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A SUMMARY OF DOCTORAL THESIS:

**THE IMPORTANCE OF  
PUBLIC – PRIVATE PARTNERSHIPS  
IN IMPLEMENTING INFRASTRUCTURE PROJECTS  
ON THE EXAMPLE OF MUNICIPALITIES IN MALOPOLSKA**

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## **The Importance of Public – Private Partnerships in Implementing Infrastructure Projects on the Example of Municipalities in Malopolska**

The main idea of the theory of public goods presented by P. Samuelson in 1954, is the belief that market mechanisms fails in optimal allocation of mass consumption goods. The laureate of Nobel Prize concludes that“...given the sufficient knowledge the optimal decision can always be found (...) The solution exists; The problem is how to find it.”

Samuelson’s theory of public goods was a great inspiration for next generations of economists who were exploring the problems connected to responsibility for the public goods provision.

Developments in the field of economic theory contributed to the enrichment of research devoted to infrastructure, for example the role of infrastructure as a factor of growth and development and the role of the state and the market in the area of infrastructure. These issues have been widely discussed and debated also by Polish authors, such as Z. Dziembowski [1971, 1985], M. Ratajczak [1980, 1986, 1999], K. Brzozowska [2002] K. Sobiech [2006]. Among them special attention was directed to those works in which the authors - M. Ratajczak, K. Sobiech – undertook the challenge to measure the infrastructure gap in Poland. The results of this works encouraged the author to start a research on the problems of infrastructure, especially in the context of filling infrastructure gap.

It should also be noted that, according to Bitner and Cichocki [2008], in Poland the responsibility for overcoming infrastructure gap rests on Municipalities. Their capital expenditures exceeds twice the same expenditure from the national budget.

Therefore, it was decided to narrow the research described in the motion only to municipalities and cities with counties.

During that time, since 2009 in Poland it was reported the growing interest in the PPPs. It is generally believed that this has been a result of new PPP legislation, which came into force in early 2009. Within four years, under the rule of new regulations, 235 procedures for private partner selection were reported. (Statistics on PPP in Poland includes four forms of PPP project depending on legal formula for selecting private partner (concessionaire): (1) PPP under Public Procurement Act, (2) PPP under Concession for Constructions Works and Services Act, (3) concessions for construction works, (4) concessions for services). The vast majority of procedures (about 70%) was announced by local governments.

Though public-private partnerships in Poland are a relatively young and promising investment model, they are still poorly developed [Wojewnik-Filipkowska, 2013]. According to the Ministry of Economy to the end of 2012 year only 30 out of all announced in 2009-2011 proceedings resulted in choice of private partner (Data included in the materials of the conference under the title: „Status Quo PPP in Poland a German Experience” organized on 30.01.2013 r. in Cracow). That means that in 80% of cases, the procedure for selecting the private partner failed. For comparison, in developing countries, projects that have failed (proceedings have been canceled or implementation of projects encountered financial difficulties) in the years 1990 to 2011 were less than 6.1% of the integral number of projects (based on data in PPP projects carried out since 1990 by the Bank World, [ppi.worldbank.org](http://ppi.worldbank.org), access: 10.05.2013).

It is worth to point out that on the ground of Polish literature there is no positive explanation to the question: what factors influence PPP initiatives?

Thus, the principal aim of the study is to gain knowledge on the features that binds public and private parties under PPP model.

In order to understand the processes that are taking place in the area of PPP, it is necessary to look through the structure of the specific “temporary” organization that is PPP project. As the neoclassical theory does not provide sufficient information what happens within the organization [O.Hart, 1995], it was decided to investigate this problem in the organization theory context.

The problems of public-private partnership has been widely discussed in foreign as well as and domestic literature, what was described in the first part of this section.

The implementation of PPP projects in Poland began as late as 2009. Therefore, national studies addressed the issue of PPPs are often only theoretical once. There is a noticeable lack of scientific publications based on a thorough analysis explaining the ongoing processes.

The principal aim of the study is to gain knowledge on the features that determine the cooperation under PPP. In order to understand and explain the processes that are taking place in the area of PPP, it is necessary to look through the structure of a specific organization that is PPP project. As the neoclassical theory does not provide sufficient background to explain what happens within the organization [Hart, in: *Organization Theory. From Chester Barnard to the Present and Beyond*, 1995], it was decided to investigate this problem in the organization theory context. The main objective of the research:

**C0: Identification of the conditions for establishing cooperation under PPP project in the context of organization theory**

Partitive objectives are:

- C1: Identification of municipalities' reasons for transmitting the prerogatives of providing public service to private sector under PPP.
- C2: Determination of procedures of defining, planning and conducting the PPP project that facilitates transition to the implementation stage.
- C3: Identification of factors that contribute to the success of PPP project preparation phase and examining differences in its assessment considering stakeholders' different perception.

Identified objectives are related to the research hypotheses that were formulated on the basis of literature analysis.

Main hypothesis:

**H0: Undertaking the cooperation under PPP project depends on the ability to find a permanent and unambiguous principles of cooperation and the usage of appropriate project management tools by municipal authority.**

Auxiliary hypotheses:

- H1: Local authorities willingness to initiate PPP projects depends on the size of the infrastructure gap (range of infrastructure needs) in the community and the assessment of possibilities to implement a project without exceeding the statutory limit of liability.
- H2: Model of project management and legal formula private for partner selection exert influence on establishing the cooperation under PPP.
- H3: Relative evaluation of factors contributing to the successful preparation of PPP projects depends on the stakeholders' role in the PPP project.

To the research objectives and hypotheses doctoral thesis scheme was adopted.

The work consists of three theoretical chapters and empirical chapter. In the first three chapters there has been developed theoretical framework for the analysis the phenomenon of PPP implementing in Poland. Therefore, the theoretical chapters of the work have been designed to present issues of public-private cooperation in the fields of infrastructure on the local level. The reason for this is a fact that in Poland PPP is developed mainly in the sphere of local infrastructure.

The first chapter reviews the economic concepts relating to infrastructure issues. In this chapter Author discuss the problem of infrastructure as a factor of economic growth and presents different views on the role of the public sector in infrastructure. The aforementioned problems create a background to the analysis of the issue of investing in infrastructure on the local level.

The subject of the second chapter is the problem of PPP importance in the process of infrastructure developing and providing infrastructure service. In this part of the work there was conducted a literature review concentrating on the latest theoretical concepts of PPP. Then international experience in the area of developing PPP was presented. Discussed theoretical concepts together with the presentation of statistical data on PPP facilitated the analysis of the process of developing PPP in Poland.

The aim of research conducted in the third chapter was to present PPP project as a specific temporary organization. In particular, the Author dealt with the issues of managing infrastructure projects and in that context showed the specificity of project management implemented in the form of PPP. Subsequently, attention was drawn to the position and tasks of the municipalities as a PPP projects stakeholder. This led to creation of theoretical model that explains conditions of taking PPP by the municipalities.

Fourth chapter was dedicated to the empirical research. The subject of the research were PPP projects implemented in municipalities in Malopolska province. The research consists of two stages: preliminary research and primary research.

The aim of preliminary research to identify the PPP initiatives undertaken in Poland in 2009-2012 period. This objective was achieved by operating research task that was:

#### ZB 1. Preliminary empirical research

The main research method on this stage was statistical data analysis obtained on the basis of data briefed on the Public Procurement Bulletin and TED websites during the period 2009-2012.

The aim of the primary study was to verify stated hypotheses. It has been achieved through the completion of three research tasks:

#### ZB 2.1. Identification of the conditions for PPP initiatives

#### ZB 2.2. Evaluation of PPP projects

#### ZB 2.3. Assessment of factors that influence the success of PPP projects

Proposed research model has been adopted in the process of verification auxiliary hypotheses and the main research hypothesis.

## Conclusions

Conducted research study allowed to positively verify two from three auxiliary hypotheses (hypothesis no 1 and no 2). It creates the bases to confirm the validity of main research hypothesis assuming that undertaking the cooperation under PPP project depends on **the ability to find a permanent and unambiguous principles of cooperation and the usage of appropriate project management tools by municipal authority.**

However, as indicates the fact of rejection the third hypotheses, the impact of the main hypothesis becomes limited because we find that the assessment of CSF for PPP project is correlated with participant's belonging to the group of stakeholders. In addition, it has been proved that the assessments of the success factors for PPP projects carried out by various project stakeholders can vary depending on what stage of the project is being assessed.

Positive verification of hypotheses mainly not also mean that all aspects of project management issues PPPs was explained in a comprehensive manner. The author believes that in aim to get scientific knowledge on the PPP phenomenon, further work is needed. For instance, it should be noted that carried studies did not proved the relationship between the level of infrastructure gap and the application of PPP in the municipalities in Malopolska. Are the resulting three basic conclusions. This implies three main conclusions.

(1) Firstly, there arise a need to think about how to interpret and study the infrastructure gap - only in terms of resources that covers the territory of the commune - or to make attempts to capture the less tangible factors which is for example local communities perception regarding difference between expected and supplied level of infrastructure service.<sup>1</sup>

(2) Secondly, the research model can be reinforced by acquiring bigger range of data that captures to a wider range of factors for PPP initiatives. However, due to the fact that the data include projects initiated in 2009-2012, it was concluded that the study sample is insufficient to undertake a more detailed study.

(3) Finally, the lack of confirmation the relationship between the level of equipment municipalities in infrastructure and PPP application raises the question as to whether it is worth to undertake analysis based on the assumption that public authorities may be guided by other than only rational motives.

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<sup>1</sup> Pewne próby w tym zakresie zostały poczynione, poprzez pomiar relacji pomiędzy zasobami mieszkaniowymi (ZM), liczbą podmiotów prywatnych prowadzących działalność gospodarczą na terenie gminy(PR) a syntetycznym miernikiem infrastruktury (INF).

In addition, major research potential comes from placing PPP projects in the context of organizational theory. Due to the scope of the research, these aspects were addressed in the work only to a limited extent. However, it should be noted that the concepts developed within organizational theory can provide a rich source of inspiration for further research on PPP projects. Sufficient to note that the achievement of the theory of incomplete contracts and agency theory helped O. Hart to create the theoretical principles of the phenomenon that is the PPP. Another interesting area of further research appears when we look at organizations as a network of activities that are being developed in the institutional order. This raises the fundamental question: *how a network of activities is being created?*<sup>2</sup>

To sum up it worth to note that contemporary studies in the field of public management confirm the emerging criticism of the paradigm of New Public Management. Ch. Pollitt and G. Bouckart describe the changes that are taking place in the following words: "striving for effective implementation of public services imported into the policy to minimize the taxes implemented in the" Spartan ", limited responsiveness of public authorities in the face of changing social needs, as well as the smooth implementation of the objectives."<sup>3</sup> According to J. Nemeč and M. De Vries "common paradigm shifts are (...) visible – like from emphasizing short term goal achievement to stressing the need to address long term effectiveness; from an emphasis on efficiency (efektywność) to stressing effectiveness; from emphasizing outputs to outcomes; from input (what is put in) to process (how to do it) thinking, et cetera."<sup>4</sup>

If we consider projects undertaken under the PPP it can be concluded that the result of PPP implementation should emerge in the form of the scope and quality of services infrastructure improvement, which has a positive impact on living standards and reducing costs business operations.

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<sup>2</sup> Taki punkt wyjścia dla badania organizacji proponuje B. Czaniawska. Por. B. Czaniawska, *Trochę inna teoria organizacji. Organizowanie jako konstrukcja sieci działań*, Wydawnictwo Poltext, Warszawa 2010, s. 27-29.

<sup>3</sup> Ch. Pollitt, G. Bouckart, *Public management reform: A Comparative Analysis – New Public Management, Governance, And The Neo - Weberian State*, Oxford University Press, Oxford - New York, 2011

<sup>4</sup> De Vries, J. Nemeč, *Public sector reform: an overview of recent literature and research on NPM and alternative paths*, International Journal of Public Sector Management, Vol. 26/2013, pp.4 – 16.