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PPP AND USING EU FUNDS IN ITS FINANCING IN TERMS OF CRISIS AND BUDGETARY RESTRICTIONS

Joanna Śmiechowicz
Maria Curie Skłodowska Uniwersity, Poland
j.smiechowicz@o2.pl

Abstract:
This paper presents an updated description of public-private partnership projects implemented in Europe before, during and after the financial crisis which visibly influenced the state of public finances in most European countries and, in consequence, led to budgetary restrictions. Since 2009, difficult financial situation of public and private sector entailed a dramatic reduction in the number and value of public-private partnerships projects in many European countries. However, the PPP market simultaneously diversified across countries and sectors. While in 2008 the UK share in the number of public-private partnership projects introduced in Europe fell below 50%, in Poland, since 2009, opposite tendencies can be observed – the partnership market is developing dynamically. Moreover, the EU funds are used in financing investments more often due to favorable changes in EU legislation relating to the PPP, which should contribute to popularization of hybrid projects also across the European countries in the coming years.

Keywords: public-private partnership, financial crisis, public debt, public investments, hybrid projects

1. INTRODUCTION

The recent global, financial and economic crisis, which started in 2008, had a negative impact both on the public finances of the European Union (EU) zone and the situation of each member state. As a result of decrease in public revenue and unexpected growth in selected expenditure, the EU countries faced deep budgetary imbalances, which in several countries[1] reached a dramatic level. Combination of numerous unfavourable factors made a large number of the EU countries reduce its public capital expenditure. At the same time important changes and various trends in public-private partnership (PPP) market in the EU countries could be observed. The overall tendency shows that either the number or volume of PPP transactions decreased during the financial crisis. But the example of certain countries (e.g. Poland) denies this regularity and confirms the thesis that PPP may be successfully used to deliver public services by the private sector without covering costs of investment and spreading public debt.

The purpose of this study is to present the evolution of PPP market in the EU countries during the recent economic and financial crisis and to evaluate the prospects for the popularization of hybrid project in the forthcoming years in the context of the new laws adopted at the level of the European Union. Due to the fact that the condition of the public finance in the EU member states has crucial significance for implementation of the PPP investments, the volume of public capital investment and deficit as well as the evolution of public debt was included in this paper. The author of this article also emphasised the specific advantages of PPP, which may have crucial meaning for its development because of fiscal surveillance and budgetary restriction imposed on many European countries.

2. METHODOLOGY OF THE RESEARCH

The paper is based primarily on review of relevant theoretical literature on PPP and laws referring to the issue of PPP and to the deficit and debt limits, as well as on the analysis carried out by the institutions monitoring the PPP projects. The research was built on the data collected by Eurostat – the statistical office of the European Union – and the European PPP Expertise Centre reports for the years 2010-2013, and, as regards Poland, on the data published by the Ministry of Infrastructure and Development.

To present the impact of the financial crisis and subsequent economic recession on the condition of public finances in the individual states, the author used the percentage change of GDP at market prices over previous period, the general government deficit-to-GDP ratio and the general government debt-to-GDP ratio, as well as the dynamics of changes in public capital expenditure during the period of 2007-2013. As the comprehensive data on public investments is not available, the gross fixed capital formation indicator was used in the research, although it is very imprecise but the most widely accepted (Barbiero & Darvas, 2014, p.3). The above-mentioned figures were determined on the basis of annual national accounts and government finance statistics and are compiled in accordance with the new European System of Accounts ESA 2010 methodology.

The analysis of the impact of financial crisis and budgetary restrictions on public-private partnerships was conducted on the basis of the volume and the number of PPP transactions in the EU zone and in individual states (presented in the European PPP Expertise Centre reports) which were investigated in relation to the specific determinants of each country, including the indicators mentioned above and excessive deficit procedures.

The potential influence of increasing the accessibility of EU funds for co-financing the PPP projects was assessed on the basis of the case of Poland and based on the information published by the Ministry of Infrastructure and Development.

The analysis performed as part of this study generally covers the data for a relatively long period of seven years between 2007 and 2013. Focusing on this period, it is possible to identify effects which the recent crisis had on the PPP market. Because of the absence of certain information relating to value and number of PPP transactions, the in-depth analysis was limited to the years 2010-2013. The territorial scope of this paper covers these EU states, in which more than one transaction for a value of

[1] E.g. in Ireland general government deficit reached 32.4% GDP in 2010 32.4% GDP.

at least 10 million euro was conducted. The benefits from merging the PPP formula with EU funds were investigated on the example of Poland.

3. ECONOMIC AND FINANCIAL CRISIS AND ITS IMPACT ON THE STATE OF PUBLIC FINANCES AND ON PUBLIC CAPITAL EXPENDITURE

The financial and economic crisis which started in 2008 in the wake of the failure of the American real estate market followed by crash of the unregulated collateralized debt obligation and credit default swap market, has transferred onto a large number of various economic activities and has spread over Europe and other continents (Traupel, 2009, p. 71). In 2008-2013 the growth rate of GDP in the EU zone was very slow or even negative. A few countries (Greece, Spain, Ireland, Denmark) recorded deep and long lasting recession.

Table 1: The change of GDP over previous year (%) and gross fixed capital formation in relation to GDP (%)in 2007-2013

	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
	Change of GDP over previous period (%)							Gross fixed capital formation in GDP (%)						
EU (28)	3,1	0,5	-4,4	2,1	1,7	-0,5	0	.	.	.	3,5	3,3	3,0	2,9
Belgium	3	1	-2,6	2,5	1,6	0,1	0,3	2,0	2,0	2,2	2,2	2,3	2,3	2,2
Czech Rep.	5,5	2,7	-4,8	2,3	2	-0,8	-0,7	4,6	5,0	5,5	4,7	4,1	3,9	3,4
Denmark	0,8	-0,7	-5,1	1,6	1,2	-0,7	-0,5	3,0	3,0	3,1	3,3	3,3	3,8	3,5
Germany	3,3	1,1	-5,6	4,1	3,6	0,4	0,1	2,0	2,1	2,3	2,3	2,3	2,3	2,2
Ireland	4,9	-2,6	-6,4	-0,3	2,8	-0,3	0,2	4,6	5,2	3,7	3,4	2,4	1,9	1,7
Lithuania	20,6	12,6	-17,6	4,0	11,6	6,6	4,9	28,6	26,0	17,9	16,9	18,4	17,3	18,2
Spain	3,8	1,1	-3,6	0	-0,6	-2,1	-1,2	4,6	4,6	5,1	4,7	3,7	2,4	2,1
France	2,4	0,2	-2,9	2	2,1	0,3	0,3	3,9	3,9	4,3	4,1	4,0	4,0	4,0
Italy	1,5	-1	-5,5	1,7	0,6	-2,8	-1,7	2,9	3,0	3,4	2,9	2,8	2,5	2,4
Netherlands	4,2	2,1	-3,3	1,1	1,7	-1,6	-0,7	3,9	4,0	4,3	4,1	4,0	3,7	3,6
Poland	7,2	3,9	2,6	3,7	4,8	1,8	1,7	.	.	.	5,6	5,9	4,7	4,1
Portugal	2,5	0,2	-3	1,9	-1,8	-3,3	-1,4	3,2	3,7	4,1	5,3	3,5	2,5	2,2
UK	2,6	-0,3	-4,3	1,9	1,6	0,7	1,7	2,6	3,1	3,4	3,2	3,0	2,9	2,7

Source: own calculations based on Eurostat; http://ec.europa.eu/eurostat/data/database

The crisis has generated challenges at all levels of economic policy decisions, but methods of resolving problems adopted in individual states as well as reactions and steps undertaken by economic entities differed across the EU members. Nevertheless, it must be emphasised that regulations adopted at the EU level forced them to respect certain rules referring, among others, to general government deficit and debt, what in consequence was reflected in public expenditure of the member states.

Table 2: General government deficit and debt in relation to GDP in 2007-2013 (%)

	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
	Deficit in GDP (%)							Debt in GDP (%)						
EU (28)	.	.	.	-6,4	-4,5	-4,2	-3,2	.	.	.	78,2	80,8	83,5	85,4
Belgium	0	-1,1	-5,5	-4	-3,9	-4,1	-2,9	86,9	92,2	99,3	99,6	102,1	104	104,5
Czech Rep.	-0,7	-2,1	-5,5	-4,4	-2,9	-4	-1,3	27,8	28,7	34,1	38,2	41	45,5	45,7
Denmark	5	3,2	-2,8	-2,7	-2,1	-3,9	-0,7	27,3	33,4	40,4	42,9	46,4	45,6	45
Germany	0,3	0	-3	-4,1	-0,9	0,1	0,1	63,5	64,9	72,4	80,3	77,6	79	76,9
Ireland	0,2	-7	-13,9	-32,4	-12,6	-8	-5,7	24	42,6	62,2	87,4	111,1	121,7	123,3
Lithuania	-1,0	-3,3	-9,3	-6,9	-9,0	-3,2	-2,6	16,7	15,4	29,0	36,3	37,3	39,9	39,0
Spain	2	-4,4	-11	-9,4	-9,4	-10,3	-6,8	35,5	39,4	52,7	60,1	69,2	84,4	92,1
France	-2,5	-3,2	-7,2	-6,8	-5,1	-4,9	-4,1	64,2	67,8	78,8	81,5	85	89,2	92,2
Italy	-1,5	-2,7	-5,3	-4,2	-3,5	-3	-2,8	99,7	102,3	112,5	115,3	116,4	122,2	127,9
Netherlands	0,2	0,2	-5,5	-5	-4,3	-4	-2,3	42,7	54,8	56,5	59	61,3	66,5	68,6
Poland	-1,9	-3,6	-7,3	-7,6	-4,9	-3,7	-4	44,2	46,6	49,8	53,6	54,8	54,4	55,7
Portugal	-3	-3,8	-9,8	-11,2	-7,4	-5,5	-4,9	68,4	71,7	83,6	96,2	111,1	124,8	128
UK	-3	-5,1	-10,8	-9,6	-7,6	-8,3	-5,8	43,6	51,6	65,9	76,4	81,9	85,8	87,2

Source: own calculations based on Eurostat; http://ec.europa.eu/eurostat/data/database

The governments were forced to take immediate actions on miscellaneous fronts: retrieve systemically or politically sensitive economic sectors; counteract the general downfall in economic activity; protect the vulnerable population groups. These expensive operations had to be undertaken in terms of decreasing government revenues and lessening national and foreign financing, with medium or even long-term consequences for budgets. As an implication of a few years of large deficit a significant increase in general government debt could be observed in 2008-2013.

Central and subnational authorities clearly felt the lack of available funds and consequences of old and new, national and EU budgetary restrictions. In certain countries, anti-crisis packages included higher increase of public capital investments (European Commission, 2013, p. 3), but in general terms these kinds of expenditure were a major victim of current fiscal austerity in EU.

Economically advanced but vulnerable member states experienced drastic cuts in all kinds of public investments, and the others – a visible decline. This trend stands in opposition to the recent global tendencies in developed countries[2] (Barbiero & Darvas, 2014) and may have very negative long-term consequences as there is strong evidence that increase in the capital expenditure-GDP ratio causes reduction in the debt-GDP ratio in the long run (Bhatt Hakhu et al., 2014). In the new member states (countries of Central and Eastern Europe), changes in the size of capital expenditure and its share in GDP showed multidirectional tendencies but for the most of them the years 2012-2013 were unfavourable.

Meanwhile, Europe 2020 i.e. EU's growth strategy for the coming years requires large scale investments. Achievement of Europe 2020 objectives is conditioned on enormous capital expenditures estimated at 1.8 trillion euro. The role of the EU budget in providing financial support for achieving its goals is only marginal in comparison to necessary national and subnational outlays. In 2011 the EU budget contributed merely 15% of public direct investments, which have the crucial meaning for implementation of the growth strategy, while local and state governments contributed jointly 59%, and the central governments 26%. Although considerable resources are spent on investments every year, there is still a huge gap between actual needs and all potential public funds available. Nowadays the issue of insufficient public sources becomes even more severe as large number of central, state and local authorities have no or limited access to traditional lending sources (Committee of the Regions, 2014, pp. 1-2). In these circumstances the opportunity of using private capital to deliver public services in PPP formula seems an appropriate solution.

4. PUBLIC-PRIVATE PARTNERSHIP AND THE BENEFITS FROM ITS USE FOR THE PUBLIC SECTOR DURING THE PERIOD OF BUDGETARY RESTRICTIONS

Although the term PPP has been used since the 1990s, there is no one unified global or even European model of a PPP. It is the method through which public authorities and private entities cooperate to design, finance, implement and operate public services or facilities. Generally PPP is based on long-term contracts that (Raqel & Anrade, 2010, p. 209):

- tend to share between public and private sector different kinds of risk, according to their skills and abilities,
- bring in private financing resources,
- enhance the ability to accomplish project deadlines and financial or budget goals.

PPP should be considered within the overall context. It is one of the elements of the public-sector reform movement known as 'New Public Management' (NPM), and promotes (Yescombe, 2007, p. 16):

- decentralisation of government,
- detachment of the responsibility for purchasing of public services from their provision,
- output or performance-based measurements for public services,
- contracting-out public services to the private sector,
- privatisation of public services.

[2] E.g. USA, Japan, Canada.

It is generally believed that the PPP is an effective and efficient way to solve the evolving problems faced by modern states – i.e. increasing expectations of the society as to the range and quality of public services and the limited possibilities for financing of the budget appropriations. Thanks to the partnership, it is possible to exploit the potential of the private sector - its capital, experience, access to modern technology, greater efficiency and effectiveness in implementation of investment, in management, and operation of infrastructure facilities (Śmiechowicz, 2014a, p. 32). In the past, advantages resulting from PPP application such as access to advanced technology and improvement of quality were emphasised in developed countries while in others obtaining additional source of financing contributed by private partners was more valued. Nowadays, the financial aspect and the possibility of development as well as delivering public services and infrastructure without enlarging public debt have crucial meaning in most cases.

According to the Decision of Eurostat on deficit and debt treatment of public-private partnerships no. 18/04 of 11 Feb. 2004, which is a document of crucial significance for PPP agreements from the perspective of accounting them in national accounts, contracts undertaken within the framework of public-private partnerships should be classified as non-government assets, and therefore recorded off balance sheet for government, only if the following criteria are fulfilled:

- the private partner bears the construction risk, and
- the private partner bears availability or demand risk.

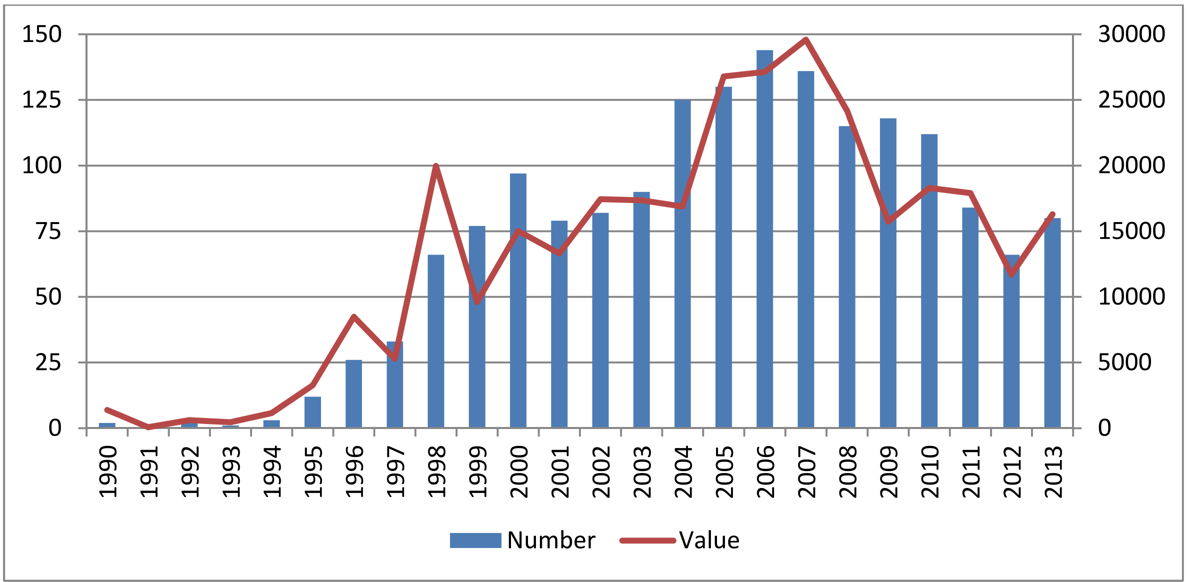
Thus formulated conditions practically mean that a private partner takes the majority of contractual risk and there is strong evidence for it. Moreover, there are no mechanisms that would enable transfer of most of the risks to the public sector (Hajdys, 2013, p. 138).

Striving to ensure efficient ways of enhancing the stability of public finances, the EU regulations referring to this subject have been gradually developed and specified more precisely since the Maastricht Treaty. Due to the ineffectiveness of enforcement of the Stability and Growth Pact, which defines the rules of fiscal policy in the euro area since 1997, its regulations were strengthened by the reforms adopted in 2010-2011 in five regulations and one directive (so-called Six-Pack) and in 2013 in two other regulations. Modifications laid in these legal acts introduced, among others, the spending rule which limits annual increases in government expenditures to no more than medium-term GDP growth. New regulations also developed corrective procedures provided in the Stability and Growth Pact and introduced new principles on financial penalties applicable to Member States which have been made the subject of excessive deficit procedure. Except for the aforementioned transnational fiscal rules, there are also domestic rules binding in individual EU countries. According to the Stability and Growth Pact they should be complementary to the adopted EU rules for limiting the deficit and debt of the general government sector (Marchewka-Bartkowiak, 2010, p. 4). The surveys carried out by the European Commission on the use of numerical fiscal rules in the EU countries show that in 1990-2013 the number of fiscal rules in place grew from 16 to 90 (http://ec.europa.eu /economy_finance/db_indicators/fiscal_governance/fiscal_rules/index_en.htm). Although initiatives and actions against excessive deficit are undertaken both at the national and the EU levels, the number of countries facing this problem is significant. In 2013 an Excessive Deficit Procedure was ongoing for 20 EU Member States compared to 24 in 2011. It means that most of them must be very restrictive in the field of government expenditure.

5. PPP IN THE EUROPEAN COUNTRIES IN THE TIMES OF THE FINANCIAL CRISIS

The idea if public and private sector collaboration undertaken to carry out public tasks has a centuries-old tradition but PPP is a relatively new form. Until 1994 in Europe the number of projects which every year reached financial close ranged from 1 to 3 (Kappeler &Nemoz, 2010, p. 7) and in 1997 PPP was implemented only in a few European countries i.e. in the United Kingdom and Austria (Herbst & Jadach-Sepioło, 2013, p. 15). However, since 1995 the PPP market has been gradually developing and starting to spread from the UK (where the PPP has reached the highest degree of maturity) to continental Europe. In 1990-2007 not only the number but also the value of projects rose significantly. Moreover, the PPP formula was introduced both in developed countries and in countries being in transition.

Figure 1: Number and value (in mln euro) of PPP project in the Europe in 1990-2013



Source: own calculations based on Kappaeler & Nemoz, 2010, p. 7; (EBI, 2011, 2012a, 2013, 2014)

During that period the structure of the PPP market has also changed. Although the domination of transport projects (including roads, urban railways, tunnels, water transport, airports or bridges) remained visible, the PPP was applied in education, health, general public services, defence, environment as well as recreation and culture sector (Blanc-Brude et.al., 2007). The growth of the PPP market was so significant that the hypothesis of its negative influence on public investment in economically advanced countries was verified. But the results did not confirm that PPP can explain the long-term decline in public investment as it is a relatively recent phenomenon that has become significant only in a few EU countries. In most cases the share of signed PPP contracts in GDP, compared to the public investments in GDP is marginal (Perée & Välilä, 2007, p.13).

Table 3: Number of the PPP projects in selected EU countries in 2010-2013

	2010	2011	2012	2013	Total
UK	44	27	26	31	128
Belgium	5	6	3	1	15
Ireland	1	0	1	1	3
Spain	13	7	3	4	27
France	19	19	22	19	79
Germany	14	16	6	6	42
Denmark	1	3	0	1	5
Netherlands	3	1	3	3	10
Italy	2	3	1	4	10
Poland	0	0	0	2	2
Litwa	1	0	0	1	2
Portugal	3	0	1	0	4
Czech Rep.	4	0	0	0	4
Total	112	84	66	75	337

Source: own calculations based on EBI, 2011, 2012a, 2013, 2014.

In 2006 and 2007, both the value and the number of PPP projects reached the highest level since 1990 and amounted to about 27 billion euros and 144 projects in 2006, and a year later almost 30 billion euros and 136 projects. To the end of 2007, the UK accounted for some three-quarters of all European PPPs by number and almost 58% by value. But the idea of PPP found wider application also in Spain, Portugal, France, Germany and Italy (Blanc-Brude et al., 2007). This positive tendency was hampered in most Western Europe countries by the financial and economic crisis. The implementation of PPP projects was always connected with many kinds of risk, but the economic crisis caused the emergence of its new types, and pre-existing risks occurred at a higher degree. These risks include: interest rate risk, credit risk, currency depreciation, reduced demand for their services, and finally the risk reduction in the value of assets (Burger et al., 2009, p.10). In response to it, primarily, the value of PPP projects was limited. Number of contracts signed over the period 2008-2012 also decreased, but to a lesser extent. The EU countries which, in advanced, were leaders in the field of PPP, severely affected mentioned above crisis and experienced slowdown of GDP or even negative economic growth, serious budgetary imbalances and dramatic growth of public debt.

It must be stated that the years 2009 and 2012 were particularly unfavourable for public and private cooperation within the PPP formula what is evidenced by the value and number of PPP projects which reached financial close. The value of transactions concluded in 2007 (a record year for the PPP market) was 1.8 times higher than in 2009 and 2.5 times higher than in 2012. Since 2009 also other changes, consisting in diversification in the European PPP market, could be observed. Firstly, they refer to the geographical concentration phenomenon. The dominance of the UK (although still very evident) is not as overwhelming as in previous years (Kappeler & Nemoz, 2010, p. 9), as the partnership has come to be more widely used in other countries. Secondly, the PPP formula is also used to carry out projects in many diverse disciplines that go beyond the traditional areas of partnerships application (EBI, 2011, 2012a, 2013, 2014).

Although, on average, the GDP growth in Europe in the years 2013 and 2014 was still very slow, and the degree of budgetary imbalances and public debt remained on high level, in a few countries the economic and financial situation has improved (most of all in UK, but in smaller degree e.g. in Germany and Denmark). The excessive deficit procedure has been already derogated from 15 countries. In the indicated time, a slight recovery on PPP market could be observed. The number of transactions which reached financial close rose up to 80 in 2013 and 82 in 2014, and its aggregate value amounted to 16,3 bln euro in 2013 and 18,7 euro in 2014[3]. What is more the average transaction size increased significantly and reached 229 million euro. Traditionally the UK took a leading position on the PPP market, but very large projects obtained financing also in Italy, Netherlands and Belgium. Mostly they were connected with transport sector, but sectorial structure of PPP market shows that important areas of its application became also environment, healthcare and educational sectors.

The idea of PPP, because of its undeniable advantages, has been promoted by the European Commission and European Parliament for a long time, but in the past years the use of EU grants for co-financing PPP project (called hybrid or blended projects) was rather limited. Issues related to the possibility of use a financial grants from the Structural Funds (in particular the European Regional Development Fund), the Cohesion Fund and the sectoral subsidies (including TEN-T) were regulated only very generally in Community law. In practice, the combination of restrictive procedures typical for use of the EU grants and the specificity of PPP, especially the long implementation of projects, turned to be very difficult, and consequently failed to find wider use in Europe. Unfortunately any unified list of blended projects is conducted neither by the EU nor by the national managing authorities. The results of study carried out by European PPP Expertise Centre and focused on major projects, which costs exceeded 25 million for environmental or 50 million euro in other projects, show that in the years 1995-2011, 49 hybrid projects from 13 EU countries were implemented, and the total value of EU support amounted to 4.2 billion euros. The EU grants were mostly used to co-finance PPPs in 2007-2011 (i.e. 34 projects) and the value of the European funding ranged from 0,5 to 607 million euro. Predominantly, this source was used in the implementation of investments related to information, communication and technology (ICT), and the value of provided grants amounted to 260 million euros. More substantial funding (over 3.7 billion euro) was made available for eleven various investments into transport area. The EU co-financing achieved also investments in the field of environmental protection, recreation, agriculture and energy. Its share in the financing of the individual enterprises was very different and ranged from several to 70%. The largest number of hybrid projects were carried out in France (16), Slovenia (10) and Greece (8), but it is precisely that last country, where EU funding volume obtained the highest level i.e. 3,1 billion euros. The predominant source of EU grants, thank to which 46 initiatives reached financial close, was the European Regional Development Found (EBI, 2012b).

The PPP has a relatively short history in Poland. As a matter of fact, it has been developing only since 2005, but it may be assumed that, in general, the experiences in this field are positive. Due to this, as well as because of the poor condition of public infrastructure, rapid growth of the general government

[3] The data characterizing the whole PPP market cover EU-28 countries as well as Turkey and countries of the Western Balkans region.

debt and application of national and EU procedures, progress in PPP application can be expected (Śmiechowicz, 2014b). According to European PPP Expertise Centre data, in Poland only one hybrid project was completed, but the Ministry of Infrastructure and Development in Poland indicates that 18 investments obtained financing agreements and the next two, which are still in the planning phase, are anticipated. The total value of hybrid projects was PLN 3.9 billion, with the Union accounting for PLN 2.4 billion from the Financial Framework 2007-2013. EU support was therefore essential for the implementation of these projects and in individual cases represented from 44 to 77% of their value. It is worth noting that, while blended projects still represent a small part of the total number of PPP projects in Poland (only 17%), they are associated with very costly – for Poland – undertakings and their share in the total market has already exceeded 2/3 PPP (EBI, 2012b).

As the example of Poland shows, the EU funds may successfully supplement national resources and enable to provide infrastructure in a shorter time, what sometimes has crucial meaning for the economic development of the specific area. Mostly, hybrid project in Poland are connected with ICT. So far, the EU funds has been obtained for ten very expensive investments in this area, which include improving or enabling the data transmission via fibre lines and internet connections. But the project of the highest value, which is already under construction, is the waste incineration plant in Poznan. The total cost of its implementation was set at PLN 758 million, including PLN 352 million from the EU grant.

The alarming tendencies in the EU PPP market resulted in wider regulation of the issue of connecting the PPP with EU funds at the level of the European Union. In the Regulation No 1303/2013 of the European Parliament and of the Council of 17 December 2013 was stated that PPP can be an effective way to achieve public policy objectives by combining different forms of public and private resources. Simultaneously was emphasized that it is reasonable to take into account the specific characteristics of the PPP in such a way that the use of cohesion policy funds would be easier. Although this statement is very general, however, expresses the acceptance for hybrid projects. Except for that, the Regulation includes the definition of the PPP, and refers to some of the specific issues related to combining public resources to private. Due to these favourable changes, further popularization of hybrid projects in Europe may be expected in the coming years.

6. CONCLUSIONS

The financial and economic crisis had a negative impact both on the public capital expenditure and, in general, on the PPP market in the EU countries. The overall tendency shows that either the number or volume of PPP transactions decreased during the crisis, but at the same time, PPP has expanded or has just been adopted in some countries e.g. in the central and eastern Europe. In the old Member States, where the public infrastructure is relatively well developed and where, during the crisis, budgetary imbalances were very deep and the limits of debt significantly exceeded, both public investments and PPP transactions were reduced. In Poland, where infrastructure is neglected, opposite tendencies could be observed. Improvement of the economic and financial situation in individual EU countries has been reflected in a slow growth of number and value PPP transactions, but capital expenditure is still at a low or moderate level. Positive examples of implementation of the PPP formula in terms of insufficient public sources for covering necessary capital expenditure and in times of budgetary restrictions, as well as the positive changes in EU regulations referring to the hybrid projects should result in wider application of PPP.

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