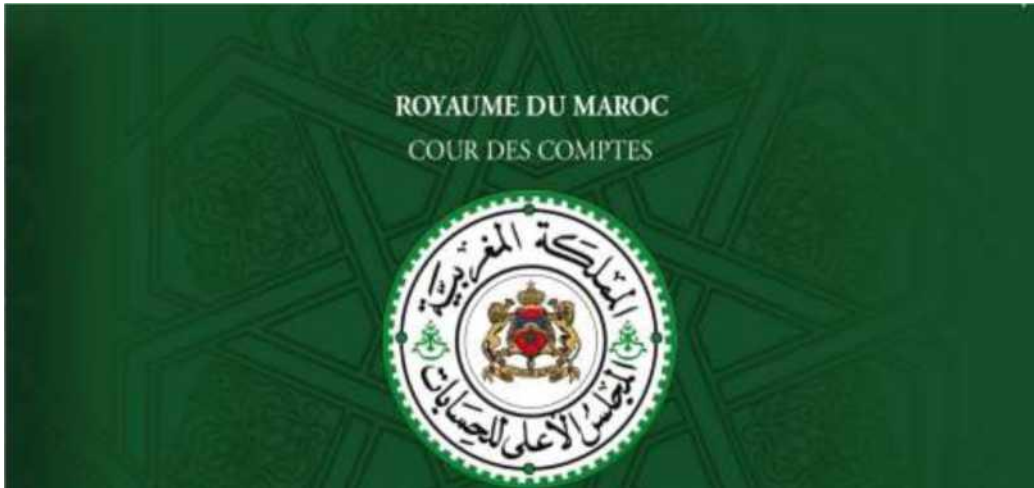


# Public Finance Court



Delegated management  
of local public services

Summary Report

October 2014

**Kingdom of Morocco**

**Public Finance Court**



**Delegated management of local public services**

***Summary Report***

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1. This report purports to provide an assessment of the delegated management of the public services within the scope of local governments' competence relating to water and electricity supply, sewerage, urban transport and cleanliness.
2. This assessment aims to:
  - prepare a diagnosis of this management method in terms of socio-economic effectiveness for the citizen, service quality for the user and efficiency of public policies for the taxpayer;
  - learn the relevant lessons from delegated management through the examination of the execution of a sample of significant contracts;
  - propose reform and/or improvement options.
3. The methodology adopted for the development of this task was based on the following:
  - audit reports of Regional Public Finance Courts<sup>1</sup> relating to this matter;
  - analysis of the questionnaire on the management of local public services addressed to the entire urban and rural municipalities;
  - conclusions reached at the meetings with the major actors in delegated management, particularly the presidents of municipal councils, officers of the Ministry of Interior, Ministry of Finance, Department of the Environment, National Office of Electricity and Drinking Water (ONEE)<sup>2</sup> and the managers of various delegated management companies ;
  - the information received from delegated management experts;
  - reports and studies conducted by national and international institutions in this regard as well as the relevant benchmarks and good practices.

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<sup>1</sup> Cours Régionales des Comptes

<sup>2</sup> L'Office National de l'Electricité et de l'Eau potable (ONEE)

4. The Report comprises four key elements:

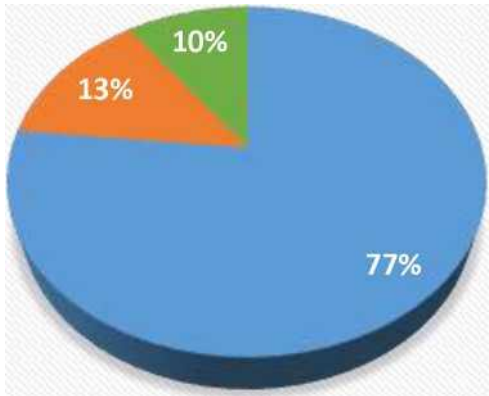
- general characteristics of delegated management;
- distribution sector;
- urban transport sector;
- cleanliness sector.

Each of these key elements deals with:

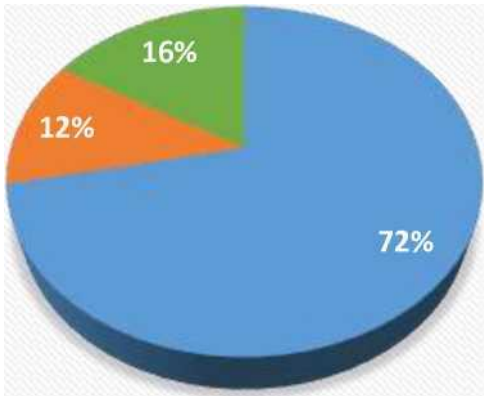
- review of the situation of the delegated management of local public services;
- diagnosis of delegated management;
- reform options and recommendations.

### General characteristics of delegated management

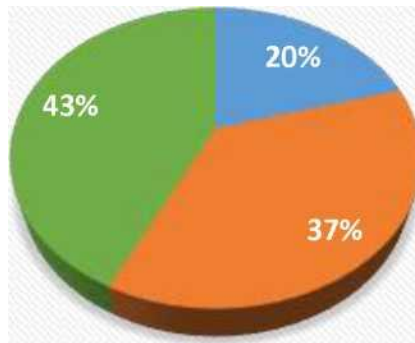
- 5. The accelerated urbanization of Morocco has generated significant needs in infrastructures, utilities and basic public services. Delegated management, inducing partnership with the private sector, aims at taking up the challenges driven by these urgent and constantly increasing needs.
- 6. These requirements are markedly noted in financing the infrastructures necessary for the generalization and continuity of public services, optimal pricing and the choice of the best value-for-money, as well as environmental protection.
- 7. The institutional framework of delegated management, in force since 2006, constitutes a legal corpus relatively precise and adapted to govern the contracts concluded by local authorities. It has contributed to introducing greater transparency to the award of such contracts, particularly by generalizing the call for tender.
- 8. Generally in 2013, private delegates as regards **distribution, urban bus transport and cleanliness** serve a population amounting to more than 13.5 million. Their turnover amounts to nearly 15 billion MAD. They made cumulated investments amounting to nearly 42 billion MAD. They employ approximately 35.000 workers, besides many direct and indirect jobs.



■ Distribution    ■ Transport    ■ Cleanliness  
 Delegated management - Distribution of investments in 2013



■ Distribution    ■ Transport    ■ Cleanliness  
 Delegated management - Distribution of turnover in 2013



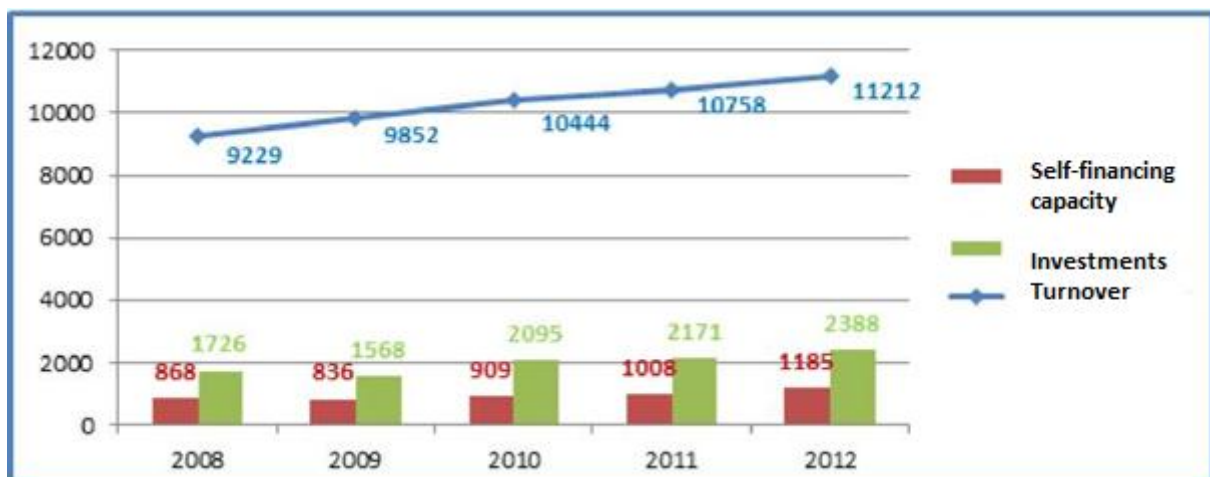
■ Distribution ■ Transport ■ Cleanliness

#### Delegated management - Distribution of manpower in 2013

9. On the basis of the four contracts of delegated management of **the distribution service** (Lydec, Rédal, Amendis Tangier, Amendis Tétouan) covering 46 municipalities, the delegates, brought stockholders' equity amounting to 2.000 MMAD. They made investments amounting to about 32.321 MMAD from the commencement date of contracts until 2013 and a turnover of 10.822 MMAD in 2013 (that is the third of the total turnover of the distribution of water and a quarter of that of electricity). They employ a manpower amounting to 7.270 officers and agents including 4.965 taken on from the ex-autonomous inter-communal distribution public bureaus.
10. The number of delegated management contracts of **urban bus transport**, under implementation, is 40 including 17 concluded since 2006, covering 260 municipalities. The delegated management companies in this sector achieved a turnover of 1.790 MMAD and employed 12.950 people in 2013. They were committed to making investments amounting to 5.680 MMAD from the commencement date of the delegated management contract until 2013.
11. In 2013, the delegated management of **the service of waste collection and cleaning** related to 147 municipalities as against 109 in 2012. The number of contracts concluded increased from 33 before 2006 to 101 contracts in 2013. Delegated management is ensured by 15 delegates with a turnover of 2.218 MMAD, employing staff amounting to 15.000 members in 2013. The investments carried out rise to 3.033 MMAD from the start of delegated management contracts until 2013. Approximately 74% of the urban population is served by privately held companies, or nearly 13.5 million people in 2013 as against 8.5 million in 2006.
12. In 2013, the delegated management of controlled waste disposal sites (landfills) related to 66 municipalities 58 of which concluded contracts following the implementation of Law n° 54-05. The number of contracts currently in force amounts to 15 including 5 awarded before 2006. The delegated management of this service is ensured by 12 delegates with a turnover amounting to 268 MMAD,

employing 150 permanent staff members in 2013, besides many direct and indirect jobs. The investments made amount to 1.184 MMAD from the commencement date of delegated management contracts until 2013. The population served by private companies exceeds 11 million people in 2013 as against 2.9 million in 2006.

13. With a volume of urban waste of 5.5 million tons currently and 6.2 million tons by 2020, waste recovery represents real economic, social and environmental issues facing our country.
14. Since the first the contract was concluded with Lydec in Casablanca in 1997, delegated management triggered a process which drove the entire **distribution sector** towards progress. The distribution public bureaus were encouraged to modernize their management systems, improve their marketing policy and increase the outputs of their networks.
15. The single pricing of electricity, water and sewerage managed by the State was replaced by a tiered pricing, allowing the regulation of prices by the contract, thus offering to adaptability of tariffs to the zones and populations served by the delegates.
16. The tariff flexibility introduced by delegated management contracts contributes to increasing the capacities of self-financing of the delegated companies, appropriating more margins for funding renewal and maintenance investments as for expansion investment by the amounts collected through the funds of works.



**Private delegates in the distribution sector**  
**Financial Indicators 2008 - 2012**



### Private delegates in the distribution sector

#### Value-added and net income in 2008 and 2012

17. From the commencement date of the contracts until 2013, the delegated companies collected funds credited to works amounting to 8.940 MMAD including 4.696 MMAD by Lydec, 1.783 MMAD by Redal and 2.461 MMAD by Amendis Tangier and Tétouan. With these amounts, the funds credited to works account for 40% of the investments achieved over the above-mentioned period.
18. Recourse to delegated management made it possible to attenuate the delay as to investments especially with regard to sewerage, to establish waste water pretreatment plants in major agglomerations (Casablanca, Rabat, Tangier, Tétouan), to build sea outlets, to put in place high capacity source substations and to increase the dimensions of drinking water tanks.
19. With regard to **urban bus transport**, private delegates overcame the deficit generated by the halted activity of the ex-communal public bureaus, making it possible to ensure the continuity of the public service and the coverage of urban zones as well as the increasingly wide surrounding zones. The delegated management in this sector allowed the shift from concession by line to the delegated management of a zone to a single operator, inducing a more effective and attractive public service in the eyes of transport professionals.
20. The delegates contributed to achieving progress in cleanliness services in the cities as regards cleaning, waste collection and waste disposal site management. This activity made remarkable headway and professionalization, which allowed the emergence of a more dynamic and more effective private sector, attracting the interest of international operators.
21. The delegates introduced private sector managerial methods by the simplification of procedures, staff training, transfer of know-how, modernization of management tools and information systems as well as the improvement of the internal control system. They also upgraded the outputs of networks and coverage



rates. These operators allowed the relative improvement of the quality of services without fully satisfying citizens' expectations.

## Major elements of the diagnosis

22. Delegated management did not benefit from all its potential assets, mainly because of dysfunctions in planning and the identification of needs by the delegating authorities, the lack of an independent body in charge of the functions of expertise, coordination, follow-up and monitoring. Moreover, delegated management is handicapped by the weakness of local governments, understaffed in terms qualified personnel who would be tasked with the obligations provided under delegated management contracts, particularly with regard to the functions of control and follow-up.
23. The absence of an independent body, in charge of the functions of expertise, coordination, follow-up and monitoring, did not allow building the required synergy of the entire set of actors intervening in local public services. This body would have contributed to providing political decision makers with tools to reconcile social objectives with the requirements of good management.
24. Delegated management is also handicapped by a rather local vision that does not properly take account of inter-communal or regional dimensions.
25. Delegated management contracts are drafted without master plans of electricity, water and sewerage for **distribution**, without trip schedules for **urban transport** and without communal, provincial and prefectural plans of the process of collection, sorting, disposal and processing of household waste and the like in the sector of **cleanliness**.
26. The intervention of official authorities, particularly with regard to awarding, executing and controlling contracts, is not uniform and is generally conducted on a case-by-case basis. The role of these authorities should be better specified.
27. The capacity of the signatory of contracts, affiliated to the delegating authority, involves many inadequacies. In practice, the municipalities conclude delegation contracts separately and not within the framework of a legally established cluster. Hence, the execution of delegated management contracts does not make it possible for local governments to fully exercise the prerogatives conferred upon them as a delegating authority.
28. Consequently, the municipalities are not entitled to ensure the management of the accounts receiving the resources contributed by the delegatee such as the funds of works, separate accounts and the account of the delegating authority. This situation induced negative consequences with regard to financial resources meant to return to the municipalities and the decisions as to their allocation.

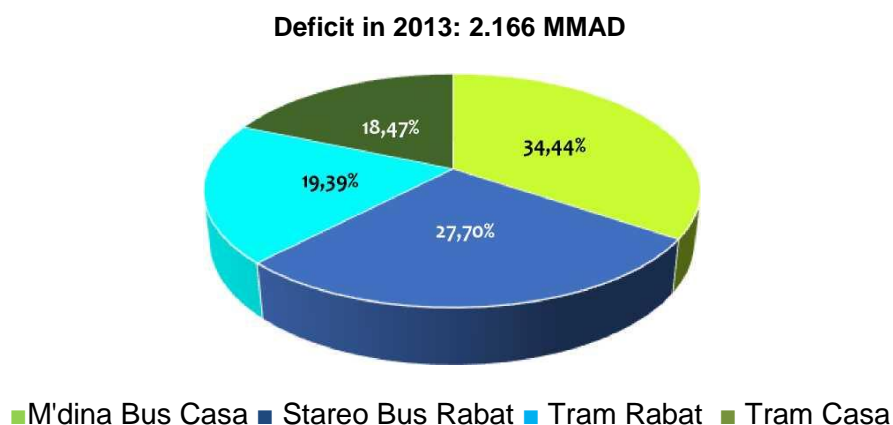
29. The management of the funds of works witnesses many dysfunctions. The contributions collected by the delegates are not always fully paid into the funds. Similarly, the payments are often made late compared to the contractually stipulated deadlines.
30. The parties to the contract sometimes unduly used these funds to pay arrears of the contributions for the outsourcing of pension scheme, the coverage of the operation costs of the permanent control section, the remuneration of the consultants of the delegating authority or the payment of tax liabilities of the ex-public bureaus.
31. Expenditure is incurred and withdrawals on these accounts are conducted by the delegatee without obtaining the prior approval of the delegating authority, in breach of contractual provisions.
32. The **distribution** contracts in progress were concluded by direct award, before Law n° 54-05 came into force, except for the contracts of Amendis Tangier and Tétouan, for which a call for expression of interest was launched. Ever since, recourse to direct negotiation became exceptional for the entire set of sectors.
33. For the preparation of the Specifications, recourse to the assistance of engineering departments is rather limited (30% of the cases listed in **cleanliness** and 15% in urban transport), considering that as regards **distribution** the four contracts were prepared by the technical supervision department.
34. The implementation of contracts posted inadequacies and deficiencies, particularly with regard to the commitments relating to investment, pricing and quality assurance.
35. A retrospective assessment over 10 years indicates that the investments made by the delegated company did not fully achieve the set goals in terms of the scope of projects and completion periods. Significant variations were recorded in the structuring projects especially in sewerage, such as outlets, pretreatment plants, interceptor sewers and collectors.
36. These investment variations result from the insufficiency of stockholders' equity contributed by delegates and self-financing capacities because of decisions taken by the delegates including, in particular, the late release of authorized capital, anticipated distribution of dividends, unjustified technical assistance costs, excessive expenditure and exaggerated recourse to loans.
37. Concerning **urban bus transport service**, the contractual investment plan was only partially carried out by the delegated company in 85% of the analyzed cases. This situation led to the disruption of the general economy of contracts.
38. Cases of negligence were also noted in **urban bus transport**, such as:

- the possibility granted to concession holders to start the operation of the service with used buses that have not been subjected to any technical control;
- the use of a decayed and polluting fleet and the failure to respect the obligation of using brand new vehicles;
- the signature of additional clauses allowing concession holders to reduce the number of buses to be renewed;
- lack of breakdown and recovery resources.

39. The quality of the service is handicapped by the pavement condition and roadway congestion, which reduces the block speed and increases waiting time. Similarly, the equipment related to the quality of the service, provided under the specifications, such as parking spaces, maintenance workshops and shelters, have not been fully completed.

40. Financial risks should be addressed seriously, particularly as regards the significant and structural deficits of the delegates of **urban bus transport** operating in the two major agglomerations of the Kingdom. The same holds for the business model for the operation of trams whose deficits reached a level that fails to match the budgetary resources of the local governments concerned.

41. Due to the structural difficulties facing the sector, the challenges that the public authorities should take up relate to the implementation of the projects of modernizing **urban transport** in order to improve the supply and quality of the service. By way of illustration, the problems of urban transport are particularly serious in the two major agglomerations of the Kingdom, namely Rabat and Casablanca.



Deficit of bus and tram transport operators  
in the agglomerations of Rabat and Casablanca

42. As regards **distribution**, the delegated companies invoice certain services in the absence of a contractual basis or legal foundations and sometimes even in the absence of a material counterpart. A case in point is the fees adopted at the

collection outlets, the invoicing of sewerage for delivery points not connected to the sewerage network, invoicing at the minimum amount (repealed in March 2011), installation and demounting of meters and restoration/cut-off expenses as well as the over-invoicing of works refundable to developers.

43. The delegating authority in practice does not respect the contractual timeframe of revisions and tariff adjustments. The corresponding compensations are adopted on the basis of parameters established unilaterally by the delegated company, without any competitive procedure. This situation leads to compensation amounts that are not always reliable. In addition, such compensations often give rise to deductions charged to inappropriate accounts such as the pension fund, the fund of works or city council charges.
44. The business model of **waste management** does not integrate a circular economy which consists of using in priority recycled matters and producing easily recyclable goods. This economy involves opportunities in terms of employment, the control of environmental impacts and the reduction of production costs.
45. In spite of the noted results, **the sector of waste management** faces serious challenges manifesting themselves in the persistence of 200 not-yet-rehabilitated random disposal sites. This constitutes a real threat to the environment, water resources as well as the health of neighboring population and workers within the confines of the disposal site, especially since these sites receive hazardous medical and industrial waste.
46. In spite of its economic benefits and social scale, informal collection remains an activity economically non-productive in terms of recycled volume and involves many risks, taking account of the sanitary conditions and social exclusion which characterize this type of trades.
47. The development of sorting shows a significant delay since the recycling rates do not exceed 10% whereas the fraction of potentially recyclable waste borders 40%. No commune conducts sorting at the source and selective collection. In addition, landfill disposal is conducted without any formal sorting even when the commune has a controlled disposal site.
48. The contracting parties grant little interest to communication and awareness-raising about the problems related to pollution in order to encourage the entire set of actors to adopt the most economic and effective means and behaviors to preserve the environment and quality of life.
49. While the delegated management of the **distribution service** is criticized because of the increases in price, it should be underscored that the tariffs applied by the delegated companies are not always higher than those of the national bureaus, as indicated by a tariff comparison between the two modes.

50. The tariff structure comprises a tier known as “social” common to all public and private operators. It extends up to the first 100 KWH consumed for electricity and up to 6 m<sup>3</sup> for water. The selling price practiced in this tier is below the cost price.
51. The vague tariffs lead to the fact that the contractual terms as regards transport are practically never respected, generating sometimes a situation where the delegatee unilaterally increases the prices applied.
52. With regard to **cleanliness services**, the delegatee invoices its services to the delegating authority according to one of the following formulas:
- fixed remuneration in 46% of cases;
  - variable remuneration in 51% of cases;
  - mixed remuneration in 3% of cases according to the processed volume while guaranteeing a minimum threshold.
53. The contracts relating to **distribution and urban transport**, while invoicing the service to the user, stipulates profit-sharing of the delegating authority through a formula of sharing profit and/or by the payment of a fee.
54. Calculations of profit-sharing, provided under the contracts, are not formalized in writing between the delegatee and the delegating authority, and their amounts are not paid to the delegating authority or reflected on the tariffs. Some delegated companies did not pay to the delegating authority amounts under the profit-sharing clause over several years.
55. The periodic readjustments of **distribution** contracts, which are supposed to be conducted every five years, are transformed in practice into decennial revisions, even into unfruitful negotiations, compromising the financial and economic balance of delegated management, as the table below illustrates:

Delegatee	Start date	Target date of quinquennial review	Effective date of the quinquennial review
Lydec	31/08/1997	30/08/2002	11/05/2009
Redal	01/01/1999	31/12/2007	Not started
Amendis Tanger	01/01/2002	01/01/2007	Not started
Amendis Tétouan	01/01/2002	01/01/2007	Not started

Delay of contract quinquennial reviews

56. Based on the sample obtained from the questionnaire, half of the contracts did not provide for a follow-up committee tasked with addressing the difficulties arising from the implementation of the contract. On the other hand, such committee is operational only for 14 contracts including 4 for **distribution** and 10 for **transport**, which represents less than 18% of the sample.
57. The follow-up committee is handicapped by an unbalanced and unsuited composition. Decision making by consensus often leads to the extension of deadlines and the accumulation of the so-called provisional or derogatory resolutions.
58. The decisions of the follow-up committee are based on the data submitted by the delegates without making sure of their reliability, though they relate to investments, budgets or tariff reviews and adjustments.
59. The follow-up committee does not exercise the entire set of its prerogatives, particularly as regards the examination of draft contracts, contracts and agreements to conclude with the delegates.
60. The permanent department in charge of economic, financial, technical and service management controls does not operate independently with respect to the delegatee insofar as the latter decides on the human and material resources which are allocated to it.
61. The control departments are frequently deprived of the human and material resources that would enable them to deliver their mission properly.
62. The recommendations put forth by the auditors are seldom applied because of the slow pace and inefficiency of the process of dialogue between the parties.
63. Control gives rise to penalties borne by the evaluated delegatees amounting at the end of 2012 to nearly 446 MMAD. However, these penalties follow a long and difficult negotiation process, which handicaps their collection.
64. Within the framework of the control of the operations delegated to the banking system, the Foreign Exchange Bureau conducted the follow-up of the transfers as part of foreign technical assistance carried out by delegated companies. The controls undertaken made it possible to note many infringements to the exchange control regulations committed by such entities.
65. The delegated companies operating in the **distribution** sector were subjected to fiscal controls, which led to the payment of supplement taxes for a cumulated amount of almost 1 billion MAD, relating particularly to corporate tax, income tax and VAT.
66. The insufficiency of the human resources of the delegating authority in terms of quality and manpower constitutes a major handicap facing delegated management

during all its phases from the preparation of contracts up to their follow-up and control.

67. The negotiation and conclusion of delegation contracts reveal the poor standard as to qualified personnel and required techniques of local delegating authorities as against the delegated companies, which enjoy solid expertise and advanced know-how.

68. The system of recruitment, remuneration and management of quarries does not make it possible to mobilize competencies to constitute the required interfaces with delegated companies. This inadequacy is worsened by the deficiency of training mechanism and upgrading the skills of human resources.

69. Thus, the implementation of contracts is hindered by various difficulties, chief of which are the following:

- Inadequacies in the exercise of control because of the poor standard of human and logistic resources;
- Failure to submit contractual information;
- Multiplicity of actors;
- Remuneration of delegates;
- Mobilization of land and administrative formalism hindering the investments;
- Mode of decision making and representativeness within the follow-up committee;
- Divergence in the interpretation of contractual clauses.

70. The institutional model projected for **distribution** sector consists of the incorporation of a cluster of agglomerations, serving as a delegating authority and the creation of an asset-holding company in the form of a local development company (LDC) accommodating the funds of works, the budgets of communal control services, the assets of the delegating authority as well as the credits and assets of the delegated service.

71. This model, already applied for the tram, is considered for **urban bus transport**. It consists of placing in an asset LDC the infrastructures and rolling stock, as well as entrusting a private delegated company with the operation task.

72. The plan under consideration has the advantage of clarifying the legal status of the delegating authority. The strategic actions relating to investment or the operational ones relating to the management of revenues are assumed by a public entity whose governance is ensured by local elected officials.

73. However, this model could involve the disadvantage of multiplying the number of entities in charge of local public services, posing the problems of asymmetry of information, coordination, governance of these entities, their operating costs and the risks of accountability dilution.

74. In this configuration, the delegating authority conducts, in parallel with the delegatee, the implementation of structuring investments, but does not fully benefit from the technical expertise of the private operator. In addition, this model involves the risk of operators losing interest in safeguarding and maintaining equipment and materials, because these are not part of their assets. This risk increases at the end of the contract at a time when the need for maintenance gets more pressing.

75. This model would benefit from satisfying the following preconditions:

- reinforcing the system of governance by institutionalizing the communal cluster as a delegating authority, and by equipping it with the tools required for its operation;
- extending multiservice in the **distribution** sector and intermodality in **urban transport**;
- conducting the tariff readjustments necessary for financial balance;
- ensuring State support for financing infrastructures;
- clearing the arrears of administrations and local governments with respect to the operators;
- designing and implementing an action plan as regards the fight against illicit connections (tapping), clandestine transport and random waste disposal sites.

76. The current institutional plan has the advantage of making the delegate in charge the entire management, with regard to both investment and operation, whereas the projected model aiming at the creation of asset companies managing the investments hence marks a return to public management.

77. Legal gaps attenuated the positive repercussions of delegated management, particularly with regard to the implementation instruments of the law, the procedures and methods of awarding contracts. Similarly, ambiguities were noted with regard to the mode of delegations ensured by the National Office of Electricity and Drinking Water (ONEE)<sup>3</sup>.

78. The institutional and contractual framework did not provide any mechanism allowing an easy and fast transition in the event of early departure of the majority shareholder of the delegated company, which would ensure the continuity of public service under normal conditions. This situation generated many difficulties after

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<sup>3</sup> L'Office National de l'Electricité et de l'Eau potable (ONEE)



the termination of the contract by the delegatee of bus transport in Rabat. This scenario is likely to be reproduced in distribution services in Rabat, Tangier and Tétouan.

79. Contractual clauses are sometimes vague or incomplete. By way of illustration, the investment forward program does not specify the assumptions adopted as for the urbanization plan of the city, the increase of demand, the planning of the new urbanization zones and the conditions of reviewing contracts on the assumption that these forecasts are not confirmed.
80. The contracts do not provide sufficient supervision of the commitments of the delegated company as regards the transfer of know-how, technology and managerial methods. This situation involves the risk of the inability of the delegating authority to ensure the continuity of public service at the end of the contract.
81. The cases which can give rise to sanctions or situations of forfeiture or termination are couched in too general terms in the contracts, hindering their implementation in practice. A case in point is the variation of investment, the remuneration of parties, gross negligence and the conditions of tariff reviews.

## **Recommendations and reform options**

82. A number of strategic and operational lessons emerge from this assessment mission, which the Public Finance Court<sup>4</sup> regards as fundamental orientations to contribute to the reform of the delegated management style of local public services. In this regard, the Public Finance Court recommends the following.
83. The delegation of the public services could contribute to greater economic efficiency, the reinforcement of local competitiveness and improvement of the social well-being of the population, provided that reforms and actions are committed by both the State and local authorities.
84. These reforms and actions relate to the fields of regulation, planning, statutory rules, governance, contractualization, follow-up and control. They also relate to the financial relations between the public entities and delegated companies.
85. In line with the principles of free administration, co-operation and solidarity stated in the Constitution, the reform currently initiated on advanced regionalization constitutes an opportunity for local governments in order to adopt a new management reference frame within the setting of a partnership approach with the delegated entities of local public services.
86. At the strategic scale and although local public services are communal in nature, their planning should be founded on economically viable geographical territories in

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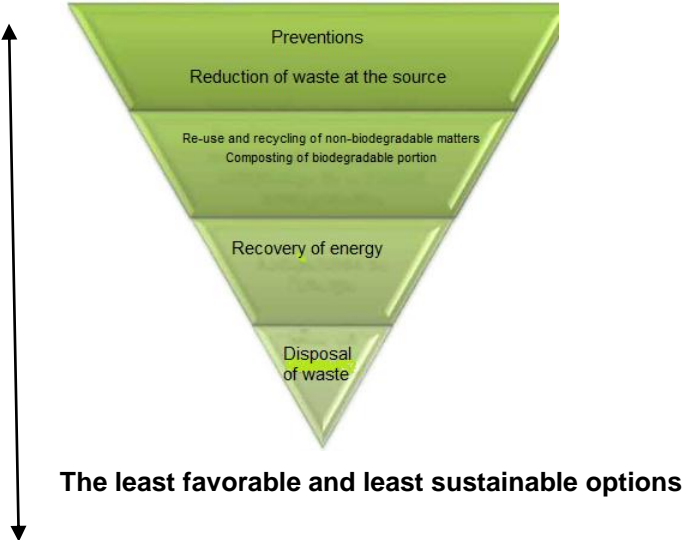
<sup>4</sup> La Cour des Comptes

order to benefit from scale effects, to reduce the costs, to attract the most qualified operators and to develop the supply and quality of services.

87. In the sector of **water and electricity supply and sewerage**, the multiservice model should be generalized because it has the advantage of establishing equalization-based tariffs among the three services and generates economies of scale. The national territory could be entirely covered by regional companies of multiservice distribution.
88. The recourse to delegated management should be preceded by the establishment by a master development plan covering the territory to be served. Similarly, the business plans of the delegated company should be based on master plans of water, electricity and sewerage, in order to control and sustain the resources collected via the funds of works, crucial to the financing of the extension and rehabilitation of networks.
89. As regards **transport**, the establishment of an urban trip schedule is a precondition to any recourse to delegated management. It should allow, according to an intermodal approach, the linkage and optimization of all means of transport. The trip schedule should be coherent with the other planning tools, particularly town planning documents, offering a cost-effective trip system for the territorial competitiveness of urban centers.
90. In **urban transport**, the delegating authority should take the necessary measures to optimize the block speed of running buses, particularly by improving the road network, by mobilizing the traffic and parking administrative police as well as maintaining and developing the roadway system.
91. With regard to transport in major agglomerations by bus and tram, and considering the substantial deficits recorded, it is advisable to establish a framework of dialogue between the State, local governments and the shareholders of delegated companies concerned to re-examine the business model of these two means of transport in order to curb losses, acting upon determining parameters such as the intermodality of the transport network, tariff integration between the various means of transport and size of transport links.
92. Considering the impact of the development of the major metropolises on the economic attractiveness of our country, as centers of economic growth, and because of the domino effects induced by the means of mass transportation, it is imperative that the State gets involved technically and financially in the programs of reinforcement of urban mobility through integrated projects associating the various means of transport (regional express network, subway, tram, bus, railroad). This orientation proves all the more pressing as the costs of procuring the necessary major works of infrastructure and facilities require substantial funding that exceeds the resources of local governments and that only the State can provide.

- 93. Concerning **cleanliness services**, it would be necessary to equip all municipalities, provinces and prefectures with master plans aiming at safeguarding the environment, and to conduct impact studies relating to the controlled disposal sites and waste transfer stations.
- 94. Waste management should be viewed as the concern of all citizens with shared responsibility. Participative mechanisms should be developed providing for the organization of recovery and recycling processes as well as a specific mechanism of inclusion and professionalization of waste pickers, following the example of successful experiences abroad.
- 95. To accelerate the pace of implementing the national plan of household waste and the liked, it is recommended to establish a map of potential sites for the establishment of disposal sites and waste transfer stations, and to schedule a land base to accommodate such sites.
- 96. It is advisable to grant priority to the rehabilitation or closure of the entire set of uncontrolled disposal sites according to a sustained program comprising the 200 sites already identified in the various municipalities.
- 97. As for household waste reuse and in line with the objectives provided under the framework of the national plan of household waste and the like, local governments, in partnership with the private sector, should initiate and implement a greater number of creative employment projects, contributing to sustainable development.
- 98. International experiences provide a diversity of choices offered according to the socio-economic levels of countries, as the figure below indicates:

**The most favorable and most sustainable options**



Hierarchy of waste management options

99. The State should draw up an emergency plan, adapted to the socio-economic context of the country, based on a range of the most favorable and sustainable options.
100. With regard to **governance**, it is necessary to provide the country, by sector, with an independent national body that would be in charge of monitoring and quality assurance, an expertise center tasked with the dissemination of standards and a coordination and follow-up platform.
101. Moreover, concerning **urban transport**, a regional or local independent body is required. It could associate the users and the entire set of actors of transport modes, and integrate the problems of travel, traffic and transport.
102. The competence of the management of local public services should be entrusted to a cluster of local governments or agglomerations within the framework of supra-communal planning. This cluster, as a public corporation endowed with the legal entity status and financial autonomy, constitutes a legal form that would enable the delegating authority to fully exercise its legal and contractual prerogatives.
103. The role of the supervisory departments should be specified to better fix the prerogatives and responsibilities for the delegating authorities and simplify the interfaces with delegated companies.
104. The risk of the uncontrolled extension of local development companies, as local public service providers, should be controlled through the implementation of a legal framework identical or similar to the one governing the creation of State-owned companies or the acquisitions of a stake by the State. It should be ensured that the recourse to LDC does not become a means of by-passing competition for the choice of delegated companies, and that it is used only in the event the private initiative is inadequate.
105. With regard to the **institutional framework**, it is important to activate the adoption and publication of the decrees setting standard contracts and documents as to public services, provide a simplified framework for low-importance contracts and adopt a derogatory mode in favor of the delegated public companies when the general interest requires it.
106. It is also recommended to establish support financial control, entrusted to the State, adapted to the delegations of local public services, relating to the use of public money and funds managed by the delegatee and owned by the delegating authority.
107. To avoid the negative effects of the winding-up of delegated companies on the economic and social sales, in the event of early termination or contract transfer, it is recommended to plan a legal framework allowing the substitution of the

delegating authority or the new operator in the capital of such company for the outgoing operator, simply by transferring shares.

108. The parties would benefit from defining, in a more precise fashion in the contract, the methods of safeguarding the financial balance of delegated management established by the law, the physical aspect of returns and the nature of investment projections as well as the timeframes of their achievement.
109. **The business plan** of delegated management should necessarily be annexed to the contract and updated at each revision of such contract. This document constitutes the reference frame to follow up, permanently, the financial balance of the contract.
110. For large-scale delegations, the procedures and documents of the call for tender should adopt renovated formulas inspired from international standards and practices to conclude public-private partnership contracts, such as preliminary assessment (screening), competitive dialogue and performance-based remuneration.
111. The operations of subcontracting, subsidiarization, remuneration as to technical assistance should be controlled further within contracts. The obligations regarding technical and financial performance as well as the quality of service should be better defined therein.
112. The contracts should comprise the required guarantees to ensure the transfer of know-how and technology and to secure for the future the relevant intangible assets of knowledge and systems, making it possible for the delegating authority to sustainably acquire managerial and operational autonomy after the expiry of the contract.
113. **The control and the follow-up of contracts** should be improved by establishing an invigorating the committees and permanent services affiliated to the delegating authority and by establishing shared information systems, facilitating reporting and accountability and meeting the best standards. For effectiveness and celerity purposes, the recourse to external advisors and consultants is recommended.
114. The contracting parties should respect the regular character of periodic timelines to conduct the quinquennial review of contracts within the required timeframes in order to permanently maintain the financial balance of the contract and the continuity of the relevant public service.
115. Local governments should be provided with the required human resources in terms of both quantity and quality to exercise the core businesses related to delegated management, right from the expression of needs and the preparation for the call for tender documents up to the phases of follow-up, control and post-

evaluation of contracts. The municipal authorities should also be provided with adequate logistics and integrated information systems.

116. To enable local governments to face the additional costs induced by the development of delegated management, required for an effective and good quality public service, the **mobilization of tax capacity** and the continuation of the reform of local tax system constitute decisive factors, along with the resources transferred by the State.

117. As regards financial relations, any contribution made by the State or the delegating authority for the benefit of the delegatee should be allocated to investment and constitute the object of a program-contract between the parties, specifying their reciprocal obligations and providing for an audit and follow-up framework entrusted to independent professionals.