

# Annex IX. Exit strategies

## INTRODUCTION

This outlines three exit strategies in disaster waste management projects and programmes:

- private sector handover;
- public sector handover; and
- public/private hybrid handover.

The final sub-section discusses the procedure for carrying through a handover.

## PRIVATE SECTOR HANDOVER

Potential mechanisms for handover to the private sector include:

- **in trust**, i.e. the beneficiary has to comply with certain conditions on use of machinery. During period of trust, the donor maintains overall ownership and right to re-take machinery if conditions are broken. Upon end of trust period, full ownership passes to the beneficiary; or
- **bidding**, i.e. private companies bid for the machinery, with conditions and minimum payment being equal to the cost of import duties.

Emphasis can be placed on a procedure that allows donors to maintain ownership of the equipment until the beneficiary has proven its professionalism and positive intent.

### Option 1 – In Trust with Management contract

The current (or new management) team of the project establishes a company that signs a management contract with the donor for operations and maintenance of the equipment. This allows the donor to maintain ownership of the equipment while the beneficiary (new company) operates the equipment. A community-based organization can also be set up for this purpose and continue operations as a non-for profit organization.

The contract would typically stipulate that the beneficiary must comply with requirements including:

- equipment must only be used for those purposes described in the contract;
- equipment is to be maintained in accordance with the manufacturer's guidelines;

- donor has the right to regain operational control of the equipment at any time should any of the requirements not be met by the beneficiary;
- income generated from the equipment accrues to the beneficiary; and
- the beneficiary is responsible for all operational costs during the contract.

### Option 2 – Bidding

The operations team with plant and equipment is intended for sale as a 'going operation' where private companies are invited to bid for the continued operations of the debris management system for a set number of years. After this period ownership can revert to the company.

For bidding procedures, the evaluation criteria can include: price willing to pay, demonstration of a good business plan, understanding of the market, plans for management of the company.

In the past, bid documents included a requirement for the bidder to include the following for continued operations:

- marketing plan;
- business plan;
- operations plan;
- maintenance plan; and
- financing plan.

This option allows for a financial return to the donor for the project implemented, where these funds can then be used to supervise and monitor the successful company in their continued operations of the debris management system, or the funds can be used for subsequent environmental programmes.

## PUBLIC SECTOR HANDOVER

If the donor wishes to handover debris management operations to a public sector organization such an office of public works, the handover procedure can be simplified. Focus should be on ensuring that the public sector organization has the required skills and capacity to continue operations. Supplementary training and support may be required.

## **PUBLIC / PRIVATE HYBRID HANDOVER**

This option incorporates private and public sector options to assist the public sector of the affected community in rehabilitating services and supporting economic development.

Handover is to a private company that is obliged to provide services to the public sector. Spare capacity after the fulfilment of such obligations can be used by the recipient organization to perform commercial works for a profit. Financial contributions are expected from the public sector to cover running costs.

Alternatively, a diminishing service contract starting at 100% service to the identified public body, and gradually decreasing to 0% over 12 to 18 months, can be considered.

Such a management contract is similar to that for private handover, with the addition of public sector obligations.

With this option, the service contract is to be included in the tender documents for the selection of new organization, thus making the public sector service contract open to public tendering.

## **PROCEDURES FOR HANDOVER**

The first step in handover procedures is to describe the plant and equipment to be handed over. A valuation of the plant and equipment may be needed. This should take into account custom duties, excise tax or VAT on material brought into the country by/for the donor.

A Memorandum of Understanding (MoU) between the donor and the recipient country's relevant Government Ministry/Department is often required. This is one of the more complicated actions in the handover procedure.