OECD

BETTER POLICIES FOR BETTER LIVES

Synthesis Assessment II

FOR POLISH MUNICIPALITIES LOCATED OUTSIDE OF FUNCTIONAL URBAN AREAS WITH HIGH ACCESSIBILITY

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1. Introduction

Within the framework of the Better Governance, Planning and Services in Local Self-Governments in Poland project, the OECD provides an analysis of local policy and practice in key thematic areas of good public governance and territorial development. Consequently, the primary focus and target audience of the resulting report are Poland's 2478 municipalities (gminas in Polish). Due to the large diversity among these municipalities and the considerable differences between their respective situations and related challenges, the OECD's assessment provides a greater level of granularity, by distinguishing between different types of municipalities based on measurable characteristics that can help identify particular challenges and opportunities.

For the purpose of a more granular assessment that sheds light on municipal development and capacity across types of municipalities sharing similar characteristics and local development challenges, the OECD has developed a classification of Polish municipalities that differs from the pure administrative definition of municipalities. The functional typology classifies municipalities according to their geographic location (inside and outside Functional Urban Areas, for a definition see Box 1), their population size, and their degree of accessibility to population settlements. It distinguishes between three types of municipalities, namely:

1. municipalities located inside of Functional Urban Areas (FUAs),
2. municipalities located outside of FUAs with high accessibility, and
3. municipalities located outside of FUAs with low accessibility.

Box 1. Defining Functional Urban Areas (FUAs)

The EU and the OECD have jointly developed a methodology to define FUAs, which consists of the core of the FUA and its commuting zones in a consistent way across countries. A FUA can be defined in four steps:

1. Identify an **urban centre**: a set of contiguous, high density (1 500 residents per square kilometre) grid cells with a population of 50 000 inhabitants in the contiguous cells.
2. Identify a **core of the FUAs**: one or more local units that have at least 50% of their residents inside an urban centre.
3. Identify a **commuting zone**: a set of contiguous local units that have at least 15% of their employed residents working in the core of the FUAs.
4. A **FUA** is the combination of the core of the FUA with its commuting zone.

The EU-OECD FUA definition ensures that the most comparable boundaries are selected. It does this by first defining an urban centre independently from administrative boundaries. As a second step identifies the administrative boundaries that correspond best to this urban centre. In this way, it ensures that central Paris is compared with all of London or Berlin.

Source: OECD/EC **Invalid source specified.**, *Cities in the World: A New Perspective on Urbanisation*, https://doi.org/10.1787/d0efcbda-en.

Table 1 presents an overview of the distribution of Polish municipalities and population per type. By shifting from the traditionally administrative, political and historic classification to one that is based on geographic location and economic criteria, the OECD's typology allows to better identify municipalities based on measurable economic characteristics, capture the commonalities among groups of municipalities, and to differentiate between different types of rural municipalities. For more information on the methodology behind the OECD regional classification and the new OECD municipal typology for Poland, please refer to the main report's introduction.

Table 1. OECD territorial classification for municipalities in Poland

Distribution of municipalities and population per typology.

Municipal (gminas) classification	No. of municipalities 2018	Share over total municipalities (%)	Population 2018-millions	Population (%)
In FUA big	161	6	15.97	41.6
In FUA small	592	24	5.48	14.3
Out FUA high access big	154	6	4.91	12.8
Out FUA high access small	1 204	49	9.11	23.7
Out FUA low access	367	15	2.94	7.7
In FUA (sum)	**753**	**30**	**21.4**	**56**
Out FUA (sum)	**1 725**	**70**	**17.0**	**44**

Note: The table presents data by 15 November 2018 (there are annual changes in the number of municipalities by type).
Source: Authors' own elaboration based on the population and number of municipalities from Statistics Poland (2020[21]),, *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

Following the OECD's functional typology, this synthesis assessment focuses on large and small municipalities that are located outside of Functional Urban Areas but have high level of accessibility. Figure 1 provides an overview of the geographic dispersion of these municipalities according to the typology. By drawing from the nine thematic areas of the "Better Governance, Planning and Services in Local Self-Governments in Poland" Report, it provides a more targeted assessment of municipal development and capacity for this particular type of Polish municipalities. In some cases, governance issues are determined to a greater extent by national legislation, instead of individual municipal performance. For these cases, it is more important to differentiate between municipalities of different sizes. This is the case, notably, for governance issues regarding budgeting and human resources management. When the analysis differentiates by size instead of the three types of municipalities developed by the OECD, it will be explicitly mentioned.

This document follows the structure of the main OECD report. The first part summarises the most important findings of the report for each of the themes and amends them with some type-specific assessment. The recommendations for the type of municipalities located outside of FUAs with high accessibility are presented at the end.

Figure 1. OECD classification of municipalities in Poland

Municipalities by types and share of population across the territory of Poland, 2018
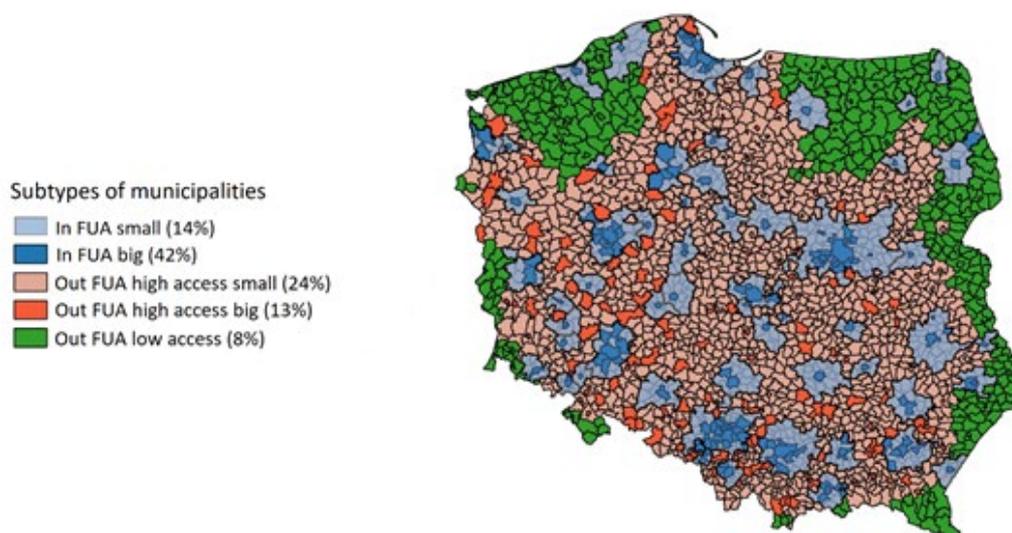
Source: Authors' own elaboration based on OECD (2020[17]), "Metropolitan areas", https://doi.org/10.1787/data-00531-en; OpenStreetMap; Polish State Railways (PKP); International Transport Forum air model.

2. Strengths and challenges for local self-government development

Municipalities outside FUAs with high accessibility are of great importance in Poland. They concentrate the second highest percentage of population, especially in small municipalities. Economically, this group of municipalities is also the second best performing in Poland and hosts a range of economic activities spanning from agriculture to relevant industries for the national economy (e.g. food processing, refineries etc.). However, the location outside of FUAs brings challenges in terms of economies of scale to attain higher labour productivity and accessibility to markets. Likewise, ageing and population decline threaten future levels of labour force availability, particularly in large municipalities. Meeting the challenges and opportunities of municipalities outside of FUAs with high accessibility thus requires significant co-ordination intra-LSGUs and across other levels of authorities on policy design and implementation to harvest the full potential of these self-governmental units.

This group of municipalities are confronted with the declining trends of both losing population and economic activity. While these municipalities have on average experienced a similar fall of population as the national average in the last two decades (-1.2%), a differentiation by size shows that large municipalities stand out with a population drop that is three times greater, on average, than the one of small municipalities (Statistics Poland, 2020[1]). In fact, large municipalities registered the highest decrease in workforce across all types of municipalities between 2000 and 2018. The population decline both in large and small municipalities in this group has intensified in recent years and they registered the largest decrease in population across the country in 2018. This trend is mainly related to outward migration of people and is comparatively higher in the case of large municipalities (4.3% of their population in 2000-18). Large municipalities in this group also experience a rapid ageing of their population, and hold the second highest elderly share[1] (21%) among the three types of municipalities (Statistics Poland, 2020[1]).

Municipalities outside of FUAs with high accessibility displays in average relatively lower levels of labour productivity and GDP per capita than the municipalities inside FUAs. Yet, when looking at a more granular

level, small municipalities outside of FUAs with high accessibility benefit from a comparatively better performance, with the second highest growth rate of business establishment in the country and the second highest decrease in the unemployment rate (Statistics Poland, 2020[1]). Instead, large municipalities outside of FUAs with high accessibility face a lower dynamic of business creation. Also, while their unemployment rate has decreased, this is partially associated with a reduction in their workforce.

It is worth to notice, that municipalities outside of FUAs with high accessibility and close to large cities (e.g. around Warsaw) stand out by a relatively high share of high-value added services (e.g. information and communication) in their economies, which – if well planned – can unlock new growth opportunities. Some of the municipalities close to small cities have also potential to unlock new growth opportunities, as some of their industries focus on the transformation of natural resources, which are important for the added-value in the primary sectors and will .

The proximity to urban markets and the lower cost of housing make the municipalities in proximity to FUAs with high accessibility, attractive for firms and workers. Their education outcomes in terms of student enrolment are also in line with national average, which provides a good basis to attract business and promote entrepreneurship. As a limiting factor, the diverging quality of roads in this group of municipalities may negatively impact the accessibility that is needed for their positioning as attractive locations for business activity.
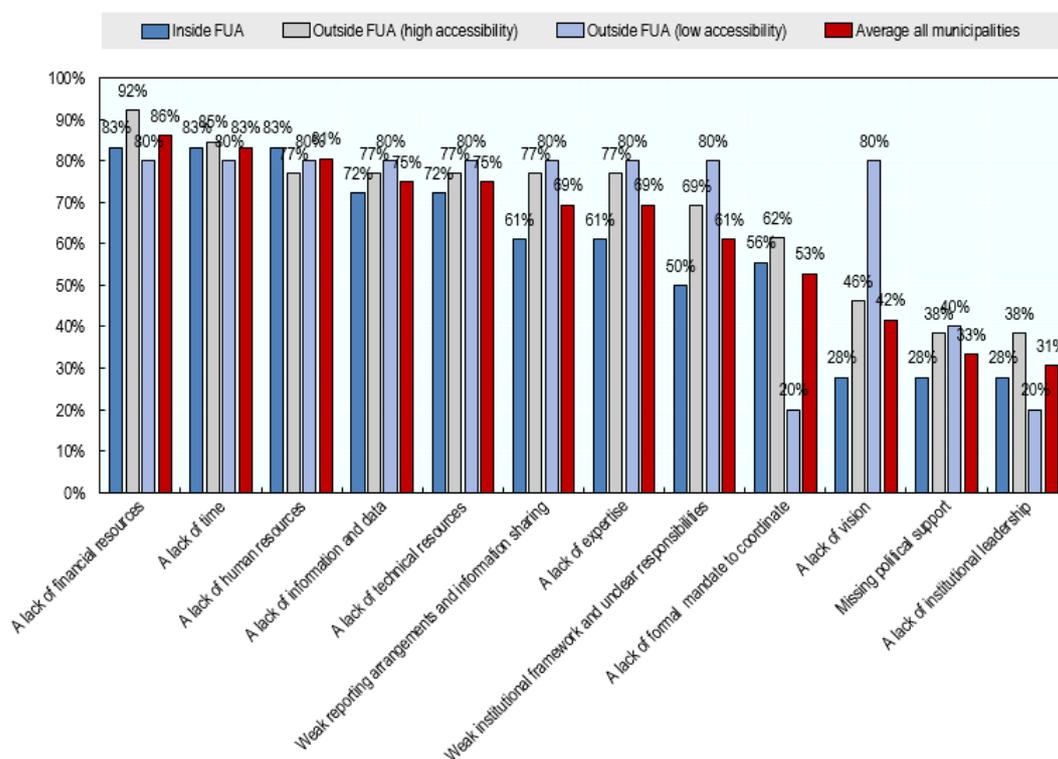
Municipalities outside of FUAs with high accessibility are facing negative migration balances, showing weaknesses that need to be addressed. Policies to retain young population and to increase the attractiveness of these municipalities are key to revitalise these communities. Some of these policies include improving the quality of public services and developing targeted immigration programs to attract skilled migrants. To implement these policies, these municipalities should strengthen the links with nearby cities in terms of services, transport and labour market. Moreover, the population changes require forward-looking and co-ordinated policies to plan public policies and services that prepare these municipalities for the demographic and economic evolution.

3. Co-ordination across administrative units and policy sectors within municipalities

Co-ordination is not an end in itself, but can be seen as a tool for the creation of better policies and services for citizens. In addition to the Local Development Strategy (LDS), municipalities in Poland engage in the delivery of multiple services and various planning activities focused on inter alia land-use, housing, and mobility. However, the design and implementation of policies and services often face challenges such as different planning horizons, internal contradictions, duplication or a lack of funding. Furthermore, planning documents at the local level may or may not be aligned with regional and national strategies. Co-ordination across different units and sectors within municipalities is therefore a means to enhance the coherence and effectiveness of policy and service design and delivery. In response to the OECD questionnaire, local self-governments across Poland ranked a number of challenges they are facing with regard to effective co-ordination (Figure 2). Municipalities located outside of FUAs with high accessibility see a lack of financial resources (92%) as the biggest challenge for effective co-ordination. Similar to other types, a clear majority also reports a lack of time (85%) as a main challenge, while at least two-thirds of the respondents (77%) also expressed their concerns regarding a lack of human resources, a lack of technical resources and a lack of expertise. A majority of surveyed municipalities in this type also highlights the need for further institutionalisation of co-ordination with clear roles and responsibilities. In this regard, weak reporting arrangements and information sharing (77%), a lack of information and data (77%), a weak institutional framework and unclear responsibilities (69%) as well as a lack of formal mandates (62%) are cited as major challenges for co-ordination. Conversely, a lack of vision (46%), missing political support (38%), and

a lack of institutional leadership (38%) are reported by less than half of the respondents belonging to the type of highly-accessible municipalities outside of FUAs.

Figure 2. Main challenges for effective co-ordination across administrative units and policy sectors in Polish municipalities

Note: Based on 36 municipality responses to the OECD questionnaire (n=36),
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020)

In municipalities located outside of FUAs with high accessibility, the mayor (93%) is reported to be the most regularly involved municipal actor in co-ordination matters (see Figure 2.2 in the main report). As the highest municipal authorities, mayors often assume key co-ordination functions and provide vision, leadership, legitimacy and the necessary resources to foster the overall co-ordination of policies and services across the municipality. Similar to the results obtained for municipalities located outside of FUAs, also the heads of departments (86%) assume an important co-ordination role in highly-accessible municipalities outside of FUAs; while this is only observable in less than half (47%) of the municipalities inside of FUAs. In comparison with other types, the municipal secretary/director or chief executive officer gets less regularly involved (71%) in the co-ordination of policy-making and service delivery, but still plays a considerably important role in 71% of the highly-accessible municipalities outside of FUAs. Other actors such as the treasurer and key departmental staff assume comparatively less prominent co-ordination functions, although they were selected by more than half (57%) of the respondents in this type.

Providing institutions tasked with co-ordination with strong mandates can help ensure effective intra-governmental co-ordination as they provide clarity of roles and create the necessary legitimacy vis-à-vis other actors. Compared with other types, highly-accessible municipalities located outside of FUAs are the least likely to provide institutions/departments regularly involved in co-ordination with a formal mandate (see Figure 2.4 in the main report). According to the OECD questionnaire, only 29% of them report doing so. Moreover, they are the type of municipalities that reports the lowest use of formal reporting

arrangements for the implementation of action plans and local development strategies, as well as the lowest level of codification in laws (21%) (see Figure 2.5 in the main report). These figures become even lower when we look at the number of highly-accessible municipalities outside of FUA that enshrine formal reporting arrangements in regulations (7%). Their most common reporting arrangements are based on informal tradition (36%), although it can be concluded that, overall, the existence of such arrangements remains relatively low in this type.

Policy documents including references to co-ordination (e.g. local reform plans and development strategies) can further raise awareness of the importance of intra-municipal co-ordination and may offer guidance and clarity to public servants. Most Polish municipalities (54%) have not yet enacted such a policy document with references to co-ordination, however, 8% of the highly-accessible municipalities located outside of FUAs report having documents that focus on co-ordination in planning, service-design and delivery across different policy sectors. In line with these results, only one-third (33%) of the municipalities in this type reports the development of specific written guidance for staff in the form of rules documents, manuals or guidelines that can concretely assist policy-makers in co-ordinating.

Across Poland, municipalities have a range of institutional mechanisms at their disposal for improving intra-LSGU co-ordination. They include permanent or temporary task forces/working groups and councils/committees that meet on an ad hoc or regular basis. More than two-thirds (75%) of the highly-accessible municipalities located outside of FUAs that responded to the OECD questionnaire reported to make frequent use of ad hoc meetings of senior officials to discuss a particular policy issue (see Figure 2.8 in the main report). The second most common mechanism used for intra-LSGU co-ordination are task forces (58%). Appointed by the mayor, they can work on crosscutting issues such as the development and implementation of the local development strategy and deal with policy challenges such as multi-annual budget planning, unemployment or housing. Equally, 58% of the highly-accessible municipalities outside of FUAs reported the use of regular meetings of the local self-government council to deal with co-ordination of specific policy issues. Compared to other types, permanent councils or committees that meet regularly (33%) are less common among municipalities of this type. The work of permanent councils and committees can be sector-based in areas such as housing, infrastructure, energy and public safety or they can focus on particular crosscutting policy issues such as youth or elderly. Irrespective of the mechanism chosen, the success of all institutions involved in co-ordination depends on political backing as well as on the provision of adequate (autonomous) financial resources, personnel, expertise, and technical support.

In addition to institutional mechanisms, municipalities can use a number of partnership practises to foster co-ordination. According to the results of the OECD questionnaire, the most commonly used partnership practice by municipalities located outside of FUAs with high accessibility is the joint planning of activities and interventions (92%) (see Figure 2.9 in the main report). Other forms of partnership, such as regular face-to-face meetings (58%) and joint training of staff (50%) are used by only slightly more than half of the respondents in this type. Only one-third (33%) of the respondents in this type reported to make use of joint information sharing systems, and this figure becomes even lower when we look at the use of shared policies (25%) and the joint data collection to monitor progress and outcomes of policies and services (17%).

4. Strategic planning for local development

In Poland, the lack of an effective framework for spatial and strategic planning limits the capacity of large and small municipalities outside of FUAs with high accessibility. It also hinders the possibility of establishing effective rural-urban partnerships (OECD, 2018[2]). This type of municipalities presents a mixture of rural and urban areas, which are interconnected. These linkages need to be considered while doing strategic planning for development because they refer to areas of migration and labour market flows, environmental and ecosystem protection, investment and economic transactions, and infrastructure and service provision.

While there are no concrete incentives to foster rural-urban partnerships in Poland for strategic planning and economic development, this is an area that could be further explored to improve the quality of local development strategies.

For municipalities outside of FUAs with high accessibility the lack of impact evaluation of programmes is a key obstacle for strategic planning (Figure 3). This prevents municipalities from making informed decisions on future changes to the development strategy and this is a challenge related to the lack of data for strategic planning, as municipalities are not generating information of their own. Changes to the legislative framework also create difficulties for the design of the LDS as municipalities need to invest resources to keep up with constant updates. Moreover, this creates an uncertain scenario in which municipalities will not know whether their plan or decision will be valid in the short or medium term. Another key concern is the low coverage of local spatial development plans, which is the key tool for municipalities to shape urban form and use. This is the only legal document that indicates residents and investors how local authorities plan to use land and infrastructure (OECD, 2016[3]). Some of the current land use plans will expire in 2020 ad there are no provisions for their renewal or extension of their validity.

Figure 3. Main challenges to designing a LDS by type of municipality
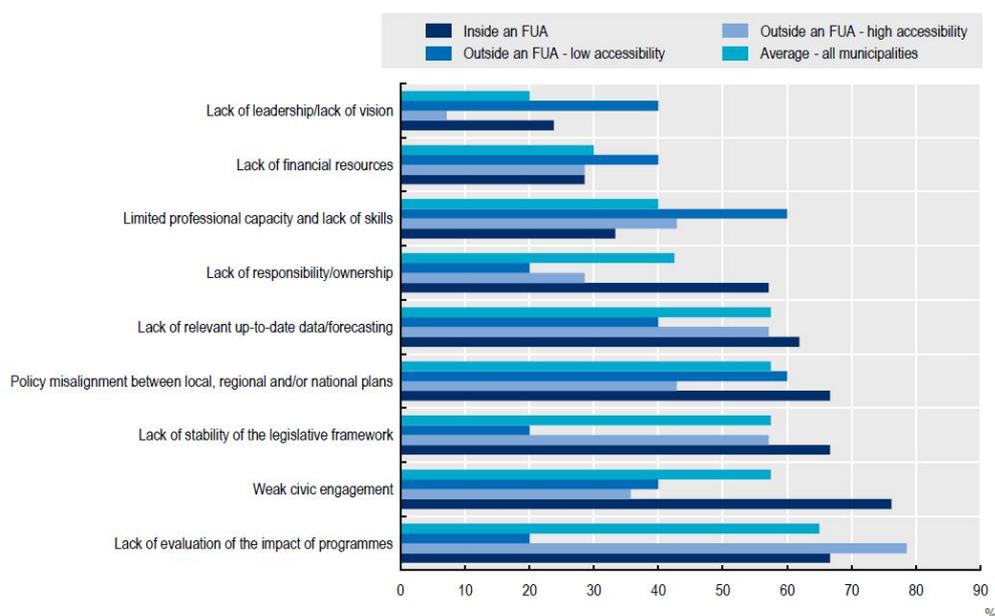
Note: Based on 40 responses from municipalities to the OECD questionnaire (n=40). It includes results from both answers "A major challenge" and "Somewhat of a challenge" to the question: "In general, what are the main challenges with respect to setting/elaborating local development strategies/local development plans?"". While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish municipalities.
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020)

The implementation of the LDS is also key challenge for this type of municipalities. According to Figure 4, an important limitation is the lack of financial resources and underestimation of the costs of the LDS. Municipalities tend to rely on external sources of funding for the implementation of investment programmes. Therefore, shocks to the economy can result in a reduction of their sources of funding. Excessive administrative procedures and constant changes in the legal framework also hinder both the elaboration of the local development strategy as well as its implementation, as municipalities are required to invest scarce resources to update their plans and retrain their staff.

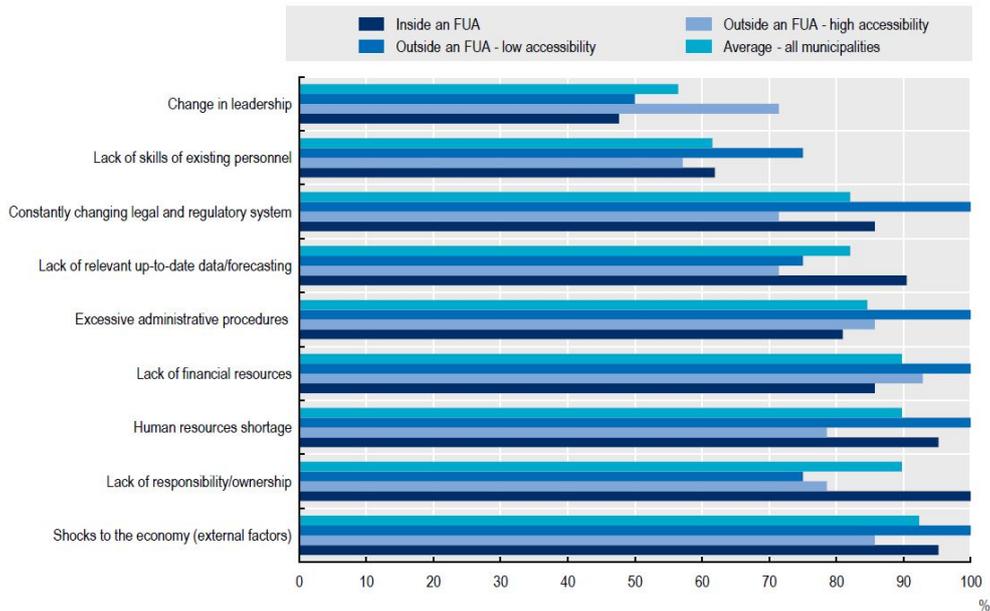**Figure 4. Main challenges to implementing the LDS**

Note: Based on 39 responses from municipalities to the OECD questionnaire (n=39). It includes the results from both answers "A major challenge" and "Somewhat of a challenge" to the question: "In general, what are the main challenges to implementing local development strategies/local development plans?". While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish municipalities.
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020)

5. The use of evidence in strategic decision-making

The monitoring system at the municipal level in Poland is mainly framed by requirements related to the use of EU funds and to the national planning policy framework. In particular, municipalities may prepare local development strategies (LDS) by taking into account the orientations set out in the "Strategy for Responsible Development for the period up to 2020 with a perspective up to 2030" and adapt them to their local needs (Polish Government, 2017[4]). The November 2020 amendment to the Act on Principles of Implementation of Development Policy also seeks to encourage municipalities to develop local development strategies, in an effort to make these planning instruments mandatory eventually.

Data from the OECD questionnaire shows that seven out of twelve high accessibility municipalities outside FUAs monitor the implementation of the LDS. Municipalities that receive EU funds are also mandated to monitor and evaluate the use and impact of these funds (European Parliament and Council, 2013[5]). However, such municipalities still have challenges with quality and use of monitoring evidence. For instance, half of them see having an adequate legal framework as a main challenge to promote monitoring of policies at the local level. Moreover, the methodologies and tools used by municipalities for monitoring are not always adapted to operational decision-making and communication. For instance, only half of the rural high-accessibility municipalities surveyed hold regular meetings of municipal councils and its statutory committees for monitoring, and use public. In addition, capacities for monitoring are a key challenge for municipalities. Indeed, slightly less than half of surveyed municipalities declare that they did not define ex ante performance targets for the policies and services monitored. Those that did define their indicators ex ante do not always make them public, and rarely systematically link them to the objectives of their municipal development strategy. Indeed, while three quarters of high-accessibility rural municipalities surveyed use the information collected through monitoring indicators to improve local strategies and sectoral plans, only Sękowa has established a potential course of action to remedy ineffective policies and service delivery

performance. All such municipalities surveyed also reported that the availability of data is a challenge in conducting and promoting monitoring. Lastly, most of such municipalities lack sufficient human and financial resources to collect data on a regular basis, calculate indicators and analyse data.

Figure 5. Monitoring mechanisms and tools used by municipalities outside FUAs with high accessibility
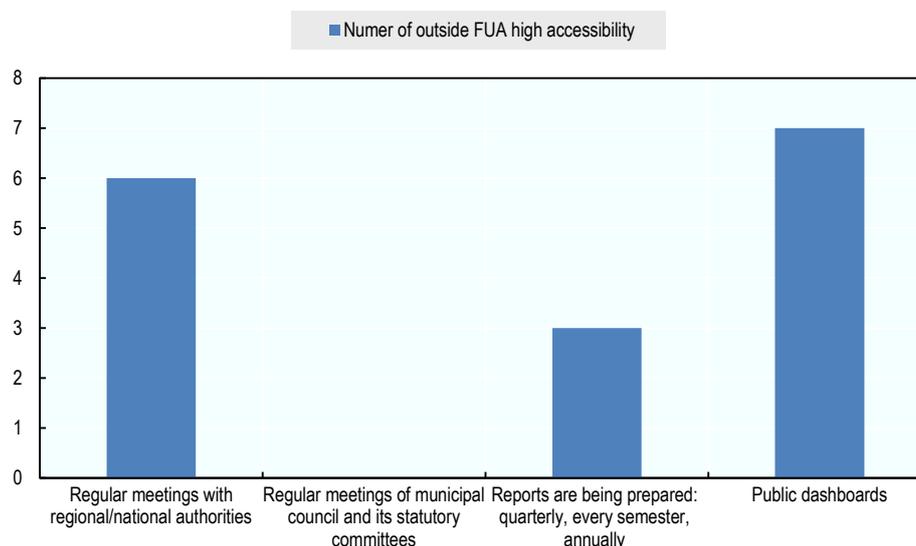
Note: Note: n=10 (10 municipalities out of the 36 surveyed who answered are outside of a functional urban areas (FUAs) in a high accessibility zone. Answers reflect affirmative responses to the question: "Which monitoring mechanisms and tools are used? (Please tick all option that apply)". Multiple choice between the following responses: "Regular meetings of municipal council and its statutory committees"; "regular meetings with regional/national authorities"; "reports are being prepared quarterly, every semester, annually"; "Public dashboards"; "Public dashboards"; "Other, please specify".
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020)

Despite Poland's noteworthy progress with regard to evaluation over the past 15 to 20 years, there remain a number of challenges to the development of monitoring and evaluation at the local level. These notably have to do with limited awareness and understanding of the benefits of evaluation, inadequate resources and capacity, insufficient use of evaluation results in policy-making and the quality of evaluations themselves. Most municipalities conduct some sort of ex ante and/or ex post assessment of the impacts of their regulatory and policy decisions, but these assessments are limited to certain policy areas or intervention types. 6 and 5 of the 11 municipalities in this type declared that they conduct ex ante and ex post assessments respectively - in most cases they concern some policies/regulations only. Evaluation-oriented efforts seem to be geared primarily to programmes and projects, especially those benefiting from EU Cohesion Policy funding, which has traditionally played an important role in driving evaluation activities. According to responses to the OECD questionnaire, the size and resource endowments of municipalities play an important role in their evaluation-related practices. Large municipalities within FUAs tend to dedicate more time and resources to that end, with some of them encompassing dedicated units specialising in the assessment of the quality of policies. In contrast, evaluation in a number of their smaller, often rural, counterparts is often limited and unsystematic.

The use of evaluation results to inform public policy decisions is not systematic among municipalities (see Figure 6) and would need to be further promoted by means of explicit requirements, transparency and accountability provisions and tailored incentives. Key determining variables in this regard include available capacity as well as internal organisation and personal interest and involvement from leading political

figures or high-ranking officials. Indeed, while three quarters of high-accessibility rural municipalities surveyed use the information collected through monitoring indicators to improve local strategies and sectoral plans, only Sękowa has established a potential course of action to remedy ineffective policies and service delivery performance. Linkages are seldom made between evaluation findings on the one hand and resource allocation (only 2 municipalities in this type reported such linkages) and staff incentives and remuneration on the other hand (only Korczyna). In the same vein, only 3 out of the 11 municipalities in this type declared to have a structured/institutionalised mechanism in place (e.g. a management response mechanism) to make systematic use of evaluation findings for improving services and policies, and one of them reported no direct influence of evaluation results on policy-making.

Figure 6. Use of evaluation results by municipalities outside FUAs (high-accessibility)
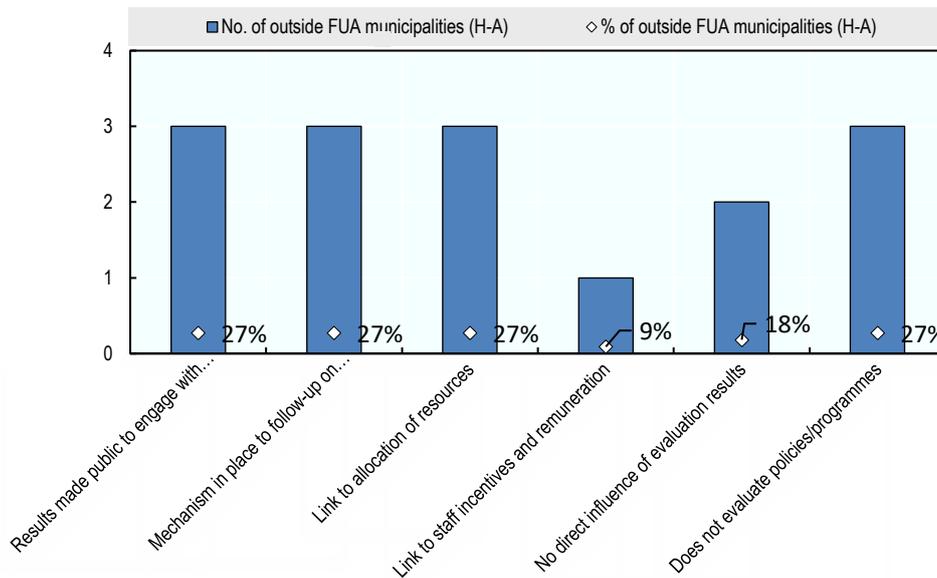
Note: n=11. Answers reflect affirmative responses to the question: "How does your local government make use of the findings of policy evaluations to improve services and policies? (Please tick all that apply)". Multiple choice between the following responses: "The results are made public to engage with stakeholders on the implications of the findings of policy evaluation", "There is a structured/institutionalised mechanism in place (e.g. management response mechanism to follow-up on evaluation findings)", "There is a link to the allocation of resources", "There is a link to staff incentives and remuneration", "Findings are discussed in the municipal council or in its committees", "There is no direct influence of evaluation results", "We don't evaluate policies and programmes", "Other, please specify".
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020)

There seems to be a need for institutionalising clear frameworks and processes to foster evidence-based policies and regulations, and to ensure systematic linkages throughout the policy cycle (including budgeting) as well as adherence to good practices over the long term. The drive for publicity of evaluation results, which is necessary to promote the use of such results, has come from the national level as well as EU integration, with regulations mandating all evaluations to be published. However, only Krotoszyn and Kutno make their evaluation results public to engage stakeholders, while others lack the necessary tools to do so.

6. Budgeting in municipalities

In the medium-term, the main challenges faced by municipalities in Poland include among others decreasing revenues and increasing revenue uncertainty. On the expenditure side, responsibilities were recently devolved to the local level, in particular in the area of education, without enabling municipalities to

receive more central government transfers or shared national tax revenues. With the binding objective of balanced budgets and sustainable debt levels at the local level, there is the risk of too little public investment in the medium-term and the need for expenditure prioritisation. Obviously, municipalities encounter these challenges to different degrees - depending on their size and administrative capacity, their economic situation and their geographic location, in particular, regarding their accessibility to functional urban areas (FUAs). In light of the medium-term budgetary pressures, which have become even tighter with the COVID-19 pandemic, the medium-term expenditure framework and performance budgeting are of particular interest from a budgetary perspective. Furthermore, the assessment below highlights participatory budgeting to increase stakeholder empowerment and support the priority-setting function of the budget.

While the OECD distinguishes between three types of Polish municipalities for its assessment, this section on budgeting focuses on all municipalities. The reason for this is that the underlying budget law applies equally to municipalities in all three types and the focus lies on institutional aspects of budgeting. However, one dimension of heterogeneity among municipalities that matters for budgeting is the size and the corresponding administrative capacity of individual municipalities. This dimension matters for implementing budgetary mechanisms and thus impacts the assessment of and the recommendations for budgeting. Therefore, the type-based assessment is presented for large and small municipalities with varying assessments where appropriate. This differentiation between large and small municipalities also reflects the situation encountered during the OECD fact-finding missions

Budgeting in large municipalities

Large municipalities in Poland are facing competitive pressures on the tax side and enjoy limited autonomy with regard to budgeting. Against this background, large municipalities undertake too little political efforts towards increasing revenue shares and revenue certainty in relation to central government transfers and shared national taxes. On the expenditure side, where municipalities have more discretion, public spending efficiency is not systematically scrutinised. A helpful tool to assess the effectiveness and efficiency of public spending for large municipalities could constitute the use of tailor-made spending reviews, which have been recently set up at the national government level. In this context, large municipalities make also too little use of systematic performance benchmarking to improve the comparability of their public services.

Moreover, among large municipalities, there is little effort to strengthen the co-ordination with the national government in general and the Ministry of Finance in particular to jointly address medium-term budgetary policy issues across levels of government. A regular dialogue addressing public finance topics across levels of government could take place, for instance, within the Joint Commission – reinforced in terms of its capacity and advisory functions. The Joint Commission brings relevant national ministries together with associations representing the regional and local authorities (including the Association of Voivodeships, the Association of Polish Cities and the Association of Rural Municipalities).

Given the time pressures under which budgetary decision-making takes place, the design of the annual budget cycle is reasonable for large municipalities and corresponds to OECD practices. In particular, large municipalities have a budget calendar that is well specified and understood by the different stakeholders involved in the budget process. The budget approval procedure is clearly codified in the Public Finance Act and ensures time for the municipal council to perform an essential role in the oversight by scrutinising the draft budget resolution and, where it considers appropriate, introduce amendments. The procedure also provides time for the Regional Audit Chamber (RAC) to fulfil its supporting mandate. The supervision and the audit of the public financial management is conducted in a transparent manner by the RACs. While the RACs' involvement in the budgetary process seems rather strong, the merit of RACs as long-standing supervisory institutions with multiple tasks and broad coverage is widely accepted and appreciated by key stakeholders. As a counterbalance to the strong RAC role, appeals by the municipalities against RAC

resolutions can be filed in the administrative courts. This option is appreciated by municipalities to avoid excessive intervention of RACs.

With the Multiannual Financial Forecast (MFF), large municipalities have a basic framework for medium-term budgeting in place. The MFF covers the budget year and at least three additional years. Moreover, the debt forecast, which is part of the MFF, is drawn up for the period for which liabilities have been incurred or are planned to be incurred. Consistent with OECD practices, the MFF that large municipalities apply covers plausible planning horizons and is underpinned by economic assumptions. Further strengthening the use of the medium-term budgeting perspective would support a better link between budgets and strategic priorities in a comprehensive way and beyond the annual cycle. Apart from the beneficial effect of a MFF on budgetary discipline, a stronger medium-term dimension helps stakeholders in identifying the policy choices and trade-offs beyond the annual budgetary cycle.

Performance budgeting facilitates annual and multiannual budgeting and helps to establish a clear linking of budgets with results and impacts in large municipalities. Large municipalities often complement the traditional and legally binding budget with a parallel performance budget. Further steps for large municipalities could include developing their performance budgeting frameworks gradually in terms of budgetary coverage and in terms of evaluation and monitoring of performance information. In this context, efforts to support the development of quality performance information, performance indicators and performance benchmarking for informing and guiding future decision-making are considered important to underpin the value of performance budgeting systems.

In cities with powiat status, participative budgeting has been recently strengthened. In particular, in 2018, Poland redefined and formalised participatory budget institutions in order to ensure a wider use and increase the participation of citizens. While participative budgeting is a major local governance innovation, no further formalised opportunities for citizen involvement to ensure a participative approach to budgeting are in place. Options include more timely and formalised consultative processes during the budget cycle, taking into account the knowledge and capacities of stakeholders and enhancing municipal council engagement with citizens.

Budgeting in small municipalities

Small municipalities in Poland are confronted with competitive pressures on the tax side and enjoy limited autonomy with regard to budgeting. At the same time, small municipalities undertake little political efforts towards increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes. On the expenditure side, where municipalities have more discretion, public spending efficiency is not systematically scrutinised. A helpful tool in this context for small municipalities is a systematic performance benchmarking to pool relevant information and improve the comparability of their public services.

Among small municipalities, there is little effort to strengthen the co-ordination with the national government in general and the Ministry of Finance in particular to address the medium-term budgetary policy issues across levels of government. A regular dialogue addressing public finance topics across levels of government could take place, for instance, within the Joint Commission – reinforced in terms of its capacity and advisory functions.

The design of the annual budget cycle is reasonable for small municipalities and corresponds to OECD practices. In particular, small municipalities have a budget calendar that is well specified and understood by the different stakeholders involved in the budget process. The budget approval procedure is clearly codified in the Public Finance Act and ensures time for the municipal council to perform an essential role in the oversight by scrutinising the draft budget resolution and, where it considers appropriate, introduce amendments. The procedure also provides time for the Regional Audit Chamber (RAC) to fulfil its supporting mandate. The supervision and the audit of the public financial management is conducted in a

strict and transparent manner by the RACs. While the RACs' involvement in the budgetary process seems rather strong, the merit of RACs as long-standing supervisory institutions with multiple tasks and broad coverage is widely accepted and appreciated by key stakeholders. As a counterbalance to the strong RAC role, appeals by the municipalities against RAC resolutions can be filed in the administrative courts. This option is appreciated by municipalities to avoid excessive intervention of RACs.

With the MFF, small municipalities have a basic framework for medium-term budgeting in place. Consistent with OECD practices, the MFF covers plausible planning horizons and is based on economic assumptions. The MFF is well anchored in the Public Finance Act and is used within the annual budget cycle. However, the use of the MFF as tool for priority setting within the budgeting process and its relation to the local development plan is often underdeveloped. Small municipalities often set priorities within the annual budget cycle and focus on small-scale projects, paying little attention to the MFF. Strengthening the medium-term budgeting perspective and increasing its use in budgetary decision-making would constitute a step forward to support a link between budgets and strategic priorities beyond the annual cycle. Apart from the beneficial effect of a MFF on budgetary discipline, a stronger medium-term dimension helps stakeholders in identifying the policy choices and trade-offs beyond the annual budgetary cycle.

Performance budgeting helps to increase transparency and accountability, align identified priorities with the budget and beyond the annual cycle. This budgetary mechanism is rarely used in small municipalities. If small municipalities wish to consider introducing performance budgeting, an incremental approach over time seems appropriate. Moreover, small municipalities should be aware of the corresponding challenges, e.g., concerning the availability of quality data on performance and the use of performance information. Small municipalities could first consider selecting the areas most suited for performance budgeting and develop corresponding indicators and targets. In this context, building capacity for introducing performance budgeting frameworks in terms of human resources, data and related infrastructure and learning from peer-group experiences is important for small municipalities. Efforts to support the development of quality performance information, performance indicators and performance benchmarking are crucial within this process.

Participatory budgeting is an effective mechanism to enhance community empowerment and strengthen the connections between government and citizens. Participatory budgeting is particularly promising at the local level where political decision-makers and citizens closely interact and are close to the issues at stake. While participatory budgeting has been recently legally anchored, including defining its requirements, for LSGUs with powiat status, it is still voluntary for small municipalities. To increase the incentives for citizen involvement and for a better formalisation of the process, an extension of these provisions to small municipalities could be promoted. Apart from participatory budgeting initiatives, no further formalised opportunities for citizen involvement to ensure a participative approach to budgeting are in place.

7. Strengthening multi-level governance and investment capacity to enhance local development

The financing gap for municipalities outside of FUAs with high accessibility seems to be more acute than for those inside FUAs – 86% of rural municipalities with high accessibility have declared having a funding gap for investment in the OECD questionnaire. As it is the case for the first type of municipalities, the existence of under-funded mandates seems to be the major reason behind this gap. The existence of growing costs as well as constant legal changes are also among the top reasons explaining this gap for a vast majority of rural municipalities with high accessibility.

Figure 7. Funding gaps for investment in Polish municipalities outside FUAs with high accessibility
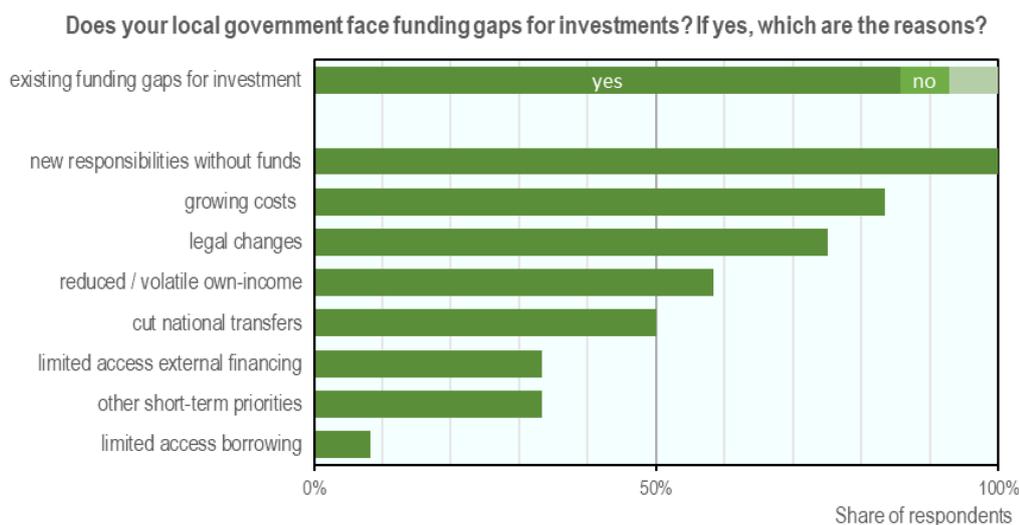
Does your local government face funding gaps for investments? If yes, which are the reasons?
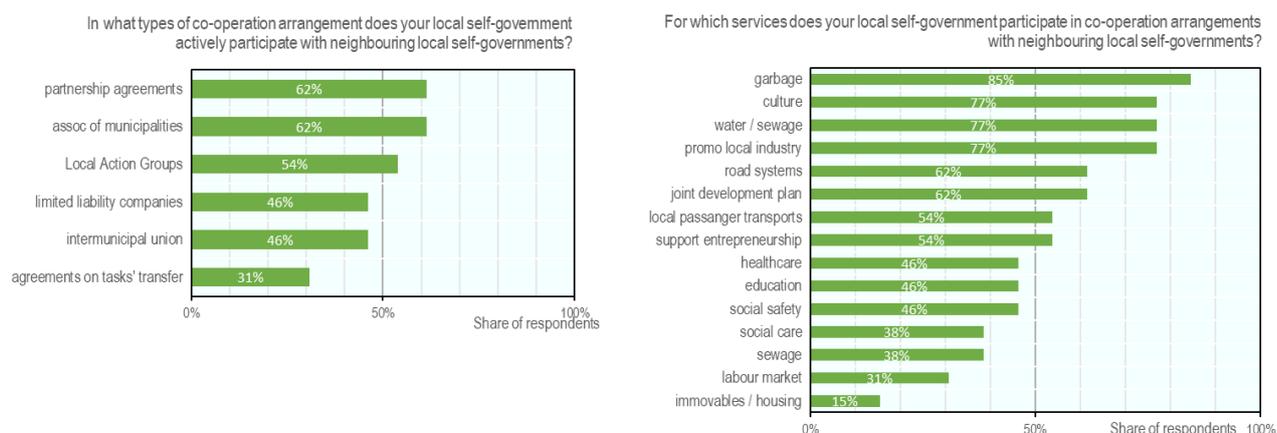

Note: n=14
Source: Author's own elaboration based on responses from municipalities to the OECD questionnaire (2020)

While less popular than in municipalities pertaining to FUAs, an important share of municipalities outside FUAs with high accessibility make use of the different forms of inter-municipal co-operation foreseen by the Polish Law. For example, most of them (62%) are part of a partnership agreement or an association of municipalities. In parallel, one of the most important polices adopted recently to help strengthen rural-urban partnerships are the EU's integrated territorial investments, which can be used to pursue joint projects across functionally connected municipalities. The voluntary nature of this association has led to collaboration on projects that are mutually beneficial (OECD, 2018[6]). However, these funds target regional capitals and subregional centres, thus excluding partnerships based on rural communities and smaller market towns (OECD, 2018[6]).

In general, co-operation schemes are used for garbage collection or water supply but the extent to which they involve both urban and rural municipalities is limited (Figure 8). Moreover, collaboration for other areas such as healthcare, social care, or education is still weak. In this regard, strengthening rural-urban linkages in terms of services, transport, and labour market is crucial to boost public investment and local development. This will contribute to improving the attractiveness of municipalities outside FUAs and will help, for example, in retaining young population.

Figure 8. Inter-municipal co-operation among Polish municipalities outside FUAs with high accessibility
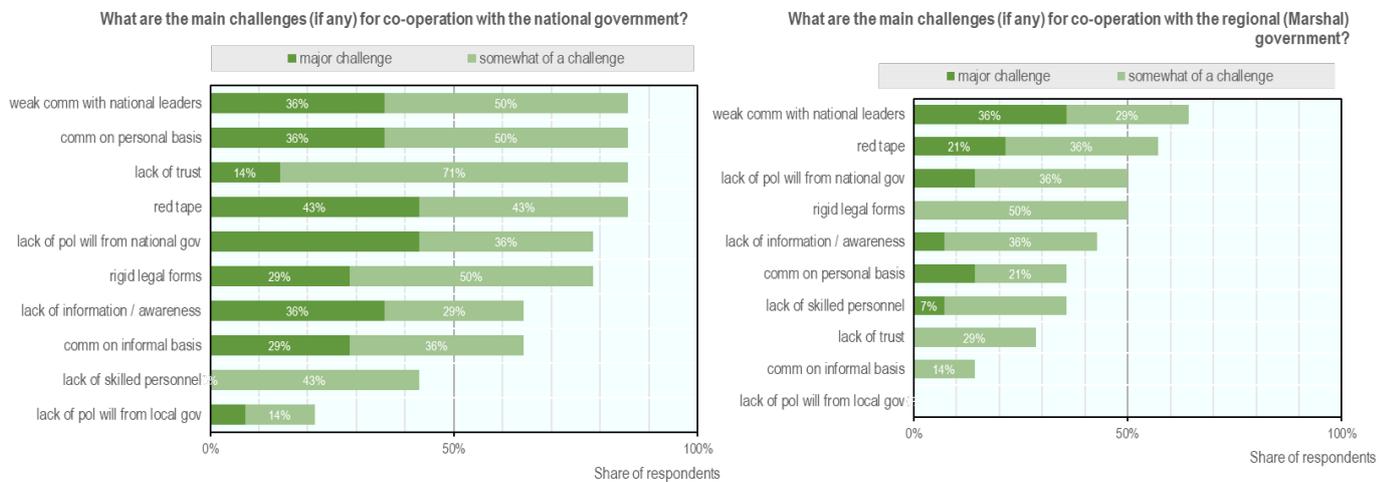

Note: n=14

Source: Author's own elaboration based on responses from municipalities to the OECD questionnaire (2020)

Overall, municipalities outside FUAs encounter the same challenges as it urban peers when it comes to collaboration. The lack of financial resources to enter into co-operation arrangements, the existence of excessive administrative procedures as well as the lack of concrete incentives to collaborate are the main challenges for the establishment and appropriate functioning of co-operation arrangements with other municipalities. In this regard, encouraging co-operative arrangements targeting partnerships that include rural and urban municipalities to ensure linkages between municipalities outside and inside FUAS would allow them to have a comprehensive and territorial approach to development. Clear incentives in the form of financial resources or capacity-building need to be in place to ensure that urban and rural areas are engaged in a symbiotic relationship where collaboration can benefit both places.

Co-ordination with the national and regional levels is widespread, yet less important than in municipalities inside FUAs or remote ones. In the OECD questionnaire, 77% of municipalities outside FUAs declare having participated in formal consultations, in accordance with the efforts that the country has done to encourage vertical co-ordination, especially in the form of consultations. A similar share declare having territorial contracts but these tend to be focused on one specific project. As expected, co-ordination challenges with the national level are more important than with the regional level. Indeed, co-operation challenges with regional concern less than two-third of the municipalities outside FUAs. Only red tape (65%) and the communication on personal basis (57%) seem to be relevant for the majority of this type of municipalities.

Figure 9. Challenges for vertical co-ordination among Polish municipalities outside FUAs with high accessibility

Note: n=14
Source: Author's own elaboration based on responses from municipalities to the OECD questionnaire (2020)

8. Toward a more strategic and effective local government workforce

In Poland, legislation regarding Human Resource Management in municipalities is set at national level. It applies to all municipalities, regardless of size or proximity to Functional Urban Areas (FUAs).

Just three (out of 13 survey respondents from municipalities in this type) indicated that employer attractiveness is a high priority, which perhaps reflects the fact that municipalities outside FUAs but with high levels of accessibility to urban centres are less constrained by outward migration of talent – 'brain drain' – than smaller or more remote municipalities. Interestingly, the experience of this type of municipality contrasts with that of municipalities inside FUAs. For municipalities within FUAs, 90% of respondents that indicated lack of salary competitiveness also highlighted a lack of applications from sufficiently qualified candidates. While lack of salary competitiveness is also an issue for municipalities in this type, the difference is that this does not appear to be accompanied by a lack of applications from candidates – just 30% of respondents to indicated that salary competitiveness and lack of applications was a key challenge affecting the ability to recruit and retain candidates.

Given the small (albeit representative) sample size of the survey respondents, this pattern should be seen as an indicator of broad trends rather than as an empirical indicator. Nevertheless, it is instructive to note that perceptions of poor salary in this type of municipality do not seem to affect applications to the same degree as in municipalities located inside FUAs. Moreover, in terms of capacity to attract certain skills, survey data indicate that not all municipalities in this type experience the same skills needs.

For example, five respondents indicated that candidates with expertise in the 'management of public-private partnerships' were 'very difficult to attract'. This represents 38% of municipalities in this type. When looking at the response of all types of municipalities – within FUAs, outside but with high accessibility, and outside with low accessibility – however, just 18% of respondents indicated that this skill set was 'very difficult' to recruit. This suggests that there are specific skill sets that are in greater demand for this type of municipality than others – but that not all municipalities within this type feel this need to the same extent. This potentially opens an avenue for municipalities to collaborate in sourcing, pooling and using key talent for specific projects.

9. Open Government

Evidence shows that small and large municipalities outside FUAs with high accessibility can use several tools and mechanisms to improve existing open government initiatives. According to the findings of the OECD questionnaire, this type of municipality implements on average, 8 open government initiatives, with the most common being: youth engagement and citizen participation in policy-making (75% of respondents for both), initiatives on integrity and anti-corruption, and on the promotion of citizen participation in legislative processes (62%). As reflected in the questionnaire, many municipalities outside FUAs but with high accessibility have also established some form of participatory budgeting initiative. Similar to municipalities inside FUAs, this type of municipality has developed more Open Government Data policies and foster initiatives in this regard to further engage with stakeholders.

Municipalities under this type, similarly to those inside FUAs, are likely to have more resources and capacity than those with low accessibility, which could enable them to take a strategic approach to open government by consolidating scattered and fragmented initiatives into a standalone document in the form of a programme, strategy or policy. In fact, 58% of municipalities with high accessibility found that a lack of or inadequate strategy is a major challenge to the implementation of open government initiatives (Figure 10). More generally, the OECD questionnaire found that only 24% of municipalities of all types have a specific institution, office, or body in charge of open government initiatives. The fact-finding missions showed that the size of municipalities had an impact on their institutional capacities. For example, small municipalities outside FUAs with high accessibility, as well as those with low accessibility, tend to have smaller teams who have multiple responsibilities within the administration and therefore less institutional capacities to designate an office or a person solely for open government. However, larger municipalities under this type, similar to those within FUAs, have greater resources resulting in them being more likely to have an office for interacting with civil society organisations (CSOs) and citizens. Significantly, data from the questionnaire suggests that 83% of FUAs with high accessibility consider the lack of or inadequate institutional mechanisms to collaborate with non-governmental organisations (NGOs) and the private sector as a considerable challenge. In addition, the co-ordinating office or official in charge requires a strong mandate to convene the resources and range of stakeholders needed to attain its outlined objectives. In this regard, 83% of municipalities in this type consider the lack of or insufficient mandate for the implementing institution to be a crucial challenge, as shown in the OECD questionnaire.

Figure 10. Main challenges in implementing open government initiatives for Polish municipalities
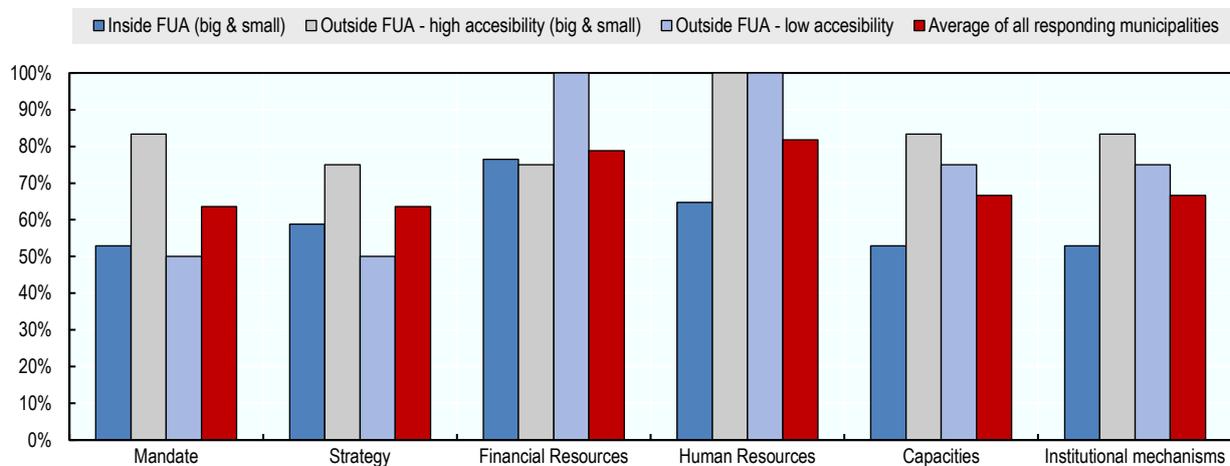
Note: N = 33 responses, from which 12 are outside FUA with high accessibility (large & small). Responses include municipalities replying major and somewhat a challenge. Answers to this question included other challenges. While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish local self-governments units.

Source: Authors' own elaboration based on municipalities responses to the OECD questionnaire (2020).

At its core, open government is about a cultural change in governance. To achieve this, municipalities need to provide adequate capacities for implementation and to improve public communication. In this context, the OECD questionnaire showed that 83% of municipalities in this type found the lack of capacities (human and financial) in the implementing institution as a main challenge. Especially in regards to human resources, as 100% of municipalities with high accessibility consider it an important challenge, while 75% do for financial resources (Figure 10). Furthermore, many municipalities with less capacity, which are often small municipalities both with high and low accessibility, noted that complying with the access to information law implies a considerable amount of time as the number of requests for information received surpasses the capacity of the municipality, having a direct impact on the level of transparency. In addition, most local self-governments of all types, including those outside FUAs with high accessibility, also identified the lack of awareness or motivation among stakeholders to participate as a key challenge. These challenges are reflected in the data from the questionnaire, where municipalities outside the FUAs with high or low accessibility, have less frequent participation of all stakeholders (academics, interest-based lobby groups, citizens, journalists, and organised professional groups) than those inside the FUAs. As for other types of municipalities, these findings indicate the need to better communicate with a wider variety of stakeholders beyond 'the usual suspects' in all stages of the policy cycle, including vulnerable, underrepresented, and marginalised groups.

10. Reducing administrative burden and simplifying public procurement

While some lessons are common to all Polish municipalities, overall the population and resource availability vary across local authorities. Given the existing contexts, proposed actions and recommendations differ based on the municipality and its accessibility to Functional Urban Areas (FUAs). In the context of administrative simplification and public procurement, the level of resources (financial, technical staffing) available to a given municipality is a key determinant for the actions to implement. It is

assumed that resource availability correlates with the size of a local authority. More specifically, the following assumptions apply to characterise municipalities in the context of this chapter:

1. Inside FUAs: large municipalities, well-resourced in terms of staff, knowledge, ICT capabilities;

2. Outside FUAs with high accessibility: small or medium-sized municipalities; limited capacity (e.g. 2-5 full-time employees for public procurement) limited uptake of digital tools;

3. Outside FUAs with low accessibility: small municipalities, limited resources and capacity (e.g. 1 or less full-time employee for public procurement), no uptake of digital tools.

Municipalities outside FUAs but with high accessibility are among the most dynamic ones in terms of business creation and tend to have an important share of the population that works in service activities. These characteristics usually generate incentives to uptake measures to cut red tape and promote the use of digital tools. Based on the information gathered by the OECD, these municipalities show some good practices in terms of administrative burden reduction (for example, 54% of them have in place requirements to minimise administrative burdens), but in many cases lack the resources for more comprehensive improvements. It is often the case that these municipalities face significant constraints (financial and human) to the introduction of changes in the way certain processes and formalities are handled. Although 6 out of 13 municipalities mentioned in the questionnaire provided by the OECD that they carry out co-ordination efforts to streamline processes, information gathered during the fact-finding missions shows that these efforts are not systematic and indeed co-ordination challenges are pressing, especially with the national government. This leads to difficulties in the implementation of regulations, making compliance hard for the local officials and for the residents and businesses.

On the other hand, administrative simplification tools such as one-stop shops are used in only 4 out of 13 municipalities consulted. Evidence collected by the OECD shows that the main reasons for the low uptake include the lack of staff and financial resources to maintain them and the informal context in which citizens and businesses can engage with the municipality. The lack of a formal communication channel, where the administration can share information and/or carry out transactions can increase transaction costs for people from other jurisdictions who would like to engage with the municipality.

In the procurement context, municipalities outside FUAs show a mixed picture with respect to their level of advancement in public procurement. Overall, their procurement teams tend to be smaller, with typically maximum of four procurement officials and they may also not be fully dedicated to procurement but also have other duties.

Figure 11 shows the main challenges perceived by these municipalities in terms of public procurement, in particular if they procure only infrequently above national thresholds. Thus, they are particularly impacted by frequent changes, and tend to struggle in maintaining the pace with legal reforms mandated at national level. In terms of their specific capacity, there may be some variations, but as a general trend, these municipalities may have limited experience with using non-price procurement criteria, and have limited experience with digitalisation of procurement. Given the limitations in resources of this type of municipality, the most effective strategy to adapt to reforms and improve their procurement practices is to pool and share resources and knowledge with more advanced authorities.

Figure 11. Main challenges faced by municipalities outside FUAs with high accessibility for administering the public procurement law
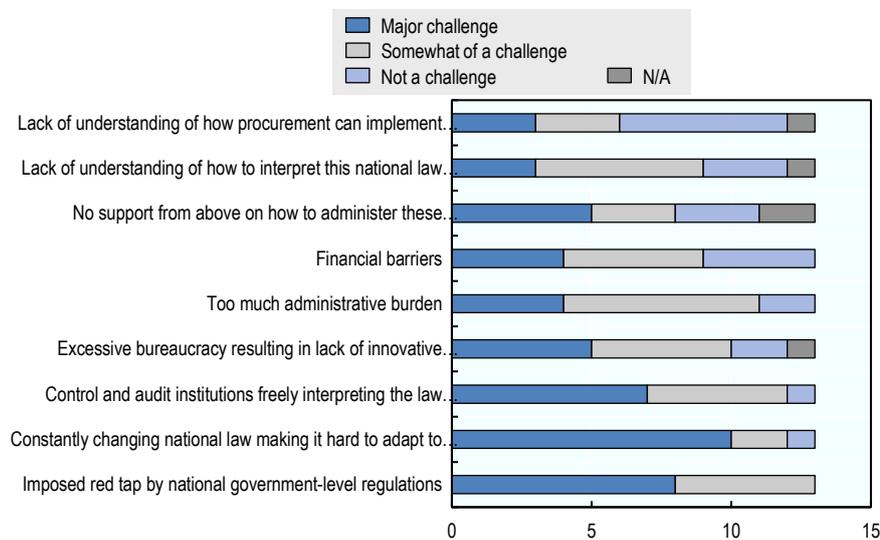
Note: n=20 refers to the municipalities outside FUAs that replied to the questionnaire
Source: Authors' own elaboration based on responses from municipalities to the OECD questionnaire (2020).

11. Recommendations

1. Co-ordination across administrative units and policy sectors

One of the main challenges that municipalities are facing with regard to effective co-ordination across administrative units and policy sectors is the lack of resources (financial, time, personnel, etc.). In addition, a relatively low level of awareness in Polish municipalities of the importance of intra-LSGU co-ordination, a lack of information and data as well as technical resources, weak reporting arrangements and information sharing are challenges faced by a majority of LSGUs. The following recommendations aim at addressing these key challenges to foster intra-LSGU co-ordination.

Ensure institutional responsibility for co-ordination

- Define and communicate LSGU units and departments' responsibilities by sharing with all LSGU staff and publishing a user-friendly organigram depicting the LSGU's organisational structure.
- Establish clear institutional responsibility for co-ordination. In particular, by amending the definition of tasks of mayors in the Act on Local Self-Government to include and define the mayor's responsibility for intra-LSGU co-ordination and clearly assigning the responsibility for general co-ordination functions to one or more units in the LSGU.
- Establish and communicate formal mandates for co-ordinating units/departments included in the LSGU's general organisational regulations or a separate regulation.
- Consider the use of formal reporting arrangements between the mayor or the institution in charge of co-ordination and other units/departments based on non-regulated informal tradition.
- Make more strategic use of policy documents to foster co-ordination. In particular, by including references to intra-LSGU co-ordination in reform plans and development strategies to help raise awareness of the importance of co-ordination; and developing specific policy documents that can assist policy-makers and LSGU employees with co-ordination.

Foster effective co-ordination in-house through institutional mechanisms and partnerships

- Create fit-for-purpose task forces composed of different units/departments (and external stakeholders where possible) for the work on crosscutting policy issues.
- Use existing permanent councils/committees to improve co-ordination, in order to co-ordinate LSGU work on particular policy issues.
- Promote joint planning of activities and shared policies between two or more independent administrative units for better planning and improved local development strategies. In particular, by encouraging units/departments to integrate their work around joint goals and strategic objectives.
- Ensure open and regular information and document sharing across administrative units, in particular through an online information and document management system.

Develop capacity and resources for co-ordination

- Focus on the development of in-house skills and competencies needed for effective co-ordination through training.
- Include co-ordination references in human resource management tools by incorporating references to co-ordination in LSGU staff recruitment documents, competency and values frameworks and introducing co-ordination in performance management.

2. Strategic planning for local development

In the context of the recent amendments to the Act on Principles of Implementation of Development Policy. municipalities outside a FUA with high accessibility may wish to:

- Create a municipal planning institute with specific responsibilities on land use, transport planning and the elaboration of the local development strategy (LDS). It could also be tasked with the monitoring and evaluation of the implementation of the LDS to generate data for future adjustments of the development strategy. The institute should be in charge of co-ordination of policy across different departments within the local public administration.
- Adopt an integrated approach to strategic planning by involving a wider set of stakeholders from the beginning of the planning process. The advantage is that although in many cases citizens and members of the private sector are not experts on planning or economic development, they know the 'real' problems and in most cases, they may have practical solutions that could be considered in the overall development strategy.
- Ensure reliable sources of funding for local development. The national government may wish to assess the sources of funding of municipalities in Poland to ensure they can match responsibilities with corresponding financial resources. Municipalities should also use to the most their available options of funding and improve their capacity for tax collection through better training human resources and reforming the means of tax collection (i.e. using digital technologies). Two key questions to consider when designing the LDS are how private and other finance will be attracted by the LDS and its implementation, and how investment will grow and how it will become sustainable without ongoing long-term public subsidy. LDS that include these kind of considerations are much more likely to attract investment into their implementation and to generate their own financial momentum to achieve its goals.
- Implement a long-term process of monitoring and evaluation of local development strategies. Municipalities, in cooperation with academic institutions, could develop a solid background of unbiased research and scrutiny. Academic institutions or external experts (consultants) could be tasked with the monitoring of the implementation and impact assessment of the LDS. Independent expertise and research capacity are needed to provide evidence of future LDS reforms and the

desirability of proposed solutions to key stakeholders, as well as analyse and weigh a range of different policy options.

3. The use of evidence in strategic decision-making

Monitoring local development strategies

- Use monitoring guidelines developed by the Ministry of Regional Policy and Development Funds to clearly differentiate the monitoring set-up for each of the following objectives: operational decision-making, accountability and communication to citizens.
- Set up an internal performance dialogues in municipalities between the highest decision-making level and the heads of departments/services in order to improve operational decision-making.
- Improve communication to citizens by updating a few key indicators on a public website or by elaborating a communication document on the progress made on the strategy at regular intervals (for example every year).
- Clarify the indicators used to monitor each Local Development Strategy. Include indicators based on administrative data. Take advantage of the system for monitoring public services currently under development to build these indicators.

Develop evaluation practices at the municipal level

- Capitalise upon the evaluation ecosystem that has developed around EU Cohesion Policy interventions by broadening and enhancing the awareness and knowledge of the benefits that can be derived from performance measuring and evaluation more generally.
- Improve institutional coordination for meaningful design and implementation of evaluation, as delivery of a number of public services tends to involve, to some extent, different levels of government. In the same vein, explore venues to improve communication and institutional cooperation among municipalities, possibly with regional level authorities in a coordinating or facilitating role, with a view to optimising the use of available resources. This may notably involve the networking of knowledge and expertise; e.g. developing a network of evaluation experts accessible to municipalities.
- Address data availability and resource constraints, including analytical capacity, by identifying ways in which in-house capacity for evaluation can be enhanced; e.g. access to additional resources, relevant data sources, training opportunities, participation in communities of practice.

Use of evidence for strategic decision-making

- Add a dedicated page on www.ewaluacja.gov.pl for municipalities to upload the results of their evaluations.
- Include, in all evaluation terms of reference prepared by municipalities, the fact that the report must include an executive summary with recommendations.
- Take advantage of social media to share "information nuggets" on local development strategies.
- Further institutionalise the use of evaluation findings for decision making purposes:
  - o Identify appropriate knowledge brokers vis-à-vis decision makers to help synthesise and convey available evidence.
  - o Establish proportionate requirements for transparent and evidence-based decision-making; e.g. to provide a public and substantiated explanation in cases where evaluation findings are not taken into account.

o Establish clear and explicit linkages between available evidence and resourcing. This applies to budgeting decisions on investment outlays and expenditure as well as to staff incentives and remuneration.

o Promote the use of evaluation results in decision making by including such use among the criteria that are considered for civil servants' performance assessments.

o Engage in dissemination of good practices and exchange of experiences between relatively better equipped and more experienced municipalities (typically larger ones in FUAs) and their less advanced counterparts in this area.

4. Budgeting in municipalities

Recommendations for large municipalities

- In light of competitive pressures on the tax side and limited autonomy of municipalities, undertake efforts towards increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes.

- Strengthen the co-ordination with the national government in general and the Ministry of Finance in particular to jointly address the medium-term budgetary policy issues across levels of government within a reinforced Joint Committee of National Government and Territorial Self-government.

- Scrutinise public spending efficiency on a systematic basis by means of spending reviews and systematic performance benchmarking.

- Strengthen the medium-term budgeting perspective to support a better link between budgets and strategic priorities in a comprehensive way and beyond the annual cycle.

- Strengthen the use of performance budgeting frameworks by means of an incremental approach.

  o Larger municipalities already using performance budgeting should consider developing their framework gradually in terms of budgetary coverage and in terms of monitoring of performance information. They should ensure the inclusion of all administrative units in the process and the development of quality information to facilitate evidence-based reviews.

  o Efforts to support the development of quality performance information, performance indicators and performance benchmarking for informing future budgetary decision-making and, at the same time, underpinning the value of performance budgeting should be supported.

- Ensure a participative approach to budgeting by setting up more formalised opportunities for citizen involvement.

- Sustain efforts to further reinforce the use of participatory budgeting in municipalities.

Recommendations for small municipalities

- In light of competitive pressures on the tax side and limited autonomy of municipalities, undertake efforts towards increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes.

- Strengthen the co-ordination with the national government in general and the Ministry of Finance in particular to jointly address the medium-term budgetary policy issues across levels of government within a reinforced Joint Committee of National Government and Territorial Self-government.

- Scrutinise public spending efficiency on a systematic basis by means of promoting a systematic performance benchmarking.

- Strengthen the medium-term budgeting perspective to support a better link between budgets and strategic priorities in a comprehensive way and beyond the annual cycle.
- Strengthen the use of performance budgeting frameworks by means of an incremental approach.
  - Smaller municipalities could consider steps towards performance budgeting over time taking an incremental approach for introducing performance frameworks and be aware of the challenges.
  - Smaller municipalities should first consider selecting the areas most suited for performance budgeting and develop corresponding indicators and targets.
  - Smaller municipalities are recommended to build capacity for introducing performance budgeting frameworks in terms of human resources, data and related infrastructure in the first place and learn from peer-group experiences.
  - Efforts to support the development of quality performance information, performance indicators and performance benchmarking for informing future budgetary decision-making and, at the same time, underpinning the value of performance budgeting should be supported.
- Ensure a participative approach to budgeting by setting up more formalised opportunities for citizen involvement.
- Sustain efforts to further reinforce the use of participatory budgeting in small municipalities, for instance, supported by an extension of the corresponding provisions.

5. Strengthening multi-level governance and investment capacity to enhance local development

Reduce the mismatch between expenditure and revenue-generating means

- **The national government should increase the tax autonomy of municipalities** to reduce their dependency on state transfers. This can be done by granting larger tax autonomy to municipalities, i.e. more power over tax rates and bases, in particular concerning property tax.
- **The national government should ensure that devolved responsibilities are sufficiently funded.** For this, a review of the competencies and functions of municipalities and their corresponding funding could be undertaken to clarify the breakdown of responsibilities and how they are funded. This review could also take place over the medium term within the framework of a formal national dialogue.

Strengthening inter-municipal co-operation, especially to reinforce rural-urban linkages

- **Municipalities outside FUAs with high accessibility should explore the opportunity of developing joint development strategies or supra-local development strategies.** They can identify a person/team to actively and regularly identify opportunities for co-operation with neighbouring municipalities – including those within the adjacent FUAs. This person/team should also monitor the co-operation scheme and evaluate its results/outputs. They can also define indicators (financial and non-financial) to monitor and evaluate co-operation and partnership agreements.
- **Counties can also play an active role** in encouraging co-operation through financial incentives from the planning phase. For this, examples such Lubelskie, which provides additional funding for municipalities of the functional area that prepare a joint strategic plan, could be further expanded.
- **The national government should a flexible legal framework to strengthen inter-municipal cooperation.** A thorough revision of the different existing legal frameworks related to inter-municipal cooperation would be needed, with the aim to simplify the administrative procedures to establish co-operative arrangements.

- **The national government can generate financial incentives for inter-municipal co-operation, especially those that can reinforce rural-urban linkages.** For this, it is important to develop more flexible rules allowing for the undertaking of joint public services by inter-municipal partnerships.
    - **It is important to encourage collaboration schemes between municipalities with different capacities.** For example, they should encourage larger, stronger municipalities that benefit from greater capacities to implement certain development projects to collaborate with smaller surrounding municipalities. Both types of municipalities can benefit from synergic positive effects and in particular smaller ones can greatly benefit, in the medium term, from the knowledge and capacities of bigger municipalities.
- **The national and/or regional self-governments can develop of clear toolbox or guidelines** for municipalities specifying the benefits of different types of inter-municipal co-operation arrangements and concrete steps to establish such cooperation, with special focus on rural-urban partnership. This type of document needs to include clear guidelines on how to deal with the administrative procedures of the different instruments foreseen by law when establishing co-operative arrangements.

Building stronger partnership and collaboration mechanisms across levels of government

- Municipalities outside FUAs with high accessibility could **officially designate a person(s)/team(s)** to support the mayor, **in charge of seeking and establishing co-operation with the voivodeship and/or national government.** These person(s)/team(s) should clearly define needs, opportunities and objectives for co-operation, establish and monitor co-operation agreements/co-financing and evaluate the results/outputs of the co-operation agreements.
- **The national and/or regional self-governments could develop specific territorial contracts targeting investments on rural-urban linkages.** These should be done by clearly specify the priorities that can be financed through contracts, based on a careful assessment of needs and opportunities. Funding could be especially dedicated to contracts signed by groups of municipalities. National government should ensure that the procedures to establish a territorial agreement are simple, in view of greater uptake of these instruments by municipalities.

6. Toward a more strategic and effective local government workforce

Recommendations for smaller municipalities in this type

Smaller municipalities should explore opportunities to collaborate with each other. Given the varying sizes of municipalities, and in particular the size of smaller ones, an overarching focus should be on identifying opportunities to collaborate and share experiences on common challenges and solutions. While the following recommendations can indeed be considered individually by municipalities, developing economies of scale through partnerships and communities of practice can generate more meaningful solutions to local challenges:

- **Shore up induction programmes:** Staff in municipalities undertake a six-month induction programme called 'preparatory services' after which their employment contract is confirmed. For smaller municipalities with lower volume of new hires during the year, there is scope to focus the training content on transversal competencies and align it more explicitly with candidate expectations and preferences. Rather than seeing the preparatory service as a mandatory obligation that concludes with a test of substantive knowledge, this period can be used to transmit organisational values and improve engagement, motivation and ultimately retention and performance.

- **Make use of employee engagement exercises:** In many municipalities, particularly smaller ones where there is a tight-knit and small team, employee engagement exercises can be a way to complement and constructively challenge 'common knowledge' or established ways of doing things, and give staff the opportunity to voice suggestions.
- **Enhance needs analysis to design learning and development opportunities.** Training in many municipalities is conducted in an ad-hoc manner on the basis of offers received from training providers. While this can in some cases respond to legitimate needs, such as developments in relevant legislation, smaller municipalities could benefit from conducting a needs analysis of staff members' training preferences. The needs analysis could cover types of training (classroom, online, scenario-based, mentoring, job-shadowing, etc.) that staff feel is valuable and place a greater emphasis on transversal competency development.

Recommendations for larger municipalities in this type

Invest in employer branding. Working for local government can be a great career choice – but many potential candidates do not perceive it that way. Larger municipalities may have more scope than smaller ones to identify aspects of their employment package that appeal to candidates eager for impact, autonomy, and the chance to work for the public good. This can refer to work-life-balance, career advancement opportunities, and sense of impact. Comprehensive employer branding strategies go beyond harmonised logos and websites to showcase the work and worth of employment opportunities at all levels of the organisation.

Invest in improving HR data availability and performance. Across the OECD, human resource units have access to a variety of workforce data. Many struggle to use it to improve policies. Larger municipalities in Poland with the technical skills could work toward developing 'dashboards' or metrics on aspects of workforce management to be presented to senior leaders and managers. Typical metrics used in HR management include application volume, the time taken to hire candidates, employee turnover, and more sophisticated metrics could include visits to career websites, success of recruitment campaigns, and analysis of diversity in the workplace (e.g. balance between men/women at different hierarchical levels). Larger municipalities could also explore launching employee surveys, which generally work better when there is a large number of potential respondents.

Explore 'mobility' or short-term secondment programmes. Larger municipalities resemble Ministries at central level in some OECD countries in terms of the size and scope of their activities. Developing new skills and boosting engagement is a core component of many mobility programmes which allow public servants to work temporarily in another part of the public sector. There was little evidence of widespread use of mobility programmes in municipalities, but with careful planning and engagement with leaders, they could add to workforce flexibility and performance.

7. Open Government

Improving existing open government initiatives and fostering further stakeholder participation

- Co-implement open government initiatives with any affected and/or interested parties such as CSOs, journalism associations, trade unions, community groups, and academics and researchers as a way to support greater civic engagement and stakeholder participation and meaningfully involve CSOs and citizens in local development.
- Collaborate with other municipalities in their region or those inside the nearest FUA to exchange knowledge and good practices on the implementation of open government initiatives.

- Empower existing youth and senior councils further by broadening the scope of their responsibilities beyond issues solely related to youth or seniority and ensuring that the outcomes of consultation with these councils is adequately reflected in the decisions made.

- Municipalities with more capacity to do so, could attempt to progressively expand the percentage of the budget/funding involved as well as the range of stakeholders involved year-on-year by conducting awareness-raising campaigns and reaching out to specific demographics through different means.

- Endeavour to implement deliberative mechanisms, where governments assemble ordinary citizens from all parts of society to deliberate on complex political questions and develop collective proposals (citizens' assemblies, juries, panels), to increase citizen participation on the scale that best suits their own capabilities and the human and financial resources available.

Taking a strategic approach to open government

- Larger municipalities could develop a standalone document in the form of a programme, strategy or policy that can provide this strategic view to co-ordinating open government initiatives. If smaller municipalities lack the resources or capacities, they could instead dedicate a component or chapter of the local development strategy to open government. To do so, municipalities could include some of the main components of a strategy, such as setting objectives, establishing priorities and designing initiatives for its implementation.

- Larger municipalities could assign a single office or person with a clear and well-disseminated mandate of co-ordinating the open government initiatives as well of monitoring and evaluating their implementation and impact, while smaller municipalities could assign the unit or person in charge of the local development strategy to co-ordinating the open government initiatives, particularly for those municipalities that include a dedicated chapter on open government in their strategy.

Creating an open government culture in municipalities

- Enhance knowledge and skills among public officials through upskilling and capacity-building training to implement these initiatives as well as conducting conferences, fora and debates on the benefits of the open government and its principles. Municipalities could then host seminars and discussion groups in their community to equip citizens with the civic, social, and political education needed to enable them to be informed and participate. It is also important for municipalities to establish proper communication channels not only to raise awareness of existing initiatives to participate, but also on its results and impact.

- In order to increase transparency in government, municipalities could implement better information management systems through partnerships with other levels of government. and proactively disclose more government information than the minimum required by law. They could additionally undertake the good practices outlined in the Ministry of Digital Affairs: "Data Opening – Good Practice Guide" to improve their open data policies.

- Explore the possibility of co-implementing open government initiatives and training programmes for public officials with other neighbouring municipalities to share costs and increase impact.

- Seek innovative sources of funding through different stakeholders, including different levels of government and external donors to implement a wider variety of open government initiatives.

8. Reducing administrative burden and simplifying public procurement

Assess the administrative burden generated by administrative processes and formalities

- Assess the administrative burden faced by citizens and businesses of the municipality. Identify the most difficult processes as we those that are carried out more often.
- Simplify the processes and formalities identified as the most burdensome. Initial steps include the simplification of information and requirements, followed by a revision of the procedures and formalities and coordinate with other institutions to reduce the amount of information that is requested from residents.
- Make information available in a user-friendly format, both at the municipal offices and the website of the LSGU. Keep in mind that one-stop shops should be addressed to businesses and citizens.

Increase transparency in the interactions with stakeholders

- Create standard procedures for the provision of information, rather than relying on personal relationships and informal contacts. LSGUs could create simple, implementable guidelines that ensure transparency and equal treatment for all citizens and businesses.

Make use of digital tools for simplification of procurement and the provision of information and services

- Proactively seek experience from early e-procurement adopters to better prepare the transition.
- Introduce ICT tools for the management of administrative processes, prioritising those with greater administrative burden or those require digital solutions, such as public procurement.
- Ensure adequate training and resources for the officials that will be in charge of managing the processes and providing public services. Additionally, create a sensitisation strategy that reduces resistance to change.
- Inform residents, businesses and relevant stakeholders of the services and information available through digital channels to boost their uptake.

Strengthen collaboration among municipalities to shape and adopt public procurement reforms effectively

- Formalise or establish collaboration with larger municipalities that already invested in the reform process to be informed about upcoming procurement laws, and better prepare their implementation
- Use collaboration with municipalities or the Association of Polish Cities (ZMP) as channels to voice specific needs and concerns about forthcoming procurement reforms.
- Pool resources to organise self-training with other municipalities if national training is not available or accessible. Training should focus on areas that pose difficulties to municipalities, such as MEAT criteria.

Simplify procurement practices through exchange and sharing, including below threshold strategies

- Implement below threshold strategies that keep a balance between simplification and standardisation, based on successful examples from other municipalities.
- Adopt good practices based on experience of advanced municipalities (e.g. exchange of tender documents and specifications, simplification of language in tenders, MEAT criteria). A dedicated event organised in cooperation with ZMP could support this exchange.

- Consider joint tenders with similar municipalities whenever needs are aligned.

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Note

1 The elderly dependency rate is defined as the ratio between the elderly population and the working age (15-64 years) population.