

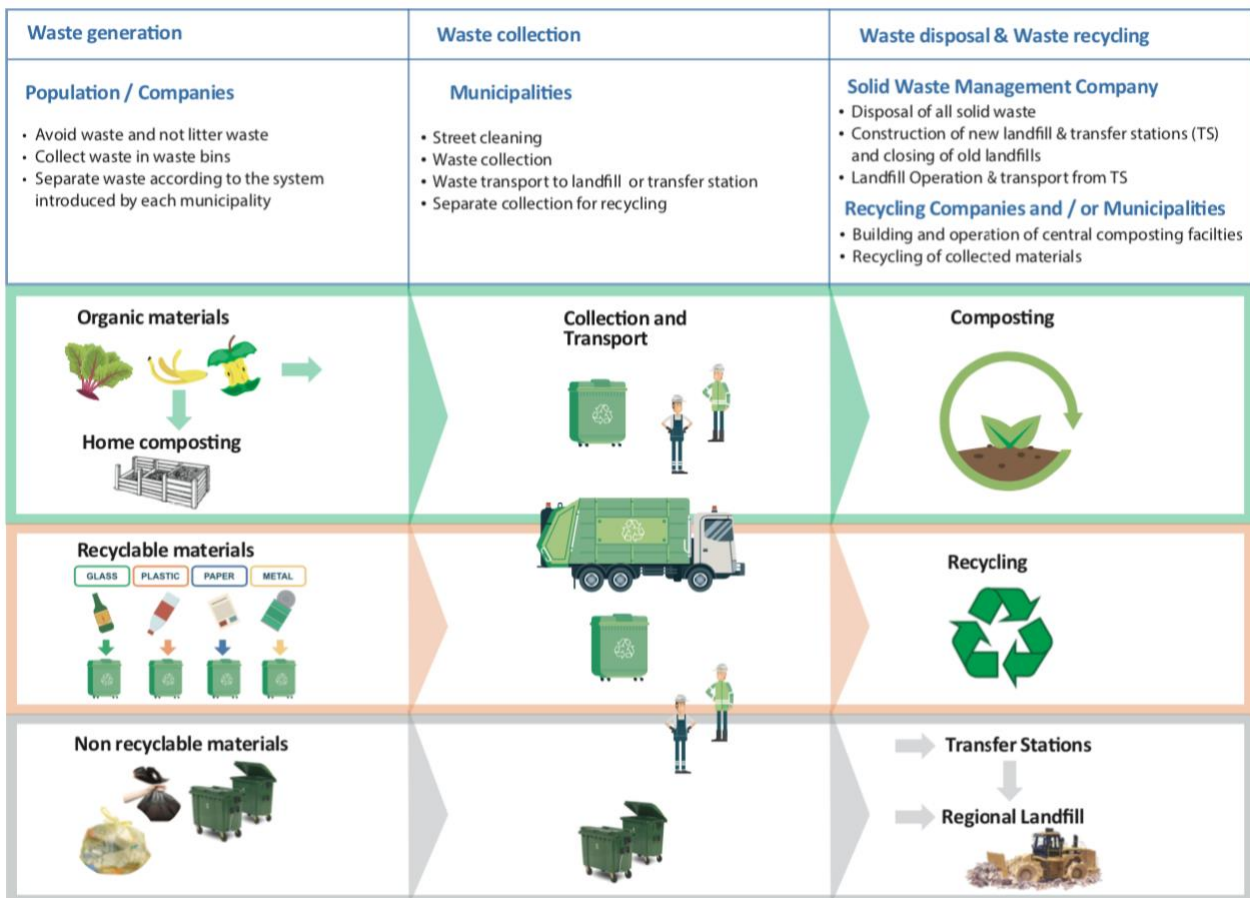
Factsheet 'Money for Waste' – challenges for municipalities to financing waste services

Starting in February 2020, consultants of the project 'Integrated Solid Waste Management Kutaisi' (ISWMK), together with Tskaltubo Municipality staff, conducted an analysis of the Tskaltubo municipal waste services with special focus on management and financial administration issues. Representatives of the municipalities of Khoni and Bagdati participated and gave valuable input and ideas. The purpose of the analysis was to determine the best way to organize the administration in order to make sure the actual and real costs can be determined.

This factsheet shortly summarizes findings, recommendations and conclusions on solid waste management and financial administration topics developed for Tskaltubo municipality. A fully documented report has been made, which is available via the website of the SWMCG

1 The New Waste Management System for Georgia – Main roles and responsibilities of citizens, municipalities and the SWMCG

The new waste management system of Georgia is based on the Waste Management Code, the National Waste Management Strategy 2016 - 2030 and the National Waste Management Action Plan 2016 - 2020. This legal framework defines in detail the responsibilities of all involved parties in the waste management system. The figure below summarizes the main responsibilities for each party.



2 Actual situation – legal frame and common practices of municipal waste management financing

→ Key obligations of municipalities

Municipalities are obliged by law to assure street cleaning and to collect waste from households as well as from companies and institutions that generate waste comparable to household waste and for transporting the waste to a regional sanitary landfill. The municipalities are obliged to finance these services from the municipal budget.

→ Major part of costs for waste services covered by state subsidies

Today, part of the cost of waste service is already imposed on the population (and companies and institutions) as a fee. However, there are two key problems common to almost all municipalities:

- a) The fees are far too low for covering the real costs for the waste services
- b) The collection rate is in many cases extremely low

Henceforth, the major part of the costs is still financed from state subsidies which the municipalities receive from the national state budget.

→ The way forward according to the National Waste Management Strategy (NWMS) 2016 - 2030

The National Waste Management Strategy 2016 – 2030 aims at modernizing municipal waste management. All existing municipal landfills will be closed and replaced with 8 to 9 regional landfills. These landfills will be constructed and operated by the Solid Waste Management Company of Georgia.

According to the National Waste Management Strategy (NWMS), in the (near) future, waste service fees need to be increased to reflect actual costs and thus reduce the need for state subsidies.

The NWMS also establishes the 'Polluter pays' principle. (*Waste Management Code, Chapter 1, Art. 5, Para. 2.B*) This means that the fees collected from citizens (and companies) will have to cover fully all costs related to municipal waste services, just the same as they pay for water, gas, their telephone and internet. If people have to pay for waste management services, the municipalities need to have in place a fully functional technical and financial waste management system consisting of:

- An accurate system to determine the costs for collection
- An accurate system to collect the fees
- A competent municipal council to control the costs, on behalf and in the interest of the citizens and to report to the citizens the justification of the costs.

→ Key questions for further improving the municipal waste management systems

If citizens and companies need to start paying the real costs of waste services, how much waste is actually collected and landfilled and how much does it cost to collect and landfill waste? In many municipalities waste collection is done by a municipal owned company and in some partially by a private owned company. If a municipal or private company provides the services, how much should they be paid?

3 Main conclusions

→ Types of costs for waste management not detailed enough

The municipal financial administration is set up in accordance with decree № 1321 of the Ministry of Finance. This decree determines the “chart of accounts”, a method to classify types of costs. For example, “technical equipment” or “Receivables for prepaid for goods and services”. This is however not detailed enough. “Technical equipment” can be for waste collection but also any other equipment. If it is not specified, it is not possible to determine what are waste related costs. Decree № 1321 allows that municipalities make a more detailed chart of accounts, in this case to determine more precisely the waste related costs.

→ Client databases need to be improved

Waste is collected from households and from companies and institutions that have waste that is comparable to household waste, for example restaurants, hotels, schools and offices. Names and addresses are available in the municipal administration but not organized in such a way that an overview can be made that shows how many clients are served by waste collection. Such a client database is also needed to be able to send invoices and to check who has paid, who can be exempted from paying etc..

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→ *Need for calculating waste flow*

How much waste is collected in the municipality, and how much of that is from residents, how much from tourists and how much from restaurants, schools, offices etc? The SWMCG has only part of this data (the total amount of waste). The Georgian government is working on determining this “waste amount per person” data and the municipalities can soon use that. For the calculation of the service fee, the total amount of waste must be divided by the total amount of people that is actually served by the collection system and for the amount of waste from restaurants, schools, offices etc, estimates can be used as in the system that is used by Tbilisi (see <http://www.tbsg.ge/>)

→ *Practice of invoicing companies and public institutions*

To keep things a bit easier, a common practice is to charge restaurants, schools, offices etc. a fixed fee based on seats, pupils, etc. Tbilisi, Tskaltubo and several other municipalities have already set up such system (see <http://www.tbsg.ge/>). It can be further streamlined if such institutions stop using the municipal services and instead agree direct contracts with a company that is authorized to collect and transport waste and this company brings the waste to the landfill (and is paid for this service by the contracting institution).

→ *Waste service fee exemption for vulnerable groups*

Should everybody pay the waste service fee? In principle yes. However, the legislation gives the municipalities the possibility to exempt people that have extreme low income or should be exempted for other reasons. “Socially Vulnerable People” and “Internally Displaced People” are the common definitions and municipalities already have the information which people are indeed in these categories. The municipality has to decide whether the waste collection costs for these exempted people are covered by increasing the fee for all others or agree on a different way to cover these costs.

→ *Cost control and quality monitoring of services outsourced to private companies*

Waste collection and other waste services such as street cleaning and park and public space maintenance are often done by a municipal company. In the future, private companies may offer such services as well. If so, the municipality must ensure that these companies keep a financial administration and specify the costs per activity. Based on this data from the private company the municipality needs to implement an efficient monitoring and control system in order to i) be sure, that the costs are justified and reflect real market prices and ii) the works are effectively carried out according to the quality standards agreed with the private company.

→ *Need for sharing waste data between SWMCG and municipalities*

To control how much waste is disposed at the landfill, the municipality needs to agree with the SWMCG to receive data on waste (amounts, type of waste in accordance with the proper waste code) and on the trucks that brought the waste to the landfill (identification as municipal, A(A)IP or other).




→ *Calculation of municipal waste service fees*

Calculating the waste service fee starts with a solid administration in which all waste related costs are recorded and traceable. Next, the amounts of waste per person, household or company and institution needs to be clear. It is not always possible to know all the data, sometimes estimates have to be made. CENN has made a very good brochure that shows which costs and what data needs to be known or estimated and how to calculate the fee. The municipality can use this to develop their own methodology. Because some data needs to be estimated, the methodology must include a “feed back” loop: compare the estimated costs at the beginning of the year with the real costs at the end of the year and adjust the methodology to make it more accurate and adjust the fee for the coming year. The methodology has to be approved by the Municipal City Council and such a “feed back” mechanism provides an additional control tool for the Municipal City Council. Waste services and waste related financial actions such as the waste service fee should be included in the Municipal Waste Management Plan, as required by the Georgia Waste Management Code.

→ *Collection of waste fees*

The collection of the fee is always a challenge because people are used to get these services for free. Of course, these services never have been “for free” but till now, these are paid via the general tax system and people don’t see that. Therefore, the introduction of the waste service fee must be explained very well, for example via an awareness raising campaign to motivate people to take better care of their waste (and separate recyclables, if possible).

→ *More information for downloading*

<p>The full analysis report made with Tskaltubo can be downloaded from the website of the SWMCG</p>	<p>http://waste.gov.ge/ka/wp-content/uploads/2021/02/SWMCG_Tskaltubo-Financial-Assessment-final-reviewed-ENG.docx</p>	
<p>The CENN Tariff methodology: "General Methodology for Establishing Waste Management Tariffs and Cost Recovery System in Georgia"</p>	<p>http://environment.cenn.org/app/uploads/2018/05/CENN_General-Methodology-for-Establishing-Tariffs-and-Cost-Recovery-System-in-Georgia_WMTR_ENG.pdf</p>	
<p>The CENN tariff calculation tool (Excel table) with the cost calculation sheets which can be used by municipalities.</p>	<p>http://environment.cenn.org/app/uploads/2018/05/CENN_Waste-Tariffs_Calculation-Template_WMTR_ENG.xls</p>	

About the project 'Integrated Solid Waste Management Kutaisi'

This factsheet summarizes one of the activities to support the municipalities in Imereti and Racha to adopt a modern waste management system as part of the project "ISWM – Kutaisi".

The main goal of the project is to support the Solid Waste Management Company of Georgia with the development of a Regional Sanitary Landfill that will replace all the old landfills and dumpsites in Imereti and Racha. The project also actively supports the municipalities involved in the project, in the effective implementation of obligations set out in the National Waste Management Strategy.

The project is carried out by the German Consulting companies PEM-Consult and INTECUS together with the Georgian GAMMA Consulting. The project is finance by KfW and the EU.

The project Beneficiaries are the SWMCG and the 16 municipalities in Imereti and Racha-Lechkhumi and Kvemo Svaneti regions: Kutaisi, Ambrolauri, Lentekhi, Oni, Sachkhere, Samtredia, Chiatura, Terjola, Tskaltubo, Zestaponi, Tsageri, Kharagauli, Khoni, Baghdati, Vani, Tkibuli