

Synthesis Assessment III

FOR POLISH MUNICIPALITIES LOCATED OUTSIDE
OF FUNCTIONAL URBAN AREAS WITH LOW
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 purely 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 categories 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. Delineating functional urban areas (FUAs)

The European Union and the OECD have jointly developed a methodology to define FUAs, which consists of the **core of the FUA** and its commuting zone 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 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 (2020[15]), 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 category. 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 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 introduction of the main report.

Table 1. OECD territorial classification for municipalities in Poland

Distribution of municipalities and population per typology, in 2018

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).

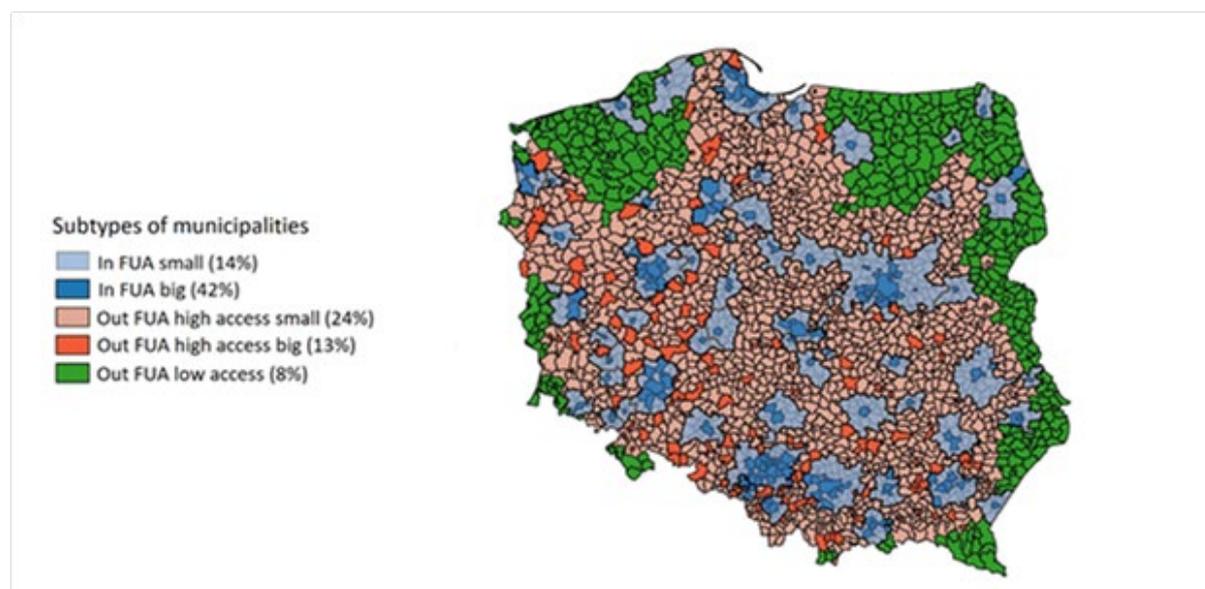
Source: Authors' own elaboration based on the population and number of municipalities from Statistics Poland (2020^[21]), *Regional Statistics*, <https://stat.gov.pl/en/regional-statistics/> (accessed on 15 November 2020).

Following the OECD's functional typology, this synthesis assessment focuses on big and small municipalities that are located outside of Functional Urban Areas with low accessibility. Figure 1 provides an overview of the geographic dispersion of these municipalities according to the typology. By drawing from the eight 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 category 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 category-specific assessment. The recommendations for the category of municipalities located outside of FUAs with low 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: 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 of FUAs with low accessibility are, on average, facing the greatest challenges regarding demographic and economic growth in Poland. These municipalities represent 15% of the total number of municipalities and are home to almost 8% of the national population. Unlike the average of OECD countries, Poland has a relatively dispersed population with small towns and cities that are playing a relevant role for remote economies. The municipalities outside of FUAs with low accessibility offer most of the food, minerals and environmental amenities in the country. These features makes them attractive as well as vital for national property and well-being. In the OECD questionnaire, the improvement of infrastructure, mostly quality roads, and public transport have been identified as priorities for investment regarding the development of this group of municipalities.

In the last two decades, municipalities outside of FUAs with low accessibility have experienced the greatest population decrease in the country (-3.7% between 2000 and 2018), driven mainly by a large out-migration (a total 6% of the 2018 population level have emigrated), particularly of young women (Statistics Poland, 2020_[11]). Therefore, these municipalities also record the lowest share of young population in the country (measured with youth dependency rate), which threatens the future workforce replacement for these economies. Without the right policy and planning in place, this demographic trend can lead to a number of negative impacts for local communities, including a shortage of labour to support economic growth, increasing cost of public service provision and a reduced tax based for local authorities.

Alongside with population decline, these municipalities lag behind in terms of education outcomes, registering the lowest enrolment rate in primary school in the country. The low accessibility in these municipalities translates into challenges for their population to access quality public services (health, broadband) and their businesses to export their goods (e.g. due to low quality roads).

Most of the municipalities in this category tend to be located in non-metropolitan regions, with low diversified economies that are highly linked to primary activities. This group of municipalities has, on

average, the highest level of unemployment, yet they have also experienced the most important improvements in the country in this regard. These municipalities have the greatest share of microenterprises, with a small amount of business establishment above 300 workers, which underlines the lack of scale and critical mass in the business environment.

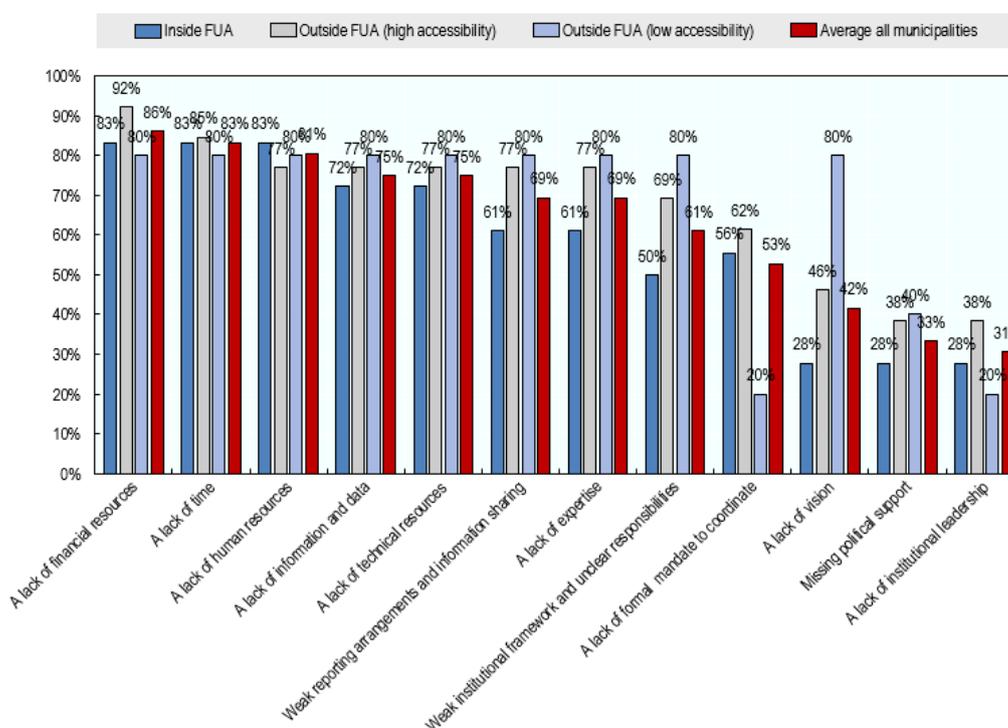
The decreasing population, compounded by relatively low levels of education and access to broadband, makes it difficult for local governments to attract and promote high-value added business. A greater co-ordination among and between levels of authorities in terms of investments, attraction of skilled workers and labour market support is key to address these challenges. Co-ordinated strategies across municipal authorities to offer public services can lead to economies of scale in the investment and, in turn, increase quality and accessibility of services, which increase attractiveness and help retain young population. Likewise, promoting better cooperation and associativity among businesses should be a priority in these municipalities, as it can help attain economies of scale to access new markets, uptake new technologies and promote workforce training. To this end, local authorities should support a closer collaboration among businesses with education institutions to add value to local production process and improve the matching of industry needs with education and local skills.

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). Similar to other categories, municipalities located outside of FUAs with low accessibility see a lack of capacities and resources as big challenges for effective co-ordination. A clear majority reports a lack of financial resources (80%), a lack of time (80%), and a lack of human resources (80%) as main challenges. A lack of technical resources (80%) and a lack of expertise (80%) are seen as equally challenging for municipalities located outside of FUAs with low accessibility. A vast majority of surveyed municipalities in this category also highlights the need for institutionalisation with clear roles and responsibilities. Weak reporting arrangements and information sharing (80%), a lack of information and data (80%), a weak institutional framework and unclear responsibilities (80%) are cited as major challenges for co-ordination. Compared to other categories, the lack of formal mandates to co-ordinate is only seen by 20% as a challenge. This may have to do with the general smaller size of rural municipalities, as informal co-ordination without mandates can prove to be effective in entities with less staff and more direct interactions. On the other hand, a lack of vision is almost twice as frequently cited as challenging by municipalities outside of FUAs with low accessibility. Missing political support (40%) and a lack of institutional leadership (20%) are the least reported challenges that are also faced by similar numbers of municipalities in other categories.

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)

Compared to other categories, mayors play a slightly less prominent role for intra-LSGU co-ordination in municipalities located outside of FUAs with low accessibility. While 80% of the municipalities report their regular involvement, 100% of municipalities in this category mention that the municipal secretary/director and department heads are regularly involved. While the responsibility for co-ordination is thus still comparatively centralised, the frequent involvement of department heads shows that a certain degree of delegation of the responsibility takes place that allows actors other than the mayor and municipal secretary to assume important co-ordination functions. The fact that also the treasurer are comparatively more often involved (80%) than in other categories, points into the same direction. In addition, municipalities outside of FUAs with low accessibility also register relative high levels of involvement of utility companies in intra-LSGU co-ordination.

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. According to the OECD questionnaire, more than half of the municipalities outside of FUAs with low accessibility (60%) provide institutions/departments regularly involved in co-ordination with a formal mandate (see Figure 2.4 in the report). Moreover, half of them reports the use of formal reporting arrangements based on informal tradition for the implementation of action plans and local development strategies (see Figure 2.5 in the report). Only 25% codify such reporting arrangements in law(s) and 0% enshrine them in regulations.

Policy documents including references to co-ordination (e.g. LSGU 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. While only 23% of all surveyed municipalities have enacted such a policy document with references to co-ordination, none of the municipalities outside of FUAs with low

accessibility reports having documents that focus on co-ordination in planning, service-design and delivery across different policy sectors. Besides the inclusion of co-ordination references in high-level policy documents, one-fifth (20%) of municipalities outside of FUAs with low accessibility has developed specific written guidance for staff in the form of rules documents, manuals or guidelines that can concretely assist policy-makers in co-ordinating (see Figure 2.7 in the report). In addition, training can help staff to develop the skills and competences needed for effective co-ordination.

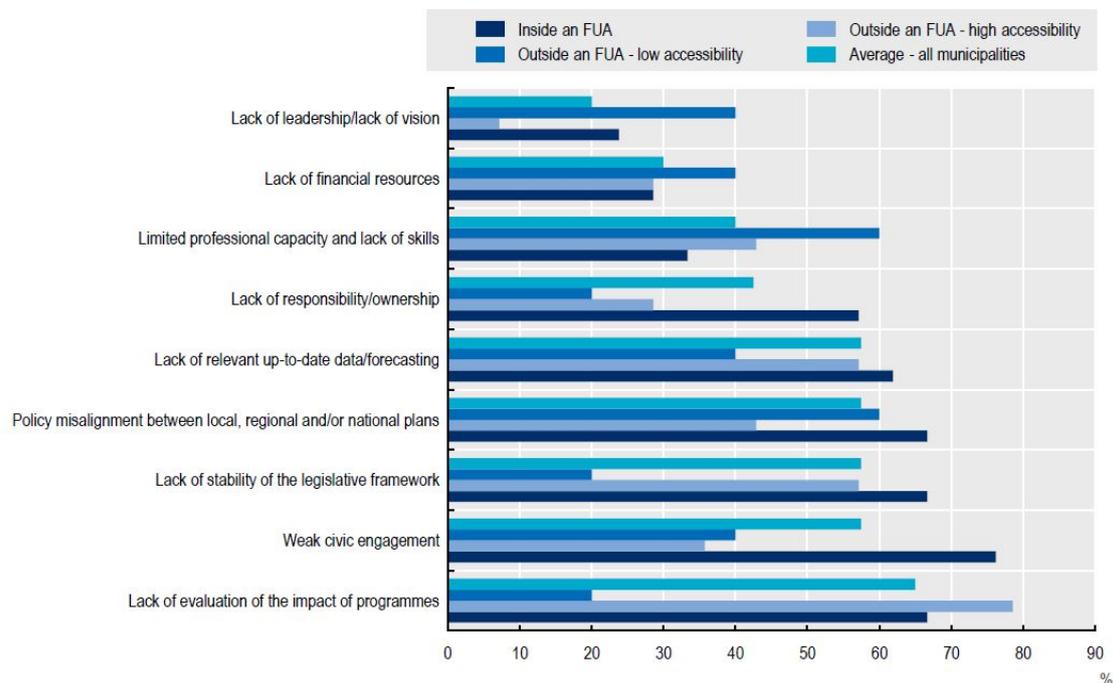
Across Poland, municipalities have a range of institutional mechanisms at their disposal for improving intra-LSGU co-ordination. They include permanent or temporary task forces/working groups and councils/committees that meet on an ad hoc or regular basis. In total, 80% of the municipalities outside of FUAs with low accessibility, which responded to the OECD questionnaire, reported the use of task forces to deal with co-ordination of specific policy issues (see Figure 2.8 in the report). 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. In addition, 60% of the municipalities outside of FUAs reported the use of ad hoc meetings of senior officials on specific policy issues and permanent councils or committees with regular meetings for co-ordination. 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. 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 comparison with the other categories, municipalities outside of FUAs with low accessibility report the highest use of regular local government council meetings for policy and service co-ordination (80%).

In addition to institutional mechanisms, municipalities have a number of partnership practices at their disposal that can help improve co-ordination. The most commonly used partnership practices by municipalities outside of FUAs with low accessibility are the joint planning of activities and interventions (80%) and regular face-to-face meetings (80%). Large disparities between municipalities outside of FUAs with low accessibility and the other categories are observable for the joint training of staff (20% / 62% of all municipalities), joint information sharing systems (20% / 60% of all municipalities), the joint data collection to monitor progress and outcomes of policies and services (0% / 44% of all municipalities) and the use of shared policies (0% / 32% of all municipalities).

4. Strategic planning for local development

Municipalities outside of FUAs with low accessibility face a number of challenges for conducting strategic planning for local development related to policy misalignment across levels of government and the lack of qualified professional staff (Figure 3). The first one signals a collaboration and co-ordination weakness in the process of the elaboration of the local development strategies (LDS). This raises the question to what extent these municipalities are being supported by upper levels of government for the elaboration of their LDS. The problem is exacerbated if it is considered that in general the elaboration of the LDS requires access to data and information gathered by upper levels of government to which small municipalities have sometimes no access. A second important issue is the low level of capacity and capability as municipalities in this category do not always have the resources to get highly qualified staff or constantly train their staff on economic analysis and strategic planning. One example is that the policy documents are presented in a descriptive way in some cases, without any additional analysis of inference as to what may be driving or constraining growth and development. Teams may be lacking experience regarding cohesion and integration of different levels of plans. In many instances, local officials do not receive any training and they learn by doing the job.

Figure 3. Main challenges to designing a LDS by type of municipality

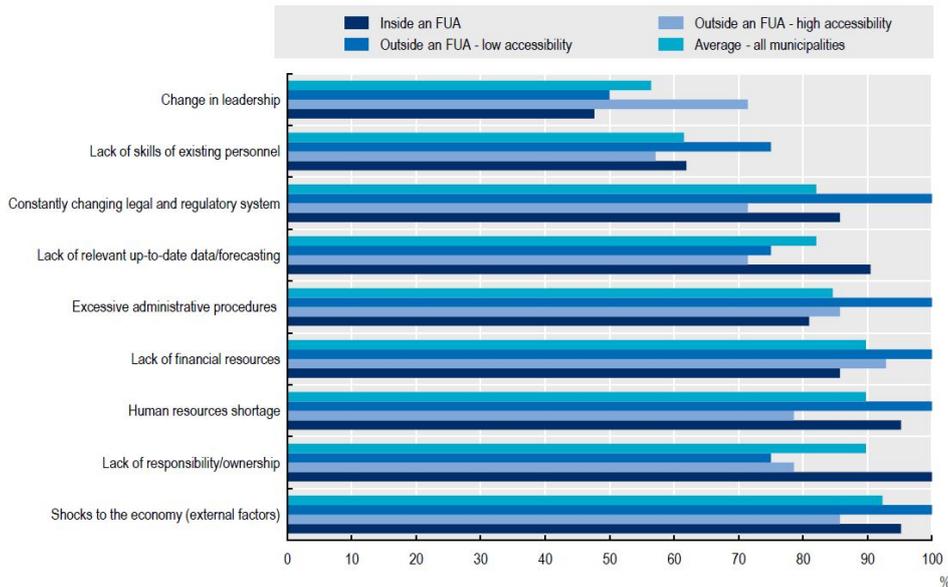


Note: Based on 40 responses from municipalities to the OECD questionnaire (n=40). It includes results from both answers “A major challenge” and “Somewhat of a challenge” to the question: “In general, what are the main challenges with respect to setting/elaborating local development strategies/local development 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)

For municipalities outside of FUAs with low accessibility implementing the LDS is more complicated than for any other type of municipalities. As Figure 4 reveals, constant changes to the legal framework, excessive administrative procedures (red tape), lack of administrative capacity and capability (reflected in the limited sources of funding and qualified human resources), and shocks to the economy are the main challenges to implement the local development strategy. All these problems suggests that this category of municipalities may not be implementing in full their LDS as they have little room of manoeuvre regarding financing, for example. Municipalities have low capacity and means to generate their own resources and largely depend on transfers from upper levels of government and even EU funds to implement part of their LDS.

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)

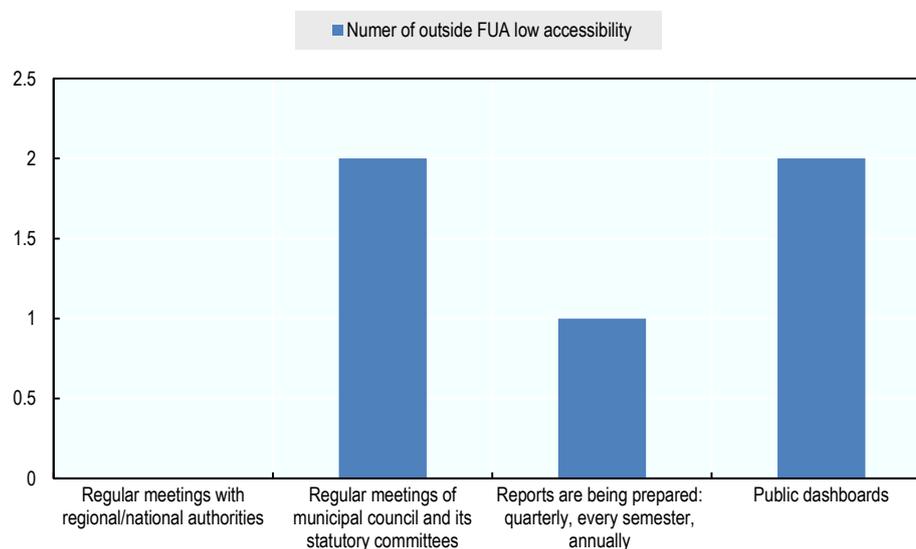
For this category of municipalities, land use management and planning presents one of the critical challenges for local development as they have very low coverage and the disincentives in the legislation that prevent the adoption of new plans such as the need to compensate landowners if they are negatively affected by local spatial development plans. This weakness in the planning framework opens the possibility for ad hoc planning decisions, which in many cases are not consistent with local development strategies (OECD, 2016^[2]). The capacities to design and implement investment strategies are weak and this compromises the achievement of policy objectives. Moreover, these municipalities are predominantly rural and are not functionally connected to the urban centres; the problem is that there are no instruments and fiscal incentives to build rural-rural partnerships for strategic planning and local development. This is diminishing the possibility of accessing funds, for example EU funds, to finance investment projects that could be key for several rural neighbouring municipalities (OECD, 2018^[3]). In addition, their low accessibility and remote location could limit consultation on local development with other municipalities. Indeed, interviews with municipalities during the OECD fact-finding missions revealed that there does not seem to be a regular consultation process for local development among municipalities located outside of FUAs with low accessibility. Therefore, the effectiveness of their development strategy may be affected by decisions of neighbouring municipalities. The effectiveness of strategic planning is also compromised by the low level of engagement of the local population. Residents and private sector stakeholders are most of the times only consulted about their needs once the preparation of the LDS is almost finalised. This does little to build trust and to link actual needs with government priorities.

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 three out of four low 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 experience challenges in regard to the quality and use of monitoring evidence. A majority of them see having an adequate legal framework as a major challenge for promoting 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, none of the low-accessibility rural municipalities holds regular meetings of municipal councils or its statutory committees as a monitoring mechanism. Moreover, at this level monitoring is not necessarily used even as an accountability tool, with Szczecinek being the only municipality to prepare annual reports. In addition, capacities for monitoring are a key challenge for municipalities. According to the survey, only Gryfice, Szczecinek and Terespol define ex ante performance targets for the policies and services monitored. All of these municipalities also reported that the availability of data is a challenge in conducting and promoting monitoring. Lastly, they all consider the lack of financial and human resources to collect data on a regular basis, calculate indicators and analyse data as a major challenge.

Figure 5. Monitoring mechanisms and tools used by municipalities outside FUA low accessibility



Note: n=4 (4 municipalities out of the 36 surveyed who answered are outside functional urban areas (FUAs) low 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 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 in this category conduct some sort of ex ante and/or ex post assessment of the impacts of their public policy decisions, but these assessments are limited to certain policy areas or intervention types. 4 out of the 5 municipalities within this category surveyed in the OECD questionnaire declared to conduct ex ante and ex post assessments. In all but one of them, assessments concerned some policies/regulations only. Evaluation-oriented efforts are 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. The size and resource endowments of municipalities appear to play an important role in their evaluation-related practices. Big 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 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. Certain (larger) municipalities appear to be quite advanced in that respect, with evaluations performed on a systematic basis, clearly embedded in the policy cycle and followed by corrective or improvement measures as appropriate. This situation contrasts with that in most municipalities within this category, where evaluation, if performed, seems to be tenuously linked to decision-making: only one municipality reported that there is a link between evaluation findings and staff incentives and remuneration, and another one reported linkages between evaluation findings and resource allocation decisions. In the same vein, only one out of the 5 municipalities in this category (Police) declared to have a structured/institutionalised mechanism in place (e.g. management response mechanism) to make systematic use of evaluation findings for improving services and policies. Moreover, only Terespol declared using the information collected through monitoring indicators to improve local strategies and sectoral plans, and none of the low-accessibility rural municipalities surveyed systematically links these to a plan of action that remedies policy and performance inefficiencies. There seems to be a need for institutionalising clear frameworks and processes that enable and promote 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, none of the low-accessibility rural municipalities surveyed makes its evaluation results public to engage stakeholders with the implications of evaluation results.

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 (FUA). 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 categories 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 categories 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 category-based assessment is presented for big and small municipalities with varying assessments where appropriate. This differentiation between big and small municipalities also reflects the situation encountered during the OECD fact-finding missions

6.1 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 in decision-making 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 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.

6.2 Budgeting in small municipalities

Small municipalities in Poland face competitive pressures on the tax side and only 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.

Given the time pressures under which budgetary decision-making takes place, 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.

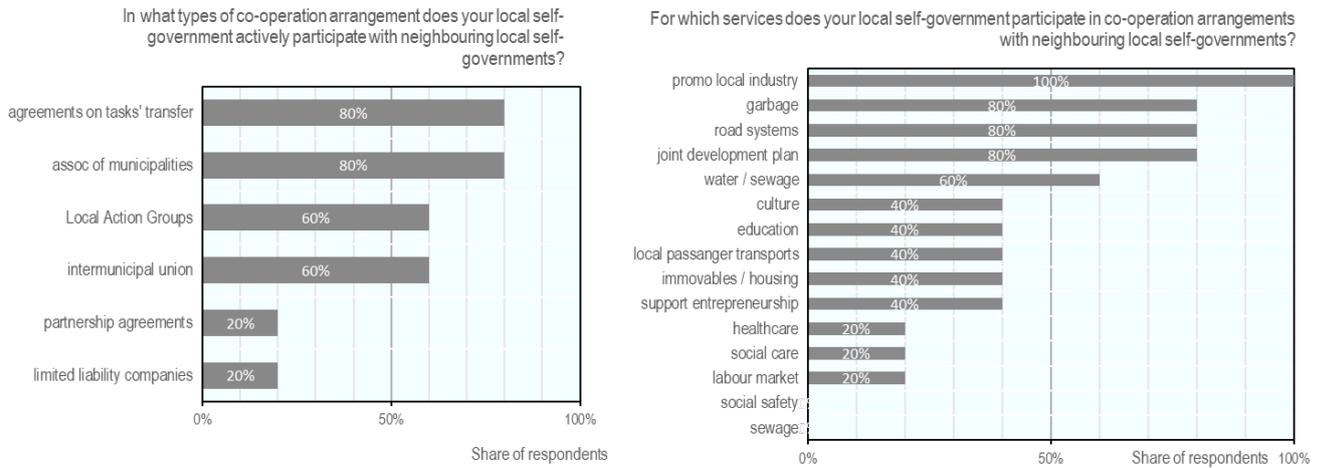
Participatory budgeting is an effective mechanism to enhance community empowerment and strengthen the connections between government and citizens. Participatory budgeting is particularly promising at the local level where political decision-makers and citizens closely interact and are close to the issues 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 active 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 development¹

While rural areas in Poland have experience a recent upgrade in its infrastructure investments they still have an important gap in infrastructure and accessibility. Water supply and sewage systems, for example, remain underdeveloped in some rural areas. The ratio of house connections to a sewage system in rural areas amounted to only 35.6% at the end of 2016 (OECD, 2018^[6]). People living in remote municipalities are also physically more disconnected from the rest of the country. Based on the information gathered through the OECD questionnaire, the investment gap for remote municipalities is mainly due to under-funded mandates and higher current expenditures for delivering existing services due to growing costs – as it is the case for the other two categories of municipalities.

A majority of municipalities outside FUAs that responded to the questionnaire are part of some of co-operation arrangement. Interestingly, and in contrast with the other two categories of municipalities, the majority of these remote municipalities have established inter-municipal agreements (based on art 74.1 of the Law on municipal self-government) to transfer certain tasks to other municipality, typically the delivery of specific services. As it the case for the other municipalities in Poland, co-operation for issues different from water supply, garbage collection or road construction, are still very limited in rural remote areas.

Figure 6. Horizontal co-ordination among Polish municipalities outside FUAs with low accessibility

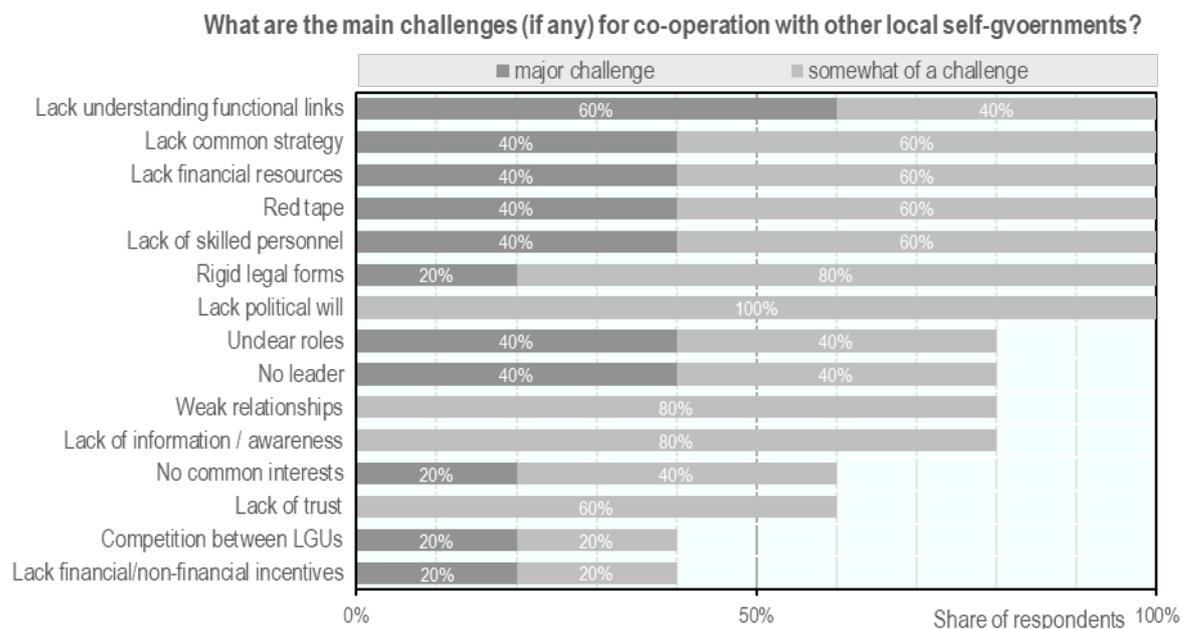


Note: n=5

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

Indeed, cooperation challenges with other local governments are widespread and numerous. The lack of understanding of functional links between public service providers to take advantage of economies of scale seems to be the major challenge for low accessibility municipalities. This speaks, among others, to a lack of capacity of this category of municipalities which are not necessarily prepare to establish collaboration schemes as well as a lack of adequate knowledge about how they work and the risks involved. This, coupled with the administrative procedure that such arrangements entail and the lack of incentives and resources discourage inter-municipal co-operation in remote areas. Moreover, while ITIs create an incentive for rural-urban partnerships, they do not address the need for greater collaboration in rural areas that are not functionally connected to the urban centres (OECD, 2018^[6]). It is crucial for Poland to focus in encouraging not only rural-urban partnerships, but also rural-rural partnerships that can provide opportunities for, for example, co-delivery services or sharing infrastructure that can help enhance quality of life in rural communities. More flexible arrangements may be needed to spark municipal co-operation in order for it to evolve into a stronger partnership in the future.

Figure 7. Challenges for horizontal co-ordination among Polish municipalities outside FUAs with low accessibility

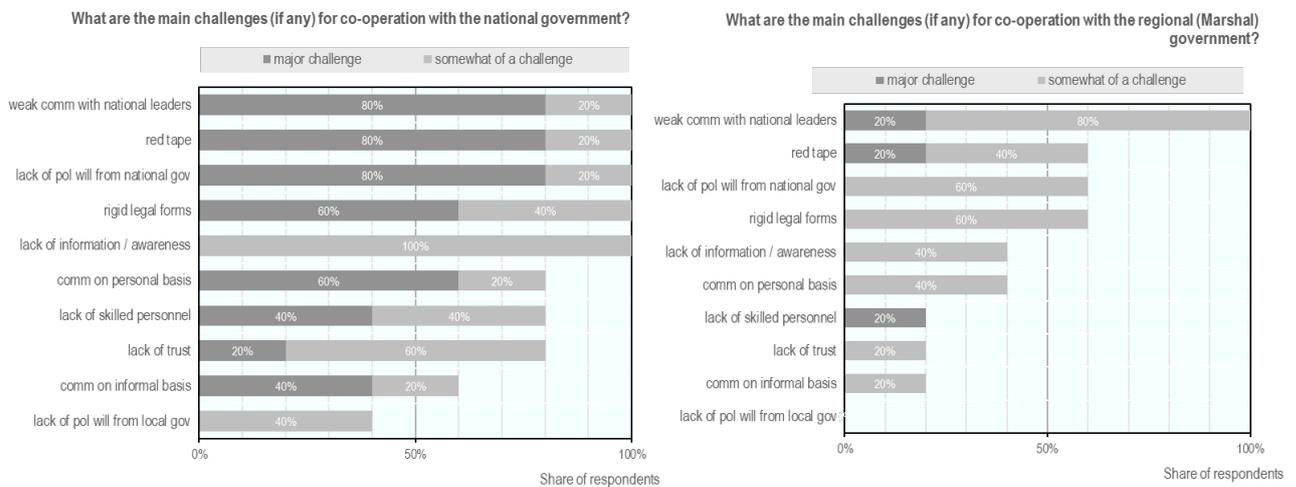


Note: n=5

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

Co-ordination with the national and regional levels seems to be widespread but hampered by the administrative procedures as well as weak communication with both levels. For example, in the OECD questionnaire, 80% of municipalities outside of FUAs with low accessibility 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, red tape and communication with regional leaders is an important challenge only for 20% of respondents. To further improve partnership between the regional and national levels and municipalities outside FUAs, it is crucial to further enhance territorially based partnerships.

Figure 8. Challenges for vertical co-ordination identified by Polish municipalities outside FUAs with low accessibility



Note: n=5

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

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 Area (FUA). In general, smaller municipalities – especially remote and rural ones – have smaller organisational structures and fewer resources (people and budgetary) than larger ones.

The fact-finding missions to Poland highlighted that municipalities located outside FUAs with low accessibility find it particularly difficult to attract and retain candidates. Broader trends such as outward migration reduce the pool of young candidates available for jobs, and municipalities in this category tend to have a lower rate of staff turnover than ones closer to or inside FUAs – survey data indicate an average of 0-5%, apart from one of the respondent where the figure was 6-15%.

Given similar pressures on workforce management, governments across the OECD are examining ways to attract and retain candidates with much-needed skills through non-salary related initiatives. In other words, if the scope for salary increases is limited or at least unclear, activities such as learning and development and employee engagement can pay dividends in terms of increased productivity (OECD, 2016^[7]).

However, survey data for this category of municipality indicate low levels of prioritisation around the need for greater employee engagement and reform of learning and development activities: no municipality in this category listed either of these as a high priority. Moreover, leadership and senior management were not seen as areas for priority investment. Every municipality in this category also indicated that low interest in the work of local government was a barrier to recruitment.

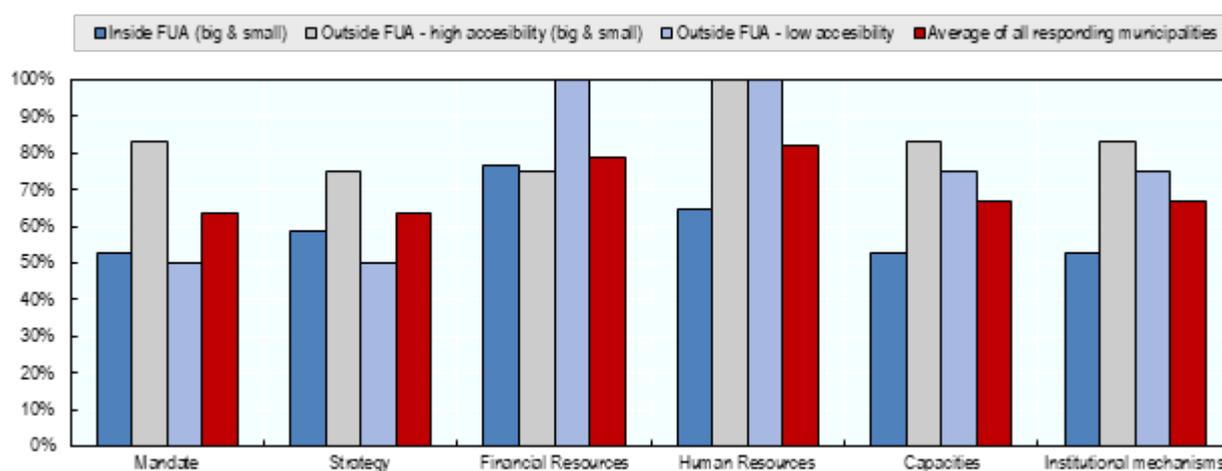
In this context, municipalities located outside FUAs and with low accessibility face the challenge of trying to improve attractiveness as an employer even with limited scope for salary reform. The survey responses suggest that there is significant scope for investment in areas likely to contribute to staff engagement and productivity, which could help increase the number of candidates.

9. Open Government

Evidence shows that municipalities outside a FUA with low accessibility may face more challenges than their counterparts, but there are several tools and mechanisms that they can use to further embed the principles of open government into the policy-making process. Overall, the fact-finding missions revealed that municipalities in this category often have fewer resources and capacities to implement more initiatives and are less aware of the benefits of doing so. Unsurprisingly, the questionnaire found that these municipalities implement, on average, 7 open government initiatives, fewer than other categories. The most common of these initiatives relate to youth engagement and budget transparency, openness and accessibility (100% of respondents from this category), transparency in public procurement, guidelines on citizen participation, and participatory budgeting (66%). Furthermore, municipalities outside FUAs with low accessibility are often under the Polish territorial classification of rural areas, which allows them to conduct consultations through Local Action Groups (LAGs) following the European Union (EU) requirements under the LEADER programme, for which they get funding and specific guidelines.

Due to their often-limited resources, municipalities in this category could take a strategic approach to open government by consolidating the existing scattered initiatives into a dedicated component or chapter of the local development strategy, while they acquire the capacity to develop a standalone document in the form of a programme, strategy or policy on open government. In fact, 50% of municipalities with low accessibility found that a lack of or inadequate strategy is a main challenge to the implementation of open government initiatives (Figure 9). More generally, the OECD questionnaire found that only 24% of municipalities of all categories have a specific institution, office, or body in charge of open government initiatives. The fact-finding missions showed that small municipalities outside FUAs with low accessibility, similar to those with high accessibility, tend to have smaller teams who have multiple responsibilities within the administration and therefore fewer institutional capacities to designate an office or a person solely for open government. Significantly, data from the questionnaire suggests that 75% of FUAs with low accessibility consider as a major challenge the lack of or inadequate institutional mechanisms to collaborate with non-governmental organisations (NGOs) and the private sector. 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, 50% of municipalities in this category consider the lack of or insufficient mandate for the implementing institution a significant challenge, as shown in the OECD questionnaire.

Figure 9. Main challenges in implementing open government initiatives for Polish municipalities



Note: n = 33 responses, from which 4 are outside FUA with low accessibility. 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 responses from municipalities to the OECD questionnaire.

Open government requires a transformation of the relationship between the public administration and citizens. To achieve this, municipalities need to provide adequate capacities for implementation and improve public communication. In that context, the OECD questionnaire has shown that 75% of municipalities with low accessibility found the lack of capacities (human and financial) in the implementing institution as a relevant challenge (Figure 9). This is even more relevant when considering the type of resource: 100% of municipalities in this category found both human and financial resources an important challenge. These findings were confirmed during the fact-finding missions, where smaller municipalities outside FUAs, particularly those in areas with low accessibility, noted that they often face difficulties in both recruiting and retaining employees who would rather move to larger cities. In addition, many municipalities with less capacity, which are often small municipalities both with high and low accessibility, noted that maintaining a high level of transparency through compliance with the access to information law requires a considerable amount of time due to the large number of requests received, which often surpasses the capacity of the municipality. Furthermore, most local self-governments of all categories, including those outside FUAs with low accessibility, also identified a 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 low accessibility, similar to those with high 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 categories 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 (FUA). 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. More specifically, the following assumptions apply to characterise municipalities in the context of this section:

1. Inside FUA: large municipalities, well-resourced in terms of staff, knowledge, ICT capabilities
2. Outside FUA 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 FUA 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 located outside FUA with low accessibility face a series of challenges that range from negative population trends to low rate of business creation. Moreover, they are likely to lack financial and human resources to deploy a strategy aimed at simplifying administrative procedures and formalities, and may even face resistance to change. Based on the information gathered during the OECD field mission, this category of municipalities does not have in place many measures to reduce administrative burdens. Short-term initiatives to cut red tape could include mapping of the formalities and administrative procedures in place, which will allow municipalities to assess the administrative burden they pose. Given the

restrictions in terms of staff, it would be important to liaise with the central government or other municipalities to exchange good practices and pool resources.

From a public procurement perspective, these municipalities face significant challenges for the implementation of national regulations. Furthermore, the constant legislative changes and the lack of co-ordination between government entities on e.g. interpretation of the law, make compliance with public procurement regulation difficult. These municipalities are also likely to apply national-level public procurement procedures very infrequently, and thus may not have full-time public procurement staff on payroll. To improve the efficiency of procurement, these municipalities could thus carry out joint procurements with other local governments of similar size and needs. For procedures below the national thresholds, they could adopt simple below-threshold strategies based on good practices from other municipalities.

It is worth pointing out that data limitations for this category of municipalities were significant, which restricts the scope of the recommendations. Nevertheless, it is important to strengthen the engagement between these municipalities and other public authorities to ensure that their concerns and limitations are addressed, not only in the phase when regulations are designed, but also in their implementation.

11. Recommendations

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

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

To improve the quality of strategic planning for local development in municipalities outside FUAs (low accessibility) in the light of the reforms to the Act on Principles of Implementation of Development policy, Polish authorities may wish to:

- With the participation and support of upper levels of government and academic institutions, **develop training courses on planning for municipal officials with responsibility for local development.** In particular, training on data gathering and analysis as well as on the recent changes to the regulatory framework on local development would be relevant. Authorities may also explore adopting a certification programme for skills acquired on the job for civil servants rather than through formal education.
- **Adopt an integrated approach to strategic planning** by promoting citizens participation in local development from the outset of the planning process. There are different methods in which this can be done, for example, via town hall meetings, public hearings, focus groups, citizens' advisory committees, websites, news releases etc. The important aspect is that municipalities have a clear idea of what they want to achieve (public awareness, require public input, public interaction or even form partnerships) to decide on the most adequate method. For example, if they require citizens' input then focus groups and public hearing would be more appropriate; if they just seek public awareness then news releases and displays would be more suitable.
- **Invest in data collection and analysis.** If decision-making for local development is to be effective, data must be available to municipalities and the public at low or no additional cost. The national government and Statistics Poland may issue guidelines to ensure that data collected by municipalities, in particular those outside FUA (low accessibility) is collected to the highest standards and in a standard way to facilitate comparability and usefulness of data. Moreover, the national government and Statistics Poland may issue directives to ensure that data collected by regions, counties and even municipalities are disseminated and made useful and available by all municipalities and public bodies.
- **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). Municipalities should explore and address the different financing requirements and opportunities

they face and set a clear path towards financial diversification in their LDS to have better opportunities to succeed rather than just assume funds will be granted.

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:
 - Identify appropriate knowledge brokers vis-à-vis decision makers to help synthesise and convey available evidence.
 - 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.

- 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.
- Promote the use of evaluation results in decision making by including such use among the criteria that are considered for civil servants' performance assessments.
- 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
 - 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.
 - 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 low 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. This person/team should also monitor the co-operation scheme and evaluate its results/outputs.

- **Counties can also play an active role** in encouraging co-operation through financial incentives as from the planning phase. For this, examples such as Lubelskie, which provides additional funding for municipalities of the functional area that prepare a joint strategic plan, could be further expanded.
- **The national and/or regional governments could develop of clear toolbox or guidelines** for municipalities specifying the benefits of different types of inter-municipal co-operation arrangements, as well as the concrete steps they could take to establish the cooperation. This 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.
- The national and/or regional governments should also provide **consulting and technical assistance**.
 - The Ministry of Development Funds and Regional Policy (MFIPR) should organise targeted training for municipality staff on the different existing co-operation schemes and their regulations. It should provide training and capacity building activities regarding the supra-local development strategies and territorial agreements recently introduced by law, as a way to encourage the municipalities outside FUAs with low accessibility to develop supra-local strategies.
 - Voivodeships could lead this capacity building and peer learning process, in particular in areas where LSGUs have a more limited institutional capacity and/or challenging development conditions. This process should particularly focus on municipalities that are areas of strategic intervention (ASI).
- **The national government can generate financial incentives for inter-municipal co-operation, especially those that can reinforce partnerships among rural/remote municipalities.** For this, it is important to develop more flexible rules allowing for the undertaking of joint public services by inter-municipal partnerships.
- **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.

Building stronger partnership and collaboration mechanisms across levels of government

- Municipalities outside FUAs with low 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.
- **The national government could develop specific territorial contracts targeting investments on remote areas.** These should be done by clearly specifying the priorities that can be financed through contracts, based on a careful assessment of needs and opportunities of the municipalities outside FUAs with local accessibility. 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.
- **The national government can encourage partnerships with municipal associations** to support investments at a supra-municipal scale, particularly to help remote localities that do not have their own capacity to enter into such contracts.

6. Toward a more strategic and effective local government workforce

Recommendations for larger municipalities

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.

Recommendations for smaller municipalities in this category

Smaller municipalities should explore opportunities to collaborate with each other. Given the varying sizes of LSGUs, 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.

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 citizens and CSOs in local development. It is particularly important that Polish rural policy fosters meaningful community-led local development, while at the same time supporting and encouraging often nascent local institutions and CSOs by taking an open and participatory approach to decision-making. Ultimately, ensuring that every local actor has a seat at the table will lead to more inclusive and effective policy-making with increased legitimacy.
- Use information and communication technology mechanisms and tools such as online consultations to involve more stakeholders and limit transportation costs, in particular in municipalities with little accessibility.
- While these municipalities can often have fewer human and financial resources, they can work to create or empower existing youth and senior councils by broadening the scope of their responsibilities beyond issues solely related to youth or seniority, which are especially significant in disadvantaged and vulnerable regions to combat social exclusion, disengagement and population drain from rural to urban areas.
- Improve participatory budgeting initiatives, in particular village funds, which are most relevant for rural areas. The challenge for village funds is that a small minority of citizens are active and often minorities or marginalised groups are not involved. Municipalities could therefore attempt to both expand the percentage of allocated funding and include a wider range of stakeholders each year by conducting awareness-raising campaigns and reaching out to specific demographics through different means.

Taking a strategic approach to open government:

- Dedicate a component or a chapter of their local development strategy to open government, which could include elements such as setting objectives, establishing priorities and designing initiatives for implementation.
- Assign a unit or public official in charge of the local development strategy for co-ordinating the open government initiatives with a clear and well-disseminated mandate.
- Co-design and co-implement open government initiatives among other levels of governments and with other municipalities in order to benefit from economies of scale and foster an exchange of ideas and good practices.

Creating an open government culture in municipalities:

- Enhance the knowledge and skills of public officials on the benefits of open government by conducting conferences, fora, and debates on the topic and illustrating how this culture of governance can result in more dynamic, inclusive, and innovative policy-making processes.

- Public officials could host seminars and discussion groups for their community to equip citizens with the necessary knowledge and skills to participate in public life as well as establish key communication channels to enable them to be informed and participate. This would also allow municipalities to better advertise the duties and responsibilities of public officials and attract and retain those who are interested in this career path.
- Aim to proactively disclose more government information than the minimum required by law in order to reduce the burden of these requests and monitor the most frequent and popular requests for information and release these on a regular basis. Municipalities could also implement better information management systems through partnerships with other municipalities and levels of government.
- Seek innovative sources of funding through diverse stakeholders, including different levels of government and external donors to implement a variety of open government reforms. For example, marshal offices manage funds from the European Union at the regional level, which often finance projects with elements linked to the open government principles, such as those undertaken through rural local action groups (LAGs).

8. Reducing administrative burden and simplifying public procurement

Municipalities located outside FUAs with low accessibility face a series of challenges that range from negative population trends to low rate of business creation. Moreover, they are likely to lack financial and human resources to deploy a strategy aimed at simplifying administrative procedures and formalities, and may even face resistance to change. Based on the information gathered through the OECD, this category of municipalities does not have in place many measures to reduce administrative burdens. Short-term initiatives to cut red tape could include mapping of the formalities and administrative procedures in place, which will allow assessing the administrative burden they pose. Given the restrictions in terms of staff, it would be important to liaise with the central government or other municipalities to exchange good practices and pool resources.

From a public procurement perspective, these municipalities face significant challenges for the implementation of national regulations. Furthermore, the constant legislative changes and the lack of coordination between government entities on e.g. interpretation of the law, make compliance with public procurement regulation difficult. These municipalities are also likely to apply national-level public procurement procedures very infrequently, and thus do not have full-time public procurement staff on payroll. To improve the efficiency of procurement, these municipalities could thus carry out joint procurements with other municipalities of similar size and needs. For procedures below the national thresholds, they could adopt simple below-threshold strategies based on good practices from other municipalities.

It is worth pointing out that data limitations for this category of municipalities were significant, which restricts the scope of the recommendations. Nevertheless, it is important to strengthen the engagement between these municipalities and other public authorities to ensure that their concerns and limitations are addressed, not only in the phase when regulations are designed, but also in their implementation.

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Note

¹ For this section, the analysis based on the responses to the questionnaire needs to be taken with caution as only five remote municipalities answered the questionnaire. Moreover, in several cases the answers were incomplete. Thus, the results might be biased and its applicability to all remote municipalities across Poland reduced.