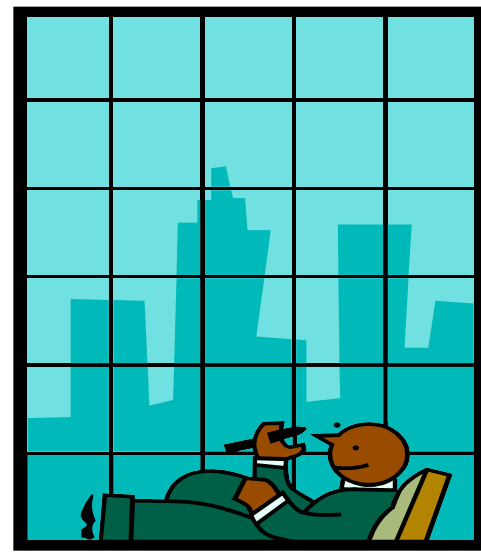




Contracting in public utilities

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UE funds and grants from Municipality

The funds UE devoted Poland make up only 2% GDP and are only 8 ÷ 12% of all necessary funds for the infrastructure;

- The frequent lack of funds is the additional limitation on the so-called own contribution [25% ÷ 75% dependable on UE projects]
- projects of local self government units alone sum up to 25 billion €

Invesments of local self-government units

- According to the Operational Programme - The Infrastructure & the Environment for 2007-2013 and in compliance with the 2010 National Waste Management Plan about 15 billion PLN should be reserved for basic investments in the waste management field
- UE structural funds make up only 3,3 billion PLN of the necessary amount.

Municipality development context

- Immense investment needs of local governments;
- Delays in the implementation of central projects in the area of infrastructure investment vary from several to ten or even more years;
- the lack of public funding forces a change in the way of thinking: a dilemma of empty communal budget and the possibilities of a private capital

Problems of public finance

- “The dead circle” of municipal investments: high expenditures - fast technological progress – non attractive offer - low incomes - the growing deficit, where reaching for EU funds gives additional „headache”
- EU funds and other financial institutions like World Bank, EBRD(European Bank for Reconstruction and Development), EIB(European Investment Bank) suggest in their directives a cooperation of private partner in the borough investment ventures)

Private partner context

... in the field of waterworks and sewage management the private partner is an associate for many (sometimes even couple of hundreds) cities and boroughs

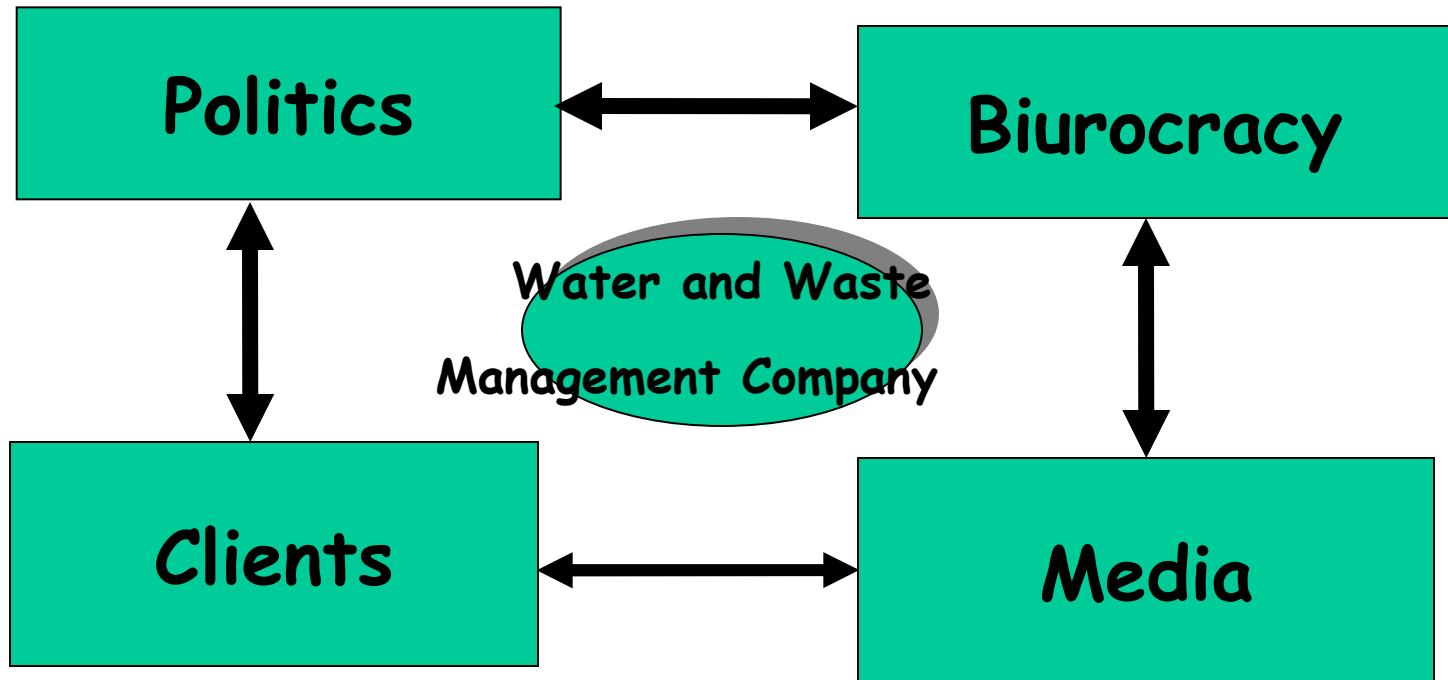
using the experience and relying on the special character of the public service philosophy I propose solutions involving specific local needs

- Modernization and development of the existing infrastructure
- Constructing new elements of the necessary infrastructure
- Raising the standard for environmental protection
- Raising the standard or service provided and level of client satisfaction

- Long term stabilization of fees for water and disposal of sewage
- Increase of social and economical attractiveness of the city

Private partner





Fears and concerns

The infrastructure investments implemented in the cooperation with a private partner still cause a lot of emotional approach and controversies in Poland. The representatives of the public sector fear that entrusting public tasks to a private partner will not assure a sufficient protection of their interests.

More concerns

- In turn a private investor will associate the public sector with:
- long-lasting procedures,
- long decision making process,
- frozen financial means

For the needs of the investment implementation in cooperation with a private partner one should ask about:

- The specification of **local financial needs** in the sphere of public services,
- The necessity of securing a permanent and stable **fulfilment of citizens needs**,
- The need for **restructuring the system of the infrastructure** in the legal and organizational context;
- relieve of the budget** from current and future obligations in respect of investment implementation,
- possibility of decreasing the level of administrative involvement in the budget sphere of sole proprietorships

The essence of the problem

- A contract is both an ordinary order for even the most simple service performed by a craftsman for the commune as well as a large, strategic public-private partnership with the commitment of many partners from public, commercial sectors and non-profit organizations.

The Definition...

In other words: contracting is an order put for implementation of the statutory objectives of the authorities to legal structures with the participation of an outside partner...

1. Different kinds of contracts/ agreements

- **Mandatory agreement**
- **Contract of specific work**
- **Contract of service**
- **Contract of lease**
- **Contact of rent**
- **Concession**

1.1.1 mandatory agreement

- Is the most simple way of mandating to a private subject(contract acceptor) by the local self-government unit(contract giver) a specified task to perform within a time limit for an agreed emolument.
- Widely applied by the local self-governments in respect of consulting or technical services.

1.2.1 Contact of specific work

- A local authority mandates to a private subject(i.e. the contractor) an implementation of an agreed service in exchange for an agreed emolument.
- In this form agreements for services protected by copyright are made.

1.3.1 Contact of service

- The local authority mandates to a private contractor performing a certain service as a one time event or for specified period of time. The commune charges executing the concrete service to the private operator, testified single or by the longer period of the time.
- The ownership of the property, stating the level of the service mandated, and decision concerned with the price level setting remain within the authority of the commune entirely.

1.4.1 Contract of lease and tenancy

- The local authority for a specified period of time confers the usufruct of parts of its communal property (machines and devices, buildings, estate and other objects)
- The leaseholder [the tenant] in exchange for the usufruct right agrees to pay certain amount of money.

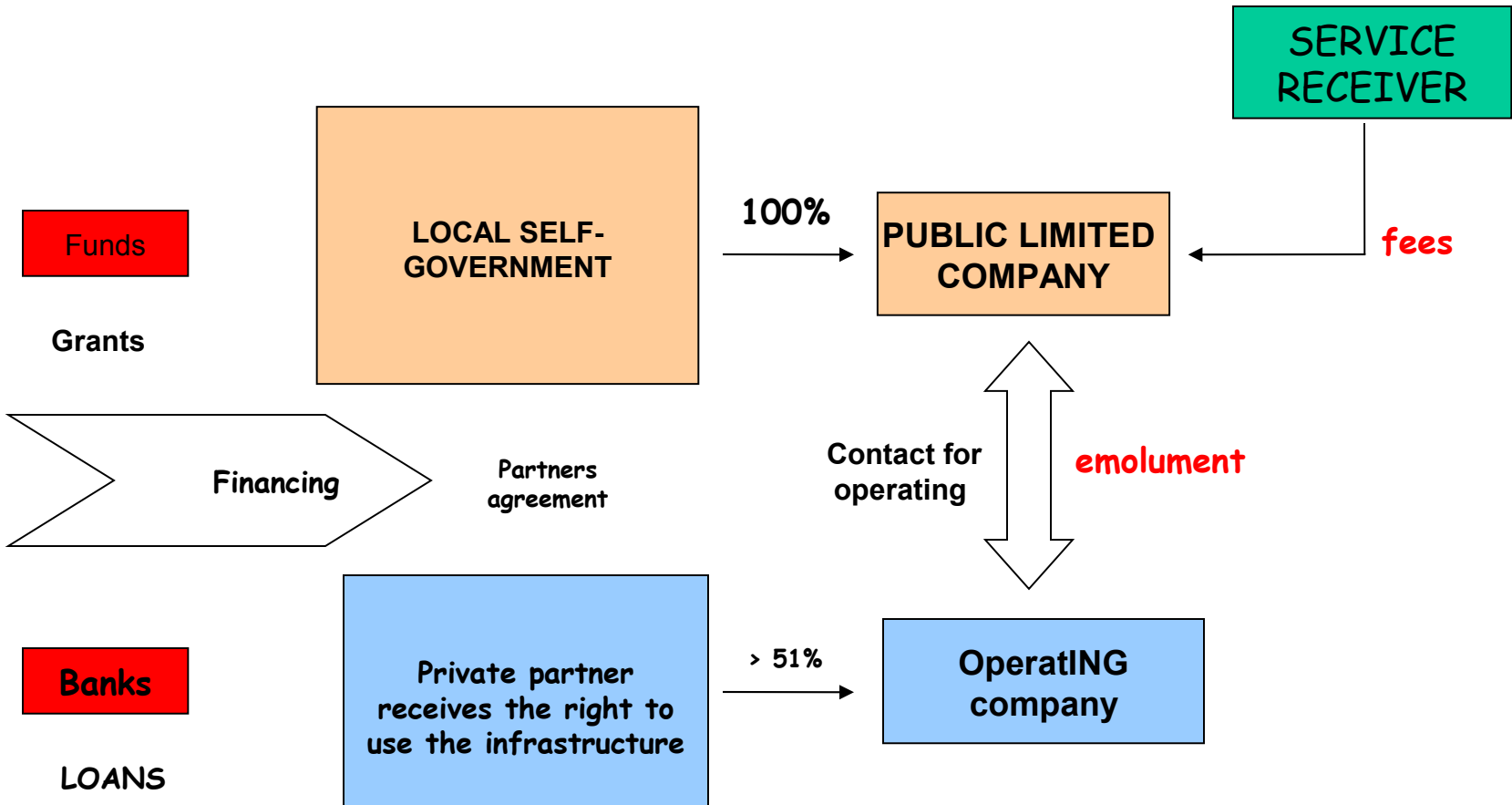
1.5.1 Contact for operating

- The local authority for a specified period of time confers the duties connected with the governance and maintenance of a chosen part of communal infrastructure in exchange for performing for the local authority service classified as a statutory task of the local self-government.
- The operator [the administrator] receives a fee for the service provided for the citizens:
 - directly from the customers,
 - Through the municipal structures

1.6.1 Concession

- The idea popularized in Poland during the discussion about the solution of the problems in funding and building the highways, and has not been precisely defined yet.
- In terms of international cooperation it is understood that the concessionaire takes over the governance and usage of the existing infrastructure. .
- The concessionaire is as well responsible for the modernization as for the required development of the governed infrastructure.

2.1.1 Operating model



2.1.2 Operating model- responsibilities

The Commune and Public liability partnership

establishing water and sewage fees, proper use of EU funds, ownership of estate, financing of new investments and renovations of the old ones, developing and accepting investment plans, accounting the clients, the governance over the implementation of the contract/agreement conditions(emphasise put on the standard of provided service and the extent of maintenance/repair needed)

the Operating partnership:

operating and maintenance of the infrastructure
consultancy during the preparation stage of the investment program
payment for usufruct of the infrastructure

3.4 Stages of implementation of the transformation process

Private operator chosen by means of a tender

transitional period before implementation of the project

Purchase and transfer to the Operator's property elements of public waterworks company. Staff transfer (with compliance to the law and with respect to the regulations accepted during the tender), new agreements attached to the last invoice sent to the clients, indexing the property which is to be transferred (sewage system, waterworks, water treatment plant)

implementation of agreement conditions

MPWiK(= Public liability company = owners of the infrastructure

the Operator pays MPWiK the rent

the service receivers transfer the money for the provided service to the

Operator's account.

Thank you for your attention

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