

The use of public-private partnerships for revitalization initiatives in Poland

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Abstract

Revitalization is essential for sustainable development, having a direct effect on the socio-economic growth of regions. Given the increasing need for sustainable urban solutions, Poland has identified revitalization as a primary approach. This article focuses on the role of public-private partnerships in Poland's revitalization efforts, providing a detailed review of relevant regulations, in combination with the analysis of a pilot project in the Granary Island in Gdańsk. The study highlights the benefits of PPPs – such as resource optimization and the inclusion of private sector expertise, as well as the challenges faced in PPP-driven revitalization. The research aims to give a clear understanding of the current state of PPPs in Poland's revitalization development, offering insights for future initiatives.

Keywords: Revitalization; public-private partnership; sustainable development

JEL classification: R11, R58, O18

1. Introduction

In the contemporary global landscape, sustainable development is increasingly central to urban planning and growth management, as highlighted in recent studies on sustainable cities (Przywojska 2021). Revitalization, which focuses on enhancing city identities, conserving resources, fostering economic development, and elevating the quality of life, is considered integral to sustainability (Ragheb & Ragheb 2021). Efforts in urban revitalization allow policymakers to prioritize conservation and sustainable growth, ensuring that urban areas align with environmental, social, and economic objectives (Horbliuk & Dehtiarova 2021). However, the varied interests in urban revitalization can introduce challenges, such as developers potentially focusing on short-term financial gains and planning measures that may disproportionately benefit wealthier residents (Balsas 2022). The public-private partnership (PPP) model, based on long-term collaboration between public and private sectors and supported by technological advancements, offers a method to address these challenges.

In Poland, PPPs have been identified as a mechanism to counter urban challenges, including increased urbanization, deteriorating infrastructure and weakening social ties (Interred Europe 2016). This paper aims to assess the role of PPPs in addressing these challenges in Poland, highlighting the example of a pilot project and examining the relevant regulatory framework.

2. Revitalization

In the context of urban planning, revitalization is understood as a method of rejuvenating and enhancing the physical, societal, economic, and environmental aspects of a region or community to bolster its general state and foster sustainable progress. As noted by Zagroba et al. (2020), revitalization programs centered on social sustainability prioritize open pedestrian access to public areas, the preservation of historic architecture, and the enhancement of public spaces as focal points for social interaction and unity. Such initiatives aim to halt the further decline of urban environments and elevate the physical, societal and cultural aspects of the rejuvenated regions. The process of revitalization is multifaceted, encompassing diverse areas like urban design, architecture, construction, financing, and pro-social and pro-environmental actions (Terlikowski 2018). Transforming urban cores into centers of economic and social engagement through revitalization may thus not only enhance local living standards, but also improve the competitive position of cities.

Horbliuk and Dehtiarova (2021) found revitalization to align with sustainable urban development principles, including compact city ideals and ecological considerations – its objectives encompassing the harmonization of stakeholder interests and shared vision. Said perspective was shared by Gedik and Yildiz (2016) who noted that for revitalization to be socially sustainable, it's essential to ensure the involvement of stakeholders, taking into account their perspectives and needs. This process calls for a comprehensive strategy that addresses the physical, economic, socio-cultural, and administrative facets of revitalization.

To conclude, revitalization bolsters sustainability by advancing economic growth, conserving cultural legacy, minimizing ecological consequences, uplifting community welfare, and cultivating inclusive and habitable settings. It is in sync with the tenets of sustainable urban and rural growth, adding to the enduring socio-economic and ecological well-being of local communities.

2.1 Revitalization in Poland

In Poland, the initial approach to revitalization was somewhat haphazard, lacking a clear legislative and strategic framework. This changed significantly with Poland's accession to the EU in 2004, which brought about improved financial capabilities for revitalization efforts. However, many local authorities primarily viewed this as an opportunity for infrastructural repairs, often overlooking the broader socio-economic implications (Przywojska 2021). Additionally, Polish local authorities encountered challenges in optimally leveraging these funds, especially considering the specific stipulations and temporal constraints imposed by the European Union (Popławska 2019). A pivotal moment in the perception of revitalization was the enactment of the Act on Revitalisation in 2015, which aimed to provide clarity to the revitalization endeavors in Poland (Chancellery of the Sejm 2015). This act was the culmination of several years of legislative work, expert debates, and discussions by social organizations. It introduced new legal solutions intended to organize the revitalization process and encourage more municipalities to undertake it. Specifically, the act detailed the characteristics that a project must possess to be termed as “revitalization”. Primarily, the actions must be integrated and comprehensive, addressing complex social and economic problems. An

interesting aspect of said legal reform regards stakeholder involvement: The act stipulates that stakeholders should actively participate in the revitalization process, encompassing consultations and contributions to the revitalization committee's deliberations. These consultations, overseen by the mayor or city president, encompass a range of methods, from written feedback to workshops and surveys. Said stipulation constitutes an implementation of the aforementioned need for stakeholder involvement, outline by Gedik and Yildiz (2016).

The National Regional Development Strategy 2010-2020 was a cornerstone for Poland's developmental trajectory, setting clear regional growth objectives for a ten-year span (Chancellery of the Sejm 2011). Within its framework, the strategy identified revitalization as an essential instrument, aiming to significantly improve the quality of life in urban environments. This strategy was particularly attentive to the challenges that many urban areas faced, especially those grappling with degradation and decline. It underscored the need for holistic and well-planned revitalization initiatives to address these challenges. Concurrently, the Concept for National Spatial Development 2030 provided a more expansive outlook, sketching Poland's spatial development intentions up to the year 2030 (Ministry of Development Funds and Regional Policy 2020). This document emphasized the symbiotic relationship between revitalization and broader spatial planning. The concept underscored the importance of a cohesive vision, where revitalization not only addressed immediate urban challenges but also contributed to the long-term spatial harmony and growth of the nation.

In Przywojska's research (2021), the emphasis on revitalization in Poland was further detailed, highlighting five key dimensions:

- Social inclusion, human and social capital: supporting residents at risk of social exclusion and fostering community ties;
- Local economy: enhancing local economic activities, from promoting local artisans to improving infrastructure;
- Self-determination and residential satisfaction: the need for resident engagement in municipal governance and ensuring their well-being;
- Infrastructure: a comprehensive approach to improving both technical and social infrastructure;
- Shaping public space for residents: creating conducive public spaces and enhancing leisure infrastructure.

Interestingly, the National Regional Development Strategy 2010-2020 and the Concept for National Spatial Development 2030 both recognized the potential of PPPs in enhancing the efficiency of public expenditure and infrastructure projects – addressing the need to leverage private sector capital, expertise and experience in public projects, aiming to foster a conducive environment for public investments through the PPP mechanism. Said model will be elaborated upon in the next chapter.

3. Public-private partnerships

Public-private partnerships represent structured cooperations between governmental entities and private sector participants, such as businesses or developers, to address urban development initiatives or offer public services. These partnerships entail a mutual exchange of resources, knowledge and risk management to realize shared objectives (Kasala & Burra 2016). Various structures, including joint ventures or contractual commitments, characterize PPPs in this regard. Their application spans diverse areas – from infrastructure and land development to housing and transportation projects. Through PPPs, private sector contributions in terms of investment, innovation, and efficiency can be harnessed, complemented by the regulatory oversight of the public sector (Taylor & Harman 2016). The inclination towards PPPs in urban planning often stems from the need for supplementary funding, specialized knowledge, and streamlined project execution. Such partnerships can address budgetary limitations and further sustainable urban growth by drawing on private sector resources and expertise.

However, employing PPPs in urban planning presents its own set of challenges. Matters of transparency, responsibility, risk distribution, and balancing public and private interests need to be carefully managed. The effectiveness of PPPs in achieving sustainable urban development goals depends on the governance structures, regulatory frameworks, and the ability to ensure public interest and social equity (Houghton 2010).

3.1 Public-private partnerships in Poland

Poland's PPP landscape is primarily shaped by the Act on Public-Private Partnership from December 2008 (Sejm of the Republic of Poland 2008) and the Act of 21 October 2016 on the Concession Contract for Works or Services (Public Procurement Office of the Republic of Poland 2016). In 2017, the government introduced the "Polityka PPP" policy to further streamline and promote PPPs (Ministry of Funds and Regional Policy 2017). Resulting from said policy, the document entitled "Government Policy for the Development of Public-Private Partnerships up to 2030" was launched in 2022, outlining the strategic direction for PPPs in Poland for the upcoming years. This updated policy emphasizes sustainable development, innovation, and the importance of social and economic cohesion in PPP projects (Ministry of Funds and Regional Policy 2022).

However, despite a structured legislative backdrop, the actual implementation of PPPs has been challenging, with many initiated projects not reaching fruition due to market readiness and legal complexities: From 2009 to the 2nd quarter of 2023, a total of 647 PPP proceedings have been initiated in Poland, resulting in only 177 PPP agreements, or a success rate of approximately 27%. During the period since the Polish PPP Policy's enforcement, starting from 2017, the effectiveness rate stands at 39%. (Ministry of Funds and Regional Policy 2023a). It is important to note that less than half of initiated proceedings do not conclude in a contract – a statistic which certainly deters both public as well as private institutions to partake in costly PPP procurement procedures. According to Borowiec (2017), the main barriers to PPP development in Poland constitute small average size of projects, suboptimal legal regulations, and institutional barriers stemming from the attitudes of public authorities.

4. Public-private partnership use for revitalization in Poland

The Polish Ministry of Funds and Regional Policy (2021) has outlined PPP as a valuable tool for revitalization projects in Poland – this approach being seen as a way to combine public and private resources, ensuring the efficient use of funds and expertise. The ministry emphasizes the potential of PPP in addressing urban challenges, especially in areas facing degradation. By leveraging private sector capabilities, revitalization projects can benefit from innovative solutions and sustainable financing models. The ministry's stance underscores the importance of collaboration between public and private entities in achieving urban renewal goals – a perspective also shared in a 2017 publication by the Ministry of Investment and Development. The ministry outlined the importance of PPPs, stating that the Act on Revitalization promotes a comprehensive approach to revitalization, aiming to uplift degraded areas, improve building conditions, and enhance residents' quality of life. Revitalization thereby is defined as an integrated process focused on the local community, space, and economy, based on a municipal revitalization program. Key guidelines outlined by the government for implementing PPPs in revitalization projects in Poland include:

- **The need for a holistic approach to revitalization:** Revitalization should be treated comprehensively, addressing both infrastructural and social issues.
- **Optimization of financing sources:** The financing for revitalization activities should be optimized by combining various sources, including public funds, EU funds, and private capital.
- **PPP agreement provisions:** The PPP agreement allows the public entity to have control rights, such as verifying subcontractors chosen by the private partner and ensuring timely payment for subcontractors.
- **Transparent procurement and communication:** Revitalization is primarily a social process. Therefore, communication in revitalization projects can often determine their success. When combining revitalization and PPP, social communication and local community acceptance become even more critical. Transparent communication throughout the project ensures clarity in the PPP process.

The recent developments in Poland emphasize the potential of PPPs in revitalization efforts, highlighting the need for a holistic approach, efficient financing mechanisms, and the importance of social engagement. Analyzing successful implementations of said model for revitalization initiatives may aid in further understanding of the mechanism, outlining good practices for future projects.

5. Development of the northern tip of the Granary Island in Gdańsk

The Polish city of Gdańsk, renowned for its historical significance and architectural legacy, initiated a revitalization project for the northern tip of the Granary Island in 2014. This endeavor, executed through a public-private partnership, sought to rejuvenate a degraded segment of the old city. Before the project's commencement, the northern part of the Granary Island was characterized by ruins from World War II, remnants of dense buildings that had persisted since 1945 (Strefa Biznesu 2022).

The local spatial development plan for the island's northern tip envisioned residential, service, and commercial functions (Ministry of Funds and Regional Policy 2023b). The

concept also mandated the construction of several public utility facilities, development of an accessible pedestrian bridge connecting the northern tip to the Long Embankment (Długie Pobrzeże) and the reconstruction of external road infrastructure (the Stągiewny bridge). After a transparent procurement procedure, a 17-year contract was signed on March 31, 2015, between the city of Gdańsk and Granaria Company – a consortium of Multibud W. Ciurzyński S.A. and Immoel Poland SPV 10 Sp. z o.o. The contract was based on the aforementioned PPP Act in the concession mode, with the contract's value constituting PLN 400 million.

5.1 Risk division in the PPP project

The identification and proper allocation of risk within a PPP project constitute key elements of success. An improperly accounted for PPP risk factor can significantly reduce the chances of implementing a PPP project (Wolański et al. 2017) – hence, it is important to examine the risk distribution in the Gdańsk PPP project, as illustrated in the table below:

Table 1: Risk division in the PPP project

Risk carried by the private partner	Risk carried by the public partner
<ol style="list-style-type: none">1. Design and construction risk;2. The risk of obtaining financing for the entire project;3. Risk of demand for services provided as part of the project in the commercial part (also in the field of real estate sales);4. Availability risk in the field of public purpose investments.	<ol style="list-style-type: none">1. Risk related to providing an asset constituting a contribution to the project.

Source: Ministry of Funds and Regional Policy (2023b)

Most of the risk associated with the project has been transferred from the public sector to the private partner. An interesting aspect of the agreement is the transfer of unique properties to the private partner in exchange for the realization of public infrastructure essential for revitalization activities: Unlike many other PPP projects in Poland, the Gdańsk revitalization project is not based on the public entity paying an availability fee, but rather on the provision of commercial services on the area by the private entity and the sale of properties after commercialization or as independent premises.

5.2 Implications of the Gdańsk revitalization project

The project, still partially under construction, created an architecturally and functionally representative development, serving as a hallmark for the city of Gdańsk. This included the simultaneous reconstruction of road and network infrastructure, integrating historical monuments into new developments, and ensuring their preservation. The primary objective – to make this significant area for Gdańsk a functional part of the city

again – was met: Thanks to the revitalization, a new urban fabric was created, combining residential, service, and hotel functions. As a result, the center of gastronomy and tourist movement began to shift towards the Gdańsk Granary Island. The city's efforts have successfully created a multifunctional space that meets the expectations of both residents and tourists (Strefa Biznesu 2022). It is important to note, that this project encompasses critical elements of revitalization implementation in Poland outlined by Przywojska (2021) and the Polish Ministry of Investment and Development (2017): the PPP procurement procedure was transparent, met by public approval and shaped public infrastructure to be more accommodating to residents.

6. Conclusions

The revitalization of the northern tip of the Granary Island in Gdańsk showcases the potential of PPPs in urban revitalization in Poland. The case study emphasizes the synergy of public and private interests in rejuvenating historically significant areas, ensuring both economic feasibility and the safeguarding of cultural heritage. Beyond said project, Poland has witnessed other noteworthy revitalization efforts utilizing the PPP model. For instance, the redevelopment around the PKP railway station in Sopot stands out as a significant PPP-driven revitalization effort (Ministry of Funds and Regional Policy 2016). This initiative has enhanced the appeal of the station's surroundings for its residents, optimized public transportation in that region, and offered travelers a contemporary and efficient station. Another significant project to highlight is the transformation of the former tram depot in Gdańsk's Dolne Miasto area (Instytut Partnerstwa Publiczno-Prywatnego 2019). This initiative, a collaboration between the City of Gdańsk and the GGI Dolne Miasto consortium, entrusts the private partner with the task of designing, financing, and executing public and commercial ventures in Dolne Miasto. These ventures will complement Gdańsk's ongoing revitalization efforts. Furthermore, the consortium will oversee the maintenance and management of the public-purpose facilities for a predetermined duration. Within the next 8 years, they aim to rejuvenate an expansive area spanning roughly 11 hectares.

Over recent years, Poland has seen notable advancements in infrastructural development and public services. Urban challenges, such as the deterioration of urban fabric and the weakening of social ties, have been addressed through revitalization initiatives. With said initiatives requiring technical know-how and being capital intensive, PPPs have emerged as a vital tool in mitigating these adverse effects, particularly in the domains of cultural heritage conservation and urban revitalization.

While Poland possesses a comprehensive legal framework that governs PPPs, the PPP market is – as previously noted – not yet developing in accordance with expectations. The Gdańsk Granary Island revitalization project, along with other analogous initiatives in Poland, showcases a successful framework and good practices which may be applied by other public entities seeking such cooperation. The combination of public aspirations with private sector capabilities has the potential to form sustainable, lively, and culturally enriched urban environments.

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