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## PRIVATE AND CIVIC ORGANISATIONS AS PROVIDERS OF PUBLIC SERVICES IN MUNICIPALITIES

**Abstract:** The following article presents the results of a study investigating employment of private and non-governmental organisations in Polish municipalities as providers of versatile public services and the resulting nature of the relationship among the latter. The passing of legislation that requires or allows delivering public services through non-public entities triggered the development of a contract culture in municipalities. The resultant relationship may be either of a competitive (mainly technical services market) or cooperative (social services) nature. The research findings support the hypothesis that larger municipalities have better developed processes of contracting public services.

### 1. Introduction

The need to implement the mechanism of intersectoral cooperation in public service delivery processes has not only been identified in the contemporary public management concepts but it has also been recognised as the most effective instrument to improve the performance of public-service tasks (Osborne and Gaebler, 2005; Salomon, 1981). Inclusion of the private and social sectors in the process of satisfying collective social needs is perceived as a way to both improve the quality of public services and reduce their accompanying costs. This, in turn, is connected with the need to compete on the quasi-markets. Furthermore, it is also widely held that the reduction of the scale of social problems is more effective due to the output and provision of public services based on the principles of pluralism and cross-sectoral cooperation (welfare pluralism) (Grewiński, 2009). The latter, as well as open competitive markets, are also recommended by the European Commission in its *White Paper on Services of General Interest* (White Paper, 2004). Importantly, intersectoral cooperation is a widely and variously interpreted term. It manifests itself in reciprocal information and consultation of decisions between public and non-public entities, commissioning the latter the public-service tasks, as well as joint planning and implementation of activities.

The contracting of services by the public sector to the private and social sectors is anchored in the economic theory. Its neoclassical strand in particular points to a higher efficiency of the private rather than public sector and to the superiority of the market over the state. The first of the two statements is supported, among

others, by the property rights theory which assumes that private entities remain under the motivational impact of ownership, which further affects their operational efficiency. The private owners' economic decisions, therefore, contribute to the rational allocation of resources. The second one may be inferred from the public choice theory and its related concept of government failure. Stiglitz distinguishes four main causes of the latter, namely limited information, limited control over the effects of state actions on private markets, limited control over bureaucracy and political constraints; yet, he contrasts them with market imperfections. He further argues that since neither the government nor the market is infallible, the state should refrain from intervention unless the market failure is greater and the intervention proves to be effective in solving specific problems. In this context, Stiglitz suggests cooperation instead of confrontation between the state and the market (Stiglitz, 2004).

In management science, public service contracting and creating markets in this particular sector is related to the concept of New Public Management (NPM). It indicates the importance of rational public expenditure, which includes assessment of the quality-cost relationship. The efficiency calculation favours private rather than public entities due to efficient management skills. The NPM concept, its inherent marketisation and public service contracting in particular, is set in the neoliberal context that criticises active participation of the state in the economy, as well as in the new institutional economics, which treats the market as a motivating mechanism to increase efficiency.

In turn, according to the public governance concept, broad inter-institutional cooperation among public, private and social sector organisations may help solve complex and multi-faceted social problems since it would draw not only on relevant, thorough and collective knowledge but also on coordination of interests. Hence, the interdependence of entities constitutes the basis for coshared activities and shared responsibility.

The present article discusses the intersectoral cooperation of Polish municipalities in the provision of public services in the context of both the applicable legislation and the scope of contracting. Thus, it provides an insight into the theoretical as well as empirical characteristics of commissioning non-public entities public-service tasks. The presented research findings come from the research project "Local Government. Between the State, the Society and the Market: Cooperation and Competition"<sup>1</sup> implemented by the Department of Local Government Economics, University of Łódź, Poland. The article presents selected results of a survey conducted among the Polish municipalities.

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## **2. The legal framework of public service provision in Poland: cooperation with private entities and non-governmental organisations in municipalities**

Polish legislation permits cooperation between municipalities and external providers, that is, private and public entities and non-governmental organisations (NGOs), in order to transfer or jointly implement public-service tasks. The scope of arrangements may also comprise their participation in planning and local development efforts or it may fall within the remit of consultations. In line with their needs in this respect, municipalities may voluntarily engage these entities in local government management, as stated in Articles 3 and 4 of the Act of 20 December 1996 on Municipal Management.

Hence, private entities can be direct implementers of public services. In such a case, the municipality acts as a market organiser and, since it purchases the service on the market, it remains entirely responsible for its ensuing cost. In this case, the private entity only continues to be the contractor of the task ordered by the municipality through a civil law agreement, in accordance with the Act of 29 June 2004 Public Procurement Law, Act of 27 August 2009 on Public Finances, as well as other acts that define in detail the requirements such as the obligation to obtain a licence, permit and registration in the register of regulated activities or a professional licence to be eligible for a contract.<sup>2</sup>

Public-private partnerships (PPP) are a more sophisticated form of cooperation between municipalities and the private sector. The division of tasks, responsibilities and risks within the framework of PPP enables the achievement of the most cost-effective and viable approach to creating infrastructure and delivering public services (Korbus and Strawiński 2009, pp. 58–59). Pursuant to Article 1 of the Act of 19 December 2008 on Public-private Partnerships, its subject is the joint implementation of the undertaken project based on the division of tasks, responsibilities and risks between the public entity and the private partner. The latter is required to complete the task for the agreed remuneration or to incur either all or some of the expenses connected with it or to charge them to a third party. The former, then, is obliged to cooperate in achieving the objective of the project, in particular by contributing financially or by means of material goods (Art. 7 (1)).

Activities under the public-private partnership formula are also regulated by the provisions of the Act of 21 October 2016 on the Concession Contracts for Works and Services. According to Art. 3 of the Act, the contracting authority (public entity) entrusts the concessionaire (private entity) with the execution of construction works or provision and management of services for a fee. Depending

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<sup>2</sup> The issues are regulated by, among others, the Act of 13 September 1996 on Maintaining Cleanliness and Order in Municipalities; under which permits are issued for emptying septic tanks and transporting liquid waste, protection against stray animals, shelters for homeless animals, and also burial and incineration of animal carcasses and parts thereof; Act of 14 December 2012 on Waste Management – which provides a legal basis for issuing permits for the recovery and disposal, collection and transport of waste, as well as decisions regarding the storage of waste; Act of 7 June 2001 on Collective Water Supply and Sewage Disposal; Act of 6 September 2001 on Road Transport, under which permits for regular national road passenger transport services are issued.

on the purpose of the contract, it is either solely the right to use the buildings and structures that are the subject of the contract or that right together with payment – in the case of the execution of works, or the right to make use of the services that are the subject of the contract, or that right together with the payment – in the case of the provision and management of services. In either case, the concessionaire bears the economic risk of executing the concession.

Non-governmental organisations may also be partners in intersectoral cooperation initiatives in municipalities. Their role and importance in Poland is constantly growing, and their existence is a vital component of civil society. In addition, NGOs are believed to contribute to the increasing availability and quality of services that respond to crucial social needs (Kietlińska, 2010). According to Art. 5 (2) of the Act of 24 April 2003 on Public Benefit and Volunteer Activity, cooperation between municipalities and NGOs can take place in the following forms:

- 1) entrusting non-governmental organisations with the performance of public tasks on the terms specified in the contract,
- 2) reciprocal feedback concerning all the planned activities,
- 3) consulting non-governmental organisations on draft legislation in areas relating to their statutory activity,
- 4) consulting draft legislation concerning public tasks, referred to in Art. 4, with councils for public benefit activity in areas where such councils have been established by competent local government units,
- 5) setting up joint advisory and initiative teams composed of representatives of non-governmental organisations and representatives of relevant public administration authorities,
- 6) agreement to pursuing local initiatives on the agreed terms,
- 7) partnership agreement set out in the Act of 6 December 2006 on the Rules for Conducting Development Policy, and
- 8) partnership agreements and contracts referred to in the Act of 11 July 2014 on the Principles of Implementation of Cohesion Policy Programmes Financed under the 2014–2020 Financial Perspective.

The process of commissioning the performance of public tasks referred to in the above discussed Act may take the following forms:

- 1) entrusting the performance of public tasks together with the provision of financial resources for their implementation, or
- 2) supporting the performance of public tasks and awarding grants to co-finance their performance.

The choice of a non-governmental organisation to provide a public-service task is based on a public tender. Moreover, the delegation of tasks to NGOs and granting them subsidies may also be influenced by other sectoral laws.<sup>3</sup>

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<sup>3</sup> Pursuant to the Act of 27 August 2009 on Public Finances, local governments can finance public goals related to their tasks, other than public benefit tasks specified in the Act of 24 April 2003 on Public Benefit and Volunteer Activity. For instance, on the basis of the Act on Public Finances, local government units may provide sports clubs with targeted subsidies for the implementation of sports training programmes, purchase of sports equipment, coverage of costs related to the organisation of sport competitions or participation in these competitions, as well as those

As a rule, intersectoral cooperation executed on the basis of the legal acts indicated above places the municipality in the position of ordering services on the market. Its role is to both commission public tasks by means of public procurement, permits, concessions or a public tender procedures and determine the necessary terms and conditions for their implementation. Therefore, the contract culture and the subsidy culture might be distinguished here. The successful provider – a non-governmental or private cooperation entity – assumes responsibility for providing the recipients with the service. What is more, the contracting of services contributes to building a partnership of implementation rather than a relation in which both parties share the same rights (Grewiński and Lizut, 2012). Only the PPP formula and certain forms of cooperation with non-governmental organisations (e.g. local initiatives) meet the requirements of a real partnership in the form of the partners' balanced rights and obligations or of the empowered local community which acts as a leader.

Table 1 shows possible forms of cooperation between municipalities, private entities and non-governmental organisations in the context of their prevailing nature and the corresponding concept of public management.

Tab. 1. Forms of cooperation between municipalities and private entities and non-governmental organisations in the light of public management concepts

Form of cooperation	Relation	Management concept
Delegation of public services to private entities, concessions, permits	Contracting of services	NPM
Delegation of services to non-governmental organisations through a public tender	Contracting / subsidising of services	NPM
Local initiative	Partnership	Public governance
Partnership agreement	Partnership	Public governance
PPP	Partnership	NPM, public governance

Source: own elaboration.

### 3. Research assumptions and methods

The phenomenon of intersectoral cooperation is examined in this paper in terms of:

- contracting and subsidising as factors determining the activity of private entities and non-governmental organisations as providers of public services in different segments of municipal markets,
- the nature of the relationship between service providers and municipal authorities,

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connected with using sports facilities for training purposes, sports scholarships and remuneration of the training staff identified in the Act of 25 June 2010 on Sport; subsidies may be granted through public procurement under the Act of 23 July 2003 on the Protection of Monuments or the Act of 24 August 1991 on Fire Protection; the Act of 7 September 1991 on the Education System permits entrusting the management of schools to either natural or legal persons (including NGOs).

– the forms of cooperation between municipalities and non-governmental and private entities other than contracting and subsidising of public services.

In relation to the adopted research objectives, the following research hypotheses were formulated:

**H 1. The size of the municipality (expressed as the number of inhabitants) affects the participation of private entities and non-governmental organisations in the provision of public services. The larger the municipality, the greater the need to engage non-governmental organisations and private entities rooted in the size and specificity of the market.**

Many theoretical studies indicate that there is a correlation between the size of a municipality and its potential to perform public-service tasks. The larger the unit, the greater the possibilities to perform a wider range of tasks (Swianiewicz et al., 2016). Therefore, participation of non-governmental organisations and private entities in the implementation of public tasks should take place in smaller municipalities in order to guarantee the supply of those goods and services that the municipality fails to provide in response to the reported demand of residents.

The results of the research into the privatisation of public services indicating the complexity of the market management process that municipalities must perform (market recognition, order planning, contract preparation by specifying the quality of the services, evaluation and of tenders and award of contracts, and then supervision of the contract performance) corroborate the adopted hypothesis (Glasby, 2012). A public organisation that contracts services available from private service providers should have the necessary resources required to manage, oversee and enforce obligations (Van Slyke, 2003). Whereas effective commissioning and monitoring of contracts seems more difficult in small municipalities, larger ones are at an advantage here since they have fewer problems with finding high-class specialists to support this process.

According to Weisbrod's public goods theory (Weisbrod, 1988) and Douglas' categorical constraint theory (Douglas, 1987), public tasks are more often performed by non-public entities in larger municipalities. Both theories take note of the fact that public organisations tend to provide goods and services at a level that satisfies an average voter, while giving less attention to the needs of various minority social groups (Hansmann, 1987). Non-governmental organisations can be instrumental in reducing this gap. Moreover, owing to their professionalism (specialisation, knowledge of the residents' needs), they offer services of a higher quality than public entities, and also respond to the needs of minorities. Simultaneously, as the number of municipality residents increases, so does the number of minority groups with specific needs and demand for NGO assistance.

**H 2. The structure of the public services market influences the nature of the relationship between its participants. The presence of private entities on the public services market favours competition in this market, whereas the presence of non-governmental organisations is conducive to their cooperation.**

This hypothesis refers to Hudson's concept of stages of social services integration. He distinguishes four phases of NGO involvement in the public services market:

- separatism, where each social policy entity plans and delivers its own contribution in isolation from the contribution of others;
- competition, where purchasing is separated from providing; as a result, organisations operating in the so-called quasi market are placed in a competitive relationship to one another;
- partnership, where entities providing services cooperate and form a network of inter-institutional relationships;
- the whole system's working, where all entities producing and supplying services are characterised by integration and comprehensive cooperation (Hudson, 2004, after Grewiński, 2013).

Referring to the above highlighted phases, the market of technical services contracted to the private sector was assumed to demonstrate competition due to its profit orientation. Cooperation, on the other hand, is expected in the social services market, where we find an active involvement of NGOs and emphasis on solving social problems and providing assistance.

**H 3. Cooperation between the municipality and other participants of the public services market concerns every industry. However, it occurs more frequently in the social rather than the technical services market.**

The first part of the hypothesis is justified in the classification of intersectoral partnerships depending on the nature of the relationship and the distribution of powers between the partners. Grewiński and Lizut identified in this respect the partnership of relations and of implementation (Grewiński and Lizut, 2012). In their opinion, contracting public services to private providers supports the latter. The assumption of a higher cooperation frequency in the social rather than technical services market stems from the fact that, in terms of non-governmental organisations, contracting is less common than subsidising – a mechanism that leads to decentralisation of social services instead of their marketisation, based on solidarity and common good principles, and which recognises the importance of social ties and civic participation in the implementation of social tasks (Rymsza, 1998). Cooperation between entities involved in solving social problems is inherent in the subsidy culture (Grewiński and Lizut, 2012).

**H 4. The size of the municipality influences the forms of cooperation with private entities and non-governmental organisations in terms of providing public services. Forms of cooperation are more diverse in large municipalities.**

Both Polish (Trutkowski and Kurniewicz, 2014) and foreign (e.g. Galambos, 1999) research findings confirm the existence of a relationship between the municipality's size and the applied management instruments. Furthermore, they demonstrate that larger municipalities employ numerous and differentiated tools and methods of public tasks implementation, organisation and management.

The verification of the above research hypotheses was carried out on the basis of a completed field survey of Polish municipalities. Since there are as many as 2,479 municipalities in Poland, a quantitative survey, both electronic and postal,

was used and sent to all district governors and mayors. Ultimately, of 2,479 questionnaires, 494 responses were obtained (a return rate of 19.9 %).

The structure of the surveyed sample was representative of the structure of all Polish municipalities in terms of the number of inhabitants. Small municipalities with up to 10,000 inhabitants (58.3%) prevailed among the analysed group (Tab. 2).

Tab. 2. The number and structure of the analysed municipalities in terms of their size expressed as the number of inhabitants

Municipality size	No. of municipalities	Percentage
<5,000	113	22.9 %
5,000 to 10,000	175	35.4 %
10,000 to 20,000	129	26.1 %
20,000 to 50,000	46	9.3 %
≥ 50,000	31	6.3 %
Total	494	100.0 %

Source: own elaboration based on the survey results.

Intersectoral cooperation in Polish municipalities was also evaluated by means of a multidimensional analysis based on Hellwig's taxonomic measure of development (Hellwig, 1968), used to build integrated cooperation indicators. Fifteen variables were selected to construct two integrated indicators of intersectoral cooperation, one for municipalities and NGOs (five variables) and one for municipalities and private entities (10 variables). In estimating the variables, the results of the survey of 494 Polish municipalities were used (Tables 8 and 9). The selected variables are stimulants with values expressed in the same units (%), normalisation was not necessary. In the absence of unambiguous indications as to the varied significance and role of the individual features, equal weights of all the selected diagnostic variables were assumed (Hellwig, 1968).

The first step in the development of an integrated indicator of cooperation was to determine the *ideal*, i.e. a municipality with the best values of the diagnostic variables  $z_{0j} = \max \{z_{ij}\}$ , where  $z_{ij}$  is the stimulant value. It was assumed that the most favourable values included in the study of diagnostic variables are 100% (which means that the occurrence of a given trait in the whole studied population is desirable). Then, the distance between the sampled municipalities and the *ideal* ( $d_i$ ) was determined with the application of the Euclidean distance formula:

$$d_i = \sqrt{\sum_{j=1}^m (z_{ij} - z_{0j})^2} \quad (1)$$

where:

$i = 1, 2, \dots, n$  – the number of municipalities,

$j = 1, 2, \dots, m$  – the number of variables,

$z_{ij}$  – the value of a normalised the  $j$ -th variable for the  $i$ -th municipality,

$z_{0j}$  – the ideal value of a normalised of the  $j$ -th variable.



The value of  $d_i$  was normalised by constructing a relative measure of development  $z_i$  with values in the (0,1) interval:

$$z_i = 1 - \frac{d_i}{d_0} \quad (2)$$

where:

$z_i$  – a synthetic development measure for the  $i$ -th municipality,

$d_0$  – a coefficient which assures the display of  $z_i$  values in the range of 0 to 1, determined, for example, with the formula:

$$d_0 = \overline{d_0} + 2S_0 \quad (3)$$

where:

$\overline{d}$  – the arithmetic mean of  $d_i$  distances,

$S_0$  – the standard deviation of  $d_i$  distances.

The higher the value of  $z_i$ , the closer is the municipality to the *ideal*.

#### 4. Research results

The ownership structure of public service providers in Polish municipalities is diverse. The respondents' answers to the sphere of education, social welfare and culture raised some doubts. They could choose from among private entities, non-governmental organisations, public entities (municipal and other), as well as those with a mixed-ownership structure, but clearly a substantial proportion of the respondents misunderstood the question. More than 16% of them did not declare the presence of a public school in their municipality, more than 14% did not declare the presence of a public entity dealing with social services, and more than 12% – of a public institution providing functions related to culture. Those unexpected cases were verified on the basis of data available on the website of the Public Information Bulletin (*Biuletyn Informacji Publicznej*), which confirmed the presence of relevant public institutions operated by local governments. Therefore, the data in Tab. 3 were corrected respectively.

Tab. 3. Percentages of municipalities using service providers, by type and branch of services (%)

Branch of public services	Type of provider			
	public	mixed	private	non-governmental
electricity supply (N = 483)	24.8	19.1	35.0	13.3
heat supply (N = 478)	31.2	11.5	32.6	2.1
gas supply (N = 478)	17.0	10.6	34.2	6.8
water supply (N = 483)	86.6	4.4	8.9	1.5
sewage collection (N = 484)	82.0	4.0	14.6	1.3
waste management (N = 484)	63.3	6.1	43.0	1.9
environmental protection (N = 483)	66.1	6.4	15.9	7.4
construction (N = 484)	23.3	11.9	65.7	2.3
public transport (N = 484)	35.0	20.1	53.2	5.1
education (N = 454)	100.0	3.2	14.8	14.2
health care (N = 484)	45.9	10.0	58.1	7.4
social welfare (N = 454)	100.0	2.1	2.8	17.2
culture (N = 454)	100.0*	5.7	11.9	28.2
sport (N = 483)	60.0	7.4	12.7	47.5
tourism and leisure (N = 483)	44.7	8.3	39.5	26.7

\* in 25% of the analysed municipalities there is a municipal cultural institution in the form of a library

Source: own elaboration based on the survey results, adjusted by the data of the Public Information Bulletin (*Biuletyn Informacji Publicznej*).

Construction, healthcare, public transport and waste management comprise services the provision of which is dominated by private entities when juxtaposed with municipal entities, other public providers or even non-governmental organisations. Waste management services are a special case here, because the percentage of municipal and private entities responsible for their provision is often equal.

Non-governmental organisations are most actively involved in the provision of social services in the field of sport, tourism and leisure, as well as culture. In the case of tourism and leisure the market share of public, private and social sectors is relatively balanced.

The conducted research has found that the involvement of private entities increases along with increase in the municipality's size, and thus the size of the public services market (Tab. 4). This dependence applies to all the analysed service categories except for industries traditionally monopolised by public entities (water supply and sewage systems).

Tab. 4. Participation of private entities in the public services market in municipalities (%)

Municipality size Branch of public services	Population					
	<5.000	5,000 –10,000	10,000 –20,000	20,000 –50,000	≥50.000	total
electricity supply	31.4 (N = 105)	30.1 (N = 173)	39.5 (N = 130)	42.2 (N = 44)	58.1 (N = 31)	35.0 (N = 483)
heat supply	32.7 (N = 104)	29.4 (N = 170)	31.5 (N = 128)	41.3 (N = 45)	41.9 (N = 31)	32.6 (N = 477)
gas supply	26.0 (N = 104)	33.7 (N = 169)	37.5 (N = 129)	45.7 (N = 45)	45.2 (N = 31)	34.2 (N = 478)
water supply	8.6 (N = 105)	9.2 (N = 173)	8.5 (N = 130)	11.1 (N = 44)	6.5 (N = 31)	8.9 (N = 483)
sewage disposal and treatment	13.3 (N = 105)	13.9 (N = 173)	14.7 (N = 130)	19.6 (N = 45)	9.7 (N = 31)	14.6 (N = 484)
waste management	42.9 (N = 105)	42.8 (N = 173)	38.8 (N = 130)	65.2 (N = 45)	45.2 (N = 31)	43.0 (N = 484)
environmental protection	12.4 (N = 105)	13.3 (N = 173)	16.4 (N = 130)	19.6 (N = 44)	32.3 (N = 31)	15.9 (N = 483)
construction	53.3 (N = 105)	65.3 (N = 173)	70.5 (N = 130)	82.6 (N = 45)	74.2 (N = 31)	65.7 (N = 484)
public transport	45.7 (N = 105)	52.6 (N = 173)	54.3 (N = 130)	67.4 (N = 45)	61.3 (N = 31)	53.2 (N = 484)
education	1.9 (N = 93)	5.2 (N = 162)	17.1 (N = 123)	45.7 (N = 45)	71.0 (N = 31)	14.8 (N = 454)
health care	57.1 (N = 105)	54.3 (N = 173)	55.8 (N = 130)	65.2 (N = 45)	83.9 (N = 31)	58.1 (N = 484)
social welfare	0.0 (N = 93)	1.7 (N = 162)	3.1 (N = 123)	6.5 (N = 45)	9.7 (N = 31)	2.8 (N = 454)
culture	3.8 (N = 93)	3.5 (N = 162)	12.4 (N = 123)	34.8 (N = 45)	58.1 (N = 31)	11.9 (N = 454)
sport	5.7 (N = 105)	5.8 (N = 173)	12.4 (N = 130)	37.0 (N = 44)	51.6 (N = 31)	12.7 (N = 483)
tourism and leisure	25.7 (N = 105)	36.6 (N = 173)	41.1 (N = 130)	67.4 (N = 44)	64.5 (N = 31)	39.5 (N = 483)

Source: own elaboration based on the survey results.

Moreover, the respondents indicated that non-governmental organisations are also participants in the public services market – much more frequent in large municipalities (over 20,000 inhabitants) in relation to social services (education and upbringing, health care, social welfare, culture, sport, tourism and leisure) (Fig. 1).

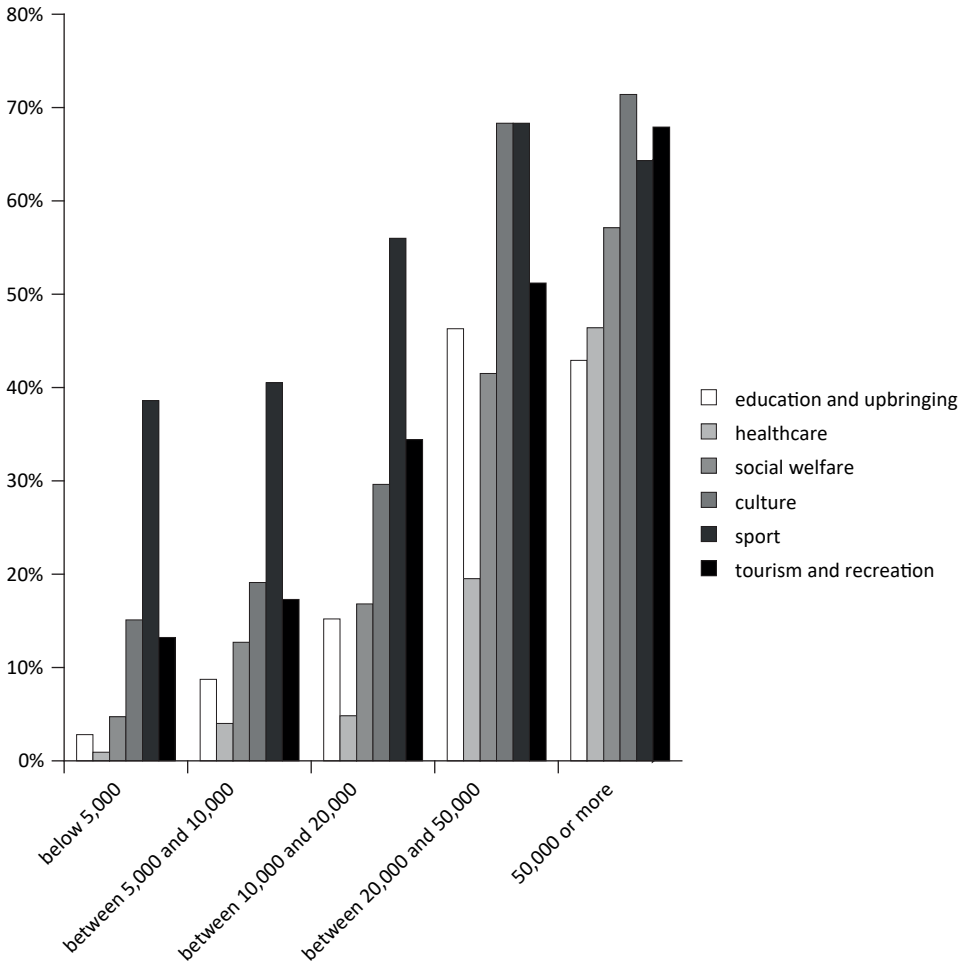


Fig. 1. Non-governmental providers of social services in municipalities (by population; %)

\* below 5,000 (N = 111); between 5,000 and 10,000 (N = 170); between 10,000 and 20,000 (N = 130); between 20,000 and 50,000 (N = 45); 50,000 or more (N = 31).

Source: own elaboration based on the survey results.

Additionally, the ownership structure of entities providing public services is more diversified in large municipalities than in those with populations up to 10,000 residents. This can be explained, first, by the size of the market allowing for simultaneous provision of services by a greater number of entities, and, second, by unfettered access to appropriate resources (including professional staff), enabling proper management of the service contracting process. This confirmed Hypothesis 1, which claimed that in large municipalities involvement of external entities in the provision of public services is more extensive.

The obtained research results also provided an insight into the relationship between municipal and private entities and NGOs. Four possible types of that

relationship were noted by the respondents: competition, cooperation, simultaneous competition and cooperation in the case of convergence of goals and the lack of a relationship. Though the last example concerns mainly the natural monopoly, it can also occur in a situation when services in a given industry are performed by both municipal and private or social providers that neither cooperate nor compete with the municipal entities.

According to the respondents, municipal and other providers of public services compete primarily in branches such as public transport, waste management and construction. Competition in the sphere of sewage collection, social welfare, culture and sport services is rarely observed. Cooperation between the two categories of providers occurs mainly in social services (sport, culture, tourism and leisure, social welfare, education and upbringing, health care) as well as in environmental protection, waste management, sewage disposal and water supply. Interestingly, when similar goals are pursued competitive cooperation is possible, yet such cases are uncommon and the percentage of municipalities that indicated its occurrence ranged from 3.2 to 11% depending on the public services sector (Tab. 5).

Tab. 5. Types of relationships in public services markets in Polish municipalities (%)

Branch of public services	Type of relationship	Competition	Cooperation in the case of convergence	Cooperation	No relationship
electricity supply (N = 446)		11.5	4.8	11.9	57.1
heat supply (N = 444)		5.7	3.4	12.2	50.5
gas supply (N = 443)		4.5	3.2	10.1	55.1
water supply (N = 446)		4.4	4.8	19.7	57.8
sewage disposal and treatment (N = 445)		1.1	6.4	21.3	53.2
waste management (N = 444)		25.4	11.0	26.6	29.1
environmental protection (N = 444)		7.8	7.3	26.1	37.8
construction (N = 445)		24.8	8.9	13.8	31.2
public transport (N = 445)		26.8	8.9	18.8	28.9
education (N = 444)		5.5	8.0	30.0	38.3
health care (N = 444)		14.5	9.6	25.9	36.5
social welfare (N = 445)		1.4	4.1	35.1	41.3
culture (N = 445)		2.6	6.2	44.7	32.8
sport (N = 444)		3.9	8.7	46.3	28.0
tourism and leisure (N = 445)		7.3	7.8	35.4	28.7

Source: own elaboration based on the survey results.

As for Hypothesis 2, it should be stated that the market presence of private entities in the public services market increases competition between municipal entities and other participants (Pearson's correlation coefficient between the number of respondents indicating the presence of private entities in the public services market and the number of indications regarding the occurrence of the competition phenomenon was 0.82), with its intensity varying depending on the branch of services. It remains frequent in waste management, construction and public transport, whereas in health care, tourism and leisure, where there are also numerous private entities, competition has been indicated as much less common. As far as the network industries, such as electricity, heat and gas supply, are concerned, private providers and municipal entities neither cooperated nor competed.

The data in Tab. 5 also show that cooperation can be observed in each of the analysed industries and occurs there more often than competition, while the presence of non-governmental organisations fosters cooperation between those providing public services (Pearson's correlation coefficient of 0.80). Furthermore, social rather than technical services were performed on a cooperative basis at the municipal level. In some branches (education, health care, social welfare), it even co-exists despite the lack of any relationship. Thus, Hypotheses 2 and 4 can be positively verified.

Cooperation between municipalities and private entities as well as non-governmental organisations extends beyond the contracting of public services. Municipal authorities choosing to cooperate with private entities may employ a special solution referred to as public-private partnership. Unfortunately, the obtained research results indicate that such projects are not popular among the surveyed units as only 13.5% of them reported projects implemented under the PPP formula, yet the percentage increases along with the size of the municipality (Fig. 2). Companies with mixed public-private ownership were also relatively rare. According to the respondents, the reasons for this are primarily linked to the private sector entities' lack of interest in cooperation (60.3%), lack of financial resources (53.8%) and complicated legal procedures regulating this form of inter-sectoral cooperation (47.1%).

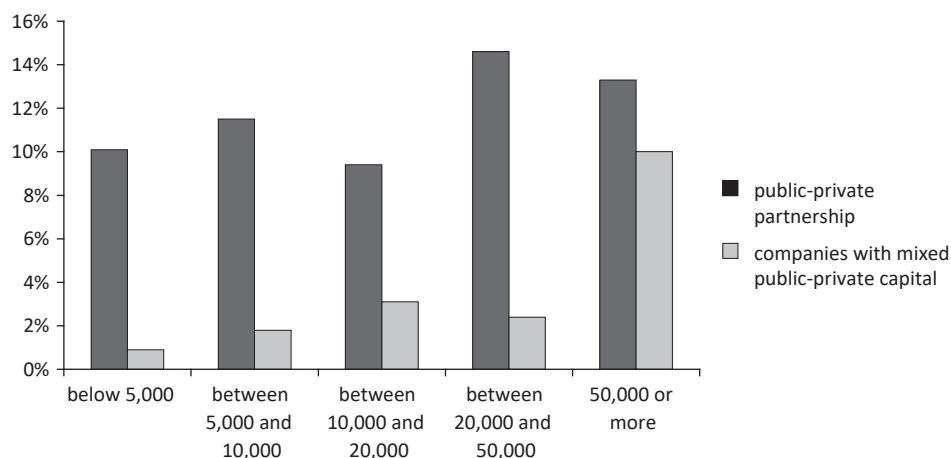


Fig. 2. PPPs in Polish municipalities N = 494 (%)

\* below 5,000 (N = 109); between 5,000 and 10,000 (N = 165); between 10,000 and 20,000 (N = 128); between 20,000 and 50,000 (N = 40); 50,000 or more (N = 30).

Source: own elaboration based on the survey results.

Municipalities cooperate with private entities not only in the field of implementation of public-service tasks, but also in terms of activities supporting this process. The most frequent support forms they rely on are consultations (58.9%), joint lobbying (57.0%), exchange of experiences at seminars and conferences (54.1%), joint projects, e.g. promotional campaigns, economic missions (53.9%) and common problem teams (49.9%). The popularity of these forms increases with the size of the municipality (Tab. 6).

Tab. 6. Types of cooperation between municipalities and private providers of public services (by population; %) (N = 462)

Type of cooperation	Municipality size	Population				
		<5,000 (N = 108)	5,000 – 10,000 (N = 158)	10,000 – 20,000 (N = 122)	20,000 – 50,000 (N = 44)	≥50,000 (N = 30)
joint projects and activities		42.6	51.9	54.5	75.6	70.0
consultations		46.3	61.4	61.2	68.9	66.7
seminars and conferences		43.5	54.4	52.1	71.1	73.3
joint problem-solving teams		40.7	51.6	49.6	64.4	53.3
joint lobbying		45.4	58.6	57.9	68.9	70.0

Source: own elaboration based on the survey results.

Cooperation between municipalities and non-governmental organisations comprises primarily the delegation of tasks to be carried out (88.3% of municipalities). Information as a form of cooperation was indicated by 81.3% of the analysed units. Furthermore, consultations with NGOs on new legislation proposals as well as joint advisory and initiative teams were reported by 76.8% and 58.1% municipalities, respectively. Due to the presence of a greater number of non-governmental organisations in larger municipalities, they more often delegate tasks to them (Tab. 7). The share of other forms of cooperation such as information on planned activities, consultations on draft legal acts or the creation of joint advisory and initiative teams, is also higher there.

Tab. 7. Types of cooperation between municipalities and NGOs (by population; %) (N = 487)

Forms of cooperation	Municipality size	Population				
		<5,000 (N = 111)	5,000 –10,000 (N = 170)	10,000 –20,000 (N = 130)	20,000 –50,000 (N = 45)	≥50,000 (N = 31)
delegation of public services		73.90	89.40	92.20	100.00	100.00
information on planned activities		73.90	78.20	85.30	91.30	93.50
consultations on draft legislation		64.00	73.50	82.90	91.30	93.50
advisory and initiative teams		42.30	57.10	56.60	78.30	96.80

Source: own elaboration based on the survey results.

## Analysis

The following research on the intersectoral cooperation of Polish municipalities is a starting point for a further concise evaluation of its condition and encourages discussion about its potential development and future role. To assess the extent of cooperation between municipalities and public, private entities and non-governmental organisations, synthetic indicators were calculated using the taxonomic measures of Hellwig's development. A set of diagnostic features illustrating the occurrence of cooperation in the studied population was used to construct the indicator. The variables explaining the state of the advancement of cooperation between municipalities and private entities and non-governmental organisations were calculated on the basis of the results of a survey carried out among 494 Polish municipalities (Tables 8 and 9). The variables were used to calculate the two indicators of intersectoral cooperation. Five of them described the cooperation between municipalities and non-governmental organisations, and 10 – between municipalities and private entities.



Tab. 8. Variables representing the level of cooperation between municipalities and NGOs

Variable	Description	<5,000	5,000 –10,000	10,000 –20,000	20,000 –50,000	≥50,000
X <sub>11</sub>	% of municipalities delegating public tasks to NGOs	73.9%	89.4%	92.2%	100.0%	100.0%
X <sub>12</sub>	% of municipalities informing NGOs about the planned activities and cooperation to coordinate them	73.9%	78.2%	85.3%	91.3%	93.5%
X <sub>13</sub>	% of municipalities consulting draft legislation in areas related to the statutory activity of designated entities	64.0%	73.5%	82.9%	91.3%	93.5%
X <sub>14</sub>	% of municipalities with joint advisory and initiative teams with NGO representatives	42.3%	42.3%	42.3%	42.3%	42.3%
X <sub>15</sub>	% of municipalities cooperating with NGOs in at least five problem areas	46.9%	57.1%	67.7%	73.2%	89.3%

Source: developed by the authors based on the survey results.

Tab. 9. Diagnostic variables presenting the level of cooperation between municipalities and private entities

Variable	Description	<5,000	5,000– 10,000	10,000– 20,000	20,000– 50,000	≥50,000
X <sub>21</sub>	% of municipalities delegating public services to private entities	57.1%	65.3%	70.5%	82.6%	83.9%
X <sub>22</sub>	% of municipalities with private providers of public services in at least five branches	41.6%	27.4%	32.3%	43.9%	42.9%
X <sub>23</sub>	% of municipalities engaged in joint projects and undertakings with private entities	45.1%	59.6%	60.7%	78.4%	91.3%
X <sub>24</sub>	% of municipalities consulting private entities	48.1%	63.6%	65.1%	75.0%	90.0%
X <sub>25</sub>	% of municipalities cooperating with private entities within the framework of joint seminars and conferences	55.0%	60.4%	56.8%	83.3%	95.7%
X <sub>26</sub>	% of municipalities cooperating with private entities within the framework of joint task teams	44.2%	50.5%	51.9%	68.6%	77.8%
X <sub>27</sub>	% of municipalities cooperating with private entities within the framework of joint lobbying	39.7%	57.0%	61.0%	62.9%	81.8%
X <sub>28</sub>	% of municipalities cooperating with business support institutions	36.3%	41.1%	49.6%	56.1%	82.1%

Tab. 9 – cont.

Variable	Description	<5,000	5,000–10,000	10,000–20,000	20,000–50,000	≥50,000
$X_{29}$	% of municipalities engaged in PPP projects under the terms of the contract or concession	10.1%	13.3%	12.6%	16.7%	20.0%
$X_{210}$	% of municipalities implementing PPP projects based on partnerships with mixed public-private ownership	0.9%	1.8%	3.1%	2.4%	10.0%

Source: own elaboration based on the survey results.

Synthetic indicators have been computed separately for municipalities with different population: up to 4,999; from 5,000 up to 9,999; from 10,000 up to 19,999; from 20,000 up to 49,999, and 50,000 or over. They can take values from 0 to 1, where 0 means no cooperation and 1 the most advanced cooperation, indicating the use of all the available tools at all the tested levels. Figure 3 presents the obtained results.

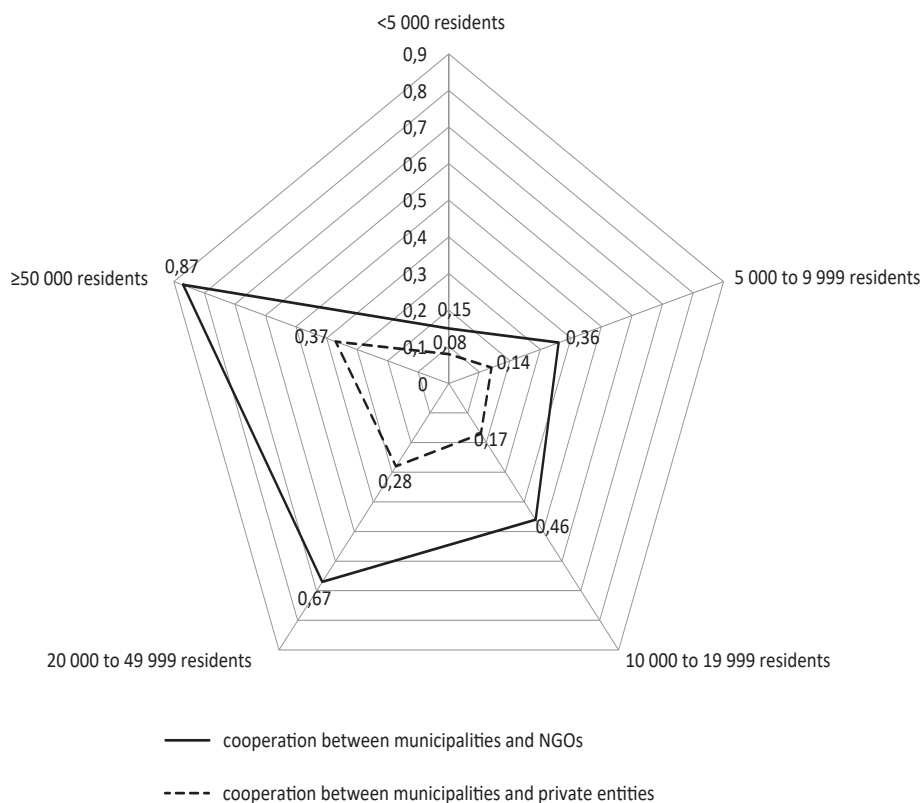


Fig. 3. Synthetic indicators of intersectoral cooperation in municipalities by population

Source: own elaboration.

The data presented in Fig. 3 suggest an average level of cooperation with private providers in terms of public services. The value of the indicator is similar in municipalities with populations between 5,000 – 10,000, 10,000 – 20,000 and 20,000 – 50,000 residents, and it amounts to 0.15, 0.17 and 0.28, respectively. The differences in the progress of such cooperation are visible in the smallest municipalities (below 5,000) and in the largest ones (50,000 and more). The former can be characterised by a much higher level of the municipal economy marketisation and greater openness of both private entities and local governments to mutual contacts, as well as joint ventures. By contrast, such cooperation remains marginal in the latter.

Considerably higher indicators were obtained as regards cooperation with non-governmental organisations, which is far from surprising (the rates range from 0.12 for municipalities with a population <5,000 to 0.87 for those >50,000), since it is based on obligatory annual cooperation programmes which may justify the obtained result. In addition, non-governmental organisations themselves show great openness to cooperation and involvement in local affairs. The divergence in the level of NGOs' cooperation between municipalities up to 20,000 shown in Fig. 3 and those over 50,000 inhabitants largely stems from the number of organisations operating in the municipality, as well as the amount of financial resources they can allocate to cooperation with representatives of the third sector.

To sum up, greater financial, economic, social and investment potential facilitates cooperation of larger municipalities (over 50,000 inhabitants) with non-public entities.

Municipalities with <5,000 residents presented the lowest level of activity in terms of cooperation, which stems from their socio-economic weakness since they comprise mainly rural areas that frequently struggle with versatile problems (financial, organisational, infrastructural, etc.).

The above findings provoke a question about the future of intersectoral cooperation, its effects and local authorities' skills and competences regarding its implementation. Given the current demand for partnership projects, Polish municipalities should concentrate on acquiring relevant competencies, improving necessary knowledge in the field of cooperation, building an environment of trust and enhancing social capital. This is only one side of the equation, though, since the success of cooperation is also determined by the attitude and openness of the other partners, as well as by the conviction about the measurable benefits of such projects. Public authorities should, therefore, undertake educational and promotional projects and, in turn, their partners should regard the inherent value of activities for the benefit of the local community as a value in itself, enshrined in the principle of social responsibility.

## Summary

The organisation of public services in Polish local government units is typical for the solutions employed in continental Europe. Its specificity lies in the significant role of public entities, performing both a regulatory and operational

role. In many branches of municipal services, municipal providers hold a natural monopoly (technical services, e.g. water supply, sewage, energy supply), while in others competition or cooperation with private entities or non-governmental organisations seems more accurate. Despite many legal regulations in the field of intersectoral cooperation, the degree of the application of possible solutions is still low in Poland. Although municipalities reported cooperation with external entities in all branches of public services, the rate of positive answers never exceeded 50% (the highest rate being obtained in the field of social services).

In the light of the research results, it can be concluded that smaller municipalities engage private entities and non-governmental organisations in the process of providing public services less often than larger ones. There, the diversity of cooperation forms used is also smaller. Thus, the research hypotheses were confirmed.

As it appears, the immature culture of cooperation combined with distrust and restraint towards such initiatives may be an important source of the unsatisfactory level of cooperation. Indeed, such cooperation is limited to individual relationships between the municipality and public service providers, aside from creating an integrated network. Importantly, what can also be noticed is not only the lack of awareness of the need, but also the lack of ability to build strong multi-sectoral partnerships which would facilitate the implementation of comprehensive solutions. Yet, soon municipalities may be forced to accept cooperation as a natural *modus operandi* when faced with new challenges (a consequence of local problems' complexity) and novel approaches towards solving them (e.g. networking). Alternatively, Polish local governments might join the public service remunicipalisation trend, which is increasingly gaining in popularity (Wollmann and Marcou, 2010; Hall, 2012; Lobina et al., 2014).

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