FUNCTIONING OF LOCAL PUBLIC-PRIVATE PARTNERSHIPS (CO-FINANCED BY THE EU FUNDS) UNDER CONDITIONS OF RISK AND TURBULENT ENVIRONMENTS

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"Recent years have seen a marked increase in cooperation between the public and private sectors for the development and operation of infrastructure for a wide range of economic activities. Such Public-Private Partnerships (PPP) arrangements were driven by limitations in public funds to cover investments needs but also by efforts to increase the quality and efficiency of public services".

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Abstract. *Public-private partnership (PPP) is a long-term process which involves the combination of capital, experience, skills in the implementation of public tasks by a private partner, previously accomplished by a public entity. The main goal is to provide a quantitative-quality services standard for the public community in competitive conditions, using innovative instruments, previously unavailable to the public sector*[1].

The aim of this paper is to show the changes in public organizations and economic organizations under conditions of the market economy where the basic economic phenomenon is the competition, risks and the turbulent environment. All these factors drive various entities to seek new ways for organization`s survival by creating their own innovative approach to management based on the example of public-private partnership projects, often in the local area.

Keywords: *public-private partnership, organization, local partnership, cooperation, EU legislation, competition, risk.*

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[1] E. Książek, W. Wereda, *Public-private partnership as an example of innovative management,* in „Współczesne zarządzanie", kwartalnik 2011 – the work has been in the process of publishing.

1. Functioning of partnership in projects co-financed by the European Union Funds

The term of "public-private partnership" comes from the United States where it initially concerned the joint financing of educational programs by the public sector and private one. Wider use of the concept over further years defines the "project or contract" based on the long-term cooperation between a public and private entity, concerning the construction plan, financing and the exploitation of public infrastructure (the object-the building) by a private operator[2].

The possibility of regulating by the bodies of local government units through contracts, the participation of business organizations in the sphere of offering services of public utility[3] is a new form of cooperation for solving problems of the infrastructure shortage, both technical and social one. Therefore, partnerships frequently are established at the local level.

K. Brzozowska divides public-private partnership into "a contract of mandate and contract of specific work" (they do not require the involvement of the private equity partner, they include: contracts for construction, technical supervision, providing services and management contracts), and forms of cooperation involving the capital being related to using that capital during the contract performance, such as leasing agreements, concessions etc.[4]. As a consequence the local partnership requires the involvement of a larger capital to real operating, and therefore entities reach for EU funds to start several joint activities.

PPP is not however an instrument designed solely for purposes of the absorption of EU funds, but its deployment to a wider extent may significantly affect the degree of exploitation of the funds – mostly in strategic areas, such as innovative technologies, technical and social infrastructure and a comprehensive revitalization of cities, regions and other self-government units. Faced with high public deficit and the need for engagement of their own funds in order to finance projects with EU funding, PPP appears to be the best option for beneficiaries. Therefore, whether the chance of raising capital for key investments through PPP and in the future to provide services efficiently, however, depends largely not

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[2] E. R. Yescombe, *Public-Private Partnerships. Principles of Policy and Finance*, Elsevier, Burligtom 2007, pp. 2-3.

[3] W. Misiński, M. Wierzba, *Enterprise relations with local authorities,* in J. Lichtarski (ed.) *Basic sciences about enterprise*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 1999, p. 389.

[4] K. Brzozowska, *Public-private partnerships. Conditions, opportunities, barriers,* Wydawnictwa Fachowe CeDeWu, Warsaw 2006, p. 27.

only on the partners themselves, but also on political and legal considerations in the country[5]. Since 2005 Polish legal regulations have made it possible to partially fund investments in the form of the public-private partnership.

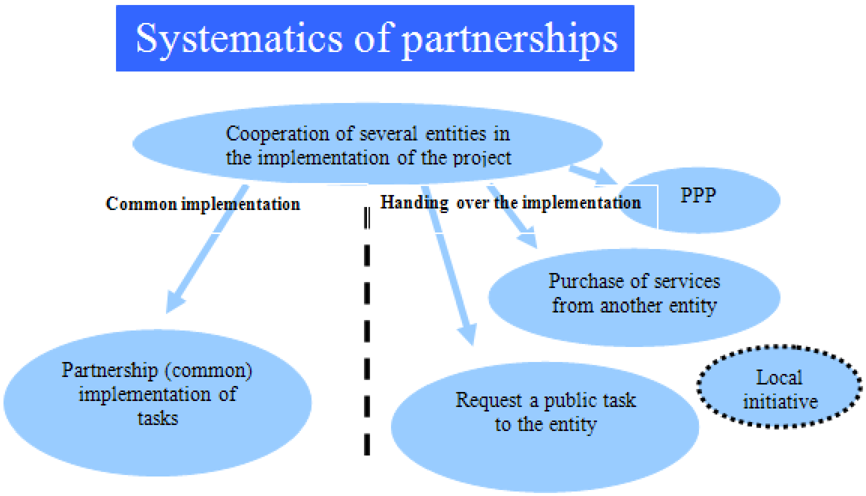

Figure 1. Systematic of partnerships.

Source: Ministry of Regional Development, *Extent of accomplishment of partnership projects specified by the Managing Institution of the Operational Programme Human Capital*, Warsaw 2011, p. 5.

In September 2007 the Operational Programme Human Capital was approved, with a total budget of over Euro 11 billion. The funds are earmarked for the development of human and social capital within the context of accomplishing tasks in relation to the Lisbon Strategy objectives. 65% of the funds will be disbursed by regions and therefore it is of significance to efficiently use them by local communes. The statute of 7 November 2007 on amending some laws with regard to implementation of structural funds and Cohesion Fund (new Art. 28a in the law on principles on pursuing the development policy)[6] lays out rules for establishing partnerships by a managing institution. Pursuant to the agreement partnerships may be set up by entities contributing human, organizational, technical, or financial resources which jointly accomplish the project on the conditions specified in the agreements or the partnership agreement. A partnership project is accomplished under the decision or subsidy agreement concluded with a beneficiary acting in the name and on

[5] http://www.doradca-ue.pl (access date: 2010.05.28).

[6] Law on principles for pursuing the development policy of 6 December 2006, Art. 28a, Dz. U. No. 216, item 1370 as amended.

behalf of partners to the extent specified in the agreements or partnership agreement, which specifically sets out partners' tasks, rules for joint managing the project and the manner for transferring the financial resources by the beneficiary to pay costs incurred by partners to complete their assignments under the project.

2. Barriers for local partnerships

Local partnerships when being established run into numerous barriers, even on the side of local authorities. Often, it is a lack of potential, sometimes local authorities are anxious to lose their sway, perceiving the partnership as a threat to their supremacy. A lack of potential also presents a hindrance to effective involvement in partnership for non-governmental organizations which experience problems in representing the sector on a broader field. Whereas private companies though diminished confidence towards local authorities and focus on conducting their own business, constitute a sector which enhances employment rate as well as economic growth. They are a driving force behind local and regional economies; therefore the emphasis should be placed on winning their representatives for the concept of partnership. Other sectors should reinforce and create conditions for advancement of the private sector, to build the atmosphere of confidence and mutual understanding. The knowledge of legal provisions that govern rules for inter-sectoral partnership, and opportunities provided by partnership is still marginal. It is evidenced by the small number of investment initiatives carried out in the form of PPP. There are virtually no completed investments on the basis on this formula as demonstrated by research conducted in podlaskie voivodeship as well as in Poland at large. The reasons behind this plight may be traced to the drawbacks of the PPP law of 2005, applicable until recently. The new law that entered into force in February 2009 corrects numerous flaws. Promoting inter-sectoral partnership is particularly vital in poorer regions as e.g. podlaskie voivodeship because the local governments usually do not have sufficient funds to be able to individually accomplish big public investments such as sport buildings, schools, hospitals, etc.

The key drivers impeding and obstructing partnership cooperation are as follows:

- Lack of cooperation and lack of need for inter-sectoral cooperation,
- Focus on performing present statutory activities,
- Fragmentary actions taken,

- Lack of sufficient technical and logistic background,
- Lack of qualified personnel,
- Relations "contractor – principal" instead of partnership relations,
- Involvement in operations as a sub-contractor, not a partner,
- "bureaucratic" approach of public bodies,
- "demanding" attitude of social organizations[7].

3. Benefits offered by local partnership

Cooperation initiated within PPP delivers a range of benefits, the major ones include:

- Enhancing capital stream to be allocated for investments in public services by the way of winning private capital – PPP system enables to complete projects with limited availability of public capital as the essence of PPP is its capacity for acquiring funds from a private sector – private capital replaces public resources. Also, it is essential in view of necessity to mobilize financial capability of Poland in winning EU structural funds;
- Gaining knowledge and experience of the private sector and thus boosting capacity and quality in the domain of public tasks performed;
- Better risk allocation within the venture accomplished – within PPP the specified risk is imposed on a party which enjoys biggest capabilities for successful managing it on specific costs. The objective should be optimization of risk to ensure the largest added value possible and not maximization of its transfer and its disposal;
- Enhanced efficiency in exploitation of resources and better quality of services – as the record shows, within PPP a wide range of activities may be undertaken more efficiently when applying management discipline and competences of the private sector, and then the level of services rendered within PPP often surpasses those rendered in a traditional manner, which results from a superior organization, oversight and use of innovative solutions, and drive to reduce costs. Importantly, this drive is fuelled by the interest of private capital, that is profiting from benefits as well as

[7] Ministerstwo Pracy i Polityki Społecznej, Departament Rynku Pracy, *Through the cooperation to the success. Local partnership in the labor market* (ed.) A. Sobolewski, R. Krzewicka, G. Och, J. Olszowska-Urban, J. Piekutowski, G. Podławiak, T. Sobolewski, Warsaw 2007, p. 49.

gaining public oversight, i.e. PPP agreements regarding consequences of failure to satisfy standards and quality of services rendered by a private partner;

- Possibility to generate added revenues from third parties within the project which diminishes the need to involve public resources;
- Ensuring optimal management of the venture coupled with reducing its total costs – imposing risk with regard to accomplishing the project on a private partner serves as an incentive to searching for optimal managing methods and implementing given projects which then translates into optimal disbursement of funds being at disposal of a private partner and thus decrease in total costs with the cycle of the project. Also, it should be kept in mind that reduction of total costs cannot affect the standard and quality of services provided and other norms specified in the agreement on PPP as the remuneration of a private partner is subject to their meeting;
- Strengthening the managing role of the public sector – through shifting responsibility for completion of the project to a private partner (it should be kept in mind that competence and accounttability for completion of assigned tasks remain to be within the scope of the public sector), the public party will focus on regulatory functions, planning and monitoring the process of accomplishing projects aimed at completing public tasks; moreover, fostering competitiveness of public services make them market oriented and therefore maximize the value of invested resources in the project[8].

4. Functioning of local partnerships under conditions of risk and turbulent environment

Enterprises operating in the present day must confront increasing competition, environmental variability, continuously re-configuring requirements and consumers' tastes. The ever changing environment induces them to take actions not only in the real world, but also to delve into the hyper-reality, and to function on many levels of the culture. Contemporary culture is often labelled by cultural sociologists as 'instant', and portrayed by the means of the maxim – "fast food, fast sex, fast car", and dominated

[8] Based on European Commission Publication, *Guidelines for Successful Public-Private Partnerships*, Brussels 2003.

by the volatility, speed and media[9]. The emergence of the global consumer and accompanying phenomena such as, the global teenager of generations *X* and *Y* with transparent and unstable identities and indifferent to traditional values, poses new challenges but also provides opportunities for companies operating in the market. The maxim "innovative or die" seems to fit here – emphasizing the need for constant changes in the course of gaining a competitive advantage. Therefore, it is not surprising that enterprises are looking for permanent values as the foundation on which they may build its competitive advantage[10], such as innovations, positive image, partnerships and the cooperation with stakeholders.

Markets in turbulent environments are usually emergent (no clear dominant design, no stable business models, no clear boundaries between or within an industry and no clear competition), and transformational – new technological breakthroughs and shifts in regulation[11]. Industrial economists or planners do not have the time to gather the necessary data, let alone analyze it, to find a position to go after or engineer a fit between a shifting organization and a turbulent environment[12]. In such environments change happens on different levels and with different impacts.

We can consider two issues in the functioning of organizations: turbulent environments and environment turbulence. From the general opinion these two terms are interpenetrating[13].

According to the web dictionaries "environmental turbulence refers to the amount of change and complexity in the environment of a company. The greater the amount of change in environmental factors, such as technology and governmental regulations, and/or the greater the number of environmental factors that must be considered, the higher the level of environmental turbulence. For many reasons environmental volatility and instability have been increasing for the past 100 years"[14].

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[9] B. Siemieniecki, *Media Pedagogy. Academic Handbook,* Vol. 1, PWN, Warsaw 2007, pp. 111-115.

[10] W. Wereda, T. Zaclona, *Creation of trade brand images in a turbulent business environment based on the example of social portals*, UMCS, Lublin 2011 – the work has been in the process of publishing.

[11] S. Brown, K. Eisenhardt, *Competing on the Edge: Strategy as Structured Chaos*, Harvard Business School Press, 1998.

[12] Using systems thinking, we can clearly see that finding a fit between an organization and its environment is an almost impossible task. Every move an organization engages in, to maximize its fit, perturbs its environment instantly modifying the fit value. The quest for fit maximization becomes another source of change in the system.

[13] W. Wereda, T. Zaclona, *Creation of trade brand…op.cit.*

[14] http://planningskills.com/glossary/30.php (access date: 20.07.2011).

For instance, Ansoff introduces the concept of environmental turbulence to describe the different environments. He classifies the different environments in which organizations operate into five distinct turbulence levels. At one extreme is the stable, placid environment where nothing changes; at the other is the creative environment, characterized by major technological breakthrough, and social political upheavals[15]. That is why all organizations functionning in the turbulent environments have to face different types of risk.

If we talk about the risk concerning public-private partnership, it can be described as any factor, event or influence that threatens the successful completion of a project in terms of time, cost or quality. A key principle of PPPs is that risk should be allocated to the party best able to manage it. The effective allocation of risk has a direct financial impact on the project as it will result in lower overall project costs and will therefore provide enhanced value for money if compared to traditional procurement methods. The direct relationship between risk and financial impact lies also in the fact that the degree of risk transfer to the private sector will influence the overall cost of the project to the public sector as all risk will be associated with a price premium.

Therefore the objective must be to achieve cost effective risk transfer not simply risk allocation for its own sake. The objectives of risk transfer include:

- To reduce long term cost of a project by allocating risk to the party best able to manage it in a most cost effective manner;
- To provide incentives to the contractor to deliver projects on time, to required standard and within the budget;
- To improve the quality of service and increase revenue through more efficient operation;
- To provide a more consistent and predictable profile of expenditure[16].

The risk categories which have been seen in the process of initiations of PPP include: revenue risk, choice of private sector partner, construction

[15] S. Seng Pun, *MANAGING IN TURBULENT ENVIRONMENTS. Igor Ansoff's Strategic Success Model* in "FEATURE – Management News" issued by Singapore Institute of Management, PDF format (dated on 20.07.2011).

[16] European Commission Publication, *Guidelines for Successful…op.cit.*, pp. 52-53.

risk, foreign exchange risk, regulatory/contractual risk, political risk, environmental/archaeological risk, latent defect risk, public acceptance risk, sustainability risk, hidden protectionism[17].

Revenue risk is the most fundamental of all unknown factors involved in PPP projects. Revenues flows are generally determined by two factors: utilization levels, and tariffs. The availability of reliable historic information documenting demand and price elasticity levels varies among different sectors[18].

Another type is the risk of choosing of private sector partner. Thus, inherent risk is associated with forming a partnership with unknown partners. This is accentuated through a public procurement process which does not facilitate extended negotiation periods allowing a degree of knowledge and confidence to be established. The principle risks are that the private party proves insufficiently competent and/or is not able to deliver the services to the initial specifications. This can be because of a badly researched tender or because tenders were designed to win the contract in the hope of recovering costs at a later stage. In both instances the tender evaluation must aim to identify such situations[19].

The third risk is connected with construction costs. The capital construction cost of any project is one of the fundamental factors upon which financing is based, and when cost overruns are incurred, the financial feasibility of a concession can be jeopardized. Poor project definition, unknown geological conditions, or loosely defined safety specifications can have dramatic affects on capital construction costs. However, these potential problems can be mitigated with the completion of careful engineering studies before a concession contract is actually signed. Construction delays also have detrimental effects on capital costs. While some delays can be minimized through careful construction management, they still have the potential to arise. Other external factors, such as timely delivery of right-of-way, for example, are more difficult to manage. External forces such as inflation, economic policy, embargoes, and political conflicts also have the potential to have dramatic affects on capital costs. Construction risk is nearly always assigned to the private party, which in turn is likely to include strong incentives for on-time completion of works in its construction contract[20].

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[17] Based on *Ibidem*, pp. 53-56.
[18] *Ibidem*, p. 53.
[19] *Ibidem*, p. 54.
[20] *Ibidem.*

This risk can be exacerbated when governments require that concessionaires obtain a certain portion of their financing from foreign sources. Foreign exchange risk is greatest when weak currencies are involved, putting projects in emerging economies at greater risk. In certain cases, foreign currency risk can be assumed by sovereign governments, export credit agencies, or international financial institutions in order to make concession projects more attractive to private investors[21].

The fifth type of risk is the regulatory/contractual one. Although governments negotiate contract terms and conditions with their concessionnaires, they are not always successful in maintaining their commitments. This is particularly true of tolls and other user fees, which tend to be politically sensitive. These risks are more common than many project finance proponents like to admit. They can have substantial effects on existing concession agreements, and also weaken interest in future projects. Regulatory risk is exacerbated in countries where new and untested laws govern PPP projects. Such risks can be expected to be greatest in countries with comparatively little experience in project finance[22].

Another very important type of risk is the political one. Assessments of the inherent strength and stability of local political institutions are common in the investment field and are reflected in bond ratings prepared by internationally recognized rating agencies. As political risk increases, so does the cost of obtaining financing. The long duration of most concession agreements and the common aversion to user fee increases, make PPP projects especially susceptible to political risk. This is exacerbated when new governments oversee unpopular projects instigated by previous administrations. Political risks are often assumed by host governments, but such an assignment can prove less than optimal in the face of lacklustre political support for an infrastructure partnership[23].

Infrastructure projects have the potential to provoke environmental concern, and governments and citizen groups are becoming increasingly vigilant in their efforts to mitigate potential impacts. Unforeseen environmental issues can increase capital costs considerably and result in serious delays. Environmental risk is usually assumed by the private party. For this reasons, most would-be investors undertake thorough environmental assessments and identify likely mitigation programs before entering into a concession agreement[24].

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[21] *Ibidem.*
[22] *Ibidem*, pp. 54-55.
[23] *Ibidem*, p. 55.
[24] *Ibidem*.

Coming to the eighth type of risk – a latent defect risk, it is now increasingly common for governments to provide contractors/concessionaires with the right to pre-existing infrastructure systems as a way to help finance the construction of new infrastructure. In many cases, new projects may also involve upgrading and expanding existing systems. In exchange, concessionaires usually assume responsibility for the maintenance of these facilities for the duration of their contracts. While seemingly attractive, this mechanism can be costly for concessionaires if the facilities they inherit have unknown structural faults. The risk of encountering unpleasant surprises can be minimized when thorough and well-documented inspections of the facilities to be transferred are completed before concession contracts are formalized[25].

Infrastructure projects have the potential to provoke vociferous protests among local communities; a fact which can prove fatal to private concessions. There are several notable examples of public acceptance risk in Europe. Many experiences in different areas demonstrate the very real threat that public acceptance risk can pose. Prudent investors need to make careful assessments of the approvals required for their projects, as well as public sentiment towards the projects before deciding to invest[26].

The next type of risk, especially connected with local partnerships, is the sustainability risk. A principle objective of the public sector is to protect the public interest and ensure delivery of value for money. Publicly procured and operated projects provide the tax paying public with the ability to control the quality through votes and taxes. The introduction of private operators may reduce this control if effective control or oversight systems are not developed. Along with the development of an effective public sector management and monitoring capability it is necessary to promote the development of consumer "watchdog" associations and allow for public consultation. This not only creates a direct link with the private operator but also develops a strong sense of consumer ownership or participation in PPP projects[27].

The last type of risk which can still be seen sometimes in different countries is hidden protectionism. Infrastructure provision is generally perceived to be within the domain of the public sector, and the public can be sceptical when private actors are involved. Such scepticism can be exacerbated when investors are from an outside and more affluent country

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[25] *Ibidem*, p. 56.
[26] *Ibidem*.
[27] *Ibidem*.

and have the potential to make a profit on their investment. When such a reaction occurs among the populace, it can also have repercussions in the political arena, making it more difficult for foreign investors and their host governments to resolve conflicts. Foreign investors would be negligent if they ignored this issue, and should investigate the experiences of other outside investors in the countries where they are considering doing business. This risk is borne by the concessionaire and it is best countered by consistent government support. It is however ironic to note the often inconsistent approach of public bodies to foreign participation. Particularly there is often less objection to arrangements developed through direct agreements than when public procurement is involved. It is through the latter that nationality and foreign participation most often becomes an issue[28].

Table 1

Advantages and Disadvantages of PPP Relationships

PPP Type	Main Features	Application	Strengths	Weaknesses
Contracting	• Contract with Private party to design & build public facility • Facility is financed & owned by public sector • Key driver is the transfer of design and construction risk.	• Suited to capital projects with small operating requirement. • Suited to capital projects where the public sector wishes to retain operating responsibility.	• Transfer of design and construction risk. • Potential to accelerate construction programme.	• Possible conflict between planning and environmental considerations. • May increase operational risk. • Commissioning stage is critical. • Limited incentive for whole life costing approach to design. • Does not attract private finance
BOT	• Contract with a private sector contractor to design, build and operate a public facility for a defined period, after which the facility is handed back to the public sector. • The facility is financed by the public sector and remains in public ownership throughout the contract. • Key driver is the transfer of operating risk in addition to design and construction risk.	• Suited to projects that involve a significant operating content. • Particularly suited to water and waste projects.	• Transfer of design, construction and operating risk • Potential to accelerate construction • Risk transfer provides incentive for adoption of whole life costing approach • Promotes private sector innovation and improved value for money. • Improved quality of operation and maintenance. • Contracts can be holistic • Government able to focus on core public sector responsibilities.	• Possible conflict between planning and environmental considerations. • Contracts are more complex and tendering process can take longer • Contract management and performance monitoring systems required. • Cost of re-entering the business if operator proves unsatisfactory. • Does not attract private finance and commits public sector to providing long term finance.
DBFO	• Contract with a private party to design, build, operate and finance a facility for defined period, after which the facility reverts to the public sector. • The facility is owned by the private sector for the contract period and it recovers costs through public subvention. • Key driver is the utilisation of private finance and transfer of design, construction & operating risk. • Variant forms involve different combinations of the principle responsibilities.	• Suited to projects that involve a significant operating content. • Particularly suited to roads, water and waste projects.	• As for BOT plus: • Attracts private sector finance; • Attracts debt finance discipline; • Delivers more predictable and consistent cost profile; • Greater potential for accelerated construction programme; and • Increased risk transfer provides greater incentive for private sector contractor to adopt a whole life costing approach to design.	• Possible conflict between planning and environmental considerations. • Contracts can be more complex and tendering process can take longer than for BOT. • Contract management and performance monitoring systems required. • Cost of re-entering the business if operator proves unsatisfactory. • Funding guarantees may be required. • Change management system required.
Concession	• As for DBFO except private party recovers costs from user charges. • Key driver is the *Polluter Pays Principle* and utilising private finance and transferring design, construction and operating risk.	• Suited to projects that provide an opportunity for the introduction of user charging. • Particularly suited to roads, water (non-domestic) and waste projects.	• As for DBFO plus: • Facilitates implementation of the *Polluter Pays Principle*; and • Increases level of demand risk transfer and encourages generation of third party revenue.	• As for DBFO plus: • May not be politically acceptable • Requires effective management of alternatives / substitutes, eg alternative transport routes; alternative waste disposal options)

[28] *Ibidem*, See more: B. Domańska-Szaruga, W. Wereda, *Management under conditions of risk and uncertainty*, Publishing Company EMKA, Warsaw 2011.

Explanation:

BOT – Integrated partnerships involve transferring responsibility for the design, construction, and operation of a single facility or group of assets to a private sector partner. This project delivery approach is practiced by several governments around the world and is known by a number of different names, including "turnkey" procurement and the "build-operate-transfer" (BOT) system.

DBFO – The primary vehicle for PPP opportunities involving direct private sector investment is the design-build-finance-operate (DBFO) concession agreement. These agreements enable a private investment partner to finance, construct, and operate revenue generating infrastructure improvement in exchange for the right to collect the associated revenues for a specified period of time. Concessions can be awarded for the construction of a new asset or for the modernization, upgrade, or expansion of an existing facility.

Source: European Commission Publication, *Guidelines for Successful Public-Private Partnerships*, Brussels 2003, p. 28.

As table 1 show there are always advantages and disadvantages of the four main groupings of PPP relationships. It also provides suggested sectoral applications. The selection of a suitable PPP arrangement is a complex task and must be based on individual project characteristics and needs. It is very important to define different pros and cons of PPP relationships to see or recognize future threads and risks of the private and public cooperation.

5. Conclusions

Inadequacy of financial resources for the implementation of public tasks, the dissatisfaction of local communities, the development of techniques and technologies associated with the production and delivery of public goods and services[29] compel local government authorities to drive changes in creating conditions and opportunities for deploying management methods and techniques in the public sector, that are applied in the private sector. Qualitative-quantitative changes should trigger a positive indicator *Value for Money* to a public entity whereas a competitive rate of return from invested resources in PPP projects [30] to a private partner.

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[29] K. Matańska, *The nature and extent of public-private partnerships in Poland* in J. Rutkowski (ed.) *Public-Private Partnership in Poland and its operation on the example of selected projects*, Publisher University of Lodz, Lodz 2010, p. 22.

[30] E. Książek, W. Wereda, *Public-private partnerships as ..., op. cit.*

Therefore, the essential aspect of the functioning of local partnerships is cooperation of both partners and recognition of mutual benefits. Unfortunately, the risks inherent in such initiatives and turbulent environments often hinder local government units` managing staff and entrepreneurs to initiate such organizational and financial innovations in management of various local projects. Therefore, it is reasonable to initially discern the environment and prior identify a range of risk types that accompanies local public-private partnership.

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