



## **PUBLIC-PRIVATE PARTNERSHIP AND SUSTAINABLE DEVELOPMENT IN LOCAL GOVERNMENT UNITS**

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**Abstract:** Nowadays, entities belonging to the public sector are increasingly taking up investments that enable the implementation of tasks inscribed in the ideas of sustainable development. This idea allows for harmonious local development in the social, ecological and economic aspects. The implementation by enterprises of sustainable development projects allows to achieve many significant benefits. Modern wastewater treatment plants, thermo-modernization of buildings or street lighting energetomodernization are ecological solutions allowing for large financial savings in local government units. Public authorities, in order to get adequate funds for the implementation of designated tasks, decide to cooperate with the private sector within the framework of public-private partnership (PPP). This cooperation brings benefits not only to public and private entities but also positively affects the whole natural environment. The purpose of this article is to show public-private partnership as a method enabling the dynamization of sustainable development in local government units. Theoretical issues have been developed based on the analysis of literature items. In turn, the practical part was presented based on a detailed analysis of the projects implemented in w Opalenicach, Poznaniu and Konstancinie-Jeziornie.

**Keywords:** community, public-private partnership, sustainable development

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### **Introduction**

Local government units that make investments related to sustainable development achieve many long-term benefits. These benefits include, among others, savings of financial resources, reduced degradation of natural resources and the use of modern, environmentally-friendly technology. However, execution of priority tasks in local government units encounters a number of barriers, which mainly result from limited budget appropriations. For that reason, public entities engage in cooperation as part of public-private partnership.

Public-private partnership refers to a long-term cooperation between the public sector and private investors. Projects implemented as part of PPP provide local population with modern infrastructure, thus improving their quality of life. The private party's modern technology and know-how ensure environmental protection and reduction of pollution emission. The development of public-private partnership is also supported by government, as PPP leads to a rational use of possessed

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resources. Governments encourage public entities to implement PPP projects, in particular in the area of thermal upgrading of buildings. Public-private partnership allows public entities to fulfil their obligations connected with energy efficiency.

The aim of this paper is to show a public-private partnership as a method for stimulating sustainable development in local government units. Theoretical issues have been presented based on analysis of the literature. The practical part of the paper has been developed based on a detailed analysis of projects implemented in Opalenice, Poznań and Konstancin-Jeziorna.

### **Sustainable development in local government units**

Sustainable development has recently gained huge popularity based on the idea: "think globally, act locally". Any activities in this area should start at the local level, as the main initiative in the area of sustainable development rests with local authorities. Execution of basic tasks in local government units is determined by their main functions and statutory obligations.

Sustainable development can be defined as striving to achieve the best economic result while respecting the natural environment and achieving high social development (Prus, Grabowski 2016, p. 212-213; Wielgórka 2016, p. 177-178). The implementation of sustainable development projects brings positive changes, both quantitative and qualitative, in a given territory, not only to the population but also to the whole natural environment (Kucznik 2017, p. 50). Sustainable development can improve inhabitants' comfort of living, meet the needs of the present and future generations, stop the increasing degradation of the natural environment, contribute to the rational use of natural resources and lead to economic growth (Chluska, Sikora 2018, p. 20).

A key role in sustainable development is played by gminas (municipalities), as they execute tasks designed to meet the most important needs of inhabitants. Local authorities are of key importance in execution of public tasks and creation of the local development. At the same time, local government units have to perform a number of key tasks, i.e. create a new technical and social infrastructure, carry out activities as part of spatial planning and pursue a pro-environmental policy. Local authorities are also responsible for fulfilling the mission of observing the principles of sustainable development (Brzeziński, Zborowski 2013, p. 122-124). The concept of sustainable development is an integral part of activities of central and local authorities. It is also an inseparable element of state policy. State authorities allow to carry out economic, social and environmental activities in a rational and effective way. The implementation of the idea involving the principles of sustainable development depends largely on the stance held by local authorities. It is the bodies of local government units that are responsible for choosing key priorities and defining the direction that will enable sustainable development of a given local community. Summing up, local authorities fulfil the most important function in execution of tasks focused on sustainable local development (Herbuś, Ślusarczyk 2012, p. 235-239).

The main pillar of sustainable development in local government units is the local economy. For this economy to be managed in an effective way, appropriate financial resources are needed in order to provide necessary public services. Local authorities, in order to perform all their tasks, engage in close cooperation with the private sector. This shows that public-private partnership is currently a necessary activity that enables stimulation of local development while complying with the idea of sustainable development (Nowak 2006, p. 24-27).

### **Public-private partnership in sustainable development**

Public-private partnership, as defined by Ch. Skelcher, refers to combining resources of government agencies with those of private entities in order to execute public tasks. In Western Europe, the concept of public-private partnership is connected with risk distribution, securing additional non-budget financing and increasing innovativeness, which has a positive impact on the external environment (Skelcher 2005, p. 146-349). In the literature, one can find a statement that PPP is an agreement-based arrangement between the public and private sectors that allows the use of both parties' resources and skills for execution of public tasks (Rutkowski 2010, p. 30-33). In other words, public-private partnership is an idea based on a long-term cooperation between entities with the aim of achieving mutual benefits, implementing both commercial and social objectives of the venture (*Managing the Relationship...* 2008). The existing legal solutions<sup>2</sup> enable creation of an environment in which private entities' knowledge and business approach is used to execute the tasks of local government units (Łakomy 2012, p. 66-67). Both the private and public parties benefit a lot from PPP investments. The public party benefits from a project completed by the set deadline, while the private party gains a permanent financial source and social prestige (Wyrzykowski 2010, p. 48-50).

Public-private partnership makes it possible to implement projects that local government units are unable to implement on their own. The main barrier hampering local development, especially one that focuses on and fits into the concept of sustainable development, is limited financial outlays. PPP, thanks to a long-term cooperation and appropriate distribution of risk, can meet the requirements of the 21st century (Wolniakowska, Ławińska 2017, p. 602).

The structure of public-private partnership in Poland is mostly determined by the necessity of harmonising the Polish economy with the EU's requirements and guidelines. The European Union places the largest emphasis on the sewerage and energy sectors as well as the development of healthcare. PPP is a response to the constantly growing budget deficit; it does not burden public finances at the local government and central levels (Rudnik 2017, p. 67-69). Public-private partnership is a complicated way of making investments, but a successful completion of a project brings measurable benefits to local government units (Zyśko 2012, p. 153).

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<sup>2</sup> More on this subject in: Act of 19 December 2008 on public-private partnership (Journal of Laws of 2009, issue no 19, item 100 with later amendments), Act of 5 July 2018 amending the act on public-private partnership and some other acts (Journal of Laws of 2018, item 1693) and Act of 9 January 2009 on works and services concessions (Journal of Laws of 2009, issue no 19, item 101).

Public-private partnership from the perspective of the idea of sustainable development should be thought of as an effective way of achieving key objectives. Poland is considered to be a country that lags behind Western countries of the European Union in the implementation of the principles of sustainable development in social and ecological aspects. At the same time, there is a significant need for the development of a close cooperation among public and private entities and the non-governmental sector. Public-private partnership has currently become an effective instrument that enables the implementation of the concept of sustainable development. PPP should be perceived as a cross-sectoral partnership that, thanks to (environmental and social) non-governmental institutions, can have a greater impact on sustainable development of local government units. Public-private partnership should play a key role in the implementation of the concept of sustainable development, especially in establishing production and consumption models, both in the social and environmental aspects (Niedek 2006, p. 106-108).

### **Public-private partnership in Opalenice, Poznań and Konstancin-Jeziorna – Case Study**

Public-private partnership regulations in force in Poland from 2009 to 2018 have led to the signing of 126 agreements for implementation of PPP projects. The most projects concerned energy effectiveness. There were 20 such projects ([https://www.rp.pl/...](https://www.rp.pl/)). Activities in this area contributed substantially to the reduction of pollution emission and rational management of possessed resources, among other things. Of key importance for the environment are also projects connected with wastewater treatment plants and municipal waste management.

An example of a public-private project that had a positive impact on sustainable development was modernisation of the wastewater treatment plant in Konstancin-Jeziorna. In 2012, gmina Konstancin-Jeziorna signed an agreement with the company Saur Polska for modernisation of an outdated installation and commissioning of a modern wastewater treatment plant. In 2015, the modernisation works were completed and wastewater redirected to the new facility. The use of modern processes, technical solutions and equipment led to high mechanical performance and biological treatment of wastewater, at the same time improving the condition of waters in Jeziorka, i.e. the river flowing through the Gmina. Thanks to the latest technology, high quality wastewater is generated and discharged to the natural environment (the wastewater meets the European and Polish standards). The processes run in the wastewater plant are fully integrated with the environment and no odours come out of the installation, which also has a positive impact on the quality of life of the gmina's inhabitants ([http://www.saur.com.pl/...](http://www.saur.com.pl/)). The implementation of the venture in Konstancin-Jeziorna resulted in many benefits for the contracting parties, employees and the previous owner of the treatment plant. The key benefits include:

- The commune budget was relieved from the necessity of incurring expenditure on the modernization of the sewage treatment plant (the private party financed 100% of the modernization costs of the facility, thanks to which the commune

- could spend over 52 million zloty on other investments, eg construction of the town hall);
- The modernization of the sewage treatment plant did not increase the debts of the commune and did not affect the individual debt ratio;
  - Additional revenues for Metsä Tissue I.S. (the owner of the old sewage treatment obtained income from the sale of land, buildings and properties included in the sewage treatment plant);
  - The private site employed all employees from the liquidated wastewater treatment plant;
  - The financing of all renovations and modernization activities done without the commune budget's involvement (Saur made a commitment to replace faulty devices or remove failures);
  - Permanent source of income (32 years) for the private party (taking money for water supply and for wastewater disposal) ([https://www.ppp.gov.pl/...](https://www.ppp.gov.pl/)).

Also the new wastewater plant in Konstancin-Jeziorna is of key importance for the local development, as the town is a spa town. The reduction of the environmental pollution not only has a positive impact on the ecosystem, but it is also translated into the social and economic development of the surrounding area.

Another example that fits into the idea of sustainable development is thermal upgrading of buildings in gmina Opalenice. In 2016, the gmina signed a public-private partnership agreement with the company Engie Services for revitalisation and energy-efficient retrofitting of eight public utility facilities.

The energy-efficient retrofitting carried out in Opalenice enables saving of almost 50% of energy consumption in public utility facilities. Thanks to the rich experience of the internationally-operating private partner - Engie Services - the latest technical solutions were used during the works ([www.portalsamorzadowy.pl/...](http://www.portalsamorzadowy.pl/)). The project was not limited to thermal insulation works, change of heating installation and replacement of windows. It resulted in creation of a system for energy consumption management. As part of the partnership, the municipal authorities together with the private partner also undertake a range of activities intended to raise awareness of the possibilities of energy saving among the inhabitants. Engie Services, which is entered into EMAS register, places a huge emphasis on compliance with legal requirements of environmental protection and pollution emission limits. The company is committed to pro-environmental activities, showing the local community that the culture of sustainable development is a guarantee of success ([http://www.gdos.gov.pl/...](http://www.gdos.gov.pl/)).

Public-private partnership projects are also used to build waste incinerators. Such a project was signed in 2013 between the city of Poznań and a private partner - the company SUEZ Zielona Energia. The venture resulted in creation of Great Poland's largest Installation for the Thermal Processing of Municipal Waste. The modern system ensures effective protection of the natural environment, reducing to the minimum the waste stored in the neighbouring areas. The installation enables handling of over 200 thousand tons of municipal waste annually. A significant advantage of the project is also generation of heat and electrical energy as a result of

waste incineration. The revenue from the sale of generated energy is assigned in full to the city's budget ([http://www.eco-miasto.pl/...](http://www.eco-miasto.pl/)). The project "Waste Management System for the City of Poznań" was supported from the very beginning by the Ministry of Regional Development, with the investment also receiving support from the Infrastructure and Environment Programme ([https://www.ppp.gov.pl/...](https://www.ppp.gov.pl/)).

Projects implemented as part of public-private partnership contribute to sustainable development of a given area. Thanks to this type of cooperation, local government units decrease their level of debt, contribute to the environmental protection and ensure inhabitants access to high quality public services. The above-presented examples allow a few important conclusions to be drawn:

- Cooperation between a public partner and private entities enables achievement of huge savings through activities consistent with the ideas of sustainable development.
- Government administration should propagate the experience gained by public entities in projects implemented in the form of public-private partnership, which could reduce the number of mistakes in the future.
- Benefits of PPP should be considered in a long time perspective due to the long-term nature of the cooperation.
- The principles of cooperation between "public institutions" and "private entities" enable economic, social and ecological development.

## **Conclusions**

Local authorities are best positioned to put the local development on the right track by eliminating the most important social and economic problems, and giving priority to execution of those tasks that benefit the whole society. It is believed that energy-saving and environmentally-friendly investments comply with the ideas of sustainable development of local government units. Most often, the implementation of such investment projects is possible through cooperation between public entities and the private sector. The Ministry of Development supports public entities in implementation of projects as part of public-private partnership. PPP is a formula that should be chosen consciously and backed by earlier analyses to confirm the rightness of the application of this method.

Public-private partnership is an instrument that enables implementation of local sustainable development. PPP enables a better spatial planning, reduction of pollution emission and reduction of electrical energy consumption. Cooperation between the two sectors provides a chance for implementation of projects that will enable maintenance of a rational balance in economic, social and environmental aspects.

Thanks to local authorities' investments in thermal upgrading of public buildings, local government units achieve savings of as much as 40% in energy consumption. Municipalities also start to undertake a range of activities aimed at raising awareness of the ways of energy saving among inhabitants. A positive influence on the environment is also exerted by projects to create modern wastewater treatment plants. Advanced technologies ensure the highest quality of wastewater, which is discharged into the environment, and at the same time improve the image of the local

government unit concerned. It is worth emphasising that implementation of public-private partnership projects leads to savings not only for local government institutions but also the whole local community, and has a positive impact on the natural environment. Any solutions designed to bring savings which are implemented in the local economy lead to higher efficiency while reducing the negative impact on the environment (Sobal 2011, p. 158).

It is important to mention a positive impact on sustainable development among the main advantages of public-private partnership, apart from huge budget savings. Such activities will guarantee more interest in PPP projects and thereby will enable building of a positive image of the local area.

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## PARTNERSTWO PUBLICZNO-PRYWATNE A ZRÓWNOWAŻONY ROZWÓJ W JEDNOSTKACH SAMORZĄDU TERYTORIALNEGO

**Streszczenie:** W obecnych czasach jednostki należące do sektora publicznego coraz częściej podejmują inwestycje, które umożliwiają realizację zadań wpisanych w idee zrównoważonego rozwoju. Idea ta pozwala na harmonijny rozwój lokalny w aspekcie społecznym, ekologicznym oraz ekonomicznym. Realizacja przez jednostki przedsięwzięć z zakresu zrównoważonego rozwoju pozwala na osiągnięcie wielu istotnych korzyści. Nowoczesne oczyszczalnie ścieków, termomodernizacja budynków czy energomodernizacja oświetlenia ulicznego to ekologiczne rozwiązania pozwalające na uzyskanie dużych oszczędności finansowych w jednostkach samorządu terytorialnego. Władze publiczne, aby zdobyć odpowiednie środki na realizację wyznaczonych zadań, decydują się na współpracę z sektorem prywatnym w ramach partnerstwa publiczno-prywatnego (PPP). Współpraca ta przynosi korzyści nie tylko jednostkom publicznym i prywatnym, ale także pozytywnie wpływa na całe środowisko naturalne. Celem niniejszego artykułu jest ukazanie partnerstwa publiczno-prywatnego jako metody umożliwiającej dynamizację zrównoważonego rozwoju w jednostkach samorządu terytorialnego. Zagadnienia teoretyczne zostały opracowane na podstawie analizy pozycji literaturowych. Z kolei część praktyczna przedstawiona została w oparciu o szczegółową analizę przedsięwzięć realizowanych w Opalenicach, Poznaniu oraz Konstancinie-Jeziornie.

**Słowa kluczowe:** gmina, partnerstwo publiczno-prywatne, zrównoważony rozwój