

## PROPOSAL TO ADOPT THE CONCESSION ENACTMENT

Based on article 8 of the Concession Law (*Republic of Serbia Official Gazette, n° 55/2003*), (hereafter, the “**Concession Law**”), as well as the following:

- on the Republic of Serbia Government’s opinion concerning the intention to grant a concession according to article 7 of the Concession Law dated [X], and
- [on the opinion of the Ministry of State Administration and Local Self-Government on economic, financial, social and other indicators and the estimation of the influence of the concession activity on the environment, dated [X] and attached to the present proposal,]

the City of Belgrade Assembly is submitting this proposal to the Republic of Serbia Government to adopt the concession enactment as described below.

The concession shall be granted by the City of Belgrade (hereafter, the “**Grantor**”). Subject of the concession is the Vinča Landfill, situated on the territory of the City of Belgrade (hereafter, the “**Concession Vinča**”). The granting of the Concession Vinča will be based upon the principles of equal and fair treatment, free market competition and freedom of will of contracting parties, via tender offer, in accordance with the terms of the Concession Law.

The International Finance Corporation, the Private Sector Advisory Group, a member of the World Bank Group (hereafter, the “**IFC**”) advises the City of Belgrade on the legal, technical and financial issues related to the process of granting of the Concession Vinča.

### 1) Concession object

The object of the Concession Vinča is the execution of the following public utility activity of public interest: construction, maintenance and operation of public utility facilities and the execution of the public utility activity of disposal and treatment of municipal solid waste at the Vinča Landfill.

### 2) Reasons for granting a concession

The Grantor’s objectives in granting the Concession Vinča are to:

- i. improve the quality of the services in the City, namely through the increase of the technical capacity of waste reception at the Vinča Landfill;
- ii. rehabilitate the Vinča Landfill and bring it into conformity with the applicable environmental and waste management regulations and standards; and,
- iii. enhance efficiency and lower costs through the introduction of commercial principles.

### 3) Information on the influence of the concession activity on the environment, infrastructure and other industrial areas, on the efficient functioning of technical and technological systems

The concession activity shall have a positive impact on the environment, as one of the aims of the concession activity, namely the rehabilitation, is to reduce the pollution resulting from the landfill. As the rehabilitation of the Vinča Landfill will bring conformity with relevant

environmental regulations and standards, such a facility shall serve as an example for future waste disposal site rehabilitations in Serbia.

Evaluation of the influence of concession activities on the environment will be elaborated in the study to be developed in accordance with the Law on the protection of the environment. According to Law on estimation of environmental pollution, development of such a study is required issuance of the construction permit. Such study will define all parameters and factors regarding the performance of the concession activities on the Vinca Landfill.

Moreover, in accordance with the provisions of the *Law on integrated prevention and control of environmental pollution*, in the procedure for the issuance of approval to perform activities, an integrated permit shall be issued, the purpose of which is to assure prevention and control of the environmental pollution.

Precise planning and implementation of adequate environmental protection measures will be required from the concessionaire, with the purpose of preventing concession activity to cause environmental pollution.

4) Minimal technical, financial and experience requirements necessary for the candidate to take part in the process of selection of the concessionaire and negotiations.

The prospective bidder shall

- (i) have been active in the waste management sector for a minimum of five years, at least two of those in successful direct operation of an EU or EPA Class II-compliant landfill of at least one 500 tons per day (TPD) or larger;
- (ii) demonstrate experience in the operation of the leachate and runoff collection and treatment systems, and relevant experience in both the design of new landfills and successfully-applied closure plans for abandoned solid waste dump sites.
- (iii) demonstrate minimum financial experience in the development of a project staging plan for an existing or planned landfill.

5) Duration of the concession, including the explanation of the suggested duration.

The concession contract will be structured in two phases with different durations:

- The **active phase**, with duration equal to the remaining technical life of the landfill up until and including closure of the entire site (based on the current waste generation and recycling estimations, the active phase would have an expected duration of 12 to 14 years).
- The **aftercare phase**, with fixed 10 year duration.

6) Data on the necessary funds and other resources and their dynamics:

The concessionaire shall invest at all stages of the Concession Vinca. The total investment program is expected to be worth approximately 40 million Euros.

The concessionaire shall invest *inter alia* in:

- the remediation to the greatest extent feasible of the existing waste dump site;
- the construction of additional landfill cells around the original site in accordance with relevant regulations and standards
- the closure of the existing landfill site once it has reached capacity and its aftercare.

#### Method of payment

The office of the Grantor responsible for economic matters relating to municipal solid waste management will pay to the concessionaire an amount based on the agreed fee per ton of waste delivered for disposal. The cost associated with the management of other wastes will be charged directly to the end users of the service.

#### Issuing guarantees or other means to secure the realization of the concession obligations:

The concessionaire will guarantee that the project will be able to meet the performance standards. If the project does not meet the guaranteed levels of performance, the concessionaire will be required to pay liquidated damages. Both the guaranteed levels of performance and the method for the calculation of liquidated damages will be defined in detail in the tender documents.

The concessionaire shall provide a suitable performance guarantee equivalent to be issued by an internationally reputable bank or financial institution, subject to the approval by the Grantor, as specified in the tender document. The performance guarantee shall guarantee the proper and timely performance of all of the concessionaire's obligations under the concession contract and shall remain valid during the entire contract period.

#### Rights and obligations of the concessionaire towards the users of services that are the concession object and issues of complaints lodged by such users

The concessionaire will perform the disposal of municipal solid waste, which will be delivered to its premises by Gradska Cistoca and the disposal of other wastes, which will be delivered to its premises by the end users.

The guaranteed levels of service will be defined in detail in the tender documents.

The reports of concessionaire activities maintained by the concessionaire shall contain any complaints which may have been lodged by the users and describe the solutions and remedies carried out by the concessionaire in relation thereto.

#### Issues of terms and conditions of supervision

The concessionaire shall maintain records and prepare reports during the concession duration and submit them to the Grantor. The Grantor shall have free and open access to the Vinča Landfill and all the facilities for purposes of inspections.

#### Prices and general conditions for using goods and performing activities

The concession activity does not involve any use of goods other than existing assets which will be transferred free of charge during the concession period. The price and general

conditions for using goods and performing activities will only be symbolic amount (this cost would be passed directly to the users of services).

7) Estimation of the amount of necessary employment and qualified manpower for the realization of the concession, if it is proposed that this should be part of the concession enactment

The tender documents will include guidelines such as the amount of necessary employment and qualified manpower for the realization of the concession. In consideration of the labor intensive nature of its activities it is assumed that a large number of Gradska Cistoca employees will actually remain employed with the concessionaire.