

## METHODS OF ORGANIZATION IN MUNICIPAL SERVICES

**Joanna Czaplak\***

### **Abstract**

*The article contains an analysis of methods of organization in municipal services in the years 2007-2011 within the sphere of public utility services in Poland. It consists of two parts. The first chapter describes methods of organization in municipal services and their evolution in transition. In this part, the author also points out the main issues and dilemmas related to methods of organization of public utilities. The second chapter contains an analysis of methods of organization in municipal services in selected industries and their impact on the provision of municipal services.*

**Keywords:** *municipal economy, municipal services, legal, organisational transformation.*

### **1. Introduction**

As a result of the transition in the Polish economy, local self-government units have transferred essential municipal property for the execution of tasks – including municipal entities, which earlier had acted under the State Owned Enterprises Act, 1981. In becoming the owners of municipal enterprises local governments were obliged by legislation to choose the organisational and legal framework form for those entities. A wide range of restructuring and privatisation processes of municipal economy entities began. These processes are on-going even now and their effects determine the present ownership structure, organizational and legal framework of municipal economies.

A variety of forms in providing municipal services, the specific character of municipal economy and various theoretical concepts concerning the role of the public sector in the economy imply numerous yet unsolved problems in this field. In particular these problems are related to: the choice of organizational and legal framework as well as the privatization of assets (municipal entities) and local governments' public tasks.

The aim of this article is to identify organisational, legal and ownership structures of municipal entities acting in the water supply and waste

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\* M.A., Chair of Theory and Economic History, Faculty of Economics, UMCS in Lublin, email address: joanna.czaplak@poczta.umcs.lublin.pl.

management sectors. This article also contains an analysis of the impact of private capital on the provision of municipal services.

The first part of this article contains an analysis of evolving models in the provision of municipal services in transition. The second part presents the results of empirical research based on selected indexes of local governments' municipal management (presented in SAS) and on the research conducted by the author (SAS).

## **2. The evolution of models of municipal services provision**

In the municipal sector, there are various models of municipal services provisions, which were formed as a result of external restructuring initiated by legislation and as a result of local governments' individual experiences within the sphere of public utility services. The evolution of models in providing municipal services in Poland was determined by two opposing processes: municipal entities privatization progressing gradually from 1991 and self-governments' rising interventionism in management and the implementation of municipal services (Korczak, 2012, pp. 153).

Self-government units, while executing their tasks in the field of the municipal economy, often fulfill two contradictory functions. They are regulators of the market, where important services for local society are produced. The aim of these regulations is to ensure general access to the municipal services. Yet, local governments often provide municipal services through shareholding companies using local government capital or through public sector entities. Thus, they act as an entrepreneur guided by profitability. So we see that when local governments select the methods of organization in municipal services, they have to reconcile two contradictory objectives: a high level of effectiveness, quality and availability of public services AND – if they act as business owners – profitability.

Some local governments manage the municipal economy through budgetary units and budgetary enterprises, which operate in a similar way to non-profit organizations. The choice of this organisational and legal form is supported by the fact that local governments' main task is to ensure general access to municipal services – not commercial activity. However, some local governments decide to manage the municipal economy on market terms, claiming that self-government units should manage public resources more rationally.

The evolution of models of municipal services provisions, in terms of processes which exist in municipal economies, can be divided into three stages:

- 1) Budgetisation (transformation of municipal entities into budgetary units and budgetary enterprises),
- 2) Commercialization,
- 3) Privatization.

The first stage in the evolution of the municipal economy began with the reactivation of local government in the early 90s of the last century. Under the local government Act of March 8, 1990 (Ustawa z dnia 8 marca 1990 r. o samorządzie terytorialnym), self-government units were obligated to perform public services, in particular to sustain the continuous provision of services for the local society. The prerequisite for the execution of those tasks was the transfer of essential municipal property – including municipal entities which earlier had acted under the State Owned Enterprises Act of 1981. As a result of the “municipalisation”, local self-governing units became the owners of 1307 municipal enterprises (GUS, 1992, Table 6).

In becoming the owners of municipal enterprises, local governments were obliged by legislation to choose the organizational and legal framework for those entities. Local governments could select three tracts: municipal enterprises could be transformed into companies wholly owned by the local government, liquidated and transformed into a budgetary enterprise or entity or liquidated with the aim of being privatized (Grzymała, 2010, p.100). The difficulties related to the management of municipal entities and the provision of municipal services, especially in terms of natural monopoly, had an influence on the slow rate of organizational, legal and ownership changes. On the basis of a report prepared by The Research Institute for Market Economy, including the two first years of transition, we can see that among all the 163 companies analyzed, 43% were budgetary enterprises, 22% were companies, and only 9% were shareholding companies (Aziewicz, 1994, p. 32).

The next stage of restructuring of the municipal economy started, when the Municipal Economy Act of March 20, 1996 came into force (Ustawa z dnia 20 marca 1996 r. o gospodarce komunalnej). This act regulated the status of local governments as well as organizational and legal forms of the municipal economy. On the basis of this Act local governments could provide services straight through shareholding companies with self-government capital (See more: Modras, 2004) or local government public sector enterprises (hereinafter referred to as self-government entities of municipal economy), and they could entrust the provision of municipal services to private firms on the basis of civil-law contract (See more: Szydło, 2007). It is also worth noting that this Act finally liquidated municipal enterprises, which were transformed into shareholding companies with self-government capital. This Act was also to smooth the path of the transformation of the budgetary enterprises into

a shareholding companies. It caused the progressive commercialization of the municipal economy, which was an intermediate stage before privatization.

The last phase of the evolution of organization in municipal services contains the privatization of the municipal economy; both the privatisation of assets as well as local governments' public tasks. The process of privatisation in municipal economies began with the reactivation of the self-governing and municipalisation of municipal property. The Local Government Act, binding at that time, precluded running a business by the self-government units out of the sphere of public utility services. Therefore, it was necessary to liquidate and privatize municipal enterprises, which ran businesses outside the sphere of public utility services (See more: Sadowy and Grzymała, 2005, pp. 290-291). In the 90s of the last century self-government units were reluctant to cooperate with the private sector, because they were afraid of problems with the assurance of general provision of basic services. The privatization of municipal economies may also take the form of public tasks privatization based on cooperation between the public and private sectors through management contracts, lease agreements, and licensing (Zagożdżon, 2004, pp. 41-44).

A variety of forms of municipal services provision and, as mentioned in the introduction to this section, the existence of two opposing goals related to the functioning of municipal entities still imply unsolved problems which local governments face in selecting a method of organization in municipal services. Scientists, local governments officials and entrepreneurs have been discussing optimal models of organization in municipal economies for over 22 years. The main problems and dilemmas raised in this discussion are as follows:

- Should the entities of the municipal economy take into account the economic viability of performance while meeting the objectives of public utilities or should they work in a way similar to non-profit organizations?
- Should the municipal economy be managed as a municipal monopoly or as a market economy?
- Should and in which way should the excessive budgeting of a municipal economy be limited?
- Should and in which field should a municipal economy be privatized including cases allowing financing by foreign capital?
- How should the corporate governance over the shareholding companies with the self-government capital be exercised in situations where the local government fulfills the function of owner and organizer (controller) of the market?

Dilemmas related to the organization of municipal services result from local governments' concerns (and local authorities) for organizational, legal

and ownership changes which may lead to loss in control over the provision of municipal services and consequently may deteriorate the quality of services.

### **3. Organization of municipal services in selected utility sectors**

#### **3.1 Research methodology**

The analysis of legal, organizational and ownership structure of municipal entities and the impact of private capital on provision of municipal services is based on the database of SAS, created in 1999 by the Association of Polish Cities. This database is used to monitor the management of local public services: culture, social support, education, local roads and public transport, housing and public utilities. Local governments voluntarily enter data for different areas of functioning of local governments. In SAS the number of local governments, which enter the data (cities, districts, municipalities, parishes), oscillates between 80 and 200 local governments (SAS)

The main disadvantage of SAS is a relatively small number of local governments which regularly make data related to municipal economy accessible. And what's more, the indexes describing the municipal services (water supply, sewerage, waste management, district heating) have been presented in SAS only since 2007.

The SAS characterizes the municipal economy by various indexes examining the methods of management of municipal services in selected cities. Moreover, the number of providers of municipal services in water supply and waste management is presented. Thus, for purposes of the analysis, two sectors were selected – waste management as an example of the organization of municipal services in conditions close to the market economy and water supply, which represents a model of monopolistic market.

The analysis of waste management contains only 4 from 13 characteristics, presented in SAS, counted for each city. On the one hand, the author was guided by the availability of data, which was fairly limited. Many local governments did not provide information for the analysed period. On the other hand, it was necessary to select those indexes that comprehensively characterize municipal sectors in terms of the number of suppliers and the accessibility of municipal utilities. As a result, the following characteristics were selected:

- ind. 1 – the ratio of number of residential buildings, which are covered with the collection of waste from household to the total numbers of residential buildings in a municipality (%),
- ind. 2 – the ratio of the number of places to selective waste collection in a municipality to a thousand inhabitants of the municipality (number of places/1000 people),

- ind. 3 – the ratio of the estimated payment for monthly waste collection per capita to average monthly income per capita (%),
- the number of companies providing waste collection services in a municipality in the year being researched.

The analysis of the water supply sector contains 4 from 26 characteristics, presented in SAS (the choice of indexes was based on the same criteria as for waste management):

- ind. 1 – water supply failure per 1 km in the year being researched (failure/km),
- ind. 2 – the ratio of the number of inhabitants of the municipality, who use the water supply system to the population of the municipality in the year being researched (%),
- ind. 3 – the ratio of the estimated monthly payment for water sold from the municipal water supply system per capita to average monthly income per capita (%),
- the number of companies providing the water supply services in a municipality in the year being researched.

In regard to the criterion that participation of private capital was essential in the provision of services, local governments were classified into three groups:

- a public model – where local governments entrust the provision of services only to the self-government entities (budgetary units and budgetary enterprises or self-government shareholding companies), in which local governments have 100% of the shares and a majority stake,
- a mixed model – where local governments entrust the provision of services to entities with 100% share of self-government capital and private companies, or entities with 100% share of self-government capital as well as with mixed capital,
- a private model – where local governments entrust the provision of services only to private companies.

In the analysis of the ownership structure of entities providing municipal services in sectors being researched, the information contained in the database SAS was complemented by the author's own research based on the data contained from the web pages of town councils.

The time range for the analysis of water supply is spread over a period 2007-2011 and for waste management, due to lack of data, the analysis is carried out only for the period of 2009-2011.

### **3.2 Characteristics of one case study**

In order to conduct an analysis of the legal, organizational and ownership structure of entities providing municipal services in the waste management sector, including an analysis of the impact of private capital on the provision

of these services, 16 cities were selected. Data connected to the provision of municipal services and the number of suppliers of these services in waste management, was made accessible for the period 2007-2011.

The selected local governments came from 12 districts. In this case study mostly major cities with a population exceeding 100,000 were included.

However, to analyze the legal, organizational and ownership structure of entities providing water supply services and to assess the impact of private capital on the provision of these services, 22 local governments from 13 provinces from SAS database were selected. Among the analysed local governments, the majority were local cities with an average population of 50,000 to 100,000.

### 3.3 Organisation of waste management

In the years 2007-2011, when organising waste management, local governments were more likely to entrust the provision of waste management to private entities using the civil law contracts (table 1). The share of private enterprises among the total number of entities was more than 90% in 2009, about 87% in 2011.

**Table 1.** The ownership structure of entities providing municipal services

Specification	2009	2011
The number of entities with self-government capital, including:	17	18
100% share	15	16
Majority stake	2	2
The number of entities with private capital, including:	138	133
100% share	136	132
Majority stake	1	1
<b>Total</b>	<b>153</b>	<b>152</b>

Source: Own compilation based on information from data contained on the web pages of town councils.

In this case study, there were only three companies with mixed capital, one of them had a dominant share of a private owner and in two of them – the local government. The number of companies with self-government capital was fairly stable during the period under consideration. Through the period 2009-2011 the most service providers from among the 16 analyzed local governments were in three cities: Krakow (their number fluctuated from 60 to 82), Czestochowa( from 13 to 21) and in Jaworzno (there were 17 providers) (table 2). In 2009 in Glogow, Sępolno Krajenski Wabrzezno the market of waste management services was more characteristic of a monopoly.

In Glogow there was a monopoly of local government, but in the successive years the number of private entities entitled to providing services in field of waste management gradually increased.

**Table 2.** The number and ownership structure of entities of municipal economies

Local government	2009					2011				
	Sum	Self-government capital		Private capital		Sum	Self-government capital		Private capital	
		100% share	Majority stake	100% share	Majority stake		100% share	Majority stake	100% share	Majority stake
Chelm	2	2	-	0	-	2	2	-	-	-
Czestochowa	21	1	-	20	-	13	1	-	12	-
Dzierzoniow	3	0	-	3	-	3	-	-	3	-
Elblag	4	2	-	2	-	2	2	-	1	-
Glogow	1	0	1	0	-	10	-	1	9	-
Gorzow Wielkopolski	5	1	-	4	-	1	1	-	-	-
Inowroclaw	5	0	-	5	-	5	-	-	5	-
Jaworzno	17	1	-	16	-	17	1	-	16	-
Koszalin	2	1	-	1	-	2	1	-	1	-
Krakow	82	1	-	81	-	67	1	-	66	-
Legnica	2	1	-	1	-	12	1	-	11	-
Plock	3	2	-	0	1	3	2	-	-	1
Przemysl	4	1	1	2	-	6	1	1	4	-
Sepolno Krajenskie	1	1	-	-	-	2	2	-	-	-
Slupsk	2	1	-	1	-	3	1	-	2	-
Wabrzezno	1	-	-	1	-	1	-	-	1	-
<b>Total</b>	155	15	2	137	1	152	16	2	131	1

Source: Own compilation based on data in SAS and on information from data contained on the web pages of town councils.

There were two extreme cases in Wabrzezno and in Gorzow Wielkopolski. In Wabrzezno during the considered period there was a monopoly. However, Gorzow Wielkopolski was the only local government, where the reduction of the numbers of entities providing services led to a municipal monopoly. In other cities, except those mentioned above, self-governing and private entities were selected for the provision of services, and their number fluctuated from 2 to 12.

It should be mentioned that in 2009-2011 shareholding companies were dominant in terms of organizational and legal form and, in particular, over this



period limited liability companies accounted for 92% of all entities in waste management (Table 3). The high ratio of shareholding companies may simply be the result of the case study where cities with large populations were taken into consideration and where municipal activities are carried out on a large scale.

**Table 3.** The legal and organisational structure of entities providing municipal waste management services

Specification	2009			2011		
	100 % share	Mixed capital with		100 % share	Mixed capital with	
		dominance of self-government capital	dominance of private capital		dominance of self-government capital	dominance of private capital
budgetary enterprise	1	-	-	1	-	-
limited liability company	12	2	1	13	2	1
joint stock company	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>2</b>	<b>1</b>	<b>14</b>	<b>2</b>	<b>1</b>

Source: Own compilation based on information from data contained on the web pages of town councils.

Due to a shortage of data, it was impossible to analyze the legal and organizational structure of entities with private capital providing waste management services and data indicates that they are often limited liability companies.

The analysis above shows that local governments organised waste management in different ways. Few cities decided to fully privatize the market (private model) or to provide services directly through self-governing entities (public model). Considerably more, as many as 10 local governments in 2009 and 8 in 2011, decided to compete with private entities for the market (mixed model). In the analyzed period, we can also notice an increase of the number of local governments, which provided services in the field of waste management in the form of a public model. Two cities resigned from the mixed model, and thus from privatisation of local government services.

In Table 4 data on the provision of municipal services in three previously distinguished models are presented. The mixed model was characterized by the highest average ratio of number of residential buildings with household waste collection services to the total numbers of residential buildings in the municipality – ind.1. This index reached 92.77%. This model also stood out in

relation to the charging of household budgets with a fee for municipal services. Ind. 3, which describes the average value of the ratio of the estimated monthly costs of waste collection per capita to average monthly income per capita, was the lowest in 2009. This might have been due to the fact that the analyzed group of local governments consisted of large cities with the high level of market competition in the waste management market.

**Table 4.** Indexes for the provision of municipal services in the analysed groups of local governments

Specification	The number of local governments		The average value of indexes for each model					
			Ind. 1		Ind. 2		Ind. 3	
	2009	2011	2009	2011	2009	2011	2009	2011
Public model	3	5	92,77	91,51	2,5	2,4	0,88	0,92
Mixed model	10	8	92,9	92,61	1,62	1,79	0,74	0,81
Private model	3	3	90,41	93,15	1,52	1,88	0,98	0,82
The average value of indexes for all local governments	x	x	92,41	94,4	1,77	1,87	0,81	0,83

Source: Own compilation based on SAS.

However, the public model stood out in relation to the average value of the ratio of number of places of selective waste collection in municipalities to a thousand inhabitants of the municipality – ind. 2. Its value was about 2/3 higher than the value of the indexes for the other models. The private model was characterized by the lowest accessibility and the highest fee for municipal services, which is quite a surprising result. This might have been due to the fact that local governments included in this model were mostly small towns with a population of less than 76,000 and where the services market and the population density is quite low. On the other hand, the major goal of running the business by private entities is to maximize profits, which may just be at the expense of service quality.

It is surprising that after two years those tendency have changed – the public model was characterized by the lowest value of ind. 1 and the highest value of ind. 3. The high burden posed on household budgets in terms of fees for municipal services in this model in 2011 might have been the result of the growing local investments needs and a financial crisis. Local governments, using their privileged position in the market, were able to easily raise the price of services. However, in 2011 the best model in terms of accessibility and changes in fees for the provision of municipal services was the private model, which was characterized by the slightly higher value of the ind. 1 and the ind. 3 reached a 0.82 level and was slightly higher than the value of the index for the mixed model.

### 3.4 Organisation of services in the water supply sector

The water supply sector was dominated by entities with self-government capital over the analysed period. Their numbers compared to the total number of entities reached 97% (Table 5). It should also be noted that in the analysed period there was only one entity financed predominantly by private capital. In the analysed local governments, there were no fully (100%) private entities.

**Table 5.** The ownership structure of entities providing municipal services

Specification	2007	2009	2011
The number of entities with self-government capital, including:	30	31	31
100% share	26	27	28
Majority stake	4	4	3
The number of entities with private capital, including:	1	1	1
100% share	0	0	0
Majority stake	1	1	1
<b>Total</b>	<b>31</b>	<b>32</b>	<b>32</b>

Source: Own compilation based on information from data contained on the web pages of town councils.

In 2009-2011 only the city of Gdansk provided services with the use of two entities, where the owner of the infrastructure was the municipal shareholding company and the provision of services was entrusted to an entity financed predominantly by private capital (Table 6). In other local governments, there was only one entity, which provided water supply services. In Bielsko-Biala, Glogow and Gorzow Wielkopolski the local governments decided on the partial privatisation of local government entities, maintaining a dominant share in the capital. It should also be noted that only in Katowice, during the whole period, the number of providers of municipal services increased – to two entities. However, this increase was related to the “municipalization” of the water supply company, which took place in 2007. It was divided into several smaller entities. So in effect the city of Katowice had two municipal shareholding companies: one of them was managing the infrastructure and the other was providing the municipal services.

**Table 6.** The number and ownership structure of entities of municipal economies

Local government	2007				2009-2011			
	Sum	Self-government capital		Majority private capital	Sum	Self-government capital		Majority private capital
		100% share	Majority stake			100% share	Majority stake	
Bielsko-Biala	1	-	1	-	1	-	1	-
Bytom	1	1	-	-	1	1	-	-
Chelm	1	1	-	-	1	1	-	-
Czestochowa	1	1	-	-	1	1	-	-
Dzierzoniow	1	1	-	-	1	1	-	-
Elblag	1	1	-	-	1	1	-	-
Elk	1	1	-	-	1	1	-	-
Gdansk	2	1	-	1	2	1	-	1
Gdynia	1	1	-	-	1	1	-	-
Glogow	1	-	1	-	1	-	1	-
Gorzow Wielkopolski	1	1	-	-	1	1	-	-
Inowroclaw	1	1	-	-	1	1	-	-
Jaworzno	1	1	-	-	1	1	-	-
Katowice	1	1	-	-	2	2	-	-
Kolobrzeg	1	1	-	-	1	1	-	-
Koszalin	1	1	-	-	1	1	-	-
Krakow	1	1	-	-	1	1	-	-
Legnica	1	1	-	-	1	1	-	-
Lodz	1	1	-	-	1	1	-	-
Olesnica	1	1	-	-	1	1	-	-
Ostrow Wielkopolski	1	-	1	-	1	-	1	-
Plock	1	1	-	-	1	1	-	-
Poznan	1	-	1	-	1	-	1	-
Sepolno Krajenskie	1	1	-	-	1	1	-	-
Slupsk	1	1	-	-	1	1	-	-
Suwalki	1	1	-	-	1	1	-	-
Wabrzezno	1	1	-	-	1	1	-	-
Wagrowiec	1	1	-	-	1	1	-	-
Wejherowo	1	1	-	-	1	1	-	-
Zory	1	1	-	-	1	1	-	-
<b>Total</b>	31	26	4	1	32	27	4	1

Source: Own compilation based on data in SAS and on information from data contained on the web pages of town council.

In years 2007-2011, in the water supply sector, in 22 analyzed cities local government entities weren't subject to any organizational, legal or ownership changes (Table 7). The entities, which provide water supply services, operate in a monopolistic market, so their market environment is relatively stable, and which may have an effect on the slight rate of transformation. In addition, these services have an influence on the quality of life and health of the residents, so the local governments are reluctant to privatize entities in the water supply sector.

**Table 7.** The legal and organisational structure of entities providing municipal services in the water supply sector

Specification	2007			2009			2011		
	100% share	Mixed capital with		100% share	Mixed capital with		100% share	Mixed capital with	
		dom. of self-gov. capital	dom. of priv. capital.		dom. of self-gov. capital	dom. of priv. capital.		dom. of self-gov. capital	dom. of priv. capital
budgetary enterprise	0	0	0	0	0	0	0	0	0
limited liability company	22	1	0	23	1	0	23	1	0
joint stock company	4	3	1	4	3	1	5	2	1
<b>Total</b>	<b>26</b>	<b>4</b>	<b>1</b>	<b>27</b>	<b>4</b>	<b>1</b>	<b>28</b>	<b>3</b>	<b>1</b>

Source: Own compilation based on information from data contained on the web pages of town councils.

The values of indexes of accessibility of water supply services for the analyzed cities appeared quite interesting. Private firms didn't operate in this market in 2007-2011. For this reason local governments were classified according to methods of organisation of services into two groups: a public model and a mixed model ( Table 8).

**Table 8.** Indexes for the provision of municipal services in local governments analysed

Specification	The number of local governments in 2007-2011	The average value of indexes for each model								
		Ind. 1			Ind. 2			Ind. 3		
		2007	2009	2011	2007	2009	2011	2007	2009	2011
Public model	18	0,69	0,78	0,63	97,73	97,81	97,81	0,94	0,89	0,89
Mixed model	5	0,39	0,4	0,39	96,78	97,21	97,3	0,85	0,85	0,88
The average value of indexes for all local governments	x	0,62	0,7	0,57	97,52	97,67	97,7	0,92	0,88	0,89

Source: Own compilation based on SAS.

Over the whole period the mixed model stood out in relation to the lowest water supply network failure – ind. 1, which describes the average water supply network failure per 1 km of this network. However, the public model was characterized by the highest average value of ratio of the number of inhabitants of the municipality using the water supply system, to the total population of the municipality – ind 2 – during this period.

In terms of indexes characterizing the charging of household budgets with fees for municipal services, the mixed model was characterized by a lower charging for water than the public model during the whole period. This may be the result of the high average income of residents. The mixed model consists of a high number of local governments such as: Bielsko-Biala, Gdansk, Poznan. The CSO data shows that the residents of large cities have a higher disposable income than those who live in small towns (GUS, 2012, Table 4).

#### **4. Conclusions**

The analysis showed that the involvement of private capital in the provision of municipal services could bring measurable benefits as well as in sectors with a natural monopoly in terms of development of those services accessibility and reduction of the charges for municipal services. Waste management in the analyzed local governments was dominated by private entities. In the analysed period the indexes for the provision of municipal services for three groups of local governments were quite surprising. At first in 2009 the mixed model was characterized by the highest share of the number of residential buildings with waste collection services at a low fee. However, in 2011 this model the opposite was true – low accessibility and higher fees.

The water supply market in most of local governments was dominated by entities with self-government capital. In the water supply sector, in the analyzed period, the highest accessibility of municipal services had a mixed model. Gaining private investor by the local governments had an influence on lower water supply network failure than in public model. Only the number of those using the water supply network was higher for the public model.

Legal, organizational and ownership transformations in municipal economies have been progressing very slowly, which is the result of the specific character of municipal economies and the local governments being concerned about the loss of control over public utilities services for which they are responsible. For over 20 years local government officials, experts and researchers have been discussing the key issue of the organization of municipal services – Should the services be provided in market conditions or in a way similar to non-profit organisations? This issue implies other dilemmas related

to the commercialisation and privatisation of municipal services. This matter could be solved by a consistent municipal policy, which would clearly define goals and directions of organizational, legal and ownership transformations (See more: Jerzmanowski, 2008).

The empirical analysis of the water supply sector and waste management indicated slow rate of change. In 2007-2011 the number of self-government shareholding companies and public finance sector entities was at a stable level. However, as a result of the amendment of the Waste Management Act in 2013, an acceleration within organizational, legal and ownership transformation in waste management can be expected in the near future.

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