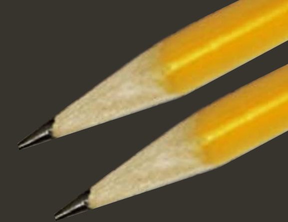
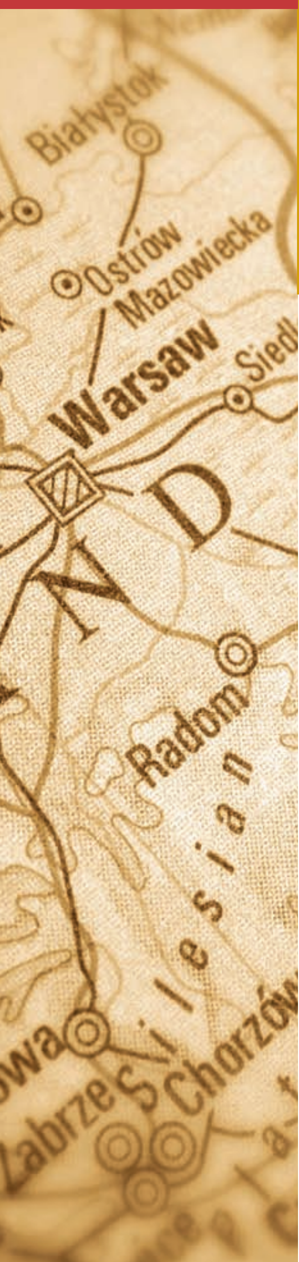


LESSONS FROM POLAND

Perfecting Public/Private Partnerships

QUICK TAKE

- Poland has been a pioneer in attracting private sector investment in public projects
- Recent amendments to the country's laws are expected to expand public-private ventures
- Could the Polish model work in our country?



As demands on the public sector keep growing, while its revenue base keeps shrinking, there's a lesson to be learned from Poland. Here, there's a keen effort to incentivize and recruit the private sector's involvement in public and quasi-public projects–recently strengthened by rewriting and amending the country's public-private partnership laws (commonly referred to as PPP).

With a goal of expanding the use of PPP, Poland's amendments have eliminated much of the bureaucratic red tape and inefficient public-procurement regulations that hampered original laws. In the view of many experts, the amendments—which took effect in February—should lead to a big increase in infrastructure projects, even as fewer public funds are available.

Basically, PPP amendments codify the law's basic premise: to incorporate the relative strengths of the private sector—especially in project construction, management, operation, and financing—into public infrastructure projects.

A detailed contract efficiently allocates tasks, risks, and rewards. In a typical Polish PPP project, the private party and the public entity agree to assume equitable risk for their mutual benefit—oftentimes sharing the equity and financial returns generated by the project.

Poland's newly enacted amendments also harmonized the general concept of PPP with the procedures and regulations affecting public procurement bidding. Now, if the basis of a private party's remuneration includes the right to obtain benefits from the project, the selection of the private-sector partner is regulated by Poland's concession regulations, rather than by rigid public-bidding procedures.

Could the model serve to spur infrastructure projects in the United States?

Until now, the U.S. has been slow to embrace public-private partnerships. This reluctance is due to both policy and technical reasons, including the challenge of merging PPP with what is basically a federal subsidy to local government projects through the use of tax-exempt municipal bonds.

While Poland's law isn't a perfect fit for U.S. projects, it does demonstrate that a properly structured PPP can generate capital resources for needed infrastructure improvement in these lean times.

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