his or her duties from its funds in the proven amount.

/3/ The community may additionally pay to the members of the community assembly listed in paragraph 2 remuneration set according to a decree issued by the Government.

/4/ The employment contract or a similar labour relationship of a member of the community assembly may be terminated for the period during which he or she is is in office and twelve months thereafter against his or her will only with the consent of the community assembly.

Section 33

Reimbursement of real expenditures incurred by a member of the community assembly in connection with the performance of his

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or her official duties shall be due to such member according to the regulations in effect for workers in an employment relationship.

Section 34

/1/ Members of the community assembly, when performing their official duties, have the right to

/a/ submit their proposals to the community assembly,

/b/ raise questions, comments, and suggestions addressed to the community council and its individual members, to other community authorities and organs, and to the heads of organizations and facilities established or controlled by the community, and they shall be answered without delay but not later than within thirty days,

/c/ demand from workers of the community office, from state authorities, and from legal persons information on matters related to the performance of their official duties as members of the community assembly.

/2/ State authorities shall consider the questions, comments, and suggestions raised by any member of the community assembly and shall inform him or her about their settlement.

Section 35

Every member of a community assembly has the duty to attend sessions of the assembly and, as the case may be, of the community council and its commissions, if he or she is their member, and to fulfill the tasks he or she has been assigned by these organs.

Section 36

Jurisdiction of the community assembly

/1/ The community assembly

/a/ approves the development programme for its territory, supervises its implementation, and adopts measures for such implementation,

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/b/ approves the budget of the community and the final account of its management in the past calendar year,

/c/ decides whether to call a local referendum in cases where this Act does not make a referendum mandatory,

/d/ decides on changes of the community's territory, which are not subject to a local referendum under the provisions of this Act,

/e/ decides on the founding, termination, establishment, abolishment, and merger of community organizations and facilities,

/f/ approves the zoning plan of the community or its part,

/g/ elects from its ranks the mayor, the deputy mayor, and other members of the community council /councillors/, and recalls them from office, determines the number of members of the community council,

/h/ approves generally binding ordinances,

/i/ determines the number of workers of the community office,

/j/ appoints and recalls the secretary of the community office,

/k/ makes decisions on acceptance of a loan for the community, on the amount of subsidies for organizations and facilities established or controlled by the community, on purchases of property for the benefit of the community, on sales of the community's property, and on entrusting its use to legal and natural persons; it may entrust its right to decide on purchase of movable property for the benefit of the community, and on its sale, to the community council,

/l/ awards honorary citizenship of the community and community prizes,

/m/ decides on complaints and objections relating to the work of the community council in matters under the exclusive jurisdiction of the community,

/n/ decides on measures concerning protection and creation of sound environment on the territory of the community.

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/2/ The community assembly also decides on additional matters under its exclusive jurisdiction, which it reserves for itself.

/3/ The community assembly shall not be competent to decide on matters within the community's transferred jurisdiction with the exception of the matters listed in paragraph 1, subpar./f/.

Section 37

The community assembly has the right to establish on the basis of a special law a community police force in order to safeguard local matters of public order.

Deliberations of the community assembly
Section 38

/1/ The community assembly shall meet whenever need arises but not less than once in three months. Sessions of the community assembly shall be convened and chaired by the mayor. The mayor shall convene the community assembly not later than within 14 days, if its session is asked for by not less than one third of its members or by the district office.

/2/ If an absolute majority of all the members of the community assembly are not present at the opening of the assembly's session, the mayor shall end the session and convene a new one within 14 days.

/3/ The community assembly shall have a quorum if an absolute majority of all its members are present. The absolute majority of all members of the community assembly is required for a valid resolution, decision, or election.

Section 39

The constituent session of a newly elected community assembly shall be convened by the existing community council so that it is held within 15 days of the announcement of the election results by the local electoral commission. The constituent session

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shall be chaired by the oldest member of the community assembly until the mayor is elected. The constituent session of the community assembly shall elect the mayor and the other members of the community council.

Section 40

Session of the community assembly are public. The mayor shall inform citizens about the place, the time, and the proposed agenda of the forthcoming session of the community assembly in a manner customary in the respective community.

Section 41

Proposals of matters to be considered at sessions of the community assembly may be raised by members of the assembly, the community council, the mayor, and the council's commissions.

Section 42

Minutes shall be taken of sessions of the community assembly, which shall be signed by the mayor and appointed verifiers. The minutes, which must be drawn up within 7 days of the end of the session, shall be filed in the community office and shall be open for inspection. Objections raised by a member of the community assembly against the minutes shall be considered and decided on at the next session of the community assembly.

Section 43

The community assembly shall issue its rules of procedure wherein it shall specify the details concerning the procedure of its deliberations.

D i v i s i o n T h r e e

Community council

Section 44

/1/ The community council is the executive organ of the community in both its exclusive and transferred jurisdictions. When exercising exclusive jurisdiction, the community council is

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accounteble to the community assembly. When exercising transferred jurisdiction, the community council is subordinated to the district office.

/2/ The duties of the community council are fulfilled

/a/ in municipalities by the municipal council,

/b/ in the municipalities listed in Section 3 by the city council,

/c/ in municipal districts of the cities listed in Section 3 by municipal district or local councils,

/d/ in communities where no community council is elected by the mayor.

/3/ The community assembly elects from its ranks the mayor, the deputy mayor, and councillors. If a member of the community assembly loses his or her mandate, he or she shall at the same time cease to be a member of the community council.

/4/ The community council is made up of the mayor , the deputy mayor /mayors/, and other councillors. The number of members of the community council shall be odd and shall be not less than 5 and not more than 13, and shall not exceed one third of the number of members of the community assembly. No community council shall be elected in communities and in municipal districts and quarters listed in Section 3, where the community /municipal district, local/ assembly has less than 15 members.

/5/ The community council shall meet as needed and its meetings are closed to the public. It shall decide by majority vote of all its members.

Section 45

The community council

/a/ manages the affairs of the community according to the approved budget and implements the development programme for the community's territory,

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/b/ performs with respect to organizations and facilities founded or established by the community assembly the duties of founder and establisher under special regulations,

/c/ considers and settles proposals, comments and suggestions submitted to it by members of the community assembly, by its commissions, or by citizens of the community,

/d/ establishes and abolishes commissions and departments, standing and temporary groups of activists, appoints and recalls the chairpersons and members of its commissions, and appoints and recalls the heads of departments,

/e/ controls the work of the commissions and the heads of departments, and assigns to them tasks in the sphere of the community's exclusive jurisdiction, and determines the internal organization of the departments and the scope of their work,

/f/ decides on the location of operational facilities or their parts in the community /Section 19/,

/g/ reviews on the basis of complaints raised by individuals or organizations the correctness of measures adopted by its commissions and departments in matters under the exclusive jurisdiction of the community,

/h/ inspects the work of organs established by it,

/i/ exercises the community's transferred jurisdiction unless it has entrusted its exercise to its departments or commissions,

/j/ proclaims a substitute a full member of the community assembly to fill a vacated seat in the assembly,[4/]

4/ Act of the Czech National Council No, /1990, on elections of community assemblies.

/k/ issues generally binding ordinancesin matters within transferred jurisdiction. In pressing and urgent cases involving matters under the community's exclusive jurisdiction it alsoissues

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generally binding ordinances; however, such ordinance shall cease to be valid unless it is approved at the next session of the community assembly,

/l/ provides for the solution of other problems which are within the exclusive jurisdiction of the community, unless the community assembly has reserved them for its own decision-making,

/m/ decides, on the proposal of the secretary, on the organizational structure of the community office and on the salaries of its top officials.

Section 46

When ensuring the realization of matters relating to local public order, the community council may issue orders to Public Security units if it is unable to secure such realization by its own forces and means. It may issue such orders only through the competent commander of the respective Public Security unit.

Section 47

/1/ If the community's economic or public life is endangered due to a natural disaster or another emergency, the community council may order legal persons to provide manpower and material assistance for removing the consequences of such an event, unless a special law provides differently.

/2/ A legal person that provided manpower and material assistance in an emergency is entitled to reimbursement of effectively expended costs and to compensation for damages caused in the process of providing such assistance. The entitled legal person may assert the claim to reimbursement within three months of the day the costs have been ascertained and not later than within two years of the day they were incurred. The right to reimbursement of costs shall be asserted with the community council which ordered the provision of the respective assistance.

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/3/ If a legal person fails to fulfill within the set term without a serious ground the ordered duty, the community council may order it to pay a fine of up to 100 000 crowns. If the legal person fails to fulfill the ordered duty even within a newly set term the community council may fine it repeatedly.

Section 48

/1/ A legal person and an entrepreneur[5/] who do not keep land or other real property they are using clean and orderly, or who otherwise disturb the appearance or the environment of a community, may be fined by the community council up to the amount of 50 000 crowns.

/2/ A legal person and an entrepreneur[5/] who have soiled a public space, disturbed the environment of the community, or have dumped things outside places reserved for this purpose may be fined by the community council up to the amount of 100 000 crowns.

5/ Section 2 of the Act No.105/1990, concerning individual private enterprise.

Section 49

A legal person and an entrepreneur[5/] who have established their operational facility in a particular place without the community's consent /Section 15/ may be fined by the community council up to the amount of 30 000 crowns.

Section 50

A legal person and an entrepreneur[5/] who have violated a generally binding ordinance in the pursuit of their enterprise may be fined by the community council up to the amount of 100 000 crowns.

Section 51

/1/ A fine may be levied within one year of the day a duty ordered under Section 47 was not fulfilled or an action listed in Sections 48 to 50 took place. No fine may be levied if a special

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regulation provides for a different sanction for such failure or breach of duty.

/2/ The imposition of a fine shall not relieve the legal subjects specified in the preceding provisions of their duty to eliminate the defective situation within the set term. If they fail to do so, the community itself may take the necessary action at their cost or fine them repeatedly.

/3/ The proceeds of fines are the community's income.

D i v i s i o n F o u r

The mayor

Section 52

/1/ The mayor shall be elected by the community assembly.

/2/ The mayor shall represent the community externally. The mayor has the right to wear on important occasions and at civil ceremonies a pendant emblem with the coat-of-arms of the Czech Republic. The community council may decide in what cases this emblem may be used by another member of the community assembly.

/3/ The mayor, together with his or her deputy or another councillor, signs generally binding ordinances and other decisions of the community assembly. Unless a secretary of the community office has been appointed, the mayor shall be the superior of all employees of the community office and shall perform the duties of the head of an organization under special regulations.

/4/ The community council may decide that some of the mayor's duties should be performed by the deputy mayor. The deputy mayor shall act as the mayor's proxy in the latter's absence.

/5/ The mayor shall be accountable to the community assembly for his work.

Section 53

/1/ The mayor prepares, convenes and presides over meetings

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of the community council and, together with a so authorized member of the community council, signs its decisions.

/2/ The mayor may suspend the execution of the community council's decision in matters of the community's exclusive jurisdiction, if he believes that the decision is wrong. He/then shall submits the case for decision to the next session of the community assembly.

Section 54

The duties of the mayor and deputy mayor /deputy mayors/ are performed in the municipalities listed in Section 3 by the lord mayor of the city and the deputy lord mayor /deputy lord mayors/. As representative of the city, the lord mayor has the right to use lord mayor's insignia.

Section 55

The mayor shall carry out his duties also after the electoral term has ended until the election of a new mayor.

D i v i s i o n F i v e

Organs of the community council and action groups

Section 56

/1/ The community council shall establish commissions as its initiatory and inspection organs; it shall always establish a financial commission and an auditing commission. The commissions shall submit their opinions and suggestions to the community council.

/2/ The commissions shall also serve as executive organs if the community council has entrusted them, after consultation with the district office, with the exercise of transferred jurisdiction in a particular sphere.

/3/ A commission shall decide by majority vote of all its members. The mayor may suspend execution of a commission's decision on matters within the community's exclusive jurisdiction, if he believes that the decision is wrong. He shall submit the

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case for decision to the community council at its next meeting.

/4/ Commissions shall be accountable for their work to the community council; in cases involving exercise of transferred jurisdiction in the sector entrusted to them they shall be also subordinated to the district office.

/5/ In cases specified by a special law the community council shall establish special organs for the exercise of transferred jurisdiction.

Section 57

/1/ The community council may establish for various sectors of its work departments. A department is an executive organ of the community council; it is made up of employees of the community office.

/2/ The work of a department is directed by its head who is accountable to the community council for such work.

Community office

Section 58

/1/ The community office is made up of the mayor, the deputy mayor /deputy mayors/, and employees of the office. The head of the community office is the mayor.

/2/ The community office,

/a/ acting in the area of exclusive jurisdiction,

1. performs duties placed on it by the community council in preparing background materials for deliberations of the community assembly and of the community council, and in providing for the implementation of their decisions.
2. professionally guides budget-financed and subsidized organizations and facilities established by the community, unless a special law provides differently,

/b/ acting in the area of the community's transferred jurisdiction,

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exercises state administration with the exception of matters which are within the jurisdiction of the community council, a commission, or a special organ.

/3/ In matters of transferred jurisdiction the community office is subordinated to the district office.

/4/ The duties of the community office are performed
/a/ in municipalities by the municipal office,
/b/ in the municipalities listed in Section 3 by the city office and by municipal district or municipal quarter offices.

/5/ All papers drawn up by a community's organs and concerning matters of the community's exclusive jurisdiction shall have a heading beginning with the word "Community" /"Municipality"/ and the name of the respective community or municipality; in the case of papers drawn up by organs of municipal districts or municipal quarters in the municipalities listed in Section 3 and concerning matters of exclusive jurisdiction the aforesaid heading shall state "City District" or "City Quarter" plus the name of the municipality and the name of its district or quarter. All papers of the mayor, his or her deputies, the community council and its organs, regarding matters within transferred jurisdiction shall have in their heading the designation "Community Office" /"Municipal Office", "City Office", "Municipal District Office", or "City Quarter Office"/ plus the name of the community or municipality.

Section 59

/1/ If a community office has a larger number of employees, the community assembly may establish the office of community office secretary. Municipal assemblies, city assemblies and local assemblies shall always establish the office of municipal office secretary /secretary of city office, municipal district office, city quar-

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ter office/. The appointment of a municipal office secretary shall always be consulted in advance with the district office, in the case of a municipal district office secretary or city quarter office secretary with the city office, and in the case of city office secretary with the Ministry of Interior.

/2/ The secretary is an employee of the community office. He is accountable for his work to the community council.

/3/ The community office secretary

/a/ is the superior of all the community office employees,

/b/ performs the duties of a head of an organization in accordance with special regulations, unless the community council decides differently,

/c/ secures through the employees of the community office implementation of the decisions of the community assembly and of the community council,

/d/ coordinates and controls the work of the community office employees.

/4/ The community office secretary attends sessions of the community assembly and meetings of the community council in advisory capacity.

Section 60

Community offices in communities which the Government specifies by a decree /hereinafter referred to only as "the entrusted community office"/ shall exercise in designated territorial areas

/a/ state administration exercised prior to the day this Act enters into effect above the scope of the transferred jurisdiction defined in Section 22 under special laws by local national committees in central communities, or by local national committees for several communities as their extended

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jurisdiction, and by first and second category municipal national committees,

/b/ state administration in matters listed in the annex to this Act, which had been exercised until the day this Act enters into effect by regional or district national committees,

/c/ state administration in matters specified by special laws and in matters entrusted to them by the district office,

and shall decide in the first instance, unless this Act or a special law provides differently, on the rights, legally protected interests and duties of individuals and organizations in administrative proceedings.

Section 61

/1/ The municipal district or city quarter offices in the municipalities listed in Section 3 shall exercise:

/a/ transferred jurisdiction under Section 22,

/b/ state administration specified in Section 60 under letter /a/, unless its exercise is reserved for itself in full or in part by the city office in its statute,

/c/ state administration in the matters listed in the annex to this Act, which prior to the day this Act enters into effect had been exercised by regional or district national committees, unless its exercise is reserved for itself in full or in part by the city office in its statute,

/d/ state administration under paragraph 1, letter /c/, if so authorized by the city office.

/2/ The city office in the municipalities listed in Section 3 shall

/a/ exercise state administration listed in Section 60 under letter /a/, if it has reserved its exercise for itself in its statute,

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/b/ exercise state administration in the matters specified in paragraph 1 under letter /c/, provided it has reserved its exercise for itself in its statute,

/c/ exercise state administration which prior to the day this Act enters into effect appertained under special legal regulations to the national committees of the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem, if such exercise has been transferred to it by the district office,

/d/ review decisions issued in administrative proceedings by municipal district or city quarter offices,

/e/ supervise the work of municipal district and city quarter offices and provide them with professional assistance in the performance of their duties in the area of transferred jurisdiction.

CHAPTER FOUR
REDRESS OF WRONG MEASURES

Section 62

/1/ If a generally binding ordinance or another measure adopted by the community assembly within its exclusive jurisdiction contradicts the law, the district office shall suspend their implementation. If the authority that issued them does not correct its decision, the district office shall submit the case to the Czech National Council for decision; it shall do so within the term of 10 days of the day of the suspension.

/2/ If a measure adopted by a community council or its organs in matters within the community's exclusive jurisdiction is contrary to the law, the district office shall suspend its implementation. If the measure is not corrected by the community council or the community assembly, the district office shall submit the case within 10 days of the suspension to the Czech National Council for decision.

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/3/ wrong measures adopted by a community assembly, community organs, and a community council or its organs in matters falling under transferred jurisdiction shall be abolished by the district office unless they are corrected by the authority that issued them.

Section 63

The provisions governing redress of wrong measures shall not apply to decisions issued under regulations governing administrative proceedings.

CHAPTER FIVE

JOINT, INTERIM, AND FINAL PROVISIONS

Section 64

The general regulations governing administrative procedure[6/] shall apply to decision-making by community authorities

/a/ in matters under Sections 15, 47, par.3, 48, 49, and 50,

/b/ on the rights, legally protected interests, and duties of individuals and organizations in the area of transferred jurisdiction, unless a special law provides differently.

Section 65

Facts warranting the exclusion of an employee of the community office from the consideration of a case and a decision thereon are reported to the head of the respective department of that office; in communities there no departments have been established, the report is made to the mayor. Fact warranting such an exclusion of the head of a community office department are reported to the secretary of the community office. In the case of a member of a commission or of a special organ authorized to exercise transferred jurisdiction the report is made to the community council. The decision on prejudice shall be made by the organ or official to whom the facts indicating prejudice are reported; it is such

6/ [illegible] administrative procedure /Code of Administrati

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organ or official thatin the case of a decision in favour of exclusion because of prejudice shall take the necessary steps for ensuring the continuation of the proceedings.

Section 66

The community's organs shall themselves implement administrative decisions issued by them in the sphere of transferred jurisdiction, unless a motion is filed for a judicial execution of the decision.

Section 67

/1/ The duties of founder of state enterprises, which before this Act went into effect had been performed by local national committees, municipal national committees, national committees of the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem, or municipal district national committees in these cities, and their jurisdiction to establish, control, and abolish organizations and facilities are transferred to community assemblies, municipal assemblies, assemblies of the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem, or the municipal district assemblies of these cities, where such state enterprises, organizations, and facilities have their seat.

/2/ The duties of founder of state enterprises, which before this Act went into effect had been performed by district and regional national committees, and their jurisdiction to establish, control, and abolish organizations and facilities,are transferred for a period not longer than up to December 31, 1992, to district offices in the districts where the state enterprises, organizations, and facilities have their seat, unless a special law provides differently. The duties of founder of these state enterprises and the jurisdiction to establish, control, and abolish organizations and facilities may be transferred on the basis of an agreement

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concluded between the district office and the respective community assembly to the community where such state enterprises, organizations, and facilities have their seat; the transfer shall always be realized in cases where the community assembly so requests.

/3/ Decisions to transfer the duties of founder of state enterprises and the jurisdiction to establish, control, and abolish organizations and facilities, which as of the day this Act went into effect were part of the economic sphere of national committees in the Central Bohemian region and had their seat on the territory of the capital city of Prague, shall be made by the Government on the proposal of the Minister of Interior.

Section 68

/1/ The rights and obligations of local national committees and municipal national committees shall pass onto the communities where these national committees had their seat on the day this Act went into effect; The rights and obligations of the municipal district national committees and of the national committees of the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem shall pass onto the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem.

/2/ On the day this Act goes into effect, rights and obligations arising from labour-law and other relations of workers under special regulations shall pass

/a/ from local and municipal national committees to community offices in communities where the said national committees had their seat,

/b/ from the national committees of the cities of Brno, Ostrava, Plzeň, and Ústí nad Labem to city offices of these cities,

/c/ from the municipal district national committees in Brno, Ostrava, Plzeň, and Ústí nad Labem to the municipal district offices in these cities.

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Section 69

/1/ The constituent session of a community assembly elected in elections of community assemblies in 1990 shall be convened by the executive council of the respective national committee so that it should be held within 15 days of the day the election results are proclaimed by the local electoral commission.

/2/ Until a community council is elected by a community assembly elected in elections of community assemblies in 1990, its duties shall be performed by the existing executive council of the respective national committee.

Section 70

Every member of a community police force shall be publicly marked. Until such time as the community assembly is able to establish a community police force, it may entrust community office workers with tasks to secure local matters of public order within the framework of its jurisdiction. Workers thus authorized shall supervise observance of regulations for the protection of public order, notify natural and legal persons about ascertained shortcomings, and take measures for their elimination. They may demand from individual citizens the necessary explanations for the purpose of clarifying facts essential for the detection of misdemeanors, and levy fines in ticket proceedings. They may detain an individual only in cases where he or she cannot reliably prove his or her identity and the matter cannot be settled on the spot in fine ticket proceedings.

Section 71

The provisions of this Act shall apply to the capital of the Czech Republic, Prague, in so far as a separate law does not provide differently.

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Section 72

The following provisions are hereby repealed:

/a/ Act No.69/1967, concerning national committees, as subsequently amended by regulations issued for the Czech Republic,

/b/ Legal Measure of the Presidium of the Czech National Council No.1/1986, concerning national committees in the district of Ústí nad Labem,

/c/ Government Decree No.12/1968, governing remuneration and compensations, and some other matters relating to members of national committees and members of executive commissions and action groups of national committees, as amended by the Decree of the Government of the Czech Socialist Republic No.127/1971, Decree of the Government of the Czech Socialist Republic No.3/1989, and Decree of the Government of the Czech Socialist Republic No.117/1989,

/d/ Decree of the Government of the Czech Socialist Republic No.1/1972, on inspectorates of public order of national committees, as amended by Decree of the Government of the Czech Socialist Republic No.153/1982,

/e/ Decree of the Government of the Czech Socialist Republic No. 152/1982, designating major cities and spa towns,

/f/ Decree of the Government of the Czech Socialist Republic No. 59/1984, establishing an honorary award "For Development of National Committees".

Section 73

This Act shall enter into effect on the day of elections of community assemblies in the year 1990.

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Annex

to the Act of the Czech National Council Concerning Communities /Community System/

Item	In the sector of state administration	the jurisdiction appertaining to district national committees or regional national committees is transferred to the authorized community office		
		under		
		regulation	Section /Article/	Object of jurisdiction
1	2	3	4	5
1.	National defence	Gov.decree No. 21/1958	Sec.54, par.1	designation of persons who must be designa- for performance of personal tasks already in advance at the request of the military administration; execution of the necessary investigation and of other measures
2.		Act NO. 40/1961	Sec.21, par.2	ordering execution of changes of the land surface to owners or users of land on the proposal of the military administration or an organ of the Ministry of Interior
3.	Transport and road management	Act No.68/1979	Sec.11, par.1	assignment of extraordinary tasks /limitation of operation/ for the purpose of mastering exceptionally urgent transportation needs if the extent of such needs does notexceed the territorial jurisdiction of the local national committee
4.	Housing management	Act No.41/1964 as amended by Act of the CNC No.146/1971 and Act of the CNC No.40/1988	Sec.57, pars.1 and 2	CONSENT with the division of a flat into two or more separate flats and consent with the use of a flat or its part for other than dwelling purposes .

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1	2	3	4	5
5.			Section 67, par.3	decisions on whether a particular flat has the character of a service flat
6.	Education	Act of the CNC No.77/1978 on state administration in education	Sec.10	decisions on admission of a child to school, on postponement of mandatory school attendance, on relieving a pupil of school attendance and on other methods of his or her education, on relief from mandatory school attendance
7.	Agriculture	Act No.102/1963	Sec.12, par.1	decisions on compensation for damage caused by authorized persons by entering riparian land in the exercise of their fishing right
8.			Sec.13, par.2	decisions on the obligation of the owner or user of riparian land to suffer the placement of prescribed markings of the borders of fishery districts on such land
9.		Act No.77/1976	Sec.3,par.1, letter (l)	decisions under Section 14 of the Agricultural Land Protection Act on withdrawal of agricultural land from agricultural production and under Section 15 of the same Act on withdrawal of land which is not agricultural, and the setting of conditions under which withdrawal is granted
10.	m		Sec.3,par.1, letter (m)	levying under Sections 14 or 19 of the Agricultural Land Protection Act of charges for withdrawal of agricultural land from agricultural production

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1	2	3	4	5
15.	Energy	Act No.79/1957	Sec.12, par.1	approval of abolishment, long-term suspension of operation, and transfer of factory power-producing plants and their parts
16.			Sec. 13	orders to re-activate the operation of a factory power-producing plant whose operation was suspended, if this is required by an urgent need of supplying the national economy and the population with electricity, and instructions to the owners(managers) of such plants under what technical and economic conditions the plants should be put back into operation, taking into account factors of economy
17.			Sec.28,par.2	decision on compensation for damage on the basis of an application filed by the injured party, if no agreement on compensation has been reached
18.			Sec.35,par.2	decisions on conditions under which movable electrical equipment can be linked to other persons' immovable property, if no agreement has been reached on this matter
19.	Culture	Act No.52/1959	Sec.11,par.2	establishment and support of specialized cultural and adult education facilities which by their importance do not extend beyond the scope of the community

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1	2	3	4	5
15.	Energy	Act No.79/1957	Sec.12, par.1	approval of abolishment, long-term suspension of operation, and transfer of factory power--producing plants and their parts
16.			Sec. 13	orders to re-activate the operation of a factory power-producing plant whose operation was suspended, if this is required by an urgent need of supplying the national economy and the population with electricity, and instructions to the owners(managers) of such plants under what technical and economic conditions the plants should be put back into operation, taking into account factors of economy
17.			Sec.28,par.2	decision on compensation for damage on the basis of an application filed by the injured party, if no agreement on compensation has been reached
18.			Sec.35,par.2	decisions on conditions under which movable electrical equipment can be linked to other persons' immovable property, if no agreement has been reached on this matter
19.	Culture	Act No.52/1959	Sec.11,par.2	establishment of and support of specialized cultural and adult education facilities which by their importance do not extend beyond the scope of the community

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Law on the Conditions of Transfer of Property of the State to Other Persons (The Privatization Law)

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LAW

dated 26th February, 1991

about the conditions of transfer of property of the state to other persons

Federal Assembly of the Czech and Slovak Federal republic agreed on the following law:

This translation of the law has been prepared by the UK Government Know How Fund Privatisation Team at the Federal Ministry of Finance. It has not been reviewed by legal experts.

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PART ONE

Subject and extent of the regulation

$ 1

1) This law regulates the conditions of the transfer of state property which state enterprises are entitled to manage, state monetary institutions and insurance houses, and other state organisations (hereafter referred to only as "enterprises"), including their property participation in the activity of other legal persons, as well conditions of the transfer of property participations of the state in this activity, to Czechoslovak and foreign legal and physical persons (hereafter referred to only as "privatisation").

2) This law will be used in a similar way to property of foreign trade enterprises and in their property participation in activity of other legal persons.

3) Conditions of transfer of property of the state defined by this law do not apply to property that can be, according to constitutional or special laws, only in the ownership of the state.

$ 2

Property of an enterprise for the purposes of this law is a summary of matter and financial means that the enterprise is entitled to manage or which it owns, as well as of rights, other property values and obligations of the enterprise.

$ 3

1) Property that is to be returned to legal persons by means of special regulations (1) is not subject to this law.

2) Property that has passed into the ownership of the state after 25th February, 1948 from the ownership of churches, orders and congregations and religious societies is also not subject to his law.

3) Property, the issue of which can be subject of a claim by a physical person according to special regulations (2), can be used, for the purposes of this law only in such cases that these claims were not invoked within a given time or they were rejected.

103

PART TWO

Privatisation Projects

$ 5

Transfer of property according to this law is undertaken according to an approved privatisation project of the enterprise or according to an approved privatisation project of property participation of the state in the activity.

Privatisation Project of the Enterprise

$ 6

1) A privatisation project is a summary of economic, technological, property, time and other information that contains :

a) identification of enterprises and definition of property designated to be privatised according to this project (hereafter referred to only as "privatised property")

b) information about the way the state acquired the privatised property.

c) definition of that part of property unusable for entrepreneurial purposes (e.g. non-liquid debts, useless stocks and unusable fixed assets and stocks)

d) valuation of privatised property

e) method of transfer of privatised property including settling of claims of authorised persons according to special regulations (2)

f) if a commercial company is to be founded, its legal form

g) when JSC is being founded, the method of division of shares, percentage of each type of share and their types, as well as information if, and to what extent, investment vouchers are to be used

h) in case of sale, its form and the method of determining the price and conditions of payments

i) in cases where $ 11, para 3 is applicable, definition of portions of privatised property according to $ 11, para 4.

104

$ 8

1) The founder considers all submitted privatisation projects of enterprises and presents them with its point of view and without undue delay for approval to:

a) the Federal Ministry of Finance, if the founder is federal central organ of state administration

b) the appropriate organ of state administration of the republic in other cases

2) The founder also presents, according to para 1, proposals of privatisation projects of enterprises which it does not approve with a justification of its standpoint.

$ 9

Privatisation project of property participation of the state in activity

1) The Federal central organ of state administration that executes the rights of state over property participation in the activity of legal persons, is responsible for the preparation of privatisation projects of these participations within a period defined by the government of Czech and Slovak Federal Republic and will submit them to the Federal Ministry of Finance.

2) The organ of state administration of the republic or a municipality that executes the rights of the state over participation in the activity of legal persons are responsible for the preparation of privatisation projects of these participations within a period defined by the Czech government or the Slovak government (hereafter referred to only as "governments of the republics") submit them to the appropriate organ of state administration of the republic.

3) The privatisation project of property participation of the state in activity (hereafter referred to only as "privatisation project of participations") contains similar information as is required in the privatisation project of an enterprise.

4) The proposal of the privatisation project of participations is usually prepared by the legal person who the subject of the project. The method mentioned in $ 7 and 8 applies.

-105

PART THREE

Transfer of privatised property to the funds and use of property of the funds.

$ 11

1) In accordance with an approved privatisation project the founder abolishes the enterprise without liquidation or removes part of the property of the enterprise.

2) In cases where the founder of the enterprise is, on the day of the transfer, a federal central organ of state administration, the privatised property is transferred, on the day the enterprise is abolished or part of its property removed, to the Federal Fund of National Property set up by this law in accordance with $ 29 (hereafter referred to only as "the Fund"). This does not apply to cases mentioned in $ 42.

3) In cases where the founder of the enterprise is an organ of state administration of the republic or a municipality, the privatised property is transferred, on the day the enterprise is abolished or part of its property removed, to the Fund of National Property of Czech republic or to the Fund of National Property of Slovak republic (hereafter referred to only as "funds of the republics") which will be set up by laws of national councils.

4) To the appropriate fund of the republic is transferred, according to para 3):

a) that part of privatised property that is situated on the territory of the appropriate republic

b) monetary assets and property vested in rights and obligations according to the placing of organisational composition of the enterprise with the activity of which these rights and obligations are connected

c) monetary assets and property vested in the rights and obligations that are not connected with the activity of any of the organisational composition of the enterprise according to the portion that is explicit from the value of privatised property that was transferred to the appropriate fund of the republic according to a) and b).

5) Prior to the transfer of property according to 2) and 3), the enterprise will dispose of unusable property ($ 6, para 1, c) in accordance with an approved privatisation project.

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$ 13

1) No concessions can be offered when selling the property of the funds. When selling shares, the only concessions admissible are those allowed by the law regarding JSCs.

$ 14

1) The sale of an enterprise is realised by the funds on the basis of an agreement with the purchaser, or at a public auction. If the sale of the enterprise is realised at a public auction, the funds proceed in a similar manner as when transferring state property according to a special regulation (3)

2) When the funds are depositing property of a privatised enterprise into the basic property of a commercial society, the funds proceed in accordance with special regulations (5)

$ 15

1) By selling the privatised property or by depositing it into the basic capital of a commercial company, ownership rights over assets, as well as other rights and obligations connected with the privatised property, are transferred to the acquirer on the day the contract comes into force.

2) The transfer of claims is directed by legal regulation of submitting claims according to special provision. (7)

3) The consent of the creditor is not sought for transfer of liabilities, but the fund guarantees by its property the fulfilment of the liability by the acquirer of the privatised property.

4) The acquirer is obliged to inform immediately the creditors about the taking over of the liability.

(5) Law No. 104/1990, re: JSCs
Law No. 109/1964, Economic Code in the text of later regulations

(6) Law No. 173/1988, re: enterprise with foreign property participation, in the text of Law No. 112/1990

(7) Law No. 40/1964, Civil Code
Law No. 109/1964, Economic Code in the text of later regulations

107

$ 20

1) In the list regarding transfer ($ 19, para 1), missing and faulty matter is listed. If nothing can be understood from the contract, such matter is considered as missing that has not been handed over to the acquirer although it should be, according to accountancy evidence, part of the property taken over. To consider the extent of faulty matter, their ability to serve the activity of the enterprise is considered and the length of their use according to the evidence of accounts is taken into account.

2) For matter missing or faulty that is included in the list of transfer, the acquirer is entitled to request an appropriate reduction in price, unless the contract states otherwise.

3) The acquirer is entitled to exercise his right to a reduction as far as obligations that have been transferred to him and that have not been shown in the accounts are concerned.

$ 21

Whilst handing over the property and writing the list of the property being transferred, the fund is represented by persons that are authorised, on the day of abolition of the enterprise or removal of part of its property, to act on its behalf. Whilst undertaking this activity, these persons are responsible to the fund.

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$ 25

1) The vouchers of an appropriate issue can be used:

a) to purchase shares of any of the joint stock companies (JSCs) included for this purpose in the lists of privatisation projects, as long as the citizen has applied within the period defined in this list,

b) to acquire participation in commercial companies founded especially for this purpose, after previous consent of the appropriate organ of the republic.

2) The methods mentioned in para 1 can be used at the same time

$ 26

When using vouchers, their owner can be represented by a physical or legal person on the basis of and to the extent of a written authorization.

PART FIVE

Federal Fund of National Property

$ 27

1) The Federal Fund of National Property is set up as a legal person. The Fund is entered into the Register of Companies.

2) The Presidium, executive council and supervisory council are organs of the Fund.

3) The property of the Fund consists of the property transferred to it according to $ 11, para 2 and profit from its participation in the activities of commercial companies.

4) Details about the organisational set up of the Fund and its activity are defined by the statutes that are approved by the presidium of the Fund.

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$ 30

The highest organ of the Fund is the presidium which consists of nine members. The chairman, vice-chairman and members of the presidium are elected, based on a proposal of the government of the Czech and Slovak Federal republic, by the Federal Assembly for the period of five years. A member of the presidium cannot be a member of the government of CSFR, the Czech government or the Slovak government, or a member of the Federal Assembly, Czech National Council or Slovak National Council.

$ 31

1) The sphere of activity of the presidium includes the following:

a) to name and conduct the executive council and to supervise its activity

b) to approve the statutes of the Fund

c) to approve remuneration of the members of the executive council

d) to work out the proposal of the budget of the Fund and to present it to the government of the Czech and Slovak Federal Republic for discussion.

e) to approve the agenda of the presidium and the executive council

f) to discuss annual final accounts of the Fund and to present them for discussion to the government of Czech and Slovak Federal Republic.

g) to discuss, by 30th April the latest, the annual report about the activity of the Fund for the preceding year.

2) Proposals of the annual budget and annual final accounts are presented to the government of CSFR to be approved by the Federal Assembly.

$ 32

1) The presidium is able to pass resolutions as long as the meeting was attended by more than a half of its members, including the chairman and vice-chairman. In order to pass a decision, the agreement of more than half of those present is required. In the event of equal voting, the vote of the chair is decisive.

$ 36

1) The supervisory council consists of five members elected by the Federal Assembly for a period of five years. The Federal Assembly can recall members of the supervisory council before the expiry of their period of office. Election or re-calling of a member of supervisory council is done by a secret vote.

2) Members of supervisory council cannot be employees of the Fund.

$ 37

1) The supervisory council elects from their midst a chairman and vice-chairman.

2) Section $ 32 is applied analogically.

$ 38

2) The functions of a member of the presidium, a member of the council and a member of the supervisory council mutually exclude each other.

$ 39

Members of the presidium, council, supervisory council and employees of the Fund are forbidden to undertake activity that would be contrary to the interests of the Fund, in particular they cannot be members of organs of JSCs on the activity of which the Fund has property participation. Members of the presidium, council and supervisory council cannot acquire property of the Fund, apart from shares for vouchers.

$ 40

The Fund covers expenses connected with its activity from its property, and that within the framework of its budget approved by the Federal Assembly.

3) If enterprises mentioned in para 1 were transferred to joint stock companies prior to the day this law becoming effective or if they were founded as joint stock companies, two thirds of the participations of the state will be transferred to the fund of national property of the Czech republic and one third to the fund of national property of the Slovak republic on the day of approval of privatisation project of participations

$ 43

Regulations of this law that are concerned with federal central organs of state administration apply to the State Bank of Czechoslovakia in a similar way.

$ 44

Valuation of property of the enterprise contained in the approved privatisation project replaces the valuation of the non-monetary deposit into the basic capital of joint stock company undertaken by a legal expert and required by special regulations (9)

$ 45

1) The enterprises cannot, apart from their usual activity (10), sign contracts about transfer of ownership of property that they are entitled to manage, to dispose of their property participations in the activity of legal person, nor to found these.

2) Exceptions from declaration of para 1 can be given, in justified cases, by an appropriate government. The exception granted replaces permission according to special regulations (6)

3) Property participations of the state in the activity of legal persons can be dealt with only in accordance with an approved privatisation project of participation.

$ 46

1) The legal relations of the funds of the republics, their activity and method of use of their property will be defined by laws of National Councils which will also state those situations where the property of the fund of the republics can be used for purposes other but privatisation.

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Czech and Slovak National Council Acts of the Collection of Laws on the Transfer of State Property

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LAW

April 24, 1991

on the transfer of some items of property of the Czech Republic to municipal ownership

The Czech National Council has passed this law:

Article 1

(1) On the date upon which this law comes into effect, items, the administrative rights to which were held by the national committee until November 23, 1990, the rights and obligations of which were transferred onto the municipalities[1], and, in the capitol city of Prague, onto those sections of the city[2] which administered these items until the date this law became effective, are transferred from the ownership of the Czech Republic to the ownership of municipalities.

(2) On the date this law comes into effect, other items which the municipalities and, in the capitol city of Prague, by sections of the city, began to administer following November 23, 1990, are transferred from the ownership of the Czech Republic to the ownership of the municipalities in a manner analogous to that of administration rights, if[3] they were administered in this manner until the date this law became effective.

(3) The enactment of paragraphs 1 and 2 do not apply to items which served the national committees for the fulfillment of tasks of minor operations.

Article 2

(1) Effective on the date of this law, the following items are transferred to the ownership of municipalities:

a) vacant land parcels,

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[1] Article 68, paragraph 1 of the Act of the Czech National Council No. 367/1990 of the Collection of Laws on municipalities (municipal establishment).

[2] Article 3, paragraph 3 of the Act of the Czech National Council No. 367/1990 of the Collection of Laws.

[3] Article 37, paragraph 1 of the Act of the National Council No. 418/1990 of the Collection of Laws, on the capitol city of Prague.

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b) land parcels occupied with buildings in the ownership of physical persons,
c) structures with land parcels comprising one functional whole with a structure which were owned by the municipalities until December 31, 1949, if they are owned by the Czech Republic and are not transferred to the ownership of municipalities according to Article 1.

(2) For the purposes of this law, the following are likewise considered as occupied land parcels:

a) land parcels with a structure comprising one functional whole,
b) land parcels upon which construction was begun on the basis of an authorized construction permit.

(3) If a sole municipality is the legal successor to a municipality no longer in existence after December 31, 1949, the item is transferred to the ownership of that municipality. If there are a number of legal successors, the item is transferred to their shared co-ownership in equal portions.

Article 3

(1) Residential buildings[4] and land parcels comprising a functional whole with these buildings are transferred to the ownership of municipalities on the date of effectiveness of this law if they fill the following conditions:

a) they are in their township zones,
b) they are owned by the Czech Republic,
c) the rights to their administration belong to organizations, of which the office or authority to organize, manage or dissolve these organizations[5] was transferred onto the district boards, municipalities and, in the capitol city of Prague, onto the portions of the city.
d) they are not transferred to the ownership of municipalities according to Article 2.

(2) The enactment of Article 3, paragraph 3 is not utilized for items listed in paragraph 1.

Article 4

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[4]Article 59, paragraph 1 of Act No. 41/1964 of the Collection of Laws on the administration of apartments.
[5]Article 67 of the National Council Act No. 367/1990 of the Collection of Laws
Article 36 of the National Council Act No. 418/1990 of the Collection of Laws

115.

(1) These items are not transferred from the ownership of the Czech Republic to the ownership of municipalities:

a) land parcels for which the right to personal use[6] was arranged, and land parcels which were allocated for this purpose,
b) immovable items with appurtenances, which were in the long-term use of the Communist Party of Czechoslovakia and which were appropriated[7] from the Party on June 1, 1990.
c) immovable items with appurtenances which are in the long-term use of other state organizations[8] until the date when this law comes into effect, if this is not a case of items listed in Article 2,
d) land parcels of the woodland fund in national parks.

(2) Likewise, those items to which a rightful person will make a claim according to a special provision[9] are not transferred from the ownership of the Czech Republic to the ownership of municipalities.

(3) From the date upon which this law takes effect, the right to the administration of items listed in paragraph 1 will be held by the district bureaus and, in the capitol city of Prague, by the Ministry of Finance of the Czech Republic.

Article 5

(1) At the request of the municipality, the district board and, in the capitol city of Prague, the Ministry of Finance of the Czech Republic can decide that the following items are transferred to the ownership of the municipality:

(a) items owned by the Czech Republic listed in Article 1, paragraph 3,
(b) items owned by the Czech Republic administration rights to which were held, until the date upon which the law comes into effect, by organizations, if the office of their founder or the authority to organize, manage, and dissolve these organizations was transferred onto district boards or, in the capitol city of Prague,

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[6]Article 198 and following from the Civil Code

[7]Decree of the government of the Czech and Slovak Federative Republic No. 212/1990 of the Collection of Laws on the appropriation of immovable property of the state in long-term use by the Communist Party of Czechoslovakia.

[8]Article 70 of the Economic Code.
Article 10 of the edict of the Federal Ministry of Finance No. 119/1988 of the Collection of Laws on the administration of national property in the sense of later regulations.

[9]For ex., Act No. 87/1991 of the Collection of Laws on extra-judicial rehabilitation, Act. No. 403/1990 of the Collection of Laws on the modification of the consequences of some property torts.

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onto the sections of the cities[5], if they are not transferred to the ownership of municipalities according to Article 2 or Article 3.

(2) The district board and, in the capitol city of Prague, the Ministry of Finance of the Czech Republic request prior the approval of the Ministry of the Administration of Property and its Privatization of the Czech Republic for decisions according to paragraph 1.

(3) If this is a matter of items in the ownership of the Czech Republic, the management rights to which were held by state enterprises until the date when this law came into effect, if the office of their founder was transferred to the district boards, municipalities, or, in the capitol city of Prague, to the portions of the city, the municipality can deliver a request based on paragraph 1, after one year has passed from the date on which this law takes effect.

Article 6

(1) At the request of the municipality, the Ministry of Culture of the Czech Republic can decide to transfer from the ownership of the Czech Republic to the ownership of the municipality those cultural monuments, museums and galleries, including their collections, the administration rights to which were held by organizations, if the office of the the founder or the authority to organize, manage and dissolve these organizations [5] was transferred onto the municipality or, in the case of the capitol city of Prague, onto the section of the city, if they are not transferred to the ownership of the municipality according to Article 3 or as structures with land parcels comprising one functional whole with the structure according to Article 2.

(2) At the request of the municipality, the Ministry of Educational Systems, Youth and Physical Training can decide to transfer from the ownership of the Czech Republic to the ownership of a municipality those school buildings and school facilities, the administrative rights to which were held by organizations, and in which schools and school facilities are in operation until the date upon which this law takes effect, if the office of the founder or the authority to organize, direct and dissolve these organizations[5] has been transferred onto the municipality or, in the capitol city of Prague, onto the portion of the city, if they are not transferred to the ownership of the municipality as structures with land parcels comprising one functional whole with the structure according to Article 2.

Article 7

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[5] Article 67, paragraph 1 of Czech National Council Act No. 41/1964 of the Collection of Laws on the management of apartments.
Article 36 of Czech National Council Act. No. 418/1990 of the Collection of Laws.
[5] Ibid.
[5] Ibid

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The general regulations on administrative operations[10] do not apply to decisions based on Articles 5 and 6 of this law.

Article 8

Municipalities are obliged to make a proposal on the registration of these immovable items in the documentation of immovables [11]to the appropriate center for geodesy within one year of the acquisition of property.

Article 9

(1) The municipal board of representatives decides on these property-judicial functions of the municipality with a three-fifths majority of all members:

a) the acquisition and transfer of immovable items,
b) gratis transfer of movable items including money, with the exception of normal donations to jubilees and analogous occasions, and with the exception of the provision of one-time assistance to citizens,
c) gratis advances of unpaid debts,
d) the acceptance of credits (loans), the provision of credits (loans), the assumption of debt, the accession to debt and assumption of guaranty, if requested by at least one tenth of all members of the municipal board of representatives,
e) monetary and non-monetary investments in commercial companies,
f) property participation in business ventures of other persons with the exception of their own enterprises,
g) the surrender of rights and pardon of unpaid debts of more than 5000 Kcs,
h) the mortgage (?) of immovable items,
i) the mortgage (?) of movable items or rights at a value higher than 50,000 Kcs,
j) agreements on repayments with repayment periods longer than 18 months,
k) all other legal property operations of the municipality, if requested by at least one fifth of all members of the municipal board of representatives.

(2) The enactment of paragraph 1 is also put to use for operations containing a price lower than is normal for that place and time.

(3) The plan of the municipality to transfer immovable property and to lease immovable property, with the exception of the leasing of apartments, must be made public in the municipality in a suitable fashion following a period of at least 30 days prior to

[10]Act No. 71/1967 of the Collection of Laws on administrative operations (administrative rules).
[11]Act. No. 22/1964 of the Collection of Laws on documentation of immovables.

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negotiations in the organs of the municipality, in order for citizens to express themselves and present their offers.

(4) The enactment of paragraphs 1, 2, and 3 is utilized during the decision-making process of the board of representatives of the section of the city of the statutory cities[12], which has been entrusted the property through the statutes.

Article 10

This law takes effect on the date of its proclamation.

[12]Article 3 of Czech National Council Act No. 367/1990 of the Collection of Laws

Methological Recommendations for the Technical Services for the Public Good

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The Ministry of the Interior of the Czech Republic
Depart. of Munic. Admin... Ref. No.: MH/112915/875/91

Methodological Recommendation for the Sector of Technical Services for thePublic Good

The Ministry of the Interior of the Czech Republic, in agreement with the Ministry for the Administration of National Property and its Privatization and the Ministry of Finance of the Czech Republic, issues the following *Methodological Recommendation for the Sector of Technical Services for the Public Good,* ensuring the transformation of state property in this area, while respecting the responsibility of the municipalities to ensure these services.[1].

Technical services for the good of the public are a group of activities ensuring the operation of the technical infrastructure in the territories. This activities consist of primarily:

-- administration and maintenance of local communications,
-- administration and maintenance of public lighting,
-- securing of the cleanliness of the municipality, the collection and unobjectionable disposal of household wastes.

At present these activities are mainly secured by budgetary and contributory organizations (so-called organizations of technical services) established by the local municipality or, less often, by the district office (in some cases these activities are secured by small companies, budgetary institutions or state companies).

In addition to the activities hereto defined, the ensuring of which is in the exclusive authority of the local municipality[1] and which are explicitly defined by the law, other activities are executed in organizations of technical services, such as the administration and maintenance of public verdure (as significant components for the creation of a healthy environment[1]); also, other activities such as the administration and upkeep of cemeteries, the operation of sports and recreational facilities, or other activities which are of an entrepreneurial nature.

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[1]Article 14 of the Act of the Czech National Council No. 367/1990 of the Collection of Laws, on municipalities.
[1] Ibid.
[1] Ibid.

On May 24, 1991, National Council Act No. 172/1991 of the Collection of Laws on the transfer of some items from the property of the Czech Republic to the ownership of municipalities came into effect.

In the case that the municipality intends to resolve the transformation of state ownership in the sector of technical services for the public good according to Act No. 172/1991 of the Collection of Laws, the procedure described below is recommended.

Recommended procedure for organizations of technical services, municipalities and district offices:

1. Organization of technical services will delimit items which cannot be the subject of the transfer of ownership with regard to the possible property claims of original owners.

2. Further, according to the instructions of municipalities, the organizations of these technical services will delimit three categories of property:

a) "serviced property," which is understood to be communal public property serving citizens, such as dumps, bridges of underground communications, footbridges, local communications (except in factories), parking areas, public verdure, park upkeep, cemeteries, galleries, sewage lines, public lighting, public clocks, local broadcasting, gutters, tanks holding water used for fighting fires;

b) "service property," understood as items serving the operator -- organizations of technical services for the provision of services for the public good, especially for the administration and maintenance of serviced property or other items necessary for ensuring the activities determined by the founder, such as operational buildings, machines and equipment, items of gradual consumption;

c) property suitable for privatization, i.e. items which do not fit the above descriptions, particularly goods serving for the securing of activities of an entrepreneurial nature Such property can include, for example, recreational and sports facilities, housing facilities, etc. In this case, this property should preferably put into "small privatization" and only if there is no interest in the property can it become the property of the municipality which will decide how to dispose of it.

3. Organizations of technical services will submit lists of property drawn up according to point 2 (full inventory lists) to their founders for approval. When drawing up the lists of property the organization proceeds according to inventory documents[2]; the head of the organization is responsible for the veracity of the lists.

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[2]Edict of the Federal Ministry of Finance No. 155/71 of the Collection of Laws, on the inventory of administrative means.

4. The municipality will submit lists drawn up in this way, together with its request on the transfer of the item, to the property of the district office in accordance with Article 5 of Act No. 172/1991 of the Collection of Laws.

5. In order to expedite the next procedure, the district office will request the opinion of the appropriate district privatization commission for the delimitation of the categories of property according to point 2 contained in full inventory lists.

6. In the case that the opinion of the district privatization commission is affirmative, the district office will submit the municipality's request for the expression of prior agreement to the Ministry for the Administration of National Property and its Privatization[3] in abbreviated form containing:
-- .the opinion of the district privatization commission
-- the total value of "serviced property" including a designation of the nature of the property, such as public verdure, local communications
-- the total value of "service property" divided into fixed assets, items of gradual consumption and supplies according to individual areas of activity, such as the value of fixed assets for the administration and upkeep of public verdure
-- the total value of property for privatization.

7. In the case of the disagreement of the district privatization commission with the delimitation of property according to point 2, the district office will submit a request of the municipality for the prior approval of the Ministry for the Administration of State Property of and its Privatization in full-length form, i.e. including full inventory lists.

8. Following the receipt of the affirmative opinion of the Ministry for the Administration of State Property and its Privatization with the transfer of property onto the municipality, the district offices are recommended to expedite the submission of the decision regarding this transfer.

9. In the capitol city of Prague, the procedure listed in points 1 through 3 is secured. Lists drawn up in this manner are presented to the portions of the city with their request for the transfer of items to the Office of the Magistrate of the Capitol City of Prague. The Office of the Magistrate will request the opinion of the Prague Privatization Commission on the delimitation of property according to point 2 included in the full inventory lists.

10. The opinion of the Prague Privatization Commission, together with the request in abbreviated form, comprise:

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[3]Paragraph 2, Article 5 of Czech National Council Act No. 172/91 of the Collection of Laws, on the transfer of some items from the property of the Czech Republic to the ownership of municipalities.

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-- the total value of "service property" divided into fixed assets, items of gradual consumption and supplies according to individual areas of activity, for example the value of fixed assets for the administration and upkeep of public verdure
-- the total value of "serviced property" including the designation of property, such as public verdure, local communications

will be submitted by the Office of the Magistrate of the Capitol City of Prague for the preliminary opinion of the Ministry for the Administration of National Property and its Privatization.

11. The Office of the Magistrate of the Capitol City of Prague will submit the approved list of the Ministry for the Administration of National Property and its Privatization to the Ministry of Finance of the Czech Republic in advance.

12. The Ministry of Finance of the Czech Republic, in concordance with the definitive opinion of the Ministry for the Administration of National Property and its Privatization, will submit a decision on the transfer of items to the Office of the Magistrate of the Capitol City of Prague.

13. The municipality will also carry out a similar delimitation of property according to point 2 for items which served for the fulfillment of tasks of minor operations of national committees -- in the sector of technical services for the public good. In addition, category a) -- "serviced property" is not delimited, as in this case this property is in the ownership of the municipality; further procedure is in accordance with points 4 through 8.

14. In the case that some activities of of technical services for the public good were executed in state enterprises -- so-called enterprises of local production and services -- the municipalities can request the transfer of items for the securing of these services into the ownership of the municipalities
a) following May 24, 1992[4]
b) in the framework of a privatization project of a state enterprise[5]

15. In the case that the activities of technical services for the public good were secured in so-called budgetary institutions of national committees for communal services, the items of these institutions have been transferred onto the municipality.[6]

Following the approval of the Ministry for the Administration of National Property and its Privatization of the Czech Republic and, the affirmative decision of the district office or the

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[4]paragraph 3, Article 5 of Act No. 172/1991 of the Collection of Laws.
[5]Article 12, paragraph 2, letter c) of Act No. 92/1992 of the Collection of Laws on the conditions of the transfer of state property onto other parties.
[6]Article 1 of the Czech National Council Act No. 172/1991 of the Collection of Laws.

Ministry of Finance of the Czech Republic, the municipality has full authority to decide whether it will treat the "serviced property":

a) with their own budgetary or contributory organization, which will be given the rights to the administration of the service property[7],

b) it will modify the administrative/legal form and will incorporate this property into a commercial company or joint-stock company,

c) it will leave the service property in the ownership of the municipality (separately from serviced property) and will lease it to entities with private rights to the securing of care for the serviced property or to carry out this care through its budgetary institution -- this is considered primarily in the case of small municipalities, in some activities of technical services for the public good,

d) through so-called supplier's method, i.e. from foreign entities with which the municipality has none of the relations listed above.

It is advantageous for the municipality, when leasing the service property, to secure technical services for the public good on the basis of a so-called competitive tender, i.e. a selection from among a number of parties interested in carrying out the activity or activities. The form of a competitive tender may, however, also be utilized by municipalities for other forms, such as when deciding between securing the services on its own and through the so-called supplier's method, etc.

The goal of this recommendation in the section which applies to the transfer of items from the property of the Czech Republic onto the municipalities is to create mandatory conditions for the full functioning of contributory organizations of technical services for the public good prior to December 31, 1991. This mainly concerns those organizations which had the right to the administration of the serviced property. It is vital in the case of these organizations, that the appropriate communities secure the transfer of property according the process described above prior to this date, for on this date the contributory organizations of technical services for the public good will no longer be exempt from the depreciation of fixed assets of a serviced property nature, conferred by the Ministry of Finance of the Czech Republic under reference number 123/33 215/91.

Director of the Department of Communal Administration
Engineer Zdenek Karasek

Prague, November 13, 1991

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[7]Article 31, paragraph 2, letter e) of the Czech National Council Act No. 576/90 of the Collection of Laws -- budgetary regulations of the Republic

The Waste Disposal Act of May 1991

Document

The Waste Disposal Act, of May 22, 1991

The Federal Assembly of the Czech and Slovak Federal Republic has enacted this Act:

Part I

General Provisions

Application of the Act

(1) The Act enshrines the rights and duties of the bodies of state administration and the duties of legal and physical persons in the handling of waste.

(2) If not stated otherwise in special regulations, this Act is also applied to the handling of:

a) waste and special-nature water [1)]
b) air-polluting substances [2)]
c) precious metals waste [3)]
d) radioactive waste [4)]
e) waste deposited in underground storages [5)]
f) dumping and de-sludging sites and waste banks [6)]
g) seizures of animal origin [7)]

Section 2

Basic Terms

(1) Waste is something its owner (Section 1, 1) wishes to dispose of, or any movable thing which must be disposed of (neutralized) in view of the care for healthy living conditions and the protection of the environment. The categories and a catalogue of waste, agreed upon with the appropriate central bodies of state administration, will be published by the Federal Committee for the Environment as its decree in the Collection of Legislations. [8)]

disposal and it is their duty to limit waste generation as much as possible.

(2) During waste disposal, all persons are bound to protect public health and the environment; at the same time, they are bound to create preconditions for the use and disposal of waste.

(3) Legal and physical persons are allowed to dump and dispose of waste exclusively in objects, areas and facilities (hereinafter "facilities") designed for this purpose.

(4) Importation of waste to the territory of the Czech and Slovak Federal Republic, for the purpose of its disposal, is forbidden. This ban is not applicable if the following conditions are met:

a) the importation of waste is materialized in keeping with an agreement on granting the Czechoslovak side tested technology on the disposal of waste, which meets the world standards in science and technology

b) the appropriate technology has already been put into permanent operation in the territory of the Czech Republic or the Slovak Republic

c) the entire imported waste will be disposed of, and at the same time the total quantity or the level of threat of similar waste generated in the territory of the Czech and Slovak Federal Republic will significantly decrease

d) the appropriate body of state administration agrees with the importation, transportation and storaging of this waste

(5) The importation of waste designed for further use as secondary material is admissible only with the consent of the appropriate body of state administration of the Czech Republic or of the Slovak Republic (hereinafter "the appropriate body of state administration"); this does not influence the force of special regulations"

a) on the establishment of facilities for waste disposal

b) in the cases of the construction of facilities serving the waste economy, at the stage of preparation of tender [11] or its change

c) on changes prepared in the manufacturing process and/or production in connection with changes in the process of waste disposal

(3) The bodies of state administration authorized by other legal norms to issue decisions on the placing, permission for or use of building, facilities or activities described in Subsection 1, would not issue such decision unless the applicant provides a consent in accordance with Subsection 1, or statement of position in accordance with Subsection 2.

(4) The appropriate body of state administration is authorized

a) to approve projects concerning waste economy

b) to bind the user of a facility for waste disposal, to dispose of certain waste, in justified cases and against payment (Section 8, 2-e)

c) to order those violating duties stipulated in this Act or based on this Act, to take measures guaranteeing the removal of the illegal state of affairs; this does not affect the liability for any damage, or criminal liability

d) to halt the activity of an organization, in accordance with Section 9 of this Act

(5) The appropriate body of state administration is bound, if requested by the polluter, to provide information about the existence and wherabouts of facilities suitable for the disposal of the waste the polluter generates.

(6) The general regulations concerning administrative proceedings do not apply to the statement of position of the appropriate body of state administration, in accordance with Subsection 2. [12]

The Waste Disposal Act - instalment two

Section 6

Duties of carriers and transport contractors in waste transport

(1) Transport contractors and carriers are obliged:

a) to guarantee transportation of waste in keeping with requirements established in special regulations,[14]

b) to keep and file records about transported dangerous waste; the scope and required form is stipulated in the implementing instructions

c) to report the quantity and kind of dangerous waste and the manner of transportation to the body of state administration appropriate in view of the headquarters of the carrier; the scope and required form is stipulated in the implementing instructions

d) to enable control bodies to inspect the handling of waste during its transportation; upon request, to submit to the control bodies the documentation and to supply truthful and complete information about the waste management.

(2) To transport dangerous waste, a consent from the appropriate body of state administration is required, in keeping with Section 4, 1, b, of this Act

Section 7

Collection, purchase and processing of waste

(1) To collect, purchase or process waste, a consent of the appropriate body of state administration is required in accordance with Section 4, 1, b, and d, of this Act.

(2) The legal or physical person which has gained the authorisation according to Subsection 1 is required

a) to determine and publicize what kind of waste is collected and the terms of its collection and purchase

b) to receive and purchase the publicly determined kinds of collectable waste

c) to meet the duties described in Section 5, 1, b-h, of this Act.

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environmental hazard could occur in consequence of this, the appropriate body of state administration shall ban the polluter's activity from which waste is generated.

(2) If the operator of a waste disposal facility fails to meet the duties stipulated in this Act or in the implementing instructions, and if a serious environmental hazard could occur in consequence of this, the appropriate body of state administration shall ban the operation of the waste disposal facility.

Part III

Fees and Fines

Section 10

Fees

The legal and physical persons are obliged to pay fees for dumping waste in the manner, scope and amount established in the Acts of the National Councils.

Section 11

Fines Imposed on Legal Persons and Physical Persons Licenced for Business

(1) A fine amounting from 10,000 to 300,000 Czechoslovak Crowns shall be imposed by the appropriate body of state administration on a legal person or a physical person licenced for business, which

a) has not worked out a waste management project according to Section 5, 1, a, or fails to observe this project,

b) fails to provide for the collection of waste sorted after its kind, or fails to prevent its deterioration, theft or other outlet, according to Section 5, 1, b

c) cannot guarantee, in accordance with Section 5, 1, e, and f, the re-use or disposal of waste

d) fails to keep or file records about waste in keeping with Section 5, 1, g, Section 6, 1, b-c, or Section 8, 2, c

e) violates the duties established in Section 5, 2, or in Section 7, 2, b

1, d, and in Section 8, 2, d

d) carries out the transportation of dangerous waste in contradiction to the permission issued or without a permission of the appropriate body of state administration, in accordance with Section 6, 2

e) fails to meet the duty established by the appropriate body of state administration in keeping with Section 8, 2, e.

(4) A fine amounting from 10,000 to 500,000 Czechoslovak Crowns shall be imposed by the appropriate body of state administration on a legal person or a physical person licenced for business which handles waste or disposes of it in contradiction to Section 3, 2 or 3.

(5) The imposition of a fine according to the preceeding Subsection does not limit the force of special regulations concerning damages.[15]

Section 12
Imposition of Fines

(1) A fine shall be imposed on the legal persons or physical persons licenced for business within one year from the day when the appropriate body of state administration learned about the violation of the duty, or within three years from the day when the violation of the duty occured at the latest.

(2) The body of state administration imposing the fine shall simultaneously set up the terms and deadline for putting things right.

(3) While determining the amount of the fine, it is in particular the seriousness of the threat to public health and the environment, and/or the level of harm done, which is taken into consideration.

(4) Should the legal or physical person, within one year from the date the fine imposed in accordance with this act acquired legal force, again breach the duty for the violation of which the fine had been imposed, another fine shall be imposed amounting up to twice the amount of the fine stipulated in this Act.

2. the Regulation No. 106/1960 Coll. of the Ministry of Metallurgy and Ore Mines, on handling metal scrap, in the wording of the Regulation No. 103/1981 Coll., amending and complementing the Regulation No. 106/1960 Coll. on handling metal scrap,

3. the Regulation No. 103/1981 Coll. of the Federal Ministry of Metallurgy and Heavy Engineering, ammending the Regulation No. 106/1960 Coll. of the Ministry of Metallurby and Ore Mines on handling metal scrap.

Section 17
Force of the Act

This Act comes into force as of the August 1, 1991.

List of Footnotes:

1) Act No. 138/1973 Coll. on waters (Water Act).
2) Act No. 35/1967 Coll. on measures preventing air pollution.
3) Regulation No. 93/1962 Coll. of the Minister of Metallurgy and Ore Mines, on state service for precious metals, in the wording of Regulation No. 34/1968 Coll. and Regulation No. 154/1980 Coll.
4) Regulation No. 67/1987 Coll. of the Czechoslovak Atomic Energy Commission, on nuclear safety while handling nuclear waste. Regulation No. 59/1972 Coll. of the Czech Ministry of Health, on health protection against ionizing radiation. Regulation No. 65/1972 Coll. of the Slovak Ministry of Health, on health protection against ionizing radiation.
5) Act No. 44/1988 Coll. on protection and use of mineral riches (Mining Act).
6) Act No. 44/1988 Coll. Act No. 61/1988 Coll. of the Czech National Council, on mining activity, explosives and the State Mining Authority. Act No. 51/1988 Coll. of the Slovak National Council, on mining activity, explosives and the State Mining Authority.

APPENDIX B

FEBER-ESOX DOCUMENTS

The Feber-Esox documents describe the privatization plan implemented in Ceske Tecin, Banska Bystrica, and Zilina. Feber-Esox is a private company owned and operated by officials and entrepreneurs who have been active in the privatization efforts in these three cities. The documents will be included later if possible.

APPENDIX C

SAMPLE QUESTIONNAIRE AND SURVEY RESULTS

SOLID WASTE TELEPHONE SURVEY
Questionaire Form

Name of city _____

Location (e.g. western Slovakia) _____

Population _____

Technical Services Department Characteristics:

BUDGET:

TOTAL Technical Services Budget _____ kcs per year

SOLID WASTE Budget _____ kcs per year

Of which _____kcs from city contribution

_____kcs from fees paid by citizens

Does solid waste portion of the budget include:

-any landfill or incinerator fees? Yes___ No___

-part of Technical Services overhead? Yes___ No___

-costs of equipment maintenance? Yes___ No___

EMPLOYEES:

TOTAL number of employees _____

SOLID WASTE employees _____

Of which _____ administration and office workers

_____ drivers and helpers

_____ maintenance and repair workers

EQUIPMENT:

SOLID WASTE COLLECTION TRUCKS _____ in total

_____ for 110-liter cans
Of which ___ are in routine use and ___ in reserve

_____ for 1100-liter bins
Of which ___ are in routine use and ___ in reserve

_____ for large containers
Of which ___ are in routine use and ___ in reserve

Normal truck crew consists of driver and _____ helpers

Distance to landfill/incinerator from city center _____ km.

Normal number of trips per truck, per shift _____

Transfer stations used? Yes___ No___

FEES:

Fees paid **currently**

Yearly fee for 110-liter can _____ kcs [1]

Yearly fee for 1100-liter bin _____ kcs

Fees paid in **1989**

Yearly fee for 110-liter can _____ kcs

Yearly fee for 1100-liter bin _____ kcs

If there are **planned changes** in fees:

Beginning in _____ fees **will be** _____ **are proposed to be** ___
changed to:

Yearly fee for 110-liter can _____ kcs

---

[1] For all questions concerning fees, if the cost varies with pickup frequency, enter the fee for once pickup per week. If once-weekly fees are not available, enter the most common fee, and write in the pickup frequency.

Yearly fee for 1100-liter bin _____ kcs

WORK LEVEL:

Population of service area _____
(if larger or smaller than city population)

Normal number of days of collection work per week _____

Normal number of shifts per day _____

Normal number of workers per truck _____

Normal number of 110-liter cans in use _____

Normal number of 1100-liter bins in use _____

Normal number of _____-ton containers in use _____

PRIVATIZATION PLANS

At the end of the survey, please ask these questions and briefly describe the responses:

1. Have any parts of the solid waste collection system been privatized? (If yes, record which parts, what form of privatization, when the change occurred.)

2. Are there currently plans to privatize any parts of the solid waste collection system? (If yes, record which parts, what form of privatization, and the schedule for making decisions.)

3. Have any other parts of the Technical Service Department been privatized, or are plans underway to do so? (If yes, record which parts, what form of privatization, and the schedule for making decisions.)

City Location	Ceske Budejovice Southern Bohemia	Decin Northern Bohemia	Jihlava Southern Moravia	Karlovy Vary Western Bohemia
Population	97,283	56,500	54,000	54,000
Technical Service Department				
Total Budget	42,600,000	32,000,000	24,000,000	35,000,000
Solid Waste Budget	6,300,000	8,400,000	4,000,000	5,500,000
from City	1,830,000	2,000,000	NA	2,000,000
from citizens	4,470,000	850,000		3,500,000
any landfill fees	no	yes (61 c/ton)	no	no
part of TS overhead	yes	yes (4.5 m)	120,000	yes-500,000
cost of equipment	150,000	801,000	550,000	yes-2,500,000
Employees				
total number	280	208	196	268
solid waste	70	42	34	48
admin	3	3	2	4
drivers/workers	50	31	34	48
mntnce & repair	1	8	1	2
compost & crushing				0
Equipment	16	10	8	14
110-litre trucks	7	4	6	9
active	6	3	5	8
reserve	1	1	1	1
1100-litre trucks	6	3	2	5
active	6	3	1.5	4
reserve	0	0	0.5	1
large container trucks	3	3	0	5
active	2	3	0	4
reserve	1	0	0	1
Distance to landfill	13	12	8	25
Number of trips/truck	1-2	3	3	1.5
Transfer stations	no	no	no	no
Fees				
Current				
yearly for 110-litre	50	150	370	80
yearly for 1100-litre	660	1800	3700	800
1989				
yearly for 110-litre	50	70	74	80
yearly for 1100-litre	660	700	740	800
Planned changes?	yes	yes	yes	
Beginning				1-3-92
yearly for 110-litre	260	?	?	300
yearly for 1100-litre	2,200	?	?	3,000
Varied fees		?	?	
Work level				
Pop of service area	111,300	73,800	58,000	57,000
# of days collected				
110-litre	1	5	5	5
1100-litre	2	5	5	5
# of shifts per truck daily	2	3	3	1.5
# of workers per truck	4	4	3.5	3
# of 110-litre cans	14,270	13,000	14000	12,500
# of 1100-litre cans	2,120	1,200	660	990
# of 3-ton containers	60	49	0	88
Other comments				

City Location	Kladno Central Bohemia	Liberec Northern Bohemia	Mlada Boleslav Central Bohemia	Most Northern Bohemia
Population	71,735	100,000	50,000	79,000
Technical Service Department				
Total Budget	43,590,000	69,824,000	20,000,000	36,636,000
Solid Waste Budget	11,269,000	11,352,000	6,500,000	10,300,000
from City	2,969,000	1,452,000	600,000	4,898,000
from citizens	8,300,000	9,000,000	5,900,000	5,402,000
any landfill fees	yes	392,000	yes	no
part of TS overhead	yes	1,115,000	yes	588,000
cost of equipment	yes	759,000	yes	579,000
Employees				
total number	306	320	150	334
solid waste	71	55	26	45
admin	6	5	2	3
drivers/workers	56	44	24	40
mntnce & repair	9	2	0	2
compost & crushing				0
Equipment	19	15	9	16
110-litre trucks	8	10	6	5
active	6	8	4	3
reserve	2	2	2	2
1100-litre trucks	4	5	2	7
active	2	3	2	5
reserve	2	2	0	2
large container trucks	7	2	1	4
active	6	2	1	3
reserve	1	0	0	1
Distance to landfill	6	18	8	4
Number of trips/truck	3	2.5	3	3
Transfer stations	no	no	no	no
Fees				
Current				
yearly for 110-litre	300	265	260	256
yearly for 1100-litre	2700	2640	2600	2560
1989				
yearly for 110-litre	NA	50	70	146
yearly for 1100-litre	NA	500	900	1460
Planned changes?	yes	no	no	yes
Beginning				
yearly for 110-litre				
yearly for 1100-litre				
Varied fees				
Work level				
Pop of service area	90,000	100,000	100,000	79,000
# of days collected				
110-litre	5	5	5	5
1100-litre	5	5	5	5
# of shifts per truck daily	3	2.5	5	3
# of workers per truck	3	3	3	3.5
# of 110-litre cans	9,775	20,900	17,000	6,207
# of 1100-litre cans	1,118	1,350	1,111	1,706
# of 3-ton containers	18	2	NA	152
Other comments				

City Location	Nitra Western Slovakia	Olomouc Northern Moravia	Opava Northern Moravia	Plzen Western Bohemia
Population	100,000	106,000	63,000	175,000
Technical Service Department				
Total Budget	47,400,000	42,000,000	36,000,000	68,000,000
Solid Waste Budget	16,400,000	8,500,000	6,475,000	8,500,000
from City			1,400,000	
from citizens			5,075,000	
any landfill fees		yes	yes	yes
part of TS overhead	yes	yes	yes	yes
cost of equipment	yes	yes	yes	yes
Employees				
total number	210	236	250	216
solid waste	72	56	47	93
admin	7	4	3	9
drivers/workers	60	51	42	76
mntnce & repair	5	1	2	8
compost & crushing	0			
Equipment	20	16	15	25
110-litre trucks	8	5	10	16
active	7	4	8	13
reserve	1	1	2	3
1100-litre trucks	8	8	3	6
active	6	7	3	5
reserve	2	1	0	1
large container trucks	4	3	2	3
active	3	3	2	3
reserve	1	0	0	0
Distance to landfill	7	15	15	11
Number of trips/truck	1.5	3	3	3
Transfer stations	no	yes	no	no
Fees				
Current				
yearly for 110-litre	220	324	320	190
yearly for 1100-litre	2200	2006	3200	2150
1989				
yearly for 110-litre	74	74	250	74
yearly for 1100-litre	1000	1600	3066	840
Planned changes?		yes	no	no
Beginning	possibly	1992		
yearly for 110-litre	441	394		
yearly for 1100-litre	2860	2,506		
Varied fees				
Work level				
Pop of service area	100,000	140,000	90,000	175,000
# of days collected				
110-litre	5	5		5
1100-litre	5	5		5
# of shifts per truck daily	2.5	3	3	3
# of workers per truck	3	3	3	3
# of 110-litre cans	13,000	NA	18,000	22,273
# of 1100-litre cans	2,400	NA	700	2,762
# of 3-ton containers	107	85	45	75
Other comments				

City Location	Pribram Central Bohemia	Usti Nad Labem Northern Bohemia	Zlin Southern Moravia
Population	40,000	100,000	85,000
Technical Service Department			
Total Budget	22,974,000	65,940,000	44,619,000
Solid Waste Budget	6,200,000	12,270,000	5,529,000
from City	1,027,000		352,000
from citizens	5,173,000		5,177,000
any landfill fees	515,000	no	1,988,000
part of TS overhead	1,048,000	1,140,000	321,000
cost of equipment	775,000	270,000	594,000
Employees			
total number	161	326	288
solid waste	36	67	48
admin	2	4	3
drivers/workers	34	50	45
mntnce & repair	0	4	0
compost & crushing			
Equipment	10	20	16
110-litre trucks	6	9	7
active	5	8	6.5
reserve	1	1	0.5
1100-litre trucks	4	8	4
active	2.5	6	3
reserve	1.5	2	1
large container trucks	1	3	5
active	1	2	5
reserve	0	1	0
Distance to landfill	5	9	8
Number of trips/truck	3.5	2.5	3
Transfer stations	no	no	no
Fees			
Current			
yearly for 110-litre	206	276	210
yearly for 1100-litre	1170	2760	2100
1989			
yearly for 110-litre	50	74	59
yearly for 1100-litre	500	740	590
Planned changes?	yes	no	no
Beginning			
yearly for 110-litre	257.5		
yearly for 1100-litre	1462.5		
Varied fees			
Work level			
Pop of service area	55,000	120,000	87,000
# of days collected	5	5	5
110-litre	5		
1100-litre	5		
# of shifts per truck daily	3.5	2.5	3
# of workers per truck	3	2.5	3
# of 110-litre cans	9,897	19,584	15,230
# of 1100-litre cans	957	2,643	1,220
# of 3-ton containers	20	105	132
Other comments			

APPENDIX D

TRNAVA TECHNICAL ASSISTANCE DOCUMENTS

THE PRIVATE DELIVERY OF SOLID WASTE COLLECTION AND DISPOSAL SERVICES IN THE CITY OF TRNAVA

I. COST ANALYSIS

PURPOSE: To develop an understanding of the financial implications of a solid waste management operation (collection and disposal).

To compare cost data to that proposed by contractors in their plans (to be turned in Feb.15)

To accurately track operational costs and use the data to compare contractor's proposals in the future.

METHOD: Current cost assessment and cost projections

II. CONTRACT MONITORING

PURPOSE: To develop an understanding of the managerial and technical aspects of a solid waste management operation (collection and disposal). This information will be useful in evaluating current and future contracts.

To verify that private contractors are in compliance with contractual agreements.

To measure the quality of service through customer satisfaction.

METHOD: Reporting systems, on-site monitoring and communications mechanisms

II. PROPOSAL EVALUATION

PURPOSE: To apply a systematic method of evaluation which will enable Town Hall to choose the best possible scenario in the future.

METHOD: Evaluation of Experience
Technical Evaluation
Financial Evaluation

PARAMETERS FOR CONTRACT MONITORING OF SOLID WASTE COLLECTION COMPANIES

Contract monitoring may involve a variety of verification, compliance and enforcement channels. Following is a list of contract monitoring mechanisms which may prove to be useful to Trnava in its efforts to transfer its Technical Services to the private sector.

Reporting System

A reporting system enables the Town Hall to assess the financial and technical aspects of the solid waste collection operations. This information will be useful particularly for planning and contracting purposes and very importantly, it will enable the town to evaluate contract compliance. A monthly report establishes a regular flow of information without burdening the private contractors. It also allows for internal Town Hall reports to be distributed accordingly.

In those cases where the contract allows the private contractors to collect fees from residents and customers, it is valuable to collect the following information:

General Statistics:

* solid waste collected (daily, weekly, monthly)
* equipment in use
* staff levels (administrative and operations),
* temporary workers/seasonal workers
* number of routes and shifts

Efficiency Indicators:

* average number of crewmembers per truck
* average number of tons collected/transported per truck/day
* average number of trips to landfill per truck/day
* average number of kilometers travelled per truck/day
* average number of liters of fuel used per truck/day
* average number of liters of oil used per truck/day

If a Town Hall agrees to compensate private companies directly for delivering a service, a financial report should accompany the monthly invoice as well as the information described above. Penalties detailed in the contract can be imposed at the time of compensation.

On-Site Monitoring

On-site monitoring of the quality of service is usually performed via observation of the zone's overall appearance, and through periodical observation of equipment and crews in operation. This type of monitoring familiarizes city officials with the dynamics of the operation and allows for visual verification of information included in monthly reports. In situations where the Town Hall is responsible for compensating the private contractor for the services provided, on site monitoring proves to be extremely valuable.

When performing on-site checks, monitors should at a minimum assess the following:

* effective coverage and quality of service
* compliance with the frequency of service
* compliance with the established hours of operation
* verification of the number and type of units placed into service
* verification of quality of repairs performed by the contractor
* verification of staffing by type of equipment and activity

On-site monitoring can be performed 3-4 times per month. However government entities may choose to increase or decrease the frequency depending on a company's compliance record.

Community/Customer Relations

It is important to establish a regular flow of communication between the town hall and the residents. This type of communication will not only contribute to a more comprehensive assessment of the quality of the service, but also establish specific channels which will prove to be useful when services are modified, expanded, or replaced.

Introductory Literature

An explanatory pamphlet describing the new system will establish initial contact with service users. This pamphlet must include the following at a minimum: new service fees, frequency options, new benefits and the new mechanism for complaints. In some cases publication of this type of information in the town newspaper may be an effective way to introduce the new system of private provision of the service.

Complaint Mechanism

A complaints referral system whereby residents not only complain to the contractor but also to the Town Hall has proved to be useful. The system could include the voicing of complaints through meetings with district/neighborhood committees, the establishment

of a telephone line for customer complaints/customer services or any other successfull system used locally in the past.

Quarterly Survey

In addition to being aware of customer complaints the Town Hall may benefit from a more active evaluation of community satisfaction. Through a quarterly survey, carried out jointly with the contractor, the Town Hall would obtain information about the strengths and weaknesses of the system of private delivery as seen by the service user. Through this survey town hall may also receive valuable suggestions from the public regarding improvements. It will also be in a position to gather information which may aid in designing appropriate new services such as a recycling programs.

APPENDIX E

HRADEC KRALOVE TECHNICAL ASSISTANCE DOCUMENTS

PRELIMINARY REVIEW AND EVALUATION OF THE MARIUS PEDERSEN FEASIBILITY AND PROJECT REPORT

CITY OF HRADEC KRALOVE

I. Comments on Feasibility and Project Report- Sections 4, 5 and 6

Para 4.2: The First Landfill, Basic Preconditions and Design Criteria

a) How were the generation rates of the refuse from the various sources determined? There may be a capacity problem as growth does not seem to be factored into the capacity of the landfill. As the city experiences growth and changes in packaging practices during the projected life of the landfill the landfill life will reduced considerably.

b) What does "additional waste" include? There is no mention of Hospital and septic tank waste. What does the term commercial waste include? Does it include lead acid (as in car batteries)? Automotive batteries are a serious problem in terms of the acid they contain. How about electric transformers? Serious consideration should be given to defining the types of waste that should be landfilled in light of potential pollution and future legal problems.

Para 4.3: Location, Site and Environmental Impact

a) A comparison of initial design criteria to EEC environmental standards is important. Although meeting higher environmental standards may imply higher costs, it could save in the long run if problems occur or new standards requiring remedial action are established.

b) How will dust be controlled? There needs to be specific mention of a water truck or a sprinkler system.

c) Regarding landfill gas, a garbage composition study combined with a sense of the climatic conditions will result in an appropriate idea of the generation rate of methane gas, the normal result of decomposition of garbage.

Para 4.4: Project Design and Engineering

a) What happens when a piece of equipment has a catastrophic failure? Need to include back-up provisions.

b) The issue of leachate should be determined based on testing of the leachate and its composition. A treatment plan should be decided after a composition study of the material in the collection pond is completed. From a cost standpoint a worst case scenario should be assumed and rates adjusted based on the requirements for treatment.

c) What information is the EDP system going to provide other than billing info? Will it maintain a billing history? Will it generate total quantity of commercial, residential, hospital, etc.

d) The project design should address not only current landfill requirements and growth requirement but should also be an information source and a test bed for the next generation of landfill.

Para 4.5: The Landfill Contract

a) Quantities and prices should be spelled out. How is inflation going to be covered over the 15 year period? Will the landfill rate be tied to a specific escalator or just be determined by the actual costs to operate? An escalator would improve operational efficiency.

b) A higher rate could be charged for difficult-to-handle waste (such as tires or liquid waste), to cover the additional handling expense.

c) How will extraordinary expenses and landfill closing costs be handled? Given that environmental regulations may change drastically in 15 years a closure fund should be established on day one to cover the future closure costs. Responsibilities and basic closing procedures could be defined in order to prevent future misunderstandings.

Para 4.6: Company Organization

a) What is the role and composition of the supervisory board? Need to define membership composition, decision-making authority and decision-making process.

b) Staffing is minimal. What happens when someone is sick or on vacation?

Para 5: Schedule for Project Implementation

Is the timeline binding once the contract is signed? If the timeline is not followed, are there any penalties?

Para 6: Basic Design and Construction Works

We recommend that you also include line items for:

1. Water test wells
2. Methane test equipment and
3. General costs for weigh bridge inspection of loads to determine if they include wastes which are not allowed.

Para 6.5.

a) Construction stage depreciation of 2 years may not be adequate. If a cell has to be retrofitted with a methane system how will that be depreciated? If the liner develops a leak and a cell has to be opened how will the construction be depreciated?

b) Who funds extra-ordinary expenses?

II. Comments on Annex D: Waste Handling in a Region of Eastern Bohemia, Section 5: Establishment and Running of a Controlled Landfill.

Para 5.3.

a) re a: What type of membrane is to be used and of what thickness?

b) re b+c: Normally the porosity of the cover material is specified to minimize erosion.

c) re d: How will the water/percolate be distributed? Water truck? Sprinkler system? Who pays/builds? What constitutes dust trouble?

d) re f: What happens when a scale outage occurs? Are average weights used? A backup system should be made available.

e) In general operating hours appear adequate. Operating hours should be consistent with the times collections are conducted.

III. Comments On Annex C: Draft Contract

3. Obligations of BWM

3.1. Specific applicable laws and regulations should be listed to insure agreement up front. Failure to agree here could lead to later litigation to determine if a law or regulation is pertainent.

3.4. What types of waste will actually be disposed of and what special handling will be afforded. (ex. hospital waste?). A list of rejectable and admissible substance would be beneficial to all parties.

5. Dumping Fees

We recommend that an annual per ton price be determined. Fees might be paid monthly or quarterly based on the actual tonnage disposed. A minimum tonnage should be set to ensure that operating costs are covered. Setting a cost per ton, up front, should enhance efficient operations. Liquid waste fees should also be set in advance. Fees set should be in line with the provisions of the 1991 Solid Waste Act Implementing Regulations.

5.5. In general liquid waste enhances the compaction of the refuse and extends the life of the landfill. However, pollution/ecological considerations are also factors depending on the composition of the liquid waste.

5.6. Payment in advance does not ensure adequate performance.

IV. General Comments and Reservations

1. The draft contract does not contain sufficient detail regarding operations and construction.

2. The draft contract does not make specific reference to the participation and authority level of the local governments (Hradec Kralove and Pardubice) in the committee. Town halls do not automatically have authority based on membership.

3. Who is responsible for the closure of the landfill and the related costs?

4. Who pays for environmental cleanups during operations and after closure. If this is by law then there is no