

Małgorzata GODLEWSKA*

 <https://orcid.org/0000-0001-7413-0674>

HOW MIGHT PPPs INFLUENCE THE REGIONAL DEVELOPMENT OF CEECs?

(Summary)

The main aim of this paper is to present the relationship between public-private partnerships (PPPs) and the development of Central and Eastern European Countries' (CEECs) regions in the context of investment attractiveness. Based on desk research – a case study of 90 PPP projects and a literature review – the paper explores the effects of PPP projects on the investment attractiveness of CEE regions. It provides a brief overview of the challenges facing CEECs due to the modest infrastructure with a high degree of wear or due to the high level of gross government debts at the level of local government units (LGUs). It also presents a synthetic summary of the institutional environment of the CEECs necessary to support the development of PPP projects as well as the necessary changes in PPP legislation to foster the regional development of CEE regions in the context of investment attractiveness. Moreover, LGUs in Poland do not take advantage of the synergy effect (to increase regional development) from adapting PPP projects to their regional development or innovation strategies.

Keywords: public-private partnership; Central and Eastern European Countries; regional development; institutional environment; investment attractiveness; local government units

JEL Classification: D02, E02, K23, H70, B52

1. Introduction

Public-private partnership (PPP) is an alternative solution (to classical public procurement) to deliver public goods and infrastructures¹. In recent years, the number of PPP² projects has grown globally as governments, especially at the

* Assistant Professor, Warsaw School of Economics, Department of Administrative and Financial Corporate Law, Collegium of Business Administration; e-mail: mgodlews@sgh.waw.pl

¹ A. Panasiuk, *System zamówień publicznych. Zarys wykładu. Zamówienia klasyczne. Partnerstwo publiczno-prywatne*, Public Procurement Legal Publisher, Warszawa 2013, pp. 240–244.

² The definition of PPP is according to Article 2 point 24 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013, which stresses that PPP means

local and regional levels, are not able to finance all essential investments because of the high level of public debt and the growing level of social expectations and public goods³. However, in the European Union (EU), over the period 2012–2017, PPP projects with a transaction value of at least EUR 10 million, financed through project financing and structured as design-build-finance-operate (DBFO), design-build-finance-maintain (DBFM), or concession arrangements, were implemented mostly by countries such as the United Kingdom, France, Germany, the Netherlands, Spain, Italy, Ireland or Belgium⁴. Moreover, such “large” PPP projects were much less popular in Central and Eastern European Countries (CEECs)⁵, and only Poland, Lithuania, Slovakia and Croatia have a few of them.

According to the literature of the subject, PPP projects have higher transaction costs in comparison with traditional public procurements⁶. The level of transaction costs connected with PPP projects may differ, from 1% to 14%⁷ or from 3% to 25%⁸ of the total PPP project value. Moreover, the level of transaction costs incurred by public partners is lower than those incurred by private partners. Despite the high transaction costs, PPP projects, according to the literature, are more likely to achieve efficiency gains than traditional public procurement due to a variety of incentives that motivate private partners “to complete the construction of the assets on time and within costs estimates”⁹. However, the European Court

“forms of cooperation between public bodies and the private sector, which aim to improve the delivery of investments in infrastructure projects or other types of operations, delivering public services through risk sharing, pooling of private sector expertise or additional sources of capital”.

³ **A. Wojewnik-Filipkowska, D. Trojanowski**, *Principles of public-private partnership financing – Polish experience*, Journal of Property Investment & Finance 2013/31/4, pp. 329–344.

⁴ **European Investment Bank (EIB)**, *Market Update Review of the European PPP Market in 2016*, EIB 2017; http://www.eib.org/epec/resources/publications/epec_market_update_2016_en; last visited 15.06.2018; **European Investment Bank (EIB)**, *Market Update Review of the European PPP Market in 2017*, EIB 2018; http://www.eib.org/attachments/epec/epec_market_update_2017_en.pdf; last visited 15.06.2018.

⁵ Central and Eastern European Countries (CEECs) is an OECD term for the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, Estonia, Latvia and Lithuania.

⁶ See for example: **L. Torres, V. Pina**, *Public-private partnership and private finance initiatives in the EU and Spanish local governments*, The European Accounting Review 2001/10/3, pp. 601–619 or **A.S. Soliño, P.G. de Santos**, *Transaction Costs in Transport Public-Private Partnerships: Comparing Procurement Procedures*, Transport Reviews 2010/30/3, pp. 389–406.

⁷ **G. Dudkin, T. Väilä**, *Transaction costs in Public-Private Partnerships: A First Look at the Evidence*, Competition and Regulation in Network Industries 2006/1/2, pp. 307–330.

⁸ **L. Torres, V. Pina**, *Public-private partnership...*

⁹ **P. Posner, S.K. Ryu, A. Tkachenko**, *Public-Private Partnership: The Relevance of Budgeting*, OECD Journal on Budgeting 2009/1, pp. 1–26.

of Auditors argues that PPP projects may be affected by significant construction delays and cost overruns, like in Spain (the A-1 or C-25 motorways) or France (Pau Pyrenees ICT)¹⁰. On the other hand, the National Audit Office of United Kingdom acknowledges that PPP/PFI (Private Finance Initiative) projects (in most cases) achieve satisfactory results and meet the requirements of public partners better than traditional public procurement¹¹.

In addition, PPPs also matter for regional development¹² because through the delivery of necessary public infrastructure, for the additional growth of CEE countries, PPP projects may foster regional development within these countries' regions and their investment attractiveness. Since the 1990s, there has been a trend toward decentralizing activities in CEE from central government to local self-government levels. Moreover, according to Article 6 of the European Charter of Local Self-Government¹³, local authorities should not only adapt internal administrative structures to local needs but also ensure effective management, for example by using PPP projects to improve infrastructure quality in order to find more new investors.

The main aim of this paper is to present the relationship between PPPs and the regional development of CEE regions in the context of investment attractiveness. The research sample was 90 Polish PPP projects (full population) for which the public partner was local government units (LGUs).

The paper consists of four parts. In the first part, a brief characterization of the main challenges of regional development in CEE in the context of investment attractiveness is presented. The second section focuses on the institutional environment necessary for PPP projects in CEE. The third part concentrates on presenting the complex relationship between the implementation of PPP projects (at local and regional level) and the regional development in the context of investment attractiveness, on the Polish example. The final part discusses the necessary changes in PPP legislation that will foster regional development of these countries' local regions.

¹⁰ **European Court of Auditors** (ECoA), *Public Private Partnership in the EU: Widespread shortcomings and limited benefits*, ECeA 2018/09, https://www.eca.europa.eu/Lists/ECADocuments/SR18_09/SR_PPP_EN.pdf; last visited 24.07.2018.

¹¹ **National Audit Office** (NAO), *The performance and management of hospital PFI contracts*, HC 68, Session 2010–2011, NAO 2010, <https://www.nao.org.uk/wp-content/uploads/2010/06/101168.pdf>; last visited 4.07.2018.

¹² **A. Rodriguez-Pose**, *Do Institutions Matter for Regional Development?*, *Regional Studies* 2013/47/7, pp. 1034–1047.

¹³ The European Charter of Local Self-Government, *Journal of Laws* from 1994, No. 124, item 607.

2. Challenges for regional development in CEECs in the context of investment attractiveness

The countries of Central and Eastern Europe have a hard task “catching up” with world leaders. Since 2004, the EU has supported these countries’ effort to close the gap between the differences in the regional development of the “Old” and “New” EU member states through EU funds like the Cohesion Fund or the European Regional Development Fund. However, according to scholars, there is an increase in polarization and inequality due to discrepancies in wealth between the regions¹⁴. Moreover, all CEE regions (except for the Bratislavsky region) have a Gross Domestic Product (GDP) per capita below 75% of the EU-27 average¹⁵.

Moreover, between 2007 and 2016, the regions of CEE reduced the distance of regional development in the context of investment attractiveness¹⁶ to the “Old” EU member states at NUTS 1 and NUTS 2 level¹⁷. However, we may now observe regional growth poles in CEE countries like Poland or the Czech Republic¹⁸. PPP projects may help to reduce the distance between these regional growth poles.

In addition, Central and Eastern Europe, which is in a period of rapid growth after the transition of the socio-political system, requires substantial new infrastructure¹⁹. However, due to the historic underfunding of public and social

¹⁴ See for example: **J.E. Stiglitz**, *Inequality and Economic Growth*, Political Quarterly 2016/86/ S1, pp. 134–155; **A. Pike, A. Rodriguez-Pose, J. Tomaney**, *Local and regional development in the Global North and South*, Progress in Development Studies 2014/14/1, pp. 21–30 or **D. Acemoglu, J. Robinson**, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Crown Publishers, New York 2012.

¹⁵ **European Commission**, *Regional aid*; [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0625\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0625(01)); last visited 28.06.2018.

¹⁶ The investment attractiveness of local regions is a complex concept and includes factors such as the microclimate of human capital, the microclimate of infrastructure, the microclimate of the market and the microclimate of innovation, which consists of 26 indicators that are a compromise between available regional data and expected parameters for the assessment of the phenomenon. See **H. Godlewska-Majkowska** (ed.), *Atrakcyjność inwestycyjna regionów Polski na tle Unii Europejskiej*, OW SGH, Warszawa 2013 or **H. Godlewska-Majkowska** (ed.), *Atrakcyjność inwestycyjna a przedsiębiorczość regionalna w Polsce*, OW SGH, Warszawa 2011.

¹⁷ **H. Godlewska-Majkowska, M. Czarnecki, M. Godlewska, P. Bartoszczuk**, *Changes in Central and Eastern Europe from the Investor’s Perspective*, in: **H. Godlewska-Majkowska, P. Wachowiak, M. Strojny, B. Majewski**, *Wyzwania ekonomiczne dla Europy Środkowo-Wschodniej*, OW SGH, Warszawa 2018, pp. 175–212.

¹⁸ *Ibidem*, pp. 175–212.

¹⁹ **The World Bank (WB)**, *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, WB, Washington 2008.

infrastructure during the communist period and the relatively modest assets with a high degree of wear, these countries now have a huge infrastructure gap²⁰. The need for infrastructure investment is enormous and may be evaluated at EUR 500 billion. The biggest infrastructure gap is in Poland, the Czech Republic, Slovakia and Hungary²¹. PPP projects, as a proven and effective method of public investments²², may be used by the LGUs of these countries in order to reduce this infrastructure gap.

The global financial crisis forced the need for a large-scale fiscal stimulus, which had a negative impact on the level of public debts²³. For example, in 2016, public debt as a ratio to GDP was 87.2% in Croatia, 82.1% in Slovenia, 74.7% in Hungary and 49.2% in Poland²⁴. In connection with the growing level of public debts, financial gaps in the CEECs and the increasing level of public needs for new public goods and infrastructure, the only possible solution for the LGUs of these countries is to use the potential of the private sector to finance these needs²⁵. However, the regional competitiveness of CEE regions to attract a potential private partner is, according to the EU Regional Competitiveness Index 2016, far below the EU-28 average when considering Institutions, Macroeconomic Stability, Infrastructure, Business Sophistication or Market Size²⁶. That is why the proper implementation of PPP projects at local and regional level matters for the regional development of these countries.

²⁰ **A. Jachowicz**, *Partnerstwo publiczno-prywatne narzędziem efektywnej realizacji zadań publicznych*, Difin, Warszawa 2015, pp. 144–148.

²¹ **PwC**, *Building New Europe's Infrastructure. PPP in Central and Eastern Europe*, PwC 2013, p. 1; <http://pwc.blogs.com/files/building-new-europe39s-infrastructure---full-publication.pdf>; last visited 6.06.2018.

²² See for example: **A. Renda, L. Schrefler**, *Public-Private Partnerships. Models and Trends in the European Union*, European Parliament, IP/A/IMCO/SC/2005-161, 2006; http://www.eurosfair.prd.fr/7pc/doc/1265964211_ppp_briefing_note_en.pdf; last visited 15.07.2018 or **M. Godlewska**, *Partnerstwo publiczno-prywatne kluczem do stabilnego wzrostu, przykład Malezji*, *Kwartalnik Nauk o Przedsiębiorstwie* 2014/3, pp. 99–104.

²³ **N. Ferguson**, *The Great Degeneration. How Institutions Decay and Economies Die*, Penguin, 2014.

²⁴ **International Monetary Fund (IMF)**, *Central, Eastern, and Southeastern Europe: Mind the Credit Gap*, *Regional Economic Issues* 2015; <http://www.imf.org/external/pubs/ft/reo/2015/eur/eng/pdf/REI0515.pdf>; last visited 10.07.2018.

²⁵ **M. Godlewska**, *Wpływ instytucji formalnych na rozwój partnerstwa publiczno-prywatnego – ekonomiczna analiza prawa*, *Współczesna Gospodarka* 2018/9/2, pp. 57–74.

²⁶ **P. Annoni, L. Dijkstra, N. Gargano**, *The EU Regional Competitiveness Index 2016*, Working Papers WP 02/2017, European Commission 2017; http://ec.europa.eu/regional_policy/sources/docgener/work/201701_regional_competitiveness2016.pdf; last visited 14.07.2018.

3. The institutional environment of CEECs

According to the analyses made by The Economist Intelligence Unit for the European Bank of Reconstruction and Development, there is a great disparity in the institutional environment for PPP projects in CEE because of the local differences in the economic situation, geographical location, place in international politics and the different domestic market constraints. The important conclusion is that not a single CEE country appears to have best practices for the development of PPP projects. PPP projects may help to fill the infrastructure gap in those countries' local regions and provide the necessary financing from private partners, but PPP projects need political favour, flexible legal regulations, and strong formal and informal institutions. Many CEE countries have taken positive steps to improve their PPP processes, but the majority of changes remain only on paper²⁷.

The institutional environment necessary for the development of PPP projects in CEE was evaluated according to 19 indicators of the Infrascope Index 2012. Surprisingly, smaller countries, like Croatia (63.5), Lithuania (62.9) or Slovenia (61.8), were ranked above Hungary (53.8) or Poland (52.0) according to the most favourable institutional environment for PPP projects development. Moreover, the regulatory framework, as well as the institutional framework of PPPs, in Lithuania, Croatia and Latvia was the most effective among all countries in the region. In Croatia, there was only one PPP agency responsible for setting up PPP projects in all sectors and at all levels (local, regional and national). Meanwhile, in Latvia, several PPP agencies support the development of PPP projects at the local, regional and national level, coordinated by the Ministry of Finance. In Lithuania, the Ministry of the Economy promoted PPP projects supported by the Central Project Management Agency. The highest operational maturity due to the large number of successfully implemented PPP projects was in Hungary, Bulgaria and Poland. However, in Poland, the most active public partners were the LGUs rather than the government, and the majority of PPP projects were implemented at the local and regional level. The best investment climate for PPP projects was in Poland, Lithuania and Croatia. The economic and political conditions of the country influence the shape and the nature of PPP projects²⁸.

²⁷ **The Economist Intelligence Unit** (EIU), *Evaluating the environment for public private partnerships in Eastern Europe and the Commonwealth of Independent States The 2012 EECIS Infrascope*, EIU 2012, p. 3; https://infrascope.eiu.com/wp-content/uploads/2017/02/Europe_Infrascope_Report_2012_English.pdf; last visited 10.06.2018.

²⁸ **The Economist Intelligence Unit** (EIU), *Evaluating the environment...*

For further analysis, the author deliberately chose Poland as an example of a CEE country that has a problem with weak formal and informal institutions, its regulatory and institutional framework, control of corruption, and the low-level rule of law, according to international rankings²⁹. Moreover, Poland is the leading CEEC of implemented PPP projects at local and regional levels.

4. The relationship between the implementation of PPP projects and regional development in the context of investment attractiveness

Since July 26, 2017, Poland has had a government policy of PPP development for the years 2017–2020. Poland's PPP policy may influence regional development due to the wide dissemination of guidelines, the wide availability of model contracts, the availability of good PPP practices or the free advice for selected PPP projects. Moreover, a mandatory assessment is obligatory for projects valued at more than EUR 70 million and which has financing from the state budget with a non-PPP formula³⁰.

Furthermore, in Poland, LGUs make up the biggest group of public partners (91.96%). According to the Polish Ministry of Investment and Economic Development, by December 31, 2018, 131 contracts for PPP projects had been signed in Poland, with a total value of PLN 5.9 billion, out of which only 106 PPP projects were active (25 PPP projects have been finished). The most important characteristic of Polish PPPs is that 99 out of the 131 PPP projects were implemented in only 6 out of the 16 Polish voivodeships: Mazowieckie (24), Śląskie (20), Pomorskie (15), Dolnośląskie (15), Małopolskie (13), and Wielkopolskie (12). The other 32 PPP projects were implemented in the remaining 10 Polish voivodeships (see Table 1). This shows regional PPP growth poles in Poland. The highest number of PPP projects were allocated in the most developed Polish regions which had the highest GDP per inhabitant, the highest gross added value per inhabitant (except for the Małopolskie voivodeship), the lowest unemployment rate and the highest number of enterprises per 10,000 inhabitants. The poorest regions of Poland, like the Lubelskie, Podlaskie

²⁹ See for example: **The Economist Intelligence Unit** (EIU), *Evaluating the environment...* or **The World Bank** (WB), *Worldwide Governance Indicators 2016*, WB 2018; <http://info.worldbank.org/governance/wgi/#home>; last visited 11.07.2018.

³⁰ Ustawa z dnia 5 lipca 20018 r. o zmianie ustawy o partnerstwie publiczno-prywatnym oraz niektórych innych ustaw (Dz.U. z 2018 r., poz. 1693) [Act of the 5th of July 2018 amending the act on public-private partnership and certain other acts (Journal of Laws, of 2018, item 1693)].

or Podkarpackie voivodeships, had the lowest number of PPP projects, despite the facts that their inhabitants have a huge need for new public goods and infrastructure and a very high gross government debt per inhabitant (except for the Podlaskie voivodeship). Surprisingly, some of the poorest Polish regions were not interested in PPP projects nor EU funds. An explanation of why the poorest Polish regions were not interested in implementing PPP projects may be given by the structure of their budgets. Regions like the Opolskie, Lubelskie or Podlaskie voivodeships focused on delivering public infrastructure through EU funds.

TABLE 1: *The number of PPP projects versus regional economic indicators*

Voivodeship	Number of PPP projects	GDP per inhabitant 2015	Gross added value per inhabitant 2015	Enterprises in the REGON register per 10,000 inhabitants 2016	Gross public debt per inhabitant (in PLN) 2016	Funds in LGU budgets for funding EU projects	Registered unemployment rate*
1	2	3	4	5	6	7	8
Mazowieckie	24	1	1	1	269.96	4	4
Śląskie	20	4	3	8	152.97	9	2
Pomorskie	15	5	4	4	125.84	6	5
Dolnośląskie	15	2	2	3	245.79	14	6
Małopolskie	13	7	11	7	153.73	8	2
Wielkopolskie	12	3	6	5	116.97	16	1
Warmińsko-Mazurskie	7	14	12	13	179.61	10	16
Zachodniopomorskie	4	8	5	2	159.25	2	13
Opolskie	4	11	7	9	156.02	1	9
Łódzkie	4	6	9	10	132.13	3	7

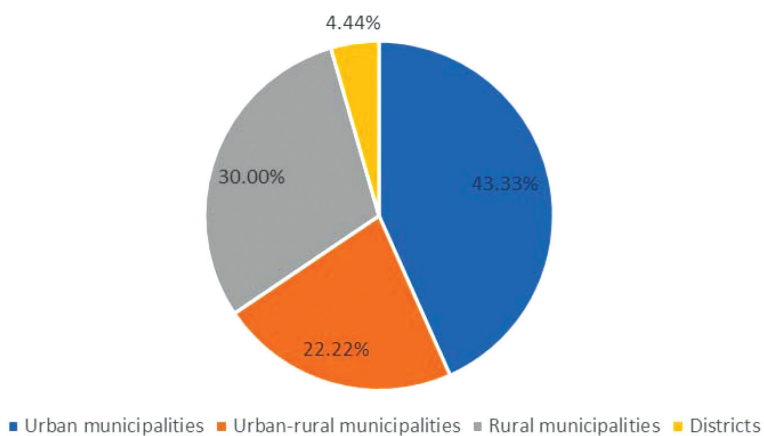
1	2	3	4	5	6	7	8
Kujawsko-Pomorskie	3	10	10	11	143.38	13	15
Świętokrzyskie	3	12	14	12	145.0	11	12
Lubuskie	2	9	8	6	167.06	12	8
Podkarpackie	2	15	15	16	123.16	15	14
Podlaskie	2	13	13	14	45.13	7	10
Lubelskie	1	16	16	15	361.80	5	10

* the smallest unemployment rate is 1, and the highest is 16.

S o u r c e: author's own compilation based on Ministry of Investment and Economic Development, *PPP projects database*; https://www.ppp.gov.pl/baza/Strony/baza_projektow_ppp.aspx/; last visited 2.03.2019; GUS, *Statystyczne Vademecum Samorządowca 2017*; <http://stat.gov.pl/statystyka-regionalna/statystyczne-vademecum-samorzadowca/>; last visited 12.07.2018 and Regional Gross Public Debts; <http://www.portalsamorzadowy.pl/prawo-i-finanse/mapa-zadluzenia-i-dochodow-wojewodztw-w-polsce,93986.html>; last visited 12.07.2018.

PPP projects were implemented in Poland by different types of LGUs. However, the most active were urban municipalities (43.33%) and the least active were districts (4.44%) (see Figure 1).

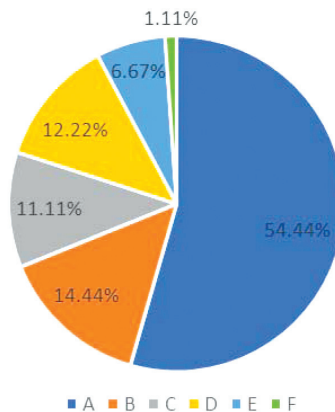
FIGURE 1: *PPP projects implemented by LGUs in Poland*



S o u r c e: author's own compilation based on a case study, n = 90 PPP projects.

The majority of PPP projects were implemented in Poland by LGUs with the potential class of investment attractiveness (PAI) of A (the highest, 54.44%) (see Figure 2). Surprisingly, the lowest level of PPP project implementation was in LGUs of PAI class E (6.67%) and class F (1.11%). However, the implementation of PPP projects by LGUs located in regions of PAI classes E and F is crucial, especially if this specific location has a “difficult surrounding”³¹. Moreover, such LGUs located in local regions of PAI classes E and F and which have difficult surroundings need to implement “more interventionist strategies” and be much more active in finding private partners or new investors instead of waiting for private partners or investors to emerge³².

FIGURE 2: PPP projects implemented by LGUs located in Polish regions with PAI classes from A to F



Source: author's own compilation based on a case study, n = 90 PPP projects. The synthetic PAI index was calculated based on public statistics comparable data for all regions in Poland as at December 31, 2014, by a Warsaw School of Economics team of researchers directed by Professor H. Godlewska-Majkowska.

Moreover, PPP projects are generally not compatible with regional development or innovation strategies. For example, according to the Dolnośląskie Development Strategy 2020³³, PPPs should be used to stimulate processes related to R&D.

³¹ M. Laukkanen, H. Niittykangas, *Local developers as virtual entrepreneurs – do difficult surroundings need initiating interventions?*, *Entrepreneurship and Regional Development* 2003/15(4), pp. 309–331.

³² *Ibidem*.

³³ UMWD, *Strategia Rozwoju Województwa Dolnośląskiego 2020*, UMWD 2011, pp. 36–37; http://www.umwd.dolnyslask.pl/fileadmin/user_upload/Rozwoj_regionalny/SRWD/SRWD_2020-final.pdf; last visited 30.06.2018.

However, so far, none of the planned or implemented PPP projects of the LGU from the Dolnośląskie voivodeship have focused on R&D. LGUs in Poland do not take advantage of the synergy effect (to increase the regional development) from adapting PPP projects to their regional development or the innovation strategies.

CEECs may use hybrid PPP projects (a combination of EU fund with private funds) to foster regional development, especially in regions with a high level of public sector debt, to facilitate the closure of the infrastructure gap and to increase the investment attractiveness of local regions.

5. Necessary changes in PPP legislation

Public-private cooperation is based on comprehensive legislation, like Directive 2014/24/EU or 2014/23/EU³⁴, and on national laws such as Municipal Management Law, Public-Private Partnership Law, Public Procurement Law, Public Finance Law, Investment Law, the Civil Code and Concession Law. There are many differences regarding PPP legislation between CEECs. For example, the regulatory framework for PPPs in the Czech Republic or Lithuania is based only on the Concession Act and Public Procurement Act. The situation is similar in Hungary, where there is no specific PPP legislation, and PPP projects are implemented through the Public Procurement Act, the Public Finances Act, the Municipal Act, the Civil Code and the Concession Act. However, in Poland and Romania, there is the Public-Private Partnership Act, the Public Procurement Act as well as the Concession Act³⁵.

In addition, CEECs have different threshold levels below which the contracting authorities, like the LGUs, may use a direct awarding procedure (for example, EUR 30,000 in Poland, EUR 15,000 in Bulgaria and EUR 70,000 in the Czech Republic for supply and services) instead of an awarding procedure based on Public Procurement Law, Concession Law or Public-Private Partnership Law. However, there is a lack of significant differences in the awarding procedures between PPP projects with a value of EUR 5 million and EUR 1 billion, or between PPP projects with a value of EUR 70,000 and EUR 1 million.

³⁴ Directive 2014/24/EU of The European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (Official Journal of the European Union, L94/65); Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the awarding of concession contracts (Official Journal of the European Union, L 94/1).

³⁵ **PwC**, *Building New Europe's...*

Moreover, legislation connected with PPPs in CEECs does not determine the organizational or legal form of cooperation between the public and private partners. Public partners have the relative freedom to choose the appropriate form of cooperation which will best suit the specificity of the planned PPP projects. The decision of the public partner should be preceded by careful analysis. Such a form of cooperation between the public and private partners may take several variations like BOT (Build – Operate – Transfer) or DBFO (Design – Build – Finance – Operate).

The necessary changes in PPP legislation to foster the regional development of CEE regions should:

- permit at the EU level cross-border PPP project cooperation between neighbouring LGUs, in order to cluster one mega or large PPP project from many small, very small or micro local PPP projects, for example, a PPP project to build local kindergartens or high schools;
- implement at the EU level a new public procurement procedure designated for very small PPP projects valued below 1 million euro, which are the most common in CEE regions. This new public procurement procedure should make it possible to quickly award PPP contracts and at a low cost to the public and private sides;
- introduce at the national level financial and advisory support for LGUs located in local regions of PAI classes E and F with a “difficult situation” and which are interested in implementing PPP projects. Such support should be directed, for example, at giving advice on how to carry out an effectiveness evaluation of a PPP project financed by a private partner compared to the effectiveness of a public investment financed only by public funds;
- implement at the national level the institution of a central PPP contract awarding authority who will be responsible for clustering similar small, very small or micro local PPP projects in one mega or large PPP project;
- announce at the EU level national as well as regional and local PPP project pipelines in order to help LGUs, when announcing a tender, reach potential private partners who may be interested in such projects.

6. Conclusion

PPP projects may bring the LGUs of the CEE regions countries benefits connected with combining public capabilities with private financing effectiveness; the opportunity to introduce appropriate risk sharing mechanisms between partners;

the ability to deliver improved Value for Money to the public sector or the possibility of implementing a long-term orientation with many objectives, as opposed to public procurement³⁶. PPP projects may foster the regional development of these regions and their investment attractiveness. However, PPP projects may also increase the regional PPP growth poles because only the most developed Polish regions are interested in implementing PPP projects. Moreover, the LGUs in Poland do not take advantage of the synergy effect (to increase regional development) from adapting PPP projects to their regional development or innovation strategies.

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- Regulation (EU) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No. 1083/2006.
- Ustawa z dnia 5 lipca 2018 r. o zmianie ustawy o partnerstwie publiczno-prywatnym oraz niektórych innych ustaw (Dz.U. z 2018 r., poz. 1693) [Act of the 5th of July 2018 amending the act on public-private partnership and certain other acts (Journal of Laws, of 2018, item 1693)].

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³⁶ See for example: **B. Li, A. Akintoye, P.J. Edwards, C. Hardcastle**, *Perceptions of positive and negative factors influencing the attractiveness of PPP/PFI procurement for construction projects in the UK: findings from a questionnaire survey*, *Engineering, Construction and Architectural Management* 2005/12/2, pp. 125–148 or **G. Hampton, A.N. Baldwin, G. Holt**, *Project delays and cost: stakeholder perceptions of traditional v. PPP procurement*, *Journal of Financial Management of Property and Construction* 2012/17/1, pp. 73–91.

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Małgorzata GODLEWSKA

JAK PPP MOŻE WPLYNĄĆ NA ROZWÓJ REGIONALNY EUROPY ŚRODKOWO-WSCHODNIEJ?

(Streszczenie)

Głównym celem niniejszego artykułu jest zaprezentowanie związku pomiędzy partnerstwem publiczno-prywatnym (PPP) a rozwojem regionalnym Europy Środkowo-Wschodniej w kontekście potencjalnej atrakcyjności inwestycyjnej regionów Europy Środkowo-Wschodniej. Na podstawie badań desk research, studium przypadku $n = 90$ projektów PPP i przeglądu literatury przedmiotu zbadano wpływ projektów PPP na rozwój regionalny Europy Środkowo-Wschodniej w kontekście atrakcyjności inwestycyjnej tych regionów, które realizują projekty PPP. Ponadto dokonano przeglądu kluczowych wyzwań, jakie stoją przed państwami Europy Środkowo-Wschodniej, a są związane m.in. z niewystarczającym poziomem rozwoju infrastruktury, którą cechuje wysoki stopień zużycia czy wysoki poziom długu publicznego brutto, w szczególności na poziomie jednostek samorządu terytorialnego (JST). Artykuł przedstawia również syntetyczną charakterystykę ram instytucjonalnych, państw Europy Środkowej i Wschodniej, niezbędnych do wspierania rozwoju PPP oraz przedstawia propozycje koniecznych zmian regulacji w zakresie PPP, aby przyspieszyć rozwój regionalny Europy Środkowo-Wschodniej w kontekście atrakcyjności inwestycyjnej. Ponadto JST w Polsce nie wykorzystują efektu synergii (dla wzrostu rozwoju regionalnego) z dostosowania realizowanych projektów PPP do regionalnych strategii rozwoju czy innowacji.

Słowa kluczowe: partnerstwo publiczno-prywatne; rozwój regionalny; państwa Europy Środkowo-Wschodniej; ramy instytucjonalne; potencjalna atrakcyjność inwestycyjna; jednostki samorządu terytorialnego