Better Governance, Planning and Services in Local Self-Governments in Poland



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Foreword

Effective management practices and crosscutting, integrated and innovative governance approaches enhance territorial development and can help governments at all levels improve services to citizens. This is particularly true for the local level, where policies meet people. This report advises Polish authorities at municipal, county, regional and national levels on how to strengthen local government capacity to design and deliver local development strategies that successfully meet the needs of residents and businesses. It was conducted by the OECD Public Governance Directorate (GOV) and Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), under the auspices of the OECD Public Governance and Regional Development Policy Committees.

Based on international best practices in OECD member and partner countries, the report analyses local policies and practices in eight thematic areas of public governance and territorial development. It assesses municipal capacity in these interdependent and mutually reinforcing areas, and makes recommendations for reforms in Poland. An additional chapter provides a diagnosis of the main economic, social and demographic trends, strengths and challenges in Polish local self-government units (LSGUs) and their effects on local development. The ultimate objective is to strengthen the design and implementation of LSGU development strategies to better serve citizens, enhance local sustainable development based on engagement with stakeholders, to build a collective vision and actions using good governance methods. The report is supplemented by three synthesis assessments presenting OECD advice for different types of Polish LSGUs as well as a self-assessment tool that allows Polish LSGUs to identify their main strengths and weaknesses in public governance and local development practices. The report was produced with generous financial support under the European Economic Area (EEA) and Norway Grants mechanism; it was conducted in close collaboration with the Association of Polish Cities (APC) and supported by the Polish Ministry of Development Funds and Regional Policy (MDFRP).

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During four fact-finding missions, the OECD conducted in-depth interviews with a representative sample of nine LSGUs and the Metropolitan Association of Upper Silesia and Zagłębie (Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)). In addition, the OECD met with numerous institutions from the executive, independent public institutions and non-governmental actors, including a wide range of civil society organisations and academics. These interviews were instrumental in further improving the OECD's understanding of the Polish context and helping to recommend courses of action that reflect local and sectoral priorities. The team also expresses its appreciation to representatives from the LSGUs of Katowice, Krotoszyn, Łańcut, Łubianka, Międzyrzec Podlaski (urban municipality), Międzyrzec Podlaski (rural municipality), Ziębice and GZM Metropolis who kindly received the OECD Secretariat during the first two fact-finding missions to Poland as well as to representatives from the LSGUs of Kutno and Płock who offered their knowledge virtually after the COVID-19 pandemic prevented travelling. The authors would also like to thank all stakeholders at the regional and national level of government, who shared their views and experience during subsequent OECD missions that were conducted virtually.

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Abbreviations and acronyms

AIR	Annual implementation report
APC	Association of Polish Cities
ASI	Areas of strategic intervention
ATI	Access to information
BIP	Public Information Bulletin (*Biuletyn Informacji Publicznej*)
BZP	Public Procurement Bulletin *(Biuletyn Zamowien Publicznych)*
CBA	Central Budget Authority
CoG	Centre of government
CoR	European Committee of the Regions
CPR	Common provisions regulation
CSO	Civil society organisation
EC	European Commission
EFTA	European Free Trade Association
EIB	European Investment Bank
EIU	Economist Intelligence Unit
ESIF	European Structural and Investment Funds
EU	European Union
FDS	Polish Local Roads Fund
FFM	Fact-finding mission
FUA	Functional urban area
GDP	Gross domestic product
GZM	Metropolitan Association of Upper Silesia and Zagłębie (*Gornoslasko-Zaglebiowska Metropolia)*
HRM	Human resource management
ICT	Information and communication technology
IT	Information technology
ITI	Integrated territorial investments
KTS	Polish System of Coding of Territorial and Statistical Units
LAG	Local action group
LDS	Local development strategy
LGBTI	Lesbian, gay, bisexual, transgender and intersex people
LSGU	Local self-government unit
M&E	Monitoring and evaluation
MA	Managing authority
MDFRP	Polish Ministry of Development Funds and Regional Policy
MFF	Multiannual financial forecast
MFiPR	Polish Ministry of Development Funds and Regional Policy (*Ministerstwo Funduszy i Polityki Regionalnej*)
MoU	Memorandum of understanding
MTEF	Medium-term expenditure framework
NCRSO	National Centre for Civil Society Development *(Narodowe Centrum*

	Rozwoju Spoleczenstwa Obywatelskiego)
NGO	Non-governmental organisation
NOP	National operational programmes
NSRD	National Regional Development Strategy
NTO	National Territorial Observatories
NUP	National Urban Policy
OGD	Open Government Data
OGP	Open Government Partnership
PA	Partnership Agreement
PCI	Partnership City Initiative
PFA	Public Finance Act
PMR	Product market regulation
PPO	Public Procurement Office
R&D	Research and development
RAC	Regional audit chamber (*Regionalne izby obrachunkowe)*
RDS	Regional development strategy
RIA	Regulatory impact assessment
ROP	Regional operational programme
RPO	Office of the Ombudsman *(Rzecznik Praw Obywatelskich)*
RTO	Regional Territorial Observatory
SME	Small- and medium-sized enterprise
SRD	Polish Strategy for Responsible Development for the Period up to 2020
SWOT	Strengths, Weaknesses, Opportunities, and Threats Analysis
TERYT	Poland's National Official Register of the Territorial Division of the Country
ZMP	Association of Polish Cities (*Związek Miast Polskich)*

Executive Summary

This report assesses public governance and territorial development in Polish local self-governments (LSGUs). It provides recommendations on enhancing territorial development and multi-level governance, improving service delivery and strengthening public management processes in municipalities and counties.

Poland has a three-tier self-government administration system composed of 16 voivodships, 380 counties and 2 477 municipalities. Currently, Poland has a rather balanced population distribution across regions, with a relatively high share of the population in non-metropolitan regions (49%), well above the OECD average (29%). However, with Functional Urban Areas (FUAs) growing and non-metropolitan regions (especially remote ones) contracting, this balanced distribution is beginning to change, which represents an important policy and governance challenge. Ensuring efficient public service delivery at the municipal level, especially in municipalities outside FUAs, strengthening urban-rural linkages, and implementing development strategies at the right scale are crucial.

Strategic planning for local development requires a well-designed, financed and evaluated local development strategy (LDS). Recent reforms to the Act on Principles of Implementation of Development Policy introduce a functional approach and allow for supra-local development strategies, which may help overcome technical and governance difficulties in planning. Poland could improve its strategic planning capacity by making LDSs compulsory, improving the quality of data used in planning, fostering private investment for local development, engaging more effectively with citizens, and strengthening the strategic planning skills and finances of LSGUs.

Solving complex and cross-cutting policy problems in LSGUs requires effective **co-ordination across administrative units, policy sectors, and levels of government**. In Poland, mayors are responsible for internal co-ordination, but can delegate it to other actors in the LSGU. Insufficient time, financial and human resources, institutionalisation and awareness are among the biggest obstacles to effective co-ordination in municipalities and counties. Formal mandates and reporting arrangements can establish responsibility for co-ordination; policy documents can raise awareness of the importance of intra-LSGU co-ordination and provide advice to staff. While institutional responsibility is important, increasing co-ordination is a long-term endeavour supported by institutional mechanisms, partnership practices and adequate capacity and resources.

The principles of **budgetary governance** are recognised in LSGUs; budgetary rules and procedures are codified in the Public Finance Act and allow the municipal council and the Regional Audit Chamber to perform their mandates. Recent reforms on participatory budgeting promote a citizen-centred culture of governance. However, Poland could further align budgeting with strategic priorities, for example through greater use of medium-term budgeting and performance budgeting. Public spending efficiency should be systematically scrutinised through spending reviews for large LSGUs and systematic performance benchmarking. Given competitive pressures on the tax side and the limited autonomy of LSGUs, it is important to strengthen co-ordination between LSGUs and the national government -- in particular the Ministry of Finance -- to address medium-term budgetary policy issues across levels of government, for instance, within the Joint Commission of Government and Territorial Self-government.

Poland could improve its **multi-level governance** system in three areas: strengthening subnational public investment, addressing subnational fiscal challenges, and improving inter-governmental co-ordination and collaboration. Poland's subnational governments are key public investors, accounting for 50.2% of total public investment in 2018. Yet, funding gaps in subnational public investment persist, and could become more acute following the COVID-19 pandemic. Subnational expenditures have substantially increased with decentralisation, but revenue is falling short, creating a need to increase subnational revenue-generating capacity and diversify revenue sources. Finally, Poland should develop a functional approach to inter-municipal co-operation by providing stronger incentives, greater support for adopting supra-local development strategies and co-operation schemes, and flexible models for metropolitan governance. Poland should also reinforce tools such as territorial contracts and ensure two-way consultation among levels of government.

Workforce management in LSGUs is influenced by broad trends such as the digitalisation of public services, increased competition for skilled staff, new working methods, and changing citizen expectations. Although all LSGUs operate under the same legislative framework, their ability to solve workforce management challenges differs greatly according to size and relative proximity to urban centres. All, however, could better align recruitment and people management with longer-term development strategies. Strengthening leadership and management capability and attracting and developing key skills require effective co-ordination between different institutions and managers. There is a need for greater sharing of good practices and collaboration, and a long-term approach to developing human capital at local level.

Polish LSGUs integrate the principles of **open government** – transparency, integrity, accountability and stakeholder participation – in various legal and policy frameworks, including the local development strategy. While LSGUs implement a wide range of open government initiatives, they can be fragmented. A more strategic, consolidated approach requires improving institutional responsibility and co-ordination, raising awareness among public officials and stakeholders of the benefits of open government, and ensuring that human and financial resources are channelled towards effective implementation and impact.

Administrative simplification in Poland has focused on reducing administrative burdens for SMEs and businesses, and LSGUs has been limited to implementing national government decisions. In public procurement, LSGUs are bound by national and European rules. Successive regulatory and public procurement reforms have strained the capacity of LSGUs. Stronger collaboration among LSGUs could ensure that their views are heard. Similarly, increased communication and engagement between national and local levels will improve implementation and full adoption of regulations, specifically the new public procurement framework. LSGUs are encouraged to use digital tools for simplifying procurement and increasing transparency in interactions with stakeholders.

Monitoring requirements for LSGUs are focused on accountability. Monitoring is often perceived as a tool for control tool rather than for improving decision-making and policy implementation. LSGUs should be encouraged to use monitoring as a management tool and given tailored guidance. There is scope for more systematic involvement and greater ownership by LSGUs in evaluation, for example by raising awareness among of the benefits of measuring performance and evaluation; ensuring sufficient resources and capacity (e.g. through institutional co-ordination and resource pooling), and institutionalizing the use of evaluation findings in decision-making through systematic but proportionate requirements and incentives.

Assessment & Recommendations

The advice presented in this Assessment & Recommendations Section constitutes a summary of the full set of recommendations that appear at the end of each chapter. It expands upon the key findings and recommendations presented in the executive summary.

Strengths and challenges for local government development in Poland

Poland is the sixth largest country in the European Union in land area (312,679 km^2) and fifth largest by population (38.4 million). Poland's population density (123 people/km^2) is less than that of other large European countries such as Germany or Italy, with a relatively low geographic concentration[1] across regions compared to other EU and OECD economies. Although Poland has the sixth lowest GDP per capita across the OECD, it is increasingly closing the income gap.

Poland's territorial administrative structure is relatively new (in force since 1999) with a three-tier self-government administration system composed of 16 voivodeships (regional self-government units), 380 counties (local self-government units including 314 counties and 66 cities with county status) and 2,477 municipalities (local self-government units including rural municipalities, urban municipalities and urban-rural municipalities).

The report identifies some important findings for Poland's local self-government development[2]:

- Unlike most OECD countries, Poland has a rather balanced population distribution across regions, which can lead to important development hubs for the country. The share of Poland's population in non-metropolitan regions (49%) is far above the average across OECD countries (29%).
- Poland's relatively large stock of working-age population has supported the country's economic performance in recent decades. Most of the workforce is currently concentrated in metropolitan regions with medium and small size FUAs (35.4%), which underlines the relative dispersion of population in the country and contrasts with the OECD average, where large metropolitan regions typically host most of the working age population.
- Nevertheless, the balanced population distribution is set to change, as FUAs increasingly attract Poland's population and non-metropolitan regions (especially remote ones) face a sharp population decline.
- Along with out-migration, a combination of rapid ageing and low levels of youth replacement threaten the age premium of Poland's workforce.
- Population decline and population ageing, especially in non-metropolitan municipalities, represent an important policy and governance challenge for Poland, including a shortage of labour to support economic growth, increasing cost of public service provision and a reduced tax base.
- Poland has been closing the income gap with OECD countries. Productivity, particularly in FUAs, and the demographic premium have supported Poland's GDP per capita growth during the last two decades.
- Yet, wealth has not been equally distributed across Polish regions. Poland ranks within the top five OECD countries with the greatest regional economic disparity (2017). This phenomenon was

fuelled by the 2008 economic crisis. Between 2008 and 2017, Poland registered the second-highest growth rates in regional disparity within the OECD. By 2017, most of the top 10% richest TL3 regions in Poland are large and metropolitan regions (82%), while all the regions within the bottom 10% with lower income are non-metropolitan ones.

- At the local level, municipalities inside FUAs benefit from the lower unemployment rates and concentrate the highest number of firms in Poland. Big municipalities in FUAs register the lowest unemployment rate (2.9%) across all types of municipality, followed by small municipalities in FUAs (3.7%). Most business establishments in Poland concentrate in big municipalities inside FUAs (54%). Yet, during the last decade, small municipalities outside of FUAs with high accessibility have also experienced an important growth in business establishments.
- While Poland has improved a number of well-being dimensions across regions, disparities remain. Poland has faced an improvement in education and safety outcomes during the last decades. Poland's boom in tertiary education has led to a highly qualified workforce that has successfully integrated into global trade and attract companies. Yet, disparities remain across municipalities, with those outside FUAs with low accessibility experiencing the lowest enrolment rate in primary and secondary schooling.
- Polish regions have scope to improve a number of well-being dimensions. This includes housing (lower accessibility than the OECD regional average), civic engagement (lower voter turnout than the OECD average) and health (higher level of air pollution and lower life expectancy than OECD regions on average).
- Particular attention should be given to improving quality of and access to transport and ICT infrastructure, as well as public transportation across all types of regions. The quality of Poland's roads is among the bottom 10 in Europe and the access to all types of transport infrastructure is unequally distributed across the territory. The COVID-19 crisis has highlighted how crucial countries' telecommunications networks are, with broadband being particularly relevant due to the increase in teleworking in several economic sectors.

These spatial findings hold important implications for the public governance themes addressed in the report, notably co-ordination, strategic planning, use of evidence, budgeting, multi-level governance, workforce management, open government, administrative simplification and public procurement.

Co-ordination across administrative units and policy sectors within Polish local self-governments

One of the main challenges that LSGUs 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 LSGUs 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.

Recommendations for all LSGUs

In order to ensure institutional responsibility for co-ordination, LSGUs could:

- 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.

In order to foster effective co-ordination in-house through institutional mechanisms and partnerships, LSGUs could:

- 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.

In order to develop **capacity and resources for co-ordination**, LSGUs could:

- 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.

Recommendations for the national and/or regional levels government

In light of the challenges LSGUs face with regard to employees' capacities for co-ordination, the national and regional levels of government could consider the following recommendations to build capacity for co-ordination:

- Amend existing training programmes for LSGUs to raise awareness of the importance of co-ordination and contribute to capacity building.
- Develop policy documents such as guides, toolkits and handbooks to provide LSGU staff with guidance for effective co-ordination.

Strategic planning for local development in Poland

Poland is at a critical moment in the process of enhancing strategic planning for local development. The recent reforms to the *Act on Principles of Implementation of Development Policy*, approved in July 2020, go in the right direction to build an integrated system of socio-economic and spatial development planning based on the accumulated experience of the elaboration of the Local Development Strategy (LDS).

However, the reforms beg the question on whether LSGUs, and, in particular, municipalities outside a FUA (low accessibility), have the capacity to implement those reforms.

Poland's LSGUs face a number of obstacles in the preparation of their strategic development plans, which often present weaknesses in terms of design, content, data and coverage. The lack of impact evaluation of development programmes, constant changes to the regulatory framework, outdated and inaccurate data, insufficient financial resources for planning-design and implementation, and low technical capacity of staff are some of the barriers that Polish LSGUs face for strategic planning. In addition, the facts that municipalities are not obliged to follow their spatial development plans, that there is a lack of an effective land-use planning framework and incentives for functional metropolitan planning, and that planning is driven by funding, particularly from the EU, makes planning for local development more challenging. The COVID-19 pandemic has exacerbated uncertainty in development prospects as it has crippled the already limited capacities and resources of LSGUs, which are at the front line of the recovery efforts.

Thus, the following recommendations aim to support improving Polish LSGU capacities and processes to plan development strategically.

Recommendations for all levels of government

- Foster co-ordination and collaboration for data collection and sharing across and among levels of government through a Memorandum of Understanding (MoU) or Co-operation Agreement for data collection and sharing among LSGUs; and national guidelines to ensure that data gathered by LSGUs complies with Statistics Poland standards.
- Invest in professional management and specialists in local development by investing in training and, in particular, the financial skills of municipal officials and employees with the support of national government and specialist institutions (i.e. universities).
- Promote inclusive participatory processes to ensure that those affected by a planning decision have a role in the planning process. This could be done by facilitating access to public information, using participatory budgeting to encourage stakeholders' participation in local development, and adopting national guidelines on how to engage a wide range of stakeholders for strategic planning.
- Foster private investment in local development by demonstrating how profitable it can be to invest in LSGUs, and implementing national tax relief instruments coupled with more localised participation in financial instruments.
- Adopt an investment approach for local development, by developing local economic plans, with the participation of the private sector, that support the design and implementation of the LDS and the adoption of new arrangements for fiscal decentralisation to strengthen LSGUs' fiscal and financial capability.
- Reinforce the monitoring of the implementation of the LDS by structuring the monitoring process and adopting a performance measurement strategy that guides ex ante, interim and ex-post evaluation. In addition, Poland may consider strengthening its governance arrangements for strategic planning by making the adoption and implementation of an LDS compulsory in the long-term, redefining the scope of the LDS adopting an holistic approach, developing a central strategic capability team in LSGUs to develop and monitor the LDS, and building partnerships for the financing of the implementation of the LDS.

The use of evidence in strategic decision-making in Polish local self-government

Polish LSGUs face a number of challenges in pursuing evidence-based decision-making. These notably have to do with data availability and resource constraints, including analytical capacity, as well as with

limited awareness and understanding of the associated potential benefits in terms of improved performance and public service.

The following recommendations aim at fostering the use of evidence by Polish LSGUs in designing, implementing and reviewing their policies and regulations. They also contain advice to develop institutional frameworks, capacities and mechanisms to monitor and evaluate the performance of public interventions.

Recommendations for all LSGUs

- Monitor local development strategies, by clarifying the relevant objectives, methodologies and responsibilities (e.g. co-ordination and promotion of monitoring, data collection, data analysis, reporting, use of data, etc.) and strengthening capacities to access the necessary data and information in a timely fashion to promote the quality of monitoring.
- Promote the systematic evaluation of LSGU interventions by drawing on existing knowledge and expertise and ensuring sufficient resources and capacity are available for evaluation, including by means of institutional co-ordination and resource pooling.
- Promote use of evidence for strategic decision-making at the municipal level, by improving the dissemination and communication of evidence and institutionalising the use of evaluation findings for decision-making purposes; e.g. by establishing proportionate requirements as well as clear and explicit linkages between available evidence, such as evaluation findings, and resourcing.

Recommendations for the national and/or regional levels of government

- Encourage systematic monitoring at the local level by providing tailored guidance on the use of monitoring as an effective management tool in the context of local development strategies.
- Capitalise upon the evaluation ecosystem that has developed around EU cohesion policy interventions to raise awareness among LSGUs of the benefits that can be derived from measuring performance and evaluation more generally.
- Address capacity and resource constraints on the development of monitoring and evaluation practices by LSGUs.
- Improve the synthesis and dissemination of evidence, and promote the exchange of good practices and better knowledge management for evidence-based decision-making by capitalising on existing platforms and institutions, such as the Thematic Groups for Exchanging Experience within the Association of Polish Cities, the portal *Monitor of Local Development* and Regional Territorial Observatories.

Budgeting in local self-governments in Poland

From a budgetary perspective, Polish municipalities depend less on national government transfers than counties and regions and, thus, have more scope to levy taxes and use their own resources for their initiatives. However, over recent years, LSGUs have been facing a deteriorating balance of their budgets mainly due to a decrease in shared revenues (namely originated by the reform that lowered personal income tax at the national level in 2016), and an increase in expenditures (originated for instance by the increase in responsibility for education at the local level, or the rise of costs such as energy and infrastructure providers). In addition, the growing uncertainty around revenues, especially regarding public investment supported by EU funds, presents a key challenge for LSGUs when it comes to sound budgeting in the medium-term.

The following recommendations aim at improving budgetary mechanisms that help align budgeting with strategic priorities beyond the annual decision-making cycle, as well as fostering a more extensive use of medium-term budgeting, performance budgeting, and participatory budgeting.

Recommendations for the national government and all LSGUs

- Strengthen the co-ordination between LSGUs and 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, by for example sustaining regular dialogue on public finances, and by improving regulatory impact assessment (RIA).

Recommendations for all LSGUs

- Undertake efforts toward increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes, for example by increasing the LSGU shares in revenue and thus revenue certainty in relation to national government transfers and shared national taxes.
- Scrutinise public spending efficiency on a systematic basis by means of spending reviews and systematic performance benchmarking to inform budgetary decisions.
- 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. A performance budgeting system provides information for annual and multiannual budgeting and helps to increase transparency and accountability, align identified priorities with the budget and beyond the annual cycle, and improve the effectiveness of public services.
    - Larger LSGUs already using performance budgeting should consider developing their framework gradually in terms of budgetary coverage and in terms of monitoring of performance information, while smaller LSGUs could consider steps towards performance budgeting over time taking an incremental approach.
    - 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 – politically and with resources - by all levels of government.
- 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 LSGUs of all sizes.

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

Reinforcing multi-level governance in Poland could help its LSGUs, as well as national and regional governments, take a stronger functional and territorial approach to local and regional development. This will require addressing a series of challenges. First, there is a need to strengthen financial and fiscal capacity in the devolved administrations, notably public investment. This is necessary for recovery from the COVID-19 crisis, as well as for ensuring quality of life and well-being throughout the territory. Second, encouraging greater take-up of inter-municipal cooperation could enhance the efficiency of service provision and local public investment, especially given Poland's dispersed settlement structure. A more strategic approach is necessary, including by revising the legal frameworks governing cooperation,

simplifying administrative procedures, promoting a comprehensive and functional approach to cooperation. In addition, strengthening cooperation and coordination among municipalities is particularly relevant in metropolitan areas to enhance the efficiency of service delivery. To do so, reinforcing metropolitan governance systems would be valuable. Third, the large number of actors involved in territorial and local matters accentuates the need to develop and implement planning frameworks to reinforce coherent approaches to territorial development. This can include better use of territorial contracts to finance related public investment. The following recommendations offer options for addressing each of these issues.

Recommendations for the national and/or regional levels of government

- Address challenges in subnational financing and fiscal capacity, notably for public investment, by
  - Ensuring devolved responsibilities are sufficient funded, thereby avoiding un- or under-funded mandates. Mapping competences/responsibilities and functions of LGSUs to resources would help pinpoint the sources of fiscal constraint.
  - Ensuring LSGUs revenue levels match their spending requirements, including by increasing LSGU tax autonomy (e.g. granting more power over tax rates and bases), in particular property tax.
- Reinforce inter-municipal cooperation to improve service delivery and optimise local public investment, including by:
  - Developing financial and non-financial incentives (such as technical assistance) for inter-municipal cooperation. Use targeted incentives, including national/regional co-financing arrangements, to support cooperation or cooperative projects between large municipalities and surrounding smaller ones, and to encourage projects that advance supra-local development strategies. Promote opportunities for knowledge/information sharing (e.g. peer-learning activities) and/or provide specific guidelines on the different types of inter-municipal co-operation arrangements and tips on how to manage them.
  - Ensuring a flexible legal framework for inter-municipal cooperation, including by revising the various existing laws and regulations governing it. Simplify the administrative procedures associated with establishing co-operative arrangements, and ensure cooperative arrangements can be adapted to different contexts and needs by introducing greater flexibility into the legal frameworks governing inter-municipal cooperation.
  - Promoting greater use of territorial contracts to support the development of functional areas, including by using contracts to support specific regional development priorities, and to encourage investments that target rural-urban linkages and/or that involve projects at a supra-municipal scale. Distinct contractual arrangements could be developed for metropolitan areas. Specific funds could be dedicated to contracts signed by groups or networks of municipalities.
  - Optimise the planning process to align priorities, objectives and implementation efforts among levels of government. The bottom-up approach should be reinforced in the consultation process to ensure the active participation of LSGUs. The national government can introduce an obligation to announce the consultation in advance or launch a dedicated for policy-makers and stakeholders to participate in consultation.

Recommendations for all LSGUs

- Reinforce inter-municipal cooperation by adopting a supra-local development strategy and co-operation schemes. Identify a person/team within the LSGU administrative staff to be responsible for regularly identifying and establishing co-operation opportunities with neighbouring LSGUs. This person/team should actively and regularly monitor the co-operation scheme and evaluate its results/outputs.

- Actively seek and engage in dialogue opportunities with the national and regional levels as well as other key relevant stakeholders. LSGUs should systematically participate in formal consultations arranged by other levels of government. They can also 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.
- Large LSGUs with sufficient capacity should adopt innovative funding mechanisms, e.g. partnering with the private sector and institutional investors, adopting public-private partnerships or other instruments for large metropolitan areas. The use of new and innovative financing mechanisms should be accompanied by an assessment of their benefits, risks and local capacities to employ them.

Recommendations for all levels of government

- Introduce legal arrangements to recognise the special status of metropolitan areas, with specific powers and responsibilities (e.g. transport, spatial and local development planning, socio-economic development) as well as sufficient funding to match their responsibilities. A legal act might be needed for this to happen.
- Allow experimentation when establishing flexible metropolitan governance models. Poland could take advantage of the Metropolis GZM as a pilot experience in devolving competencies as a way to ensure a gradual institutional change and "learning by doing". In order to scale up the pilot experiences, an enabling regulatory framework should be in place to evaluate and validate the pilot action results and provide the possibilities and resources to scale up the metropolitan governance models or good practices.
- Ensure adequate resources for metropolitan areas. A metropolitan governance structure either needs to generate and manage its own resources, receive a transfer from the national level, receive municipal contributions or a combination of all three. To start, specific tax regimes for inter-municipal groupings or metropolitan areas could be promoted without taking resources away from the municipalities.

Toward a more strategic and effective local government workforce

People are a critical part of organisational capability. Strong public workforces help deliver value for society and deal with increasingly complex policy challenges. This is particularly true across LSGUs in Poland, which employed close to 255 000 people in 2018. The tasks they carry out include running schools and hospitals, organising public transport and promoting investment. This is why it is so important that LSGUs are able to attract, develop and retain people with the right skills and motivation. However, some LSGUs report difficulty in attracting the type of staff they need. Many experience difficulties developing human resource practices and workforce management strategies to be able to meet evolving and fast-changing demands.

The Recommendations below address three pillars of workforce capability: (i) Leadership, (ii) Skills and Competences, and (iii) institutional responsibilities for Human resource management. Given the vast number of LSGUs in Poland, the recommendations below should be treated as indicative of good practices. The point is not to apply them narrowly, but to use them as a basis to design fit-for purpose solutions adapted to local conditions. As such, recommendations listed for larger LSGUs may also apply to smaller ones, and vice-versa.

Recommendations for all LSGUs

- Invest in supporting leaders and managers to ensure that they have the autonomy, tools, support and accountability to effectively use their leadership capabilities. This refers to political leaders such as mayors as well as positions such as municipal secretaries and operational managers of line units. Leaders' and managers' objectives should provide a clear sense of values, vision, direction and an appropriate level of autonomy as well as accountability to be able to achieve them. Leaders should have access to learning opportunities and peer supports (such as coaching/mentoring) as well as relevant tools – including financial tools – to access the skills and expertise they need. See the chapter for specific suggestions.
- Focus on the attraction and development of transversal skills and competences. Many LSGUs reported facing difficulties in candidate volume (not enough) or quality (not enough with the right skills) – and sometimes both. Investment in employer branding and a more strategic approach to recruitment could help address these gaps.
- Review the effectiveness of human resource management practices and invest in strategic workforce management capabilities. The scope of local self-government responsibilities is changing. Some organisational structures are no longer a good fit for these increased responsibilities. While some local development strategies make reference to the human capital required, this is frequently in the form of headcount estimates. This is a good starting point, but a focus on what type of workforce – not just numbers – is needed should be included in planning processes.

Recommendations for the Ministry of the Interior and Administration

- Test a more flexible approach to regulations where there is clear evidence that it makes sense. LSGUs of all sizes work under a common legal framework for human resource management. The Ministry, either on its own initiative or through relevant bodies, could consider reviewing where targeted and evidence-based derogations to the law on local self-government may be useful.
- Consult with local self-government organisations regarding long-term pay strategy for LSGU staff and elected representatives. Many LSGUs feel that staff salaries are too low. However, national regulations only provide for a minimum level of salary. The Ministry of the Interior and Administration could consider convening a pay reform commission or using existing consultation bodies to study the state-of-play of pay at LSGU level and the impact of salary on attraction and retention of selected skill sets.
- Expand the Ministry's co-ordination role in delivering targeted training. The Ministry can play a valuable role complementing local training strategies by identifying and supporting the dissemination of examples of good practice. While it already does this to a degree, it should explore how it could expand support to more LSGUs on a more long-term basis, complementing trainings organised in co-ordination with local self-government organisations a decentralised basis.

Open Government at the local level in Poland

The assessment found that Polish LSGUs integrate the principles of open government – transparency, integrity, accountability and stakeholder participation – in various legal and policy frameworks but face a number of challenges in their implementation. While most LSGUs implement a wide range of open government initiatives, these are often scattered and fragmented due to the absence of a strategic approach towards these initiatives. Most LSGUs also lack a coordinating office or official with a mandate for open government policies and initiatives. Moreover, LSGUs frequently have inadequate capacities for implementation, including insufficient human and financial resources and limited open government literacy.

The following recommendations thus aim at supporting the various categories of LSGUs in taking a holistic approach to foster the principles of transparency, integrity, accountability and stakeholder participation, so they can be incorporated into decision making processes to further improve policy making and achieve more efficient and effective service design and delivery.

Recommendations for all LSGUs

- Improving existing open government initiatives and fostering further stakeholder participation. To do so, LSGUs could improve existing practices through the co-implementation of open government initiatives with affected and/or interested stakeholders and establishing a system of institutionalised commitment to dialogue and consultation with civil society actors. Furthermore, LSGUs could work to empower existing youth councils and facilitate the creation of new ones as well as support the establishment of senior councils. Relatedly, LSGUs could endeavour to implement more innovative and inclusive forms of participation such as deliberative processes. Lastly, LSGUs could attempt to increase the amount of funding allocated to participatory budgeting and village funds as well as the range of stakeholders involved year-on-year.
- Taking a more strategic approach to open government. LSGUs could consolidate scattered and fragmented open government initiatives into a single framework either through a dedicated document or through a component or chapter of the LDS. LSGUs could also assign a single office or official with a clear and well-disseminated mandate for open government initiatives. Lastly, LSGUs could foster co-operation across levels of government to co-design and co-implement with other LSGUs to foster an exchange of good practices.
- Creating an open government culture in LSGUs. LSGUs could endeavour to better promote the duties and responsibilities of public officials, including their role in open government initiatives, to attract local talent that is interested in engaging with and improving their local communities. LSGUs could also improve compliance with the access to information law and take advantage of existing guidance on open government data to enhance its reuse. Furthermore, LSGUs could increase open government literacy among public officials through information sessions, conferences, and fora on this topic as well as improve public communication channels to raise awareness – in an accessible manner – among citizens and stakeholders on opportunities to participate. Lastly, LSGUs could foster new partnerships for open government to share costs and increase impact as well as seek innovative sources of funding from diverse stakeholders, including other levels of government and external donors.

Recommendations for the national government

- Consider establishing a National Commission or Committee on Open Government. This could further increase the potential impacts of related initiatives and the possibility of cross-sectoral collaboration at different levels of government.
- Mobilise additional funding for open government in LSGUs at the national level. This would allow LSGUs to invest in and maintain human capital and allocate dedicated resources to training and upskilling public officials in the area of open government.
- Prioritise inclusion in public decision-making for more effective and efficient policies. This would ensure that a wide range of perspective and expertise is considered, and will ultimately lead to more coherent, efficient, and sustainable policy-making and service-design and delivery.
- Promote civic education to improve local citizen participation. This would foster a culture of participation in public decision making in the future.
- Endeavour to use simple language in public communication. This could be done for instance through the establishment of a committee or expert group for simple language.

Reducing administrative burden and simplifying public procurement

LSGUs provide a wide range public services including public transportation and education, social and health protection, and spatial management, among others. The adequate delivery of these services is closely linked to public procurement processes, which can represent a significant source of red tape for contracting authorities and bidders if they are not simplified, streamlined and clearly defined.

The following recommendations aim at introducing principles of administrative simplification at LSGU level and improving the uptake of reforms led by national-level authorities, particularly regarding public procurement. They focus on the role LSGUs can play to shape their regulatory environment and reduced burden coming from top-down regulations. At the same time, the recommendations highlight the role national authorities play in ensuring that reforms are implemented smoothly and do not add administrative burden.

Recommendations for all LSGUs

- Assess the administrative burden generated by administrative red-tape. Red tape reduction measures such as streamlining of processes, introduction of simple and clear language and, when possible, creating digital alternatives help drive compliance levels and efficiency in the administration.
- Increase transparency in the interactions with stakeholders. Create and promote formal communication channels and standardise the provision of information and services would foster transparency and equal treatment of citizens and businesses.
- Make use of digital tools for simplification of procurement and the provision of information and services.
- Strengthen collaboration among LSGUs to shape and adopt public procurement reforms effectively.
- Simplify procurement practices through exchange and sharing, including below threshold strategies.

Recommendations for the national and/or regional levels of government.

- Design administrative processes that are easily implementable by LSGUs with different realities. Rigid regulations and/or constant legislative changes make their adoption hard for LSGUs, especially for those with fewer resources. The national government could engage more directly with local governments and support them by providing guidelines, addressing their concerns and proposals and ensuring a stable and clear regulatory environment.
- Enhance communication and collaboration with LSGUs and support capacity for smooth implementation of legal changes. In particular, national authorities could take specific actions targeted at smaller LSGUs that may otherwise be left behind.
- Ensure that the right infrastructure is in place for the deployment and successful implementation of ICT tools, including e-procurement platforms.
- Facilitate decentralised knowledge and good practice sharing. A national authority can play a major role in facilitating the sharing relevant knowledge by creating opportunities for exchange and sharing of good practices. Specifically for public procurement, the PPO or the APC could support targeted experience-sharing, where LSGUs can learn from peers and discuss issues, challenges and solutions that are relevant to them.

Notes

[1] To enable comparisons across countries, municipalities in Poland are classified following the OECD typology according to economic criteria and functional characteristics such as geographic location (inside and outside functional urban areas – FUAs), population size (big and small) and degree of accessibility [see annex//chapter 1].

[2] The report adopts the OECD regional (TL2 and TL3 Regions) and functional urban area (FUA) typology to better understand Poland's territorial trends and facilitate regional comparability across OECD countries [see introduction]. The report also proposes an alternative territorial classification for municipalities in Poland, according to economic criteria and functional characteristics such as geographic location (inside and outside functional urban areas – FUAs), population size (big and small) and degree of accessibility, to better capture the commonalities among municipalities in terms of opportunities and challenges [see introduction].

Introduction

On 14 February 2017, the Polish Council of Ministers adopted a new development strategy for the country. The Strategy for Responsible Development (SRD) (Government of Poland, 2017[1]) endorses more balanced growth across the entire Polish territory. It sets out development policy guidance for the short term through 2020 and identifies objectives and approaches for the medium term through 2030. While the SRD sets out a picture of how Poland should evolve, it does not provide a roadmap for achieving these aspirations.

The SRD ushers in a departure from previous approaches by placing a greater emphasis on coherence, cohesion and support for smaller places – improving the links between small- and medium-sized cities and rural areas – and not just the largest urban centres. In the government's assessment, the previous model, which concentrated investment in larger cities, has not led to the anticipated diffusion of economic growth to smaller places. Under the SRD, the proposed strategy is to target support to both leading and lagging areas. Effective management practice and appropriate governance frameworks will be critical to realising these objectives.

At the request of the Polish Ministry of Development Funds and Regional Policy (MDFRP) and in close collaboration with the Association of Polish Cities (APC), the OECD conducted a public governance and territorial development assessment targeted at two types of Polish local self-government units (LSGUs) - municipalities (gminas) and counties (powiats) on how to strengthen their local self-government capacity. The ultimate objective of this project, entitled *Better Governance, Planning and Services in Local Self-Governments in Poland*, is to better serve citizens, enhance local sustainable development and engage with stakeholders to build a collective vision and actions using good governance methods based on international best practice. One of the aims is therefore to strengthen the design and implementation of local self-government units' medium-/long-term development strategies (thereby contributing to the achievement of the national SRD*)*. The project was funded under the European Economic Area (EEA) and Norway Grants Financial Mechanism within the Local Development Programme 2014-21 implemented by the Polish Ministry of Development Funds and Regional Policy.

The project analyses local policy and practice in the eight key thematic areas of public governance and territorial development outlined below and presents an assessment of LSGU capacity in these areas along with recommendations for reforms. It is important to note that these themes represent interdependent and mutually reinforcing building blocks for good public governance and to achieve balanced territorial development. Taken as a whole, they constitute a means to serve citizens better: to improve results and outcomes for people, businesses and places. Crosswalks and linkages between the thematic chapters are therefore reflected in the recommendations that are presented as integrated elements of a coherent approach to improving public governance and territorial development. Besides the eight thematic chapters, an additional chapter provides a diagnosis of the main economic, social and demographic trends, strengths and challenges in Polish LSGUs and their effects on local development. The eight key thematic areas are:

1. Co-ordination across administrative units and policy sectors within LSGUs
2. Strategic planning for local development
3. The use of evidence in strategic decision-making in LSGUs
4. Budgeting in local self-governments

5. Strengthening multi-level governance and investment capacity to enhance local development
6. Toward a more strategic and effective local self-government workforce
7. Open government at the local level
8. Reducing administrative burden and simplifying public procurement

The primary focus of the project is the local level of self-government in Poland (municipalities and counties); however, LSGUs in Poland do not operate in a vacuum but a system of close interaction with regional and national governments. This report thus includes analyses of the multi-level governance system in Poland, wherever it is appropriate, to reveal how the mutual dependency across levels of government influences or affects the governance and development capacity of LSGUs. Through actionable recommendations, the project aims to contribute to sustaining dialogue on how specific reforms can improve performance in meeting the needs of citizens, by providing OECD data and a comparative analysis of public governance, management, institutional arrangements, budgeting, financing and policy-making practices in Polish LSGUs.

Due to the large diversity among Polish municipalities and the considerable differences between their respective situations and related challenges, the OECD's analysis and advice provided in the main report is supplemented by **three synthesis assessments**. By distinguishing between three different types of municipalities (following the OECD's classification of Polish municipalities explained below), these separate assessments summarise the report's findings for each type of municipality and offer a greater level of granularity based on measurable characteristics that can help identify particular challenges and opportunities.

In addition, the OECD also accompanies and supports Polish LSGUs in strengthening their capacity to design and implement successfully their multi-dimensional and integrated strategic development strategies, through the design of a **self-assessment tool**. This tool details key indicators for Polish LSGUs to assess their main strengths and gaps on public governance and local development practices. Through its thematic focus on specific areas of good governance and territorial development, the tool also enables capacity-building that can be scaled up and out across LSGUs so that they can self-assess their own capacity to design and implement effective integrated development strategies and action plans in a manner that reflects OECD-wide standards and good practices.

The first part of this introductory chapter focuses on the creation of the project's evidence base and the OECD's methodology for the report. It is further explained how the report links to other OECD projects with Poland in the areas of public governance and territorial development. Poland's territorial structure and administrative system are explained in the second part of this chapter. The third part introduces a revised territorial classification for Polish municipal LSGUs that the OECD uses for this report.

Ensuring a solid evidence base

In order to collect information and data on public governance and territorial development at the local level in the Polish context, the OECD developed a comprehensive, composite questionnaire. The objective of this questionnaire was to obtain data, information and evidence on LSGU practice in the different thematic areas assessed and analysed in this project. The questionnaire was discussed with representatives of more than 120 local, regional and national governments in October 2019 and administered to a representative sample of LSGUs and a series of regional and national governments by the APC. The responses these governments provided enabled the creation of a solid evidence base for the report's analysis that was a key contributor to assessing Polish practice against OECD standards. The following institutions responded to the questionnaire:

- **Local level**: 57 LSGUs (47 municipalities and 10 counties).

- **Regional level**: 8 voivodeship offices and 12 marshal offices.
- **National level:** 7 ministries and other national institutions.

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 LSGUs. Following the OECD's established methodology, the data collection process for this report was also based on four fact-finding missions (FFMs) to Poland, the purpose of which was to conduct extensive interviews with a wide variety of stakeholders at the local, regional and national level. The institutions interviewed during these missions were jointly selected by the APC and the MDFRP in consultation with the OECD. The 9 LSGUs and the Metropolitan Association of Upper Silesia and Zagłębie (Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)) in Katowice that were visited during the first three FFMs reflect diversity in terms of economic performance, geographic location (e.g. proximity to the economic centres of the country) as well as regarding their size of the population, among other criteria. During each mission, the OECD conducted interviews with relevant LSGU representatives, civil society organisations, academics and private sector representatives to discuss public governance and territorial development issues with key stakeholders. This sample of LSGUs together with the information provided by a broad range of municipalities and counties (as well as institutions at the regional and national level) in the questionnaire allows to scale up and replicate the report's recommendations across LSGUs not included in the sample.

- **Mission 1**: During the first fact-finding mission, the OECD team travelled to the three LSGUs of Katowice, Krotoszyn and Ziębice and visited the Metropolitan Association of Upper Silesia and Zagłębie (Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)).
- **Mission 2**: During the second FFM, the OECD team visited the four LSGUs of Łańcut (county), Łubianka, Międzyrzec Podlaski (rural municipality) and Międzyrzec Podlaski (urban municipality).
- **Mission 3**: Due to the exceptional circumstances related to the evolution of the COVID-19 pandemic and the resulting limitations to travel, the third FFM took place virtually. Online interviews covered the two LSGUs of Kutno and Płock.
- **Mission 4**: During the fourth mission focused on the regional and national level of government, the OECD team conducted online interviews with representatives of the two voivodeships Lubelskie (Lubelskie Marshal Office, Lubelskie Voivodeship Office) and Śląskie (Śląskie Marshal Office, Śląskie Voivodeship Office) as well as national institutions: 8 ministries (Chancellery of the Prime Minister, Ministry of Development Funds and Regional Policy, Ministry of Agriculture and Rural Development, Ministry of Development, Ministry of Digital Affairs, Ministry of Finance, Ministry of Infrastructure, Ministry of Internal Affairs and Administration) and national agencies (Statistics Poland, National Institute of Local Self-Government, Office of the Ombudsman, Public Procurement Office, Supreme Audit Office) in Poland.

Both the draft assessment as well as the preliminary advice and recommendations were discussed during a virtual sounding-board mission with more than 170 different stakeholders from all three levels of government in January 2021. As a result of these consultations, the present report has benefitted from the written input of comments from the following entities:

- **Local level**: 75 local self-government units;
- **Regional level**: 35 regional self-governments;
- **National level**: 64 public institutions at the national level.

Applying its peer-based approach, the OECD organised a workshop in June 2021 with country peers – senior officials from national, regional and local levels of government in OECD countries, who have faced or are facing the same challenges as those being assessed in the report. The workshop for representatives of LSGUs, regional self-governments and ministries served as a means to disseminate the report's

findings, share good practice examples of other OECD countries and generate ideas on possible courses of action in Poland to address the public governance and territorial development challenges under review.

This report forms an integral part of the support provided by the OECD to Poland in the areas of public governance and territorial development

The *Better Governance, Planning and Services in Local Self-Government Units: Poland* report builds on numerous collaborations between Poland and the OECD. The *OECD Rural Policy Reviews: Poland 2018* (2018[2]) examines the range of policies impacting rural development in Poland. It offers recommendations on how to support economic diversification of rural areas, boost agricultural productivity, enhance inter-municipal co-ordination, deepen decentralisation and improve multi-level governance.

The Public Governance Review of Poland *Poland: Implementing Strategic-State Capability* (2013) (OECD, 2013[3]) proposes a practical, country-based framework for developing good governance indicators for programmes funded by the European Union (EU) in Poland.

The *Urban Policy Review of Poland* (2011) (OECD, 2011[4]) looks at the urban system and the challenges it faces, national policies for urban development in Poland and adapting governance for a national urban policy agenda. In that regard, the OECD also conducted the report on the *Governance of Land Use in Poland: The Case of Łódź* (2016) (OECD, 2016[5]).

Finally, by exploring the various challenges and opportunities for Polish regional development policy, the OECD *Territorial Review of Poland* (2008) (OECD, 2008[6]) provides recommendations to best design and implement the policy mix, looking in particular at multi-level governance challenges.

The present report also reflects the public governance recommendations presented in the 2016 *OECD Better Policies Brochure on Poland* (OECD, 2016[7]), linking the country's approach to development with its efforts to implement the UN Agenda 2030 Sustainable Development Goals.

Poland's territorial structure and administrative system

An administrative structure with strong historical roots

Since 1989, with the restoration of independence and democracy, the Polish territorial structure and multi-level governance system have strongly evolved. After 45 years of centralisation, Poland has pursued political and fiscal decentralisation reforms and the scope and role of subnational governments in policy delivery have increased significantly in the last years. The principle of local self-government represents one of the pillars of Poland's transition from the communist era to democracy. The process of decentralisation is often recognised as one of the most successful aspects of this transition (Baro Riba and Mangin, 2019[8]). However, the decentralization process has not been implemented without difficulties due to the high value conferred to the central state, seen as a guarantee of the homogeneity of the national territory. Indeed, even though the country borders were so often changed during the recent last two centuries, the notion of "territory" is deeply anchored in the national memory (Assembly of European Regions, 2017[9]; OECD, 2020[10]).

The first legislative package of local democracy and autonomy of municipalities (gminas) was enacted in 1990 resulting in the first democratic elections of almost 2 500 local councils in May of that year. The law on local prerogatives, adopted in March 1990, was achieved by restoring the former subregional units, which were abolished by the communist government in 1975 (Assembly of European Regions, 2017[9]). This law delivered more strategic capacities to LSGUs and gave them large responsibilities in terms of spatial planning, infrastructure development, utilities, municipal housing, social services, education,

environmental protection, basic healthcare and recreation and culture. However, this dynamic was not accompanied by a transfer of funds (OECD, 2020[10]).

In Poland, the second wave of decentralisation (regionalisation) reforms took place in 1998-99. For regionalisation reforms, the core debate related to the number of voivodeships. Most stakeholders understood the necessity of reducing the size of the regions to restore the historical intermediary level, the county (powiat), abolished in 1975. Finally, the legislative package enacted in January 1990, restored the county as another subnational tier of local self-government (i.e. supra-municipal), which was traditional in Poland, and created 16 self-government voivodeships (regions) managed by Marshals that replaced 49 former small voivodeships managed by the national administration (Sześciło, Dawid and Kulesza, Michał, 2012[11]).

Since the first election of county and voivodeship councils in 1999, Poland has a three-tier system of subnational governments, where municipalities and counties perform the functions of local governments. The 16 voivodeships, which form the largest territorial division of administration in the country, respond to tradition and historical administrative divisions, resulting in a system of territorial governments that society could approve (Sześciło, Dawid and Kulesza, Michał, 2012[11]). What is remarkable about the system's architecture is the capacity that is left for all levels to be independent from the other. Such a feature complies with the very historical legacy of freedom of the administrative levels in the country but has very often been blamed for fostering paralysis and blockage (OECD, 2020[10]).

The often-recognised successful implementation of decentralisation reforms in the country is partially due to the way it was designed, with a large involvement of a wide range of stakeholders. Polish authorities organised important public discussions before the adoption of the law, representing an important period of deep democratic debate. A large spectrum of participants was invited to discuss and the arguments used were often drawn from the national and local past. During these debates, it was also interesting to see how the local people had a clear idea of their own regional interest and identity. As a result, the law was passed expediently in July 1998.

While the role of voivodeships has been progressively strengthened with the decentralisation of new tasks, it is still limited when compared with regions of other OECD countries. Since 2007, voivodeships are fully responsible for a big share of European Union cohesion funds. In January 2009, the Act on Voivodeship and Governmental Administration in Voivodeship (Government of Poland, 2009[12]) was passed to strengthen and devolve greater powers to Poland's regions in the areas of transport and environment. Since then, discussions are ongoing regarding reform of funding mechanisms, the introduction of financial incentives for mergers, the design of cost-cutting and efficiency programmes and the creation of metropolitan governance bodies. However, regional government spending remains among the lowest in the OECD area (together with New Zealand and Turkey), representing 0.7% of gross domestic product (GDP) and 1.6% of public spending compared to 3.7% and 8.7% respectively on average for OECD unitary countries (OECD, 2020[13]).

The current administrative and territorial organisation of regions and municipalities

Poland's regional and local self-government levels are relatively new. As explained in the previous section, a series of decentralisation reforms (in 1990 and 1998) after the end of the communist era led to the first municipal elections and the creation of the regional and local self-government unit levels (OECD, 2018[2]). The regional self-government level is formed by 16 regions/voivodeships (województwo), while the local self-government level is formed by counties (powiats) and municipalities (gminas). Such governance/decentralisation reforms provided subnational self-government units with an increasingly important role in the provision of infrastructure and services.

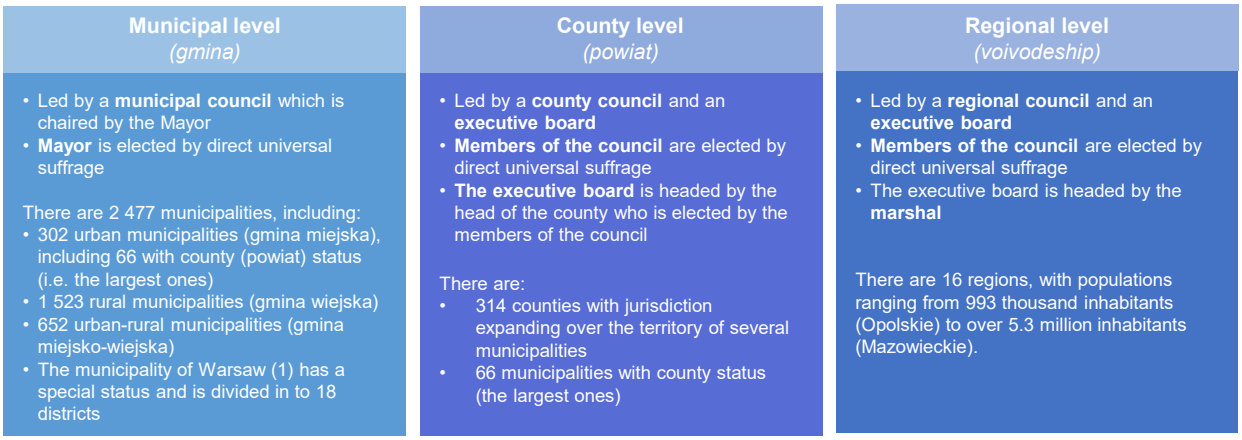
Inspired by the Finnish and French systems, among others, Poland has a dual system - both decentralised and deconcentrated. It is deconcentrated as the national government has a representative (the voivode)

in each of 16 voivodeships. Similar to the prefect in the French system, the voivode is politically appointed by the prime minister and heads the voivodeship office. The voivode is mainly in charge of the *ex post* control of public funds and safety provision. At the same time, the system is decentralised as the 16 voivodeships have their own authority as regional self-governments. They are headed by the marshal (president of the region), who is a political figure elected by the voivodeship assembly. The marshal sets and drives the regional policy of the whole voivodeship, organises the tasks of the marshal office and represents the voivodeship externally. The marshal office, a self-governing organisation in the voivodeship, is a body executing the tasks designated by the marshal and the voivodeship's elected members.

At the intermediate level of government, one finds the county (powiat), which is a local self-government unit led by the head of the county (starosta). The head of the county is elected by the county council and is responsible for driving the development of the county within the framework of the regional development strategy of the voivodeship.

The lowest level of government in Poland is the municipality (gmina), the LSGU that benefits from a right to develop its own development strategy. According to the Law on the Principles of Implementing Development Policy (2020), the strategy can be developed by a single municipality or jointly by a group of municipalities that create a supra-local development strategy in order to improve co-ordination. The municipality is responsible for all public matters of local importance in its territory, including local public transport, electricity, waterworks, health, education, housing, etc. The municipal office is headed by the mayor or president (a formal title depending on the type and size of municipalities but with no difference in competences) who is elected by citizens. The entire territorial organisation of subnational government units in Poland is described in Figure 0.1.

Figure 0.1. Territorial organisation of subnational self-government units in Poland



Note: Data are presented as of 1 January 2021 (there are annual changes in the number of municipalities by type). The Capital City of Warsaw is the object of specific regulations and, according to the law governing the structure of the city, Warsaw currently enjoys the status of a city with county rights. The division of tasks between Warsaw and its districts is not specifically defined on a statutory level, so Warsaw City Council decides which tasks will be assigned to the districts.
Source: Author's own elaboration

Towards a functional classification of Poland's territorial units

The geographical lens through which policy issues are defined determines the effects of policy actions at the local level. However, territorial definitions often rely on administrative or legal boundaries that do not necessarily reflect the functional and economic interactions within the territory. Capturing settlement patterns and agglomeration economies in a country requires going beyond administrative areas.

This section presents the current territorial classification of Polish territorial units, as well as a revised territorial classification based on the OECD territorial and functional urban area (FUA) typology. This functional definition of territorial units can guide governments at different levels in Poland in identifying common challenges and assets across types of municipalities to help in planning infrastructure, transport, housing, schooling and spaces for culture with the right criteria.

Poland's territorial classification of municipalities

Poland's National Official Register of the Territorial Division of the Country (TERYT) on the basis of which the Polish System of Coding of Territorial and Statistical Units (KTS) is based, divides the country into six territorial levels, or seven if we include Poland as a level "0" (Table 0.1). It includes a national administration with a two-tier system, a two-tier system, a national government based in the capital and delegated authorities of the national government to the voivodeships (i.e. 16 voivodeship offices – 1 in each of the 16 voivodeships). Poland also has a self-government administration with a three-tier system with a regional and two local levels of government. At the regional level it is composed of 16 voivodeships (regional self-government units in regions). At local level it consists of two types of local self-government units (LSGUs):

- 380 counties (LSGUs at the county level in all of the 16 voivodeships and, including 314 counties and 66 cities with county status);
- 2 477 municipalities (LSGUs at the municipal level in each of the 16 voivodeships).[1]

The lowest administrative level, the municipality, is divided into three categories: urban, rural and mixed (urban-rural). Since 2020, rural municipalities account for most of the municipalities (62%), above the number of mixed (26%) and urban (12%) municipalities. According to the official Polish categorisation, rural areas comprise rural municipalities and the rural parts of mixed municipalities, while urban areas comprise urban municipalities and the urban part of mixed municipalities.

Table 0.1. Territorial levels in Poland

Territorial classification of Poland – based on the Polish System of Coding of Territorial and Statistical Units (KTS)	NUTS/OECD regional classification
Level 0 – Poland	Territorial Level 0 (TL0)
Level 1 – Macroregions – 7 units	NUTS 1/ Territorial Level 1 (TL1)
Level 2 – Voivodeships – 16 units	
Level 3 – Regions (voivodeships or parts of a voivodeship) – 17 units*	NUTS 2/ Territorial Level 2 (TL2)
Level 4 – Sub-regions (grouping counties) – 73 units	NUTS 3/ Territorial Level 3 (TL3)
Level 5 – Counties (including cities with county status) – 380 units	NUTS 4 (without OECD level with comparable data)
Level 6 – Municipalities 2 477 (including 1 523 rural municipalities, 302 urban municipalities and 652 urban-rural municipalities); 642 urban parts of urban-rural municipalities; 642 rural parts of urban-rural municipalities; 18 districts of Warsaw; plus 19 statistical districts (called delegations) in Kraków, Łódź, Poznań and Wrocław) – 3 798 units	NUTS 5/LAU (without OECD level with comparable data)

Note: LAU: Local administrative unit. Data are presented as of 1 January, 2020 (there are annual changes in the number of municipalities by type). NUTS refers to the EU Nomenclature of Territorial Units for Statistics, TL refers to the OECD Territorial level classification.
* Since 2018, Mazowieckie Voivodeship was statistically (not geographically and not administratively) divided into 2 TL2 regions, creating 17 TL2 regions in the country for statistical purposes.
Source: Statistics Poland (2020[14]), *Classification of Territorial Units*, https://stat.gov.pl/en/regional-statistics/classification-of-territorial-units/ (accessed on 15 November 2020).

The average number of inhabitants per municipality in Poland (15 507 in 2018) is above the average in OECD (9 700 inhabitants) and EU (5 880 for the 28 countries) countries. Polish municipalities have on average about 3 times more land area (123 square kilometres) than the average of EU municipalities (49) yet are smaller when compared to the OECD average (211). In contrast with OECD and EU averages,

Poland has a relatively lower share of municipalities with fewer than 5 000 inhabitants (26% vs. 44% in the OECD and 48% in the EU) with most Polish municipalities (60%) being medium-sized administrative units (5 000 to 20 0000 inhabitants).

The OECD's territorial classification of municipalities in Poland

The current territorial classification in Poland is based on qualitative criteria and does not differentiate among different types of rural municipalities. Moving forward, this section introduces a revised territorial classification for Polish municipalities used for this report, which leverages a functional approach by applying the OECD territorial and FUA typology.

In order to capture the functional interactions across the territory, the report uses the FUA definition, which was developed by the European Commission (EC) and the OECD (Box 0.1). Functional Urban Area (FUAs) consists of a densely inhabited core and its commuting zone whose labour market is highly integrated with the core. FUAs are powerful tools to compare socio-economic and spatial trends in cities (Box 0.1). FUAs often have a large internal market, driven by higher-value globally connected services, while areas outside FUAs have different degrees of rurality and higher reliance on primary sectors. According to the OECD typology, Poland has 58 FUAs (Figure 0.2), where the large majority (37) are small FUAs (less than 250 000 inhabitants) and the rest (21) are medium- and large-sized FUAs (with more than 250 000 inhabitants) (Table 0.2). This large number of small- and medium-sized FUAs underlines the dispersed nature of Poland's settlement structure. TL3 regions cover the entire territory within countries, while Functional Urban Areas (FUAs) only capture a sub-sample of the territory.

Box 0.1. Delineating functional urban areas

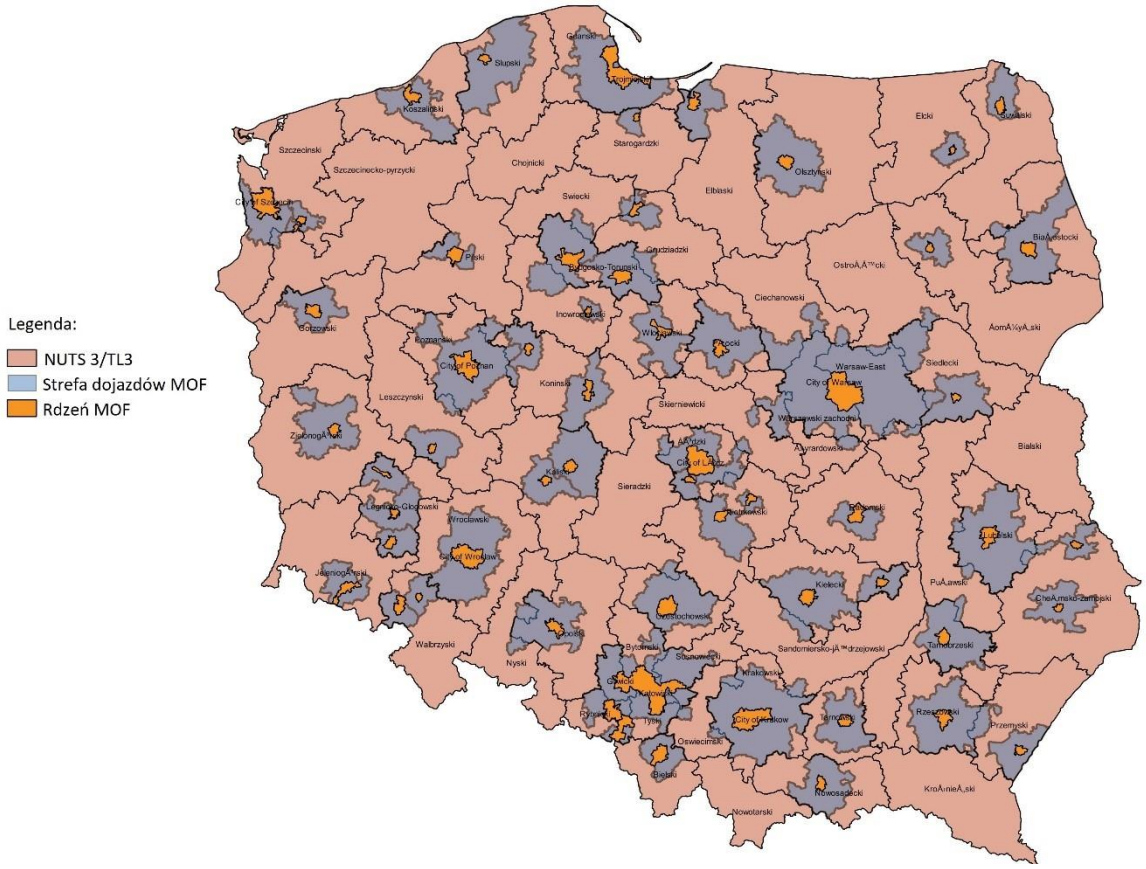
The EU and the OECD have jointly developed a methodology to define FUAs, which consists of a core of FUA and their commuting zones in a consistent way across countries. A FUA can be defined in four steps:

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 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.

Figure 0.2. Functional Urban Areas (FUAs) of Poland according to OECD typology



Note: FUAs are composed of their core and its commuting zone. The core of FUAs is measured as one or more local units that have at least 50% of their residents inside an urban centre, this latter is 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.
Source: OECD (2020[16]), "Regional demography", http://dx.doi.org/10.1787/a8f15243-en.

Table 0.2. Medium and large FUAs in Poland

Large and medium-sized FUAs in Poland (FUAs >250 000 inhabitants) - Top 10 by size	Population (2018)	Share over total population (%)
Warsaw (Large FUA)	3 180 854	8.38
Katowice (Large FUA)	2 521 341	6.64
Kracow (Large FUA)	1 423 151	3.75
Gdansk (Large FUA)	1 170 585	3.08
Poznań	996 285	2.62
Łódź	907 154	2.39
Rzeszow	517 628	1.36
Wrocław	636 050	1.67
Szczecin	401 556	1.06
Lublin	338 000	0.89

Source: OECD (2020[17]), "Metropolitan areas", https://doi.org/10.1787/data-00531-en.

To better understand Poland's territorial trends and facilitate regional comparability across OECD countries, the analysis in this chapter adopts the OECD regional classification (Territorial level 2 (TL2) and

Territorial level 3 (TL3) (Box 0.2). This classification identifies two levels of geographic units within OECD countries: i) large regions (TL2), which generally represent the first administrative tier of subnational government; and ii) small regions (TL3). Both levels of regions encompass the entire national territory. Annexe 1.A displays the classification of Poland's TL3 regions (Box 0.2).

Box 0.2. The OECD's new regional typology for TL3 regions

Regions within the 37 OECD countries are classified on 2 territorial levels reflecting the administrative organisation of countries. The 427 OECD large (TL2) regions represent the first administrative tier of subnational government, for example, the Ontario Province in Canada. There are 2 290 OECD small (TL3) regions, with each TL3 being contained in a TL2 region (except for the United States). For example, the TL2 region of Aragon in Spain encompasses three TL3 regions: Huesca, Teruel and Zaragoza. TL3 regions correspond to administrative regions, with the exception of Australia, Canada, Germany and the United States. All the regions are defined within national borders (OECD, 2020[18]).

This classification – which, for European countries, is largely consistent with the Eurostat NUTS 2016 classification – facilitates greater comparability of geographic units at the same territorial level.7 Indeed, these two levels, which are officially established and relatively stable in all member countries, are used as a framework for implementing regional policies in most countries.

The OECD has adopted a new typology to classify administrative TL3 regions based on the presence and access to FUAs (Fadic et al., 2019[19]). The typology classifies TL3 regions into two groups, metropolitan and non-metropolitan regions. Within these two groups, five different types of TL3 regions are identified.

The methodology follows the criteria below:

- **Metropolitan TL3 regions**, if more than 50% of its population live in a FUA of at least 250 000 inhabitants are classified into:
  - **Large metropolitan TL3 regions (large metropolitan regions)**, if more than 50% of its population lives in a FUA of at least 1.5 million inhabitants.
  - **Metropolitan TL3 regions (metropolitan regions)**, if the TL3 region is not a large metropolitan region and 50% of its population live in a FUA of at least 250 000 inhabitants.
- **Non-metropolitan TL3 regions**, if less than 50% of its population live in a FUA, are further classified according to their level of access to FUAs of different sizes into:
  - **With access to a metropolitan TL3 region (non-metropolitan regions close to a FUA)**, if more than 50% of its population live within a 60-minute drive from a metropolitan region (a FUA with more than 250 000 inhabitants); or if the TL3 region contains more than 80% of the area of a FUA of at least 250 000 inhabitants.
  - **With access to (near) a small FUA TL3 region (non-metropolitan regions with/near a small FUA)**, if the TL3 region does not have access to a metropolitan region. Fifty percent of its population has access to a small FUA (a FUA of more than 50 000 inhabitants and less than 250 000 inhabitants) within a 60-minute drive; or if the TL3 region contains more than 80% of the area of a small or medium FUA.
  - **Remote TL3 region (non-metropolitan remote)**, if the TL3 region is not classified as the 2 former categories of non-metropolitan regions, i.e. if 50% of its population do not have access to any FUA within a 60-minute drive.

The described procedure leads to more statistical consistency and interpretable categories that emphasise urban-rural linkages and the role of market access. The OECD TL3 typology acknowledges the existence of a rural-urban continuum, with regions being differentiated based on the degree of rurality.

Source: OECD (2020[18])), OECD Regions and Cities at a Glance 2020, OECD Publishing, Paris, https://doi.org/10.1787/959d5ba0-en; Fadic, M. et al (2019[19]), "Classifying small (TL3) regions based on metropolitan population, low density and remoteness", https://doi.org/10.1787/b902cc00-en.

This OECD territorial classification defines metropolitan TL3 regions non-and metropolitan TL3 regions based on the presence and access to Functional Urban Area (FUAs). Metropolitan regions are the TL3 regions where more than 50% of the population live in a FUA, while non-metropolitan regions have less than 50% of its population living in a FUA.[2] This territorial typology acknowledges the existence of a rural-urban continuum, so regions are differentiated based on the degree of rurality, which means that even metropolitan regions have a share of population living in rural places. In addition, the typology uses accessibility as a defining characteristic of regions, taking into account the relative location of rural places with respect to FUAs. As such, it differentiates amongst different types of non-metropolitan regions – those close to cities and those that are remote Box 0.3.

This report uses the OECD/EU methodology of FUAs and the OECD TL2 and TL3 regional classification for international comparisons of Poland's FUA's and metropolitan and non-metropolitan regions. All metropolitan regions, non-metropolitan regions close to a FUA, non-metropolitan regions with/near a small FUA and non-metropolitan regions remote are TL3 regions, so the report won't specify "TL3" when those types of regions are mentioned. Reference will be made to "large FUAs" when referring to FUAs above 1 million inhabitants, "medium FUAs" when referring to FUAs between 250 000 and 1 million inhabitants and "small FUAs" when referring to FUAs below 250 000 inhabitants. Municipalities will be grouped according to the alternative OECD municipal classification proposed for this particular study.

An alternative territorial approach for the classification of municipalities in Poland

To better capture the commonalities among local self-government units in terms of economic opportunities and challenges, the OECD has developed an alternative territorial classification for municipalities in Poland. It classifies municipalities beyond administrative, political and historical reasons and adopts a typology based on economic functionality, population size and accessibility (see more details in Box 0.4).

In Poland, the TERYT classification of municipalities and rural/urban areas is used for official statistics and applied in most academic research and policy analysis in Poland. However, Poland's territorial typology has scope for improvement as it relies on qualitative criteria to classify urban and rural municipalities and lacks differentiation in the degree of rurality among municipalities, as highlighted in the OECD Rural Policy Review (2018[2]) (Box 0.3).

Box 0.3. Areas of improvement in Poland's municipal classification

As identified in the *OECD Rural Policy Reviews: Poland* (2018[2]), the TERYT classification of municipalities could improve certain aspects:

1. **The typology relies on qualitative criteria**. Urban status is conferred to municipalities through political (supported by local residents/self-government) and administrative procedures, regardless of quantitative or objective characteristics of the municipalities. The process also involves historical reasons when assigning urban status (cities with county status or the traditional administrative regional centres).
2. **There is no differentiation among different types of rural**. Rural municipalities with significant linkages with an urban centre are not distinguished from rural municipalities that are remotely located.
3. **The "mixed municipality" classification, i.e. urban-rural municipality, creates limitations and distortions for policy analysis and research**. Rural parts of mixed municipalities are incorporated into the definition of rural areas. However, certain statistical variables, such as municipal revenue and expenditure as well as the allocation of EU funds, are often not available at this municipality level. Such situation can bias some analyses. For example, the average accessibility of rural dwellers to public services is overestimated because services are often located in the urban part of urban-rural municipalities.

Source: OECD (2018[2]), OECD Rural Policy Reviews: Poland 2018, https://dx.doi.org/10.1787/9789264289925-en.

Drawing from the classification of FUAs, the alternative OECD territorial classification for municipalities in Poland identifies three types of municipalities, based on quantitative and functional characteristics (Please see the full methodology in Box 0.4). Some of these types of municipalities are divided in subtypes, according to population size, creating a total of 5 subtypes of municipalities. The following describe the different municipalities according to the OECD alternative territorial classification for Poland (in parenthesis a simplified name that this report will refer to in figures and tables):

1. **Municipalities inside FUAs:**
   a. **Big municipalities inside FUAs (In FUA big)**: Municipalities inside FUAs with more than 20 000 inhabitants.
   b. **Small municipalities inside FUAs (In FUA small)**: Municipalities inside FUAs with fewer than 20 000 inhabitants.
2. **Municipalities outside FUAs with high accessibility:**
   a. **Big municipalities outside FUAs with high accessibility (Out FUA high access big)**: Municipalities outside FUAs with high accessibility and more than 20 000 inhabitants. A municipality is classified with high accessibility if the level of population it can reach within a 90-minute drive is above the bottom 10th percentile of the population distribution that all Polish municipalities can reach within a 90-minute drive.
   b. **Small municipalities outside FUAs with high accessibility (Out FUA high access small)**: Municipalities outside FUAs with high accessibility and fewer than 20 000 inhabitants. A municipality is classified with high accessibility if the level of population it can reach within a 90-minute drive is above the bottom 10th percentile of the population distribution that all Polish municipalities can reach within a 90-minute drive.

3. **Municipalities outside FUAs with low accessibility (Out FUA low access):** Municipalities outside FUAs with low accessibility, regardless of their population size. Some 7% of these municipalities have more than 20 000 inhabitants. A municipality is classified with low accessibility if the level of population it can reach within a 90-minute drive is below the bottom 10th percentile of the population distribution that all Polish municipalities can reach within a 90-minute drive.

Box 0.4. Alternative OECD territorial classification for municipalities in Poland

The alternative classification follows a three-step process:

1. **Identifying municipalities inside and outside FUAs.** The methodology identifies municipalities inside and outside FUAs (city and commuting zone).
2. **Measuring accessibility for municipalities outside FUAs**. The methodology measures the level of accessibility to population settlements by following three steps:
   - Population within a 90-minute drive around each municipality: it calculates all the population that can be reached from the centroid of each municipality outside FUAs within a 90-minute drive by car in every direction.
   - Threshold of population reached: It then calculates the bottom 10th percentile of the distribution of the population that all Polish municipalities can reach within a 90-minute drive.
   - Classify low accessibility and high accessibility municipalities: A municipality is classified with low accessibility if the level of population reached within a 90-minute drive is below that 10th percentile. Above the threshold, the municipality is classified with high accessibility.

The previous two steps identify three types of municipalities:

1. Inside FUAs
2. Outside FUAS, with high accessibility to FUAs.
3. Outside FUAS, with low accessibility to FUAs.

In order to account for unique characteristics of municipalities, the methodology differentiates those municipalities inside FUAs and outside FUAs by size of population. The municipalities outside FUAs with low accessibility are not differentiated by size of population given their relatively homogenous distribution in size. Therefore the final step to classify municipalities by size of population is as follows:

3. **Dividing municipalities with high accessibility outside FUAs and municipalities inside FUAs by population size**. The methodology identifies municipalities outside FUAs with high accessibility and municipalities inside FUAs that are relatively large and small in terms of population. To define the population threshold, the methodology follows Poland's population distribution of all municipalities and Poland's official threshold to differentiate among small and medium/large cities (20 000 inhabitants). Therefore, municipalities with a population of more than 20 000 inhabitants are classified as big and those with a population of fewer than 20 000 inhabitants as small.

The previous three steps identify five subtypes of municipalities:

1. Big municipalities inside FUAs
2. Small municipalities inside FUAs
3. Big municipalities outside FUAS, with high accessibility to FUAs.
4. Small municipalities outside FUAS, with high accessibility to FUAs
5. Municipalities outside FUAS, with low accessibility to FUAs.

These five subtypes of municipalities introduce a new lens to look at municipalities in Poland by differentiating among municipalities inside and outside FUAs, large or small in terms of population and high or low level of accessibility to population settlements. This classification brings a number of policy advantages:

1. Enabling to identify and group municipalities based on measurable characteristics. Shifting from administrative, political and historic classification (see Chapter 6 for further discussion) to one based on economic functionality, size and accessibility.
2. Identifying different types of rural municipalities in the territory (close to and far from FUAs).
3. Allowing identification of common challenges and opportunities across groups of municipalities of certain type, which can lead to common policy approaches and cross-learning mechanisms from the peers among relevant types of municipalities.

According to this alternative OECD classification, most of Poland's population lives inside FUAs (56%). Particularly, big municipalities in FUAs concentrate the majority of Poland's population (41.6%) within a small number of municipal units (6% of total municipalities). The second-largest subtype in terms of population are small municipalities outside FUAs with high accessibility (out FUA with high access), which host 23.7% of the population in 49% of Poland's municipalities. Figure 0.3 describes the geographical distribution of municipalities in each of the five types.

Table 0.3. OECD territorial classification for municipalities in Poland

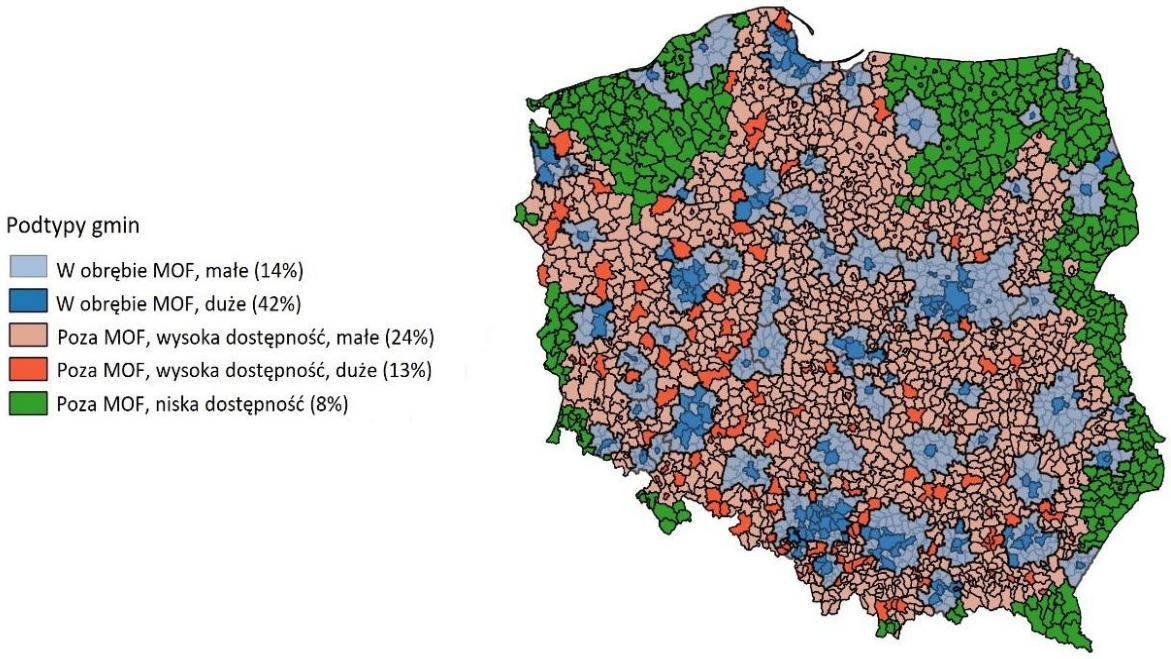
Distribution of municipalities and population per OECD typology in 2018

Municipal (gminas) classification	Number 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[20]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

Figure 0.3. 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.

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Annexe 1.A. TL3 regions in Poland according to the OECD territorial classification

The OECD has adopted a new typology to classify administrative TL3 regions based on the presence and access to FUAs (OECD, 2020[21]). The OECD typology classifies TL3 regions into two groups, metropolitan and non-metropolitan regions. Within these two groups, five different types of TL3 regions are identified. Annex Table 1.A.1 depicts the classification of TL3 regions in Poland according with this typology:

Annex Table 1.A.1. TL3 regions in Poland according to OECD typology

TL3 Regions in Poland	Classification	Code in OECD database
BIALOSTOCKI	Metropolitan	PL841
BIALSKI	Non-metropolitan remote	PL811
BIELSKI	Metropolitan	PL225
BYDGOSKO-TORUNSKI	Metropolitan	PL613
BYTOMSKI	Large metropolitan	PL228
CAPITAL CITY OF WARSZAWA	Large metropolitan	PL911
CHELMSKO-ZAMOJSKI	Non-metropolitan close to a small city	PL812
CHOJNICKI	Non-metropolitan remote	PL637
CIECHANOWSKI	Non-metropolitan remote	PL922
CITY OF KRAKW	Metropolitan	PL213
CITY OF LODZ	Metropolitan	PL711
CITY OF POZNAN	Metropolitan	PL415
CITY OF SZCZECIN	Metropolitan	PL424
CITY OF WROCLAW	Metropolitan	PL514
CZESTOCHOWSKI	Metropolitan	PL224
ELBLASKI	Non-metropolitan close to a small city	PL621
ELCKI	Non-metropolitan close to a small city	PL623
GDANSKI	Metropolitan	PL634
GLIWICKI	Large metropolitan	PL229
GORZOWSKI	Non-metropolitan close to a small city	PL431
GRUDZIADZKI	Non-metropolitan close to a small city	PL616
INOWROCLAWSKI	Non-metropolitan close to a small city	PL617
JELENIOGRSKI	Non-metropolitan close to a small city	PL515
KALISKI	Non-metropolitan close to a small city	PL416
KATOWICKI	Large metropolitan	PL22A
KIELECKI	Metropolitan	PL721
KONINSKI	Non-metropolitan close to a small city	PL414
KOSZALINSKI	Non-metropolitan close to a small city	PL426
KRAKOWSKI	Metropolitan	PL214
KROSNIENSKI	Non-metropolitan remote	PL821
LEGNICKO-GLOGOWSKI	Non-metropolitan close to a small city	PL516
LESZCZYNSKI	Non-metropolitan close to a small city	PL417
LODZKI	Metropolitan	PL712
LOMZYNSKI	Non-metropolitan close to a small city	PL842
LUBELSKI	Metropolitan	PL814
NOWOSADECKI	Metropolitan	PL218
NOWOTARSKI	Non-metropolitan remote	PL219

TL3 Regions in Poland	Classification	Code in OECD database
NYSKI	Non-metropolitan with/near a small city	PL523
OLSZTYNSKI	Metropolitan	PL622
OPOLSKI	Metropolitan	PL524
OSTROLECKI	Non-metropolitan remote	PL924
OSWIECIMSKI	Non-metropolitan with/near a small city	PL21A
PILSKI	Non-metropolitan close to a small city	PL411
PIOTRKOWSKI	Non-metropolitan with/near a small city	PL713
PLOCK	Non-metropolitan close to a small city	PL923
POZNANSKI	Metropolitan	PL418
PRZEMYSKI	Non-metropolitan with/near a small city	PL822
PULAWSKI	Non-metropolitan remote	PL815
RADOMSKI	Metropolitan	PL921
RYBNICKI	Non-metropolitan with/near a small city	PL227
RZESZOWSKI	Metropolitan	PL823
SANDOMIERSKO-JEDRZEJOWSKI	Non-metropolitan remote	PL722
SIEDLECKI	Non-metropolitan close to a small city	PL925
SIERADZKI	Non-metropolitan close to a small city	PL714
SKIERNIEWICKI	Non-metropolitan with/near a small city	PL715
SLUPSKI	Non-metropolitan close to a small city	PL636
SOSNOWIECKI	Large metropolitan	PL22B
STAROGARDZKI	Non-metropolitan close to a small city	PL638
SUWALSKI	Non-metropolitan close to a small city	PL843
SWIECKI	Non-metropolitan with/near a small city	PL618
SZCZECINECKO-PYRZYCKI	Non-metropolitan close to a small city	PL427
SZCZECINSKI	Non-metropolitan with/near a small city	PL428
TARNOBRZESKI	Non-metropolitan close to a small city	PL824
TARNOWSKI	Metropolitan	PL217
TROJMIEJSKI	Metropolitan	PL633
TYSKI	Large metropolitan	PL22C
WALBRZYSKI	Non-metropolitan close to a small city	PL517
WARSZAWSKI WSCHODNI	Large metropolitan	PL518
WARSZAWSKI ZACHODNI	Large metropolitan	PL519
WLOCLAWSKI	Non-metropolitan close to a small city	PL520
WROCLAWSKI	Non-metropolitan with/near a small city	PL521
ZIELONOGRSKI	Non-metropolitan close to a small city	PL522
ZYRARDOWSKI	Non-metropolitan remote	PL523

Note: Classification based on the OECD methodology for TL3 regions

Notes

[1] The newest form of territorial structure (still of a pilot character in Poland) is the metropolitan association, established in 2017 by virtue of the Metropolitan Associations Act in the Silesian Voivodeship and dedicated only to that territory in Poland. According to the Act, the association of municipalities within the Silesian Voivodeship is characterised by strong functional bounds and advanced urbanisation processes, located in an area coherent in spatial terms and inhabited by at least 2 000 000 residents.

[2] Please note that due to lack of equivalents and to ensure comprehensibility for a broad audience in Poland, the Polish language version of the report includes analogous translations of certain terms. For example, the Polish version of this report translates “non-metropolitan regions” to a Polish term closely related to the term “rural areas". An explanation of each of the relevant terms can be found in the glossary of the report.

1 Strengths and challenges for local self-government development in Poland

This chapter assesses the socio-economic trends across local self-governing units (LSGUs) in Poland with a focus on the municipal level, by adopting a territorial perspective that acknowledges the interconnection of LSGUs with (TL3/TL2) regions in Poland and functional urban areas (FUAs). The chapter first assesses demographic trends across TL3 regions and FUAs through international comparisons and outlines the trends across Poland's municipalities. Third, it analyses the economic performance of TL3 regions in Poland, FUAs and municipalities. Finally, it looks at the enabling factors for development across TL2 regions in Poland by comparing with the OECD benchmark.

Main findings

Poland is the sixth-largest country in the European Union (EU27) in land area (312 679 km^2) and fifth largest by population (38.4 million). Poland's population density (123 inhabitants per km^2) is however below European countries with similar land area and its settlement patterns exhibit a relatively low geographic concentration across (TL2) regions in comparison to European and OECD countries. Poland has the sixth-lowest gross domestic product (GDP) per capita across the OECD, yet it has closed the income gap with the other OECD countries.

This chapter adopts the OECD territorial clasficiation (TL2/TL3 regions and FUAs) and the alternative OECD territorial classification for municipalities in Poland (see introductory chapter) to identify main socio-economic trends across the territory in Poland. Some main findings from this analisys include:

- Unlike most OECD countries, Poland has a rather balanced population distribution across TL2 regions, which can lead to important development hubs for the country.
- Poland's relatively large stock of working-age population has supported economic performance in recent decades.
- Yet, the balanced population distribution is set to change, as large FUAs increasingly attract most of Poland's population and non-metropolitan regions face a sharp population decline.
- Along with outmigration, a combination of rapid ageing and low levels of youth population replacement threaten the age premium of Poland's workforce.
- Poland has been closing the income gap with OECD countries, yet the wealth has not been equally distributed across TL3 regions in Poland.
- Metropolitan regions have the greatest labour productivity in Poland, which is partially associated with a larger specialisation in services activities. In contrast, non-metropolitan economies tend to focus on a larger share of workers in primary activities (agriculture and forestry).
- At the local level, municipalities inside FUAs attract most of the firms and employ most of the population in Poland.
- The catching-up process of Poland's economy has translated into improvements in some well-being dimensions across regions, particularly education and safety.
- Yet, TL2 regions in Poland lag in housing accessibility, civic engagement and health.
- Poland needs to pay particular attention to improving road and information and communication technology (ICT) infrastructure across all region types in order to enhance access to markets, services and unlocks new job opportunities.

Introduction

This chapter provides a diagnostic of the main economic, social and demographic trends of Poland's LSGUs with a focus on the municipal level. It assesses the socio-economic trends across Polish municipalities. Given that municipalities are part of TL3 and TL2 regions in Poland and some of them part of FUAs, their socio-economic trends are also influenced by the performance of TL2, TL3 and FUA regions in Poland. The chapter therefore also benchmarks the main trends across TL3 regions in Poland and FUAs against the OECD.

The chapter uses the alternative OECD territorial classification for municipalities based on economic criteria to better capture the commonalities among municipalities in terms of opportunities and

challenges (see introductory chapter). This OECD classification classifies municipalities according to their geographic location (inside and outside FUAs), their population size and their degree of accessibility to population settlements. This classification, compared to the current administrative structure, enables to identify municipalities based on measurable characteristics and differentiate among types of rural municipalities (those outside FUAs).

The chapter first describes Poland's territorial structure and classification, and introduces the OECD regional classification and new municipal typology for Poland. Second, the chapter assesses demographic trends across TL3 regions and FUAs through international comparisons and outlines the trends across Poland's municipalities. Third, it analyses the economic performance of TL3 regions in Poland, FUAs and municipalities. Finally, it looks at the enabling factors for development across TL2 regions in Poland, including their public governance considerations, by comparing Poland's enablers with OECD benchmarks.

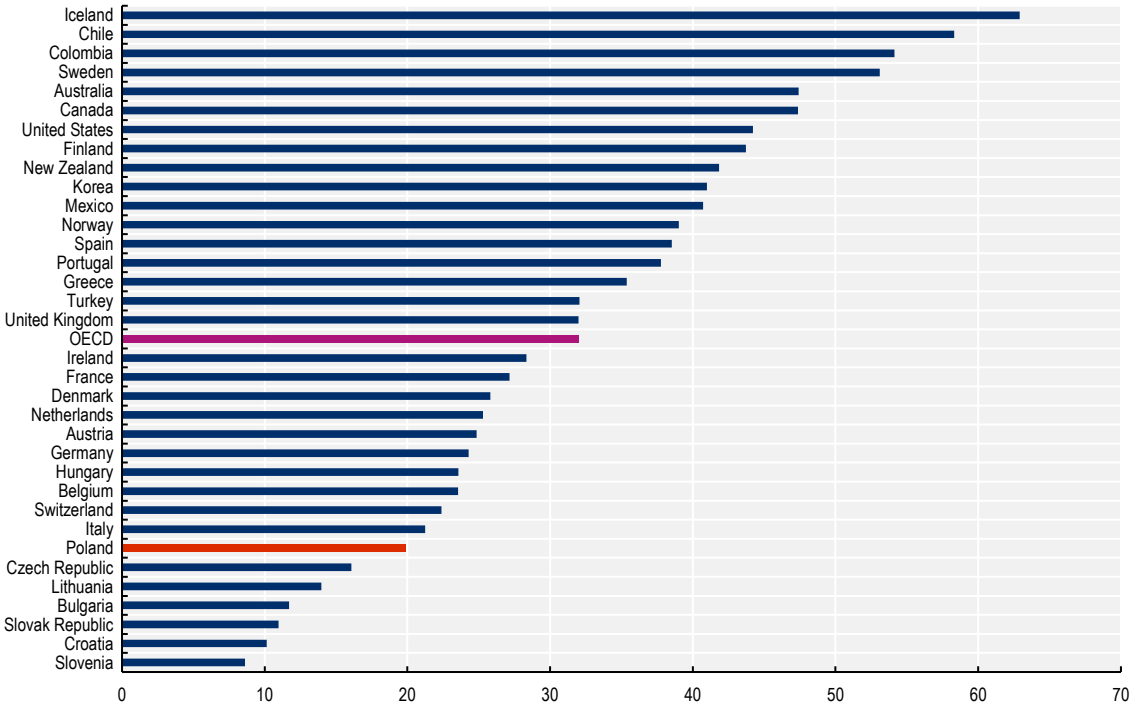
Demographic trends at the regional and local levels in Poland

Poland is the sixth-largest country in the European Union (EU27) in land area (312 679 km2) and fifth largest by population (38.4 million).. Poland's population density (123 inhabitants per km2) is however below European countries with a similar land area (Germany with 232 inhabitants per km2, or Italy with 200 inhabitants per km2) but far above the OECD country average (37).

Along with a relatively low population density, Poland's settlement patterns exhibit a relatively low geographic concentration across TL2 regions in comparison to European and OECD countries (Figure 1.1). Poland is among the seven OECD counties with the lowest territorial concentration of population according to the index of geographic concentration. This index indicates the dispersion of the population across the territory, relative to TL2 regions' land area.

Poland's dispersed population can bring opportunities in terms of urban-rural linkages as the country holds a large number of small- and medium-sized FUAs whose agglomeration economies can benefit surrounding regions. However, it brings also challenges in terms of attaining economies of scale to deliver quality public services (transport, health) as well as traffic congestion and land use conflicts due to the peri-urbanisation process (OECD, 2018[1]). Addressing this type of bottleneck requires active policies that need to be co-ordinated horizontally among the same level of LSGUs and vertically between national, regional and local self-governments units.

Figure 1.1. Geographic concentration of population index in Poland, OECD and non-OECD selected countries, 2018



Note: The geographic concentration index of population, which is comparable across countries, is calculated as: $\sum_{i=1}^{N}(|p_i - a_i|/2) * 100$, where p_i is the population share of region i, a_i is the area share of region i.
Source: OECD (2020[2]), "Regional demography", http://dx.doi.org/10.1787/a8f15243-en.

Poland's regional and municipal government levels are relatively new. As explored in detail in Chapter 6, after the end of the communist era in 1989, a series of decentralisation reforms (in 1990 and in 1998) led to the first municipal elections and the creation of the regional and local self-government levels (OECD, 2018[1]). The regional self-government level is formed of 16 regions/voivodeships (*województwo*), while the local self-government level is formed of counties (*powiat*) and municipalities (*gmina*). Such governance/decentralisation reforms provided subnational self-government units with an increasingly important role in the provision of infrastructure and services.

This section analyses the settlement patterns and demographic trends at the regional, FUA and municipal levels in Poland, using international comparisons for regions and FUAs and leveraging the municipal territorial classification presented previously. According to the OECD questionnaire of Polish LSGUs (OECD, 2019[3]), demographic challenges are an important concern for municipalities with two-thirds of the 47 municipalities surveyed ranking demographic issues among the top relevant topics for development. Main challenges include an ageing and declining population, increasing migration and low birth rates.

Poland has a higher share of population living in non-metropolitan regions than the OECD average

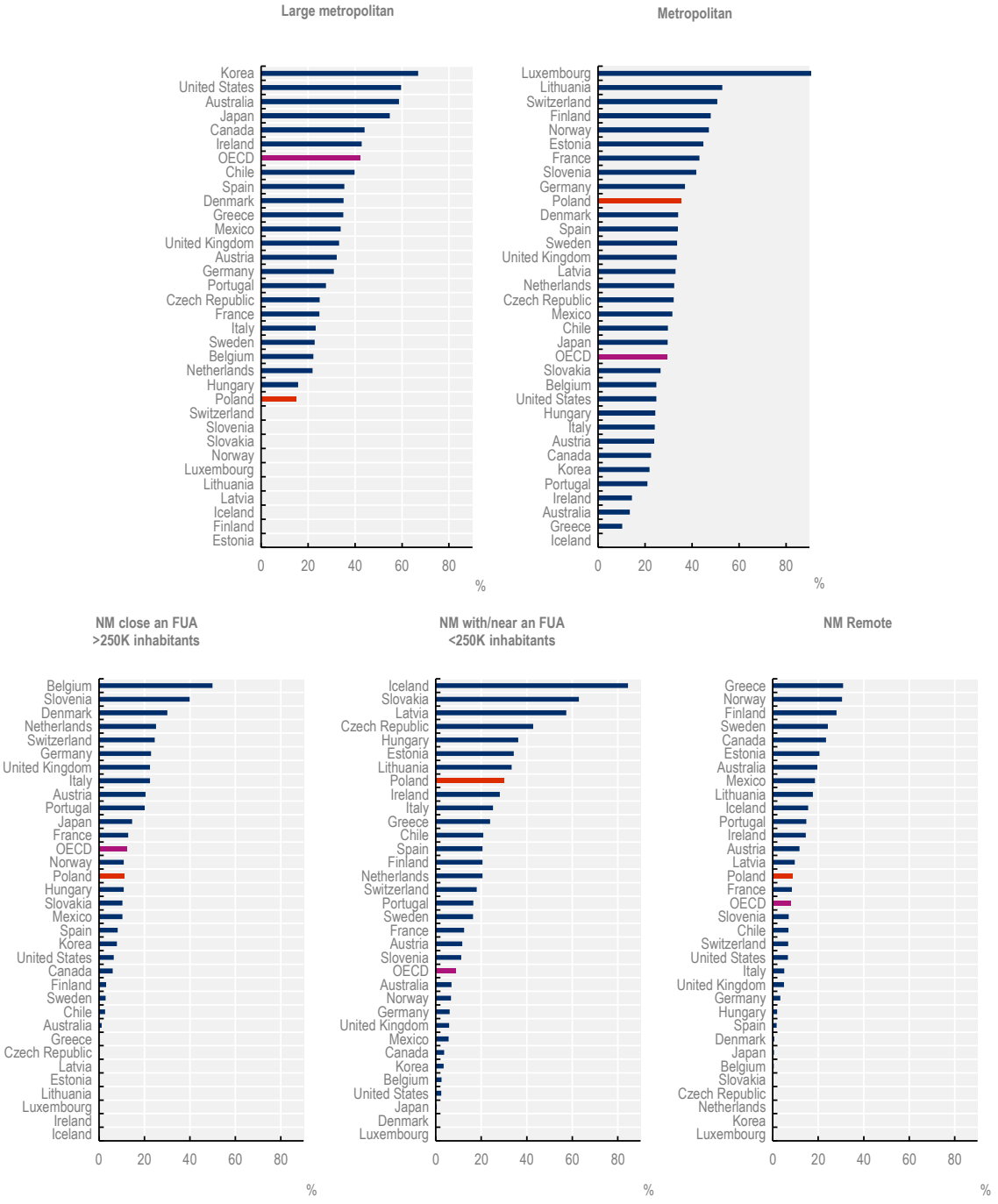
As mentioned in the previous section, Poland has a relatively dispersed population across the territory. Unlike the average trend in OECD countries, Poland has a rather balanced TL3 regional population

distribution between metropolitan (51%) and non-metropolitan (49%) regions. Non-metropolitan regions in Poland concentrate a high population in comparison to the average of OECD countries (29%) and most people living in metropolitan regions are located in regions with small- and medium-sized FUAs (35%) rather than in large metropolitan regions (16%). This contrasts with OECD trends, where the latter host on average a larger share of the population (42% of the national population).

Within non-metropolitan regions, those with or near a small FUA concentrate most of the rural population (30% of the national population), placing Poland as the eighth OECD country with the highest share of population living in these type of regions (Figure 1.2). Regions near a large FUA (10.9% of the national population) and remote regions (8.6%) concentrate a much lower share of the non-metropolitan population. It is worth noting that the share of people leaving in remote regions is slightly above the average of the OECD population in these types of regions (7.7%).

This relatively evenly distributed population across the territory offers the possibility to mobilise the labour force and unlock growth opportunities in all regions. Pockets of density outside large FUAs including villages, market towns and smaller FUAs can represent important hubs for development and job creation (OECD, 2020[4]). Harnessing the benefits from these hubs requires sound co-ordination among governments to support accessibility for these towns and surrounding areas to markets and public services.

Figure 1.2. Population share living by type of TL3 region in Poland and OECD countries, 2019



Note: 2018 values for Australia, Ireland, Japan and the United States. NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Yet, greater absorption of FUAs and a sharp decrease in population is set to change the current territorial balance

Since 2015, Poland has consecutively ranked among the ten countries with the highest population decline across the OECD. In 2018, Poland's population dropped by 22 400 inhabitants. This negative population change (-0.02% per year) contrasts with the positive population growth across European

(0.02%) and OECD (0.6%) countries. Poland's population decrease is associated with negative natural population growth (lower number of births relative to deaths), which is not compensated by the net migration rates into the country (which is positive but low).

In fact, Poland's fertility rate (1.4 children per women) ranks among the tenth- and sixth-lowest across OECD and European countries respectively (OECD, 2020[6]). The country's fertility is far below the minimum replacement rate to keep natural population growth positive (2.3). This is partially explained by changes in individual lifestyle preferences (e.g. willingness to start a family) and higher female participation in the labour market. For countries like Poland, the former factors couple with the transformations brought about by the introduction of the market economy after 1989 (e.g. weakened social function of the state and unemployment rate) (OECD, 2020[6]; Kurek, 2011[7]). The European Commission estimates that Poland's population will decrease from 38 million to 32.8 million by 2060, a decline of almost 16% (Eurostat, 2020[8]).

Poland's population is increasingly concentrated in large FUAs

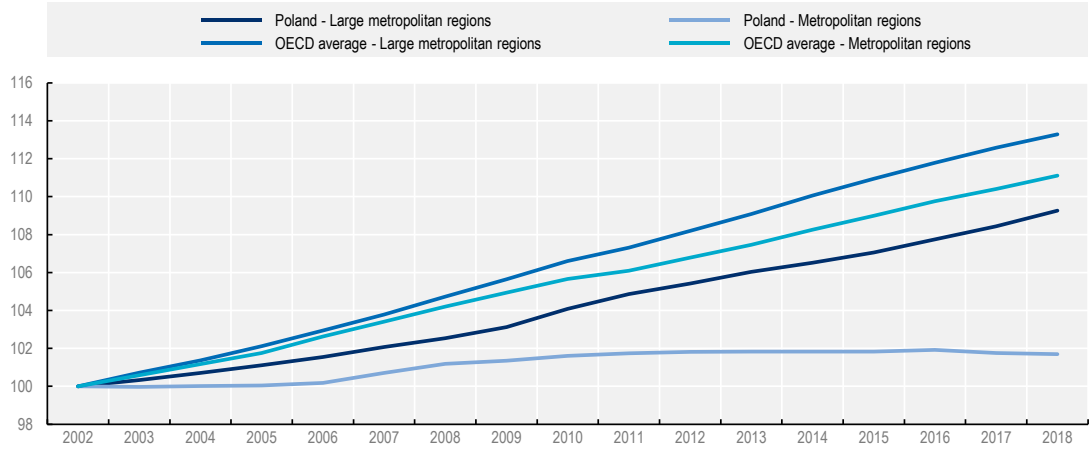
Poland's trend of natural population decline represents a double impact for non-metropolitan regions, as it couples with a growing outmigration towards FUAs. In the last two decades, non-metropolitan regions in Poland have experienced an acute drop in population (-2.5% from 2001 to 2019), which contrasts with a slight increase in metropolitan regions (0.95% of the same period). Particularly, large metropolitan regions have experienced the highest population growth (1.4%) across all types of regions, exceeding growth in small/medium metropolitan regions (0.8%).

The population in Poland is increasingly concentrated in large FUAs (more than 1 million inhabitants), which registered a population growth (0.2% annual average between 2002 and 2018) far above the one recorded for small/medium FUAs (0.03%). Poland's population growth in large FUAs accelerated during the aftermath of the 2008 economic crisis, partially explained by an increasing migration of young people from non-metropolitan regions looking for job and education opportunities (see next section). Yet, Poland's population growth in all FUA sizes is low when comparing with the OECD average (Figure 1.3). Such a relatively slower urbanisation trend can be an opportunity for Poland as it provides municipalities with more time to develop and adapt to changes in settlement patterns and better plan intercity infrastructures and social arrangements.

Small municipalities inside FUAs are attracting most of Poland's population

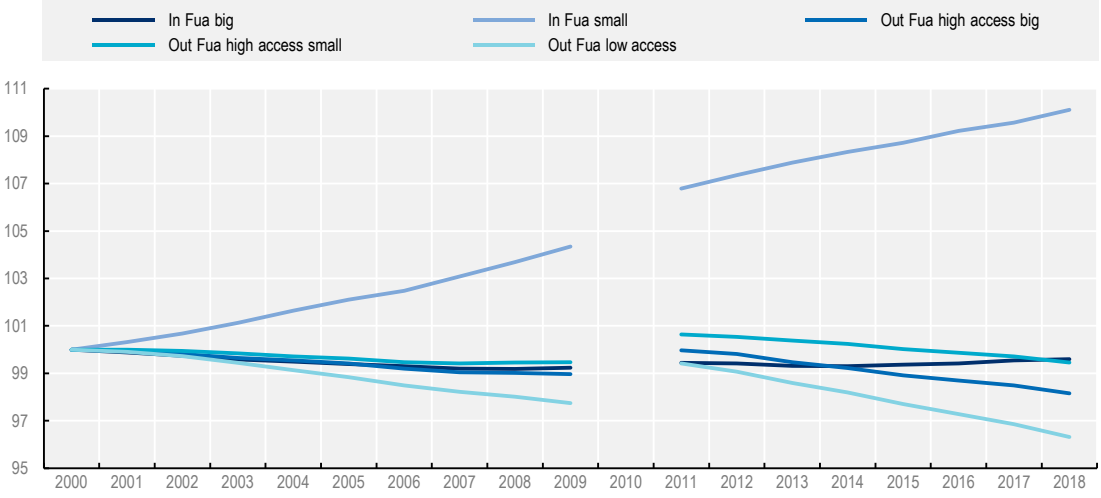
At the municipal level, small municipalities inside FUAs experience the largest population growth in the country (0.5% per year between 2000 and 2018), although most of Poland's population still live in big municipalities inside FUAs (42%) (Figure 1.4). This contrasts with a declining population in all municipalities outside FUAs. Since 2000, municipalities outside FUAs with low accessibility have experienced the largest drop in population (-3.7% between 2000 and 2018 or -0.2% annual average), followed by big municipalities outside FUAs with high accessibility (-1.8%).

Figure 1.3. Population in TL3 regions in Poland and OECD countries, 2002-18



Note: 100=2002.
Source: OECD (2020[9]), *OECD Metropolitan Statistics (database)*, OECD, Paris.

Figure 1.4. Population change across municipalities in Poland, 2000-18



Note: 100=2000. Access refers to access to FUAs. Changes in the data series do not enable to provide data for the year 2010.
Source: Statistics Poland (2020[10]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

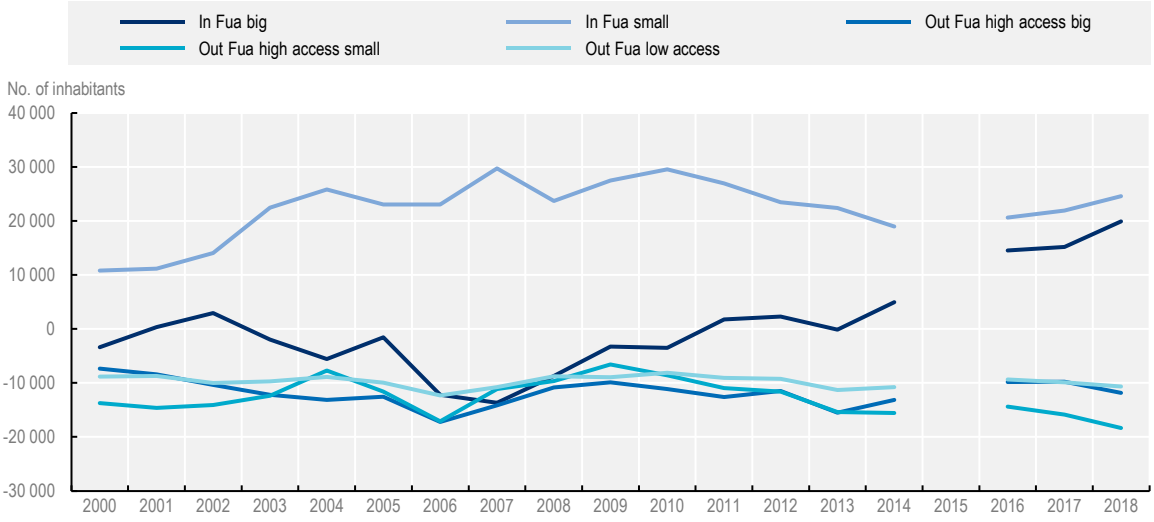
Population growth in municipalities inside FUAs is mainly driven by a high inflow of people from other municipalities (Figure 1.5). Between 2000 and 2018, municipalities inside FUAs were the net receivers of the population in Poland, with a total net migration (outflows - inflows) of 430 230 people (1.9% of the population in these municipalities). Of the people arriving to municipalities in FUAs, 60% are female, whose inflow trend picked up after the 2008 crisis (from an average migration of 10 627 women between 2000 and 2008 to 15 201 between 2009 and 2018).

In contrast, all three types of municipalities outside FUAs experienced net outflows of population. Between 2000 and 2018, municipalities outside FUAs registered 616 439 people out-migrating (3.6% of the population in this type of municipality), mostly women (58%). During the same period of time, municipalities outside FUAs with low accessibility experienced the largest net outflow of people (in total 6% of their population in 2018), followed by big municipalities outside FUAs with high accessibility (4.3%

of their population). It is worth nothing that the amount of people leaving municipalities outside FUAs with high accessibility has accelerated in recent years. In fact, 2018 was the year with the largest amount of people (18 322) leaving small municipalities outside FUAs with high accessibility since 2000.

Figure 1.5. Net migration in municipalities in Poland, 2000-18

Net migration of population (inflows minus outflows) per municipality



Note: Data from 2015 is not published due to insufficient quality of data for this year. Data on migration includes internal and international migration, based on the registration of permanent residency in each municipality. Access refers to access to FUAs.
Source: Statistics Poland (2020[10]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

If well managed, Poland's concentration trend in FUAs can be beneficial as countries with higher GDP per capita tend to be more urbanised, especially in terms of metropolitan population (OECD/EC, 2020[11]). Generally, the concentration of firms and people in specific areas yield important economic advantages such as economies of scale, better matching and functioning labour markets, spill-over effects and greater exchange of ideas that promotes innovation (OECD/EC, 2020[11]). However, very dense FUAs also bring challenges for development including congestion, urban sprawl, higher land prices, larger environmental cost (pollution) and inequalities (OECD, 2015[12]). While benefits from urbanisation are mainly driven by market forces, costs must be mitigated by public policy, which requires LSGU co-ordination. Policies to enhance co-ordination and address challenges in FUAs are addressed in the next chapters of this report.

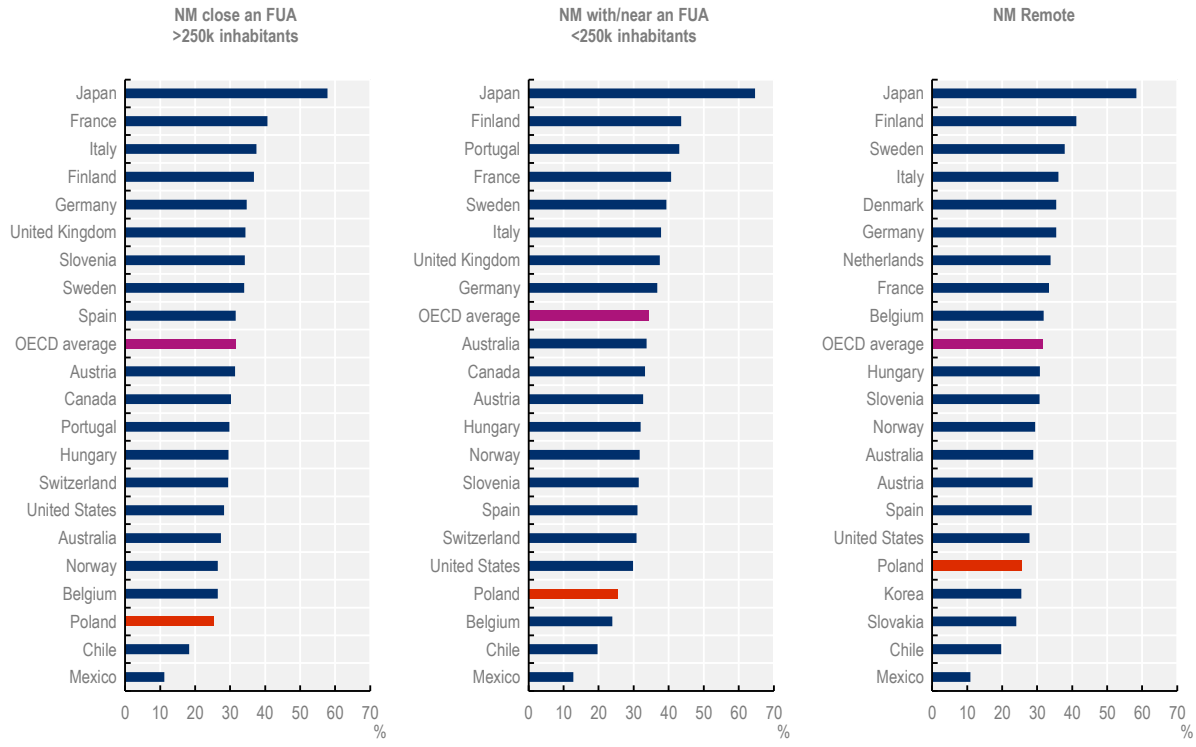
A combination of rapid ageing and low youth population replacement threatens Poland's age premium

Along with the decreasing population, Poland is experiencing rapid population ageing due to the combination of high life expectancy, lower fertility rates and outmigration. With the current trend of youth population replacement, Poland is expected to be the sixth OECD country with the highest ageing rate (OECD, 2019[13]).

The elderly population in Poland is similarly distributed between metropolitan and non-metropolitan regions (25.1% and 25.4% respectively). It contrasts with the average trend across OECD countries, where non-metropolitan regions tend to hold higher shares of elderly population than metropolitan

regions (OECD, 2020[4]). As mentioned before, Poland currently benefits from a relatively low elderly dependency ratio by international comparison, especially in non-metropolitan regions, whose rate ranks among the fifth-lowest across OECD countries (Figure 1.6). This phenomenon can be associated with higher birth rates in non-metropolitan regions in Poland (10.3 births per 1 000 inhabitants) than urban ones (9.4), which reflects greater changes in individual lifestyle preferences and housing accessibility constraints in FUAs as well as higher labour participation of women in urban areas (OECD, 2018[1]; Kurek, 2011[7]). When comparing among non-metropolitan regions in Poland, the ones with/near a small FUA have the lowest share of elderly dependency ratio population in Poland (25.4%), while regions near a large FUA record the largest elderly dependency ratio in the country (25.5%).

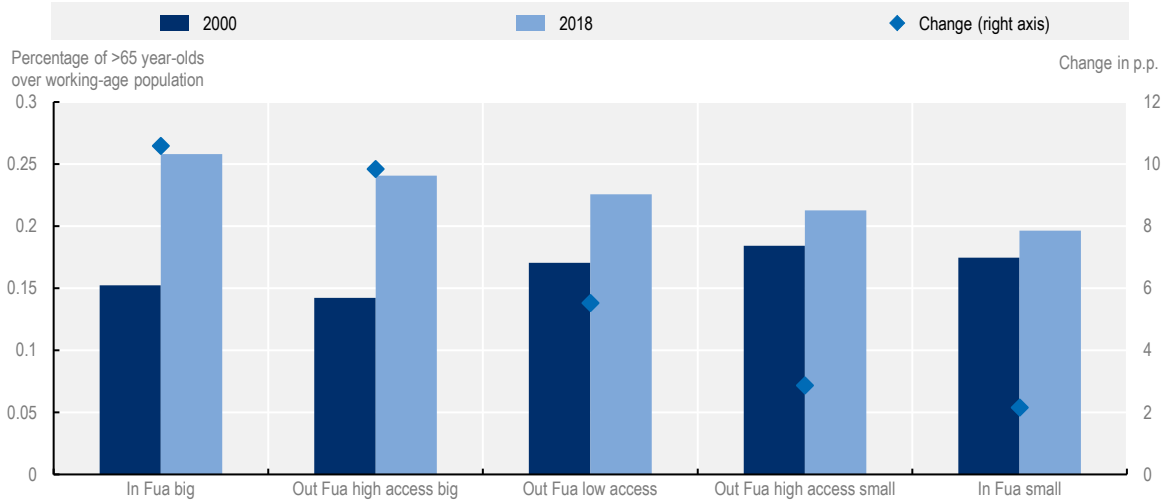
Figure 1.6. Elderly dependency ratio in non-metropolitan regions in Poland, 2019



Note: NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Across Polish municipalities, big municipalities inside FUAs hold the largest elderly dependency ratios (26% in 2018) and perceive the fastest growth of the elderly population (from an elderly dependency ratio of 15.2% in 2000 to 25.8% in 2018) (Figure 1.7). In contrast, small municipalities inside FUAs have the lowest elderly population ratio (20%) and the lowest growth of this ratio among all types of municipalities (from 17.5% in 2000 to 19.6% in 2018). Increasing old-age dependency ratios will put local budgets under pressure, as governments need to finance higher amounts of pensions, health and long-term care, while the tax base reduces.

Figure 1.7. Elderly dependency ratio of municipalities in Poland, 2000 and 2018



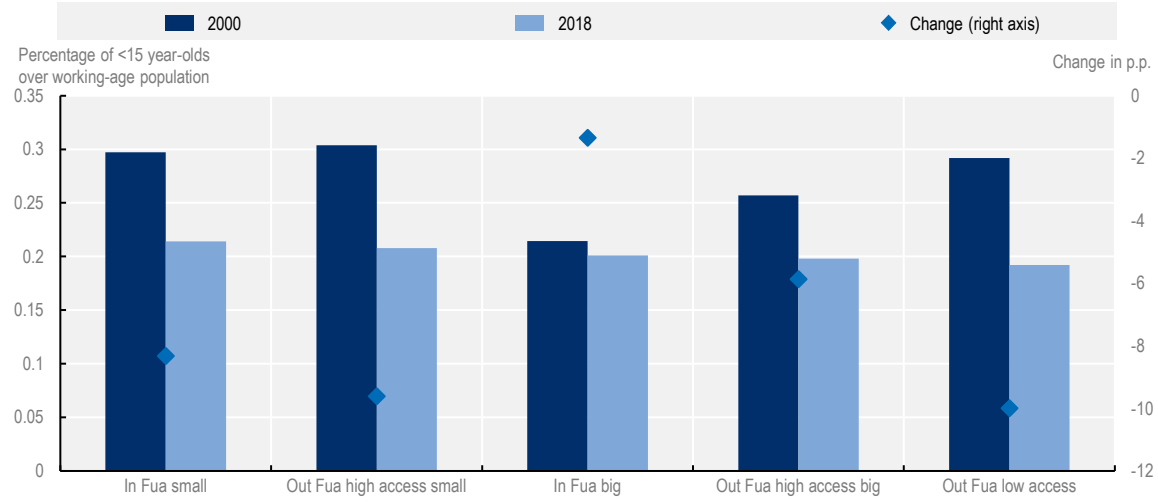
Note: p.p.: percentage points.
Source: OECD (2020[9]), *OECD Metropolitan Statistics (database)*, OECD, Paris.

The share of youth population in Polish FUAs is relatively low

The youth dependency ratio of FUAs in Poland (23%) is relatively low in comparison to the OECD average (27%). The share of the youth population in FUAs decreased during the first decade of the 2000s, driven by the international migration of young people (OECD, 2018[1]). Since the end of the 2008 economic crisis, the share of the youth population in FUAs in Poland has recovered its growth pace, passing from an average of 20.6% between 2002 and 2009 to 21.7% between 2009 and 2018. This rise contrasts with the declining trend of the youth population in OECD FUAs, which drop from 28.8% between 2002 and 2009 to 27.3% between 2009 and 2018.

Despite the recovery after 2008 in FUAs, the net result in the last two decades (since 2000) is a drop in the youth population share across all municipalities (Figure 1.8). This negative change is particularly high in municipalities outside FUAs with low accessibility (from 29.2% in 2000 to 9.2% in 2018), followed by small municipalities outside FUAs with high accessibility. In contrast, big municipalities inside FUAs recorded a lower drop in the youth population share (-1.3 percentage points). This trend uncovers the increasing outmigration of the youth population to FUAs.

Figure 1.8. Youth dependency ratio of municipalities in Poland, 2000 and 2018



Note: p.p.: percentage points. Access refers to access to FUAs
Source: OECD (2020[9]), *OECD Metropolitan Statistics (database)*, OECD, Paris.

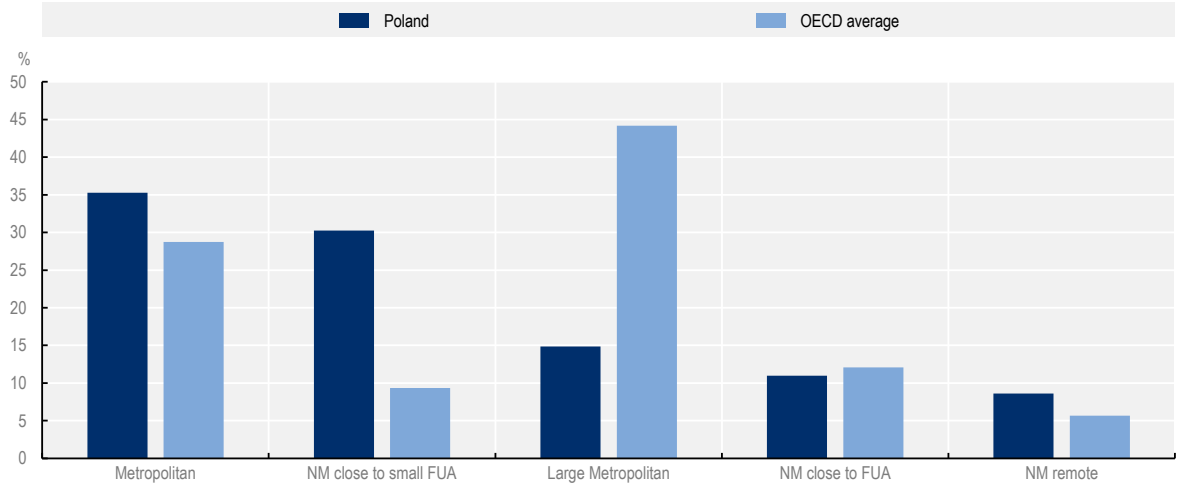
Poland holds a relatively high share of the working-age population but it is rapidly shrinking, especially in big municipalities outside FUAs

The population structure of Poland currently ensures a relatively large stock of working-age population (15-64 year-olds). This demographic asset can leverage economic growth, attract international companies and lead to greater business creation. Most of Poland's working-age population is concentrated in metropolitan regions with medium- and small-sized FUAs (35.3%), well above the concentration of the same type of region across OECD countries (28.7%). In contrast, large metropolitan regions experience a relatively low share of the labour force (14.8%) in comparison with OECD levels (44.1%). As the next section will describe, it underlines the increasing challenges of the ageing population that large metropolitan regions in Poland have to face.

Within non-metropolitan regions, those with or near a small FUA register the second-largest share of working-age population in the country (30.2%), far above the average figures for the same type of region across OECD countries (9.3%). Likewise, remote regions in Poland hold higher working-age population shares than similar regions across OECD countries. In contrast, non-metropolitan regions close to large FUAs register a lower labour force than the OECD average. At the municipal level, big municipalities inside FUAs concentrate most of Poland's working-age population (41%), followed by small municipalities outside FUAs with high accessibility (24%). Poland's workforce is balanced in terms of gender (similar proportion between male and female).

Figure 1.9. Working-age population by type of TL3 region in Poland and OECD average, 2019

Share of population 15-64 years old in Poland and OECD countries



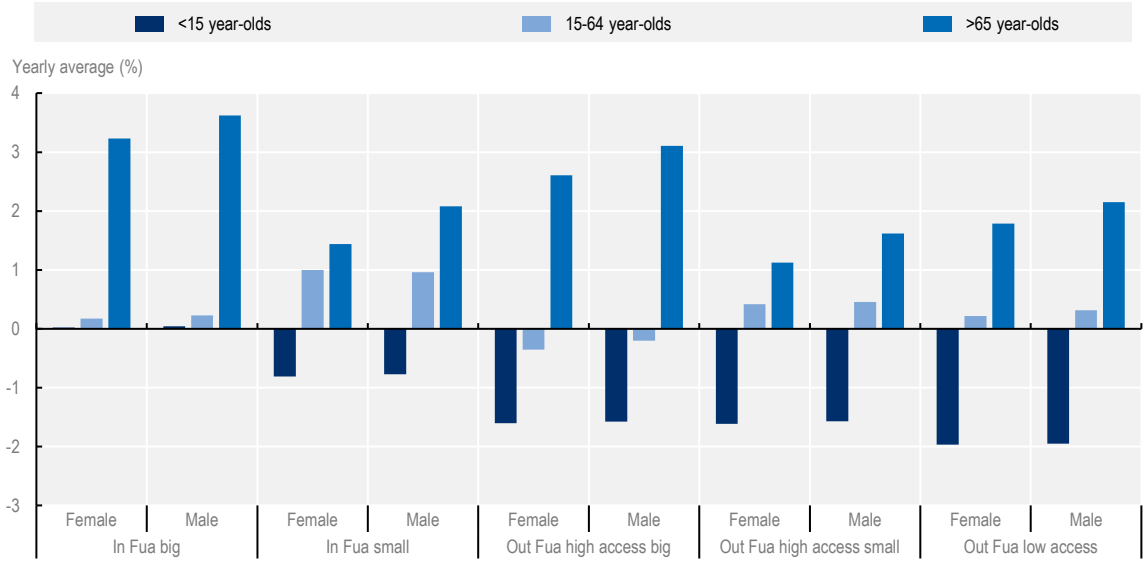
Note: For a better visualisation of the figure, NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

However, the high share of the elderly population along with a decreasing youth population has led to a shrinking workforce across all municipalities in the country. Poland is the fourth OECD country with the largest projected decrease in the working-age population between 2020 and 2060, below Korea, Latvia and Lithuania (OECD, 2019[13]). At the municipal level, the big municipalities outside FUAs with high accessibility experience the largest decrease in the workforce (-0.3% yearly average between 2000 and 2018), with a particularly high drop in the female workforce (-0.4% yearly average). In contrast, small municipalities inside FUAs are the ones that register the largest workforce growth in the country (Figure 1.10).

Interestingly, municipalities outside FUAs with low accessibility have experienced a growth of labour force share (1.9%) but this trend masks important differences. For example, in 2018, 3 municipalities with low accessibility (Czyże, Dubicze Cerkiewne and Orla) rank as having the lowest share of the working-age population (around 54%) in the country, while other low-accessibility municipalities like Cisna, Kolno and Lutowiska ranked among the 15 largest shares in the country (72%).

Workforce decline and ageing are major issues to maintain vibrant economies at the local level. It limits growth for local business, reduces the local market size and the entrepreneurship of the economy. It can lead to negative shocks for local income revenue, which in turn threatens the quality of public services delivery and pushes the local community to a trap of low-growth scenarios. Addressing the demographic challenges, particularly in rural municipalities, means increasing attractiveness for young people and new companies and workers to come, including immigration strategies. It is not a straightforward task, as it requires long-term strategies and budgets along with local self-government capacity and close work with the local community to agree and ensure the implementation of growth objectives. The next chapters of this review will offer some solutions to these challenges from the governance perspective.

Figure 1.10. Population change (%) by gender and age group in municipalities in Poland, 2000-18



Note: Yearly average. Access refers to access to FUAs.
Source: OECD (2020[9]), *OECD Metropolitan Statistics (database)*, OECD, Paris.

In conclusion

Poland has a dispersed territorial population with a low geographic concentration across regions. The country stands out for having a high share of population living in non-metropolitan regions, relative to the OECD average. The two regions concentrating most of Poland's population are metropolitan (35%) and non-metropolitan regions near or with a small FUA (30%). At the local level, big municipalities inside FUAs (42%) and small municipalities outside FUAs with high accessibility (24%) host most of the population. Poland still benefits from a relatively young age structure, by OECD comparison, which has partially explained the country's economic growth in recent decades (see next section). Most of this working force is today located in metropolitan regions with medium-sized FUAs (35.4%) and Poland's non-metropolitan regions stand out for having the fifth-lowest elderly dependency ratio (25.4%) across OECD in similar regions.

Nevertheless, the balanced population distribution in the territory is set to change, as FUAs increasingly attract most of Poland's population and non-metropolitan regions (low accessibility) face rapid population decline. Since 2015, Poland has consecutively ranked among the ten countries with the highest population decline across the OECD. Municipalities outside FUAs, particularly those with low accessibility, are the ones facing the largest population drop, while small municipalities inside FUAs experience the greatest population growth in the country. Likewise, Poland's workforce is increasingly shrinking. Municipalities outside FUAs, particularly big ones with high accessibility, register the largest decrease in the country, with a high decline in the female workforce. In contrast, small municipalities inside FUAs stand out for having the largest workforce growth and a relatively low elderly population ratio. This concentration of population in FUAs reveals the growing rural-urban migration, especially from non-metropolitan youth.

Poland's concentration trend in FUAs is happening at a low pace, which can be beneficial for planning purposes. Municipalities, particularly those with access to big FUAs, can benefit from a relatively low

urbanisation growth to develop long-term plans that harness the benefits of agglomeration economies (e.g. economies of scale and knowledge exchange) while addressing the negative externalities. High-density FUAs can bring challenges for people and businesses, including congestion, higher housing prices and longer commuting times. As Chapters 2 and 3 of this review will outline, addressing these issues requires co-ordination among levels of government and types of sectoral policies (e.g. transport and housing).

The still balanced population distribution has led to pockets of density outside large FUAs, which can represent an opportunity for Poland to unlock important development hubs. Mobilising growth around these hubs requires strengthening rural-urban interactions, especially around small FUAs, in order to create poles for the non-metropolitan hinterland. For this, local self-government needs to enhance collaboration in planning and investment with a territorial perspective (recognising municipal characteristics) as well as in monitoring and evaluation mechanisms that help adapt strategies to demographic changes. Strategies on this will be further developed in the next chapters of this review (especially Chapters 2, 3 and 5).

Finally, the decreasing and ageing population, especially in municipalities outside FUAs, is an increasing challenge for Poland. Without the right policy and planning in place, this can lead to a number of negative impacts including a shortage of labour to support economic growth, increasing cost of public service provision and a reduced tax base. Addressing this challenge can include policies to support population growth, including good access to childcare facilities or reducing the initial cost of having a child, without discouraging female labour supply. As the next chapters will explore, LSGUs should also co-ordinate policies to avoid competition for labour at the local level and retain the youth population, attract new residents and develop targeted immigration programmes. Enhancing labour participation and education can also help LSGUs to leverage economic growth and attract firms.

Economic trends at the regional and local levels in Poland

Since the country's accession to the EU (2004), Poland's economy has taken off, lifting GDP per capita levels and lowering unemployment rates. In fact, Poland was the only EU member state to avoid recession during the global financial crisis of 2008 and 2009 and has kept closing the income gap in advanced economies. However, the increase in wealth has not been equally distributed across the territory and the country's productivity remains far below the OECD average. Likewise, economic performance has occurred in the midst of a decreasing population driven by a phenomenon of outmigration to other European countries.

The economic impact of the COVID-19 crisis in 2020 hit the Polish economy hard, leading to its first recession since the 1990s (two consecutive quarters of contraction). Recovering the economy should involve close support to LSGUs in Poland in order to mitigate greater income inequalities across the territory and leverage on territorial characteristics to boost growth. Under this context, this section will outline main economic trends in regions, FUAs and municipalities across Poland and will identify the main strengths and bottlenecks to attain sustained and balanced growth across the territory.

Poland continues to close the income gap with OECD economies but its income level is still relatively low

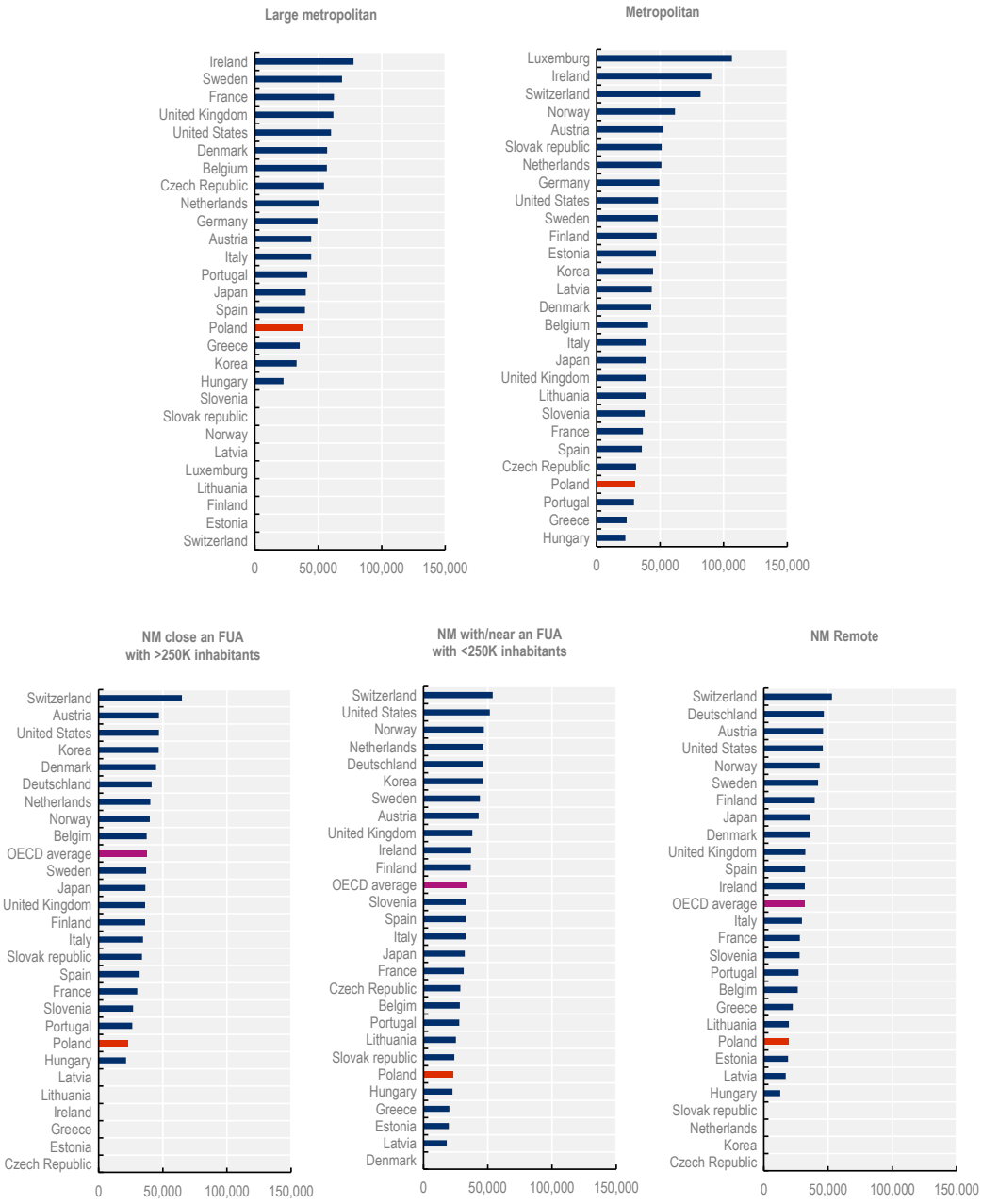
In the last two decades, Poland has closed the income gap with advanced economies driven by a strong labour productivity growth (OECD, 2019[14]) as a result of sectoral restructuring and foreign technology

absorption. This positive performance has led to a record low level of unemployment (18.4% in 2001 to 3.3% in 2019) accompanied by signs of accelerating wages. After a contraction in 2016, investment increased again in 2017, supported by low real interest rates and a rebound in public investment as EU structural funds were back in the spotlight (OECD, 2018[15]).

Yet, despite the strong growth performance, Poland recorded in 2019 the seventh-lowest GDP per capita across the OECD and employment rates remain below the OECD average, particularly for women and older workers (OECD, 2019[14]). At the regional level, all types of region in Poland, non-metropolitan and metropolitan, still rank among the lowest income levels across OECD regions (Figure 1.11). Metropolitan and non-metropolitan regions in Poland have, on average, the fourth-lowest GDP per capita across OECD countries. However, within non-metropolitan regions, those close to large FUAs have the worst performance relative to OECD levels, ranking as the second lowest GDP per capita across the same type of OECD regions. This can be partially explained by a relatively lower share of the workforce, as these regions are the only type of non-metropolitan regions that have a lower workforce share than the OECD level and record the highest ageing population share in the country. Additionally, as per their proximity to large FUAs, new settlers in these regions might keep registering and paying their taxes in the FUA, which reduces the income level registered in these areas.

Poland's economy has a high concentration in services activities but its value-added is lower than the OECD average. The tertiary sector (services) provides most of the valued-added to Poland's economy (63.6% in 2017), followed by industry (33.7%) and the primary sector (2.7%). While the value-added from industry exceeds OECD levels (26.7%), the contribution from services is below the OECD average (70.8%). The primary sector, composed of a large share of agricultural activities on top of a small share of forestry and fishing activities, generates a relatively similar level of value-added than the OECD average (2.5%) but absorbs a far larger share of employment (11%) than the OECD (5%) (OECD, 2018[1]). It underlines the relatively low productivity of the primary sector and an opportunity to further support income in non-metropolitan economies.

Figure 1.11. GDP per capita by type of TL3 region in Poland and OECD countries, 2017



Note: In USD purchasing power parity (PPP). NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

The increase in wealth has not been equally distributed across TL3 regions in Poland

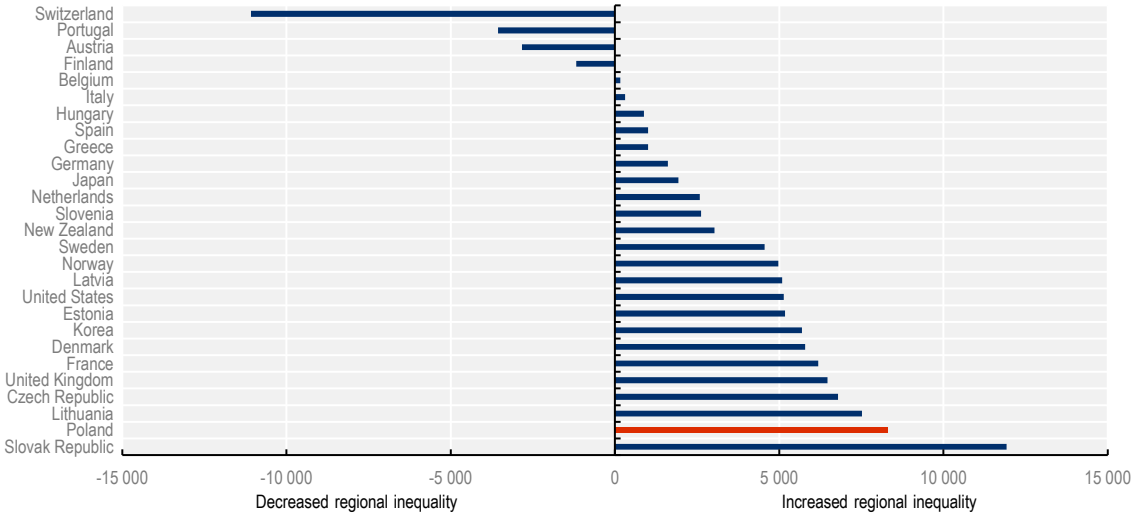
After the 2008 financial crisis, regional inequality increased in almost all OECD countries (OECD, 2018[16]). Increased regional inequalities across the OECD are driven by top regions raising their GDP per capita levels faster than the rest (OECD, 2020[4]). Poland is not an exception; in fact, between 2008 and 2017, it recorded the second-highest growth in regional income inequality across OECD countries (Figure 1.12), ranking as the fifth OECD country with the highest regional economic disparity (OECD,

2018[16]). Income disparities across regions are positively correlated with disparities among people and can lead to social unrest and costly social policies (OECD, 2018[1]).

Without policy intervention, the recent economic crisis brought by the COVID-19 pandemic has the potential to worsen Poland's current regional disparity trend, as was the case in the aftermath of the 2008 financial crisis. Efforts to bridge the income gap are especially significant in times of crisis, as low-income and less economically diversified regions are more vulnerable to external shocks (OECD, 2020[4]). As the next chapters will depict, improving governance processes on social, fiscal and investment matters is an important tool to diminish the negative impacts on local income disparity from the COVID-19 crisis.

Figure 1.12. Change in TL3 regional disparities in GDP per capita in Poland and OECD countries, 2000-17

Ratio per country between the top 20% regions with higher income and the bottom 20%. The change in time is between 2008-17 and 2000-07 averages, USD PPP



Note: 2017 extrapolated values for France and Japan based on 2001-16 regional growth rates. Based on available data for 1 629 TL3 regions. Unlabelled cases are better off (top or bottom). Top (bottom) refers to top (bottom) 20% regions with the highest (lowest) GDP per capita levels (PPP) with populations adding up to at least 20% of the national population.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Metropolitan regions benefit from a greater income than non-metropolitan regions

Poland's high regional income disparity is partially driven by an increasing concentration of people and wealth in metropolitan regions, especially in Warsaw (OECD, 2018[1]). The city of Warsaw (TL3 large metropolitan region) has the largest GDP per capita in Poland (USD PPP 85 542 in 2017), 49% above the second richest TL3 region (Poznań) and three times higher than the average of the country (USD PPP 26 213 in 2017).

The majority of the top 10% richest regions in Poland are metropolitan regions (82%), while all 10% of the poorest regions are non-metropolitan ones. Overall, GDP per capita in metropolitan regions is 10% greater than the national average and 60% larger than in non-metropolitan regions. This trend is also observed across OECD countries, where densely populated areas experience larger income levels due to greater economies of scale and attraction of firms and workers (OECD/EC, 2020[11]). While

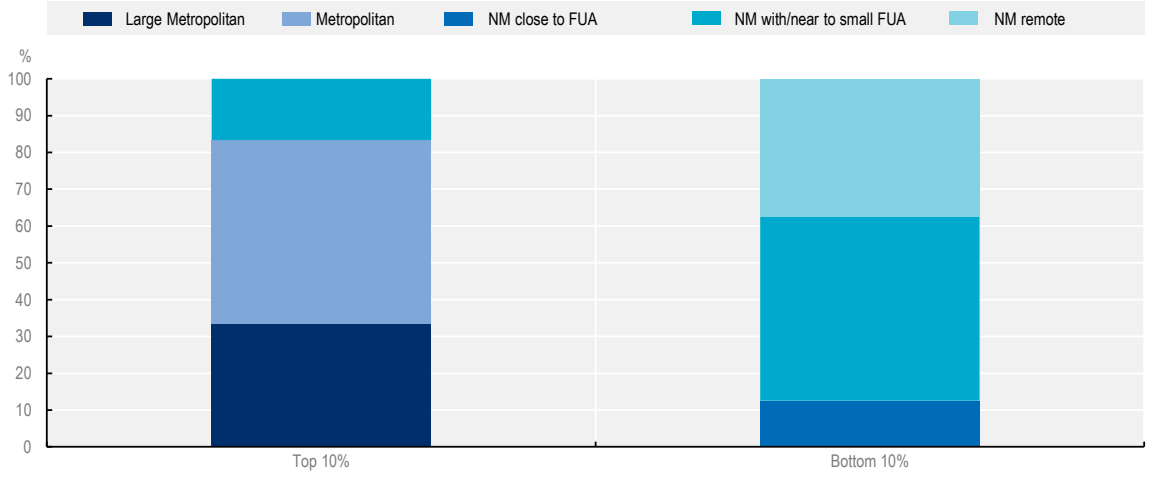
inequalities among the country's capital and other regions are not a unique characteristic of Poland, a growing disparity trend can indeed lead to social issues.

Within non-metropolitan regions, remote areas have the lowest GDP per capita in the country (USD 19 303), equivalent to 61% of national income (or 74% of average regional income). Non-metropolitan regions with or near a small FUA have a slightly higher per capita GDP than those near a big FUA (0.27% higher), which contrasts with the average trend across OECD, where regions close to a big FUA outperform the rest of non-metropolitan regions. As explained before, this phenomenon reveals a greater working force decline in these regions and can be affected by the registration of income and taxes of residents that still work in the big FUA. It raises the need for better co-ordination at the local level to identify why some of these regions close to FUAs do not benefit from the positive externalities of being close to larger markets as much as similar regions across OECD countries. LSGU collaboration has scope to improve policies on job accessibility, the attraction of new companies, knowledge transfer among large FUAs and their surrounding non-metropolitan regions (see Chapters 2 and 6).

It is worth noting that the type of economic specialisation also spurs income disparities among non-metropolitan regions in Poland. Legnicko-Glogowski and Płock, non-metropolitan regions close to a small FUA, rank among the ten richest TL3 regions in Poland, partially due to the income from extractive-related industries (country's largest oil refinery in Płock and silver and copper production Legnicko-Glogowski).

Figure 1.13. Top and bottom GDP per capita by type of TL3 region in Poland, 2018

Share within the top and bottom 10th percentile in GDP per capita



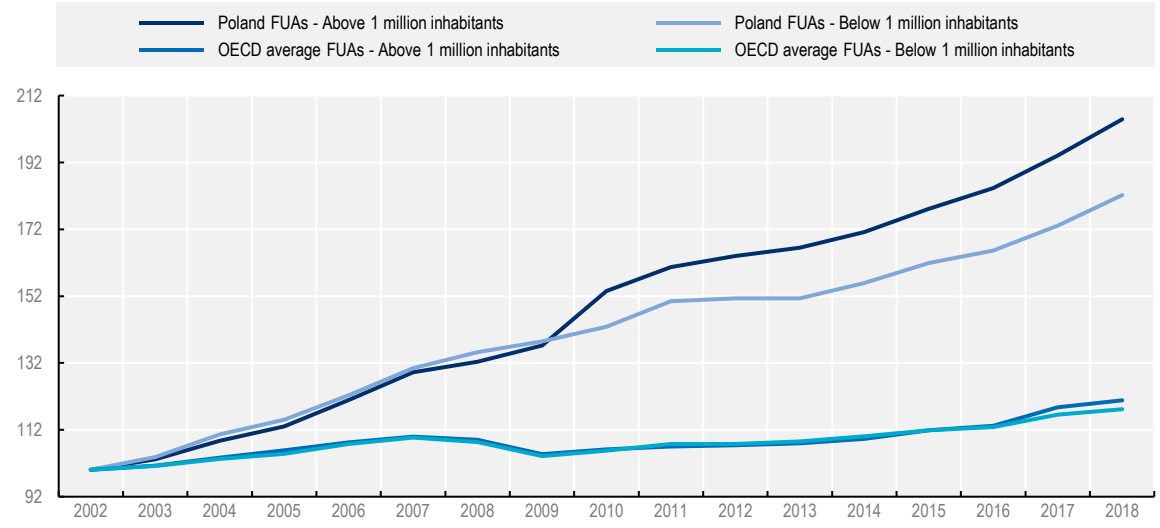
Note: For a better visualisation of the figure, NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Income in FUAs in Poland has increased faster than the OECD average, particularly in large FUAs

FUAs of all sizes in Poland have experienced greater economic growth than the average of OECD countries. In particular, large FUAs (Gdańsk, Katowice, Kraków and Warsaw) have driven national income growth (Figure 1.14). Between 2002 and 2018, the income per capita growth in Poland's large FUAs (4.6% average annual growth) was more than 4 times higher than the average of OECD FUAs

(1.2%). Likewise, income per capita of Poland's medium- and small-sized FUAs grew above (3.6%) the average of the same type of OECD FUAs (1.0%). Since the 2008 financial crisis, income growth of the capital accelerated against the rest of the country. Between 2008 and 2018, Warsaw registered an average GDP per capita growth (5.6%) far above Kraków (3.5%), Gdańsk (3.4%), Katowice (2.7%) and the average growth in small/medium size FUAs (2.8%).

Figure 1.14. GDP per capita in FUAs in Poland and OECD countries, 2002-18

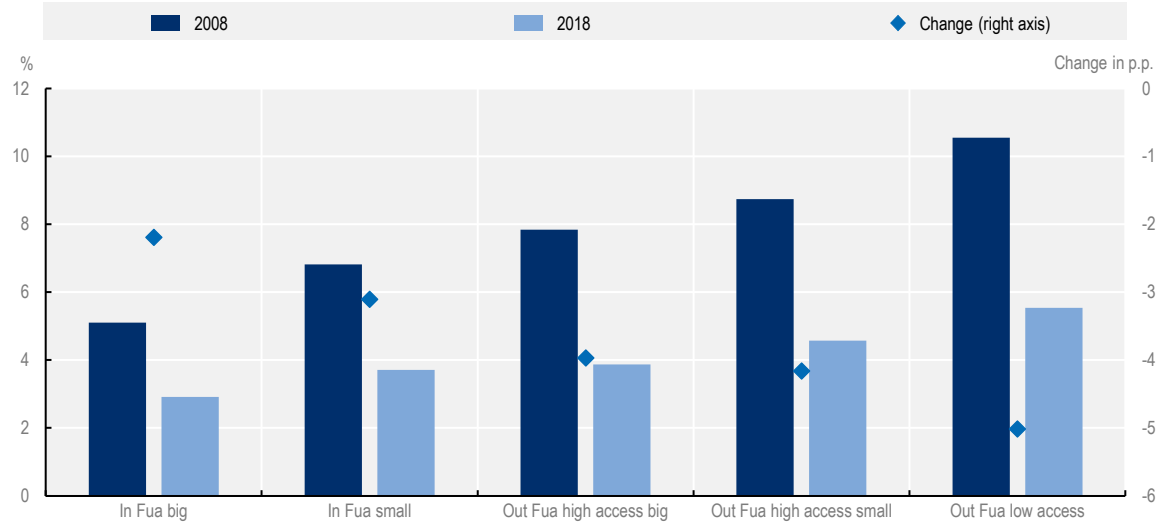


Note: 100=2002. Per capita, Real prices, USD PPP.
Source: OECD (2020[9]), *OECD Metropolitan Statistics (database)*, OECD, Paris.

Economic growth of FUAs in Poland has led to lower unemployment rates than in municipalities outside FUAs

Unemployment in FUAs has decreased faster than the average of OECD FUAs. The decrease in unemployment across FUAs in Polandci accelerated in the aftermath of EU accession, driven by the outmigration of unemployed people to other EU countries (Fihel and Kaczmarczyk, 2013[17]). Large and small/medium FUAs in Poland have a much lower unemployment rate (2.7% and 4.3% in 2018) than similar FUAs in the OECD (5.2% and 5.0%). Likewise, at the municipal level, municipalities in FUAs register the lowest unemployment rate (2.9% in big and 3.7% in small) across all types of municipalities. In contrast, municipalities outside FUAs with low accessibility record the largest unemployment rates (5.5%), yet with a positive experience of catching up, as they have registered the greatest unemployment reduction between 2008 and 2018 (Figure 1.15).

Figure 1.15. Unemployment rate in municipalities in Poland, 2008-18



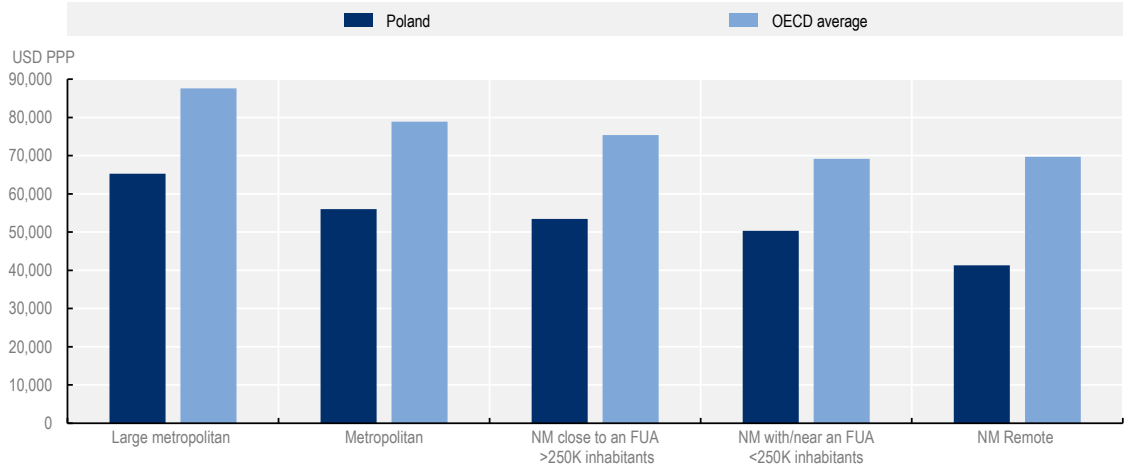
Note: p.p.: percentage points. Access refers to access to FUAs.
Source: Statistics Poland (2020[18]), Regional statistics, https://stat.gov.pl/en/regional-statistics/ (accessed on November 2020).

High income in metropolitan regions in Poland is associated with higher levels of value-added and labour productivity

Metropolitan regions generate the bulk of Poland's economic wealth. Metropolitan regions account for 56% of total national gross value-added (GVA), compared to 44% of non-metropolitan GVA. Unlike the OECD trend, large metropolitan regions in Poland account for a higher GVA share than metropolitan regions. It underlines the increasing economic absorption capacity of large FUAs in Poland and the productivity challenge in small/medium FUAs. In line with OECD trends, remote regions provide the lowest contribution to the national economy and their contribution is relatively lower than the same type of regions across OECD.

Metropolitan regions' greater contribution to the national economy is partially explained by higher labour productivity (GVA per employee) (Figure 1.16). Labour productivity in large metropolitan regions is on average 17% higher than the level of metropolitan regions and 35% higher than non-metropolitan regions. While productivity in all Polish regions is far below the level of the same type of OECD regions, this gap with OECD countries is higher in non-metropolitan regions (32.3% below OECD levels), particularly in remote ones (40.1%). Rising labour productivity in non-metropolitan regions in Poland should be a national policy objective to enhance national well-being and keep closing the income gap with OECD countries. As the next section will depict, much of such low productivity is associated with the type of economic structure in non-metropolitan economies.

Figure 1.16. Labour productivity by type of TL3 region in Poland and OECD countries, 2017



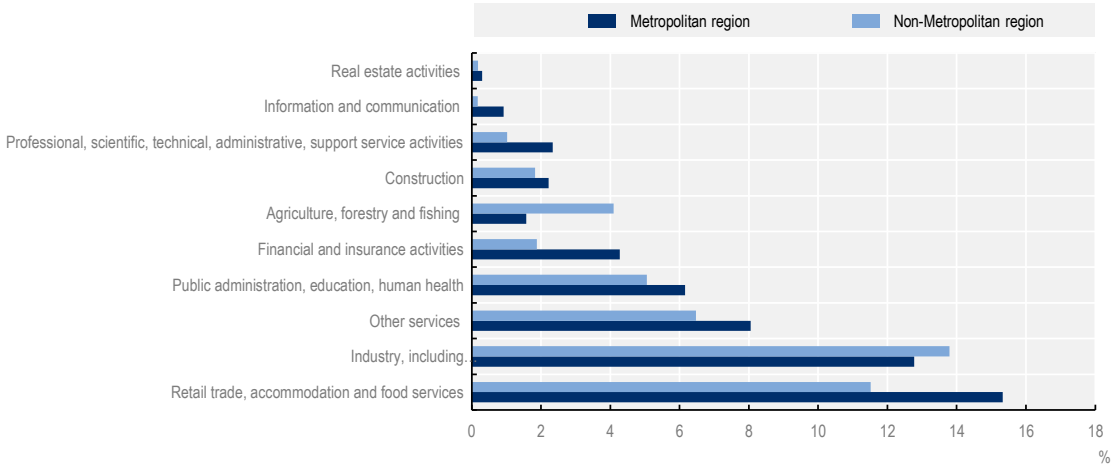
Note: Share calculated as the ratio of GVA by employee. USD PPP base year 2015.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Non-metropolitan regions specialise in primary activities, while metropolitan regions focus on services

As in most OECD countries, metropolitan regions in Poland concentrate the largest share of people working in high-value-added service activities (e.g. financial and insurance, professional and scientific, information and communications). In contrast, non-metropolitan regions hold a larger share of workers in primary activities (agriculture and forestry) (Figure 1.17). This difference in economic specialisation largely explains the greater productivity and income in FUAs. The productivity of services tends to increase in large FUAs as it benefits from access to a pool of specialised labour and knowledge networks (OECD, 2020[4]). It is worth noting, that both types of TL3 region have a high concentration of workers in the retail and industry sectors. However, industry is slightly more concentrated in non-metropolitan regions, particularly in those close to small/medium FUAs (Figure 1.18), with a high share of industrial activities associated with processing natural resources (refineries, food processing).

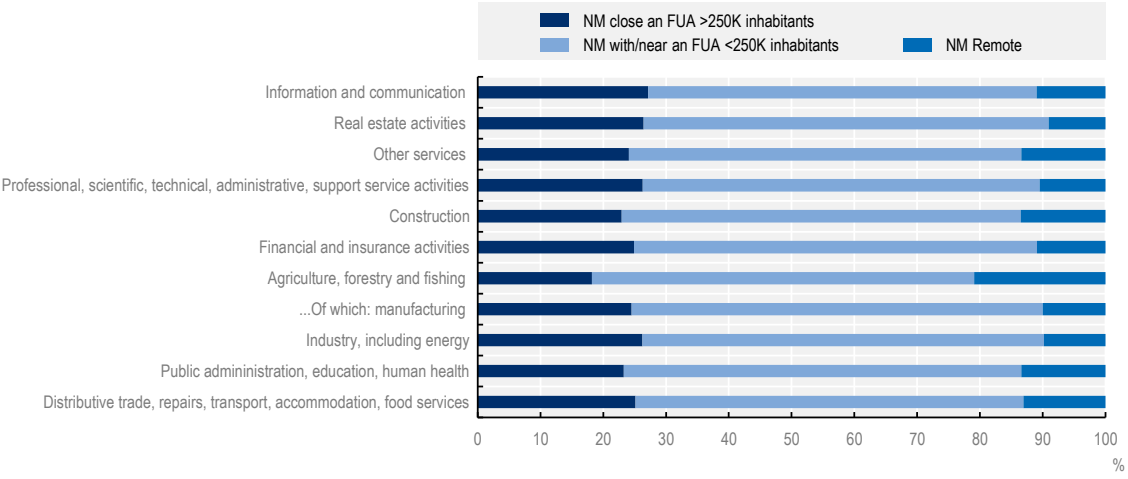
Non-metropolitan regions in general have a relatively large job concentration in few lower-value-added activities (public administration), in many cases more exposed to international competition (agriculture). TL3 Regions close to a large FUA in Poland slightly differ from the rest of non-metropolitan regions as they hold a larger share in the services sector (Figure 1.18). In fact, these TL3 regions concentrate most of the non-metropolitan workers in the information and communication sector (86%), which reveal some benefits from the proximity to agglomeration economies. In contrast, remote regions are mostly dedicated to the agriculture, forestry and fishing sector (17.6% of workers in non-metropolitan regions), followed by construction (7.5%) and public administration (7.4%). This concentration in tradeable activities and highly procyclical sectors (construction) make these TL3 regions more vulnerable to external shocks. Policies to diversify non-metropolitan economies, especially remote regions and those close to small FUAs, coupled with strategies to increase the value-added of their products could help them attain greater resilience and sustainable income.

Figure 1.17. Employment specialisation by sector in TL3 regions in Poland, 2017



Note: Share of the ratio of workers by sector over the national number of employees by sector.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Figure 1.18. Specialisation by sector in non-metropolitan regions in Poland, 2017



Note: Share calculated as the ratio of workers by sector to the total of workers from non-metropolitan regions. NM stands for Non-metropolitan.
Source: OECD (2020[5]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Most business establishments in Poland are located in municipalities inside FUAs

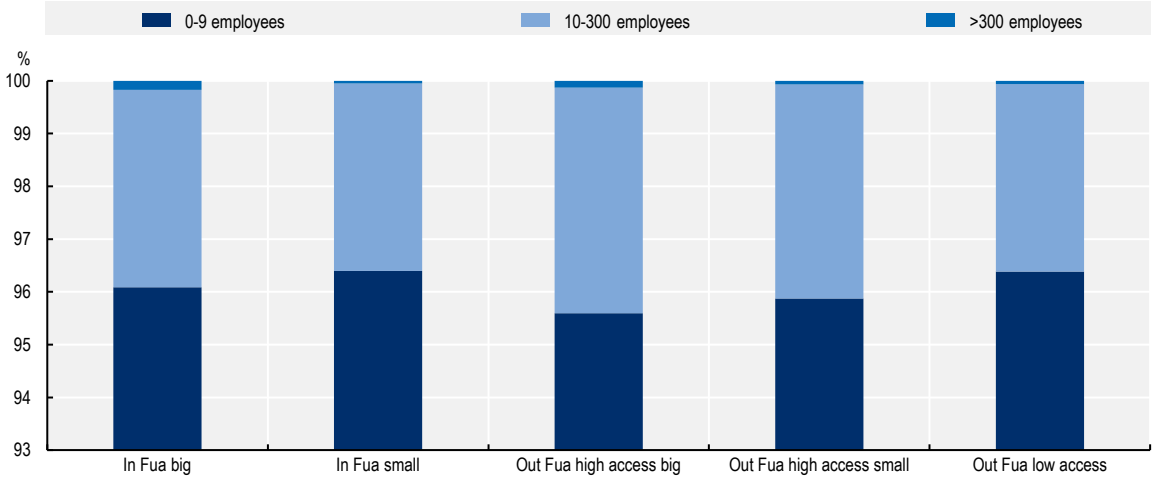
In line with the income distribution across Poland, municipalities inside FUAs concentrate most of the business establishments in the country (66%). Particularly, big municipalities inside FUAs host the large majority of establishments (54%), followed by small municipalities outside FUAs with high accessibility (16%). Yet, the relatively high growth of establishments in small municipalities inside FUAs underlines their economic dynamism and population growth. As the next chapters of this review will underline, placed-based policies on business development should acknowledge this differentiated picture across

the territory by providing targeted support to small- and medium-sized enterprises (SMEs) and entrepreneurship as well as a good business environment for large companies in the right places.

The great majority are micro-business establishments

Business establishments with a maximum of 9 employees are the most common type of establishment across all Polish municipalities (96.1% of total business establishments). In the last decade, as in most OECD countries, Poland has experienced a reduction in large establishments (-1.3% annual average between 2009 and 2018), particularly across municipalities outside FUAs with low accessibility (-2%). Small municipalities inside FUAs and outside FUAs with low accessibility hold the largest share of micro-business establishments (96.4%). In contrast, big municipalities in FUAs and outside FUAs with high accessibility concentrate a relatively higher share of large establishments (over 300 employees) (Figure 1.19).

Figure 1.19. Share of companies by the number of employees in municipalities in Poland, 2018



Note: Access refers to access to FUAs.
Source: Statistics Poland (2020[10]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

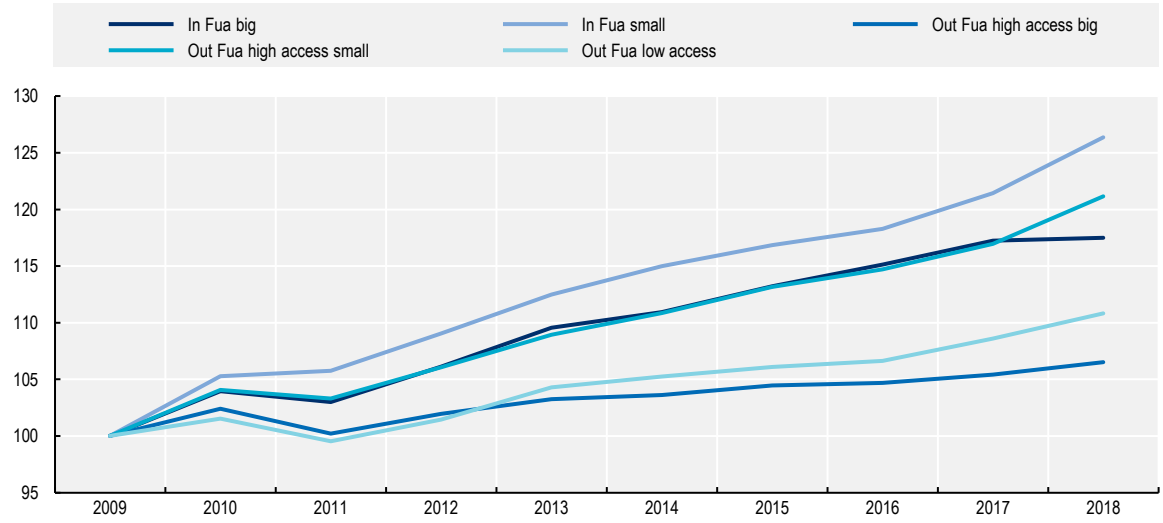
Small municipalities experience the largest growth of business establishments

In the last decade, small municipalities both inside and outside FUAs with high access have experienced the largest growth in business establishments across Poland (Figure 1.20). Between 2009 and 2018, small municipalities in FUAs experienced the largest growth in the number of business establishments (14% annual average), followed by small municipalities outside FUAs with high accessibility (10%).

The business demography in Polish municipalities reveals the relevance of small and micro enterprises for the local economy. Co-ordinated policies to enhance growth and reduce the vulnerability of small and micro companies should be a priority to support municipal economies. It is particularly relevant for municipalities outside FUAs with low accessibility, where links to external markets is limited and the local economy is shrinking due to the depopulation trend. As the current crisis has shown, small

companies are largely vulnerable to external shocks and require specific policies to facilitate access to capital and markets, and upscale capacity (OECD, 2020[19]).

Figure 1.20. Number of business establishments per thousand inhabitants in municipalities in Poland, 2009-18



Note: 100=2009. Access refers to access to FUAs.
Source: Statistics Poland (2020[10]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

In conclusion

Poland has experienced great economic improvement after it acceded to the EU (2004), which raised income and reduced unemployment at the local level. Productivity, particularly in FUAs, and the demographic premium have supported Poland's GDP per capita growth in the last two decades. Nevertheless, Poland's economic performance masks high regional inequalities, which accelerated during the recovery phase of the 2008 financial crisis, led by an increasing concentration of income and population in large FUAs, particularly in Warsaw. This process has placed Poland as the second country with the largest regional inequality growth across OECD, between 2008 and 2017.

Economic structure across TL3 regions explains most of the divergences in productivity and growth. Productivity in all TL3 regions in Poland remains below the average of OECD regions, especially in the case of remote regions in Poland, which stand out for their low level (40% below OECD figures). Indeed, metropolitan regions concentrate most of the total national GVA and the highest labour productivity in the country. Such a high productivity level in metropolitan regions is associated with greater specialisation in high-value-added service activities. In contrasts, non-metropolitan economies, particularly those of remote regions, are highly specialised in primary activities (agriculture and forestry).

Size and geographical location also play an important role in economic performance across municipalities. Those inside FUAs have lower levels of unemployment than municipalities outside FUAs and small municipalities inside FUAs stand out for their level of business creation. The distance penalty in business demography is noticeable across municipalities outside FUAs. Those outside FUAs with

high accessibility experience higher growth in business establishments (1.4% annual average) than the municipalities outside FUAs with low accessibility (1.2%).

While the economic performance of FUAs has driven much of Poland's economic growth, increasing regional inequalities can bring social unrest, boost the cost of social policies and preclude opportunities to unlock growth across the territory. Policy strategies to increase productivity in non-metropolitan economies can translate into greater national income and local fiscal revenues to improve the provision of public services. As the next section will depict, supporting development across the whole territory relies on improving basic conditions and services at the local level, including access to health, education and quality infrastructure (broadband and roads).

Addressing the regional inequalities and low-growth rates of non-metropolitan regions requires LSGU co-ordination. Long-term growth strategies designed and implemented in isolation obviate synergies among neighbouring economies and association opportunities to reach greater economies of scale. Shared policies targeting entrepreneurship and SMEs in municipalities outside FUAs, as well as strategies to enhance the links among providers and large companies within sound local value chains, can improve Poland's business ecosystems, boost knowledge transfer and create competitive industries. A number of strategies to improve such co-ordination will be discussed in the following chapters.

Enabling factors for development at the regional and local levels in Poland

A snapshot of quality of life in Poland

Quality of life is important for LSGUs in Poland, in particular for retaining and attracting people and businesses**.** Due to the lack of data availability to compare well-being internationally at the municipal level, the analysis presented in this section describes the well-being at the regional level by adopting the OECD Regional Well-Being framework to compare quality of life in TL2 regions (voivodeships) in Poland to the OECD TL2 region average (Box 1.1).

Box 1.1. Building comparable well-being indicators at the TL2 level

The OECD framework for measuring regional well-being focuses on informing about people's lives rather than on means (inputs) or ends (outputs). In this way, policies are directed to well-being features that can be improved by policies. Helping evaluate how well-being differs across TL2 regions, regional well-being indicators are multi-dimensional (material and quality of life dimensions). They also recognise the role of citizenship, institutions and governance in shaping policies and outcomes.

Although well-being dimensions are measured separately, the regional well-being framework aims to allow for comparisons and interactions across multiple dimensions. Regional well-being in Poland is

measured along 11 well-being dimensions (Figure 1.21) – for which there are comparable statistics at the regional level.

Figure 1.21. Indicators by well-being dimension at the TL2 level

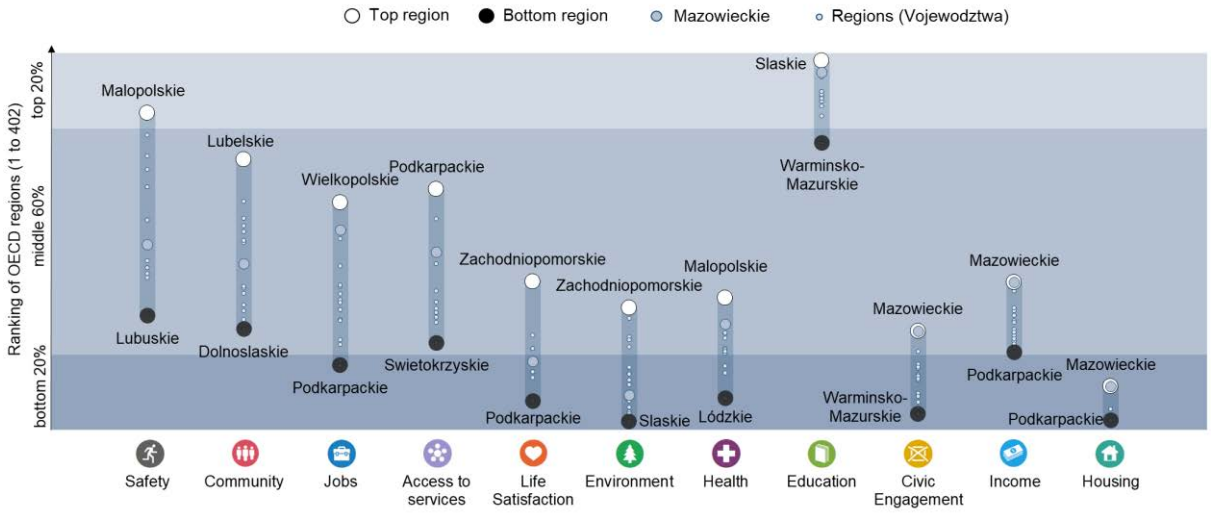
	Country Average	OECD median region	Polish regions	
			Top 20%	Bottom 20%
Safety				
Homicide rate (per 100 000 people), 2016	1.2	1.3	0.6	1.9
Community				
Perceived social network support (%), 2013	90.5	91.4	93.2	87.7
Jobs				
Employment rate 15-64 year-olds (%), 2017	62.2	67.7	67.2	58.1
Unemployment rate 15-64 year-olds (%), 2017	5.0	5.5	3.6	7.6
Access to services				
Households with broadband access (%), 2017	76.0	78.0	80.3	70.4
Life Satisfaction				
Life satisfaction (scale from 0 to 10), 2013	5.8	6.8	6.2	5.6
Environment				
Level of air pollution in PM2.5 (μg/m³), 2015	22.1	12.4	17.1	26.7
Health				
Life expectancy at birth (years), 2016	78.0	80.4	79.0	77.1
Age adjusted mortality rate (per 1 000 people), 2016	9.5	8.1	8.8	10.0
Education				
Labour force with at least upper secondary education (%), 2017	94.5	81.7	96.2	92.4
Civic engagement				
Voters in last national election (%), 2017 or latest year	50.9	70.9	54.8	44.9
Income				
Disposable income per capita (in USD PPP), 2016	13 011	17 695	15 375	10 888
Housing				
Rooms per person, 2016	1.0	1.8	1.1	0.9

Source: OECD (2018[20]), *OECD Regional Well-Being (database)*, www.oecdregionalwellbeing.org (accessed on 10 June 2020)

Poland's economy has converged towards OECD average income levels since EU accession, which translated into significant economic and social improvements. TL2 regions in Poland stand out in two OECD well-being dimensions across OECD countries – safety and education – and rank at similar levels with the OECD average on three dimensions: accessibility to services, community network and jobs. However, the effects of economic growth have not been similar across all types of regions and TL2 regions in Poland still lag in a number of well-being areas against the OECD average: housing, civic engagement, life satisfaction, health and income (Figure 1.22).

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Figure 1.22. Well-being indicators in TL2 regions in Poland, 2018



Note: Relative ranking in the regions with the best and worst outcomes in the 11 well-being dimensions with respect to all 402 OECD regions. The 11 dimensions are ordered by decreasing regional disparities in Poland.
Source: OECD (2018[20]), *OECD Regional Well-Being (database)*, www.oecdregionalwellbeing.org (accessed on 10 June 2020)

TL2 regions in Poland, on average, outperform OECD regions in the following dimensions:

- **Safety**. The average homicide rate (per 100 000 inhabitants) in TL2 regions in Poland (1.2 in 2017) is almost half the average level across the OECD (2.2). Małopolskie (0.5) and Wielkopolskie (0.6) have the lowest homicide rate in the country and rank among the top 20% OECD regions with better outcomes in this dimension.
- **Education**. Thanks to a longstanding tertiary education boom, Poland has a highly qualified workforce that has successfully integrated into global trade and placed the country as an outsourcing destination for high-value-added business services (OECD, 2019[14]). All 17 TL2 regions in Poland rank among the top 25% of OECD regions in terms of share of the labour force with at least secondary education. Śląskie (96.2%) and Małopolskie (96.1%) are the best performing TL2 regions in the country, ranking among the top 5% of OECD regions.

In contrast, the three well-being dimensions where TL2 regions in Poland present a lower performance than OECD regions are:

- **Housing availably**. Polish households spend a higher share of their incomes on housing, including utility costs and maintenance, than the OECD average (OECD, 2018[15]). TL2 regions in Poland face difficulties in offering enough housing to people and all TL2 regions rank among the bottom 20% of OECD regions in terms of the number of rooms per person (1 vs. 2 in OECD countries).
- **Civic engagement**. TL2 regions in Poland have a lower share voter turnout (62% in the parliamentary election of 2019) than the OECD average (69%). Citizen participation in public policy design has scope for improvement, particularly when it comes to participation in the elaboration of spatial plans or strategy building (OECD, 2018[1]). Volunteering through an organisation (termed “formal volunteering”) is also less common in Poland (19.4% of the working-age population reporting a formal engagement in volunteering) than across OECD countries (34.2%) (OECD, 2018[1]).
- **Health**. TL2 regions in Poland face a high level of air pollution (level of PM2.5 at 22.1 µg/m³) and have a lower life expectancy (78 years old) than OECD regions (13.3 µg/m³ and 81 years

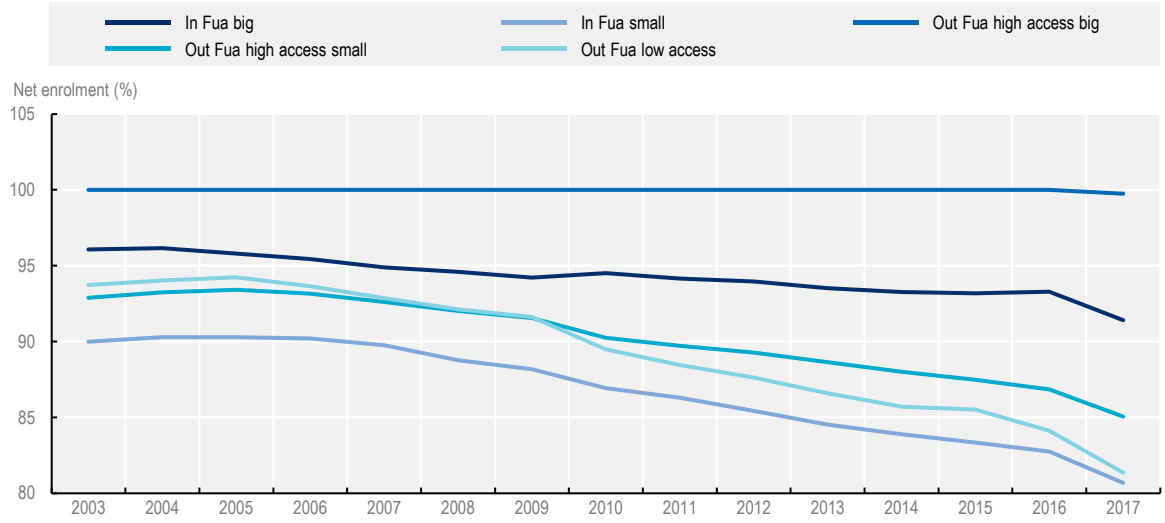
old of life expectancy). In 2015, more than 28 000 people died prematurely as a result of outdoor air pollution, which as a share of the population is higher than almost anywhere else in the OECD (OECD, 2018[15]). Access to quality health is also an issue as health services in sparsely populated municipalities are usually provided by one general practitioner and a nurse, with some areas only having branches of public healthcare centres (OECD, 2018[1]).

Municipalities outside FUAs have the lowest rate of education enrolment

Despite relatively high levels of education in the Polish workforce, there exist some disparities at the municipal level in terms of access to primary and secondary education. Municipalities outside FUAs with low accessibility have the lowest enrolment rate in primary school (85% in 2017). Surprisingly, small municipalities in FUAs also experience a low enrolment rate (85%) compared to other types of municipality, revealing a gap in education access within FUAs. The picture is similar when it comes to enrolment rates in secondary school, where the same types of municipalities face higher challenges on secondary enrolment (Figure 1.23).

Figure 1.23. Education enrolment in secondary schools in municipalities, Polish municipalities, 2003-17

Share of children of official secondary school age enrolled in secondary school



Note: Access refers to access to FUAs.
Source: Statistics Poland (2020[10]), *Regional Statistics*, https://stat.gov.pl/en/regional-statistics/ (accessed on 15 November 2020).

Infrastructure has scope for improvement

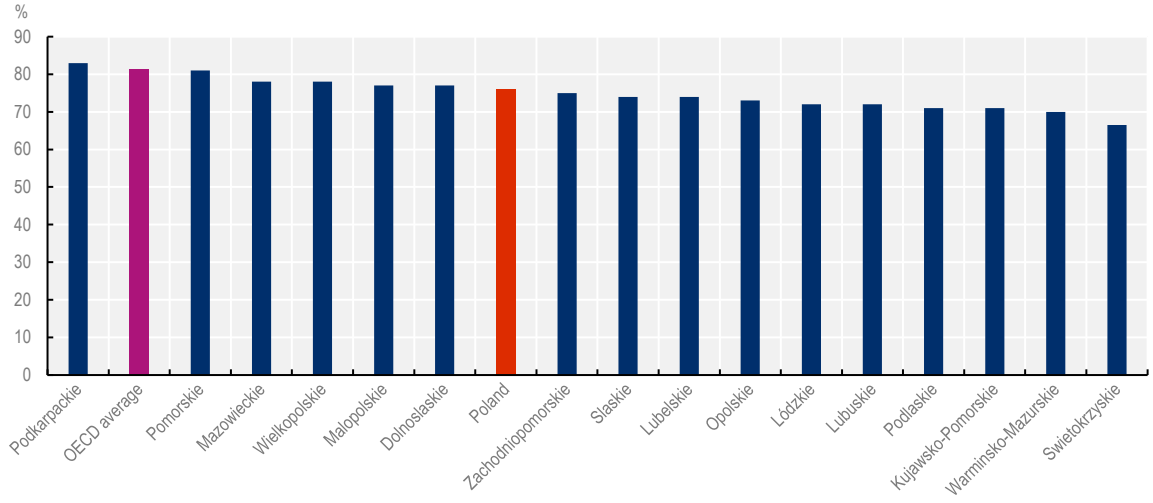
Investment in infrastructure improves accessibility to local, national and international foreign markets, facilitates public service delivery and reduces the cost of the flow of technology and movement of labour.

In Poland, investing in quality infrastructure and accessibility is not only a matter of economic outcome but is linked with the need to improve well-being and reduce the regional income disparity.

TL2 regions in Poland need to increase broadband accessibility

The share of households connected to broadband in Poland (78% in 2017) is below the OECD (81%) and European (85%) averages (Figure 1.24). Poland has an important disparity in terms of broadband access across TL2 regions. By 2017, 15 out of the16 TL2 regions, with data in Poland for that year, had lower broadband connectivity than the OECD average. While Podkarpackie and Pomorskie regions had more than 80% of their households connected to the Internet, almost 9 TL2 regions experience connectivity rates below 75%. Increasing the connectivity across all types of TL2 regions is thus a pressing need for Poland as it is nowadays a basic infrastructure to access markets, services and unlocks new job opportunities (OECD, 2018[21]).

Figure 1.24. Share of households connected to broadband in TL2 regions in Poland, 2017



Note: Since 2018, Mazowieckie Voivodeship was statistically divided into 2 TL2 regions, creating 17 TL2 regions in the country for statistical purposes. Data of broadband is is from 2017 to include all OECD countries.
Source: OECD (2018[20]), *OECD Regional Well-Being (database)*, www.oecdregionalwellbeing.org; Eurostat (2020[8]), *Regional Information Society Statistics*.

Transport infrastructure

Poland has a lower share of road and motorways in the territory for European standards. Similarly to the trend in European countries, most people in Poland commute by car (77% in 2016 vs. 80% in EU28) (Statistics Poland, 2020[22]). The motorway density in the country (5 km of motorway per 1 000 km^2) is far below the European average (21 km). Municipal roads represent 59% of Poland's road network (measured in length of km), followed by county roads (29.5%) and regional roads (6.9%).

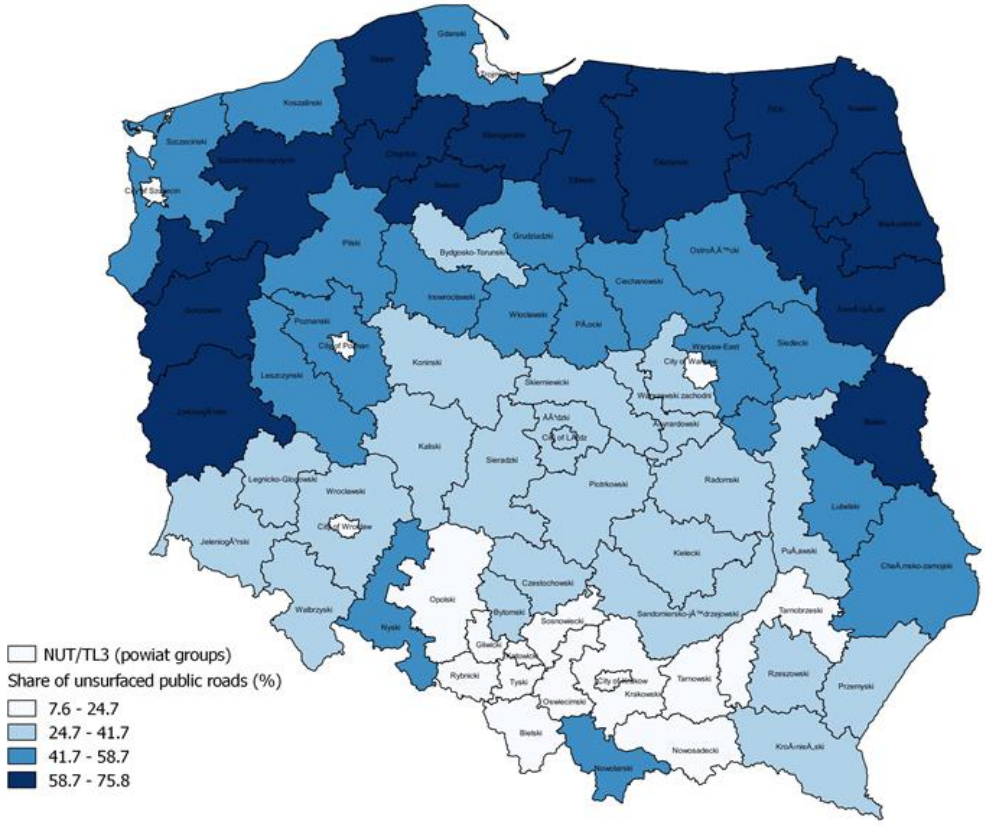
Poland has scope to enhance quality infrastructure as the country ranks among the bottom ten at the European level in terms of road quality (EC, 2018[23]). By 2017, only 58.1% of the national roads were in a good condition, with many in poor condition with resistance issues (Statistics Poland, 2020[22]).

While most public roads have a hard surface (paved) (71.0%), a remaining share is still unpaved/soil surfaces (29%).

There is a territorial disparity in terms of road quality in Poland. Municipal roads exhibit the greatest share of unpaved roads (54.8% in 2017), in comparison with counties (8% of soil roads) and regional (0.1%) roads. At the regional level, the TL2 regions in Poland with the best road conditions in the country, Śląskie (176.8 km of paved roads per 100 km^2) and Małopolskie (170.6 km), have more than double the share of paved roads of the worst-off TL2 regions Warmińsko-mazurskie (56.4) and Zachodniopomorskie (61.2) (Statistics Poland, 2020[22]). At the TL3 level, 26 out of the 73 TL3 regions in Poland have more than 50% of their road network unsurfaced. Most of them are non-metropolitan regions located in the north of the country (Figure 1.25).

Access to all types of transport infrastructure is also unequally distributed across the territory. As identified by the OECD (2018[1]), approximately 38.2% of the population has access to a major highway and railway stations within a 30-minute drive and an airport within a 60-minute drive, while 17.1% has no access to any of these transport modes within the 30-minute (or 60-minute for air) interval. The remaining share of the population has access to only one type of transport mode in the defined timespan. The voivodeships with the highest percentage of people with access to all 3 modes are Pomorskie and Śląskie, with about 63%. On the other hand, in three voivodeships (Dolnośląskie, Podlaskie and Warmińsko-Mazurskie), the population does not have access to any of three transport modes within the given time limits.

Figure 1.25. Share of unsurfaced public roads in TL3 regions, Poland, 2018



Source: Statistics Poland (n.d.[24]), *Transport and Communications*, https://bdl.stat.gov.pl/BDL/dane/podgrup/temat (accessed on 15 July 2020).

In conclusion

The convergence of Poland's economy towards OECD average levels has boosted quality of life in the country. On one hand, the effects from economic gains have not been homogenous across the territory and TL2 regions in Poland still lag in a number of well-being areas in comparison to other OECD countries. On the other hand, TL2 regions in Poland stand out across OECD countries for their safety and workforce education levels. Yet, access to education presents disparities at the municipal level, with municipalities outside FUAs experiencing the lowest rates of enrolment in primary and secondary schools.

Several factors collectively shape welfare and a large number of them are under-performing in TL2 regions in Poland compared to OECD countries: housing availability, civic participation, health, life satisfaction and income. Polish households spend a higher share of their income on housing (utility costs and maintenance) than the OECD average (OECD, 2018[15]). In terms of civic engagement, TL2 regions in Poland have a relatively lower share of voter turnout in comparison to the OECD average. Citizen participation in public policy design also has scope for improvement when it comes to participation in the elaboration of spatial plans (OECD, 2018[1]). In terms of health, TL2 regions in Poland face a high level of air pollution (PM2.5 at 22.1 µg/m³) and have a lower life expectancy (78 years old) than OECD regions (13.3 µg/m³ and 81 years old). Likewise, Poland has the scope to improve and reduce regional disparity in broadband accessibility and road quality.

Improving quality of life for all municipalities in Poland requires a co-ordinated approach to provide housing solutions and quality health services for the population. Harmonisation among municipalities of plans on public services is even more relevant in a context of population decline, where finding economies of scale for those investments is a pressing issue. Similarly important is the co-ordination with national strategies to enhance broadband and transport infrastructure, particularly for municipalities outside FUAs.

Assessment and main findings

Poland is the sixth-largest country in the European Union (EU27) in land area (312 679 km^2) and fifth largest by population (38.4 million). Poland's population density (123 inhabitants/km^2) is however below European countries with a similar land area (Germany: 232 inhabitants/km^2 or Italy: 200) and its settlement patterns exhibit a relatively low geographic concentration across TL2 regions in comparison to countries of the EU and the OECD. Poland's territorial administrative structure is relatively new (in force since 1999) with a 3-tier self-government administration system composed of 16 voivodeships (regional self-government units), 380 counties (LSGUs including 314 counties and 66 cities with county status) and 2 477 municipalities including rural, urban and urban-rural municipalities).

Following a new OECD typology to classify municipalities in Poland, based on economic criteria and functional characteristics such as geographic location (inside and outside FUAs), population size (big and small) and degree of accessibility, among other things, to enable comparison across OECD member states, the report's first chapter identifies important findings for TL2 and TL3 regions in Poland, FUAs and municipalities.

Unlike most OECD countries, Poland has a rather balanced population distribution across TL3 regions, which can lead to important development hubs for the country. According to the OECD regional typology, the share of Poland's population in non-metropolitan regions (49%) is far above the average across OECD countries (29%). At the local level, big municipalities inside FUAs (42%) and small

municipalities outside FUAs with high accessibility (24%) host most of the population. While develoment hubs creates challenges in terms of economies of scale and delivery of public service, it can also bring benefits to unlock development poles for non-metropolitan hinterland and promote national growth through rural-urban linkages. Mobilising these opportunities and addressing the challenges of a dispersed population requires strong co-ordination among LSGUs in investment and planning, with a territorial approach, as well as across and between types of government. Taking advantage of these opportunities also requires harmonised monitoring and evaluation mechanisms to adapt strategies to future demographic changes.

Poland's relatively large stock of working-age population has supported the country's economic performance in recent decades. Most of the workforce is currently concentrated in metropolitan regions with medium- and small-sized FUAs (35.4%),[1] which underlines the relative dispersion of population in the country and contrasts with the OECD average in which large metropolitan region concentrate most of the working-age population. Poland's non-metropolitan regions stand out for having the fifth-lowest elderly dependency ratio (25.4%) across OECD non-metropolitan regions. At the local level, big municipalities in FUAs host the largest share of the country's working-age population (41%), followed by small municipalities outside FUAs with high accessibility.

Nevertheless, the balanced population distribution is set to change, as FUAs increasingly attract most of Poland's population and non-metropolitan regions (especially remote ones) face a sharp population decline. Since 2015, Poland has consecutively ranked among the ten countries with the highest population decline across the OECD. Poland's population decrease is associated with a negative natural population growth (lower number of births relative to deaths), which is not compensated by the net migration rates into the country (positive but low). In fact, Poland's fertility rate (1.4 children per women) ranks among the tenth- and sixth-lowest across OECD and EU countries respectively.

The largest drop in population occurred, on average, in non-metropolitan regions (-2.5% from 2001 to 2019), while metropolitan regions have recorded a slight increase (0.95% for the same period). At the municipal level, municipalities outside FUAs, particularly those with low accessibility,[2] are the ones facing the largest population decrease. In contrast, small municipalities inside FUAs experience the greatest population growth in the country (0.5% per year), mainly driven by the inflow of people from other municipalities. Between 2000 and 2018, municipalities inside FUAs were the net receivers of the population in Poland, while all municipalities outside FUAs experienced net population outflows, mainly from women (58%).

Poland's population concentration trend in FUAs is taking place at a low pace, which can be beneficial for planning purposes. In particular, municipalities in FUAs, both counties and municipalities, can benefit from the relatively slow urbanisation growth in order to develop long-term plans that harness the benefits from agglomeration economies (e.g. economies of scale and knowledge exchange), while addressing negative externalities (i.e. congestion, higher housing prices and longer commuting times). As Chapters 2, 3 and 6 of the report outline, addressing these issues requires co-ordination among levels of government and among types of sectoral policy (e.g. transport and housing).

Along with outmigration, a combination of rapid ageing and low levels of youth population replacement threaten the age premium of Poland's workforce. Unlike the OECD average trend, Poland's elderly dependency ratio is similarly distributed between metropolitan and non-metropolitan regions. Big municipalities inside FUAs record the largest elderly dependency ratio in the country (26% in 2018) with

the fastest growth in the country. In contrasts, small municipalities inside FUAs have the lowest elderly dependency ratio (20%) and the lowest growth of this ratio among all types of municipalities.

Poland also faces a relatively small workforce replacement with a lower share of youth population (12%) than the OECD average (15%). Likewise, FUAs in Poland have a lower youth dependency ratio (23%) than the OECD average (27%). The net result in the last two decades (since 2000) is a drop in the youth population share across all municipalities, especially in those outside FUAs with low accessibility.

The decreasing and ageing population, especially in municipalities outside FUAs, represents an important policy and governance challenge for Poland. Without the right policy, planning and governance arrangements in place, this demographic trend can lead to a number of negative impacts for local economies, including a shortage of labour to support economic growth, increasing cost of public service provision and a reduced tax base. Addressing this challenge should include co-ordinating policies to support population growth (e.g. access and affordability of childcare facilities and reducing the initial cost of having a child) without discouraging female labour supply, coupled with strategies to increase immigration. As the report explores in detail, municipalities should also co-ordinate policies, including targeted immigration programmes, to avoid labour competition at the local level, to retain youth and attract new residents. Enhancing enabling factors for development, labour participation and education can also help municipalities to leverage economic growth.

Poland has been closing the income gap with OECD countries, yet wealth has not been equally distributed across TL3 regions in Poland. Poland has experienced great economic improvement after its accession to the EU (2004), which raised income and reduced unemployment at the local level. Productivity, particularly in FUAs, and demographic premium have supported Poland's GDP per capita growth during the last two decades.

Nevertheless, Poland ranks among the top five OECD countries with the greatest regional economic disparity, which, as in other OECD countries, further increased after the 2008 economic crisis. Between 2008 and 2017, Poland registered the second-highest growth rates in regional disparity within the OECD. The majority of the top 10% of richest TL3 regions in Poland are large and metropolitan regions (82%), while all regions within the country's poorest 10% are non-metropolitan.

Metropolitan regions have the greatest labour productivity in Poland. As in several OECD countries, the bulk of Poland's national economic wealth is found in metropolitan regions (56% of total national GVA). Divergence in productivity is partially associated with the type of economic structure in non-metropolitan economies in Poland. While metropolitan regions have a larger specialisation in service activities, non-metropolitan economies have a larger share of workers in primary activities (i.e. agriculture and forestry). This phenomenon underlines the need to increase productivity in non-metropolitan economies in Poland, especially in the agriculture sector.

At the local level, municipalities inside FUAs have attracted most firms and employed most of the population in Poland. Big municipalities in FUAs register the lowest unemployment rate (2.9%) across all types of municipality, followed by small municipalities in FUAs (3.7%). Likewise, most business establishments in Poland concentrate in big municipalities inside FUAs (54%). Yet, during the last decade, small municipalities both inside and outside FUAs with high accessibility have experienced the largest growth in business establishments across Poland.

While the economic performance of FUAs has driven much of Poland's economic growth, increasing regional inequalities can bring social unrest, boost the cost of social policies and ultimately slow national economic growth. Policy and governance strategies to increase productivity in non-metropolitan economies can translate into greater national income and local fiscal revenues. Addressing regional

inequalities and the low-growth rates of some non-metropolitan regions requires LSGU co-ordination around long-term growth strategies designed and implemented to boost synergies among neighbouring economies to reach greater economies of scale. Shared policies that target SMEs in municipalities outside FUAs aim to enhance the links between providers of resources, products and services and large enterprises. A number of strategies to improve such co-ordination are discussed in the next thematic chapters.

The Polish economy's catching-up process has translated into improvements in some well-being dimensions across TL2 regions in Poland, particularly education and safety. Poland has experienced a boom in tertiary education, which has led to a highly qualified workforce, successfully integrated into global trade. All TL3 regions in Poland rank among the top 25% of OECD regions in terms of the share of the labour force with at least secondary education. Yet, disparities remain across municipalities, with those outside FUAs with low accessibility experiencing the lowest enrolment rate in primary and secondary schooling.

TL2 regions in Poland have scope to improve a number of well-being dimensions. This includes housing (lower accessibility than the OECD regional average), civic engagement (lower voter turnover than the OECD average) and health (higher level of air pollution and lower life expectancy than OECD regions on average). Particular attention should be given to improving the quality of and access to transport and ICT infrastructure as well as public transportation across all types of TL2 region. The quality of Poland's roads is among the bottom 10 countries in Europe and the share of households connected to broadband in Poland (78% in 2017) is below the OECD (81%) and EU (85%) averages. The COVID-19 crisis has highlighted how crucial countries' telecommunication networks are, with broadband being particularly relevant due to the increase in teleworking in several economic sectors.

Improving quality of life in all municipalities in Poland requires governance arrangements that strengthen a co-ordinated approach to provide housing solutions and quality health services for the population, among others. The harmonisation of plans and alignment of priorities on public services between LSGUs is even more relevant in a context of population decline, where finding economies of scale for those types of investments is a pressing issue. Similarly, the COVID-19 crisis has demonstrated the importance of co-ordination with national strategies to enhance broadband and transport infrastructure, particularly for municipalities outside FUAs, and is of particular importance to improve access to markets, services and unlock new job opportunities through better connectivity.

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Notes

[1] Metropolitan regions are TL3 regions where 50% of the population live in a FUA of more than 250 000 inhabitants and fewer than 1.5 million inhabitants (e.g. Bielsk, Kraków or Poznań). These regions differ from large metropolitan regions, which refer to TL3 regions where more than 50% of the population live in a FUA of at least 1.5 million inhabitants (e.g. Katowice, city of Warszawa).

[2] Accessibility is measured as the distance from the municipality to a FUA. If more than 60 minutes are required to drive to a FUA, then it is considered low accessibility. Otherwise, if a municipality outside a FUA is less than a 60-minute drive from a FUA, it is considered high accessibility.

2 Co-ordination across administrative units and policy sectors within local self-government units in Poland

This chapter discusses the framework for co-ordination across administrative units and policy sectors within local self-government units (LSGUs) in Poland. In particular, it assesses institutional responsibilities for co-ordination within municipalities and counties and provides an overview of institutional mechanisms, partnership practices and the necessary capacity and resources to develop enhanced means of co-ordination. It ends with a series of targeted recommendations to foster effective co-ordination.

Introduction

Local governments across the OECD are regularly confronted with public policy challenges that are not limited to one particular policy area or sector but are rather multidimensional and crosscutting in nature (OECD, 2020[1]). Ranging from territorial development and urban transport planning to the provision of welfare benefits and the sustainable use of natural resources and environmental protection, these complex policy issues often transcend sectoral boundaries and span across areas of responsibility of several administrative units within a city or municipality. They raise questions such as how can local governments best deal with large infrastructure investments, approach youth policies and manage territorial development in an efficient, coherent and integrated way.

In recent decades, the emergence of complex policy challenges such as climate change, natural hazards, social injustice, healthcare, migration or population ageing, has proven to be particularly challenging to address as they resist simple resolution, involve complex interdependencies and surpass existing policy domains (Lægreid et al., 2015[2]). Given its complexity and socio-economic consequences, the COVID-19 pandemic has also highlighted the vital importance of co-ordination for effective local crisis management to find appropriate policy responses across sectors and institutions (OECD, 2020[3]). Faced with an unprecedented public health crisis, governments at all levels have been tasked with responding rapidly, efficiently and coherently to a series of challenges – from setting up emergency responses to managing the immediate economic fallout due to lockdown measures.

Solving such crosscutting policy problems requires an integrated governance approach that overcomes traditional administrative barriers to design, implement and evaluate multidimensional policy responses through robust, sustained co-ordination across administrative units and policy silos (OECD, 2020[1]). Without adequate co-ordination across local governments' different units, policy-makers may take decisions based on incorrect, biased or incomplete information (World Bank Group, 2018[4]). The resulting policies and services risk being flawed as they were not properly assessed with regard to their costs, potential benefits and impact, consistency with existing policies as well as substantive and procedural legality (World Bank Group, 2018[4]). Moreover, the work of the various units existing within a local government may be diametrically opposed or duplicated, with the result that public resources are wasted. Lastly, a lack of co-ordination can lead to burdens for citizens, for instance, through replicative procedures and lengthy bureaucratic processes. Co-ordination can thus be seen as a means to an end – a tool for designing and delivering better policies and services for citizens.

While effective co-ordination has always been a challenge for the public sector (Seidman, 1997[5]), many governments have grown in size (World Bank Group, 2018[4]) and have witnessed atomisation of administrative structures (Beuselinck, 2008[6]; Alessandro, Lafuente and Santiso, 2013[7]) within the last decades. When governments, also at the local level, become larger, finding joined-up and interconnected responses to policy-making and service delivery also develops into a bigger challenge, as more stakeholders with a multitude of interests enter the decision-making process (Slack, 2007[8]). In parallel, the responsibilities of governments gradually increased and became more complex (OECD, 2020[1]; World Bank Group, 2018[4]), while at the same time citizens around the world have become more vocal and demanding in terms of quality of public services they expect (OECD, 2019[9]). It does thus not come as a surprise that co-ordination is seen as an "endemic concern in public administration" (Per Lagreid, 2015[10]) that prompts governments at all levels to search for new approaches to co-ordinated policy-making and service delivery. In recent decades, whole-of-government policy co-ordination across different sectors and institutional entities to achieve greater policy coherence has thus grown in relevance in many OECD and non-OECD member countries and the development of enhanced means of co-ordination is today widely recognised as one of the strategic enablers of sound public governance (OECD, 2020[1]).

To promote coherence and foster new levels of policy and service co-ordination in the way LSGUs in Poland work internally across sectors and administrative units, this chapter shows that effective co-ordination at the local level requires more than the simple imposition of authority and use of hierarchical

governance. While the chapter's assessment primarily focuses on Polish municipalities (gminas), the resulting advice may also prove to be relevant for counties (powiats). Based on the findings of the OECD questionnaire and evidence collected during four fact-finding missions, it provides an overview of how policy-makers can develop enhanced means of co-ordination within small and large LSGUs. The chapter's first part assesses the institutional responsibilities for co-ordination in Polish municipalities. Through the presentation of institutional mechanisms, partnership practices and human resource management, the second part shows ways for LSGUs to foster effective co-ordination.

Some policy issues may require not only the involvement of different actors within the LSGU but also the engagement of other levels of government and actors outside the LSGU (e.g. civil society organisations and citizens). This chapter focuses only on intra-LSGU co-ordination. Chapter 6 on multi-level governance analyses vertical co-ordination across the national-subnational axis as well as horizontal co-ordination between different LSGUs. Chapter 8 on open government focuses on engagement and co-ordination with civil society organisations and citizens.

Defining co-ordination

Co-ordination is essential for integrated strategic planning, the effective delivery of multiple services and ensuring that policies are funded properly. However, despite the vital importance of co-ordination for all forms of policy-making and service delivery and the existence of a wide range of academic literature trying to capture the concept, it remains ill-defined and contested (Per Lagreid, 2015[10]). Numerous definitions exist and co-ordination has repeatedly been described as a "philosopher's stone" as it represents a much-sought concept that is often meant to cure major challenges governments at all levels face (March and Simon, 1993[11]).

In order to approach the concept for the purpose of this chapter, three different levels, each involving more substantive efforts, will be used to describe the nature and purpose of co-ordination. The levels draw on Peters' models of co-ordination (2004[12]) and form part of the OECD Self-Assessment Tool for LSGUs in Poland. The scale these levels represent shows how in theory local governments can progressively move to more complex and integrated co-ordination approaches over time. While the scale depicts an ideal trajectory, progress in practice is not always linear and local governments may cover two levels at the same time as some units may have already implemented certain co-ordination measures, whereas other teams still work in silos.

A **first and basic level of co-ordination** across administrative units and policy sectors within Polish LSGUs is the ad hoc exchange of information between independent organisational units and/or between LSGU departments to support each other in achieving their respective goals. Decisions taken in one organisational unit/department consider those made in others and attempt to avoid conflict and negative impact such as increased costs, lack of consistency between policies, duplication of effort and burden for citizens. Often labelled negative co-ordination (Peters, 2004[12]), this level of co-ordination can help cities and municipalities to improve simple service delivery at minimal costs but does not change the overall way policies are made.

Moving up the trajectory, a **second form of co-ordination** is positive co-ordination. As part of this level, individual efforts of organisational units and departments not only aim to avoid overlaps and conflicts but seek to find ways to co-operate on the delivery of services and policies. By moving from mere recognition to active co-operation, units can create synergies for the delivery of their work. Administrative units continue to work autonomously and follow their own objectives but a regular formal exchange of information and documents with other relevant teams contributes to the delivery of overall goals and programmes.

The **third and most complex level of co-ordination** that LSGUs can pursue is the systematic strategic integration of units/departments' work around joint strategic goals. Administrative units co-ordinate not only for the delivery of their individual work but pursue integrated objectives to define and implement interlinked,

coherent and multi-dimensional development strategies/plans that reflect the LSGU's budget and fiscal framework. This level of co-ordination thus also aims to align the development strategy/plan with various other LSGU policy documents and higher-level government plans to ensure coherence and consistency of the approach. This third level can also entail the joint development of strategies (e.g. for housing development, mobility and environmental protection) that transcend different policy sectors or other strategic documents that set a vision for the future of the LSGU. To achieve this third level of co-ordination, units may be formally bound to exchange information. As objectives need to be integrated, this level of co-ordination may require substantial political prioritisation and leadership.

The main challenges for intra-LSGU co-ordination in Poland

In response to the OECD questionnaire, a sample of 36 municipalities and 10 counties across Poland ranked a number of challenges they are facing with regard to effective co-ordination. Figure 2.1 provides an overview of the main co-ordination challenges that were reported. A lack of financial resources (86% of surveyed municipalities), a lack of time (83% of surveyed municipalities) and a lack of human resources (81% of surveyed municipalities) were the 3 most frequently cited challenges for effective co-ordination across administrative units and policy sectors. In addition to the challenges reported in the OECD questionnaire, interviews during fact-finding missions showed the existence of relatively low levels of awareness of the importance of intra-LSGU co-ordination and the related benefits more effective co-ordination can bring.

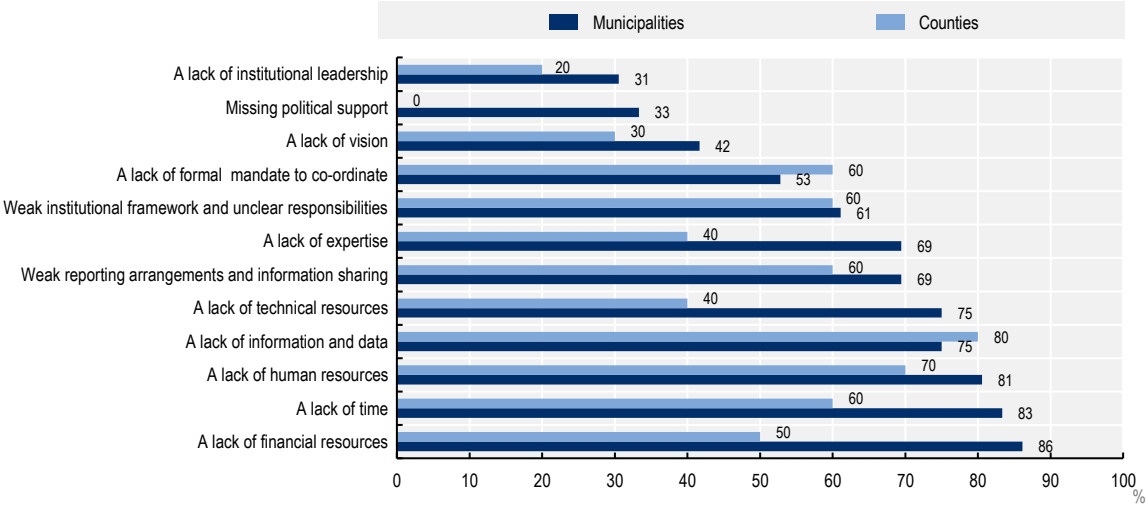
Evidence shows that the institutionalisation of co-ordination remains a concern across Poland. More than two-thirds of the surveyed municipalities (69%) see weak reporting arrangements and information sharing as a major challenge (Figure 2.1). For 80% of the surveyed rural municipalities (low accessibility) located outside functional urban areas (FUAs) (for a detailed explanation of the different types used for the assessment in this chapter, please consult Chapter 1), this seems to be a particular problem. Resulting from weak reporting and information sharing, consequently, 75% of the municipal questionnaire respondents found a lack of information and data to be challenging (Figure 2.1). Similarly, a weak institutional framework with unclear responsibilities is cited by more than half of the municipalities (61%). In particular, in 80% of the rural municipalities outside FUAs, this represents a challenge for effective co-ordination. Moreover, more than half of all municipal respondents (53%) see the lack of formal mandates to co-ordinate as an obstacle. All 4 challenges are also cited by a comparable number of counties as challenges. In particular, a lack of information and data (80%) and a lack of formal mandates (60%) to co-ordinate were listed by counties as challenging in the OECD questionnaire. These challenges highlight the need for clear institutional roles and responsibilities that are assessed in the second section of this chapter.

Whereas ensuring institutional clarity and responsibility represents an important element to foster effective co-ordination, the success of actors involved in co-ordination also depends on the provision of the necessary capacities and resources. As mentioned above, a large majority of municipalities finds a lack of financial (86%) and human resources (81%) to be a main challenge, while 75% of the respondents list a lack of technical resources (Figure 2.1) as challenging. Technical expertise and the lack thereof are seen by more than two-thirds of the municipalities (69%) as a challenge, while even 80% of municipalities list this among the group of rural municipalities outside FUAs. These four reported challenges underline the importance of institutional capacity and resources. In comparison, these challenges seem to be less pressing for counties. Some 50% of them see funding and 40% technical resources as a main challenge. Only human resources are also considered as a major challenge by a majority of 70% of the counties, which makes it the second most reported challenge for this group of LSGUs.

Other prerequisites to ensure effective co-ordination are political support, leadership and commitment at all levels – from the mayor, senior managers and public officials. Almost half the municipalities (42%) and 80% of rural municipalities outside FUAs see a lack of vision for co-ordination as one of the main

challenges they are facing (Figure 2.1). This finding coincides with the above-mentioned lack of awareness of why co-ordination is important and what it can be used for that can be found across all municipalities. In addition, around one-third of the municipal respondents report missing political support (33%) and a lack of institutional leadership (31%) as major challenges. In comparison, a lack of vision (30%), missing political support (0%) and a lack of institutional leadership (20%) seem to be challenges less frequently faced by counties (Figure 2.1).

Figure 2.1. Main challenges for effective co-ordination across administrative units and policy sectors in Polish LSGUs



Note: Based on 46 LSGU responses to the OECD questionnaire (n=46), whereof 36 are municipalities and 10 are counties. 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 LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

Ensuring institutional responsibility for co-ordination across administrative units and policy sectors within Polish LSGUs

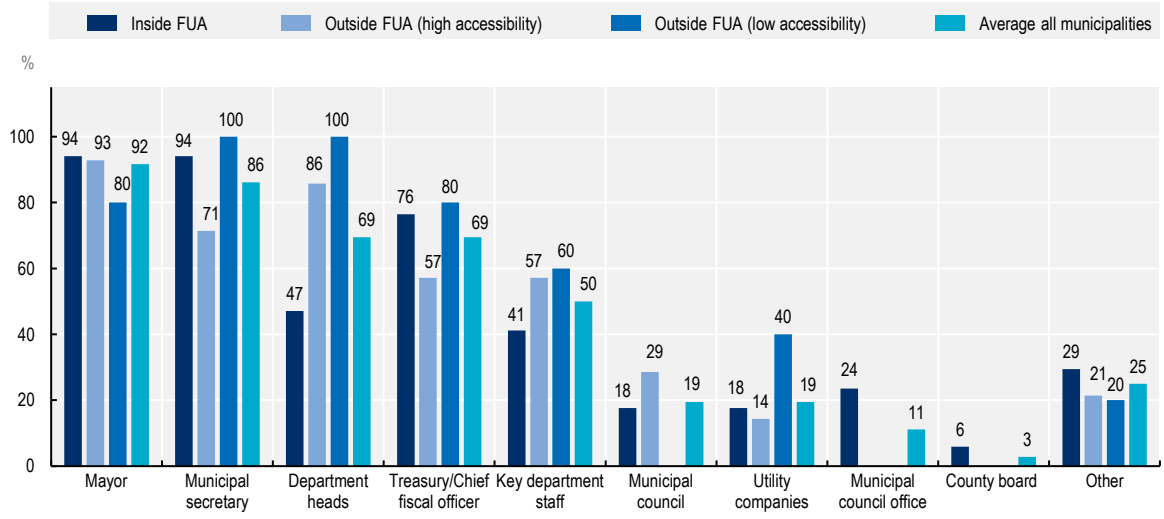
Mayors and municipal secretaries hold key co-ordination functions in a large majority of municipalities

As part of the OECD questionnaire that was conducted for this report, 61% of the participating municipalities reported a weak institutional framework and unclear responsibilities as a challenge for effective intra-municipal co-ordination (Figure 2.1). Also, during the OECD's fact-finding missions, a lack of defined roles of particular institutions in municipalities was frequently reported. In order to ensure effective co-ordination, it is crucial that institutional roles and responsibilities for co-ordination are clear and widely recognised by LSGU staff and supported by the political leadership.

Figure 2.2 shows that across all municipalities, the mayor (92%), as well as the secretary of the municipality (86%), are reported to be most regularly involved in co-ordination matters and often fulfil crucial co-ordination functions. Irrespective of the category of municipality, mayors play an important role in co-ordination. In almost half of the municipalities surveyed (49%), the mayor holds the primary responsibility of co-ordination across the LSGU, while this function is shared between the mayor and other actors in one-third (29%) of municipal cases (Figure 2.3). Moreover, when municipalities responding to the

OECD questionnaire were asked about what main functions of the mayor, they consider to be the most important ones, “policy co-ordination across the LSGU” was the fourth most commonly cited task.

Figure 2.2. Institutions/departments that are regularly involved in intra-LSGU co-ordination



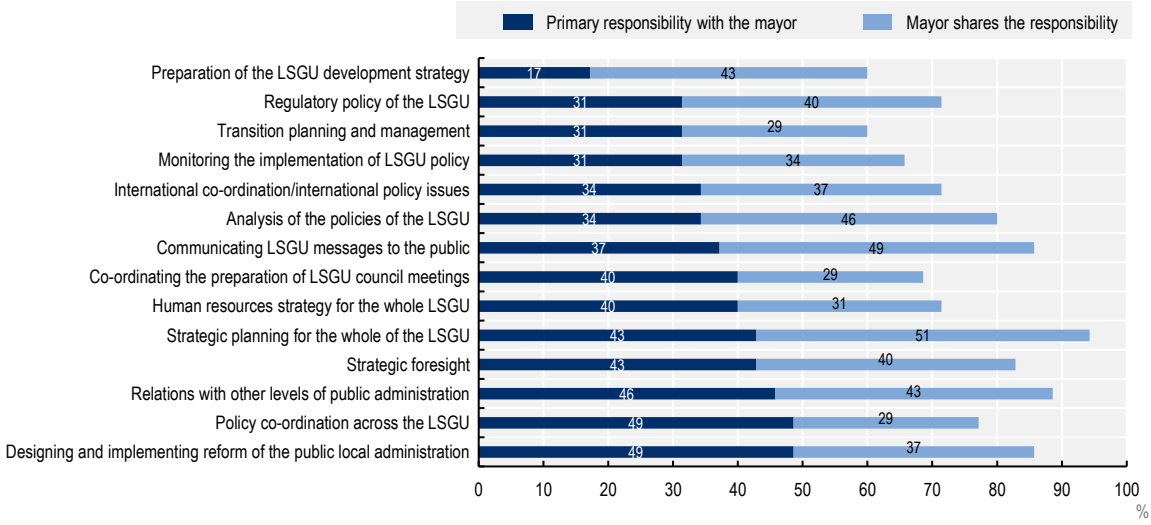
Note: Based on 36 responses from municipalities to the OECD questionnaire (n=36). While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish municipalities.
Source: Authors’ own elaboration based on LSGU responses to the OECD questionnaire (2020).

Given the mayors’ legal status as the highest executive LSGU authority (according to Article 26 of the Act on Local Self-Government) and centre of the LSGU, it does not come as a surprise that they assume important co-ordinating functions in almost all municipalities. Similarly, across the OECD, the centre of government[1] (CoG) in regional and national governments often leads inter-institutional co-ordination among public officials and across administrative silos, with around 70% of CoGs in OECD member countries being responsible for policy co-ordination (OECD, 2020[1]). Establishing a high-level co-ordinating authority to improve the coherence of policies across units and institutions corresponds to the guidance enshrined in the OECD Recommendation on Policy Coherence for Sustainable Development (OECD, 2019[13]). Mayors are important strategic players that can provide vision, leadership and co-ordination. In the context of Poland, their potential role cannot be underestimated and as the highest administrative authority in LSGUs, they are key for fostering the overall co-ordination of policies and services across the municipality. Given the high level of centralisation of the responsibility for policy and service co-ordination in Poland, co-ordination may however also be significantly reduced if mayors do not adequately fulfil this responsibility. This is aggravated as the mayor’s political importance may result in attribution of the functions and mandates to the individual and less to the institution. In case the mayor or staff in the office of the mayor do not believe they have a mandate to coordinate, lose political legitimacy or do not have the capacity to perform a co-ordination function effectively (e.g. due to a lack of staff and technical resources), institutional resilience can be reduced and other actors may encounter challenges to assume this (sometimes delegated) role to co-ordinate.

An assessment of the different functions performed by the mayor and their associated office, whose size ranges from short-staffed support secretariats in small municipalities to proper offices in bigger municipalities, reveals the large array of tasks and responsibilities that mayors assume across Poland. As shown in Figure 2.3, in more than 75% of the surveyed municipalities, the mayor is either entirely or partially responsible for strategic planning (94% of municipalities), maintaining relations with other levels

of public administration (89%), designing and implementing public administration reforms (86%), public communication (86%), strategic foresight (83%) and analysing the municipality's policies (80%). All of these responsibilities require a shared vision across sectors and co-ordinated efforts of the LSGUs' different units/departments. Making the mayor and the associated office responsible for intra-LSGU co-ordination and equipping staff with the necessary means to fulfil this function properly can thus positively influence the performance of other important responsibilities. The offices supporting the mayors with the execution of their responsibilities can thereby provide practical assistance. To reflect mayors' responsibility for co-ordination explicitly in law, the Act on Local Self-Government, which defines the responsibilities of mayors, could be amended to include the responsibility for co-ordination and provide mayors with the necessary competence to manage related resources strategically and delegate this responsibility within the LSGU.

Figure 2.3. Tasks and functions performed by the mayor's office and other LSGU units and departments



Note: Based on 35 responses from municipalities to the OECD questionnaire (n=35). 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 LSGU responses to the OECD questionnaire (2020).

In addition to the mayor, in 69% of the surveyed municipalities in Poland, the treasurer or chief financial officer participates in co-ordinating policy-making and service delivery (Figure 2.2). The traditional importance of the budget process for public sector co-ordination and the significant responsibility of the treasurer to maintain a fiscal balance (Alessandro, Lafuente and Santiso, 2013[7]) (see Chapter 5 for an overview of the budget cycle) can be seen as factors contributing to its regular involvement in intra-LSGU co-ordination. However, as with all actors who assume delegated co-ordination functions, the potential success of the treasurer depends on the political will of the mayor, the ability to influence other policy-makers as well as the allocation of human and financial resources. If the responsibility for co-ordination is delegated to actors other than the mayor, the workflow of relevant documents as well as information also needs to be adjusted correspondingly in a way to allow them the fulfilment of their functions.

More than two-thirds of municipalities (69%) report the regular involvement of the heads of administrative departments (Figure 2.2) in co-ordination matters. Interestingly, the OECD questionnaire found that in all rural municipalities (low accessibility) located outside FUAs, the department heads and municipal secretaries seem to play a more prominent role in co-ordination, even in relation to the mayor. This differs

from the involvement of department heads in municipalities inside FUAs, where they only regularly engage in 47% of the surveyed municipalities. This trend is similar to the observed role of key departmental staff, who are in most cases experts or senior members of the local public administration. They are regularly involved in intra-LSGU co-ordination in 50% of the surveyed municipalities (Figure 2.2). When disaggregating by category of municipality, it becomes apparent that the involvement of departmental staff is greatest in municipalities located outside FUAs with low accessibility (60%) and lowest in municipalities inside FUAs (41%) (Figure 2.2). A smaller overall size of the municipalities' staff body and the resulting lower levels of centralisation may explain this finding.

Other municipal actors such as the municipal council only play a minor role in co-ordination. Only 19% of the surveyed municipalities report their regular involvement in co-ordination matters (Figure 2.2). Factors influencing the low importance of municipal councils for co-ordination may be their character as political decision-making bodies as well as the fact that council sessions are by law open to the public. Similar to the municipal council, utility companies and municipal council offices – if they exist in the respective LSGU – only get involved in a small number (less than 20% on average) of municipalities (Figure 2.2).

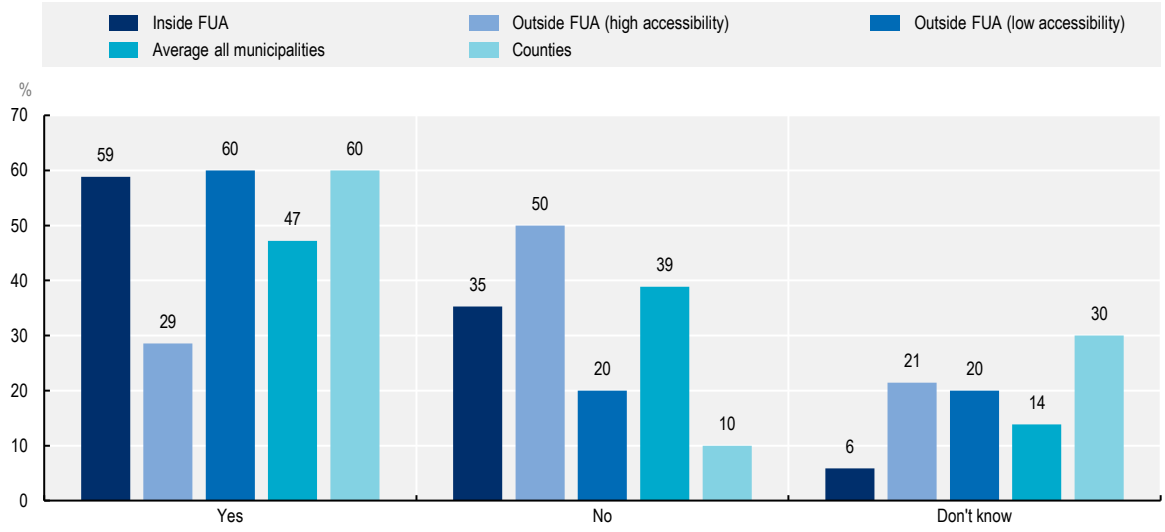
A lack of formal mandate can undermine institutional co-ordination efforts

The transversal nature of policy and service co-ordination and the need to involve different stakeholders necessitates strong institutional arrangements. OECD experience shows that an adequate institutional framework can facilitate effective and efficient horizontal and vertical co-ordination. To ensure that the responsibilities of different government institutions for intra-governmental co-ordination are clear, local governments across the OECD have started to establish formal institutional arrangements. Often, the roles, tasks and duties for co-ordination are enshrined in legislative frameworks and legal mandates to provide institutions with the necessary power to focus on co-ordination across administrative units and policy sectors. Having the responsibility for co-ordination codified in a legal document creates legal certainty and legitimacy in relation to other actors and may raise awareness of the importance of co-ordination. Providing public officials with a strong mandate can thus help ensure effective co-ordination. Against this background, the OECD Recommendation on Policy Coherence for Sustainable Development calls for the establishment of clear mandates to ensure whole-of-government co-ordination for sustainable development in order to "identify and mitigate divergences between sectoral priorities and policies, and promote mutually supporting actions across sectors and institutions" (OECD, 2019[13]).

The responses to the OECD questionnaire show that in less than half of municipalities (47%), the units and departments regularly involved in co-ordination are equipped with a formal mandate (Figure 2.4). This is the case for 60% of the surveyed counties as well. While 39% of the surveyed municipalities (10% of counties) do not provide them with a formal mandate, some 14% of municipalities (30% of counties) responded that they are not sure about the existence of mandates. This shows that even though a co-ordination mandate might exist, it is not communicated and recognised across the staff of the LSGU and may therefore not provide the co-ordinating entity with the legitimacy needed to perform its task. Municipalities located outside FUAs with low accessibility are twice as likely to make use of formal mandates than municipalities outside FUAs with high accessibility (Figure 2.4).

If a formal mandate exists, it is included in the general organisational regulations of most LSGUs or takes the form of a separate regulation. In the majority of cases, these regulations enshrine the responsibility of the mayor for co-ordination matters or determine that the secretary of the municipality or the treasurer assume this responsibility by way of delegation of powers from the mayor. The resolutions can therefore give one or more institutions within a LSGU a clear mandate to lead the LSGU's co-ordination efforts.

Figure 2.4. Do LSGU units/departments regularly involved in co-ordination have a formal mandate to co-ordinate?



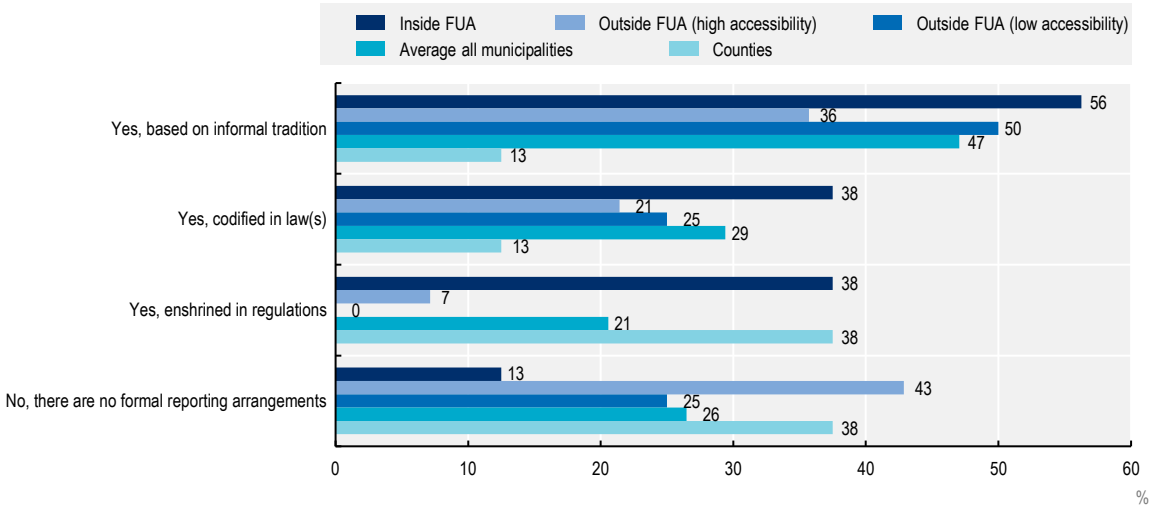
Note: Based on 46 LSGU responses to the OECD questionnaire (n=46), whereof 36 are municipalities and 10 are counties. While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

Formal mandates included in internal LSGU regulations may help to locate the institutional responsibility for co-ordination in one or more units or departments, the regulations do however not establish a legal obligation for the other LSGU units to co-ordinate. While units and departments in all LSGUs across Poland are legally obliged to follow instructions from the mayor, who represents the highest administrative authority in LSGUs, they do not have an automatic legal obligation to co-operate with other persons or units/departments tasked with co-ordination. Depending on the co-ordinators' mandate, creating a legal obligation may also require the inclusion of respective provisions outlining reporting arrangements in the charters/statutes of all departments and units.

Formal reporting arrangements

Through the establishment of an obligation to co-operate, formal reporting arrangements can help the mayor or respective unit/department(s) responsible for co-ordination within municipalities to work towards higher levels of co-ordination. For instance, for the case of the implementation of LSGU action plans and local development strategies, almost one-third of the surveyed municipalities have created formal reporting arrangements that are codified in law (29% of municipalities) and enshrined in regulations (21% of municipalities) (Figure 2.5). In comparison, 38% of the surveyed counties report to have formal reporting arrangements enshrined in regulations. By differentiating between categories of municipalities, Figure 2.5 shows that municipalities located inside FUAs are most likely to have formal reporting arrangements originating in laws (38%) and regulations (38%). The picture changes a bit when we look at the answers provided by municipalities located outside FUAs. For them, it is less common to have formal reporting arrangements established by laws and regulation. Only around one-fourth of them codify their reporting arrangements in law and only 7% of highly accessible municipalities outside FUAs make use of regulations. None of the rural municipalities outside FUAs reports the use of regulations to establish reporting arrangements.

Figure 2.5. Existence of formal reporting arrangements between the mayor and the different sectoral units/LSGU agencies for the implementation of action plans and local development strategies



Note: Based on 42 LSGU responses to the OECD questionnaire (n=42), whereof 34 are municipalities and 8 are counties. 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 LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

In many LSGUs, formal reporting arrangements are not created by means of specific laws or regulations but are derived from non-regulated informal tradition that may be a by-product of formal processes created to achieve other objectives. LSGU responses to the OECD questionnaire show that this is the most common form of reporting with regard to the implementation of action plans and local development strategies. Nearly half of all municipalities (47%) report having such reporting arrangements with relatively high occurrences in all 3 categories of municipalities (see Figure 2.5). Half of the municipalities located outside FUAs with low accessibility base their reporting arrangements on informal tradition. Reporting arrangements based on informal tradition represent a flexible approach that involves low transaction costs. Particularly in smaller municipalities, with less staff and often more direct interactions, they can effectively enable the mayor to co-ordinate the implementation of action plans and the local development strategy. As they are not institutionalised, informal traditions, however, depend largely on personal relations and trust. Changing mayors and inconstant staff composition can therefore bring significant problems for reporting arrangements based on informal tradition.

The OECD questionnaire found that only 26% of municipalities (38% of counties) do not have any formal reporting arrangements that help to co-ordinate when implementing action plans and local development strategies. While only 13% of the municipalities located inside FUAs stated not having any formal reporting arrangements, nearly half of the municipalities outside FUAs with high accessibility (43%) answered that they have no formal reporting arrangements. They are thus the type of municipality that has the least formal obligations to report progress in implementing action plans and local development strategies (Figure 2.5).

A more strategic use of policy documents can help improve co-ordination

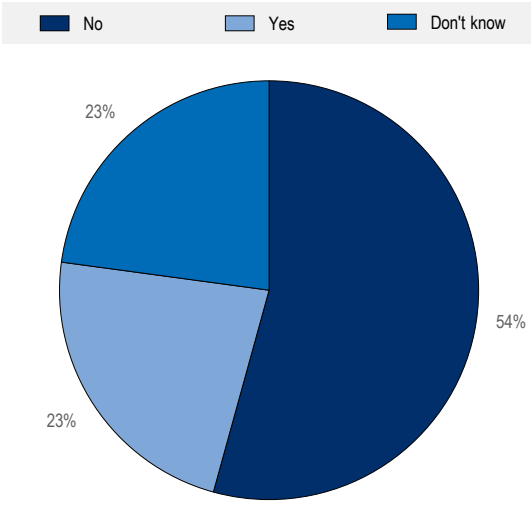
While a formal mandate based on laws or regulations can help to establish responsibilities for co-ordination, policy documents can raise awareness of the importance of intra-LSGU co-ordination and may offer advice to public servants that are tasked with co-ordination. They can provide guidance and clarity, highlight good practices and objectives that a particular LSGU seeks to meet. Examples of such

policy documents include LSGU reform plans and development strategies. Reference to co-ordination in LSGU development strategies can help to raise LSGU staff and citizen awareness of the benefits of co-ordination as a catalyst to implement the LSGU's strategic policy objectives.

The OECD questionnaire and interviews conducted during fact-finding missions have demonstrated that most Polish municipalities have not yet enacted a policy document that contains references to co-ordination across administrative units and policy sectors. Figure 2.6 shows that only 23% of the surveyed municipalities report having policy documents that focus on co-ordination in planning, service design and delivery across different policy sectors, while more than half of the municipalities (54%) do not have such policy documents. Most of the municipalities that reported having policy documents focusing on co-ordination are located inside FUAs (41%). A large number of 23% of the respondents to the OECD questionnaire report that they are not sure about the existence of policy documents focusing on co-ordination.

Interestingly, development strategies in many LSGUs do often contain references to horizontal co-ordination with neighbouring LSGUs and vertical co-ordination with other levels of government. For a detailed overview of horizontal co-ordination and multi-level governance, please consult Chapter 6.

Figure 2.6. Existence of policy documents that focus on co-ordination in planning, service design and delivery across different policy sectors



Note: Based on 35 responses from municipalities to the OECD questionnaire (n=35). 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).

Two examples of how references to co-ordination can be included in already existing policy documents are the development strategies of the cities of Białystok and Poznań. In the case of Poznań, the strategy explicitly states that it is based on co-ordination and lists the "development of a co-ordination network for the provision of public services" as one of its objectives (City of Poznań, 2017[14]). Also, Białystok's development strategy emphasises the importance of "improving co-ordination of various institutions (including public and non-governmental organisations)" for the achievement of various policy goals such as addressing the needs of disadvantaged families (City of Białystok, 2010[15]). Box 2.1 provides a more detailed overview of how the two cities' development strategies refer to intra-LSGU co-ordination. Even though most municipalities do not yet have any policy document that includes co-ordination, the

incorporation of co-ordination in some municipalities' strategic documents is a testimony that they have started acknowledging the benefits and added-value of co-ordination.

Box 2.1. LSGU development strategies containing references to co-ordination in planning, service design and delivery across different policy sectors

Poznań City Development Strategy 2020+

Part III of the document lists the underlying principles and assumptions for the successful implementation of the development strategy. Among these key assumptions, Poznań's City Development Strategy 2020+ lists effective leadership that ensures "that individual departments co-operate with each other in [the strategy's] implementation" as an element for successful implementation.

The strategy further stresses the importance of "co-ordination and communication within interdisciplinary teams that allows combining knowledge from different backgrounds […] and areas of the city's functioning to put together many – often different – points of view". It stresses that "a holistic and open view of the tasks that make their implementation part of more than one priority" can benefit the city.

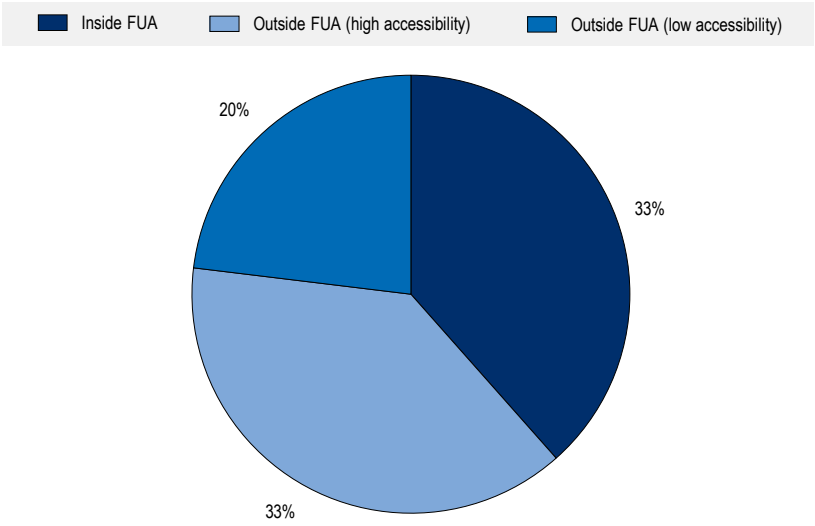
Białystok City Development Strategy 2020+

The local development strategy lists co-ordination of the "functioning of various institutions and organisations" as a fundamental importance, in particular in areas of activity towards people and families who need support and help.

Source: City of Poznań (2017[14]), *Development Strategy: The City of Poznań 2020+*, https://bip.poznan.pl/bip/strategia-rozwoju-miasta-poznania-2020,doc,42/strategia-rozwoju-miasta-poznania-2020,80837.html (accessed on 10 September 2020); City of Białystok (2010[15]), *Development Strategy: The City of Białystok 2011-2020+*, https://www.bialystok.pl/pl/dla_biznesu/rozwoj_miasta/strategia-rozwoju-miasta-bialego.html (accessed on 10 September 2020).

Besides the inclusion of references to co-ordination in development strategies, governments at different levels in other OECD countries have developed a variety of supporting policy documents such as guides, toolkits and handbooks focusing on policy coherence and effective co-ordination for policy-makers. While such documents are bringing the most added-value to LSGUs with comparatively large administrations and staff bodies, also smaller sized LSGUs could develop simpler versions of these documents for internal usage only. As Figure 2.7 shows, few municipalities in Poland have already developed specific policy documents that can concretely assist policy-makers in co-ordinating with different units. Overall, one-third of municipalities declare that they make use of written guidance for staff in the form of rules documents, manuals or guidelines. Only 33% of the respondents located inside FUAs and located outside FUAs with high accessibility indicated that they use them. The presence of these instruments becomes even less frequent (20%) in the case of municipalities located outside FUAs with low accessibility. This lack of written guidance on co-ordination reflects the findings collected during the OECD fact-finding missions to Poland and the questionnaire results presented in Figure 2.6 where the majority of municipalities participating in the questionnaire reported that they do not have policy documents that focus on co-ordination in planning, service design and delivery across different policy sectors.

Figure 2.7. Use of written guidance (rules, manuals, guidelines, etc.) by municipalities to ensure policy co-ordination across administrative units and policy sectors



Note: Based on 35 responses from municipalities to the OECD questionnaire (n=35). 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 municipalities' responses to the OECD questionnaire (2020).

Fostering effective co-ordination through institutional mechanisms, partnerships and human resource management

Establishing institutional mechanisms to improve co-ordination

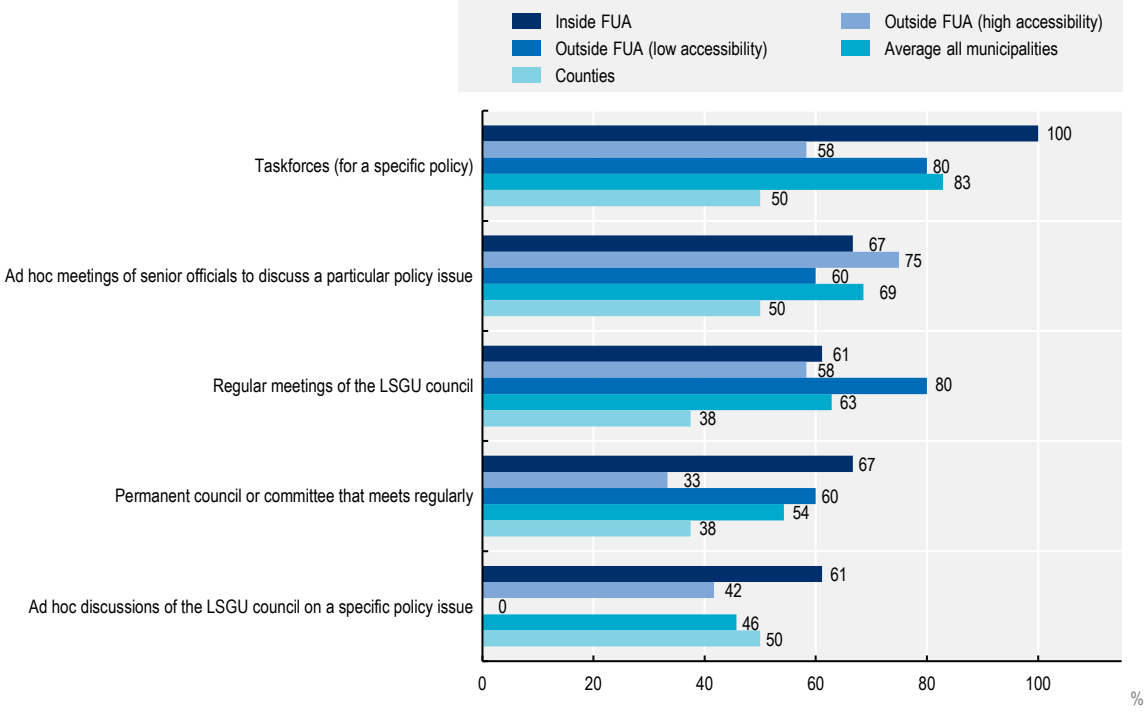
Local governments across OECD member countries have developed different co-ordination approaches to ensure integrated strategic planning, to effectively deliver services and safeguard that policies are funded properly. They have a range of mechanisms at their disposal for improving intra-LSGU co-ordination. They include permanent or temporary taskforces/working groups and councils/committees that meet on an ad hoc or regular basis. Each of these mechanisms may involve bilateral exchanges between two persons/units or a greater number of actors within the municipality. In general, the degree of institutionalisation and complexity of the co-ordination mechanisms used should always be determined by the size of LSGUs' staff. Size matters here and smaller LSGUs with fewer employees may consider less institutionalised mechanisms as more suitable.

Figure 2.8 presents the various institutional mechanisms used by LSGUs in Poland to ensure policy co-ordination across administrative units and policy sectors. Taskforces formed to deal with specific policy issues are the most common institutional mechanism used by LSGUs. A large majority of 83% of the municipality questionnaire respondents reported the existence of taskforces in their LSGU. All municipalities (100%) located in FUAs and 80% of the rural municipalities that are located outside FUAs indicated their usage (Figure 2.8). They are appointed by the mayor and can work on crosscutting issues and deal with complex policy challenges such as multi-annual budget planning, unemployment, housing or disabilities. In comparison, only 50% of the surveyed counties reported the use of taskforces.

Responses to the OECD questionnaire and interviews during the fact-finding missions showed that taskforces (sometimes called project teams or working groups) are most commonly established for the development and implementation of the local development strategy. Examples of such taskforces can be

found in the cities of Białystok, Częstochowa, Katowice and Poznań (see Box 2.2). They are usually comprised of several different institutions and units such as the deputy mayor, the secretary, the treasurer and heads/managers/directors of key departments/organisational units. In some cases, even representatives of utility companies participate. To facilitate their work, taskforces often establish protocols and procedures to exchange information and documents. Often, a lead person or institution (e.g. in many cases the deputy mayor), who is responsible for oversight and facilitating operations, chairs the taskforce or working group (Box 2.2). The chair regularly prepares the agenda, ensures cohesion among the different participating units/institutions and is in charge of implementing the taskforce's decisions. The appointed chair should also be involved in the planning and implementation of the budget and multiannual financial plan within the scope of the taskforce's entrusted tasks. Despite, its composition and mandate, the success of the chairperson and the taskforce is in practice also subject to the political support of the mayor. It is thus crucial that they have political backing and enjoy respective decision-making authority within their respective scope of tasks. Moreover, taskforces need to be provided with adequate (autonomous) financial resources, personnel, expertise and technical support to co-ordinate policy-making. It is therefore important that the head or chair of the taskforce is involved in the planning and implementation of the budget and multiannual financial plan within the scope of the entrusted tasks.

Figure 2.8. Institutional mechanisms used by LSGUs to ensure policy and service co-ordination across administrative units and policy sectors



Note: Based on 43 LSGU responses to the OECD questionnaire (n=43), whereof 35 are municipalities and 8 are counties. 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 LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

The second most commonly used co-ordination mechanism in Polish municipalities are ad hoc meetings of senior officials on specific policy issues. As Figure 2.8 shows, relatively high levels of municipalities in all categories report use of this mechanism. Interviews held during the OECD fact-finding missions demonstrated that all municipalities predominantly rely on this mechanism for daily co-ordination. While

most co-ordination mechanisms depend upon a certain degree of formality and regularity, the ad hoc interaction of senior officials is often not directly perceived as a co-ordination mechanism due to its informal character and the minimal transaction costs that it generates. However, in particular in LSGUs with smaller staff bodies with more direct interactions, the adoption of such informal arrangements can also positively affect co-ordination. Nevertheless, the prospects for forging co-ordination through informal ad hoc meetings can be expected to vary according to the involved individuals and might consequently depend on participants' personality, knowledge and interpersonal relations.

The third most reported institutional mechanism are the regular meetings of the LSGU council that may discuss the co-ordination of matters of political importance. A majority of the surveyed municipalities (63%) use these regular council sessions that are usually convened once or twice a month to co-ordinate policies and service delivery (Figure 2.8). The differentiation by category shows that these meetings are most often used for co-ordination purposes in municipalities outside FUAs with low accessibility (80%). Following interviews during the OECD fact-finding missions and pursuant to Figure 2.2, it can be as assumed that regular municipal council meetings are generally not used as a mechanism for regular co-ordination but rather for ensuring policy coherence of important matters on a case-by-case basis. In this regard, Figure 2.8 shows that the municipal council can also be convened on an ad hoc basis to discuss specific policy issues. This is a practice that is reported by 46% of the municipalities.

A permanent council or committee that meets regularly was established by more than half (54%) of all questionnaire respondents. Municipalities in FUAs with high accessibility are the category that most often uses such councils or committees as co-ordination mechanisms. Compared to other types of municipalities, LSGUs outside FUAs with high accessibility are only half as likely to use such an institutional mechanism. 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 policy issues. Across Poland, permanent councils or committees for instance often take the form of a youth and senior council (for a more detailed analysis of these councils, please consult Chapter 8 on open government). Although municipalities are not obliged to create such councils, they may appoint permanent committees and auxiliary units, including youth and senior councils following the law on municipal self-government (1990, latest amendments 2019). About 200 municipal youth councils are currently registered in Poland, which means that they operate within every 12th LSGU (8%) (EC, 2019[16]). While these councils have an advisory role and represent an effective way to engage with citizens to unlock their expertise, they also allow for more co-ordinated policy-making and service delivery in the areas they are representing. As with other institutional mechanisms, permanent councils and committees require political support to fulfil their functions.

Box 2.2. LSGU taskforces for the development and implementation of local development strategies

Częstochowa

The co-ordination and implementation of the strategy and the linked sectoral programmes are dealt with by a permanent team appointed by the mayor. The team is comprised of the deputy mayor, the city treasurer and secretary, heads/managers/directors of key departments/organisational units and representatives of utility companies. It is chaired by the deputy mayor of the city, who is appointed by the mayor. The head of the department for the city development strategy is responsible for providing administrative support and preparing the team's work.

Białystok

In Białystok, a co-ordination team consisting of the secretary of the city, the mayor's advisors, directors of departments and relevant LSGU staff was established to co-ordinate the implementation of the LSGU's development strategy for 2011-20.

Katowice

In Katowice, the implementation of the local development strategy Katowice 2030 and the implementation of sectoral local strategies and functional programmes are co-ordinated and supervised by a steering committee. The committee is composed of the deputy mayor of the city (who acts as the chairperson), a representative of Katowice City Council (acting as the vice-chairperson), the heads of the departments of development, culture, European Union funds, investment, environment, transport, housing and roads, social policy, education, sports and tourism. In addition, a co-ordinator is responsible for preparing and implementing the committee's decisions.

Poznań

The comprehensive implementation of the development strategy in Poznań is co-ordinated by an interdisciplinary steering committee. Its tasks include substantive supervision of the strategy implementation process and performing a consultative function for other city authorities in this regard. It is comprised of people responsible for the implementation of related tasks (including the deputy mayors and heads/directors of departments). For special advice, the steering committee will draw on the work of subordinated working groups that organise the resources and competencies needed, ensure the team's interdisciplinarity and take care of co-operation between departments and units.

Since 2010, another steering committee is responsible for the integration of the strategic management process and multi-annual budget planning. It is also an interdisciplinary team that co-ordinates the work on the preparation of the city's budget and long-term financial forecast.

Source: City of Częstochowa (2016[17]), *Development Strategy: The City of Częstochowa 2030+*, https://bip.czestochowa.pl/artykul/26231/1153997/strategia-rozwoju-miasta-czestochowa-2030 (accessed on 10 September 2020);
City of Białystok (2010[15]), *Development Strategy: The City of Białystok 2011-2020+*, https://www.bialystok.pl/pl/dla_biznesu/rozwoj_miasta/strategia-rozwoju-miasta-bialego.html (accessed on 10 September 2020);
Katowice City Council (2015[18]), *City Development Strategy "Katowice 2030"*, https://bip.katowice.eu/RadaMiasta/Uchwaly/dokument.aspx?idr=95384&menu=660 (accessed on 10 September 2020);
City of Poznań (2017[14]), *Development Strategy: The City of Poznań 2020+*, https://bip.poznan.pl/bip/strategia-rozwoju-miasta-poznania-2020,doc,42/strategia-rozwoju-miasta-poznania-2020,80837.html (accessed on 10 September 2020).

Creating partnership practices for co-ordination

In addition to the institutional mechanisms outlined in the previous section, LSGUs have a number of partnership practices at their disposal that can help improve co-ordination. Figure 2.9 presents an overview of the different forms of partnerships used by LSGUs as tools to improve co-ordination across different policy sectors for better planning and improved local development strategies.

The most commonly used partnership practice across Polish municipalities is the joint planning of activities and interventions. Almost all municipalities surveyed (91%) indicated that their institutional units jointly plan activities and interventions for better planning and improved local development strategies. The OECD questionnaire found only smaller differences in usage between the three different categories of municipalities. However, only 56% of the surveyed counties report making use of this practice. The joint planning of activities constitutes a form of positive co-ordination, where units not only seek to avoid overlaps and conflicts but also aim to find ways to co-operate on the delivery of services and policies. Through joint activities and interventions, two or several independent units can create synergies for the delivery of their own work, while contributing to the achievement of overall shared goals.

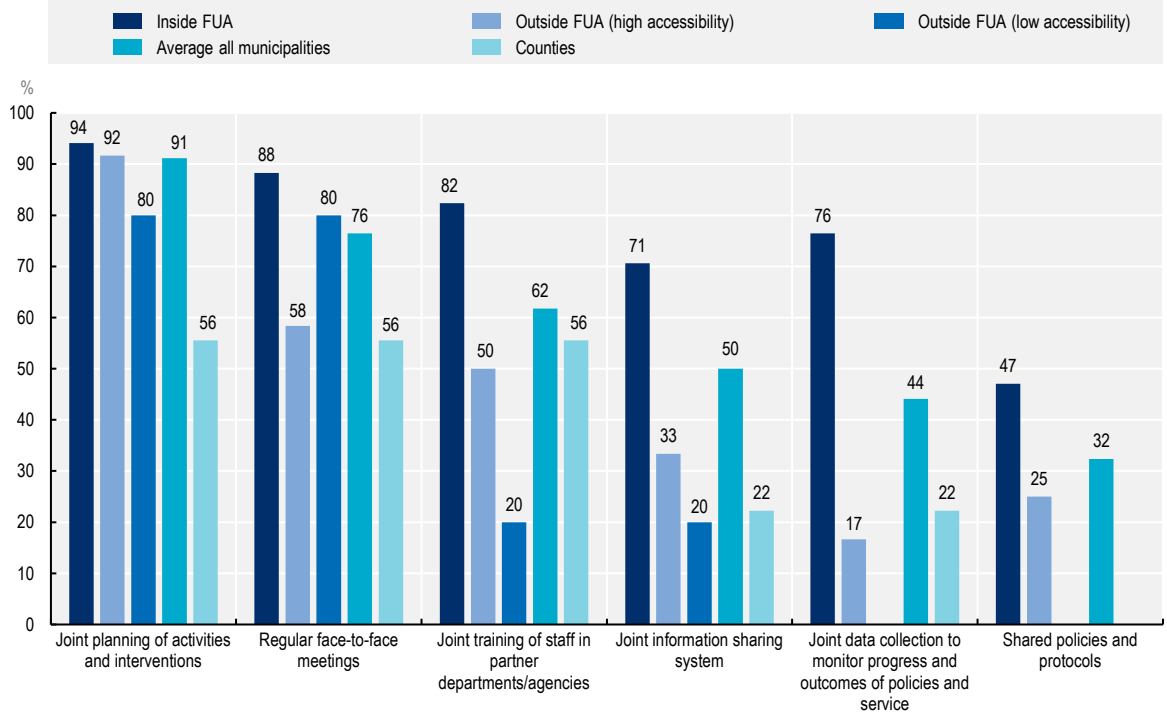
The second most reported practice to improve co-ordination for better planning and improved local development strategies is regular face-to-face meetings. A total of 76% of the surveyed municipalities (56% of the counties) indicated that they hold regular face-to-face meetings. While over 88% of municipalities located inside FUAs and 80% of municipalities outside FUAs (with low accessibility) report regular use of in-person meetings, only 58% of municipalities in highly accessible areas outside FUAs seem to deploy this practice for more effective co-ordination. Due to their informal character and low transaction costs, face-to-face meetings are an efficient and effective way to co-ordinate work between units. Their success may however vary according to the existing level of trust, the participants' personality and knowledge. When they take place on a more formal regular basis, it is also important that all relevant actors are informed of or invited to these meetings, as they otherwise create an element of exclusion and a hierarchy of information that may have negative repercussions.

In particular, at the local level, co-ordination is often based on trust and mutual understanding. Interpersonal relations are therefore an important element that determines the quality of interaction of different team units. Staff training can offer an opportunity to lower institutional barriers and foster interactions and exchange. Some 62% of municipal respondents to the OECD questionnaire (56% of the surveyed counties) report making use of joint staff training (Figure 2.9). This training may take place in one of the participating institutions, a partner unit or a training facility. A differentiation by category of municipality, however, shows that this is not equally practised everywhere and varies a lot depending on the typology of municipality that we look at. While a large majority of 82% of the municipalities in FUAs organise joint training, only half or less of the municipalities outside FUAs have made use of this partnership (Figure 2.9). This large difference between the three categories of municipalities may to some extent be caused by the smaller resources that municipalities located outside FUAs and smaller municipalities have to train staff (for more information on human resource management, please consult Chapter 7).

Large disparities between the different categories of municipalities are also observable for the usage of joint information sharing systems. While 71% of municipalities in FUAs use a system to make information available across administrative units, only 33% (high accessibility) and 20% (low accessibility) of municipalities outside FUAs follow this practice (Figure 2.9). Similarly, only 22% of the surveyed counties make use of joint information sharing. Such low levels can potentially undermine effective co-ordination. For different units and institutions to work together, they need to exchange information informally or formally. Even though information flows are traditionally rigid, vertical and hierarchical, information sharing systems can empower LSGU employees as it allows them to acquire a more comprehensive and accurate picture of policy issues through the complementation of their own knowledge with additional information (Dawes, 1996[19]) and enables the identification of potential synergies. Without a sufficient amount of

shared information, municipalities run the risk that their public servants are simply incapable of considering decisions made in other units (Cejudo and Michel, 2017[20]). With a lack of minimal ad hoc exchange of information between units, different units will not be able to avoid conflict and negative impact such as increased costs, lack of consistency between policies, redundancies in implementation, duplication of effort and burden for citizens. Furthermore, without adequate information, LSGU employees are in no situation to address complex problems that require joint efforts (Landsbergen and Wolken, 2001[21]). Even the lowest level of co-ordination requires information sharing to enable units to achieve their goals more efficiently. The importance of information sharing has been further highlighted by the current COVID-19 pandemic when the possibility of using physical meetings became restricted and teams had to increasingly rely on exchanging information digitally. In this context, the pandemic has also shown the need for functioning information technology (IT) systems and software (e.g. city/municipality intranet, communication or project management platform, etc.) that enable and promote information sharing and communication between administrative units within the LSGU. In addition, an online document management system (e.g. with joint document storage, inter-unit tracking system, etc.) can support effective, transparent, accountable document workflow processes and facilitate digital co-creation processes of joint policy and planning documents across units.

Figure 2.9. Forms of partnership used by LSGUs as tools to improve co-ordination across different policy sectors for better planning and improved local development strategies



Note: Based on 43 LSGU responses to the OECD questionnaire (n=43), whereof 34 are municipalities and 9 are counties. 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 LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

The use of joint data collection to monitor progress and outcomes of policies and services also confirms the large disparities between municipalities inside and outside FUAs. While only a small percentage of 17% of municipalities with high accessibility outside FUAs confirm the use of joint data collection, in contrast, 76% of the municipalities inside FUAs report that different units collect data jointly (Figure 2.9).

Only 22% of the surveyed counties make use of this practice. The partnership of different units to team up for data collection can not only add to monitoring efforts as it integrates resources into an organisational infrastructure (for more information, please consult Chapter 4 on the use of evidence in strategic decision-making) but it can also be conducive to the overall co-ordination of policies. The differences between the categories of municipalities may in part be explained by diverging resources, as data collection and monitoring efforts presuppose skilled staff and do thus require training.

The form of partnership least commonly used across municipalities in Poland are shared policies and protocols. Overall, 32% of the surveyed municipalities (0% of the counties) indicate that different units and institutions work together in such a co-ordinated way that they integrate their policies. This share is higher for municipalities located inside FUAs (47%). Only a fourth of the municipalities with high accessibility outside FUAs reports their usage as well. For integrated policies, individual units co-ordinate not only for the delivery of their individual work but pursue integrated objectives to ensure interlinked, coherent policies. They thus require the systematic strategic integration of units/departments' work around joint goals; they represent the third and most complex level of co-ordination that municipalities can seek to achieve. As objectives need to be integrated, this level of co-ordination may require substantial political prioritisation and leadership.

Providing capacity and resources for co-ordination through human resource management

Experience in OECD countries shows that the process of increasing co-ordination across government is a long-term endeavour that is met with many challenges (OECD, 2016[22]). Particular challenges often include a degree of resistance of different department/units in aligning their work and promoting an organisational culture aiming at co-ordination as well as adequate human, financial and technical resources. A lack of human and technical resources (see Figure 2.1) was reported by a majority of LSGUs within the framework of the OECD questionnaire and underlines the importance of institutional capacity and resources.

Public administration and civil service at all levels and in most countries were not created considering ways to best ensure effective co-ordination across individual institutions. In most cases, civil services were established in a way that benefits from the efficiency of hierarchy that allows information and accountability to flow vertically. However, evidence from the OECD questionnaire and fact-finding missions shows that for 81% of the municipalities (70% for counties) human resources and LSGU employee capacities are among the most pressing challenges for co-ordination that LSGUs face (Figure 2.1). To allow for effective co-ordination, it is thus important to increase the awareness, understanding and capacity of politicians and LSGU staff.

Training can help to create the skills and competencies needed for effective co-ordination. Courses could focus on internal communication, document management, information sharing as well as on the necessary IT skills. Specific skills and competencies in the field of project management and team leadership may further be helpful to increase the capacity of appointed persons in charge of co-ordination or the management personnel (e.g. chairperson) of institutional co-ordination structures (e.g. taskforces). Moreover, training can raise awareness of the importance and scope of co-ordination within the LSGU and can contribute to a changing organisational culture, where co-operation across administrative boundaries is a more natural reflex than the work in institutional silos. In this regard, the OECD Recommendation on Policy Coherence for Sustainable Development highlights the need for training strategies and programmes to build capacity in the public administration to ensure whole-of-government co-ordination (OECD, 2019[13]). Some 62% of the respondents to the OECD questionnaire report making use of joint staff training (Figure 2.9). Also, training programmes provided by the regional self-government or non-governmental actors (e.g. the School for City Leaders Foundation, see Chapter 7 on human resource management) should raise awareness of the importance of co-ordination and contribute to capacity building. Training

could be incorporated into the core curricula of all new municipal staff members. Existing public officials could be required to undertake some level of training to increase their awareness and competencies.

Moreover, government employees should understand their role as co-ordinative. To initiate a real change of organisational culture to improve the quality of policies and services for citizens that goes beyond creating awareness, co-ordination needs to be promoted at every possible opportunity. Not only need co-ordination references be included in policy documents but LSGUs could use co-ordination in terms of references, incorporate it in their civil service's value or competency frameworks and use it for performance agreements. The ability to maintain effective and efficient co-ordination within the municipality could be one of the employees' performance evaluation criteria, notably on the part of senior public officials. Moreover, specific performance-linked incentives could be introduced to further motivate municipal staff to work across administrative units. However, the OECD questionnaire found that, currently, only 6% of municipalities use this human resource management tool and include co-ordination in performance management. Moreover, the need to work across different sectors and organisational units could already be highlighted in job descriptions and the related boundary-spanning skills may be included in recruitment criteria (Christensen and Lægreid, 2008[23]).

Recommendations

Ensuring institutional responsibility for co-ordination

Define and communicate LSGU units and departments' responsibilities

To ensure effective co-ordination, the institutional roles and responsibilities of LSGU units/departments must be clear and well defined. Moreover, institutional responsibilities should be widely communicated, recognised by LSGU staff and supported by the political leadership. LSGUs could therefore:

- Share internally an organigram depicting the LSGU's organisational structure with all unit/department roles, responsibilities and clear reporting lines with all LSGU staff. This organigram should include the contact details of key staff and be regularly updated and adjusted to account for all changes in mandates.
- Publish and make available to other LSGUs a user-friendly version of the organigram depicting the LSGU's organisational structure with all unit/department roles and responsibilities, on the LSGU website for example. This organigram could include the contact details of key staff. Alternatively, a service telephone number and/or email address could be set up as the first point of contact that can forward calls/emails to the respective LSGU units/employees.

Establish clear institutional responsibility for co-ordination

A clear assignment of the responsibility for co-ordination to one or more institutions can help ensure effective co-ordination and improve the coherence of policies across LSGU units and policy sectors. Due to their role as the highest administrative authority in LSGUs, mayors assume key co-ordination functions in a large majority of LSGUs across Poland. To explicitly recognise mayors' responsibility for co-ordination in law and provide them with the necessary competence to strategically manage resources, the Government of Poland could consider the following:

- Amend the definition of tasks of mayors in the Act on Local Self-Government (notably in Article 30) to include and define the mayor's responsibility for intra-LSGU co-ordination.

In addition to the mayor, co-ordination responsibility is often delegated to and shared with other LSGU units such as the secretary or the treasurer, who play an important role for the co-ordination of policy-making and service delivery in many Polish LSGUs. It should thus be considered to:

- Assign the responsibility for general co-ordination functions to one or more LSGU units (mayor, secretary of the municipality, office manager or administrative unit) in the LSGU.
- Ensure that the co-ordination responsibility of the LSGU unit/s is widely known within the LSGU and politically supported by the mayor.
- Adjust the workflow of relevant documents and information sharing in order to allow the co-ordinating LSGU unit/s to fulfil their functions.
- Provide the LSGU unit/s in charge of co-ordination with the necessary human resources and financial means to properly fulfil this function.

Consider establishing formal mandates for co-ordinating units/departments

In order to facilitate the work of the unit/s in charge of co-ordinating policies and services, LSGUs can provide them with a formal mandate that outlines their specific role, task and duty. Having the responsibility for co-ordination codified in a legal document creates legal certainty and legitimacy in relation to other actors and may raise awareness of the importance of co-ordination. Providing the co-ordinating unit/s with a strong mandate to lead the LSGU's co-ordination efforts can thus help foster effective co-ordination. In many Polish LSGUs, such mandates enshrine the responsibility of the mayor for co-ordination matters or determine that the secretary or the treasurer of the municipality assume this responsibility by way of delegation of powers from the mayor. It could thus be considered to:

- Establish a clear formal mandate for unit/s in charge of co-ordination included in the LSGU's general organisational regulations or a separate regulation to facilitate the work on co-ordination across administrative units and policy sectors. In addition, job descriptions for specific posts may also include co-ordination functions.
- Share already existing mandates and post descriptions with LSGU employees and communicate the specific roles, tasks and duties they assign to different administrative units/departments.

Consider the use of formal reporting arrangements for co-ordination

Through the establishment of an obligation to co-operate, formal reporting arrangements can help the mayor or respective unit/department responsible for co-ordination within the LSGU to work with several units/departments towards higher levels of co-ordination. While formal reporting arrangements can be established by laws or regulations, many LSGUs base their arrangements on non-regulated informal tradition. Such an approach requires personal relations and trust, but offers flexibility and low transaction costs, particularly for smaller municipalities. However, changing mayors and inconstant staff composition can result in challenges for reporting arrangements based on informal tradition. LSGUs could thus consider to:

- Formalise reporting arrangements between the mayor or the institution in charge of co-ordination and other units/departments based on non-regulated informal tradition in case of frequent LSGU transitions and inconsistent staff composition.

Make more strategic use of policy documents to foster co-ordination

Policy documents can help raise awareness of the importance of intra-LSGU co-ordination and may offer advice to public servants that are tasked with co-ordination. They can provide guidance and clarity, highlight good practices and objectives that a particular LSGU seeks to meet. References to co-ordination in LSGUs' development strategies can help to raise LSGU staff and citizen awareness of the benefits of co-ordination as a catalyst to implement the LSGU's strategic policy objectives.

- Include references to intra-LSGU co-ordination in reform plans and development strategies to help raise awareness of the importance of co-ordination across administrative units and policy sectors.

In addition to the inclusion of references to co-ordination in reform plans and development strategies, supporting policy documents such as guides, toolkits and handbooks can focus on policy coherence and effective co-ordination for policy-makers. While such documents are bringing the most added value to LSGUs with comparatively large administrations and staff bodies, smaller sized LSGUs could also develop simpler versions of these documents for internal usage only.

- Develop specific policy documents that can concretely assist policy-makers and LSGU employees in co-ordinating with different units/departments.

Effective co-ordination through institutional mechanisms and partnerships

In general, the degree of institutionalisation and complexity of the co-ordination mechanisms used should always be determined by the size of the LSGU's staff. Smaller LSGUs with fewer employees may consider less institutionalised mechanisms to be more suitable.

Create fit-for-purpose taskforces for the work on crosscutting policy issues and complex challenges

Co-ordination mechanisms such as temporary or permanent fit-for-purpose taskforces (sometimes called project teams or working groups) can be appointed by the mayor to help work on crosscutting policy issues (e.g. the development and implementation of the local development strategy) and to deal with complex challenges (e.g. multi-annual budget planning, unemployment, housing or disabilities). At the same time, it would be prudent to avoid creating a multiplicity of taskforces in order to limit the atomisation of co-ordination tools.

- Establish a taskforce comprised of different LSGU units/departments (and external stakeholders) to work on crosscutting policy issues and to deal with complex challenges (see the recommendations regarding the establishment of taskforces to elaborate or supervise the development of socio-economic diagnostics in Chapter 4).
- Ensure political support for the taskforce by the mayor and senior LSGU management.
- Appoint a head or chair person with decision-making authority within the respective scope of tasks, to lead the work of the taskforce and be responsible for oversight and facilitating operations. It is important that the person is involved in the planning and implementation of the budget and multiannual financial plan within the scope of the entrusted tasks.
- Provide taskforces with adequate (autonomous) financial resources, personnel, expertise and technical support to co-ordinate policy-making and service delivery.
- Grant taskforces access to all relevant information and provide them with key information necessary for the fulfilment of their mandate.
- Consult with external stakeholders to obtain additional information and tap into their experience.

Use existing permanent councils/committees to improve co-ordination

Across Poland, many LSGUs have established permanent councils or committees. They often take the form of a youth and senior council but LSGUs can also appoint sector-based councils/committees in areas such as housing, infrastructure, energy and public safety or can create them on particular policy issues. While these councils play an advisory role in a given area of work, they can constitute an effective way to engage with citizens to unlock their expertise and they can also help improve the co-ordination of intra-LSGU policy-making and service delivery in their areas of focus by playing their advisory function effectively.

- Utilise existing permanent councils/committees to co-ordinate LSGU work in their area of focus as an advisory body.

- Ensure that permanent councils and committees are equipped with the necessary political support to fulfil their functions.

Promote joint planning of activities and shared policies

In addition to institutional mechanisms, LSGUs have a number of partnership practices at their disposal that can help improve co-ordination. Through the planning of joint activities and interventions, two or more independent units can not only avoid overlaps and conflicts but can create synergies for the delivery of their own work, while contributing to the achievement of overall shared goals.

- Promote the joint planning of activities and interventions between two or more independent administrative units for better planning and improved local development strategies.

In the same vein, LSGUs should encourage different units to work together in such a co-ordinated way that they integrate their policies. For integrated policies, individual units co-ordinate not only for the delivery of their individual work but pursue integrated objectives to ensure interlinked, coherent policies.

- Encourage units/departments to integrate their work around joint goals and strategic objectives to ensure interlinked, coherent policies and services.
- Consider assigning the responsibility of the co-ordination of joint goals and strategic objectives by delegation from the mayor to an individual coordinator or administrative unit and ensure accountability for the execution of this mandate.
- Ensure political support for the development of joint goals and strategic objectives.

Ensure information and document sharing across administrative units

Information sharing systems can empower LSGU employees as it allows them to acquire a more comprehensive and accurate picture of policy issues through the complementation of their own knowledge with additional information and enables the identification of potential synergies. An appropriate IT system and software (e.g. city/municipality intranet, communication or project management platform, etc.) can promote communication and exchange of information between different administrative units and lead to better co-ordination.

- Promote the open and regular exchange of relevant information and key documents across the LSGU administrative units.
- Set up an online information and document management system (e.g. with joint document storage, inter-unit tracking system, etc.) that supports effective, transparent, accountable document workflow processes (e.g. through easy and secure access and sharing of documents) and facilitates the digital co-creation of joint policy and planning documents across units.

Capacity and resources for co-ordination

Focus on the development of skills and competencies for co-ordination

Many LSGUs reported challenges with regard to human resources and employee capacities. To allow for effective intra-LSGU co-ordination, it is thus important to increase the awareness, understanding and capacity of politicians and employees. Training strategies and programmes can help to build capacity in the LSGU to ensure co-ordination. Moreover, training can raise awareness of the importance and scope of co-ordination within the LSGU and can contribute to a changing organisational culture, where co-operation across administrative boundaries is a more natural reflex than work in institutional silos. Joint training of staff from different units can also offer an opportunity to lower institutional barriers and foster interactions and exchange.

- Provide training to create the skills and competencies needed for effective co-ordination. Courses could focus on internal communication, document management, information sharing as well as on the necessary IT skills. Specific skills and competencies in the field of project management and team leadership may further be helpful to increase the capacity of appointed persons in charge of co-ordination or the management personnel (e.g. chairperson) of institutional co-ordination structures (e.g. taskforces).
- Pool resources between LSGUs and make use of joint staff training. This training may take place in the participating LSGUs or a training facility.
- Incorporate training in the core curricula of all new municipal staff members. Existing public officials could be required to undertake some level of training to increase their awareness and competencies with regard to co-ordination.

Include co-ordination references in human resource management tools

LSGU staff should understand their role as co-ordinative. To initiate a real change of organisational culture to improve the quality of policies and services for citizens, co-ordination could be incorporated in LSGU value or competency frameworks and be used in employees' job descriptions/terms of references. The ability to maintain effective and efficient co-ordination within the LSGU could also be one of the employees' performance evaluation criteria, notably on the part of senior employees.

- Incorporate references to co-ordination in LSGU staff competency and values frameworks.
- Highlight the need to work across different sectors and organisational units in job descriptions/terms of references and recruitment criteria.
- Introduce co-ordination in performance management and include specific performance-linked incentives to further motivate senior staff to work across administrative units and policy sectors.

Recommendations for the national and/or regional levels of government

Explore the creation of training and policy documents to build capacity for co-ordination

In light of the challenges, LSGUs face with regard to employees' capacities for co-ordination, the regional and national levels of government could consider including co-ordination in their existing training curricula. Moreover, the development of policy documents such as guides, toolkits and handbooks can provide policy-makers with guidance regarding policy coherence and effective co-ordination.

- Amend existing training programmes for LSGUs to raise awareness of the importance of co-ordination and contribute to capacity building.
- Develop policy documents such as guides, toolkits and handbooks to provide LSGU leaders (i.e. mayors and heads of county management boards) and staff with guidance for effective co-ordination.

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Note

[1] The CoG is "the body or group of bodies that provide direct support and advice to Heads of Government and the Council of Minister, or Cabinet" (OECD, 2020[1]).

3 Strategic planning for local development in Poland

This chapter reviews the practice of strategic planning for local development in Poland's local self-government units (LSGUs). It begins with a discussion on the importance of strategic planning for the Polish local context. It then moves on to explain the challenges and opportunities in the elaboration of local development strategies (LDS). It makes special emphasis on the practical and structural challenges LSGUs, in particular municipalities, face when elaborating LDS. The chapter then discusses the management aspects of planning, such as financing, public consultations and monitoring. It ends with a series of policy and practical recommendations to improve LSGU capacity and processes to plan development strategically.

Introduction

For the last three decades, Poland has been tackling strategic challenges (i.e. adequate housing, efficient urban transport, environmental protection, economic development) to ensure optimal development of its voivodeships and local self-government units (LSGUs) (counties and municipalities). Government authorities at all levels have long been striving to: better use the potential of urban areas to generate growth; prevent excessive spatial differences; foster innovation; prevent negative demographic trends; adapt to climate change; protect and use rationally environmental resources; use the tourist and cultural potential of regions and cities; support competitiveness through transport and information and communication technology (ICT) infrastructure; and enhance institutional capabilities to manage development. However, Poland has been struggling to meet these objectives due to regulatory, capacity, financial, institutional and organisational constraints at the local level. The COVID-19 pandemic has made it more challenging as it has created uncertainty in development prospects as it has further crippled the already limited capacities and resources of local government, which are at the frontline of the recovery efforts. The COVID-19 pandemic is leading Poland and the other OECD countries to rethink local development, its importance and priorities. In this context, Poland requires improving its capacity for strategic planning at the local level to guide decision-making and make better use of available resources. Most voivodeships and LSGUs have a strategic document intended to guide investment for social and economic development, which is prepared depending on local needs. However, the lack of updated, reliable data and mechanisms for monitoring and evaluation (M&E), as well as the unsophisticated mechanisms for stakeholder involvement in community issues make strategic planning less effective. This situation is expected to change with the reforms to the Act on Principles of Implementation of Development Policy as it provides clearer guidelines on how LSGUs could plan better local development.

Poland's LSGUs can benefit from strategic planning in a number of ways. First, strategic planning allows local administrations to be proactive rather than reactive, to foresee the future and prepare accordingly. It can help LSGUs to set up a sense of direction and contribute to establishing realistic objectives and goals in line with a vision and mission. It can also assist LSGUs in improving their operational efficiency by aligning the government's activities to achieve the selected goals. In addition, in the aftermath of COVID-19, strategic planning can provide a strong foundation for sustainable development, focus and foresight to build back better.

The aim of this chapter is to assess the state of strategic planning in Poland's subnational governments, reflected in the elaboration of the LDS. The chapter will provide recommendations on how the process of plan-making can be improved. The chapter presents an overview of the relevance of strategic planning for Poland and its self-governments, particularly in the context of the COVID-19 pandemic. It then discusses the practical and structural challenges LSGUs face in the elaboration of their LDS. The chapter then moves on to a discussion of the management aspects of local development planning such as implementation, public engagement and monitoring. It ends with a series of recommendations on how to improve the practice of and improve LSGU capacities for strategic planning for local development. The chapter is based on a literature review that included the consultation of several LDS, the results of the 2020 OECD questionnaire on "Better Governance, Planning and Services in Local Self-Governments in Poland" and four fact-finding missions to interview a large number of national, regional self-government and LSGU actors, as well as multiple stakeholders from the private sector and civil society organisations.

The case for fostering strategic planning in Poland

Poland's LSGUs and COVID-19

Before the COVID-19 pandemic, Poland's economic development prospects were promising. Its economic growth was strongly underpinned by rising social transfers and a booming labour market with the

unemployment rate at a record low (6.2%) (OECD, 2018[1]). Poverty and income inequality had fallen and family benefits contributed to bringing down child poverty further. Family benefits were also expected to contribute to raising fertility rates as Poland has an ageing population. However, in Poland, like all across the world, the COVID-19 pandemic has created high uncertainty with unprecedented negative social and economic implications. It has reinforced long-lasting weaknesses in socio-economic development models such as inequality and will certainly have a negative impact on the most vulnerable groups of the population. Lower revenues for LSGUs, fewer employment opportunities, safety concerns, aggravation of social inequality, the possibility of urban expansion and a growing need for better housing and mobility are just some of the consequences of the current crisis. According to OECD estimates, in 2020, Poland's gross domestic product (GDP) growth fell 3.5% but it is projected to grow by 2.9% in 2021 and 3.8% in 2022.[1] Although the COVID-19 pandemic is affecting every region in the country in a different way, it will likely lead to lower levels of well-being and rising unemployment, poverty and inequality.

In this context, local responses are more relevant than ever to advance national economic recovery. Regional self-governments and LSGUs are well-positioned to address the specific implications of firm closures and job losses in their own particular labour markets. They are on the frontline to support the most disadvantaged populations and address their multiple needs. They will need to work closely with small- and medium-sized enterprises (SMEs) to improve the quality of the local and regional labour market as well as with citizens to make strategic decisions on where to invest the available resources – however limited – to meet their common needs.

The COVID-19 pandemic is poised to change the game for local development in Poland. LSGUs' task is to shape a strategy to foster resilience in the wake of the COVID-19 crisis. However, not all regional self-governments and LSGUs are equally equipped to respond to the challenge. They have different policy competencies as well as financial and technical capacity (OECD, 2020[2]). Moreover, the COVID-19 crisis has had asymmetrical impacts across territories even within the same country but many policy responses were place-blind and uniform. This has highlighted the need for place-based and people-centred approaches (OECD, 2020[3]). Poland's regional self-governments and LSGUs will have to continue to implement national development strategies in addition to policies in response to COVID-19, but will have to complement them with locally tailored responses for the short and long terms.

Strengthening regional self-governments and LSGUs' capacity for strategic local development planning is of the utmost importance to provide a coherent policy approach to the national challenges to come while targeting specific community needs. The creation of an integrated and co-ordinated development planning system across levels of government that is strongly linked with budget planning is essential not only for the competitiveness of the national economy and the strengthening of LSGUs in development planning but also as an effective response to the current socio-economic downturn brought about by the COVID-19 crisis.

In Poland, regional self-governments and LSGUs will have to adapt in the medium and long terms to trends that are already underway and accelerating such as digital transition and automation. The rise in teleworking within cities may lead local development strategies (LDS) to bridge the digital divide. Before COVID-19, in Poland, 30% of the working population used teleworking occasionally depending on the nature of their job (OECD, 2020[4]). People able to work remotely may be eager to move to areas that offer a higher quality of life and lower costs. This, on the one hand, could put pressure on some communities to be prepared to absorb new residents and increased demand for services (i.e. schools, health centres, Internet connectivity, infrastructure, public transport). On the other hand, large metropolitan areas may experience relief from pressure linked to housing prices and commuting. Temporary emergency restrictions on international movements of people within the European Union (EU) could translate into long-term isolationism. The problem is that many communities in Poland rely on remittances from Polish migrant workers who settled in more affluent European countries and support their families back at home.[2] Thus, new job opportunities will need to be found and LSGUs will have to invest in local training and education in case borders close completely or immigration rules become more restrictive in the future.

A national framework for local strategic planning

In 2017, Poland adopted the *Strategy for Responsible Development for the period up to 2020 (including the perspective up to 2030)" (SRD)* (Box 3.1) that constitutes the national planning policy framework. It sets out the government's planning policies for medium- and long-term economic development and how these are expected to be applied and serves as a reference for LDS. The SRD sets the basic conditions, objectives and directions for the country's development in social, economic, environmental and spatial terms. When LSGUs prepare their LDS, they must take into account SRD policy orientations and adapt them to the local needs and specific development priorities. The SRD specifies the institutions responsible for implementation; it sets implementation indicators and specific programmes for execution.

Box 3.1. The Strategy for Responsible Development – A new model of development for Poland

The *Strategy for Responsible Development for the Period up to 2020 (including the perspective up to 2030)* (SRD) specifies the development goals to be achieved by 2020 and 2030 and the way they should be achieved. It presents a new model of development that seeks to be "responsible" (i.e. meets the needs of the present without compromising the ability of future generations to meet their own needs) as well as socially and territorially sustainable. The SRD's main objective is to create the conditions for raising the income of citizens along with increasing social, economic, environmental and territorial cohesion to achieve inclusive social and economic development.

The SRD comprises three specific objectives:

1. **Sustainable economic growth increasingly driven by knowledge, data and organisational excellence**. This refers to re-industrialisation, increasing innovation, enhanced SMEs, capital growth and foreign expansion of Polish enterprises.
2. **Socially sensitive and territorially sustainable development**. This refers to stronger social cohesion and strengthening regions struggling with difficulties.
3. **Effective state and economic institutions contributing to growth as well as social and economic inclusion**. This refers to laws at the service of citizens and the economy, effective public institutions available and open to citizens and entrepreneurs, the achievement of stable, effective and sustainable public finance, and the efficiency in the use of European Union (EU) funds.

The SRD seeks to address economic and social development challenges such as demographic changes, processes of global and regional integration, climate change, intensifying competition for resources across regions, and the need to boost innovation in LSGUs. It recognises critical institutional challenges such as national government procedures that maintain rigid control over the actions of subnational governments, excessive reliance on EU funds and EU programmes to define public policies, operation in silos and overlapping responsibility of government agencies. As part of the SRD, between 2017 and 2020, the national government expects to invest PLN 2 billion (approximately USD 500 million) in pro-development expenditure, of which PLN 1.5 billion will be public resources and the rest private investment.

Source: Polish Government (2017[5]), *The Strategy for Responsible Development for the period up to 2020*, http://www.gov.pl (accessed on 14 December 2020) OECD (2018[1]), *OECD Economic Surveys: Poland 2018*, https://doi.org/10.1787/1999060x.

Research suggests that if Poland is to meet the targets of the SRD, the Polish economy needs to grow at an estimated rate of about 5%-7% of GDP and increase its expenditure in research and development (R&D) at least 1% point of GDP (Oleksiuk, 2017[6]). However, Poland's economic activity has had its ups and downs in recent years, passing from 3.8% growth in 2015 to 4.6% in 2017 and deaccelerating in 2019 to 3.7% (OECD, 2018[1]). Similarly, investment in R&D has already fallen to below 1% of GDP (Oleksiuk, 2017[6]). Moreover, the Polish economy is strongly integrated with those of EU member states and its development largely depends on the way the EU economy copes with megatrends: ageing population, digitalisation, climate change, global and regional integration, and more recently the COVID-19 crisis.

The COVID-19 pandemic risks creating setbacks in the attainment of SRD goals due to the likely reduction of domestic economic activity and internal resource mobilisation. This will probably increase dependence on external sources of funding. How deeply the EU is affected by the crisis and how it responds will likely have an impact on Poland's recovery. In addition, the success of the SRD depends on the co-operation, partnership and shared responsibility of public entities, businesses and citizens, as well as the social sector in the implementation of the public policies. Poland will require an integrated approach to management organised around strategic objectives and co-ordination of sectors and territorial differentiation.

An important step in the modernisation of the planning framework for development has been the reforms to the Act on Principles of Implementation of Development Policy. These amendments introduce a new scheme of sociological, economic and spatial planning for local development. They seek to strengthen the elaboration, implementation and monitoring of the LDS and the co-ordination and collaboration across levels of government for this purpose. Box 3.2 presents the main changes to the act.

Box 3.2. Amendments to the Act on Principles of Implementation of Development Policy

On 15 July 2020, Poland's parliament passed a number of amendments to the Act on Principles of Implementation of Development Policy. Changes include:

- The introduction of the notion of LDS: although the adoption of an LDS is not compulsory, the act considers it a valuable strategic document, which will eventually become obligatory.
- The adoption of a Medium-term National Development Strategy (10-15 years) that specifies basic conditions, goals and directions of the country's development in the social, economic and spatial dimensions, and detailed activities for a period of 4 years.
- The adoption of a territorial agreement that should specify priority projects for the development of the area covered by the agreement. Municipalities can sign agreements with the self-government of the region or a national ministry and it has statutory power.
- The requirement that the spatial planning document and the socio-economic development diagnostic need to be included in the LDS to ensure stronger relations between the two policy documents as in the past they were separated and not fully co-ordinated.
- A detailed process for the elaboration of a development strategy at the voivodeship, supra-local and municipal levels.
- A detailed process for consultation across levels of government for the elaboration of the LDS. A municipal LDS needs to be submitted to the voivodeship board to ensure alignment with the voivodeship development and spatial policy, and in this case with the supra-local development strategy.
- The possibility for neighbouring municipalities to develop a supra-local development strategy which will be a common document for all municipalities involved. Municipalities may be from the same or different counties taking a more functional approach to planning.

- A list of what the LDS must include: i) the conclusions of the socio-economic diagnosis; ii) the strategic social, economic and spatial development goals; iii) an implementation strategy; iv) expected results; v) a model of the functional and spatial structure of the municipality; vi) measures for shaping spatial policy; vii) areas of intervention specified in the voivodeship development strategy; and viii) a financial framework and sources of financing.

The amendments come into force on 13 November 2020.[3]

Source: Based on information provided by the Polish Association of Cities.

The effectiveness of the Polish planning system for local development will be reinforced with the implementation of the Act on Principles of Implementation of Development Policy. The amendments to the act intend to provide a new approach to strategic planning at the local level as well as the basis for a more coherent elaboration process of the LDS. They could potentially increase the technical and evidence-based quality of the socio-economic diagnosis spatial plans and, in general, the LDS document. The SRD and the act aim to improve the quality of development management and the ability of LSGUs to enter into partnerships, dialogue and co-operation. These changes seem to be in line with international practice as they are comparable to the OECD Principles on Urban Policy (Table 3.1). If the objectives of the changes to the act are met, Poland may be on the right course to build an integrated system of socio-economic and spatial development planning. The key issue now is how this revised version of the act will be implemented. The discussion below shows that not all LSGUs (counties and municipalities) have the same level of capacity and capability to conduct strategic planning and they face different constraints to do so.

Table 3.1. Comparing key feature of the Polish planning system and the OECD Principles on Urban Policy

New features of the Polish planning system	OECD Principles on Urban Policy
Adoption of a national Medium-term National Development Strategy that sets goals, directions and conditions for socio-economic and spatial development for a 10-15 year period.	Principle 4: Set a clear vision for national urban policy that is fit for the future.
Strategic planning can take place at the municipal, supra-local (several municipalities) and regional levels.	Principle 2: Adapt policy action to the place where people live and work, by adapting development strategies and public service delivery to the diversity of urban scales.
Elaboration of a diagnostic of the social, economic and spatial situation of the territory taking into account functional urban areas (FUAs).	Principle 4: Set a clear vision for national urban policy that is fit for the future, by assessing and addressing the impact of globalisation, urbanisation, ageing, migration, population growth and decline, digitalisation, climate change. Principle 11. Foster monitoring evaluation and accountability of urban governance and policy outcomes, by leveraging the potential of data […] to ground urban policy decisions.
Introduction of the concept of supra-LDS, which includes strategies for FUAs.	Principle 2: Adapt policy action to the place where people live and work, by: i) adapting development strategies and public service delivery to the diversity of urban scales; ii) promoting flexible and collaborative territorial governance and policy beyond administrative perimeters.
Inclusion of a spatial development strategy in the LDS.	Principle 7: Foster a national and multi-level urban approach that sets incentives to align and integrate sectoral policies to jointly promote development and well-being in cities, by promoting effective land use policies […] to reduce socio-spatial segregation and enhance urban regeneration.
Inclusion of a financial framework and sources of financing within the LDS.	Principle 8: Harness adequate funding for effective implementation of responsibilities for urban policy at all levels of government, by promoting a diversified, balanced and sustainable basket of resources to adequately finance urban development, infrastructure and services across levels of government.

New features of the Polish planning system	OECD Principles on Urban Policy
Provision of guidance for a procedure to consult with stakeholders (citizens, private sector and voluntary sector).	Principle 9: Promote stakeholder engagement in the design and implementation of urban policy, by involving all segments of society, harnessing innovative mechanisms to engage with the private sector and promoting outcome-oriented engagement.
Specification of the expected results of the planned activities and indicators for performance evaluation must be included in the LDS.	Principle 11. Foster monitoring evaluation and accountability of urban governance and policy outcomes, M&E tools; and developing a sound system of indicators to assess and benchmark progress.

Source: Own elaboration based on the reforms to the Act on Principles of Implementation of Development Policy. Act of Parliament, 15 July 2020 and OECD (2019[7]), *OECD Principles on Urban Policy*, https://www.oecd.org/cfe/urban-principles.htm (accessed on 16 March 2020).

The planning of local development

For Poland, like for other OECD countries, strategic planning is a tool to strengthen the socio-economic development of LSGUs in a more inclusive and sustainable manner. It is a means to protect significant aspects of the natural and built environment, guide the efficient and effective use and distribution of resources at the local level, and guide the delivery of essential infrastructure.

To have a basis for planning decisions, Polish LSGUs adopt and implement an LDS, normally with the participation of a wide diversity of stakeholders. An LDS is a coherent set of operations aimed to meet local socio-economic needs and raise the level of well-being. The LDS states where the LSGU is now, where it wants to get to and how it plans to get there. It normally identifies what the development gaps are and what can be done to overcome them in the medium and long terms. It seeks to ensure that the funding available and spending conform to a clear strategy that responds to the strengths, weaknesses, opportunities and threats of the local area. The LDS must be in line with regional development strategies (RDS) and, subsequently, the RDS must be in keeping with national development objectives. It assists local authorities in the management of growth and development in a sustainable manner so that communities can benefit socially, economically and culturally while safeguarding resources for future generations. At the regional level, the RDS are the macro-instrument setting the vision for development of the whole region, taking into account specificities and challenges of the counties and municipalities within the territory.

According to the answers to the OECD questionnaire on “Better governance, planning and services in local self-governments in Poland” (hereafter the OECD questionnaire) conducted in 2020 for this study, 95.5% of municipalities and 90% of counties reported having an LDS. Although national legislation does not make it compulsory for LSGUs to adopt an LDS, this high percentage is most probably due, on the one hand, to the willingness of LSGUs to underline their local identity, profile and specificity and, on the other, to facilitate access to funds for investment in development projects such as EU funds. When local governments apply for EU funds, they must demonstrate a close link between the activities for which they apply and the LDS. This requirement has likely contributed to improving the capacity of subnational development planning in Poland because to access the EU funds demands multi-annual programming that takes into account economic, social and territorial characteristics.

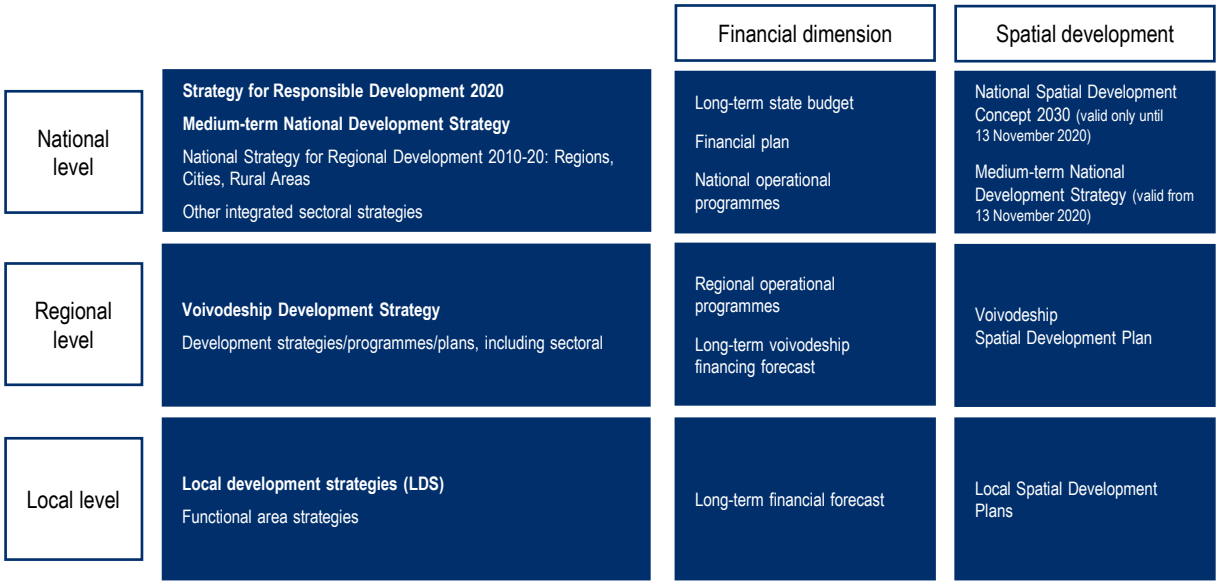
The creation of the different levels of subnational self-governments – voivodeships, counties and municipalities – has also influenced the planning tradition, with the municipal level as the main actors in local planning. Although every level of subnational government has to prepare different plans depending on its responsibilities, some of the plans are characteristic for all three levels of self-government units, such as socio-economic development strategy, budget, a long-term investment programme, a waste management plan, an environment protection plan, a promotion plan, a public safety plan, an ecological education plan, a programme of co-operation with non-governmental organisations (NGOs) and entities engaged in public utility activities (Table 3.2).

Table 3.2. Different plans and programmes and main responsibilities of subnational levels of government in Poland

Subnational government	Specific plans and programmes	Main responsibilities
Regional	Innovation strategy, social integration strategy, healthcare plan, regional spatial management plan, water retention programme, programme for farming and food sector development, strategy for rural areas development, regional operation plan, regional employment action plan and regional power engineering strategy.	Public education, including university education, modernisation of rural areas, water management, including protection against floods, public transport and roads, public safety, related to enhancing economic activity as well as increasing the level of regional economic competitiveness and inventiveness.
County	Local development, programmes for the development of entrepreneurship, programmes for counteracting unemployment, as well as programmes for the benefit of the disabled.	Land surveying, cartography, cadastre, architectural and construction administration, counteracting unemployment and stimulating the local job market, consumer rights protection, public education at secondary and vocational levels, and provision of support for the disabled.
Municipality	The LDS, study of conditions and directions for spatial management, local spatial development plan, revitalisation programme (usually referring to part of a town), plan for the spatial arrangement of farming areas, education development programme, local economic policy programme guidelines for heat supply, power supply and gas fuel supply plan.	Water supply, sewage system, sewage waste disposal and treatment, landfill sites management and communal waste disposal, provision of kindergarten care and primary level education, sports and tourism, communal green areas and spatial planning.

The Polish planning system is made up of a combination of strategic development documents at the national, regional and local levels (Figure 3.1). They are complemented by other specific documents that provide the financial and spatial dimension of development. The challenge is to ensure close co-ordination of these documents. In fact, this has been one of the objectives of the reforms to the Act on Principles of Implementation of Development Policy as it demands that the socio-economic diagnostic and the spatial development plan be integrated into the LDS. At the national level, the Medium-term National Development Strategy replaced the National Spatial Development Concept in November 2020 as it includes some spatial development elements, not included in the RDS.[4]

Figure 3.1. Poland's planning system



Source: Author's own elaboration based on Podlaskie Voivodeship (2013[8]), *Podlaskie Voivodeship Development Strategy 2020*, https://strategia.wrotapodlasia.pl; p. 61.

However, parallel and disconnected measures in the Polish planning system limit its effectiveness as, until recently, co-ordination was mostly on a voluntary basis. LDS are vertically integrated as in theory relations across levels of government seem to work relatively well. However, according to the OECD questionnaire for over 50% of municipalities, there is policy misalignment among national, regional and local development strategies, even though inter-municipal co-operation is foreseen in the Municipal Self-Government Act of 1990 (see Chapter 6). This leaves room for gaps and the need for greater co-ordination and coherence. According to OECD research (2016[9]), certain elements of the Polish planning system are inconsistent, leading to suboptimal outcomes. Some of those include: the special infrastructural acts of the national government, which are overused and suspend local planning law; areas without local spatial development plans which are subject to one-off planning decisions; and special economic zones which are not linked to local spatial objectives (OECD, 2016[9]). When adopted, adherence to the LDS is lax. Some municipalities such as Krotoszyn regard the LDS as a guideline on which direction the municipality should take but projects not considered in the strategy can also be conducted. Moreover, municipalities only dispose of a long-term financial forecast for the implementation of the LDS.

Designing the LDS

In Poland, the process of elaborating an LDS varies across LSGUs (Box 3.3). There is no right way or method for designing an LDS as it has to fit the specific local administrative, institutional and political system and financial situation of the locality. This situation may change once the amendments to the Act on Principles of Implementation of Development Policy come into force. However, the elaboration of the LDS requires technical expertise, political commitment and funding, which represent important challenges for many Polish LSGUs. According to the OECD questionnaire, in almost 80% of the municipalities and 90% of counties, the local authority prepares the LDS with the assistance of external consultants. The advantage is that, on some occasions, this raises the quality of strategic documents and helps build technical capacity within the local administration.

Box 3.3. The making of LDS in Poland – Examples

The experience of the municipality of Krotoszyn

In 2018, the municipality of Krotoszyn, in the Greater Poland Voivodeship, had a population of almost 30 000 inhabitants and covers 29 villages. Its annual budget stands around EUR 45-50 million. In 2016, the local authority started the elaboration process of the "Local Development Strategy (LDS) until 2020+", which took six months to complete. The LDS includes three main areas: entrepreneurship, environment and social matters, which were selected because relevant to the entire functional area. The University of Economics of Poznań, at the request of the municipality, analysed development strategies documents from local, regional and national levels of government. The aim was to ensure coherence between local, regional and national development goals. Based on this analysis, experts of the university provided a diagnosis of priorities and scope of the three different dimensions. Once the diagnosis was completed, a consultation process began involving different stakeholders: experts, consultants, public managers and citizens. A number of meetings were organised that included a prospective discussion: what the municipality will look like in 2020 and beyond. Based on the discussions, a group of university consultants developed recommendations on how to overcome the challenges the municipality would face to achieve the agreed objectives. The consultants then assigned responsibilities to the different units in the local administration. Finally, the LDS was presented to the

city council for approval and implementation. The municipality still has to make the decision of updating the current strategy or elaborating a new one with a new timeline.

The experience of Łańcut county

The county of Łańcut, in the Podkarpackie Voivodeship, had a population of 81 000 inhabitants in 2018. With a population of 18 000 inhabitants, the municipality of Łańcut is the largest city in the county. Forty-three percent of the county's population work in the agriculture sector. In 2015, the county authorities started works for the elaboration of the county's "Local Development Strategy until 2020". It was prepared on the basis of the county needs detected and the need to implement projects financed by the EU. Since there is no inhouse capacity within the administration, the county requested support from the School of Management for the elaboration of the LDS. The works were divided into stages and conducted via workshops and employee councils. Different organisations involved in the work of the county took part in the workshops where they discussed county strengths and weaknesses and brainstormed on proposals for development. With the input gathered through the workshops, the county authorities prepared a draft LDS for the online consultation of citizens and municipalities in the county. For 30 days, county residents and municipalities had the opportunity to provide comments but only a handful of the latter provided feedback. The revised version of the LDS was submitted to the county council for approval and implementation.

The experience of the municipality of Katowice

The municipality of Katowice, in the Silesian Voivodeship, had a population of 295 000 inhabitants in 2018. It has the level of a metropolitan city in terms of number of inhabitants and is the capital of the voivodeship. It has an annual revenue of EUR 2.3 million of which 10% comes from property income. In 2015, the local authorities adopted the "City Development Strategy: Katowice 2030". The strategy focuses on four fields: quality of life, metropolitan nature, entrepreneurship and economic growth, and transport and city logistics. The aim is to make Katowice a smart, innovative, integrated and internationalised city. The strategy is in line with the regional strategic planning "ŚLĄSKIE 2020+ Silesian Voivodeship", the Development Strategy and the "Integrated Territorial Investment Strategy of the Central Subregion of the Silesian Voivodeship for the years 2014-2020". For its elaboration, city authorities set up a steering committee that included members of the city council, the mayor and experts. A programming committee also comprised representatives of the business sector, NGOs and public employees. The draft document was submitted to neighbouring municipalities and the Śląskie Voivodeship marshal office for consultation. The University of Economics in Katowice led the technical works for the elaboration of the strategy; the city prepared the draft resolution for the approval of the final document. The steering committee organised a series of workshops that included the strategy's four different priority areas, where the strengths, weaknesses and development strategic goals were discussed. After the workshops, a revised version was presented to citizens for feedback and the city authorities in particular asked for citizens' opinion on the relevance of the strategic projects included in the strategy. The local self-government conducted a survey to gather more data to support the strategy. After the consultation process, the draft document was revised and presented to the city council for approval and implementation.

Source: For Krotoszyn: notes from the first OECD fact-finding mission to Poland in February 2020. For Łańcut: county notes of the second OECD fact-finding mission to Poland in February 2020. For Katowice: notes of the first OECD fact-finding mission to Poland in February 2020 and City of Katowice (2016[10]), *City Development Strategy Katowice 2030*, https://www.katowice.eu/Documents/strategia_miasta_sklad_eng.pdf.

What is included in a Polish LDS?

LDS vary in terms of what they normally include, although this may change in light of recent reforms. The LDS reviewed for this study (i.e. the municipalities of Gdańsk, Katowice, Kraków, Łódź and the regions of Dolnośląskie, Podkarpackie, Podlaskie and Mazowieckie) have all or some of the following basic elements:

- **A socio-economic diagnostic of the LSGU**. In Poland, like in other OECD countries, formulating an LDS starts with a diagnostic of the condition of a self-government unit and the way any change might influence its economy. This constitutes the economic profile of the LSGU that contains an analysis of the main strengths, weaknesses, opportunities and threats (SWOT analysis) for development. The importance of a strong evidence-based diagnostic is that it ensures that the visions and directions contained in an LDS are not a "wish list". The cases analysed generally include a SWOT analysis that provides a concise picture of the local social, economic and environmental context of the LSGU. However, the SWOT analysis does not always connect the evidence, community engagement and proposed programmes involving quantitative and qualitative elements. Across Poland's LSGUs, the quality of the diagnostic seems to be quite variable. Difficulties in data gathering, lack of economic analysis skills and the lack of evaluation of former plans hinder the elaboration of the socio-economic diagnostic.
- **A development vision**. The LDS contain a development vision for the medium and long terms. Although long-term planning does not seem to be a constant practice in Poland's planning culture, the LDS consulted for this study contained a development vision that described the LSGU in 10-15 years' time (Table 3.3). However, in some cases, the decision on the vision and strategic goals depends on the results of political elections as they are regarded as a proxy for interpreting citizens' expectations. Some municipalities such as Kraków organised a series of workshops to define the vision and mission of the LSGU that constituted the core of its Development Strategy for 2030 (City of Kraków, 2017[11]).

Table 3.3. Examples of vision statements of selected LDS in Poland

LSGU	Vision statement
Podlaskie Voivodeship	Vision of Podlaskie Voivodeship in 2030: "Entrepreneurial, partnership, perspective"
Municipality of Kraków	Vision: "A modern metropolis bustling with culture, open, rich, safe and friendly, proud of its historic heritage, co-created by its residents"
Municipality of Łódź	Vision: "A friendly, innovative and dynamic city of sustainable development with competitive living, working and investing conditions, exploiting its historical, infrastructural and creative potential"

Source: Podlaskie Voivodeship (2020[12]), *Strategia Rozwoju Województwa Podlaskiego 2030 - Strategia Rozwoju Województwa Podlaskiego*, https://strategia.wrotapodlasia.pl/pl/strategia_rozwoju_wojewdztwa_podlaskiego_2030/; City of Kraków (2017[11]), *Kraków Development Strategy - This Is Where I Want to Live - Kraków 2030*, https://www.bip.krakow.pl/plik.php?zid=212318&wer=0&new=t&mode=shw; City of Lodz Office (2012[13]), *Integrated Development Strategy for Lodz 2020+*, https://bip.uml.lodz.pl/files/bip/public/miasto/dokumenty/BSM_strategia_ang_20131018.pdf.

- **Implementation principles to make the vision a reality**. Some LSGUs set principles for the implementation of the LDS. The success of their LDS, they argue, depends on the level of commitment to the principles of various administrative units in the LSGU. Therefore, LSGUs encourage all actors directly involved in the implementation of the LDS and the various local sectoral strategies to follow them. For example, the Podlaskie Voivodeship and the municipality of Kraków have set implementation principles and both emphasise the need for building partnerships (Table 3.4). There are aspects where they differ. For example, whereas the municipality of Kraków emphasises the need for flexibility and setting priorities for financing, the Podlaskie Voivodeship gives priority to multi-level governance issues (multi-level management, co-ordination and subsidiarity). This could be due to their specific roles and responsibilities. The regional government

may have a more active role as co-ordinator, linking actors from different levels of government, whereas the municipal government's main priority focuses more on how to implement local strategies, plans and programmes (see Chapter 6).

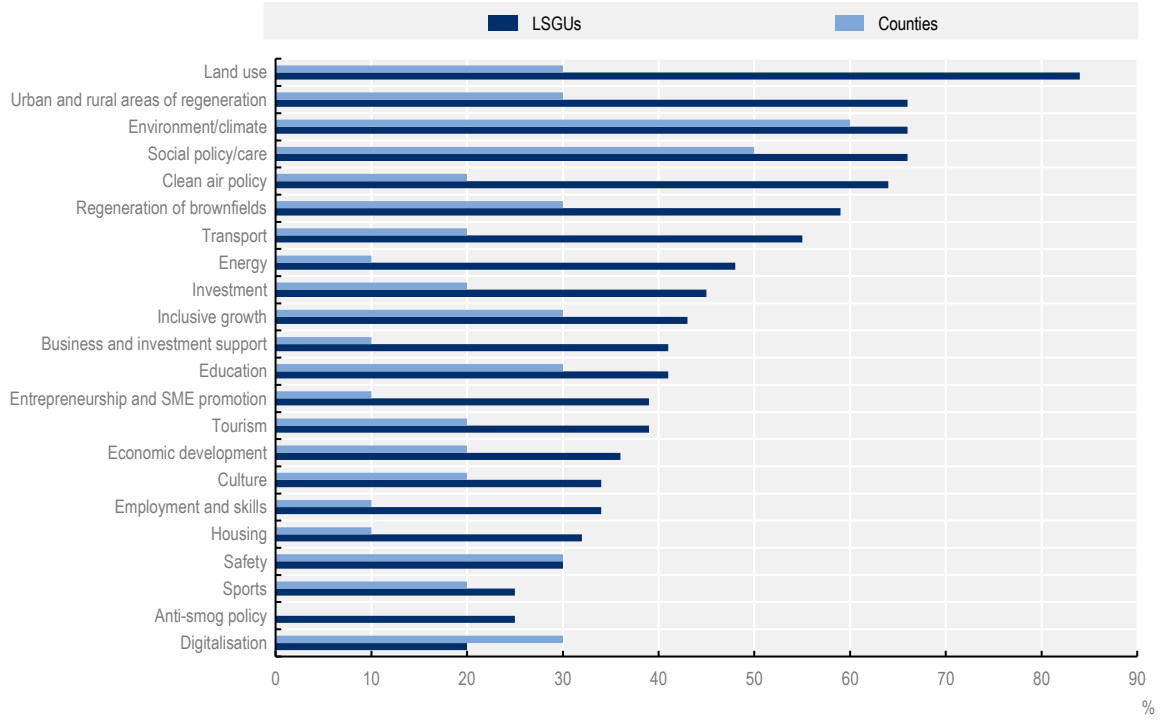
Table 3.4. Implementation principles of the LDS: Podlaskie Voivodeship and Kraków

Podlaskie Voivodeship	City of Kraków
Partnership – Joint participation, shared decision-making and shared responsibility of public and non-public bodies in the realisation of common activities contributing to the achievement of the LDS as well as in M&E activities.	**Participation and partnership** – Open co-operation and equal treatment of representatives from various environments and institutions.
Integration – The objectives of the LDS are realised to varying degrees by all public bodies within the sphere of their competencies and various territorial systems.	**Consequence and responsibility** – In implementing the adopted priorities and actions.
Co-ordination – Achieving the objectives of the LDS requires comprehensive co-ordination of activities of various entities. Their role is to break down barriers and deficits in terms of co-ordination at the regional and local levels.	**Integrated activities** – Striving to achieve a cohesive and holistic perception of the developmental processes that make up the huge and tightly interconnected ecosystem of the city.
Subsidiarity – The implementation of public intervention is carried out by various entities at the level that guarantees its highest effectiveness.	**Financing priority** – For the programmes and projects incorporated in the LDS and those that derived directly from it, this applies both to the city budget and external sources of financing.
Respect for the natural environment – The implementation of the LDS follows the idea of sustainable development that will allow building competitive advantages for the voivodeship, with living conditions for future generations in mind.	**Flexible response** – The catalogue of policies, strategies, programmes and strategic projects adopted in the LDS might be modified depending on the changes that take place in the LSGU surrounding environment.

Source: For Podlaskie: Podlaskie Voivodeship (2020[12]), *Strategia Rozwoju Województwa Podlaskiego 2030 - Strategia Rozwoju Województwa Podlaskiego*, https://strategia.wrotapodlasia.pl/pl/strategia_rozwoju_wojewdztwa_podlaskiego_2030/. For Kraków: City of Kraków (2017[11]), *Kraków Development Strategy - This is where I want to live - Kraków 2030*, https://www.bip.krakow.pl/plik.php?zid=212318&wer=0&new=t&mode=shw.

- **LSGUs integrate a wide spectrum of policy issues into their LDS**. For the LSGUs, achieving the LDS vision relies on the attainment of sectoral policies expressed by local sectoral strategies (i.e. land use, housing, municipal services management, spatial policy, transport and communication, culture, education, sports, social inclusion and health policy) derived from the LDS and for what they need financial, material and human resources to implement them (Figure 3.2). Such an approach requires executive local programmes and plans that include timetables for implementation and a financial plan correlated with the municipality's budget, such is the case in the municipality of Katowice's LDS (City of Katowice, 2016[10]). LSGUs do not prepare strategies for every single sector; this depends on their resources, investment priorities and legal requirements. The timeframe of every plan may vary depending on the sector. For example, land use plans are open-ended in 72% of the cases, whereas 30% of social policy plans have a timeframe of 1-5 years and 27% 5-10 years. In some cases, LSGUs contemplate drafting an implementation plan, such as in Kraków, to ensure the relevant relations and connections among the strategic programmes and financial instruments and indicate which entities are responsible for achieving those goals (City of Kraków, 2017[11]).

Figure 3.2. Sectoral/executive plans prepared by counties and municipalities

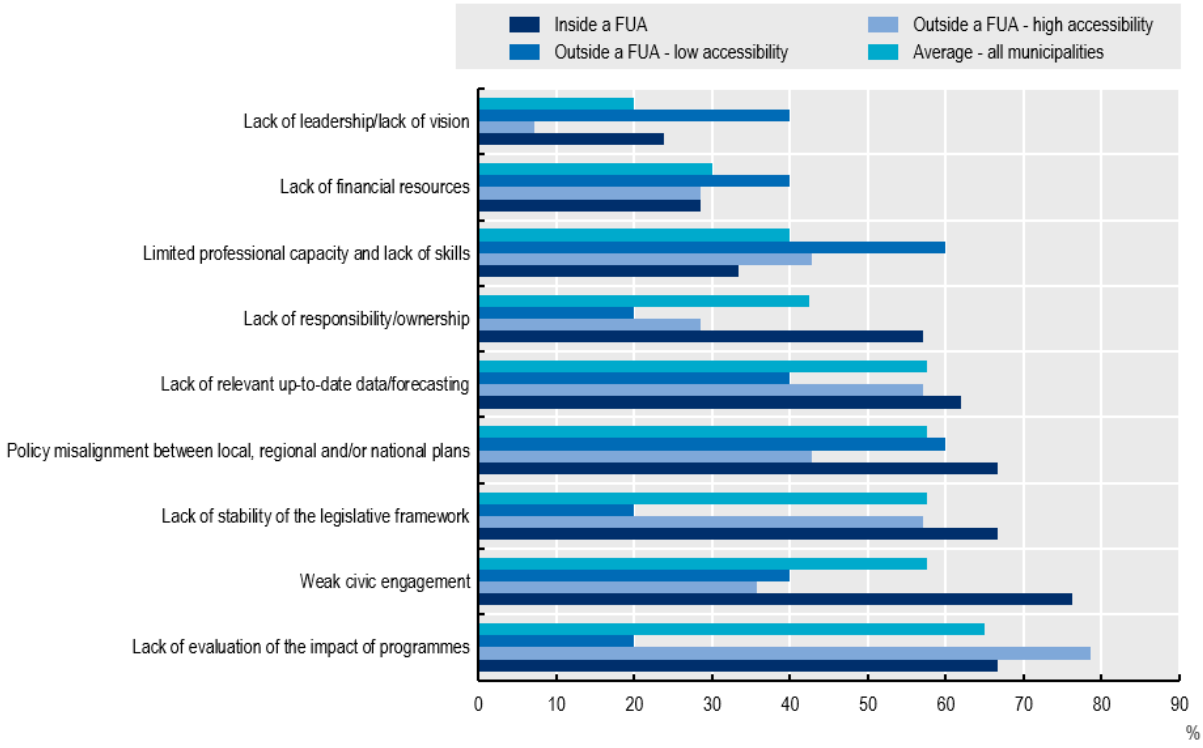


Note: Based on 50 LSGU responses to the OECD questionnaire (n=50), whereof 8 are counties and 42 are municipalities. Data not indicative as not all LSGUs answered the question. While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish LSGUs.
Source: Authors' own elaboration based on LSGU responses to the OECD questionnaire (2020).

The elaboration of the LDS faces a number of challenges

All municipalities face obstacles in the preparation of their LDS that condition the quality of the document, but these vary according to their level of technical capacity. Some municipal LDS are sound planning documents (as is the case in Kraków, Łódź and Warsaw), whereas the plans of smaller municipalities often present weaknesses in terms of design, content, data and coverage. The lack of an integrated planning approach that takes into account socio-economic and spatial issues in the planning process is a key concern. Figure 3.3 presents the challenges municipalities face in the elaboration of their LDS, which differ by type of municipality. For example, the main obstacle for municipalities inside a FUA is weak civic engagement; the challenge for municipalities outside a FUA with high accessibility is a lack of evaluation of the impact of programmes and for municipalities outside a FUA with low accessibility, policy misalignment across levels of government and limited professional capacity and lack of skills are the main barriers.

Figure 3.3. Main challenges to designing an 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).

Figure 3.3 reveals some of the main weaknesses of policy-making and planning-making in Poland. It suggests that, in Poland, strategic planning for local development suffers primarily from the lack of impact evaluation of the programmes that are part of the strategy preventing assessing progress. This makes it difficult to determine whether the programmes are generating the expected positive impacts on the target population and there is no assurance that a given programme is reaching its goals (see Chapter 4 and discussion below). Despite the efforts to get citizens involved in local development planning discussion – which has to be done by law – the reality is that civic engagement is weak, particularly in large cities. This may be explained by the lack of proper mechanisms for engaging stakeholders in public affairs (see Chapter 8 and discussion below). Equally important, policy misalignment across levels of government, the instability of the general regulatory framework set at the national level and the lack of up-to-date data are features of local development planning in Poland. Most of these issues are being addressed through the reforms to the Act on Principles of Implementation of Development Policy. However, the national government may be advised not to adopt an across-the-board approach in assisting municipalities but a flexible approach that responds to the specific challenges every municipality has. For example, while more attention needs to be given to the technical capacity of personnel in municipalities outside a FUA, municipalities inside a FUA require assistance on how to engage with citizens.

Figure 3.3 and information obtained during the fact-finding missions show a scenario where:

- *A constantly changing regulatory framework requires municipalities to invest more time and resources to be up to date on the new legal requirements for local development*. Changing the regulatory framework per se is not a problem as it normally needs updating or finetuning to a

changing context. However, constant changes may delay decision-making or invalidate any policy decision already made that could present operational and logistical problems for municipalities, causing delays in the design and implementation of the LDS (see Chapter 9). In the municipality of Międzyrzec Podlaski (urban), the constant changes to the regulatory framework complicate the elaboration of the multi-annual forecast to identify revenue and expenditure, making it difficult to plan the annual budget. In the municipality of Międzyrzec Podlaski (rural), this situation increases the complexity of administrative procedures, discouraging citizens from making investments.

- *The socio-economic diagnostic and subsequently the LDS are frequently based on outdated and inaccurate data*. Most diagnoses are based on data collected from sources such as public statistics, monographies, registers, academic research, data collection exercises conducted by the municipality as well as existing official documents. Some municipalities may collect data but use different standards from the national statistics office Statistics Poland and comparability is thus problematic. Conducting a full diagnosis of the local system is also made difficult due to the obligation of keeping certain statistics confidential. Statistics Poland has data for regions and counties on a large number of policy issues; however, finding data at the local or district/neighbourhood level is more problematic. Urban issues require, for example, high spatial resolution data such as traffic surveillance but it is not easily available or is not collected. Moreover, local authorities in some cases only have access to outdated data. This is particularly the case of smaller and rural municipalities. Preparing an LDS requires forecasting development based on observed trends, the economic context and identified needs but this is not frequently observed in Poland in part due to the lack of data.
- *Data is not effectively used*. The analysis of a sample of LDS shows that, in some cases, the evidence base in the policy documents is presented in a descriptive way, without any additional analysis of inference as to what may be driving or constraining growth and development. This could be due to the lack of staff trained to interpret data and conduct economic analysis. Moreover, the assessment of data is primarily based on administrative boundaries, not on FUAs. Raw data are rarely useful on their own and not all municipalities have the tools and skills to summarise data and determine relationships between inputs and outcomes.
- *Poor planning capacity at the subnational level of government*. The issue of capacity has been raised by several municipalities consulted for this study and there appears to be a shortage of capability and plan-making capacity at different levels in Poland, mostly in municipalities outside a FUA with low accessibility. While municipalities inside a FUA may be large enough to develop this capacity there may still be some short-term issues that constrain the building of an LDS. For example, teams may be lacking experience in cohesion and integration of different levels of plans. In many instances, local employees do not receive any training and learn on the job. When training is available, it is sometimes not related to officials' direct tasks.
- *The lack of financial resources for the elaboration of the LDS prevents accessing knowledge, data and experience*. The elaboration of the socio-economic diagnostic, spatial development plan and LDS is costly. Without adequate funding, municipalities cannot access technical expertise, data or conduct data collection exercises such as surveys. Even if the LDS is made in house, the local authority incurs expenses such as officials' time, hiring consultants, data gathering, organisation of stakeholders involved in planning, etc., which need to be budgeted.[5]

Strategic planning also faces structural planning challenges

Every municipality is required by law to prepare a spatial development plan but they are not obliged to follow it. When spatial plans are prepared, they are usually done for a very small territory (OECD, 2016[9]), with detailed spatial interventions that often fail to take into account the larger urban dynamic (IBRD/World Bank, 2018[14]). Most new developments are undertaken through ad hoc development decisions, which often ignore the provisions of and are not part of a coherent spatial plan (OECD, 2016[9]). Spatial plans are

developed in isolation from each other under a piecemeal spatial planning approach and do not take into account the big picture of appropriate, liveable developments. The lack of a good spatial organisation has brought about urban problems such as an increase in daily mobility needs and therefore transport intensity, which is a consequence of the mismatch between jobs and residence (Śleszyński et al., 2020[15]). Although spatial and zoning plans are normally consulted with citizens, a key concern is the quality of the engagement with citizens, which may not be the same across all municipalities (see Chapter 8).

Poland lacks an effective framework for land use/spatial planning. The national government has set a legal framework that regulates land use and building and has developed a national spatial strategy. The 2003 Spatial Planning and Development Act provides broad provisions for the development of background and technical studies for spatial planning and the need to harmonise local plans with the spatial development plan of a voivodeship and, subsequently, the latter plan with a decision on spatial planning at the national level. Regional governments have regional spatial plans, which describe general development conditions and demarcate the regional settlement system. Nevertheless, the detailed decisions on how land is used take place at the local level through local spatial development plans and planning decisions (Box 3.4).

A large number of municipalities have issued at least partial land use plans. Spatial plans can provide a way to co-ordinate investments in areas such as culture and tourism, service delivery and transportation. However, preparing a spatial development plan may take up to three years; when there is a change of land use, local authorities need to compensate private owners affected by any change as in some cases they are no longer able to use the land as before (OECD, 2016[9]). This issue is all the more pressing given the rapid pace of peri-urban developments which have led to incompatible land uses and more costly infrastructure and service delivery in many parts of the country (OECD, 2018[16]). However, interviews held during the fact-finding missions for this review suggested that spatial policies are not always well aligned with sectoral policies such as infrastructure, transportation and the LDS. Land use/spatial plans are thus not that effective in managing land use conflict, and anticipate and react to changing conditions. Poland has a balanced settlement structure with a number of small, medium-sized and large municipalities as opposed to the dominance of just one or a few large cities. This structure raises the importance of rural-urban linkages and co-ordinated spatial planning (OECD, 2018[16]).

Municipalities tend to rely heavily on the “one-off” planning decisions that constitute an obstacle to the proper use of land and development planning. The reason is that planning decisions “can create an incentive for disjointed development and are a procedure that runs parallel to the planning system as a whole, and often with contrary aims. In many municipalities, planning decisions are credited with leading to poorly co-ordinated developments and sprawl” (OECD, 2016, p. 41[9]).

Until recently there was a lack of incentives for functional metropolitan planning and co-operation for development and land use. Poland’s national and regional spatial strategies highlight the importance of adopting a functional perspective for regions. In the Łódź region, for example, the long-term regional strategy identifies poor functional connections, a lack of regional identity and rampant spatial conflicts related to (sub)urbanisation as major issues (OECD, 2016[9]). The problem is that municipalities, both large and small, compete rather than co-operate with each other. Since per capita income tax transfers are a major source of funding for LSGUs, they compete with one another for population growth. Funding from the EU offers some incentives to adopt a metropolitan approach to local development and spatial/land use planning through integrated territorial investments. They push municipalities to promote projects based on a partnership collaboration model. There are few structural incentives for municipalities to co-ordinate on public investments. The Metropolitan Association of Upper Silesia and Zagłębie (Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)), Gdańsk and Łódź offer some examples of how LSGUs can work together on common projects such as urban regeneration, energy purchases and the delivery of social, educational and healthcare services (OECD, 2016[9]). The recent reforms to the Act on Principles of Implementation of Development Policy provide the basis for co-operation among municipalities through the creation of supra-municipal development plans.

Box 3.4. The Polish framework for spatial planning

At the national level, there are two main instruments for spatial/land use planning

- The **2003 Spatial Planning and Development Act** regulates the development of spatial policies and spatial plans (concepts, plans, studies) and divides various powers among the administrative tiers of government. It provides the mechanisms through which to engage the public in the development of spatial plans and how to resolve conflicts between parties (citizens and LSGU).
- The **National Spatial Development Concept 2030** (NSDC) is the national level spatial plan. The document presents an assessment and analysis of the state of spatial planning in the country and puts forward a vision for the country's spatial development to the year 2030. The NSDC offers an assessment of key challenges and guidance on how to co-ordinate and implement public policies that have a significant territorial impact.

Poland's LSGUs have three instruments for land use/spatial planning

- **Spatial studies** form a kind of master plan for development in an LSGU but they are not an act of law. These spatial studies are referred to in the Planning Act as a "study on the conditions and directions of spatial development". They are a legislated (obligatory) framework study used to guide local planning policy in municipalities in the preparation of local spatial development plans. Although the spatial study is not legally binding, local spatial development plans should be consistent with it.
- **Local spatial development plans** are legally binding documents; they are essential planning document for an area. They prescribe particular permissible assignment of land uses and detail the size and volume of permitted development, rules for property division and the protection of cultural assets and heritage buildings for a given area in a municipality. The ordinances outlined in local spatial development plans are the only legal mechanism that LSGUs have to determine development boundaries and direct permitted uses.
- **Planning decisions** are a simplified administrative mechanism for building approvals and change of land use. They are used for the location of public and private investments in areas for which there is no valid land area development plan. Planning decisions are not required to be consistent with as LSGU's planning study, which sets out the conditions and directions for development.

Source: OECD (2018[16]), *OECD Rural Policy Reviews: Poland 2018*, https://doi.org/10.1787/9789264289925-en; OECD (2016[9]), *Governance of Land Use in Poland: The Case of Lodz*, https://dx.doi.org/10.1787/9789264260597-en.

Funding, especially from EU funds, drives planning. Interviews with local Polish officials during the fact-finding missions revealed that the selection of some investment projects for development included in the LDS seems to be largely dictated by their probability of getting resources from EU funds. The municipality of Zibięce in the Dolnośląskie Voivodeship has had to narrow down the number of activities included in its LDS because it has not been able to sustain the long-term perspective of financial allocation. This situation also suggests that, in Poland, making strategic choices is not a common exercise in plan-making. Municipalities anticipate different sources of funding but their problem is how to weigh and measure the projects that should be included in the LDS. Thus, the LDS tends to include a large number of activities, promising to meet almost all needs of all current and future inhabitants and economic entities in a short period of time.

The integration of different policy sectors into a coherent development strategy needs to improve. The role of the LDS is to integrate different policy sectors, delivery instruments and funding streams for maximum effectiveness but this is rarely the case in Poland. The LDS do not always include or seek horizontally integrated solutions combining actions in different sectors (i.e. social, economic and environmental). There is no mandate for co-ordination and this is contingent on the specific situation. Problems are still compartmentalised to specific sectors without the creation of synergies with other policy sectors.

The current system of national planning and local governance only offers municipalities the possibility of voluntary or collaborative planning. According to OECD research, municipalities do not have the capacity to play a direct role in the planning decisions of other municipalities despite the adverse impacts it may experience from their decisions. In this setting, some municipalities try to establish close co-operation and co-ordination mechanisms with neighbouring municipalities even if they are not underpinned by an enforceable legal framework (OECD, 2016[9]). However, this type of co-operation is mostly based on trust that needs to be built as the collaboration develops but it is sometimes hindered by political differences. Vertical co-ordination is, in general, ensured as local authorities are required to consult with the regional self-government units (marshal offices) regarding the development of their LDS.

Co-ordination of public investment beyond the administrative unit is complicated to organise as it requires a number of administrative and legal arrangements. The LDS and spatial planning do not assess development needs based on functional criteria because planning is limited to geographic administrative units and understood as a simple preparation of plans rather than a tool to reach consensus on common problems and their solutions (see Chapter 1). Municipalities can co-operate for investing in projects such as infrastructure (i.e. roads) but they need to issue an agreement for that and there is no guidance on how this should be done. The first hurdle is to choose the financing source and this requires negotiation among municipalities as not all have access to EU funds. In the Dolnośląskie Voivodeship, for example, municipalities are co-operating to improve the rail network, build a new railway line and establish an energy cluster to have access to renewable energy. These projects require close co-ordination among the different municipalities in the region to find adequate planning, financing and project management instruments for each project. Preparing the documentation represents a considerable administrative burden and costs for municipalities. The municipality of Płock has made progress on improving transport in the interior of the city thanks to EU funds but its problem is to ensure an efficient transport connection with other municipalities as it is located far from motorways and railways lines, making the city less attractive for living. This requires co-ordination with other municipalities and levels of government, which is proving complicated due to administrative burden (see Chapter 6).

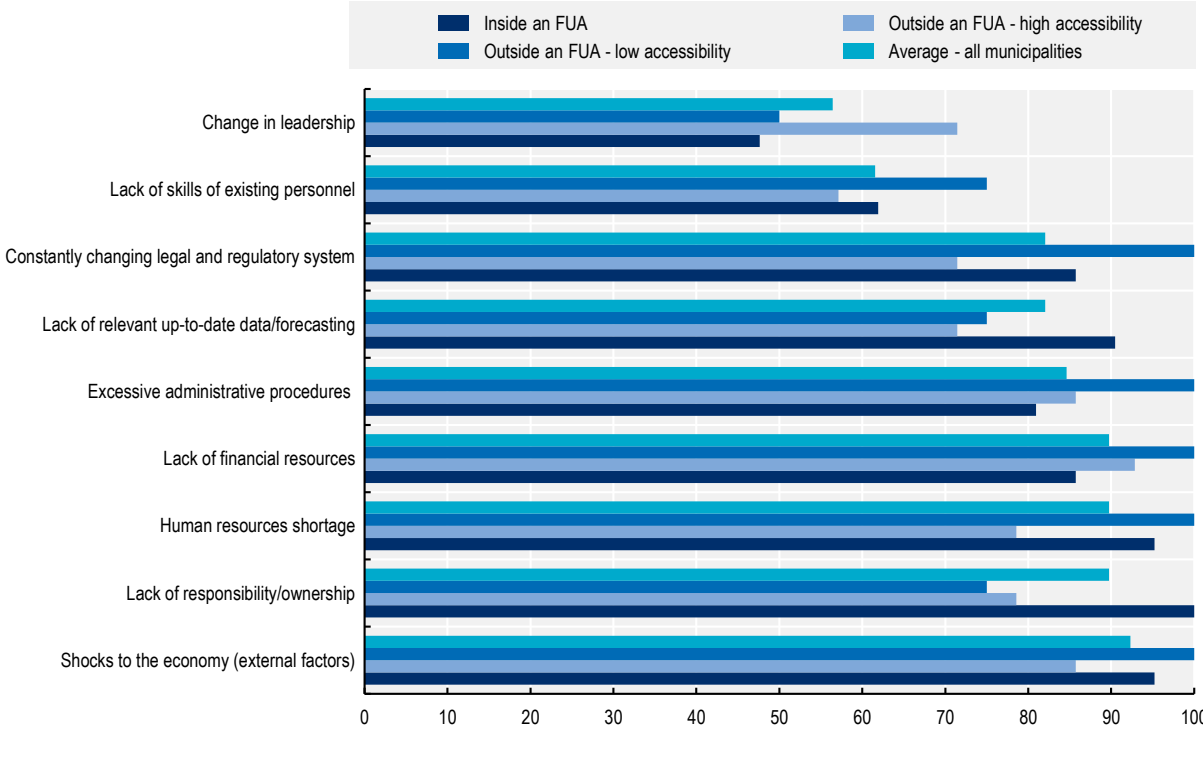
Authorities in regional self-governments can establish a development and planning strategy that cuts across member municipalities but these documents are not enforceable even if agreed upon (OECD, 2016[9]). This setting prevents municipalities from influencing development strategies on adjacent municipalities. For example, the city of Łódź is part of a larger metropolitan system that links municipalities of varying size, population and wealth. Within the metropolitan area, Łódź is by far the largest and wealthier city and has the most administrative capacity. The adjacent municipalities tend to be strongly connected to Łódź in terms of employment flows, retail activity and their use of services. Because of the high degree of interconnectedness, there should be a strong interest in co-ordinated development and planning (OECD, 2016[9]). Moreover, the free-riding of Łódź's public services by rural municipalities within the metropolitan area exacerbates the cost-of-service delivery. In 2020, the FUA of Toruń, in north-central Poland, received EUR 170 million for activities to improve the functionality of the area. The problem has been that not all municipal authorities in the area are convinced by the need for a FUA and focus exclusively on their local matters.

Managing strategic planning for local development

The implementation of the LDS faces a number of obstacles

The implementation system of the LDS is relatively weak. All municipalities face technical, economic and administrative obstacles to implement their LDS but those vary depending on the municipality's size and technical-administrative capacity and capability. Figure 3.4 shows that shocks to the economy, lack of responsibility, human resources shortages, insufficient financial resources and excessive administrative procedures constrain the implementation of the LDS across all municipalities regardless of their size and location (within or outside a FUA). The LDS generally lacks information on by whom, when and how the LDS is supposed to be used, how it should be implemented, how an implementation should be monitored and how it is supposed to undergo corrections and adjustments (Sztando, 2008[17]). They tend to lack procedures that guarantee assigning means in an annual budget to implement its tasks. Even when the system of implementation is specified, sometimes it cannot be followed as it is not adjusted to legal, financial, human resources and timing conditions of the municipality for which it was created. This is most commonly the case in municipalities outside a FUA with low accessibility. The amendments to the Act on Principles of Implementation of Development Policy (Box 3.2) are expected to strengthen the implementation system but it remains unclear how this is going to be done as every municipality has different levels of capacity and capability.

Figure 3.4. 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).

The municipalities struggle to finance the implementation of the LDS

The lack of financial resources is a major challenge for the implementation of the LDS. Many LDS are not fully implemented because the investment resources have not been identified in advance and the private sector has not been effectively engaged. According to the results of the OECD questionnaire, the lack of financial resources and the underestimations of the costs of the LDS projects is one of the major challenges municipalities have when implementing their development strategy. LDS generally lack an implementation plan that signals how financing is going to be secured.

In Poland, not all of the LDS consulted for this study included a financial framework for the implementation of the strategy. This is a critical aspect as a strategy is needed to channel public resources to priority sectors in order to achieve LDS social and economic development goals. Recent reforms (Box 3.2) require municipalities to include a financing model and plan in their LDS, which may help to ensure that a development strategy does not remain a paper exercise. However, until now, when LDS have a financial framework, they mostly consider potential sources of funding only and not actual sources. For example, the LDS of the municipality of Kraków includes a financial framework that describes the potential sources of funding of the development strategy but not concrete sources, and resources are mostly expected to come from external sources (Table 3.5) (City of Kraków, 2017[11]). In the municipality of Międzyrzec Podlaski (rural), authorities also first develop the LDS, estimate costs and list potential sources of financing. Once the LDS is approved, authorities look for funding that may come from subsidies, preferential loans and on pocket expenses. The municipality of Łubianka reported problems in securing funding for the LDS, part of the problem residing in the fact that the strategy and financing do not overlap: they are prepared separately and the municipality has to rely heavily on external sources of funding.

Table 3.5. Financial potential that might be engaged to implement the LDS of Kraków

Billions of PLN

Sources of funding	2017-23	2024-30	Total
City budget	4.1-5.7	4.5-6.9	8.6-12.5
State budget	1.9	3.3	5.3
EU funds, including:	5.8-12.1	0.0	5.8-12.1
EU funds – LSGU of Kraków (public investment)	1.3-7.4	0.0	1.3-7.4
EU funds – Kraków based enterprises	2.9	0.0	2.9
EU funds – other public funds	1.6	0.0	1.6
Other external sources of funding	0.2	0.2	0.4
Business organisations	69.8	77.6	147.4
Investments in industry and construction	52.4	59.7	112
Housing market	23.7	12.4	36.1
Office market	21.3	43.5	64.8
Total			167.5-177.7

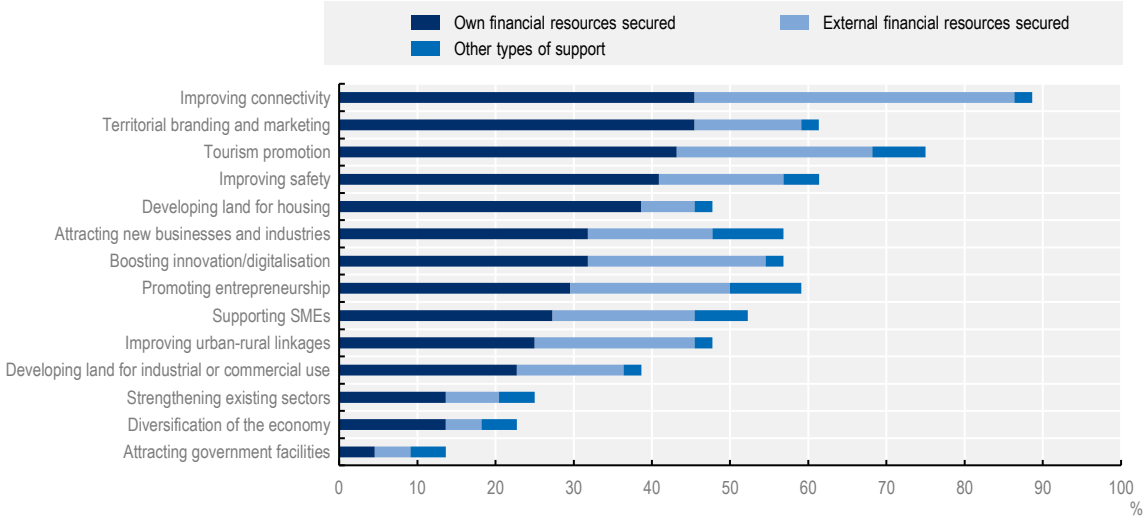
Note: Other external sources of funding include subsidies from the budget of the region's LSGU and the voivodeship's budget, target funds.
Source: City of Kraków (2017[11]), *Kraków Development Strategy - This is where I want to live - Kraków 2030*, https://www.bip.krakow.pl/plik.php?zid=212318&wer=0&new=t&mode=shw, p. 70.

According to the findings of the OECD questionnaire, shocks to the economy also hinder the implementation of the LDS. The COVID-19 crisis is likely to create major setbacks in financing development. Domestic resource mobilisation, tax and non-tax revenues will suffer as economic activity is reduced (OECD, 2020[18]). As in other countries around the world, Polish local and regional self-governments will be on the frontline for the long-term local economic recovery that will create more pressure on their already limited financial resources. Job losses in sectors such as tourism and local

consumption (including large retailers and businesses in the hospitality industry) will have a negative impact on local public income (OECD, 2020[18]).

In Poland, municipalities finance the implementation of the LDS using resources they have secured from the national government via transfers and their own generated revenues (Figure 3.5). This suggests that local self-governments are the key funders of local development but the main question is how LSGUs themselves are funded, which actually has repercussions on how and in what quality they finance local development. Property tax is LSGUs' main source of income but municipalities are not allowed to exceed a cap limit and some often do not approach this limit or even give up collecting this tax (see Chapter 5). The Law on Municipal Self-Government allows residents to decide on additional taxation through a referendum but so far this mechanism has not been used in the country. Poland's subnational governments collect a small share of revenues from taxes and rely heavily on grants and subsidies from the national government and, when possible, EU funds. Other sources of potential funding could include different levels of government (local, regional, national, EU) and a number of possible sectors (i.e. employment, infrastructure, land development, regeneration, marketing, etc.). The municipalities of Ziębice in the Dolnośląskie Voivodeship and Krotoszyn in the Wielkopolskie Voivodeship receive, for instance, more than 50% of their income from national government transfers. Municipalities also receive fund from the Family 500+ Programme, a family income-supporting benefit introduced by the national government in 2015 to reduce poverty, improve the well-being of families and increase the fertility rate.[6] In Poland, the national government remains a significant source of funding for regional development through domestic funding and EU funds that are channelled through the national government (Opiłowska, 2019[19]).

Figure 3.5. Financing policy issues contained in the LDS that promote local growth in Poland



Note: Based on 39 municipal responses to the OECD questionnaire (n=39). 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: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

The OECD Principles on Urban Policy suggests that to harness adequate funding for the implementation of urban policy, it is necessary to leverage private sector funding where appropriate with a view to maximising related opportunities and address risks (OECD, 2019[7]). However, Figure 3.5 shows that Poland's LSGUs are not using the financial potential of the private sector. Attracting private investment and building investment markets are key to successful LDS; it should not only depend on public funding. The private sector mostly finances private investment as part of the LDS and the public sector funds

infrastructure. Public-private partnerships (PPPs) are not widely used to boost investment for development. Across Polish LSGUs, the potential of collaborating with the private and voluntary sectors for local development is not widely valued. It was not possible to find evidence of investment projects where public and private sectors have joint forces to share risks and returns. If Polish LSGUs want to increase the likelihood of success in the implementation of their LDS, they need to be able to attract private investment to make the development process sustainable.

LSGUs do not have the ability to release the necessary matching funds through the development of appropriate schemes that will interest investors. The problem is that Poland's LSGUs depend heavily on grants and subsidies that limit their room of manoeuvre to generate funding for the implementation of the LDS. The financial transfers from the national government to subnational governments are often earmarked and they can only be disbursed for specific purposes, such as education. Own revenues and general subsidies aim to finance the own tasks of the LSGUs, while specific grants are designed to fund allocated tasks. In 2016, for instance, grants and subsidies represented 65% of county revenues, 56% of municipality revenues and 47% of regional revenues (Table 3.6) (SNG-WOFI, 2019[20]). Cities with a county status have a more diversified structure of revenues, as grants and subsidies represent only 38% of their revenues.

Table 3.6. Subnational government revenue by category in Poland, 2016

	Dollars (purchasing power parity)	Percentage of GDP	Percentage of general government revenue (same revenue category)
Total revenue	**3 598**	**13.1**	**33.9**
Tax revenue	1 175	4.3	20.8
Grants and subsidies	2 072	7.6	
Tariffs and fees	290	1.1	
Property income	46	0.2	
Other revenues	15	0.1	

Source: Author's own elaboration based on SNG-WOFI (2019[20]), *Poland*, http://www.sng-wofi.org/country-profiles/Fiche%20POLAND.pdf (accessed on 8 July 2020).

The LDS lack an investment strategy

Poland's LSGUs do not always issue local investment strategies complementary to the LDS. It is widely accepted that the implementation and financing of the LDS require the participation of private and voluntary sectors but LSGUs need to organise themselves to secure that investment. Without a local investment strategy, the LDS is not likely to achieve much over time. The share of public investment carried out by subnational governments in Poland is among the lowest in the OECD, with only 8.92% of subnational expenditure, well below countries like Ireland (13.41%), Portugal (13.89%), France (17.81%), Turkey (23.25%) and New Zealand (31.36%) (OECD, 2018[21]). Thus, Poland needs to ensure – particularly in the context created by the COVID-19 pandemic – that LDS act as mechanisms to attract and co-ordinate private and public investments, identify and address potential sources of public funding, and identify the returns they offer to different public sector funding streams.

Interviews for this review revealed that LDS are not normally specific enough in terms of investment directions. There are some assumptions of investment in the multi-annual budget but no concrete investment projects in the LSGUs development strategies. Poland's LSGUs need to innovate in local investment mechanisms that local economic development requires. However, small municipalities like Ziębice are just learning how to attract investment in co-operation with academia and to retain the population. This is of key importance as the municipality wants to develop its tourism infrastructure based

on valuable historic architecture and natural environment (e.g. its development of eight bicycle routes funded by EU rural funds). According to the experience of OECD countries, when local development works well, it produces returns for those who invest: jobs, incomes, growth business, improved tax revenues for the public sector, new markets and further investment opportunities for the private sector (Clark and Mountford, 2007[22]). That is why there has been a number of innovations on how to finance local development across OECD countries but they vary substantially. For example, tax credits and incentives in the United States have tended to do the work that grants-in-aid do in the United Kingdom when it comes to urban redevelopment. Canada has applied town centres investment mechanisms through clear statutory frameworks.

The LDS is not always accompanied by the necessary financial resources for implementation. Funding is not allocated to specific programmes as most of the time local authorities expect to be able to finance those with EU funds due to their limited resources. It is highly uncertain that most regional and municipal level planning documents are successfully implemented due to the weak links to the budget and the high dependence on EU funds (see Chapter 5). Failing to link the strategic goals of the LDS to the budget-setting process poses significant limitations to the municipalities' capacity to execute the strategy and achieve the goals. This is reflected in poor LDS implementation, misapplied resources and inadequate results on key performance indicators set in LDS. Poland's municipalities lack a budget-setting process around the LDS (see Chapter 5). Evidently, it is not realistic to expect that every line item on the budget can be connected to the high-level goals of the LDS. In some cases, that tie can be tenuous as it would take an extra step to outline how a programme links with the strategy, but the link will still be thought out and apparent. The municipality of Międzyrzec Podlaski (urban) has introduced a citizens budget process to define priorities of investment on issues such as the use of renewable energies, urban facilities, etc. However, the main challenge for the elaboration of the LDS is to reconcile conflicting needs and expectations.

Consultations for local development take place but lack impact

Poland's municipalities seem to be increasingly involving a wide range of stakeholders in development planning and other decision-making processes (Box 3.5). Public engagement seems to be more developed for co-designing the LDS than for co-implementing and co-monitoring it. According to the 2003 Spatial Planning and Development Act, public participation in the planning process has three aims: i) to inform the public about the development of new plans; ii) to receive feedback from all actors in the process; iii) to either incorporate or reject the resulting feedback while giving rationales for doing so. However, across Poland's municipalities, the effectiveness of public participation in local planning differs in their level of sophistication. It is largely determined by: the amount of resources available and the capacity of the local administration; the extent and features of these processes of public engagement as they could be very extensive or rather limited; how open or restrictive communication is; and at what stage of the process citizens are involved. There have been many efforts to provide support to municipalities in conducting consultations and fostering stakeholder participation in local public affairs. EU funds are used to recruit NGOs to provide municipalities support in public consultations.[7] However, more needs to be done to build a culture of participatory governance as current efforts, although numerous, are scattered and insufficient for this purpose (see Chapter 8 on open government).

In Poland, the problem is not a lack of willingness to involve stakeholders in local planning but that the mechanisms used for this purpose may not be totally adequate. Although the LSGUs and the LDS consulted for this review revealed that consultation processes take place for strategic planning, the information gathered through the OECD questionnaire revealed that, for over 80% of municipalities and 90% of the counties, weak civic participation is one of the main obstacles in the elaboration of the LDS, particularly for municipalities within a FUA. In Poland, engaging with local stakeholders is mostly an activity of the municipalities, as counties do not have a close relationship with the local community. Łańcut County,

for example, relies on the information transferred by the municipalities after consultation with citizens on development needs.

Box 3.5. Municipal experiences in stakeholder participation in local planning in Poland

- The municipality of **Międzyrzec Podlaski** (urban) has introduced public consultation processes on issues such as parking facilities, use of renewables and investment projects. The municipal LDS and the spatial and zoning plans are also submitted to citizens and higher-level government institutions for comments and feedback.
- The municipality of **Płock** conducts extensive consultations (town hall meetings) for the development of its LDS and anyone interested in the planning process has the possibility to take part in the discussions.
- The municipality of **Kutno** has, reportedly, one of the highest indices of public participation in community affairs in the country as 2% of the citizens (800 inhabitants) are involved in the different stages of the LDS preparation.
- The municipality of **Międzyrzec Podlaski** (rural) allegedly consults almost every decision with citizens as there are monthly meetings with mayors to discuss local problems and possible solutions. Citizens have the possibility to submit comments and proposals during the consultation meetings organised by the municipality or online.
- The municipality of **Katowice** organises workshops on different policy areas included in the LDS where different institutions take part in the development of strategic goals. It has a close relationship with academia and the private sector for the development of the LDS and spatial plan.
- In 2017, the municipality of **Kraków** organised a participatory process for the building of its LDS. It included the organisation of workshops and surveys where experts, businesses and citizens were consulted on their vision for the development of the city until 2030. The material collected was used for in-depth discussions with representatives from the scientific, social, economic and public sectors to agree on a development vision for the city.
- The municipality of **Łódź** opened up the process of participation since the early planning stages for development of the historic urban core. Over 200 residents participated and there were 80 meetings with landowners. As a result, elements of the plan were modified, such as the addition of a new public space in the centre and more green spaces.

Source: Interviews held during the fact-finding missions to Poland. For Kraków: City of Kraków (2017[11]), *Kraków Development Strategy - This is where I want to live - Kraków 2030*, https://www.bip.krakow.pl/plik.php?zid=212318&wer=0&new=t&mode=shw, p. 70. For Łódź: OECD (2016[9]), *Governance of Land Use in Poland: The Case of Lodz*, https://dx.doi.org/10.1787/9789264260597-en.

In Poland, some of the problems that prevent local stakeholders from participating in community affairs and planning are the lack of information on local planning on the part of municipal authorities, weak mutual trust, insufficient training on civic engagement for public employees, limited funding for participatory processes and a poor understanding of the importance of civic engagement. Failing to engage stakeholders appropriately in local planning generates the risk of incompatibility between a wide range of community needs and expectations and the objectives of the LDS. Municipalities may lose the long-term capacity for applying local talent in public activities for the benefit of the community (Sztando, 2013[23]). Citizens are generally involved in the last stage of the process; in other cases, they are only informed about

the plans and there is a lack of use of participants' experience and feedback. Moreover, local SMEs are often not invited to join the discussions. In some cases, as in Łańcut County and the municipality of Kutno, some members of the private sector are unaware of the possibility to take part in the process for the elaboration of the LDS and do not know the content of the strategy. It is essential to develop an approach that aligns government objectives with those of firms and organisations (OECD, 2018[16]).

The preparation of the LDS also requires substantial inter-governmental co-operation, which entails a complex web of interactions between different levels of government (see Chapter 6). Some municipalities share their draft LDS with neighbouring municipalities and upper levels of self-government as well as the marshal offices for comments and suggestions and to ensure they do not cause conflict. With the implementation of the reforms to the Act on Principles of Implementation of Development Policy, these consultations will be compulsory. The level of feedback varies: in some cases it limits border issues regarding land use; in others, feedback is related to coherence with development priorities at the regional and national levels. Consultations among municipalities are voluntary and depend on the relations among political leaderships. Local governance for development planning is characterised by a limited co-operation among LSGUs on shared opportunities and problems as well as continuous conflicts among municipalities, counties and voivodeships over authorities' spending priorities and the use of EU funds (OECD, 2018[16]) (see Chapter 6). Moreover, the weak co-operation among the LSGUs and the regional arm of national ministries (voivodeship office) hinders the effectiveness of local governance. Sometimes voivodeship offices lack the authority to work with their counterparts without explicit approval on a case-by-case basis from head offices in Warsaw.

Monitoring and evaluating the LDS present several weaknesses

In Poland, although there seems to be awareness across municipalities about the benefits of monitoring the implementation of LDS and their executive programmes, not all LSGUs are prepared to do it or include provisions for it in their planning documents. This is despite the fact that municipalities which receive EU funds are compelled to monitor and evaluate the results. According to the findings of the OECD questionnaire, just over 70% of municipalities and 80% of counties monitor the implementation of the LDS. The lack of a proper monitoring and impact evaluation of programmes is one of the main barriers to designing an LDS in municipalities within a FUA and outside a FUA with high accessibility.

There are several reasons why municipalities do not monitor the implementation of their LDS. Monitoring is sometimes seen as a much lower priority at the time of designing the LDS, as all efforts are aimed at launching the strategy and available resources are scarce. There is often limited follow-up on the implementation of the performance measurement strategy when it exists. Another problem is the lack of clarity and completeness of performance indicators to measure progress: the identification of expected results generally fails to clearly identify the full set of results and often confuse the articulation of outputs and outcomes. In addition, the lack of relevant data and information sources as well as feasible measurement strategies complicates monitoring and evaluating the performance of the LDS. There also seems to be little or no monitoring of external factors that influence the performance of the LDS, such as developments in other municipalities or regions, or the evolution of national and global trends. LSGUs also have a low capacity for monitoring the implementation of the LDS (see Chapter 4).

There are some relevant examples of how Polish municipalities conduct M&E of the LDS and its programmes. In the municipality of Katowice, the LDS contemplates the preparation of a synthetic report comprising qualitative and quantitative strategic indicators (related to a strategic field), activity indicators (referring to activities of individual departments in the strategy implementation process) and information about progress in the implementation of individual strategic activities. It includes indices that emanate from the different sectoral strategies (i.e. energy, culture, social policy, transport). Municipal authorities contemplate having a mid-term report and an *ex post* report. The indicators do not provide information related to the current and future state of the municipality in the different policy areas included in the LDS,

only the source of information (Table 3.7). Municipal authorities in Katowice have set up an internal monitoring committee that oversees the implementation of the LDS and reports to the LSGU council. Its task is to ensure coherence between strategy and needs, and evaluates how the indices contribute to the overall LDS. The municipalities of Kraków, Międzyrzec Podlaski (rural) and Płock have also included some previsions for the M&E of the attainment of their strategic objectives in their respective LDS but differ in their level of detail. In Międzyrzec Podlaski (rural) and Płock, the LDS include key performance indicators to assess whether objectives have been achieved or not. In addition, the municipalities prepare a detailed study of policy achievements every year and update the indicators based on the results of the study. This type of information is included in specific reports available online.[8]

Table 3.7. Examples of indicators included in the Katowice City Development Strategy

Strategic field: Transport and city logistics	Source of information
Strategic performance indicators	Department of Transport
Number of passengers using urban transport services	Department of Transport
List of cities directly connected with Katowice by urban transport	Department of City Development
List of voivodeships and foreign cities connected with Katowice by passenger railway transport	
Activity operational indicators	
Number of kilometres travelled as a result of rendered urban transport services	Department of Transport
Number of urban transport lines (inside and outside the city)	Department of Transport

Source: City of Katowice (2016[10]), *City Development Strategy Katowice 2030*, https://www.katowice.eu/Documents/strategia_miasta_sklad_eng.pdf.

Kraków's LDS includes a catalogue of indicators, which are expected to measure the progress achieved in the implementation of individual goals. Table 3.8 presents some examples of those indicators that include where the city's status in 2016 and the expected result for 2030. The criteria for selecting the indicators was the availability of data which make it possible to measure regularly based on existing sources of information (i.e. public statistics, reporting activities of the city, regularly run social surveys).

Table 3.8. Examples of indicators referring to Kraków's Strategic Goals IV - "A city that is friendly to live in".

Indicator	The indicator measures:	Status in 2016 (%)	2030 (%)
Percentage of the area of Kraków with local spatial development plans	The extent of the Kraków area shaped by the LSGU by way of the spatial development plan	48.7	95
Accessibility to public green areas for residents	Percentage of persons living within 300 meters of green recreational areas	75 (2017)	86
Level of recycling	Residents' environmental behaviour, expressed as the percentage of waste sorted for recycling	33	Up to 50
Share of bicycle transport in the division of transport modes	Scope of bicycle use as residents' means of transportation	4.5	Range of 13-17
Fear of crime index	The level of residents' sense of security	14	Downward trend

Source: City of Kraków (2017[11]), *Kraków Development Strategy - This is where I want to live - Kraków 2030*, https://www.bip.krakow.pl/plik.php?zid=212318&wer=0&new=t&mode=shw, p. 70.

Recommendations to strengthen strategic planning for local development

Poland is at a critical moment in the process of enhancing strategic planning for local development. The recent reforms to the Act on Principles of Implementation of Development Policy approved on 15 July 2020 seem to go in the right direction to build an integrated system of socio-economic and spatial development planning based on the accumulated experience in the elaboration of the LDS. However, the reforms beg the question of whether LSGUs, and in particular municipalities outside a FUA with low accessibility, have the capacity to implement those reforms. As Polish voivodeships, counties and municipalities continue to grow in terms of economic activity and population and given the need to make better investment decisions, particularly in the context of the COVID-19 pandemic, they have to improve their capacity and capability for strategic planning. The reforms will go a long way in modernising the strategic planning practice in LSGUs; nevertheless, Figure 3.6 suggests a number of recommendations to accompany the implementation of the recent reforms grouped into three main areas of action: i) design of the LDS; ii) capacity and consultation; and iii) financing and monitoring. It specifies the main actors involved and the timeline.

Figure 3.6. Strengthening Poland's practice of strategic planning for local development

Area of action	Recommendations	Main actors	Timeline
Designing the LDS	1. Make compulsory the adoption and implementation of a LDS. 2. Redefine the scope of the LDS and create synergies across policy sectors. 3. Foster co-ordination and collaboration for data collection and sharing across and among levels of government. 4. Support LSGUs in improving the quality and practice of land use planning. 5. Improve the quality of the socio-economic diagnostic and land use plans.	1. NG 2. LSGUs 3. NG, LSGUs and SP 4. NG 5. LSGUs	1. Long-term 2. Short-term 3. Medium-term 4. Short, medium-term 5. Medium-term
Capacity and consultation	1. Invest in professional management and specialist in local development. 2. Develop a central strategic capability team to develop and monitor the LDS. 3. Promote participatory process in the planning process. 4. Create local advisory bodies on stakeholders' engagement.	1. LSGUs and NG 2. LSGUs 3. NG and LSGUs 4. LSGUs (municipalities)	1. Medium-term 2. Short, medium-term 3. Medium-term 4. Short-term
Financing and monitoring	1. Foster private investment in local development. 2. Build partnerships for financing the implementation of the LDS. 3. Adopt an investment approach for local development. 4. Reinforce the monitoring of the implementation of the LDS.	1. LSGUs and NG 2. LSGUs 3. LSGUs and NG 4. LSGUs and NG	1. Medium-term 2. Medium-term 3. Medium, long-term 4. Short-term

Note: NG: National government; LSGUs: Local self-government units; SP: Statistics Poland.
Short term: 1-3 years; Medium term: 3-5 years; Long term: over 5 years.

Recommendations for the national and/or regional levels of governments

Make the adoption and implementation of an LDS compulsory in the long term

The adoption of an LDS is a voluntary planning action, even after the recent reforms to the Act on Principles of Implementation of Development Policy. In the long term, once the amendments to the act begin to mature, Poland may consider reforming it to make the adoption and implementation of either an LDS or a supra-local development strategy compulsory for all LSGUs. However, this should take place only after the national government has created systemic opportunities (training and advisory) to prepare LSGU employees to plan and implement the development strategy in an appropriate way. Making strategic planning compulsory may help to ensure enforceability and strengthen the planning capacity of the country. Reform efforts would need to consider two aspects:

Grant sufficient flexibility to every municipality for the formulation of the LDS, allowing for innovation and creativity and the consideration of its particular context.

Reinforce capacity building for strategic planning across all municipalities. The bigger the municipality, the more thorough the LDS needs to be. This is because the challenges faced by larger municipalities tend to be more complex, while they also have more technical and financial capacity at their disposal.

Support LSGUs in improving the quality and practice of land use planning

The national government could adopt incentives and governance structures for municipalities to undertake planning based on FUAs, particularly in the light of the recent reforms to build supra-local development plans. The national government should consider ways to issue dedicated funding streams and/or regulatory measures such as common spatial plans. The national government could also promote strengthening the links among spatial, economic and sectoral plans at the local level both within and among municipalities. Joint indicators that assess and monitor actions over time can help to achieve this. The new Revitalisation Act (2015) is a promising first step to better integrating spatial and sectoral plans in targeted areas.

Recommendations for all levels of government

Foster co-ordination and collaboration for data collection and sharing across and among levels of government

LSGUs could:

- Sign a memorandum of understanding (MoU) or co-operation agreements for data collection and sharing among LSGUs as a way to ensure access to better quality and timely data. The MoUs or co-operation agreements could focus on data that is not collected and shared by Statistics Poland but that is important for the planning and evaluation of joint projects, investments and services.
- Consider the possibility of appointing a Chief Statistical Officer in the municipality or metropolitan area in charge of managing statistical needs and analysis.

Regions and counties could:

- Give priority to data collection for planning at the metropolitan or functional level as, so far, data have been collected following administrative boundaries. This is important for supporting the efforts of building supra-LDS.
- Ensure data is available to all LSGUs and the public at low or no additional cost, for effective local development decision-making.

The national government could:

- Issue guidelines with the support of Statistics Poland to ensure that data gathered by LSGUs is collected according to the highest standards and in a way that facilitates comparability and usefulness. This includes measures to protect the security of individuals and prevent data misuse.
- Issue directives with the support of Statistics Poland to ensure that data collected by voivodeships, counties and municipalities are disseminated and made available to other LSGUs and public bodies in a useful format.
- Ensure that public statistics, with the support of Statistics Poland, are kept updated and made available to the lowest possible levels (i.e. communes, event districts or neighbourhoods).
- Explore (fiscal) incentives for private actors to share their data with LSGUs for strategic planning. Alternatively, the national government could require each ministry, department or agency to make

its information available online in an open format and which could be retrieved, downloaded and searched by commonly used web applications.

- Support rapid dissemination of information related to sustainable development programming or smart cities, climate protection and energy to meet LSGUs information needs.

Invest in professional management and specialists in local development

An important factor for the success of LDS is the talent and experiences of the involved managers, local development specialists and outreach workers. To improve this, LSGUs could:

- Invest, with the support of regional and national levels of government, in training and skill development of staff in charge of the management of the LDS, as its implementation requires a particular set of skills and competencies. LDS staff is responsible for carrying out planning, resource allocation, partner brokering, technical guidance, monitoring, evaluation and feedback. Moreover, such personnel needs a large variety and high level of capabilities, including communication, administration, planning, networking and animation skills. They must also be capable of understanding the needs of local residents and establish credibility with them. They must demonstrate knowledge and skills to include residents in the planning and evaluation process.
- Recruit professional management and local development experts carefully to help prepare the LDS, mobilise citizens and private sector members and other organisations to develop and support appropriate initiatives, build partnerships and networks, and monitor and evaluate performance. This is of particular importance for the larger LSGUs.
- Include some elements of training and knowledge-sharing with local planners in the contracts of consultants when they are hired to prepare the LDS.
- Reinforce the financial skills of officials and employees. LSGU leaders rarely talk about the return on investment that their LDS and projects can offer to financiers. Moreover, local-level practitioners often lack technical skills such as project finance skills and strategic management assents.

The national government could:

- Put emphasis on continuous training to keep the staff's profile up to date, particularly in a context of frequent changes to the regulatory framework. It is also evident that hiring professional managers may be out of the reach of many LSGUs because of tight budgets and it may be that such skilled workers are not available in the local labour market. Therefore, focusing on continuous training of available staff is critical and has the advantage of building on their experience and knowledge of the local context.
- Request specialist institutions (i.e. universities) to assist LSGUs with the training of technical planners who could be sponsored, if allowed, by a national government studentship specifically focused on planning. Once again, agreements with universities and technical schools for financing could be reached with the support of the national government to fill that gap in the local public workforce. This could also serve to reinforce the financial skills of local officials and employees.

Promote inclusive participatory processes to ensure those affected by any planning decision have a role in the planning process

Poland's municipalities should strive to engage different social groups, such as women, the elderly, minorities, etc., that are more difficult to reach or those with traditionally low involvement profiles in strategic planning discussions (see recommendations on open government in Chapter 8). For that purpose, municipalities could:

- Ensure easy access to public information for all citizens through a wide range of means including information desks, meetings and interactive platforms to bring together the various actors involved in local governance.
- Foster the involvement of local NGOs in the organisation of consultative processes with different community groups, in particular with those generally excluded or not active enough in local development.
- Use participatory budgeting to encourage citizens' participation in local development so as to brainstorm, develop and vote proposals for development.
- Leverage the different accumulated experiences in different LSGUs on citizens' participation, particularly those from NGOs and support the dissemination of experiences.
- Ensure that the necessary budgetary and trained human resources are available to conduct public engagement processes. There should be dedicated officers to provide support and information about the process of strategic planning to ensure that people know how their views have been taken into account. Using communication experts or task force teams to communicate in simple langue with the citizens would be relevant to incentivise participation.
- Manage the expectations of participants to maintain trust and commitment by making it clear to all stakeholders what outcomes are possible and what restrictions are in place upon decision-making.
- Promote participation of the private sector in strategic planning, ensuring that it is very focused, well defined and practical in nature (i.e. financing or implementation of plans), as part of steering groups looking at specific relevant issues (e.g. business development, cluster work, etc.).

The national government could:

- Issue guidelines on how to engage a wide range of stakeholders in participatory processes for strategic planning of local development. In particular, the guidelines could emphasise the participation of the most vulnerable residents such as women, the elderly, youth and children, disabled people, migrants and minorities.

Foster private investment in local development

Private investment can help LSGUs achieve more than what public investment based on local taxes alone can afford, especially in times of tight fiscal discipline, and mobilise resources that are not fully used to drive local development. For that purpose, LSGUs could:

- Make their LSGUs more investable by demonstrating how good returns can be made on investments in their territory by adopting measures to stimulate a strong deal flow of good quality propositions for financiers to evaluate.
- Consider how private and other funding will be attracted by the LDS and its implementation, how an investment will grow and how it will become sustainable without ongoing long-term public subsidy. LDS that include these kinds of considerations are much more likely to attract investment for their implementation and generate their own financial momentum to achieve their goals rather than just assuming than funds will be granted.
- Help the private sector find the means to finance the new generation of jobs and wealth creation activities.

The national government could:

- Assist through tax relief instruments coupled with more localised participation in financial instruments to improve returns or reduce risk and costs for private co-investors in local development projects.

Adopt an investment approach for local development

Poland's LSGUs could consider shifting from an expenditure approach for local development to an investment approach. This means that when establishing local economic strategies, LSGUs should take into account the factors that could attract and diversify funding, particularly from the private sector. Local authorities and planners need to recognise the need to build business enthusiasm for local development and foster mechanisms which bring the internal rate of return of key initiatives together with their external performance in policy terms. This implies sharing costs and risks with external actors such as the private sector and revising organisational arrangements. For that purpose, LSGUs could:

- Develop local economic plans that support the design and implementation of the LDS. This would require identifying significant local projects and interventions that would form part of an LDS and assess how the LSGU can finance or co-finance them.
- Build collaboration with the local private sector to make reinvestment in local development more sustainable in the long term.
- Consider how public assets (i.e. land, buildings, infrastructure, logistics, amenities, among others) could be better managed to attract private investment to finance LDS or supra-local development plans.
- Produce a business plan and investment plan for each key intervention to enable easy and effective appraisal of the likely financial returns available. This could be feasible for metropolitan projects based on a supra-LDS.

The national government could:

- Put in place new arrangements for fiscal decentralisation and strengthen LSGUs' fiscal and financial capability by exploring local fiscal and longer-term investment tools, foster mechanisms for regional fiscal collaboration, create PPPs that include voivodeship and municipal governments and explore new financial tools for local development.
- Consider using the tax system to provide a different incentive structure for place-based investment, exploring how public assets can be used to nurture or attract private co-investment. Poland may wish to explore mobilising innovative financing tools such as borrowing, land value capture mechanisms and infrastructure funds to finance investment.

Reinforce the monitoring of LDS implementation

The policies in the LDS constitute the primary mechanism for delivering the LSGU's spatial vision and strategic objectives. LSGUs could develop indicators related to spatial development objectives, which require periodic monitoring, reporting and evaluation, as already done in some municipalities such as Kraków. Such information will assist LSGUs in tracking progress in meeting their vision for sustainable development and constitutes an important communication tool with residents.

LSGUs could:

- Structure what steps the monitoring process of the LDS should include. For monitoring the implementation of the LDS, local authorities may conduct the following tasks: i) review the progress of the LDS against the timeline of activities and milestones set in the planning document; ii) assess the extent to which policies and programmes in the LDS are being implemented; iii) where policies or programmes are not being implemented, explain why and propose solutions; iv) identify the significant effects of implementing policies within the LDS and whether they were intended; and v) set out whether policies or programmes should be amended or replaced.
- Include a performance measurement strategy as part of the LDS. There are at least three components that LSGUs may need to include in the performance measurement strategy: i) an appropriate data-gathering strategy using M&E tools (i.e. specific, measurable, achievable,

relevant and time-bound [SMART] indicators); ii) identify data sources, frequency of data collection and reporting as well as persons responsible for monitoring; and iii) formulate an M&E plan. Clear information should at least be obtained on expenditure, activities and outputs in order to evaluate costs and benefits.

- Include an exploration of the benefits of partnership in the evaluation. The aim would be to analyse whether the partnership structure is leading to the desired outcomes and whether changes in the partnership are required. Evaluation may include consideration of what the LSGU may be able to achieve by acting alone rather than in a partnership.

The national government could:

- Build capacity for the development of monitoring indicators. The national government, together with the academic sector, could set up training and mentoring programmes for LSGU officials to understand the concept, definitions and standards for M&E. This is key to help mostly smaller LSGUs, which may face specific challenges in attracting staff with the required competencies. Managers and planners will require particular support and mentoring as they have a role in promoting, approving and communicating the results. This capacity building can support the development of an appropriate data collection system and related performance indicators.

Polish LSGUs must be aware of the risks and limitations related to placing excessive emphasis on short-term outputs, particularly economic ones. While economic outputs are important, they are only one of the objectives of the local development policy. Most of the time, they are dependent on overcoming social and capacity barriers before endogenous development and structural adjustments can be released in the long term. It is therefore critical that LSGUs develop criteria for evaluating programmes, which should guide *ex ante*, interim and *ex post* evaluation.

Recommendations for all LSGUs

Redefine the scope of the LDS and create synergies across policy sectors

In their LDS, municipalities often try to cover all policy priorities and implement them in a short period. LSGUs could:

- Redefine the scope of the LDS by reflecting on: which sectors form the local economic base and account for most jobs and growth; what parts of the local economy are growing more rapidly and which ones are declining; which parts of the economy are the most important; what are the development trends and how can they be projected into the future; and how are different urban policy domains like transport, housing and amenities included in the LDS. This could be the basis for creating synergies across policy sectors for development.
- Recognise that a self-generated process of growth is unlikely to be achieved by acting on one sector alone. Each activity should be regarded as part of a comprehensive process and strategy within which activities are linked. Katowice, for example, appointed a co-ordination team and the implementing team integrated by different city hall departments to exchange information and agree on needs as part of the local revitalisation programme. This measure is not included in any regulation but was integrated into their local sectoral programmes as an effort to foster co-operation and co-ordination within the administration.

Strengthen land use planning across all LSGUs

LSGUs should strive to expand the coverage of their local spatial development plans. Reliance on the planning decision mechanism should be reduced in the short term and eliminated in the longer term. To manage spatial issues more effectively, LSGUs, in particular municipalities, should employ a broader range of tools such as fiscal ones. The 2015 Revitalisation Act allows municipalities to use an adjacency levy

and expanded real estate tax in designated areas in order to better capture increase in land value resulting from public investments. Municipalities should increase their use of this possibility.

Some limits should be introduced to limit the compensation paid to owners if they are negatively affected by a local spatial development plan as this practice is inhibiting the adoption of new plans. For example, municipalities can reduce the timeframe in which owners can apply for compensation, which is currently unlimited. Further, the way that the property tax is calculated (based on land and building size/area) is inefficient and can encourage land speculation. LSGUs could shift to *ad valorem* property taxation to reap the benefits of a rise in land values when local infrastructure investments are made.

Improve the quality of the socio-economic diagnostic and land use plans

Any effective LDS requires a sound background socio-economic study and land use plans to reflect the current level of development of any locality and facilitate evidence-based decision-making. For that purpose, LSGUs could:

- Create inter-departmental task forces (sometimes called project teams or working groups) (see recommendations on intra-LSGU co-ordination in Chapter 2) to elaborate or supervise the development of socio-economic diagnostics. This could foster co-operation and joint work and in turn increase the quality of the diagnostic. This would also allow involving the widest possible range of skills and disciplines available in the local public workforce in the production of the diagnostic. Although OECD work suggests that there are no definitive rules about how this can be done, it has found out that – at a minimum – a baseline study (or in this case a diagnostic) should give an overview of the municipality regarding demographics, economy and environment updated on a regular basis – every three to four years. It should highlight the competitive advantages of the municipality. The links between spatial planning and demographic, socio-economic and fiscal analysis and forecasting should be strengthened.
- Consider hiring external assistance for the elaboration of the socio-economic diagnostic and land use plans in LSGUs with a small administration.

Develop a central strategic capability team in LSGUs to develop and monitor the LDS

The central strategic capability team could consist of a few experts and a support team. This will vary depending on the administrative capacity level of each LSGU. Large LSGUs may probably require a strategy/planning expert, a communications specialist and some research and administrative support. This could build on the experience of some LSGUs and voivodeships. For example:

- In Katowice, a co-ordinator for strategy implementation and M&E was appointed – a role normally assumed by the development department. This co-ordinator is responsible for updating the LDS. In the context of M&E, he/she is responsible for gathering, analysing and evaluating information delivered by different departments.
- In the Dolnośląskie Voivodeship, the LDS is contemplating the integration of a Coordinating Committee for the Development Strategy of the Lower Silesian Voivodeship 2030, integrated by members of the marshal office, the Regional Development Policy and Economy Commission of the regional parliament, directors of selected divisions of the marshal office and representatives from the groups of all LDS implementation projects. The committee co-operates with the Regional Development Policy Committee of the Voivodeship Council Assembly and with representatives of work teams related to LDS.

Create local inclusive advisory bodies on stakeholders' engagement

Depending on the level of interest and participation in each municipality, authorities could:

- Consider formalising and publicising the participation process with the creation of local advisory bodies/committees. One of the local advisory committees could comprise representatives of the following groups: entrepreneurs, social associations, young people, senior citizens, etc. This may be more feasible in the case of metropolitan areas for the design and implementation of supra-LDS.
- Define the tasks of the advisory body, which could be to: provide assistance to the LSGU council when formulating public policy and conducting strategic planning; give the community a forum for discussion in greater depth; provide a more thorough review of complex and significant matters; review the existing planning documents through a SWOT analysis; and provide expertise without using budget funds, among others. It could also be in charge of organising open events (such as conferences, public discussions, etc.) as part of the planning process, which could be conducted online during the COVID-19 pandemic.
- Ensure that these bodies are manageable, adequately staffed and serve a useful purpose. They should be provided with autonomy but remain strongly linked with the administration as the local council, on the recommendation of the mayor, could appoint members of the body. They should report directly to the entire council and mayor. It is essential that these bodies are not seen as shadow governments but as mediating instruments between political decision-makers and citizens. While it will be up to the local council, or mayor, to take the final policy decisions, they will be committed to providing the reasons for their decisions in these advisory bodies.

Build partnerships for financing the implementation of the LDS

Poland's LSGUs need to build a new relationship with the private sector and non-governmental as well as civil society organisations to ensure progress on local development, as they can contribute to the design and implementation of the LDS. Local authorities need to leverage private co-investment that can add important elements that are otherwise absent, such as additional project proposals, resources and competencies. Financing an LDS is not just about setting up a PPP but also looking for more advanced means to share risks, costs, returns and the stewardship of assets. For the partnerships to be more effective within the framework of the LDS, the following actions can be taken with support from the national government:

- Establish an umbrella partnership that can be tasked with a greater role in the design and implementation of the strategy and even contribute to the search for adequate funding.
- Provide regular opportunities for organisational development and specialised training for the partnership and its partners.
- Open channels of communication for bottom-up inputs such as proposals from citizens or NGOs.
- Recognise local diversity in the policy process as well as the value of evidence.

Certainly, partnership models will vary according to the different conditions of every LSGU, depending on the characteristic of the problems, institutional environment, political factors and experience. LSGUs can encourage more public and private investment in local development by facilitating:

- PPPs in the forms of contracts, leases and joint ventures.
- Tax based incentives, credits and reinvestment mechanisms.
- Participation of public funds in financial engineering.
- Use of public assets to encourage investment.

Debt financing or other investment arrangements.

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Notes

[1] For further information, see http://www.oecd.org/economy/poland-economic-snapshot/.

[2] For further information, see https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-an-overview/ and http://www.cpc.ac.uk/docs/2009_WP3_New_Polish_Migration_to_the_UK_Trevena.pdf.

[3] For further information, see https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20200001378 (in Polish).

[4] This change will come into effect on 13 November 2020. For further information, see http://orka.sejm.gov.pl/proc9.nsf/ustawy/64_u.htm.

[5] There is the possibility that respondents to the OECD questionnaire understood the question as referring to the resources needed for implementation but the interviews for this study confirmed that one of the challenge to elaborate the LDS is the lack of financial resources.

[6] For further information, see https://ec.europa.eu/social/main.jsp?langId=en&catId=1246&newsId=9104&furtherNews=yes.

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[8] For further information, see https://katowice.eu/dla-mieszka%C5%84ca/strategie-i-raporty/raport-o-stanie-miasta/raport-o-stanie-miasta-2019.

4 The use of evidence in strategic decision-making in the LSGUs in Poland

This chapter analyses the use of evidence by Polish local self-government units (LSGUs), in designing, implementing and reviewing their policies and regulations. As such, it presents an overview of the mechanisms used by these subnational governments to monitor their policy priorities, as well as the institutional frameworks and capacities in place for evaluating public interventions. This discussion is followed by an assessment of the extent to which LSGUs use monitoring and evaluation evidence for decision- and policy-making purposes. The chapter ends with a forward-looking section.

Introduction

The degree to which LSGUs use evidence in making decisions and publicly share the evidence underpinning decisions – both before the decision is made and once it is being implemented – speaks to their capacity to remain accountable to citizens, foster trust in public institutions and ensure public interventions are sound and forward-looking. This chapter discusses how Polish LSGUs use evidence for designing, implementing and reviewing their policies and regulations. In doing so, it focuses primarily on municipalities' monitoring and evaluation (M&E) practices, which are key tenets of evidence-based decision-making.

The chapter first provides an overview of the monitoring mechanisms, processes and tools used by LSGUs (especially municipalities) for monitoring their public interventions, examines them critically and identifies a number of areas for improvement. It then presents the key features of their evaluation systems and practices, with special attention to factors determining quality such as stakeholder engagement and availability of data and resources (including in-house capacity). Lastly, the chapter presents an assessment of the extent to which evidence is effectively used by LSGUs in decision-making, and identifies areas for further promoting the use of evidence in that context.

Mechanisms for monitoring local development strategies

The use of evidence in policy-making derives mostly from the existence of an M&E system, with relevant indicators and analysis. A robust monitoring system first and foremost implies the presence of an institutional framework for monitoring that provides: i) the legal basis to undertake monitoring; ii) clearly mandated institutional actors with allocated resources to oversee or carry out monitoring; iii) and macro-level guidance on when and how to carry out monitoring (OECD, 2019[1]).

Monitoring the performance of policy priorities is a key tool that has been used by OECD governments at all levels in order to improve strategic and operational decision-making and increase accountability in the use of public funds. In Scotland, for instance, the National Performance Framework sets "national outcomes" that reflect the values and aspirations of the people of Scotland and which are monitored via a publicly available website (Scottish Government, 2020[2]). In Mexico, the Federal Planning Law of 5 January 1983 requires that every state develop a State Development Plan, in line with the sexennial National Development Plan, and monitors its implementation (Mexican Government, 2013[3]). Thus, the institutionalisation of performance monitoring in legal and policy frameworks underlines the importance that governments attach to this practice and contributes to clarifying the role and mandates of the actors in the system.

In Polish LSGUs, government-wide policy priorities are, for the most part, formalised in local development strategies (LDS). For this reason, the following section mainly focuses on the mechanisms in place in LSGUs to monitor LDS (see Chapter 3 for more information on LDS). Nevertheless, as discussed in Chapter 3, LSGUs also adopt other sectoral or thematic planning instruments that require monitoring (e.g. spatial planning, property management, environmental protection, nature conservation and water management). As pointed out in Chapter 2, greater co-ordination between these planning instruments and their monitoring systems would allow for better strategic decision-making in LSGUs.

The monitoring system at the subnational level in Poland is mainly framed by requirements related to EU integration and the national planning policy framework

In Poland, at the local level, municipalities may prepare LDS. As explained in Chapter 3, when LSGUs prepare their LDS, they must take 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

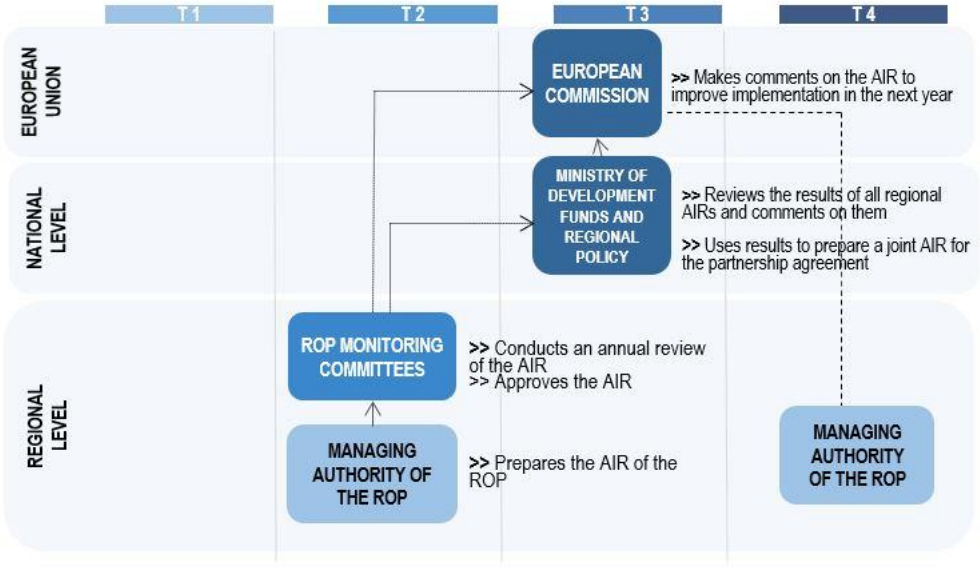
of Development Policy[1] also seeks to encourage municipalities to develop LDS, in an effort to make these planning instruments mandatory eventually. Today, 95.5% of municipalities (OECD questionnaire) report that they already have an LDS. As described in Chapter 3, this high percentage can probably be explained by the fact that, in order to apply for European Union (EU) funds, LSGUs must show a close link between the activities for which they apply and the LDS.

At the regional level, LSGUs also develop regional development strategies (RDS), which must be aligned to the national development objectives (Polish Government, 2017[4]). Marshal offices also set up regional operational programmes (ROPs), which are co-financed from European Structural and Investment Funds (ESIF). Indeed, development policies in Poland (whether at the national or local level) are largely supported by EU funds (OECD, 2009[5]) and, as a result, are subject to European regulations. Thus, ROPs are an important RDS implementation tool, albeit not the only one.

Recipients of EU funds are mandated to monitor and evaluate the use and impact of these funds. For instance, the Common Provisions Regulation (CPR) for 2014-20 requires that member states set up monitoring committees for each operational programme (Article 49) (European Parliament and Council, 2013[6]). In Poland, regional monitoring committees are in charge of monitoring the attainment of objectives set out in the ROP, as well as the allocation of EU funds assigned within this document.

The regional managing authority conducts "[an annual] review [of the] implementation of the regional operational programme and progress made towards achieving its objectives" and prepares an annual implementation report (AIR) for its ROP which is finally approved by the regional monitoring committee (Articles 49 and 50 of the CPR) (European Parliament and Council, 2013[6]). Such regional AIRs from all 16 voivodeships are then consolidated at the national level with AIRs from sectoral national operational programmes (NOPs) in order to prepare the AIR at the level of a Partnership Agreement (PA). This is done by the national co-ordinating authority located in the Ministry of Development Funds and Regional Policy, which is in charge of co-ordinating all 16 ROPs and a couple of sectoral NOPs (see Figure 4.1 for a schematic view of the interaction between the regional monitoring committees and the national co-ordinating authority).

Figure 4.1. The monitoring process for regional operational programmes



Note: This is a schematic representation.
Source: Authors' own elaboration based on the Common Provision Regulation for 2014-20.

As a result, those LSGUs and regions that receive EU funds have clear frameworks for monitoring the use of these funds and often, as a result, the implementation of their development strategies. Other than that, many LSGUs and regions do not monitor their LDS or RDS. Indeed, data from the OECD questionnaire shows that just over 70% of municipalities and 80% of counties monitor the implementation of the LDS. Furthermore, as will be further explored in the following section, what is important is not only to monitor LDS/RDS but also to do so in a way that is of high quality and serves for decision-making. For this, guidelines and capacities are crucial. Indeed, beyond the creation of a legal framework and clearly assigned mandates, a sound monitoring system requires macro-level guidance on when and how to conduct monitoring and a clear understanding of what monitoring is.

The current monitoring methodologies and tools used by LSGUs are not always adapted to operational decision-making and communication

Monitoring differs from evaluation in substantive ways. The objectives of monitoring are to facilitate planning and operational decision-making by providing evidence to measure performance and help raise specific questions to identify implementation delays and bottlenecks. It can also strengthen accountability and public information, as information regarding the use of resources, the efficiency of internal management processes and outputs of policy initiatives is measured and publicised. Monitoring is driven by routines and ongoing processes of data collection. Thus, it requires resources integration into an organisational infrastructure (OECD, 2019[1]).

Monitoring evidence can be used to pursue three main objectives (OECD, 2019[1]):

- It contributes to operational decision-making, by providing evidence to measure performance and raising specific questions in order to identify implementation delays or bottlenecks.
- It can also strengthen accountability related to the use of resources, the efficiency of internal management processes or the outputs of a given policy initiative.
- It contributes to transparency, providing citizens and stakeholders with information on whether the efforts carried out by the government are producing the expected results.

Each of these objectives requires a different monitoring setup.

European guidelines on monitoring and evaluation of cohesion funds set up monitoring systems for the main purpose of accountability

In Poland, the monitoring requirements imposed on subnational governments related to the use of EU structural funds mostly promote accountability in the use of structural funds (OECD, 2009[5]). Recipients of the funds must prepare an annual report on the use and impact of the funds (Figure 4.2 offers an example of how this AIR is prepared for the ROP). This is underlined by the 2014-20 guidance document on M&E for structural funds (EC, 2015[7]), which states that the annual report is “one of the key elements of the monitoring of an operational programme.” While this format is very useful in order for stakeholders to control and approve the implementation of programmes and strategies, it is not necessarily relevant for operational and timely decision-making.

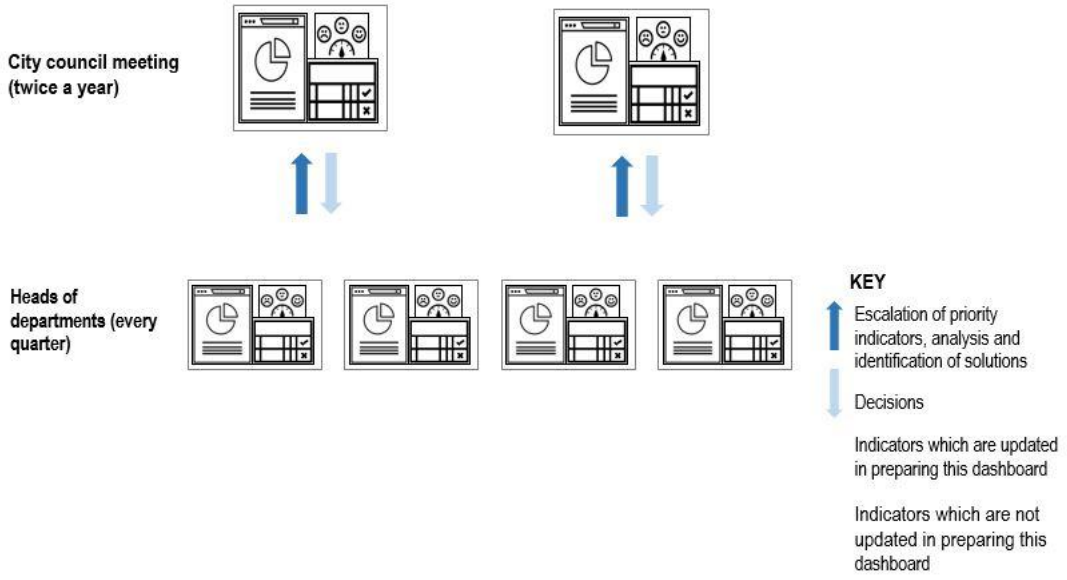
As a result, subnational governments that report on EU funds may perceive monitoring as more of a control tool than one that is truly useful for improving the implementation of their policies and decision-making. Evidence (Meyer, Stockmann and Taube, 2020[8]) suggests that this bias towards control may also exist at the national level in regard to monitoring of national policy priorities.

A clarification of other monitoring methodologies may allow for better operational decision-making and communication with citizens at the subnational level

First, for performance monitoring to serve as an effective management tool for operational decision-making, it must be embedded in a performance dialogue that is carried out regularly and frequently enough to allow decision-makers and public officials to adapt their actions and/or resources in the face of implementation difficulties (Vági and Rimkute, 2018[9]). Today, OECD data shows that only 17 out of 36 municipalities (OECD questionnaire) prepare frequent reports to monitor their policy priorities. Of these 17, only a few do so more than once a year. Thus, subnational governments may wish to consider setting up internal performance dialogues, between the highest decision-making level (the mayor or the marshal office for instance) and the heads of departments/services in order to review key objectives and indicators on the implementation of their development strategy. Chapter 7 includes a broader discussion of human resources issues in subnational governments in Poland.

Setting up a performance dialogue would create an incentive for municipal and/or regional departments to resolve implementation issues at the technical level through a gradual escalation process. If the problem is still unresolved after two quarters, it could be referred to the city council/mayor's office/marshal office twice a year for a decision. Figure 4.2 demonstrates how this performance dialogue could be articulated between the lower levels of decision-making and the centre of the subnational government, over one year. To set up such a performance dialogue, the subnational government would have to clarify the respective responsibilities of each actor throughout the monitoring value chain: co-ordination and promotion of monitoring, data collection, data analysis, reporting, use of data. The November 2020 amendment to the Act on Principles of Implementation of Development Policy (Polish Government, 2017[4]) stipulates that municipalities should benefit from setting up their own monitoring system but does not detail how this could be done.

Figure 4.2. Proposed performance dialogue set-up



LSGUs could additionally consider selecting a limited number of priority objectives and indicators from their LDS, in order to focus resources dedicated to monitoring policies with high visibility and economic and social impact. Selecting a limited number of high visibility indicators could also serve to better communicate to citizens, either through a website updated with monitoring information on regional or local development strategy or through the elaboration of a communication document on the progress made on the strategy.

Generally speaking, these efforts could be supported by the Ministry of Development Funds and Regional Policy, which could consider drafting specific guidelines on LDS monitoring as well as the different goals pursued by monitoring and their corresponding methodologies. This is for example what is being done in Colombia, where the National Planning Department provides guidelines for subnational governments (mostly departments) to monitor their strategic plans (see Box 4.1).

Box 4.1. Tools and guidelines provided by national governments to promote monitoring of local and regional policies

National governments may encourage regional governments to carry out monitoring of public policies and development strategies through a number of tools. The **Colombian government** for instance has provided a Territorial Portal to help subnational governments monitor and evaluate their strategic plans. This platform was created by the National Planning Department in order to promote knowledge management and interaction between the national government and local administrations through the sharing of information, methodologies, tools, best practices and other virtual content.

One of these tools is the Monitoring Kit (*Kit de Seguimiento*), which includes manuals, forms and instructions for the design and implementation of a monitoring system. The tool is divided into several units:

- The first unit (Unit 0) of the kit includes general guidelines on use and identifies the institutional, instrumental and conceptual natures of the monitoring system to understand its scope prior to putting it in place. Such concepts include results-oriented public management, public value, value chain, etc.
- Unit 1 includes guidelines to carry out adequate information collection, analysis and reporting to monitor the development strategy and ultimately allow timely and informed decision-making. It offers a step-by-step guide to list, review and prepare the conditions that allow such monitoring.
- Unit 2 presents steps to design the monitoring system, as well as to adapt it to the needs and institutional reality of the region.
- Finally, Unit 3 puts forward the methodological and operational conditions needed for implementing the monitoring system.

In **Italy**, the National Monitoring System (SNM) was created in order to harmonise monitoring efforts for cohesion policy programmes. The system, which is managed by the Ministry of Finance, is based on a data exchange protocol shared by all local and regional authorities in charge of operational programmes and a common open data platform.

- The system is fed by the regional and national administrations that own operational programmes, which transfer monitoring data on the implementation of operational programmes under their responsibility through their own information systems.
- In order to ensure greater quality and more complete information, the information assets present in the SNM are further enriched by operational links with external databases including the Public

Administration Database (BDAP), the National Anti-Corruption Agency (ANAC) database, the Tax Registry and Single Project Code database, etc.

- The data gathered by the SNM are then made available through the OpenCoesione portal (https://opencoesione.gov.it/en/) which, for each project, displays information about its main aspects. All citizens and stakeholders are thus able to verify how funds are being used to meet the needs of the territories involved.

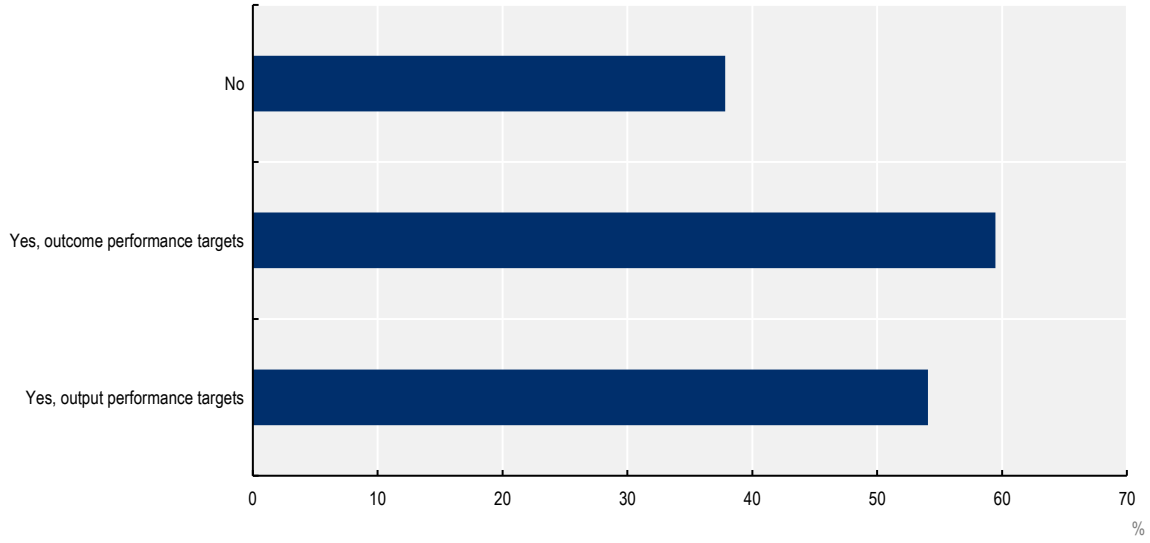
Source: Colombian Government Department for National Planning (n.d.[10]), *Territorial Portal*, https://portalterritorial.dnp.gov.co (accessed 15 June 2020); Italian Government (n.d.[11]), *Open Cohesion Project*, https://opencoesione.gov.it/en/ (accessed 15 September 2020).

Capacities for monitoring are a key challenge for LSGUs

Polish subnational governments need to reinforce their capacities to access quality and timely data to promote the quality of their monitoring

First, developing clear performance indicators, their baseline and targets is important to monitor policy priorities such as the ones that are in the Polish local development strategy (LDS) or regional development strategy (RDS). Thirty-four municipalities declare that they define performance indicators for their development strategy *ex ante*, meaning that they have defined these indicators in conjunction with their development strategies. This could mean, however, that they declared the names of the indicators without including a quantifiable target.

Figure 4.3. Municipalities that define indicators *ex ante*



Note: Based on 37 municipality responses to the OECD questionnaire (n=37). Answers reflect affirmative responses to the multiple-choice question: "Are performance targets defined *ex ante* for policies and services monitored? (please tick all options that apply)". 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 municipalities' responses to the OECD questionnaire (2020).

Nevertheless, one-third (14) of surveyed municipalities still report that they did not define their indicators *ex ante*. More importantly, when they exist, there is a lack of systematic linkage between each objective contained in the LSGU strategies and the indicators chosen to monitor them, thus making it hard for stakeholders to assess the progress of these objectives. In fact, indicators are often not included in the

LDS document itself. Municipalities could take the opportunity of the next round of LDS in order to clearly define the indicators with which they will measure the implementation of their strategies.

Finally, LSGUs use a wide variety of indicators in their policy priorities. A number of databases are available for subnational governments to access data useful for building and updating indicators. The regional territorial observatories, for example, have the role to collect, disseminate and exchange data on the development of a given region and public interventions carried out at the regional level (for more on the observatories see Box 4.2).

Box 4.2. Regional Territorial Observatories

At the regional level, 16 Regional Territorial Observatories (RTOs), which were created, along with the National Territorial Observatories (NTOs), as part of the National Regional Development Strategy (NSRD). The scope of activities of this regional policy M&E system is set out in the Strategy for Responsible Development until 2020 (with perspective till 2030); it includes:

- ensuring the consistency of evaluation and monitoring methodology
- monitoring social, economic and spatial regional development processes in the region
- ensuring the work quality of monitoring activities of marshal offices.

The RTOs monitor the attainment of regional development policy objectives mostly for projects that are co-financed by EU resources (ROPs, RDS, regional innovation strategies).

Source: Jarczewski, W. (2010[12]), "Regional observatories of development policy as a tool for monitoring the efficiency of the cohesion policy", http://dx.doi.org/10.7163/eu21.2010.21.12; Maśloch, P. and L. Piotrowska (2017[13]), "An overview of regional territorial observatories – common elements and substantial differences. Territorial observatories and their role in shaping the defence capability and security of a region", http://psjd.icm.edu.pl/psjd/element/bwmeta1.element.psjd-4aeb1116-bbef-4036-ac3a-22b815245839/c/WSN_72__2017__194-203.pdf (accessed on 2 July 2020).

Additionally, the *strateg* web platform (https://strateg.stat.gov.pl/) proves a valuable tool to monitor development policies at the national and voivodeship levels. One of the main purposes of the platform is to gather data on statistical indicators relevant to the implementation of cohesion policy. Starting from mid-2021, another web portal from Statistics Poland, will be created to monitor public services. This platform (www.smup.gov.pl) should offer interesting data on the quality, quantity, accessibility and cost-effectiveness of over 80 public services.

Today, 34 out of 37 surveyed municipalities report that the availability of data is a challenge in conducting and promoting M&E. In fact, several municipalities report that regional and national statistics are not relevant to monitor their development strategies. Indeed, this type of data is best suited for long-term impact and context indicators, for which the underlying changes are less certain than for outcome indicators (DG NEAR, 2016[14]). Administrative data and data collected as part of an intervention's implementation are usually better suited for process, output and intermediate outcome indicators, such as those found in LDS. All categories of subnational governments, and specifically all categories of LSGUs, could therefore consider using their own administrative data to monitor their LSGU strategies. This may be especially useful in the context of performance dialogue, for which data needs to be highly responsive. Such data can be sometimes found on the web portal bdl.stat.gov.pl/BDL/start.

Quality monitoring will require LSGUs to have sufficient capacities

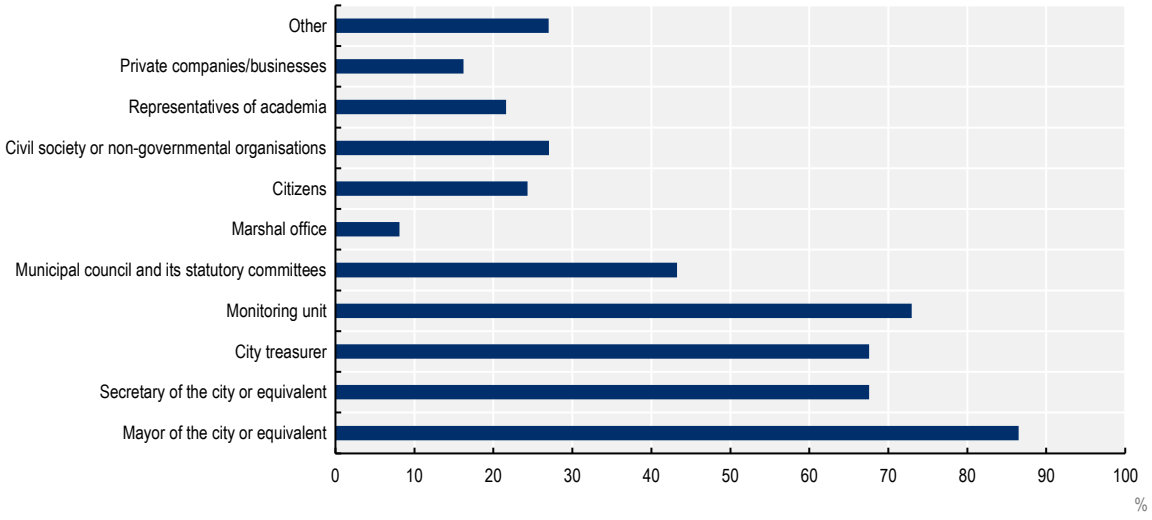
In order to set up a monitoring system capable of producing credible and relevant data, as well as analyse this data, governments require capacities. The concept of capacity can be defined as "the set of forces and resources available within the machinery of government. [It] refers to organisational, structural and technical systems, as well as to the individual skills that create and implement policies that meet the needs of the public, in accordance with political orientation" (OECD, 2008[15]).

First, two types of skills are crucial:

- analytical skills, to review and analyse data and draw conclusions
- communication skills, to structure the monitoring dashboard and progress reports in a way that has impact and targets the end user.

Above all, monitoring performance requires having sufficient resources to collect data on a regular basis, calculate indicators, analyse data, etc. which requires a critical mass of trained agents and managers. In Polish municipalities these resources appear to be limited. While larger municipalities have audit or monitoring units in charge of these tasks (27 municipalities, of which 15 in functional urban areas [FUAs]), in small ones, monitoring activities are mostly performed by the mayor's office (see Figure 4.4).

Figure 4.4. Actors involved in the monitoring process at the municipal level



Note: Based on 37 municipality responses to the OECD questionnaire (n=37). Answers reflect responses to the multiple-choice question: "Who are the actors involved in the monitoring process? (Please tick all options that apply)". 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 LSGU responses to the OECD questionnaire (2020).

Moreover, there is a marked difference between the resources available at the regional level and at the municipality/county level, insofar as voivodeships are the managing authorities of structural funds and therefore have clearly allocated resources for reporting on the use of these funds. Initiatives such as the RTOs or even workshops and seminars conducted by the Ministry of Development Funds and Regional Policy also have tended to benefit the regional level more than LSGUs. This report suggests transferring more funds from the national/regional level to LSGUs for the purpose of monitoring.

Evaluation of policies and regulations

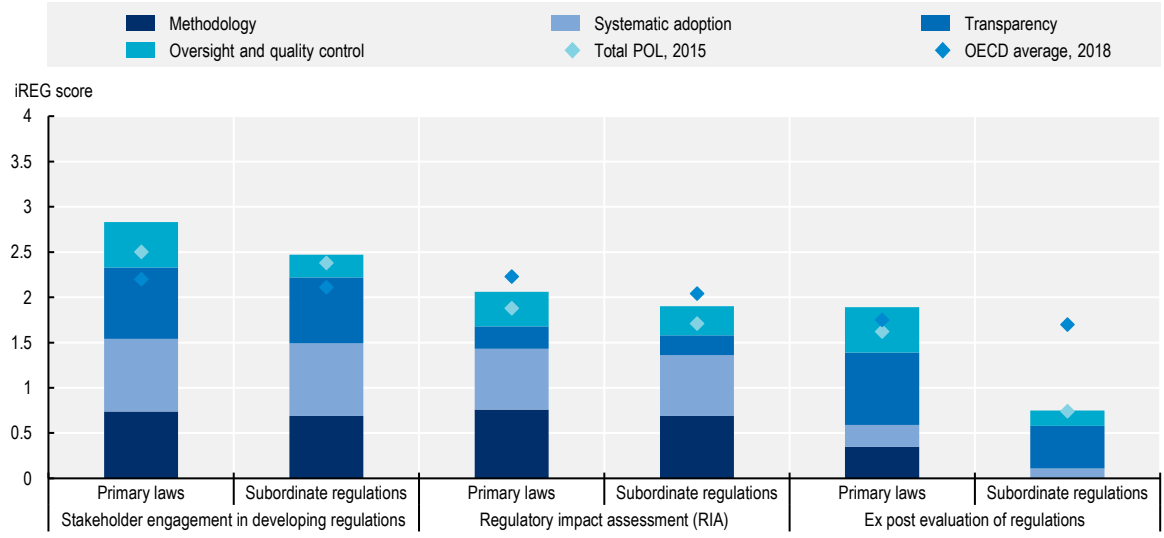
Policy evaluation can be defined as a structured and objective assessment of a planned, ongoing or completed policy, programme, regulation or reform initiative, including its design, implementation and results. Its aim is to determine the relevance and fulfilment of objectives, efficiency, effectiveness, impact and sustainability as well as the worth or significance of public intervention. The term "evaluation" covers a range of practices, which can be embedded into various policy-planning and policy-making processes. For instance, many OECD countries use spending reviews. The area of regulatory policy is also one where the use of evaluation is well developed, with requirements for *ex ante* regulatory impact assessments (RIAs) and *ex post* reviews/evaluations. In the present section, "policy evaluation" will refer to the evaluation of public policies including strategies, programmes and (in some cases) laws and regulations.

Institutional framework: EU cohesion policy as a driver for the development of evaluation

Evaluation practices have developed significantly in Poland since the early 2000s. Similarly to monitoring practices, such development has largely taken place in the context of EU cohesion policy, of which Poland is by far the largest beneficiary among EU member states (EC, 2020[16]). Indeed, according to government officials, more than 2 000 studies assessing different levels of cohesion policy implementation have been produced to date. Already in a 2009 case study, the European Commission (EC) highlighted the evaluation system in Poland as an interesting example of a "systemic development that is cumulative in nature and goes beyond one programming cycle" (EC, 2009[17]). The National Evaluation Unit is in charge of steering and co-ordinating evaluation activities relating to cohesion policy interventions as well as state budget programmes (more limited coverage). Overall, Poland's evaluation system of cohesion policy interventions is decentralised (as is often the case for programme-level evaluations), with evaluation units at the level of NOPs and ROPs. It receives support from an inter-ministerial team also involving Polish Evaluation Association representatives.

Poland has also strengthened its regulatory management practices at the national level, including *ex ante* RIA, stakeholder engagement and, to a lesser extent, *ex post* evaluation. As shown in Figure 4.5 below, despite observed improvements, the country is not yet among the best-performing countries in this area. In the same vein, interviews with government officials suggest that there is significant room for improvement in this area both at the national and subnational level, particularly when it comes to effectively implementing existing requirements (as shown by low scores in the "systematic adoption" indicator).

Figure 4.5. OECD Indicators of Regulatory Policy and Governance (iREG): Poland, 2018

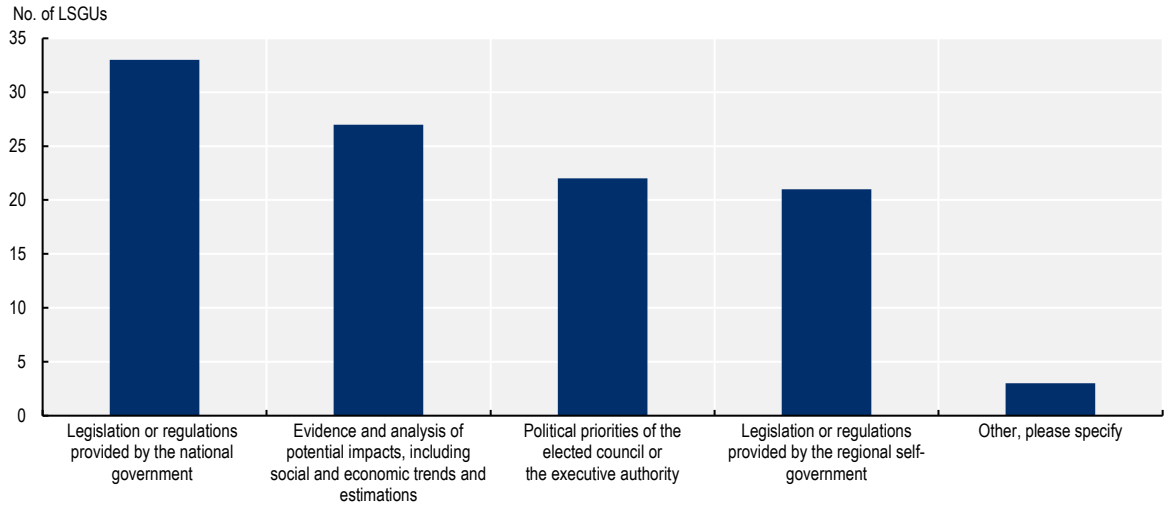


Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (57% of all primary laws in Poland).
Source: OECD (n.d.[18]), *Indicators of Regulatory Policy and Governance Surveys 2014 and 2017*, OECD, Paris, https://doi.org/10.1787/888933816003.

There is a common framework under development (Public Service Monitoring System) aimed at guiding the M&E of public services delivered by municipalities and counties. It will start operating in mid-2021 at https://smup.gov.pl and, for each public service (more than 80 covered), there will be indicators on quality, quantity, accessibility and cost-effectiveness. In addition, according to national level authorities, guidelines exist through which the national government seeks to promote the development of policy evaluation at the subnational level; they are coupled by financial support as well as capacity-building activities. Awareness and effective use of existing resources are however not widespread and appear to be particularly low in smaller LSGUs.

Evaluation-oriented efforts seem to be geared primarily to programmes and projects, especially those benefitting from EU cohesion policy funding. National government officials acknowledged that assessing local authorities' ability to implement relevant guidelines is not straightforward as it depends heavily on contextual factors and that there is currently limited information at the subnational level in this respect. Some of the OECD questionnaire responses suggest, however, that the analysis of regulatory impacts is not systematic. According to one LSGU representative, for example, there is neither a formal procedure in place nor specific guidance for assessing the impact of regulations – which tends to occur on a rather informal and ad hoc basis. It must however be noted that, regarding regulatory decisions, all subnational governments have only limited latitude. Their regulatory powers are, in principle, restricted to situations in which legislative competency is expressly provided in national legislation (Kulesza and Sześciło, 2012[19]). Indeed, as shown in Figure 4.6, 33 out of 36 responding municipalities indicated that their regulatory decisions are mostly based on legislation or regulations provided by the national government; 21 of them said that they based their regulatory decisions on legislation or regulations provided by the regional self-government. These results are consistent with the feedback provided by national government officials during interviews.

Figure 4.6. Factors underpinning regulatory decisions by municipalities



Note: Based on 36 municipality responses to the OECD questionnaire (n=36), Multiple choice responses were allowed. 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 municipalities' responses to the OECD questionnaire (2020).

A majority of regional self-governments (6 out of the 11 that responded to the OECD questionnaire) declared supporting the development of policy evaluation activities at the LSGU level. This support is provided through a variety of means including guidelines, financial assistance and capacity-building activities. In certain cases, LSGU-level authorities are members of the steering groups for the evaluation of ROPs (established at the voivodeship level). In addition, half of the responding marshal offices indicated that, when developing policies at the regional level, they consider their potential impact on the functioning of LSGU authorities, e.g. resources needed for implementation, existing administrative or enforcement capacity, etc. Examples provided by respondents of instances where such considerations take or have taken place predominantly refer to programmatic and planning documents in the context of RDS, both on an *ex ante* and an *ex post* basis.

Evaluation practices at the subnational level

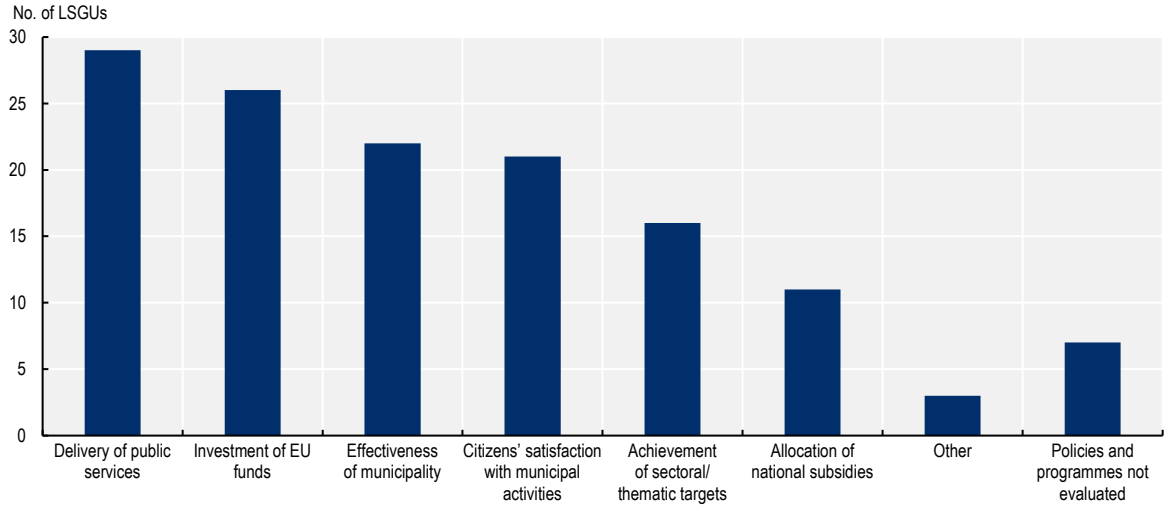
Notwithstanding Poland's efforts to support the development of evaluation among public authorities, there is scope for ensuring more systematic involvement and greater ownership at the municipality level in this area

Despite Poland's progress with regard to evaluation over the past 15 to 20 years, a number of challenges remain in promoting M&E policies at the subnational level. These notably have to do with limited awareness and understanding of the benefits of evaluation (which in turn undermines ownership and active involvement), limited resources and capacity, insufficient use of evaluation results in policy-making as well as the quality of evaluations themselves. However, a number of large municipalities offer promising examples in this regard.

According to the OECD questionnaire results, municipalities use policy evaluation to assess a number of aspects related to their functioning and effectiveness. As shown in Figure 4.7 below, 29 out of the 39 responding municipalities declared that they use evaluation to assess the delivery of public services. Eleven out of the 16 municipalities indicating that they use evaluation to assess progress towards sectoral targets (environmental, safety, well-being) were within FUAs. Similarly, the use of evaluation for allocating

and calculating national subsidies is primarily made by larger municipalities within FUAs and hardly ever by those outside FUAs with low accessibility. In addition, representatives from relatively larger, urban municipalities indicated that evaluation serves to assess progress against the objectives set forth in their development strategies. Twenty-six municipalities said that evaluation is linked to EU-funded interventions, which once again illustrates the role of monitoring, reporting and evaluation requirements associated with EU funding as drivers of evaluation activities. Citizens' satisfaction with municipalities' activities is another recurrent area of focus for evaluation.

Figure 4.7. Use of evaluation by municipalities, selected areas



Note: Based on 39 municipality responses to the OECD questionnaire (n=39). Multiple choice responses were allowed. 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 municipalities' responses to the OECD questionnaire (2020).

The size and resource endowments of municipalities appear to play an important role in their evaluation-related practices. Large municipalities dedicate more time and resources to that end, with some of them encompassing dedicated units specialising in the assessment of the quality of policies (e.g. Płock). In contrast, one of the respondents stressed that the evaluation of policies and programmes was not comprehensive in its coverage and was often not performed.

Budgetary impacts and feasibility of implementation are key areas of focus for municipalities when examining the likely impacts of their regulatory and policy decisions

Twenty-seven out of 36 responding municipalities indicated that the regulatory decisions they make are mostly based on evidence and analysis of potential impacts, including social and economic trends and estimations. OECD questionnaire responses suggest that a number of municipalities attach significant attention to the feasibility of implementation and, when applicable, the enforceability of policy and regulatory decisions – including for those that stem from or are underpinned by national legislation. The vast majority of responding entities declared that, when developing regulations at the local level, they consider their potential impact on the local environment, such as natural resources needed for implementation and existing administrative or enforcement capacity. The focus and scope of these considerations seem to vary significantly across LSGUs and policy areas. These include, according to OECD questionnaire responses, considerations of impacts on relations with neighbouring municipalities (e.g. in the context of mobility or counteracting social exclusion), employment, environment and quality of

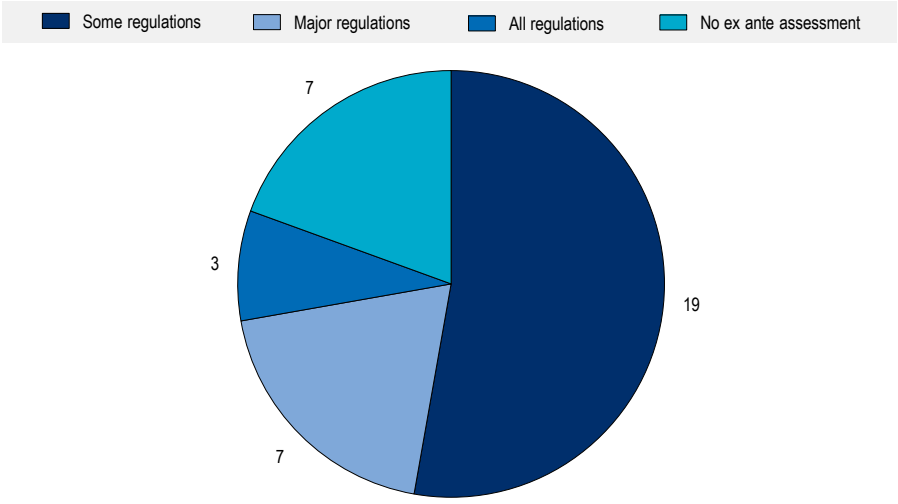
life, and municipal finances. In addition, some of the examples provided by respondents refer to public expenditure in addition to regulatory interventions. A number of responses underscored the need to consider implementation capacity carefully, particularly regarding municipal zoning plans (as decisions at that stage will have an impact on the allocation of resources and responsibilities).

Most LSGUs conduct some sort of ex ante and/or ex post assessment of the impacts of their policy and regulatory decisions but these assessments are limited to certain policy areas or intervention types

Evaluation activities carried out at the municipality level in Poland vary greatly in terms of both depth and scope (with very few of them applying them systematically) and they are seldom comprehensive. The focus of *ex post* assessments is often on implementation progress rather than outcomes or longer-term impacts, which limits the use of evaluation results further down the line.

The vast majority of responding municipalities (29 out of 36) declared conducting some sort of *ex ante* assessment of the potential impacts (including costs and benefits) of their regulatory and policy decisions. Of these, 19 did so for some regulations only (and 3 for all regulations). Local zoning plans were recurrently identified as undergoing *ex ante* assessment. Additional examples include financial analysis (including simulation and forecasts) pertaining to waste collection and waste management fees, changes in real estate taxes, low-carbon economy plans and proposed regulatory amendments in areas such as education. Certain municipalities declared going beyond financial analysis and declared to resorting, in addition, to risk analysis, economic analysis, assessment of social impacts and environmental impact assessment (no further details provided).

Figure 4.8. *Ex ante* assessment by LSGUs of the potential impacts of their regulatory and policy decisions, by category



Note: Based on 36 municipality responses to the OECD questionnaire (n=36). 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 municipalities' responses to the OECD questionnaire (2020).

The above-mentioned responses ought to be interpreted with caution, as in-depth interviews conducted with LSGU representatives have shown that the actual content and level of ambition of *ex ante* assessments conducted at the local level vary greatly. For example, one of the most comprehensive

approaches reported (in the context of strategic planning) involves the use of foresight methodologies as well as extensive consultations with citizens including publication of their results and recourse to expert panels. On the other side of the spectrum, certain LSGUs claimed that impacts are seldom assessed on a systematic basis.

Similarly to *ex ante* assessments, 24 out of 33 responding municipalities claimed to conduct *ex post* assessments of the impacts of their policies and regulations, although the vast majority of them (18) do so for some regulations only and none conducts *ex post* assessments of all regulations.[2] As in the case of *ex ante* assessments, there seems to be a broad variety of situations as far as the depth and scope of these assessments. In some municipalities, *ex post* assessment of development strategies is systematic (sometimes on a mandatory basis) and involves evaluating their effectiveness and relevance (in light of changes that occurred since the moment of adoption). In other cases, however, *ex post* analysis seems to be narrower in scope and has to do primarily with budget execution or implementation progress rather than outcomes or longer-term impacts (thus neglecting an essential dimension). Responses from municipalities contrast with those from counties, a majority of which indicated not to carry out *ex post* assessments.

Ensuring sound evaluation systems and aiming for quality: Some promising good practice examples but mixed results overall

Lack of applicable procedures or formal frameworks for co-operation, resource constraints and insufficient interest in promoting evidence-based decision-making are key shortcomings of evaluation systems in LSGUs. Access to data as well as analytical skills in the administration also seems to be holding back the development of evaluation practices at the self-government level.

LSGUs consulted for the present project displayed mixed perceptions of their evaluation systems and their outputs. They often pointed out the need for clearer frameworks and guidance. In addition, responses illustrate the need for institutional co-ordination (encompassing national, regional and local authorities) for meaningful design and implementation of evaluation – not the least since delivering a number of public services involves, to some extent, different levels of government.

Only about one-quarter of responding municipalities declared to be satisfied with the current system for evaluating the performance of public services (of which a majority within FUAs), whereas about 20% were not and nearly half declared their level of satisfaction to be “neutral”. Moreover, a number of respondents indicated that no such system had been set up in their municipality.

When asked to provide additional details, municipality representatives mentioned some promising examples, e.g. systematic qualitative and quantitative evaluation of local development strategies (LDS), with a focus on quality of life; setting up of an evaluation system for evaluation of public services on the strategic and operating levels coupled with attempts at conducting benchmarking through co-operation with other LSGUs (e.g Kraków Functional Area).

However, a majority of answers exposed the perceived shortcomings in evaluation systems, which are also related to the challenges in developing and implementing evaluation practices. In a number of cases, evaluations seem to rely almost exclusively on satisfaction surveys administered to residents. These are valuable in themselves but usually need to be complemented by other sources of evidence in order to yield robust analytical results. Some respondents reported the absence of applicable procedures or formal frameworks for the evaluation of public services, as well as resource constraints and difficulties accessing relevant data. “Lack of interest” in engaging in decision-making processes as well as lack of willingness to promote evidence-based decision-making, either on the side of stakeholders or at the political level, were also identified as important shortcomings. In addition, some respondents indicated that evaluation efforts were primarily geared at fulfilling specific criteria related to EU funding, thus systematically neglecting other potentially important aspects. Two key determinants of the quality of evaluations and evaluation systems are discussed in more detail next: stakeholder engagement and availability of data and resources.

Stakeholder engagement actions related to evaluation and regulation tend to be limited in scope and conducted informally, particularly in smaller municipalities

Stakeholder engagement[3] activities relating to evaluation and regulation at the municipality level seem to be relatively widespread. However, they are often conducted informally and with limited transparency (particularly in smaller municipalities). Moreover, there is no systematic use of stakeholder inputs for decision-making purposes, which is also found in Chapter 8.

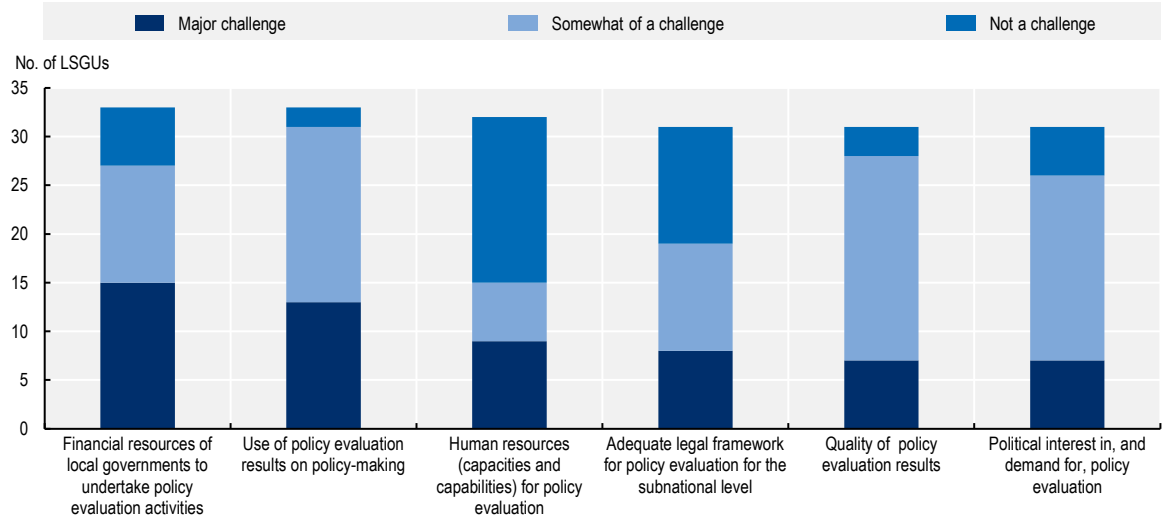
The lack of formal procedures for stakeholder engagement may not afford equal opportunities for voicing their needs and concerns to all stakeholders. Resources and capacity are crucial for meaningful stakeholder engagement, especially in situations where technical expertise is required. A large majority of responding municipalities (28 out of 31) declared resorting to stakeholder engagement in the context of either *ex ante* or *ex post* assessment of their regulatory and policy decisions.[4] Of these, 22 declared to do so for some regulations only, which is roughly consistent with responses about the uptake of *ex ante* and *ex post* assessment. Meetings and conferences or discussions in person are by far the consultation methods the most frequently used (sometimes combined with municipal consultation platforms), although online consultation venues are explored to a considerable extent. Discussions during in-depth interviews suggest that interactions with stakeholders often take place informally, with no systematic written records, particularly in smaller municipalities – some of which reported channelling consultation-related messages through prominent local figures such as priests and other well-known personalities, in order to reach certain population groups including the elderly.

There seems to be room for more systematic and extensive follow-up on the feedback provided by stakeholders, which is further evidenced in Chapter 8. A majority of those municipalities carrying out stakeholder engagement activities said they provide some sort of feedback to consulted stakeholders on their contribution, although some of the stakeholders interviewed indicated that this feedback, when it exists, is often limited. The extent to which the input provided by consulted stakeholders is effectively used to inform decision-making notably depends on the nature of the regulation at hand, with 17 and 8 municipalities declaring that this is the case for some regulations and major regulations respectively. A similar response distribution applies to the publication of input received from stakeholders.

Data availability and resource constraints, including analytical capacity, are major obstacles to the development of evaluation practices at the LSGU level. Access to relevant data in a timely fashion as well as constraints in terms of available resources and analytical capacity within LSGUs appear to be critical factors holding back the uptake of evaluation practices as well as the systematic use of evaluation results for decision-making purposes. While efforts to address these challenges have been deployed by the national government (e.g. development of a framework of indicators for public interventions, training actions, guidance, etc.), further work is still required – particularly in light of LSGUs' heterogeneity including in terms of interest in and understanding of the potential benefits of evaluation.

According to OECD questionnaire results, key challenges for local self-governments in promoting and conducting policy evaluations[5] include: financial resources to conduct evaluation; availability of data; time lags to obtain and measure results from long-term policies; and human capital constraints (capacities and capabilities) to manage and conduct evaluations within the LSGU staff. Resource constraints, both financial and in terms of capacity, also come up very prominently in OECD questionnaire results, as does the use of policy evaluation results in policy-making and the quality of evaluation results (see Figure 4.9). Indeed, resource endowments are a key determinant of the scope and extent of evaluation activities at the LSGU level since evaluations are primarily financed by municipality funds. All 33 municipalities having responded to this part of the OECD questionnaire declared that evaluations are financed by municipalities funds, compared to only 7 for EU funds and 5 and 3 for regional self-government and national government funds respectively (several response options were allowed).

Figure 4.9. Perceived challenges to promote M&E policies at the local level



Note: Based on 33 municipality responses to the OECD questionnaire (n=33). 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 municipalities' responses to the OECD questionnaire (2020).

Responses from municipalities regarding constraints to the development of evaluation practices are consistent with those from regional self-government authorities. Three-quarters of the responding marshal offices viewed financial constraints on local self-governments as a major challenge to the promotion of policy evaluation activities at the local level. Insufficient quality of policy evaluation results was in turn a major challenge in this respect according to the two-thirds of the responding marshal offices. Other challenges include interest and "demand" as well and shortcomings in the framework for policy evaluation at the subnational level. In addition, some respondents pointed to limited analytical capacity including the ability to draw conclusions based on data and indicators, as well as to the need for better-quality and regularly available data at a more disaggregated level.

Access to data and information by municipalities seems to be limited at present, especially data collected by the national government as part of its statutory work. The project to improve the monitoring of public services that is currently underway (Public Service Monitoring System, SMUP) is expected to contribute to developing evaluation (both *ex ante* and *ex post*) by making some of the relevant data available – as a very large component of municipalities' actions relates to public service delivery.

It would be advisable to assess whether additional resources could be made available to LSGUs in order to facilitate the development of evaluation practices. For example, the 2007-13 Human Development Capital Operational Programme financed projects under which employees of municipalities received training in M&E. In the same vein, venues should be explored to improve communication and institutional co-operation across levels of government to ensure appropriate knowledge and understanding by LSGUs (particularly smaller ones and those with limited capacity) of resources already available, e.g. guidelines, data sources, training opportunities sources of expertise, etc. Institutional co-operation among LSGUs, possibly with regional level authorities in a co-ordinating or facilitating role, could also be pursued with a view to optimising the use of available resources. This may notably involve the networking of knowledge and expertise; certain smaller LSGUs may not need or be able to afford to have all the necessary knowledge and capacity on an ongoing basis but they may benefit from access to a network of evaluation experts. Special attention should be paid to LSGUs without FUAs and with low accessibility, as they may encounter obstacles to partaking of such networks and resources.

Evidence-informed strategic decision-making in subnational governments

The use of evaluation results to inform policy and regulatory decisions remains patchy

Overall, there seem to be no clear patterns regarding the use by subnational governments of evaluation results in their decision-making processes (with the exception of managing authorities for EU cohesion policy funding, whose evaluation units are responsible for carrying out the evaluation and monitoring of the implementation of related recommendations). The use of evaluation results appears to depend on their available capacity as well as the internal organisation and personal involvement of leading political figures or high-ranking officials. Certain larger municipalities in FUAs appear to be quite advanced in that respect, with evaluations performed on a systematic basis, clearly embedded in the policy cycle and coupled by corrective or improvement measures as appropriate. This situation contrasts with that in municipalities where evaluation is either not carried out at all or tenuously linked to decision-making.

When asked about how policy evaluations findings are used to improve services and policies, 24 out of 37 responding municipalities indicated that these findings were discussed in the municipal council or its committees, and 12 declared that they make them public for stakeholder engagement purposes. Crucially, very few said that there is a link between evaluation findings and resource allocation (nine) and between evaluation findings and staff incentives and remuneration respectively (three). Similarly, only seven declared to have structured or institutionalised mechanisms (e.g. management response mechanism) in place to follow up on evaluation findings and four reported no direct influence of evaluation results on policy-making (whereas seven declared that they do not evaluate policies and programmes). These results are consistent with feedback received during interviews that there is no systematic use of evaluation results by decision-makers at the political level. When asked about challenges regarding the elaboration of LDS or plans, more than half of the responding counties pointed to the lack of evaluation of the impact of programmes that are part of the local development strategy as a challenge.[6]

In general terms, there is a need for clear frameworks and processes to 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. Steps that may be taken to that end include establishing 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) as well as establishing clear and explicit linkages between available evidence and resourcing. As advocated by the OECD in their best practice principles for regulatory impact assessment (RIA) (OECD, 2020[20]) among others, administrations can also promote the use of evaluation results in decision-making by including such use among the criteria that are considered in civil servants' performance assessments.

Clear institutional frameworks could also help address existing co-operation shortcomings. When asked about major challenges regarding co-ordination for policy design and implementation across levels of public administration in Poland, respondents from the national government highlighted the lack of awareness of the different types of co-ordination arrangements as well as excessively rigid legal forms of co-operation. Other obstacles mentioned include a lack of skilled personnel to participate in co-ordination arrangements and changing regulatory frameworks. Based on evidence from other parts of the OECD questionnaire as well as from in-depth interviews, insufficient co-ordination and awareness also appear to hinder the development of evaluation practices and culture at the municipal level. Dissemination of good practices and exchange of experiences between relatively better equipped and more experienced municipalities and their less advanced counterparts in this respect could also prove beneficial.

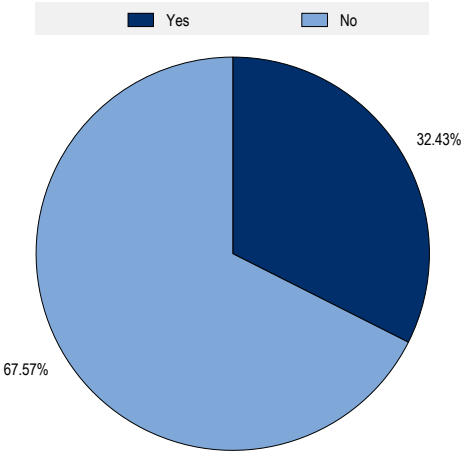
Publicity and communication of results should be overall increased in order to improve the uptake of evidence

Policy-makers and stakeholders cannot use evidence or the results of M&E if they do not know about them (Haynes et al., 2018[21]). The first step to promote the use of evidence is therefore that it be publicised and communicated to its intended users (OECD, 2020[22]).

First, publicity of evidence, such as evaluation results, ensures greater impact and thus increases the likelihood that they are used. OECD data (2020[22]) shows that a majority of surveyed countries make evaluation findings and recommendations available to the general public by default, for example by publishing the reports on the commissioning institutions' website. The drive for publicity has also been in part led by EU integration, insofar as publicity of evaluation results is a requirement of EU regulations. Indeed, as indicated in Article 54.4 of the Common Provisions Regulation (CPR) for 2014-20, all evaluations shall be made available to the public. With reference to this article, the European Cohesion and Regional Development Fund's guidelines on monitoring and evaluation recommend that evaluations be published online, with abstracts written in English to facilitate the exchange of results across countries. Countries are also invited to go beyond those legal requirements by using more technology-advanced means of publishing, such as interactive electronic maps. In Poland, all evaluations of cohesion and structural fund programmes are made available on www.ewaluacja.gov.pl. The website also includes evaluations of regional programmes and methodological tools for evaluators. For instance, it provides research methodology advice, a glossary and evaluation guidelines addressed to employees of any public administration.

However, data shows that only a third of Polish municipalities surveyed make their evaluation results public to engage stakeholders with the implications of evaluation results (see Figure 4.10). In the case of small municipalities, this may partially be explained by a lack of the necessary tools to do so – such as a searchable online database.

Figure 4.10. Publicity of evaluation results at the municipal level in Poland



Note: Based on 37 municipality responses to the OECD questionnaire (n=37). Answers reflect 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 including the following response: "The results are made public to engage with stakeholders on the implications of the findings of policy evaluation". 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 municipalities' responses to the OECD questionnaire (2020).

Nevertheless, publicity of evaluation results is crucial to promote use and in short ensure greater follow-up of recommendations, while providing accountability to citizens on the use of public funds (OECD, 2020[22]). A dedicated page could be created at the national level on www.ewaluacja.gov.pl for subnational governments to upload the results of their evaluations. This page could also include the evaluations carried out by the managing authorities at the regional level, which are already included in this platform.

More importantly, OECD data shows that the uptake of evidence by policy- and decision-makers may be more likely when information is easily accessible to them. Indeed, research shows that in isolation, publicity of evidence alone does not always significantly improve the use of evaluation in policy-making. Rather, evidence needs to be translated into understandable language and respond to users' knowledge needs (OECD, forthcoming[23]). In Poland, for instance, research shows that despite the existence of an online platform to publicise evaluation results, actual uptake remains mainly limited to employees of the commissioning departments (Stockmann, Meyer and Taube, n.d.[24]). This is why tailored communication and dissemination strategies that increase access to clearly presented research findings are very important for evidence use (OECD, 2020[22]). The EU Cohesion Fund guidelines for M&E for 2014-20 acknowledge the importance of user-oriented, organised and tailored communication of evaluation processes and reports.

A simple and cost-effective way to make results more user-friendly is to include executive summaries of a defined length in evaluation reports. For instance, the United Kingdom (UK) What Works Centre, including the Education Endowment Foundation, the Early Intervention Foundation and the What Works Centre for Local Economic Growth produce a range of policy briefs to disseminate key messages to its target audience. Therefore, when subnational governments commission evaluations, they could request that these systematically include executive summaries with recommendations in order to increase their uptake.

Moreover, M&E evidence could be more strategically communicated. While the 16 Regional Territorial Observatories (RTOs) already aim to disseminate evidence on regional development in order to increase the impact of M&E of territorial policies, research has found that the way data is shared across these observatories' websites is heterogeneous (Maśloch and Piotrowska, 2017[13]). While the strategy's online platform (https://strateg.stat.gov.pl/) gathers statistical data related to the implementation of cohesion policy at the national and regional levels in a systematic and visually impactful way, it does not explicitly share evaluation reports.

The Polish national government could consider transforming the strategy platform into a one-stop-shop for evidence on LDS, including evidence from the LSGU level and evaluations. This could be an opportunity to make use of evidence synthesis tools, such as those used in the UK What Works Centres (see the next section on evidence synthesis for more information on these tools).

Additionally, the use of social media is also a good alternative for evidence to be shared more effectively, in particular when it comes to monitoring results. Subnational governments may wish to share "information nuggets" on social media, as a cost-efficient way to share monitoring data on their development strategies. This is done on a national level, for example through the Twitter handle "news.eval". In Canada, for instance, ministerial departments have started diffusing evaluation findings beyond departmental websites via platforms such as Twitter and Linkedin.

The evaluation ecosystem that has developed around EU cohesion policy interventions could be capitalised upon to generate a stronger demand for evidence-based decision-making

After Poland acceded to the EU, numerous steps were taken at the national level to promote evaluation practices and, crucially, the systematic evaluation culture and system for cohesion policy interventions. These include training (also co-funded by the EU in many cases), meetings with regional administration officials to present and discuss evaluation research findings, a yearly evaluation conference and a

postgraduate study programme (Academy of Evaluation). These actions have helped to improve the analytical capacities within regional administrations as well as to convey a strong message relating to the importance of evaluation for meeting public policy goals (Wojtowicz and Kupiec, n.d.[25]). Another noteworthy initiative in support of evaluation in this context is the creation of a national evaluation database for the evaluation of cohesion policy (see Box 4.3 below) as well as a Recommendation Management System to monitor the implementation of recommendations contained in the evaluation.

Box 4.3. Poland's national evaluation database for the evaluation of cohesion policy

All evaluations commissioned in Poland, including those concerning the implementation of EU funds, must be made accessible to the public. Concerning the evaluations related to cohesion policy, a national database has been created: all evaluations are published on the website www.ewaluacja.gov.pl. This platform shares the results of more than a 1 000 studies conducted since 2004, as well as methodological tools aimed at evaluators.

Source: OECD (2020[22]), *Improving Governance with Policy Evaluation: Lessons From Country Experiences*, https://doi.org/10.1787/89b1577d-en.

While it is undeniable that the government's response to requirements in the context of cohesion policy has acted as a major driver for evaluation development over time, there seems to be significant scope for broadening and enhancing the awareness and knowledge of the benefits that can be derived from performance measuring and evaluation more generally. In terms of actors, this applies in particular to municipalities, whose involvement in capacity building and awareness-raising activities does not seem to be widespread. In terms of areas of application, this chiefly includes policy interventions other than those supported by cohesion policy funding.

One important misunderstanding that needs to be addressed in this context has to do with the way in which evaluations tend to be perceived. It is crucial for LSGU officials to understand that, far from being a mere audit or control mechanism, evaluation can empower them in their daily work by helping increase performance and accountability. Evidence-based decision-making in the context of regulatory activity is of crucial importance, as laws and regulations affect all areas of business and life and determine our safety and lifestyle, the ease of doing business and the achievement of societal and environmental goals. *Ex ante* RIA helps make better decisions by providing objective information about the likely benefits and costs of particular regulatory approaches, as well as critically assessing alternative options. *Ex post* evaluation is in turn a crucial tool to ensure that regulations remain fit for purpose, that businesses are not unnecessarily burdened and that citizens' lives are protected (OECD, 2018[26]).

With the abovementioned benefits in mind, it would be valuable for the government to engage in further awareness-raising activities aimed at LSGUs, possibly in co-operation with regional authorities. These efforts may be combined with capacity building covering analytical skills and methods, with a view to strengthening overall institutional capacity for evidence-informed policy-making. This requires making public institutions more innovative, more effective and better prepared to deal with global and local challenges, by identifying the skills and competencies that they need to develop, the institutional procedures that need to be in place and the incentives to be provided (OECD, n.d.[27]).

Strategic rethinking may also be warranted with regard to the analytical focus of evaluation activities as well as the allocation of evaluation-related sources. A study was carried out in 2017 that focused on recommendations included in evaluation research conducted within the Polish National Cohesion Strategy

between 2011 and 2015 (Sobiech and Kasianiuk, 2017[28]). Its findings suggest that the extensive knowledge produced by evaluation research is not fully capitalised upon for policy-making and reveals "a significant discrepancy between the evaluation purposes (accountability and knowledge production) and the dominant recommendations focused on program implementation". It also refers to "evaluators' inability to provide a rationale for the proposed modifications". As many as 20 out of 33 responding municipalities reported evaluations to be carried out by external consultants. While external expertise from external evaluators is beneficial, investing in the development of sufficient inhouse capacity is required to use evaluation findings in a meaningful fashion and help address the abovementioned shortcomings. Officials with sufficient capacity may for example be able to synthesise and convey available evidence, thus acting as "brokers" *vis-à-vis* decision-makers. Guidance and/or assistance to that end may be provided by existing structures, such as the Centre for Evaluation and Analysis of Public Policies, which already performs the role of knowledge broker in Poland (OECD, 2020[22]).

Box 4.4. The role of knowledge brokers

Governments can rely on knowledge brokers to improve their communication towards the evidence community regarding their particular needs and expectations for policy-making. On the other hand, knowledge brokers may also help evidence producers "translate" their results to policy-makers, by synthesising them, disseminating them and expressing them in a clear and relevant manner.

Overall, knowledge brokers have to understand the technicalities of the research and evaluation world as well as the practicalities of the actions and choices by policy-makers and the political, economic and social factors that influence them.

Source: OECD (2020[22]), *Improving Governance with Policy Evaluation: Lessons From Country Experiences*, https://doi.org/10.1787/89b1577d-en.

In a similar vein, it is important to ensure that LSGU staff are able to critically assess evaluation findings and prevent decisions from being made on the basis of insufficiently robust evidence – which is a concern that the Polish government has taken a number of steps to address (see Box 4.5). Developing such knowledge and skills among other categories of actors beyond government may, together with stakeholder engagement, further contribute to creating demand for evidence-informed decision-making. In the same vein, the involvement from academics in evaluations (as part of their scientific research) was also reported by a number of municipalities in their OECD questionnaire responses. Understanding the precise modalities of such involvement as well as its contribution to better evaluation and replication potential would be valuable going forward.

Box 4.5. The Polish Ministry of Development Funds and Regional Policy's self-assessment checklist

This self-assessment checklist, presented in the national guidelines on evaluation of cohesion policy for 2014-20, aims to prevent recommendations from poor quality evaluations from being implemented. This system, which is also used by evaluation units at the regional level, is one of the components of meta-evaluations, focusing on the skills and practices of the evaluators rather than the evaluation more broadly. The checklist includes criteria such as the extent to which the objectives were achieved, the methodology used and data reliability. Each criterion is given a numerical rating that can be supplemented with qualitative comments.

Source: OECD (2020[22]), *Improving Governance with Policy Evaluation: Lessons From Country Experiences*, https://doi.org/10.1787/89b1577d-en.

LSGUs could consider using evidence synthesis methodologies to promote the uptake of evidence

Several methods exist for reviewing and assessing the evidence base. Evidence synthesis methodologies seek to not only aggregate evaluation findings and review them in a more or less systematic manner for a discussion of methods) but also assess and rate the strength of the evidence. Evidence syntheses provide a useful dissemination tool since they allow decision-makers to access large bodies of evidence, as well as rapidly assess the extent to which they can trust it (OECD, 2020[22]). Indeed, they serve to aggregate, standardise, review and rate the evidence base of interventions (see Box 4.6). More often than not, however, evidence synthesis is conducted by institutions at arm's length of government, such as clearinghouses or knowledge brokers, much like the UK What Works Centres or the Campbell Collaboration (Neuhoff et al., 2015[29]; Results for America, 2017[30]).

Box 4.6. Examples of methodologies for reviewing the evidence base

Effective policy-making requires using the best available evidence, which itself requires reviewing and choosing from the already existing evidence on the policy question. Different reviewing methods enable managing and interpreting the results of a large evidence base:

- **Quick Scoping Review**: This non-systematic method can take from one week to two months. It consists in doing a quick overview of the available research on a specific topic to determine the range of existing studies on the topic. It allows mapping the literature concerning a delimited question by using only easily accessible, electronic and key resources, going up to two bibliographical references.
- **Rapid Evidence Assessment** (REA): This systematic and more time-consuming method (two to six months) consists of quickly overviewing the existing research on a specific policy issue and synthesising the evidence provided by this research. It intends to rigorously and explicitly search and critically appraise this evidence. To gain time, it may limit certain aspects of the systematic review process, such as narrowing the REA question or the type and breadth of data considered. Shortening the traditional

systematic review process provides a rapid synthesis of the existing relevant evidence but risks introducing bias.

- **Systematic Review**: This is the most robust method for reviewing, synthesising and mapping existing evidence on a particular policy topic. It is more resource-intensive, as it can take up to 8 to 12 months minimum and requires a research team. It has explicit objectives and a thorough search strategy that considers a broad range of data. Studies are chosen and screened according to explicit and uniform criteria, and reasons for excluding certain studies have to be stated. This transparent and comprehensive method maximally reduces bias in the search, choice and synthesis of the existing research. Moreover, it allows the creation of cumulative and sound evidence base on a specific policy subject. Lastly, systematic reviews are applicable to quantitative studies as well as other types of questions.

Source: UK Civil Service (n.d.[31]), *What is a Rapid Evidence Assessment?*,http://www.civilservice.gov.uk/networks/gsr/resources-and-guidance/rapidevidence-assessment/what-is (accessed 12 August 2019).

In that light, the RTOs could consider adopting the role of knowledge brokers at the local level. Knowledge brokers are institutions that usually play a key role in strengthening the relationship and collaboration between evidence producers and policy-makers by helping policy-makers access evidence and navigate research material that may be unfamiliar through the use of evidence synthesis methodologies. RTOs could thus use and share evidence synthesis tools, such as evidence rating systems, in order to facilitate use by local decision-makers.

Recommendations

Recommendations for the national and/or regional levels of government

Encourage systematic monitoring at the local level by providing tailored guidance

The November 2020 amendment to the Act on Principles of Implementation of Development Policy stipulates that municipalities should benefit from setting up their own monitoring system but does not detail how this could be done. OECD data shows that only 17 out of 36 surveyed municipalities prepare frequent reports to monitor their policy priorities. Of these 17, only a few do so more than once a year.

- The Ministry of Regional Policy and Development Funds could therefore encourage municipalities to conduct monitoring as an effective management tool by providing them with tailored guidance and methodologies for monitoring LDS.

Raise awareness among LSGUs of the benefits that can be derived from measuring performance and evaluation more generally

Notwithstanding Poland's efforts to support the development of evaluation among public authorities, there is scope for ensuring more systematic involvement and greater ownership at the LSGU level in this area.

- National and regional authorities should thus capitalise upon the evaluation ecosystem that has developed around EU cohesion policy interventions to convince LSGUs that performance measurement and evaluation can help them to serve citizens better.

Address capacity and resource constraints on the development of M&E practices by LSGUs

Despite Poland's progress with regard to evaluation over the past 15 to 20 years, a number of challenges remain in promoting M&E policies at the subnational level, notably regarding limited resources and capacity.

- To address these shortcomings, it would be valuable for national and regional authorities to assess whether additional resources can be made available to LSGUs to facilitate the development of M&E practices, including through enhanced analytical capacity and the ability to capitalise on tools for advanced data analysis.

Promote the exchange of good practices and improve knowledge management for evidence-based decision-making

Policy-makers and stakeholders cannot use evidence or the results of M&E if they do not know about them. The first step to promote the use of evidence is therefore that it be publicised and communicated to its intended users. National and regional authorities have a crucial role to play in fostering the use of evidence, including evaluation results, by improving knowledge management and making relevant information readily available.

- It would be useful to capitalise on existing platforms and institutions to that end. For example, the Thematic Groups for Exchanging Experience in the Association of Polish Cities may be a suitable venue. In addition, the Ministry of Development Funds and Regional Policy may consider setting up a dedicated page on www.ewaluacja.gov.pl for LSGUs to share evaluation results. In the same vein, the knowledge and resources of both RTOs and Voivodeship Centres of Regional Surveys (*Wojewódzkie Ośrodki Badań Regionalnych*, WOBR) may be leveraged on to improve knowledge management and access to relevant information and analysis.

In the same vein, tailored communication and dissemination strategies that increase access to clearly presented research findings are very important for evidence use.

- The new platform for Monitoring Local Development could be used as a one-stop-shop for evidence on LDS, including evidence from the LSGU level and evaluations, with improved communication and dissemination practices.

Evidence syntheses provide a useful dissemination tool since they allow decision-makers to access large bodies of evidence and assess the extent to which they can trust it. Indeed, they serve to aggregate, standardise, review and rate the evidence base of interventions.

- Regional level authorities should encourage RTOs to use and share evidence synthesis tools, such as evidence rating systems, in order to facilitate use by local decision-makers.
- Regional authorities should also favour the dissemination of good practices and exchange of experiences relating to the use of evidence for decision-making between relatively better equipped and more experienced LSGUs (typically larger ones in FUAs) and their less advanced counterparts.

Improve the publishing and communication of evidence

Publicising evaluation results is crucial to promote use and in short ensure greater follow-up of recommendations, while providing accountability to citizens on the use of public funds. The following could be envisaged:

- Improving the use of evidence through better knowledge management, for example creating a dedicated page at the national level on www.ewaluacja.gov.pl for subnational governments to

upload the results of their evaluations. This page could also include evaluations carried out by managing authorities at the regional level.

However, OECD data shows that the uptake of evidence by policy- and decision-makers may be more likely when information is easily accessible to them. Indeed, research shows that, in isolation, publicity of evidence alone does not always significantly improve the use of evaluation in policy-making. Rather, evidence needs to be translated into understandable language and respond to users' knowledge needs. Thus, M&E evidence could be more strategically communicated. In particular, the use of social media is also a good alternative for evidence to be shared more effectively. Subnational governments may wish to share "information nuggets" on social media, as a cost-efficient way to share monitoring data on their development strategies. Thus, Poland could consider:

- Transforming the *strateg* platform into a one-stop-shop for evidence on LDS, including evidence from the municipal level and evaluations, with improved communication and dissemination practices.
- Taking advantage of social media to share "information nuggets" on LDS.

Monitoring local development strategies

Clarify the objectives and methodologies for monitoring LDS

Monitoring differs from evaluation in substantive ways. It can be used to pursue three main objectives: improving operational decision-making, strengthening accountability and promoting transparency and communication with citizens. Each of these objectives requires a different monitoring setup. In Poland, the LSGUs that do monitor their policy priorities do not necessarily clearly differentiate between these objectives, potentially creating a weakening impact of monitoring. Thus, LSGUs could:

- Use the national guidelines to clearly differentiate the monitoring setup for each of these objectives: operational decision-making, accountability and communication with citizens.

In particular, LSGUs could consider setting up internal performance dialogues in LSGUs between the highest decision-making level (i.e. marshal office) and the heads of departments/services in order to improve operational decision-making. Setting up a performance dialogue would create an incentive for municipal departments to resolve implementation issues at the technical level through a gradual escalation process. If the problem is still unresolved after two quarters, it could be referred to the city council/mayor's office twice a year for a decision. Figure 4.2 in the section above demonstrates how this performance dialogue could be articulated between the lower levels of decision-making and the centre of the subnational government over a one-year period. To set up such a performance dialogue, LSGUs should:

- Clarify the respective responsibilities of each actor throughout the monitoring value chain (co-ordination and promotion of monitoring, data collection, data analysis, reporting, use of data).
- Clarify the tools used for the performance dialogue, such as a dashboard.
- Select a limited number of priority objectives and indicators to focus resources dedicated to monitoring policies with high visibility and economic and social impact.

LSGUs can also take advantage of monitoring data to further communicate with their citizens about their results. For this reason, LSGUs could:

- Improve communication with 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 (every year for example).

Strengthen capacities to access quality and timely data to promote the quality of monitoring

Developing clear performance indicators, their baseline and targets is important to monitor policy priorities such as the ones in Polish LDS. One-third (14) of surveyed municipalities report that they did not define their indicators *ex ante*. When these exist, there is a lack of systematic linkage between each objective contained in the LDS and the indicators chosen to monitor them. Moreover, indicators in the LDS rely on the use of statistical data. Yet, administrative data and data collected as part of an intervention's implementation are usually better suited for process, output and intermediate outcome indicators, such as those found in LDS. Thus, Polish municipalities should:

- Clarify the indicators used to monitor each local development strategy.
- Include indicators based on administrative data, taking advantage of the system for monitoring public services currently under development to build these indicators. The box below gives more information on the different potential sources of data for monitoring.

Box 4.7. Potential sources of data used for monitoring

Conducting quality monitoring requires quality data, which may come from various sources (as outlined below), each of which has associated strengths and weaknesses. Combining different data sources has the potential to maximise data quality, as well as to unlock relevant insights for monitoring.

- **Administrative data**: This type of data is generally collected through administrative systems managed by government departments or ministries, and usually concerns whole sets of individuals, communities and businesses that are concerned by a particular policy. Examples of administrative data include housing data and tax records. Since administrative data are already collected and cover large sample sizes: they are time and cost-efficient sources for monitoring exercises. Furthermore, since administrative data consist mostly of activity, transaction and financial tracking data, they do not suffer from some of the quality pitfalls associated with self-reported data. However, administrative data can be limited in scope (e.g. exclusion of non-participants, no socio-economic information on participants, etc.). Moreover, since administrative data collection systems are decentralised, the underlying quality of the data may vary across government departments or ministries.
- **Statistical data**: This type of data is commonly used in research and corresponds to census data or more generally to information on a given population collected through national or international surveys. Survey data is a flexible and comprehensive source for monitoring exercises, as surveys can be designed to capture a wide range of socio-economic indicators and behavioural patterns relevant to the policy in question. However, data collection for surveys is resource-intensive and the quality of survey data is dependent on the survey design and on the respondents. For example, the quality of survey data can suffer because of social desirability bias and poor recall of respondents.
- **Big data**: This type of data is broadly defined as "a collection of large volumes of data" (UN Global Pulse, 2016[32]). It is often continuously and digitally generated by smart technologies on private sector platforms and captures the behaviour and activity of individuals. It has the advantage of coming in greater volume and variety, and thus represents a cost-effective method to ensure a large sample size and the collection of information on hard-to-reach groups. Moreover, big data analysis techniques (e.g. natural language processing, detection, etc.) can help identify previously unnoticed patterns and improve the results of monitoring exercises. Nevertheless, big data also introduces several challenges, such as time comparability (it often

comes from third parties that do not always have consistent data collection methods over time), non-human Internet traffic (data generated by Internet bots), selection bias (even if a sample size is large, it does not necessarily represent the entire population), etc.

Source: UN Global Pulse (2016[32]), *Integrating Big Data into the Monitoring and Evaluation of Development Programmes*; Innovations for Poverty Action (2016[33]), *Using Administrative Data for Monitoring and Evaluation*; Results for America (2017[30]), *100+ Government Mechanisms to Advance the Use of Data and Evidence in Policymaking: A Landscape Review*.

Developing evaluation practices at the LSGU level

Promote the systematic evaluation of LSGU interventions

The uptake of evaluation practices is uneven across LSGUs, with larger, urban LSGUs devoting more time and resources to that end than their smaller counterparts outside of FUAs. Significant evaluation-oriented efforts have been deployed over the years in the context of EU cohesion policy funding.

- Draw on existing knowledge and expertise to promote systematic evaluation and adopt it as part of their working methods.

Ensure sufficient resources and capacity are available for evaluation, including by means of institutional co-ordination and resource pooling

LSGUs should address data availability and resource constraints, including analytical capacity, which are major obstacles to the development of evaluation practices at the LSGU level, in particular:

- Assess whether additional resources could be made available to LSGUs in order to facilitate the development of evaluation practices by enhancing inhouse capacity.
- Explore venues to improve communication and institutional co-operation across levels of government to ensure appropriate knowledge and understanding by LSGUs of resources already available, e.g. guidelines, data sources, training opportunities, sources of expertise, etc.
- Pursue institutional co-operation among LSGUs, possibly with regional level authorities in a co-ordinating 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. development of a network of evaluation experts accessible to LSGUs).

Promoting the use of evidence for strategic decision-making at the municipal level

Improve the dissemination and communication of evidence

Publicising evaluation results is crucial to promote use and in short ensure greater follow-up of recommendations, while providing accountability to citizens on the use of public funds. It could be envisaged to:

- Improve use of evidence through better knowledge management. For example, use the dedicated web page at the national level on www.ewaluacja.gov.pl for subnational governments.

However, OECD data shows that the uptake of evidence by policy- and decision-makers may be more likely when information is easily accessible to them. Indeed, research shows that in isolation, publicity of evidence alone does not always significantly improve the use of evaluation in policy-making. Rather, evidence needs to be translated into understandable language and respond to users' knowledge needs.

Thus, M&E evidence could be more strategically communicated. In particular, the use of social media is also a good alternative for evidence to be shared more effectively. Subnational governments may wish to share "information nuggets" on social media, as a cost-efficient way to share monitoring data on their development strategies. Thus, municipalities could consider:

- Taking advantage of social media to share "information nuggets" on LDS.

Institutionalise the use of evaluation findings

According to the OECD questionnaire, relatively few municipalities in Poland (particularly outside FUAs) have a structured or institutionalised mechanism in place to make systematic use of evaluation findings for improving their services and policies. Further institutionalising the use of evaluation findings for decision-making purposes should therefore be considered a priority. To do so, it may be valuable to:

- Establish proportionate requirements for transparent and evidence-based decision-making; e.g. to provide a public and substantiated explanation in cases where relevant evaluation findings are not taken into account.
- Establish clear and explicit linkages between available evidence, such as evaluation findings and resourcing. This applies to budgeting decisions on investment outlays and expenditure as well as to staff incentives and remuneration. While applicable across the board, this recommendation should be considered a priority for municipalities where such linkages are the weakest, i.e. smaller ones, often outside of FUAs.
- Promote the use of evaluation results in decision-making by including such use among the criteria that are considered for employees' performance assessments.

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Notes

[1] Based on the information provided by the Polish Association of Cities.

[2] Although this OECD questionnaire question referred to regulatory decisions only ("Do you conduct an *ex post* assessment of the impacts (including costs and benefits) of regulatory decisions?"), supplemental examples provided suggest that responses ought to be interpreted as referring to both regulatory and policy decisions. This also applies to subsequent references to "some", "major" and "all" regulations in the present section.

[3] This sub-section focuses on stakeholder engagement practices in the context of evidence-based decision-making. For a broader perspective on the topic, please refer to Chapter 8 on open government, which the OECD defines as "a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth" (OECD, 2016[34]).

[4] It must be noted that, in many cases, stakeholder engagement activities reported by LSGUs are likely to refer, at least in part, to mandatory consultation provisions in the context of strategic and spatial planning.

[5] Here and in subsequent paragraphs, "policy evaluations" ought to be understood as potentially including laws and regulations.

[6] *Powiats* or counties also referred to the underestimation of local development strategies' implementation costs, which in some cases may have to do with insufficient quality of *ex ante* assessments.

5 Budgeting in local self-governments in Poland

This chapter analyses selected aspects of budgeting in Polish local self-government units (LSGUs) in relation to the OECD Recommendation of the Council on Budgetary Governance. The chapter describes the central elements of the institutional arrangements of public finances at the LSGU level, such as the design of fiscal rules, and identifies key challenges for sound budgetary policies in the medium term. The chapter gives an overview of the budget cycle at the LSGU level. Based on that, the chapter focuses on improving budgetary mechanisms that help align budgeting with strategic priorities beyond the annual decision-making cycle, including the more extensive use of medium-term budgeting and performance budgeting. Moreover, it examines the inclusiveness of budgeting, in particular, the use of participatory budgeting.

Introduction

For all levels of government, the budget is a central policy document showing how to finance public activities and how annual and multiannual objectives will be prioritised and achieved through resource allocation. The budget, particularly when containing a medium-term dimension, is a planning tool and a reflection of a government's activities and priorities. It requires sound governance to make it efficient, strategic, transparent and trusted by citizens at all levels of government.

For this review, focusing on Polish LSGUs, key areas of budgetary governance have been selected where progress has been made or where improvements or more extensive use of budgetary tools are considered beneficial. The review examines these areas against the corresponding principles of the OECD Recommendation of the Council on Budgetary Governance (OECD, 2015[1]) and highlights OECD good practices.

The OECD Recommendation of the Council on Budgetary Governance (OECD, 2015[1]) states that budgets should be closely aligned with the medium-term strategic priorities, through organising and structuring budget allocations in a way that corresponds readily with objectives and developing a stronger medium-term dimension in the budgeting process. Effective medium-term budgeting beyond the traditional annual cycle is a supportive measure toward creating a greater link between budgets, plans and policies – complementary to programme and performance budgeting. Medium-term budgeting provides predictability to policy-making and supports fiscal sustainability at all levels of government.

According to the eighth principle of the OECD Recommendation on Budgetary Governance, programme and performance budgeting tools are key to enabling governments to assess periodically whether policy objectives are being achieved (OECD, 2015[1]). Depending on the budgeting tools in place in the different LSGUs, steps in this direction or more extensive use of these tools are considered important to improve budgetary governance.

Recent experience has underlined how budgeting is an essential element for increasing trust between governments and citizens (OECD, 2017[2]). To ensure acceptance and increased accountability, the fifth principle of the OECD recommendation calls upon governments to "provide for an inclusive, participative and realistic debate on budgetary choices" (OECD, 2015[1]). In this context, the chapter discusses a major public governance innovation in LSGUs, i.e. participatory budgeting.

This chapter first describes central elements of the institutional arrangements of public finances at the LSGU level, such as the design of fiscal rules, and identifies key challenges for budgetary policies in the medium term. Second, the chapter gives an overview of the budget cycle, including formulation, approval, execution and supervision. On this basis, the focus is on budgetary mechanisms that are helpful in aligning budgets with strategic priorities in order to guarantee that planning is accompanied by the necessary financial resources. Therefore, the tools of medium-term expenditure frameworks and performance budgeting are discussed. Furthermore, the inclusiveness of the budget process is examined. In particular, the chapter analyses the use of participatory budgeting at the local level to increase citizen participation, empowerment and trust in local self-government. Finally, the chapter provides recommendations for the future development of budgetary governance at the LSGU level.

For the analysis and recommendations, in particular, one has to bear in mind the large disparity among Polish LSGUs in terms of their population size, administrative capacity, economic situation and geographic location, in particular, their accessibility to functional urban areas (FUAs). While this report distinguishes between three types of LSGUs, namely inside a FUA (big and small), outside a FUA with high accessibility (big and small) and outside a FUA with low accessibility, for budgeting, the assessment and recommendations are principally directed to all LSGUs. This is because the underlying budget law applies to all LSGUs and the focus is on institutional aspects of budgeting. However, one important dimension of heterogeneity among LSGUs that is taken into account for the recommendations for budgeting is the size and the corresponding administrative capacity of LSGUs.

A challenging budgetary environment for LSGUs

Institutional context

As discussed in more detail in Chapter 6 on multi-level governance, the subnational government in Poland is based on a three-tier structure, including 16 regions (voivodeships), 314 counties (powiats) and 2 478 municipalities (gminas). Subnational governments are responsible for a third of all public expenditures (Statistics Poland, 2019[3]). With more than 80% in 2018, the budgets of municipalities and cities with county status account for the largest part of total public spending managed at the subnational level, reflecting their higher number of tasks. In 2018, the consolidated gross debt of the LSGUs amounted to 3.6% of gross domestic product (GDP) (Statistics Poland, 2019[3]).

The municipalities bear the main responsibility for local development, including spatial planning, real estate property management, housing, social services, early childhood care, primary and secondary education, sports, culture and environmental protection. Municipalities also manage infrastructure, including roads, water supply and waste collection. They also perform "commissioned" tasks required by law or through individual agreements – regarded as "state-level tasks" with dedicated funding and closer oversight. From a budgetary perspective, municipalities depend less on national government transfers than counties and regions and, thus, have more scope to levy taxes and use their own resources for their initiatives.

Subnational government revenues come mainly from four sources: i) own-source tax revenues (levied through limited taxation powers in accordance with nationally determined maximum rates) and non-tax own-source revenues (user tariffs and fees; revenue from property, leasing and sales, including revenues from municipal companies); ii) shares in personal and corporate income taxes (24% of total subnational government revenues in 2018) (Statistics Poland, 2019[3]); and iii) grants, including general-purpose grants and conditional (or earmarked) grants (22% and 34% of total subnational revenues) (Statistics Poland, 2019[3]). Apart from grants from the state budget, the latter includes resources from European Union (EU) funds (e.g. Structural and Cohesion Funds).

Municipalities are the only subnational tier with the power to tax. The property tax is the most important among these taxes (5.5% of total subnational revenue in 2018 for municipalities) (Statistics Poland, 2019[3]). The amount of the local taxes and fees is determined by each municipality but must comply with frameworks and upper tax rates determined by national legislation.

Shared tax revenue at the LSGU level comes from the share in personal income tax (20% of total subnational revenue in 2018) and corporate income tax (4% of total subnational revenue in 2018) (Statistics Poland, 2019[3]). Shares of income taxes are redistributed to all three levels of subnational government according to a fixed percentage of the total proceeds collected within the territory of the jurisdiction. Municipalities receive the largest share of the personal income tax transfer and regional self-governments receive the largest share of the corporate income tax. Accordingly, there is an incentive for municipalities to increase their populations and for regional authorities to foster business.

The general-purpose grant (22% of total subnational revenues in 2018) consists of four main shares: education, equalisation, balancing and regional. Despite these delineations, LSGUs can spend these grants at their own discretion – they are not tied to a particular purpose. The education share is by far the largest, accounting for over 17% of total subnational revenues in 2018 (Statistics Poland, 2019[3]). It covers educational expenses, including teachers' salaries. The equalisation share is allocated to all subnational governments with below-average tax capacities. The final group of conditional or earmarked grants (34% of total subnational revenues in 2018) are related to the LSGU responsibilities that have been delegated to LSGUs; the most important being provisions for social assistance. Grants from the EU are included under conditional or earmarked grants.

Fiscal rules

According to the Public Finance Act (PFA), the general rule for all LSGUs is that current expenditures planned for a budget year cannot be higher than the sum of current revenues, the budget surplus from the previous year and unassigned resources (Polish Government, 2009[4]). In other words, LSGUs follow an annual balanced budget rule and effectively target a small operational surplus, as they are required to have a small reserve (0.1 to 1%). In addition, there was a general rule requiring that the overall debt of each LSGU could not exceed 60% of the revenues at the end of the year, while interest payments could not exceed 15% of revenues. As of 2014, a new rule is in force, allowing for greater flexibility at the cost of more complexity. The new rule states that debt is to be used for government investment activities and introduces a unit-specific coefficient of debt that defines debt thresholds for each LSGU (calculated on a three-year average ratio of the sum of the current surplus and sales to total revenues. As of 2020, the LSGU-specific coefficient of debt is based on seven budget years.

When the LSGU prepares a budget and a multiannual financial forecast (*wieloletnia prognoza finansowa*, MFF) not compliant with the individual debt ratio and/or the principle of balanced budgets, the regional audit chamber (*regionalne izby obrachunkowe,* RAC) calls the LSGU to prepare and adopt a three-year remedial programme/corrective action plan (Article 240a of the PFA). The remedial programme has to include: i) an analysis of the financial situation of the LSGU including identification of the reasons for the threat to the implementation of public tasks; ii) a corrective action plan with an implementation schedule; and iii) the expected financial results of the corrective actions along with their measurement (Kowalska, 2018[5]). If the remedial programme is approved by the RAC, the budget can be adopted without compliance with the balanced budget rule and the individual debt ratio. When the LSGU does not prepare a programme or the RAC does not approve it, a remedial programme will be drawn up which imposes a budget, bypassing the mayor and the LSGU council (Zawadzka–Pąk, 2014[6]).

Overall, LSGUs are subject to strict fiscal rules with a clearly defined correction mechanism. These fiscal rules align well with the OECD Recommendation on Budgetary Governance (OECD, 2015[1]). They principally constitute clear and credible limits for budgetary policies and a commitment to pursue sound and sustainable budgetary policies. However, as in many other subnational fiscal frameworks, the fiscal rules at the LSGU level do not take into account the economic cycle and thus run the danger of being procyclical.

Challenges for sound budgetary policies of LSGUs

As outlined in the first chapter, Poland faces substantial challenges, such as population ageing, low fertility rates, a decreasing workforce, outmigration, environmental pollution and, consequently, fiscal sustainability concerns. Drawing on the OECD questionnaire administered by the Association of Polish Cities as part of this project, these issues directly translate into challenges for LSGUs depending on their socio-economic composition and geographical location in terms of their accessibility as FUAs. These challenges are also reflected in a deteriorating current balance of the LSGU budgets over recent years. In addition, at the time of writing, Polish LSGUs were grappling with additional responsibilities and pressures in relation to the COVID-19 pandemic, further increasing uncertainty and accentuating the economic and budgetary challenges in the short and medium terms. In light of the budgetary objective of presenting balanced budgets and sustainable debt, LSGUs face the following key challenges for sound budgetary policies in the medium term:

- **Revenue**
  - Decreased shared revenues due to a reform that lowered personal income tax at the national level in 2016.
  - Revenue uncertainty due to reforms at the national level.
  - Increasing revenue uncertainty regarding public investment supported by EU funds.

- **Expenditure**
  - Increase in responsibility for education: The scale of (co-)funding for education as a key policy area of LSGUs has been increased following the educational reform in 2016, resulting in a sharp and permanent increase in LSGU educational spending, while keeping national government transfers for education increasing at a much lower scale.
  - To maintain balanced budgets, LSGUs have to cut back on other expenditures or increase debt to finance public expenditures in the short to medium terms. This implies:
    - A risk of not enough funds for public investment, which may lead to systematic under-investment in the medium term.
    - Necessity to spread repayments of debts through longer periods, which leads to increased costs of debt servicing.
    - Risks due to increasing public investment financing via bonds that could result in medium-term fiscal sustainability concerns and lead to increased vulnerability to interest rate changes.
  - Increasing investment costs, as providers for infrastructure projects are getting more expensive.
  - Increasing current expenditures over the very recent years – related especially to salaries and energy costs, as well as to other direct costs of services rendered by LSGUs.

Obviously, individual LSGUs encounter these challenges to different degrees – depending on their size, economic situation, industry structure, geographic location and exposure to COVID-19. While LSGUs – as different as Katowice (292 000 inhabitants, inside a FUA), Międzyrzec Podlaski (16 800 inhabitants, outside a FUA with high accessibility) and Ziębice (8 700 inhabitants, outside a FUA with high accessibility) reported these challenges, representatives of Płock (120 000 inhabitants, inside a FUA) and Krotoszyn (40 400 inhabitants, outside a FUA with high accessibility) highlighted the need to invest in transportation infrastructure to maintain and improve accessibility and connectedness as a further key challenge.

In light of competitive pressures on the tax side and limited autonomy of LSGUs (for instance, property tax and transportation taxes), a conceivable option to improve the budgetary position and maintain sound budgetary policies in the medium term is increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes. As to revenue certainty, LSGUs need consistency in their operating environments in order to be able to plan adequately beyond the annual budgetary cycle.

Proposals, for instance, regarding increasing the educational grant or the share in income taxes as well as lobbying for a stable revenue environment in general, should be addressed in close co-operation with the national government in general and the Ministry of Finance in particular. Regular dialogue addressing public finance topics across levels of government should take place, for instance, within the Joint Committee of National Government and Territorial Self-government – reinforced in terms of its capacity and advisory functions. This joint committee brings relevant national ministries together with associations representing regional and local authorities (including the Association of Self-governing Voivodships of the Republic of Poland, the Association of Polish Cities, Association of Polish Counties and the Association of Rural Municipalities of the Republic of Poland).

Within such regular dialogue of the Joint Committee of National Government and Territorial Self-government, Poland may also consider addressing the vertical fiscal imbalance between spending and own revenues at the LSGU level to reduce the central government transfer dependence. In fact, it has often been remarked that LSGUs have seen an increasing number of responsibilities devolved to them and yet very little in the way of increased fiscal decentralisation to match it (OECD, 2008[7]; 2013[8]; 2018[9]). One option could be to align spending responsibilities with a stronger and more decentralised tax autonomy for LSGUs. This would benefit budgetary policies and underline the importance of medium-term planning

as the budgetary responsibility of LSGU decision-makers for own resources would increase and citizens would face stronger incentives to evaluate the provision of local public services.

The budget process at the local self-government unit level

According to Article 211 of the PFA, the LSGU budget is an annual plan of revenues and expenditures as well as incomes and expenses, passed for a calendar year in the form of a budget resolution. The budget resolution constitutes the basis for the financial management of the LSGU. The draft budget resolution is discussed by the LSGU council (i.e. the legislative body) and, simultaneously, submitted to the regional audit chamber (RAC) for an opinion. Typically, the draft budget resolution is approved by the LSGU council by the end of the year preceding the budget year. The LSGU council is involved in the budget process and has access to budgetary information. LSGU budgets are made public in the electronic Public Information Bulletin. The budget process comprises four stages: formulation, approval, execution and supervision.

Budget formulation

The mayor has the exclusive responsibility for setting up the draft budget with the support of the LSGU's treasurer and all administrative units. Starting the budget formulation process in spring, the administrative units typically submit their budgets until early September to the treasurer. The consolidated draft budget resolution then has to be submitted to the LSGU council and RAC by 15 November of the year preceding the budget year.

The Municipal Self-Government Act (1990) and the Public Finance Act (2009) did not stipulate any direct public participation in planning public spending until very recently, though citizen and interest group are involved (see also Chapter 8 on open government). In Kutno for instance, these groups are significantly involved at the early strategy-setting phase, though not during the budget approval process. In Płock, there is no formal process; however, citizens can take part in LSGU council committee sessions and make project proposals. Moreover, representatives of Płock directly express local needs to the mayor. This is particularly relevant for setting priorities regarding smaller public investments.

Budget approval

The LSGU has to submit the draft budget resolution by 15 November of the year preceding the budget year to the LSGU council for adoption and the RAC for an opinion. Having obtained the RAC's opinion on the draft budget resolution, the LSGU shares the opinion with the LSGU council before the budget is approved (Article 238 of the PFA). The LSGU council receives the draft budget resolution and normally has six weeks for debate. The council scrutinises and discusses the budget in committees, for three to four weeks, including expert hearings with LSGU officials, and can put forward motions and amendments. Every motion and amendment has to indicate the financing sources. The budget approval sessions take place at the end of the year and the budget should be adopted before the budget year starts.

In exceptional cases, adoption may take place in the budget year, however, no later than 31 January. By the time of passing the budget, financial management is then based on the draft budget resolution submitted to the LSGU council. If the budget resolution is not passed by end of January, the RAC establishes the budget by the end of February (Zawadzka–Pąk, 2014[6]).

Budget execution

The local self-government executes the budget over the course of the budget year. The mayor, assisted by the treasurer, exercises the general supervision over the implementation of revenues and expenditures. Within 21 days from the day of passing the budget resolution, the mayor provides subordinated units with

information about the final amounts of allocated revenues and expenditures and regarding the amount of grants and transfers in order to enable these units to adjust their draft financial plans, according to specific budgetary classification codes. The provisions of the PFA stipulate the general principles of public financial management that are binding during budget execution as to enforceability, deadlines, public procurement, budget reserves, unforeseen expenditures and amendments during budget execution.

Budget supervision

The supervision and audit of financial management are conducted by a separate body, i.e. the RACs. Poland announced the creation of RACs when passing the Local Self-Government Act in 1990. The RACs were established under the Regional Chambers of Auditors Act in 1992. In 1997, the role of RACs was anchored in the constitution. The functions of the RACs cover supervision, audit, opinions, adjudication in the event of public finance discipline violation and activities related to instruction (Box 5.1).

Box 5.1. The functions of the regional audit chambers

The functions of the RACs cover supervision, audit, opinions, adjudication in case of public finance discipline violation, and activities related to instruction.

As to supervision, the only criterion is the legality of LSGU actions. RACs do not scrutinise the merit of public expenditures. The supervision covers LSGU resolutions and bylaws concerning the procedure of passing the budget, budget modifications, liabilities, loans, the principles and scope of the allocation of subsidies, local taxes, fees and charges, the approval of the budget execution, and the LSGU multiannual financial forecast for example. In the event of a serious breach, the RAC declares a resolution or directive invalid. Regarding budgetary supervision, RACs have special competencies: if the budget is not adopted by the LSGUs by 31 January, they establish the budget before the end of February.

There are four categories of audits carried out by RACs. First, a comprehensive audit of the financial management of an LSGU takes place at least every four years. Second, there are problem-focused audits, for instance, concerning procurement by LSGUs or their subsidiaries. Moreover, unscheduled reviews and review audits monitor the implementation of previous audit recommendations. The RAC issues information explaining the sources and causes of errors, their extent, responsible persons and proposals to remove errors and improve the concerned activity. The post-audit information is transmitted to the LSGU no later than 60 days from the date of signing the audit minutes. The LSGU is obliged, within 30 days of receipt, to inform the RAC of the implementation of the recommendations or the reasons for deviations. LSGUs can raise an objection against the motions of the post-audit information. Audit reports are published.

The RAC also issues opinions supporting LSGUs within the budget process. These opinions concern: i) ways of redeeming securities or paying back credits and loans; ii) ways of financing the budget deficit and the predicted debt; iii) submitted budget drafts; iv) information on budget execution reports for the first half of the budget year as well as annual reports submitted by the LSGUs; and v) the draft of the multiannual financial forecasts.

RACs also host commissions adjudicating cases of public finance discipline violation concerning cases of non-compliance with principles of public finance management and procurement. Moreover, the RACs offer information and training to LSGU officials in matters of budget and financial management, public procurement and issues relating to supervision and auditing.

Source: Zawadzka–Pąk, U. (2014[6]), *Polish Financial Law*, Biaystok Law Books, Faculty of Law, University of Białystok, Temedia 2.

Assessment of the budgetary process

Overall, given the time pressures under which budgetary decision-making takes place, the design of the annual budget cycle is reasonable for the LSGU level and corresponds to OECD practices. In particular, Polish LSGUs have a budget calendar that is well specified and understood by the different stakeholders involved in the budget process. LSGU budgets are made public. The budget approval procedure is clearly codified in the PFA and ensures time for the LSGU council to perform an essential role in the oversight of the LSGU by scrutinising the draft budget resolution and, where it considers appropriate, introduce amendments. The procedure also provides time for the RAC to fulfil its supporting mandate. The supervision of the financial management of LSGUs 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 LSGUs against RAC resolutions can be filed in the administrative courts. This option is appreciated by LSGUs to avoid the excessive intervention of RACs.

In the following, the focus is on the medium-term expenditure framework (MTEF), performance budgeting and participatory budgeting as mechanisms that help to strengthen budgetary governance and address the challenges that LSGUs face. Against the background of increased budgetary pressures, the MTEF and performance budgeting help to prioritise expenditures and increase transparency and accountability of the budget process beyond the annual cycle. These tools help to match public revenues and spending, maintain balanced budgets and contribute to fiscal sustainability in the medium to long terms. Participatory budgeting supports budgeting as a mechanism to strengthen citizen engagement. It also helps to identify spending priorities and align budgetary decision-making with citizens' preferences. This is particularly relevant at the local level, where citizens and decision-makers closely interact.

A reinforced medium-term budgeting perspective

According to the second OECD Principle of Budgetary Governance (Box 5.2), governments at all levels should closely align budgets with their medium-term strategic priorities. However, aligning budgets with strategic priorities is a challenge in all countries, as the budget follows an institutional logic, while planning requires a transversal, multidisciplinary approach and presupposes a medium-term perspective.

Box 5.2. OECD Budgetary Governance Principle 2

Closely align budgets with the medium-term strategic priorities of the government, through:

- Developing a stronger medium-term dimension in the budgeting process, beyond the traditional annual cycle.
- Organising and structuring the budget allocations in a way that corresponds readily with national objectives.
- Recognising the potential usefulness of a medium-term expenditure framework in setting a basis for the annual budget, in an effective manner which: i) has real force in setting boundaries for the main categories of expenditure for each year of the medium-term horizon; ii) is fully aligned with the top-down budgetary constraints agreed by government; iii) is grounded upon realistic forecasts for baseline expenditure (i.e. using existing policies), including a clear outline of key assumptions used; iv) shows the correspondence with expenditure objectives and

deliverables from national strategic plans; and v) includes sufficient institutional incentives and flexibility to ensure that expenditure boundaries are respected.

- Nurturing a close working relationship between the Central Budget Authority (CBA) and the other institutions at the centre of government (e.g. prime minister's office, cabinet office or planning ministry), given the interdependencies between the budget process and the achievement of government-wide policies.
- Considering how to devise and implement regular processes for reviewing existing expenditure policies, including tax expenditures (see also Principle 8 below), in a manner that helps budgetary expectations to be set in line with government-wide developments.

Source: OECD (2015[11]), *Recommendation of the Council on Budgetary Governance*, https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf.

Essential tools to help align the budget with strategic priorities involve:

- Medium-term strategic planning: Based on the priorities, governments should identify their strategic objectives and develop a set of measurable medium-term objectives for their implementation.
- Medium-term budgeting: Greater assurance about multi-year resource availability should be provided to policy planners and appropriate medium-term goals, with which the resources should be aligned should be identified.
- Budgeting around programmes: Budget allocations should be organised and structured in a way that corresponds readily with the strategic objectives, i.e. budgets should be structured according to programmes, rather than institutional organisations and inputs (see next section).

As described in the chapter on strategic planning, a key step towards aligning the budget with strategic objectives is to have an effective strategic planning framework. Moreover, aligning budgets with strategic priorities also requires intra-LSGU co-ordination capacity as discussed in Chapter 2 on co-ordination. To be effective, development strategies should be costed, include indicators, targets and measurable goals, and should provide a tool for the public administration to develop sectoral plans and thereafter annual plans. This layering of planning tools is key to establishing effective medium-term expenditure management. MTEFs should be developed based on the policy prioritisation that has been developed in these plans. At the same time, the use of MTEFs supports the process of defining and focusing on strategic plans.

In Poland, the LSGU's local development strategy (LDS) is the most important document identifying strategic objectives. However, while the LDS is needed as a strategic document for applying for EU programme funds, it is only loosely related to the budget process. It relates to the medium-term budgeting framework, i.e. the MFF. However, the feedback into the budget process is underdeveloped: in its current form, it does not strongly guide policy priority setting within the budgetary process.

Strengthening medium-term budgeting

OECD countries have implemented different public financial management tools that contribute to the alignment of the budget with strategic objectives. Most OECD countries have a medium-term expenditure framework (MTEF) in place (OECD, 2019[10]). A well-designed MTEF forces stakeholders to deal with the medium-term perspective of budgeting and budgetary policies rather than adopting a year-by-year approach. It provides greater assurance to politicians, stakeholders and public officials about multi-year resource availability and helps to align these resources with governments' medium-term goals.

MTEFs typically cover a period of three to four years and aim to improve the quality and certainty of multiannual financial planning by combining prescriptive yearly ceilings with descriptive forward estimates. For the medium-term framework to operate effectively, estimates and ceilings need to be reconciled within the context of a forward-looking approach to budgetary planning and policy formulation.

With the multiannual financial forecast (pl. *Wieloletnia Prognoza Finansowa*, MFF), Polish LSGUs have the foundations for medium-term budgeting in place. The MFF covers the budget year and at least three subsequent years. 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. Therefore, MFF forecasts are prepared for longer periods. For instance, the current MFF forecast in Płock covers the period until 2040. The MFF in Kutno presents a forecast for the next ten years. As in the case of Kutno, LSGUs refer to the macroeconomic assumptions used by the Ministry of Finance. These assumptions are often complemented with regional specificities, such as industry structure or regional economic development. When preparing the estimates, the assumptions are also compared with past economic and budgetary developments.

The MFF is used in the annual budgetary cycle. Together with the draft budget resolution, the MFF is sent to the RAC for an opinion and the LSGU council for adoption. The MFF specifies the revenues and expenditures, deficits and debt of the LSGU and the method of financing the repayment of debt or the allocation of surplus. In the annex of the MFF, an overview of multiannual programmes is presented. The multiannual programmes include private-public partnership agreements and other programmes, including those related to EU funds. Once the MFF is approved, the LSGU can incur multiannual contracts and agreements including related debt issuance (Zawadzka–Pąk, 2014[6]; Wolowiec, 2013[11]).

Consistent with OECD practices, the description shows that the MFF used by LSGUs covers plausible planning horizons and is underpinned by economic assumptions. The MFF is anchored in the PFA and is used as part of the draft budget resolution in the annual budget cycle. It is particularly relevant for financing multiannual LSGU contracts and agreements. However, the use of the MFF as a tool for priority setting within the budgeting process and its relation to the local development strategy and other strategic priorities is overall underdeveloped. In practice, many LSGUs and in particular small LSGUs almost entirely set priorities within the annual budget cycle and focus on small-scale projects, mostly paying little attention to the MFF.

Developing a stronger medium-term dimension in the LSGU budgeting process is a key element to address the budgetary pressures identified above. A stronger reliance on the MFF and a politically more binding medium-term dimension in budgeting would help LSGUs to: i) ensure that budgets are directed towards existing medium-term priorities; and/or ii) help to set clear medium-term priorities. This is particularly true with the COVID-19 crisis further increasing uncertainty and accentuating the economic and budgetary challenges in the medium term. A stronger medium-term dimension also strengthens the ability of the LSGU in general and the treasurer in particular to plan and enforce a sustainable fiscal path, match public revenues and expenditures and thus increase the LSGU's financial market credibility. At the operational level, strengthening the MFF would also imply the preparation of more standards and baseline data to produce reliable medium-term forecasts of the revenues and expenditures of LSGUs.

A stronger medium-term dimension helps stakeholders in identifying the policy choices and trade-offs that are necessary beyond the annual budget cycle. In other words, a stronger emphasis on the medium-term dimension of budgeting, based on the MFF, would help LSGU decision-makers developing clear medium-term priorities in the first place. The beneficial impact of the medium-term budgeting perspective depends ultimately on the credibility of the expenditure estimates, their link to priorities and annual budgets as well as on how the MFF information is used by decision-makers and civil society. Efforts to use the MFF more extensively in budgetary decision-making and to make it more binding and, at the same time, setting up comprehensive medium-term local development strategies, that are more closely related to the budget, would mutually reinforce each other.

Steps towards performance budgeting

Budgets centred around programmes

Many OECD countries have undertaken reforms to ensure that budget allocations are organised and structured in a way that corresponds readily with strategic medium-term objectives (Box 5.3). In particular, some countries have introduced programme budgeting, structuring the budget by reference to functional and/or strategic programmes (as distinct from traditional financial "line items", heads and subheads of expenditure) in order to facilitate a focus on the outputs, outcomes and impacts of public spending and thus promote close linkages with the medium-term planning and developmental processes. The advantages of the approach include enhanced monitoring of programme effectiveness, improved allocative efficiency and greater transparency to stakeholders with respect to the use and impact of public funds. A programmatic classification is recognised to be more appropriate for a policy prioritisation function of the budget. With programmes, the medium-term dimension of budgeting gains importance.

Box 5.3. French programme budgeting system

In 2001, France enacted a new organic budget law including a well-defined programme structure, shifting budget classification from nature of expenses to public policy objectives. According to this approach, the budget must be divided into missions, programmes and actions:

- A mission covers a series of programmes designed to contribute to a specific public policy. A mission can involve a single ministry or several ministries. The parliament cannot change or adjust the missions. It has to accept the budget allocations proposed by the executive government and has the power only to vary the allocation between programmes.
- A programme covers a coherent set of activities of a single ministry targeted to a specific public policy objective. If more than one ministry participates in a large public policy, each should have a separate programme, covering its own responsibility in that matter, and ensuring co-ordination. Thus, a programme corresponds to a centre of responsibility. Accordingly, for every programme, a programme director is appointed. All resources from the state budget should be allocated and spent within a programme. In a similar way, resources allocated by the parliament to a particular programme cannot be spent on another programme.
- An action covers a set of operational means to implement the programme. The budget breaks down resources allocated to the actions of each programme; however, this breakdown is indicative and not committing. There is indeed a high degree of freedom for expenditure choices for ministers, in order to allow the programme to reach its forecasted performance. However, there is one exception to this increased freedom: staff appropriations are not indicative but binding in an asymmetrical way: personnel appropriations can be used for other purposes but appropriations for other purposes cannot be used for staff costs.

The budget law prescribes extensive performance reporting to integrate performance information in the budget system through the following two mandatory documents: annual performance plans (*projets annuels de performances*, PAP) and annual performance reports (*rapports annuels de performances*, RAP). For a given mission, the PAP provides a description of its purpose, goals, policy targets and performance indicators. As part of the annual budget act, PAP documents are forward-looking and contribute to the public debate about the costs and benefits of public policy. RAPs are published in the first quarter along with the budget review act; they focus on performance achievements and provide information on programme implementation and results. RAPs are thus backward-looking and tend to contribute to the public debate on the administration's performance.

Source: Moretti, D. and D. Kraan (2018[12]), "Budgeting in France", https://dx.doi.org/10.1787/budget-18-5j8jt0pt4c0q.

Introducing a programme structure in the budget requires a cultural change. Prior to the introduction of programme budgeting, there is often a lack of a defined mission about the activities carried out, how much these activities cost and how they are linked to the results they aim for. International experience suggests that programme budgeting should be implemented in a progressive manner, shifting from detailed financial "line-item" budgeting to programmatic and thematic budgeting, in an effort to promote engagement with the policy content and "meaning" of budget allocations. In many countries, programmes are selected within the context of a policy "cascade" from rather high-level strategic goals which inform medium-term, specific outcome goals, which in turn inform departmental or sectoral objectives and associated output targets. Once programmes have been selected, countries move to assign responsibility for the achievement of the selected programmes and targets. A critical lesson from OECD countries in advancing programme budgeting is the need to avoid information overload and to secure the interest and buy-in of decision-makers, the public and the public administration for the programme budget as the focal instrument. In the medium term, LSGUs, depending on their capacity and their political will, may consider steps towards organising their budgets around programmes in combination with performance budgeting.

Performance budgeting

In OECD countries, programme-centred budgeting has been accompanied by efforts to develop and use performance information to inform, influence and/or determine the level of public funds allocated towards those programmes in the budgetary context (Box 5.4). A performance budgeting system provides relevant information that facilitates annual and multiannual budgeting, including the core task of deciding on where limited resources are best allocated or reallocated. Likewise, a clear linking of budgets with results and impacts helps to lay the basis for an evidence-based approach to policy-making. The OECD classifies four forms of performance budgeting, including presentational, performance-informed, managerial and direct performance budgeting. In this order, each form represents a progressively stronger link between performance measurement and budgetary decision-making. In 2018, OECD countries were almost equally divided between the first three approaches. None reported using "direct" performance budgeting, which directly links budget allocations to performance measures (OECD, 2019[13]).

Box 5.4. OECD Budgetary Governance Principle 8

Ensure that performance, evaluation and value for money are integral to the budget process through:

- Helping parliament and citizens to understand not just what is being spent but what is being bought on behalf of citizens – i.e. what public services are actually being delivered, to what standards of quality and with what levels of efficiency.
- Routinely presenting performance information in a way that informs and provides useful context for the financial allocations in the budget report; noting that such information should clarify, and not obscure or impede, accountability and oversight.
- Using performance information, therefore, which is: i) limited to a small number of relevant indicators for each policy programme or area; ii) clear and easily understood; iii) allows for tracking of results against targets and comparison with international and other benchmarks; and iv) makes clear the link with government-wide strategic objectives.
- Evaluating and reviewing expenditure programmes (including associated staffing resources as well as tax expenditures) in a manner that is objective, routine and regular, to inform resource allocation and re-prioritisation both within line ministries and across government as a whole.

- Ensuring the availability of high-quality (i.e. relevant, consistent, comprehensive and comparable) performance and evaluation information to facilitate an evidence-based review.
- Conducting routine and open *ex ante* evaluations of substantive new policy proposals to assess coherence with national priorities, clarity of objectives and anticipated costs and benefits.
- Taking stock, periodically, of overall expenditure (including tax expenditure) and reassessing its alignment with fiscal objectives and national priorities, taking account of the results of evaluations; noting that for such a comprehensive review to be effective, it must be responsive to the practical needs of government as a whole (see also Principle 2).

Source: OECD (2015[1]), *Recommendation of the Council on Budgetary Governance*, https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf.

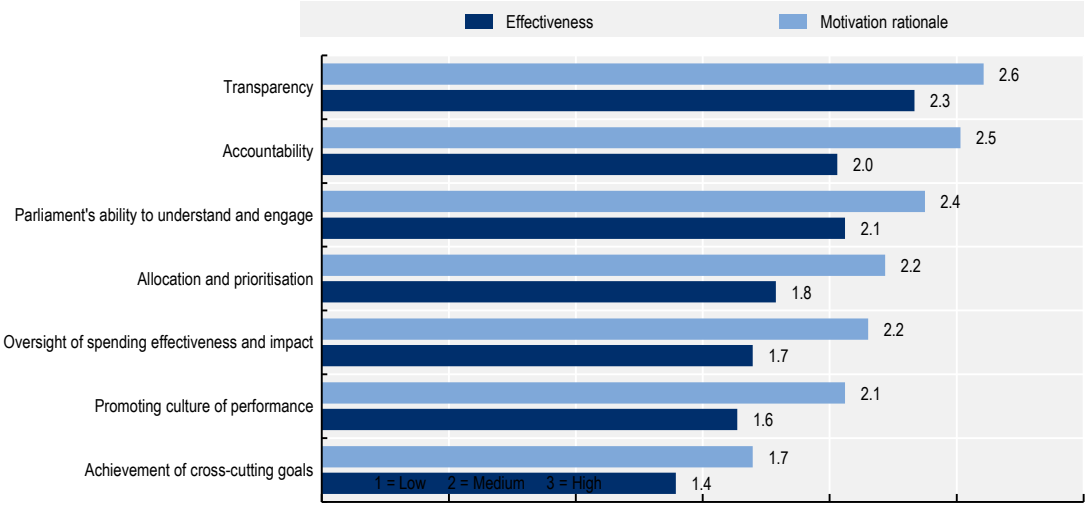
In Poland, to describe the conception of performance budgeting (*budżet zadaniowy*), the aspect of "tasks" (not programmes) and not results (performance) as in the original terminology is emphasised. The first Polish experiences in performance budgeting were made at the LSGU level in the early 1990s. Kraków introduced performance budgeting in 1994. It has also been implemented, for instance, in Lublin, Gdańsk, Płock, Poznań, Szczecin and Warsaw, as well as in smaller LSGUs, such as Goleniów. Larger LSGUs often have a stronger political will and ambition to introduce performance budgeting as a means of making local politics more transparent and performance and outcome-oriented. Larger LSGUs are also more likely to have the required administrative capacity. Moreover, citizens of larger LSGUs typically expect a performance-based budget complementing the traditional line-item budgets in order to relate the budget to outcomes and hold politicians accountable (Zawadzka–Pąk, 2014[6]).

The national government has neither obliged LSGUs to implement performance budgeting nor prohibited them to do so. On the one hand, this arrangement has not contributed to the widespread preparation and implementation of performance budgets among LSGUs. For instance, guidance or a common framework where LSGUs could refer to was not provided. On the other hand, this arrangement allowed LSGUs to gradually develop their own models of performance budgeting, adapted to the individual needs of LSGUs that differ in terms of size and economic development. Compared to the national level, the implementation of performance budgeting in LSGUs tends to be conceptually easier and can bring greater benefits in a shorter period. This is primarily because the definition of objectives and indicators pose fewer difficulties as LSGU tasks mainly consist of the provision of concrete public services to citizens.

The PFA does not contain any legal provisions concerning the performance budget at the LSGU level, thus, only the traditional line-item budget is legally binding. Where performance budgeting is used, it complements the traditional budget in form of presentational performance budgeting. Indirectly, some of the PFA provisions promote the use of selected elements of performance budgeting, i.e. the obligation to conduct management control that aims at, *inter alia*, ensuring efficiency and effectiveness of public task execution and the obligation to plan multiannual programmes within the MFF (Zawadzka–Pąk, 2014[6]).

In LSGUs that present a performance budget in parallel to the traditional budget, the performance budget provides a basis for the strategic use of the budget process. Steps towards wider use of performance budgeting at the LSGU level are therefore welcome. Wider use of performance budgeting will increase transparency, accountability and align identified priorities with the budget and beyond the annual cycle (see Figure 5.1 for OECD country experiences). It would align LSGUs closer to OECD good practices. In light of the medium-term challenges, supporting the priority-setting function of the budget by means of performance budgeting is important.

Figure 5.1. Ranking of different rationales for introducing performance budgeting and their effectiveness in practice



Note: 1 = Low; 2 = Medium; 3 = High.
Source: OECD (2019[13]).

However, consistent with OECD experiences, several challenges exist concerning performance budgeting in the Polish LSGU context. Next to challenges, such as human resource capacity constraints (see Chapter 7 on human resource management), setting up information technology (IT) systems in performance-based budgeting format, finding appropriate ways to integrate performance information into the budget process and gaining the attention of decision-makers, a key issue is the lack of quality data on performance information of LSGUs on an individual as well as on a comparative basis. In this context, Płock, having a performance and monitoring unit in place, also reported that the delay with which performance information is available, for instance, often more than one year, depending on the policy area, constitutes another obstacle. An additional challenge related to performance information is that the budget codes, as well as financial reporting, apply only to administrative units within the LSGU structures, i.e. not to local self-government independent entities (such as public libraries or museums) and public enterprises at the LSGU level. This makes the collection of comparable and broad performance information to assess the efficiency of local public services often difficult.

To improve the availability of data on LSGU performance, there are pilot projects on performance information, performance measurement and performance benchmarking of LSGUs. For instance, there is a collaboration of the Ministry of Internal Affairs, the Central Statistical Office, the Association of Polish Cities and the Association of Polish Counties under the project Public Service Monitoring System (SMUP). This large-scale pilot project, with more than 30 LSGUs and more than 600 LSGUs in 2022-23, covers the areas of education, social services as well as technical and administrative public services. It aims at building over 100 key indicators, involving the financial, qualitative, quantitative and access dimension of public services at the LSGU level. Such efforts are welcome. When this database on the Statistics Poland website is fully functional (2022-23), introducing performance budgeting in Polish LSGUs is likely to be facilitated, as performance measurement and management with the use of evidence, including cost-effectiveness, will become easier. When functional, such a system, with financial data, can allow for performance benchmarking and preparing performance budgets based on programmes. In other words, next to the obvious benefits of establishing benchmarking, such efforts are valuable for linking performance information to budgets in all LSGUs in a subsequent, complementary step. Another basis for improving performance information is learning from experiences within the framework of EU-funded projects. The European Commission has introduced a results-based imperative in its cohesion policy. These monitoring

requirements could be used to modernise and extend performance information and establish comprehensive performance-monitoring frameworks at the LSGU level.

Performance information could also be used to take stock of existing expenditure within tailor-made spending reviews in larger LSGUs (Box 5.5). In fact, spending reviews are widely used as a strategic budgeting tool in OECD countries (Figure 5.2) and have recently been set up at the Polish national government level. On the expenditure side, where LSGUs have discretion, public spending efficiency should be systematically scrutinised. Potential areas of interest are the public administration and the educational sector. In these areas, huge cost and quality differences are anecdotally reported among LSGUs. Well-designed performance indicators and performance evaluation frameworks can provide regular and timely feedback to policy-makers, foster learning and capacity building, create transparency and accountability, and help to better set policy priorities beyond the annual cycle.

Box 5.5. Spending reviews

A spending review is a political and administrative process of developing and adopting saving measures by systematically scrutinising baseline expenditures relative to the government's budgetary objectives and priorities. A spending review is an examination of the efficiency and effectiveness of existing policies. Governments can opt to implement a review to help identify areas of wasteful or inefficient spending. This can also increase the profile to the implementation of policies and bring awareness to the budgetary constraints and challenges.

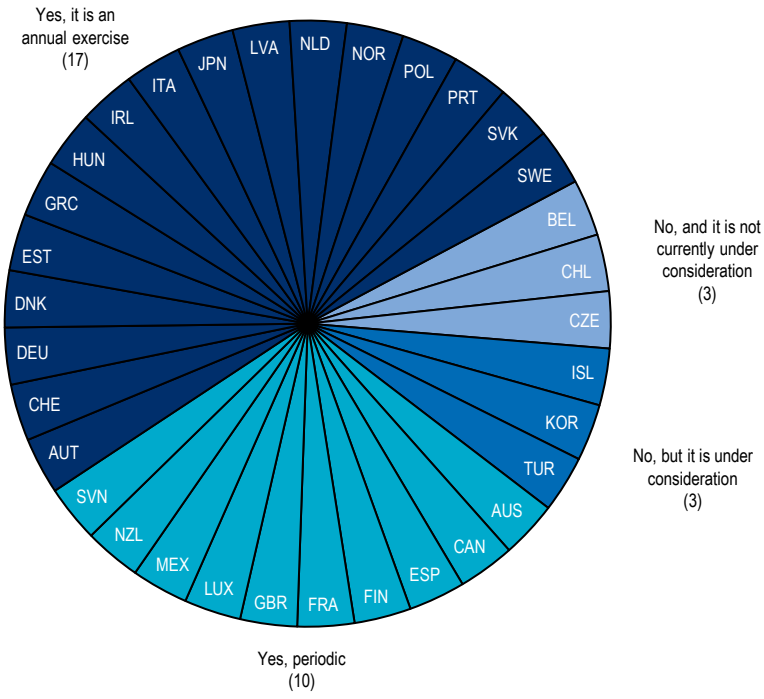
Spending reviews are often used in OECD countries as a tool to: i) create fiscal space to give the government improved control over the level of aggregate expenditure; ii) improve the prioritisation of expenditure within a sector and/or across government; and iii) improve the efficiency of programmes and policies and manage potential risks. Spending reviews can also be a powerful tool to strengthen the link between evaluation systems and budget allocation, especially if it becomes a permanent feature of the budget process.

Even though there is no one-size-fits-all methodology for spending reviews, previous experiences point out a common set of factors that are crucial when designing and implementing a spending review:

- Clear objectives and scope of spending reviews: from the start, the scope can be narrow, broad or comprehensive and it can be cyclical or annual.
- Good governance throughout the review process, including strong political leadership, clear roles for each actor (the Central Budget Authority [CBA] at the heart, strong ownership in line ministries) and a clear institutional setup.
- Alignment with the budget process, including results available at decision-making stages of the budget process, alignment with the multiannual framework and underpinning informed decision-making.
- Capacity and alignment with existing frameworks, including building up capacity among civil servants (resources and skills), outsourcing for filling gaps and alignment with performance budgeting and information (increase the stock of analysis and performance information).
- Accountability and transparency, including implementation and monitoring in co-ordination with the CBA, findings publicly available for independent oversight with a role for parliament and the national audit institution, and a necessary for follow-up.

Source: OECD (forthcoming[14]), *Spending Reviews: Experiences form OECD Countries*, OECD Publishing, Paris.

Figure 5.2. A majority of countries use spending reviews



Note: 2018 data for Israel and the United States are not available.
Source: OECD (2018[15]), *OECD Performance Budgeting Survey, Question 36*, http://dx.doi.org/10.1787/888933947084.

For the heterogeneous Polish LSGUs, it is important to take into account the different states of development of performance budgeting when planning steps forward. For LSGUs that are at the early stage, good practices cover the whole process from the design of performance budgeting through to implementation, operation and oversight. For those LSGUs that already use performance budgeting in parallel to the traditional line-item budgeting, benchmarking against good practices may offer ideas.

Moreover, careful attention should be paid to the balance between effort and reward. Introducing performance budgeting, running in parallel with a line-item budget, imposes a substantial additional burden to the budget and staff. This calculus is likely to be positive above a certain size of individual LSGU public administration. In addition, an incremental approach may be better than a "big bang" approach, especially where there are constraints in terms of staff capacity and the quality of performance data. Incrementalism may imply initially piloting performance budgeting in a smaller group of policy areas before a phased expansion to all policy areas and administrative units can take place that gradually expands and presents the performance budget as supplementary information. It also means starting with implementing a presentational form of performance budgeting, before moving towards performance-informed budgeting and including programme performance in the budget. In an advanced phase, LSGUs would make routine use of performance information for programme designs and budgeting.

More concretely, larger LSGUs already using performance budgeting could consider developing their performance budgeting framework gradually in terms of budgetary coverage and terms of monitoring performance information. This may also imply including performance information on public enterprises delivering local services to gain a comprehensive picture at the LSGU level. Larger LSGUs. They should ensure the use of performance information as explained in the OECD Budgetary Governance Principle No. 8 (Box 5.4). Smaller LSGUs could consider steps towards performance budgeting over time. If so, they should take an incremental approach to introducing performance frameworks and be aware of the

corresponding challenges, e.g. the availability and use of performance information. Smaller LSGUs should first consider selecting the areas best suited for performance budgeting and develop corresponding indicators and targets. Smaller LSGUs should first build capacity for introducing performance budgeting in terms of human resources, data and infrastructure, and learn from peer-group experiences. The national government, and in particular the Ministry of Finance, could provide guidance to LSGUs for developing performance budgeting frameworks.

Improving the inclusiveness of the budget process

In line with the fifth OECD Principle of Budgetary Governance (Box 5.6), strengthening the involvement of citizens and civil society in budgetary processes can increase responsiveness, efficiency, impact and trust. Heightened citizen engagement also reduces opportunities for corruption and strengthens the culture of open democracy (OECD, 2017[2]). While citizen and interest group involvement takes place at the LSGU level in Poland, the Municipal Self-Government Act and the Public Finance Act (PFA) did not stipulate any direct public participation in planning public spending until very recently. In addition to participative budgeting as an innovative form of direct citizen involvement (see next subsection for a discussion), a more formalised approach to increase the inclusiveness of the budgetary process should be considered at the LSGU level.

International experience suggests the following starting points for regular opportunities for a more participative approach to budgeting: i) more timely consultative processes during the budget cycle, taking into account the knowledge, interests and capacities of citizens; and ii) enhancing LSGU council engagement and consultation with citizens during the phases of the budget cycle where the LSGU council is most actively involved (OECD, 2017[2]).

For a more formalised approach to inclusiveness, international models of pre-budget consultation and debate should be considered, allowing the budget formulation phase within the local self-government and the LSGU council to benefit from a range of views on budgetary priorities before the draft budget is prepared. Box 5.7 provides international examples, which LSGUs may use to reflect on how to strengthen the consultative character of the budget process.

In any case, designing a more formalised participative process should demonstrate its usefulness for budgetary policy-making, thus helping to sustain the approach across policy cycles and different administrations. It is helpful if the legal framework supports an orderly and transparent approach. Suggested starting points regarding the design of a participation process include:

- Publishing clear objectives, scope and process of public engagement in budgeting.
- Tailoring methods of engagement that are best suited to the various participants.
- Using a mix of mechanisms, proportionate to the nature of the issue concerned.
- Allowing enough time for the results from participation to impact budget policy.
- Following up and giving citizens timely feedback about progress and results.
- Making sure that the most vulnerable parts of the population are included.

Box 5.6. OECD Budgetary Governance Principle 5

To ensure a wider acceptance, increased accountability and a more realistic debate on budgetary choices, the OECD Recommendation on Budgetary Governance calls upon governments to "provide for an inclusive, participative and realistic debate on budgetary choices" by:

- Offering opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both *ex ante* and *ex post* as appropriate.
- Facilitating the engagement of parliaments, citizens and civil society organisations in a realistic debate about key priorities, trade-offs, opportunity costs and value for money.
- Providing clarity about the relative costs and benefits of the wide range of public expenditure programmes and tax expenditures.
- Ensuring that all major decisions in these areas are handled within the context of the budget process.

Source: OECD (2015[1]), *Recommendation of the Council on Budgetary Governance*, https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf.

Box 5.7. Consultative budgeting practices in OECD countries

Ireland's National Economic Dialogue

In 2015, Ireland introduced a number of improvements to its annual budget cycle, including the institution of a new National Economic Dialogue (NED). The dialogue is a pre-budget consultative forum, convened by the government, bringing together the various civil society interests, social partners and parliamentary stakeholders to discuss priorities for the October budget. The forum is held in June after the government has determined (from its spring budget semester) the level of "fiscal space" available in the coming year and before line ministries have submitted budget proposals. An independent chairperson moderates the NED and all of its sessions are held in public. After the dialogue, the chairperson submits a report on key messages to the government during the pre-budget deliberations. In the October budget, the minister for finance includes a report on the extent to which the "key messages" from the NED have been addressed in the budget.

Korea

Six mechanisms are used that span the entire budget cycle. During the budget formulation stage: i) formalised open discussions for the public are held: ii) representatives from the Ministry of Finance hold meetings with local government officials and citizens; iii) a "fiscal policy advisory council" reviews and finalises the budget; and iv) an assembly expert hearing is conducted. During the implementation stage: v) a "budget waste reporting centre" can be used by citizens to report any suspected misuse or waste of public funding. In the auditing stage, vi) citizens have the opportunity to make suggestions to the board of audit and inspection on which public entity operations or expenditures to audit.

Source: OECD (2017[2]), *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, https://dx.doi.org/10.1787/9789264282070-en.

Further strengthening participatory budgeting

As outlined in the chapter on open government (Chapter 8), one effective tool for citizen involvement used at the LSGU level is participatory budgeting. Its essence is the ability of local residents to decide on one-year public tasks, financed from public funds in a given year. Participatory budgeting aims to enhance empowerment and strengthen the connections between governments and citizens. It reflects the willingness of formal and informal groups of citizens to participate in the formulation and implementation of local policies (Sześciło, 2015[16]). From the perspective of decision-makers, it can also help to understand citizens' needs. Participatory budgeting is particularly promising at the LSGU level, where politicians and citizens closely interact and are close to the issues at stake.

The expansion of participatory budgets is the most remarkable innovation in local governance in Poland in recent years. The first LSGU to establish it was Sopot in 2011, which served as a role model for other LSGUs. In 2013, participatory budgeting already appeared in about 50 LSGUs. Currently, participatory budgets are used in about 200 LSGUs, including municipalities, counties and regions (Budziarek, 2019[17]). Box 5.8 presents two LSGU examples. However, according to a study by Polish researchers (Olejniczak and Bednarska-Olejniczak, 2018[18]), the funds allocated to the participatory budget as a share of the overall budget mostly amounted to a rather small 0.2% to 0.8% in 2018.

Box 5.8. Participatory budgeting in Lodz and Płock

In Lodz, participatory budgeting was used for the first time with an amount of PLN 20 million in 2014, i.e. around 1% of the LSGU's budget (Olejniczak and Bednarska-Olejniczak, 2018[18]). The amount allocated for the participatory budget for 2020 is PLN 50 million. All local residents may submit proposals; each submission must be supported by 15 residents. Every person can vote for five county tasks and for five extra-residential tasks. In 2018, about 30% of the submissions (1 300 in total) were rejected. The most common reasons for rejections include the unregulated legal status of real estate in the case of investment projects, completion of a task exceeding one year and unlawfulness. Voting takes place electronically or on paper. The participation for voting in 2018 amounted to 10%, which is low compared to participation in the last local elections (58%). Many tasks selected concern education and children (for instance, buying books for libraries, school computer equipment, construction of playgrounds), sports and recreation (renovation of gyms, sports events), road and communication infrastructure, green areas and environmental protection, and cultural events. Residents can indicate the disadvantages of the consultation process in order to eliminate them in the budget for the next year. In Lodz – for the first time in Poland – a participatory budget does also cover a part of the public university expenditure. In 2018, the Faculty of Economics and Sociology of the University of Lodz decided to carry out participatory budgeting on a faculty level. Funds earmarked for distribution within the participatory budget were divided into two parts: the university employee's and the student's. Under the first pool of funds, the right to submit projects and the right to vote was awarded to employees and doctoral students. These rights are available to students under the second pool of funds.

In Płock, participatory budgeting was also introduced in 2014. It currently covers PLN 5-6 million, mainly for small local investment projects such as real estate projects and new bicycle pathways. While the debate on the participatory budget was previously taking place in autumn, it is now held before the summer holidays in order to include it into the budget process from mid-august onwards. In the past, Płock included only the total amount of funds for the list of potential projects submitted into the draft budget resolution. Starting with the new regulation on participatory budgeting in 2018, the concrete ideas and projects are now already included in the draft budget resolution in more detail. In Płock, LSGU officials evaluate the proposals, together with individuals or groups submitting the

proposals. The number of votes decides on the implementation of the project proposals within the predefined budget ceiling for participatory budgeting. In 2018, 80 project proposals were submitted, 16 were selected for implementation. The voter turnout was 6.3%.

Source: Budziarek, M. (2019[17]), "Participatory budgeting in Poland - New legal regulations and rules for implementation", https://ojs.imodev.org/index.php/RIGO/issue/view/23.

While the use of participatory budgeting was previously voluntary and defined by the individual LSGU council, in 2018, Poland redefined and formalised the participatory budget institutions and obliged LSGUs with county status to use participatory budgeting in order to ensure a wider use and increase the participation of citizens (Sześciło and Wilk, 2018[19]). The new regulation also sets a minimum amount for the obligatory participatory budget – it must amount to at least 0.5% of the LSGU's previous year budget. LSGUs are now also obliged to include tasks selected in the participatory budgeting in the draft budget resolution. In smaller LSGUs, participatory budgeting is still optional. The minimum amount for the participatory budget has not been established in relation to budgets of LSGUs without county status or regions (Budziarek, 2019[17]). Box 5.9. The village council fund describes a related initiative to encourage engagement in rural areas, i.e. the sołectwo (village council) fund.

The procedures for participatory budgeting in Poland remain heterogeneous; however, the majority of LSGUs follows several common stages. In a first stage, the local authorities define the ceiling for the participatory budget. In a second stage, residents submit project proposals to be included. The proposal includes a description of the task and its potential benefits. Proposals are assessed as to their compliance with the rules of the participatory budget. In a third stage, the public votes on proposals positively evaluated by a tasked commission and the local authorities. Finally, the selected projects are announced and included in the LSGU budget for the following year. Typically, proposals for tasks that receive the largest number of votes are recommended for implementation until the participatory budget ceiling is reached. At this stage, residents often have the opportunity to propose improvements for next year's process.

Overall, while being heterogeneous, participative budgeting practices appear well-designed and have recently become more formalised. The introduction of provisions directly regulating participatory budgeting for LSGUs with county status can be positively assessed. These provisions introduce clear incentives to use this instrument of citizen empowerment more widely. The provisions reduce the concerns of LSGU decision-makers regarding the legality of activities that are not clearly regulated. The statutory regulation of the participatory budget also functions as a guarantee, as it effectively ensures a transparent and fair procedure. As highlighted in the chapter on open government, the new provisions also strengthen the principles of open government at the subnational level by fostering more collaborative and participatory governance. In addition, defining a minimum amount of the participatory budget in cities with county status counteracts a critique that has often been raised (Sześciło, 2015[16]). To increase the incentives for active citizen involvement and a better formalisation of the process, an extension of these provisions to all LSGUs should be considered. This could go hand in hand with LSGUs' attempts to expand the share of the budget involved in participatory budgeting.

Even with the new provision, low voter participation remains a matter of concern for participatory budgeting and may make the voting process prone to special interests. Polish voters are still learning how to commit to and assume budgetary responsibility for local matters. On a more basic level, an important role in this regard is played by the educational system preparing pupils for participation in civic life and helping to better understand and assess public policy debates, including budgetary topics. In this context, an interesting practice is children/youth/school participatory budgets, which are slowly appearing in LSGUs.

Box 5.9. The village council fund

The sołectwo (village council) fund was established by national law in 2009 in order to promote participatory budgeting by allowing rural municipalities to separate a portion of the budget for local citizens to decide its use. The voluntary funds, established by LSGU councils, are based on a combination of local budget and national funding, which is higher for lower-income rural LSGUs. The fund is presently being used in almost 90% of rural LSGUs and is an instrument for public participation in the country in terms of the number of community members that could be engaged and the size of the funds. However, a challenge for these village funds to be operational is the relatively low tendency of citizens to participate in local activities. This results in a rather small group of residents participating in the debates or consultations at an early stage of project submission.

Source: Olejniczak, J. and D. Bednarska-Olejniczak (2018[18]), *Participatory Budgeting in Poland in 2013-2018 – Six Years of Experiences and Directions for Change, in Hope for Democracy: 30 Years of Participatory Budgeting Worldwide*, Epopeia Records; OECD (2018[20]), *OECD Rural Policy Reviews: Poland*, https://doi.org/10.1787/9789264289925-en.

Recommendations

Recommendations for LSGUs and the national government

Strengthen the co-ordination between LSGUs and 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

Regular dialogue on public finance topics across levels of government should take place within the Joint Committee of National Government and Territorial Self-government – reinforced in terms of its resource capacity and advisory functions. Within such a regular dialogue, Poland may also consider addressing the vertical imbalance between spending and own revenues at the LSGU level. One option could be to align spending responsibilities with greater tax autonomy for LSGUs. This would benefit budgetary policies and underline the importance of medium-term planning as the budgetary responsibility of LSGU decision-makers for own resources would increase.

In order to strengthen and better prepare the regular dialogue within the Joint Committee of National Government and Territorial Self-government at the operational level, an improved regulatory impact assessment should be considered to better assess draft legislation, in particular regarding financial and budgetary consequences. This would allow for a fact-based debate within the joint committee.

Recommendations for all LSGUs

Undertake efforts toward increasing revenue shares and revenue certainty in relation to national government transfers and shared national taxes

In light of competitive pressures on the tax side and limited autonomy of LSGUs, a conceivable option to improve the budgetary position and maintain sound budgetary policies in the medium term is increasing LSGU shares in revenue and thus revenue certainty in relation to national government transfers and shared national taxes. As to revenue certainty, LSGUs need consistency in their operating environments in order to be able to plan adequately in advance and beyond the annual budgetary cycle. This also calls for more co-ordination and dialogue between LSGUs and the national government.

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

On the expenditure side, where LSGUs have more discretion, public spending efficiency should be systematically scrutinised. A helpful tool to assess the effectiveness and efficiency of public spending for large LSGUs is the use of tailor-made spending reviews, which have been recently set up at the national government level (led by the Ministry of Finance). Spending reviews help to prioritise public funds and identify saving options, in particular in light of competitive tax pressures and limited autonomy of LSGUs. Large LSGUs could also benefit from experiences with spending reviews at the national level. LSGUs of any size should consider promoting performance benchmarking as a complementary tool to inform budgetary decisions.

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

The multiannual financial forecast (MFF) must develop into a more important document for budgetary decision-making to support a better link between budgets and strategic priorities in a comprehensive way and beyond the annual cycle. At the operational level, this also presupposes the preparation of more standards and baseline data to produce reliable medium-term forecasts of the revenues and expenditures of LSGUs within the MFF. A stronger reliance on and use of the MFF and a politically more binding medium-term dimension in the annual budgetary decision-making process would help LSGUs to: i) ensure that budgets are directed towards existing medium-term priorities; and/or ii) support setting up clear and comprehensive medium-term priorities in the first place. Efforts to use the MFF more extensively and make it more binding and, at the same time, setting up a comprehensive medium-term local development strategy, closely related to the budget, should be of mutually reinforcement.

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

A performance budgeting system provides information for annual and multiannual budgeting and supports the core task of deciding on where limited resources are best allocated or reallocated. Performance budgeting helps to increase transparency and accountability, align identified priorities with the budget and beyond the annual cycle, and improve the effectiveness of public services.

Larger LSGUs already using performance budgeting should consider developing their framework gradually in terms of budgetary coverage and monitoring performance information. This may also imply including performance information on public enterprises delivering local services to gain a comprehensive picture at the LSGU level. Larger LSGUs should ensure the use of performance information, which is: i) limited to a small number of relevant outcome-oriented indicators for each policy area; ii) clear and easily understood; iii) allows for tracking of results against targets and for benchmarking; and iv) makes clear the link with LSGU objectives. They should ensure the inclusion of all administrative units in the process and the development of quality information to facilitate evidence-based reviews.

Smaller LSGUs could consider steps towards performance budgeting over time, taking an incremental approach to introducing performance frameworks, being aware of the challenges. Smaller LSGUs should first consider selecting the areas most suited to performance budgeting and develop corresponding indicators and targets. Smaller LSGUs are recommended to build capacity for introducing performance budgeting frameworks in terms of human resources, data and related infrastructure first and learn from peer-group experiences.

The development of quality performance information, indicators and benchmarking for informing future budgetary decision-making and, at the same time, underpinning the value of performance budgeting should be supported – politically and with resources – by all levels of government. This may also imply

collecting and harmonising performance-relevant information on LSGU independent public entities and public enterprises to gain a more comprehensive picture of public service delivery at the LSGU level, currently only partly covered in the financial reporting.

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

Strengthening the involvement and participation of citizens and civil society in the budgetary process increases responsiveness, efficiency, impact and trust. Options to be considered by LSGUs include: i) more timely and formalised consultative processes with citizens during the budget cycle, taking into account the knowledge, interests and capacities of citizens; and ii) enhancing LSGU council engagement and consultation with citizens during the phases of the budget cycle where the LSGU council is most actively involved.

Sustain efforts to further reinforce the use of participatory budgeting in LSGUs of all sizes

LSGUs should consider strengthening supportive elements of budgetary governance. The recent reform of legally anchoring requirements for participatory budgeting for LSGUs with county status promotes a citizen-centred culture of governance. To foster the incentives for citizen involvement and a better formalisation of the process, an extension of these provisions to small LSGUs should be promoted. This could go hand in hand with LSGUs' attempts to expand the share of the budget involved in participatory budgeting.

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6 Strengthening multi-level governance and investment capacity to enhance local development in Poland

To enhance local development, Poland needs to consolidate the strategic role of subnational governments in local development. To move in this direction, this chapter assesses how regions and local self-government units (LSGUs) can have the appropriate means to deliver on their responsibilities and maximise public investment returns on regional and local development. The chapter provides key insights for Poland to strengthen its multi-level governance system and promote a functional and territorial approach to regional and local development. The chapter focuses on how to develop a more strategic approach to public investment and ensure strong and fluid partnerships across the national, regional and local levels.

Introduction

Since 1989, with the restoration of independence and democracy, the Polish multi-level governance system has strongly evolved. After 40 years of centralisation, Poland has pursued political and fiscal decentralisation reforms and the scope and role of subnational governments in policy delivery have increased significantly in the last years. Today, Polish voivodeships and local self-government units (LSGUs) play a crucial role in the definition of their own development as key competencies on regional and local development have been transferred to them. Still, while the role of subnational governments has been progressively strengthened with the decentralisation of new tasks, it is still limited when compared with other OECD regions.

Ensuring a sound multi-level governance system is crucial to make sure voivodeships, counties and municipalities are capable of efficiently promoting regional and local development and continue bridging the investment gap. As recognised by the OECD Recommendation on Effective Public Investment Across Levels of Government (2019[1]), a multi-level governance approach to investment allows countries to maximise their returns on regional development. Poland has already embarked on improving multi-level relationships focused on strengthening the institutional environment as recognised in the "Strategy for Responsible Development for the period up to 2020 with a perspective up to 2030" (SRD). To move further in this direction, Poland needs to further strengthen the functional and territorial approach to development (see Chapter 1). For this to happen, Poland needs to take better advantage of several existing horizontal co-operation means and embed them with a more comprehensive and function approach. Urban-rural, urban-urban, and rural-rural linkages also need to be reinforced by stronger and more fluid partnerships across levels of government in which top-down processes are combined with bottom-up initiatives. It is also crucial to ensure that voivodeships and LSGUs have the appropriate means to deliver on their responsibilities and reduce the risk of under-funded mandates.

Furthermore, regions and LSGUs play an important role in managing the impact of the COVID-19 crisis, which has led to the first economic recession in Poland since the end of the communist era (see Chapter 1). Indeed, regional and local authorities are responsible for delivering critical short-term measures to this crisis, for example by introducing local tax exemptions, intensifying local procurement for infrastructural projects, reorganising public service delivery, providing sanitary equipment and reorganising education and kindergartens activities, among others. Being responsible for regional and local development, voivodeships and LSGUs will also play a key role in the medium- and long-term recovery, i.e. building more resilient territories that are better able to cope with future crises, whatever their nature. In this context, finetuning the multi-level governance becomes all the more important.

This chapter is based on the findings of the OECD questionnaire developed for this study and responses from national, regional and local actors, as well as evidence collected during four fact-finding missions conducted in different regional and local contexts. The first part of the chapter focuses on the fiscal relation across levels of government as the key framework conditions for an effective multi-level governance system. This first part provides a snapshot of subnational public investment in Poland as the main lever to enhance regional and local development. It also analyses how to ensure a more strategic approach to local public investment. Then, the chapter focuses on the main trends of subnational finance and the ways forward to better align responsibilities with financial means. In order words, it explores how to create the appropriate conditions for subnational governments to deliver on their tasks and ensure their financial capacity to invest. The third part provides some ways forward to facilitate joint actions across LSGUs and promote economies of scale and ways of embedding different LSGU partnerships in a functional and strategic manner. It also focuses on how to improve vertical co-ordination for effective co-operation between different levels of government and how to embed vertical relations with a more bottom-up approach in which LSGUs can take the initiative for investment projects that better respond to local needs.

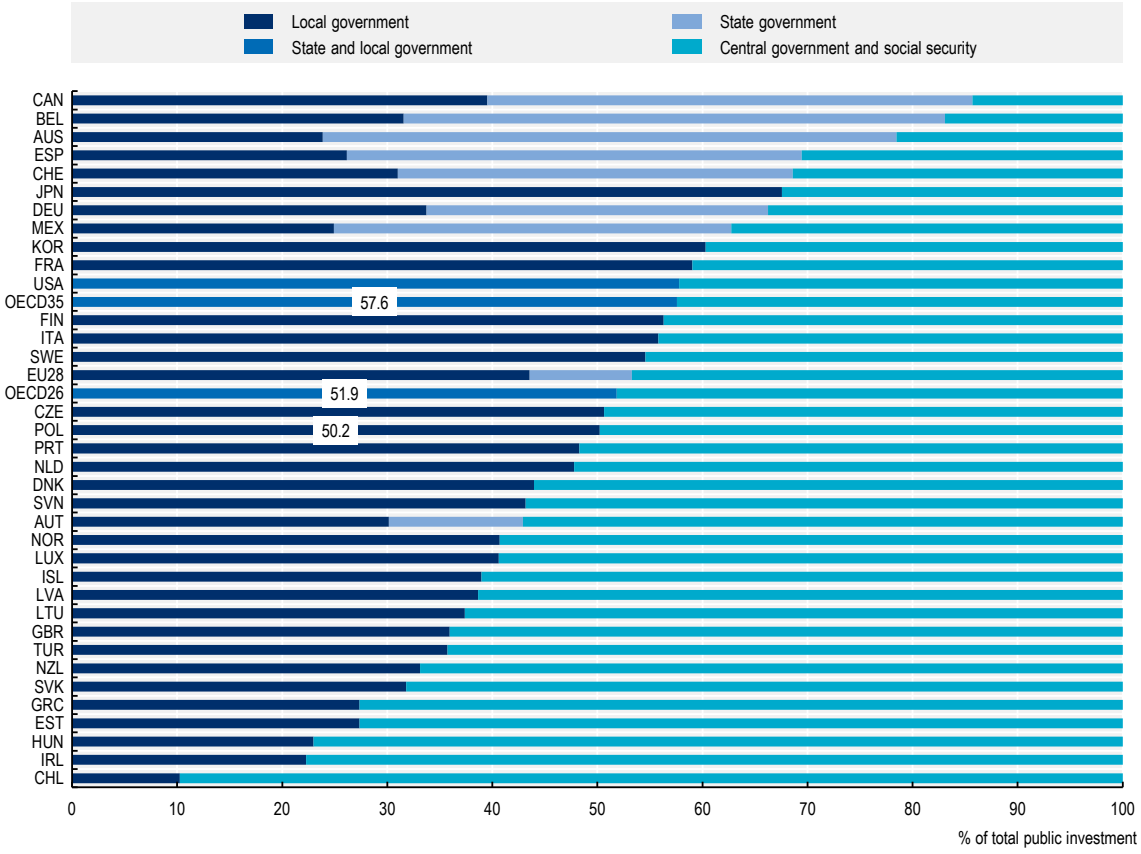
Strengthening subnational public investment to enhance local development

In OECD countries, regional and local governments play a pivotal role in investing in areas that are critical for growth and well-being. Regions and cities play an increasingly important role in key policy areas linked to infrastructure, sustainable development and citizens' well-being (e.g. transport, energy, broadband, education, health, housing, water and sanitation). In recent decades, the responsibilities of subnational governments in these fields have increased in a majority of OECD countries. This is also the case in Poland, where voivodeships and LSGUs have been granted increasing responsibilities in regional development investments. Still, as will be detailed in this section, the level of public investment by subnational governments is below the OECD average. Recovering the upward trend of subnational public investment in Poland – especially of infrastructure investments – should be a key priority to enhance regional and local development.

Recovering the upward trend of subnational public investment

Polish subnational governments are key investors but subnational public investment remains below the OECD average. In 2016, subnational public investment represented 1.2% of gross domestic product (GDP) (1.7%) and 35.7% of total public investment (50.8%), both below the OECD average for unitary countries (OECD, 2020[2]). The 2009 financial crisis put at stake subnational investment. Between 2008 and 2016, subnational investment fell by 5% per year in real terms (OECD/UCLG, 2019[3]). Among subnational governments, municipalities are the main investors, carrying out 44% in 2016, while those with county status represent 32% of subnational investment. Counties and regions have an equivalent weight (12% and 13% respectively) (OECD/UCLG, 2019[3]).

Figure 6.1. Public investment by level of government, 2018



Source: OECD (forthcoming[4]), *Subnational Governments in OECD Countries: Key Data*, OECD, Paris.

Some signs show a recent recovery of subnational public investment, especially on infrastructure. Since 2016, subnational public investment, as a share of total public investment, has been recovering from less than 40% to slightly over 50% in 2018, an upward trend driven by municipalities. This is in accordance with the European Investment Bank (EIB) study of subnational infrastructure investment, which shows that over the last 5 years, almost 60% of municipalities in Poland report an increase in investment activities in their jurisdictions and only 9% report a decrease (EIB, 2017[5]). Over the past decade, Poland has significantly improved its infrastructure network, showing particularly a significant upgrade of its transport and energy infrastructure (Goujard, 2016[6]). Although there are discussions about the efficiency of certain projects (aqua parks and airports are the most hotly debated), overall improvement in infrastructure (local roads, sewers, public spaces) during the last years has been significant (Łaszek and Trzeciakowski, 2018[7]).

The improvement of infrastructure investment responds to an important effort by the national level to boost local infrastructure, especially for road investments. Poland stands out among Central European countries with the highest share of own resources (national or subnational) in funding infrastructure investments (EIB, 2017[5]). In Central European countries, the share of EU funds accounts for 25% of total infrastructure funding for municipalities, while this share only reaches 16% in Poland (EIB, 2017[5]). In this effort, the national Local Roads Fund introduced in 2019, for example, which is co-financed by the national and voivodeship levels, has been advantageous for municipalities, allowing them to raise the quality of life of local communities and the attractiveness and accessibility of potential investment. The main objective of this fund is to co-finance the construction, reconstruction and renovation of local roads, which is more important for lower-income municipalities (Box 6.1). Beyond national funding, Poland has also made

infrastructure investment a key priority for the 2014-20 European Union (EU) programming period, putting special emphasis on the need to improve transport infrastructure and develop public transport.

Box 6.1. The Polish Local Roads Fund

In 2019, the Council of Ministers adopted the law creating the Local Roads Fund (FDS) venture, consisting of PLN 6 billion (EUR 1.4 billion) earmarked for the construction of local roads. Funds accumulated in the FDS come, among others, from the National Fund for Environmental Protection and Water Management, the state budgets of the national defence and transport departments, as well as the State Forests National Forest Holding. This fund has replaced the national programme for the development of municipal and county road infrastructure for 2016-19.

The main task of the FDS is to co-finance the construction, reconstruction and renovation of local roads of civil, as well as military importance. The support also concerns the construction of new bridges as a part of the provincial, county and municipal roads. It is estimated that the fund, in 2019, enabled the renovation of 6 000 kilometres of local roads in Poland.

The amount of co-financing from the fund will depend on the income of the LSGU – the lower the income, the higher the co-financing will be, up to 80% of the total cost of one county or municipal tasks.

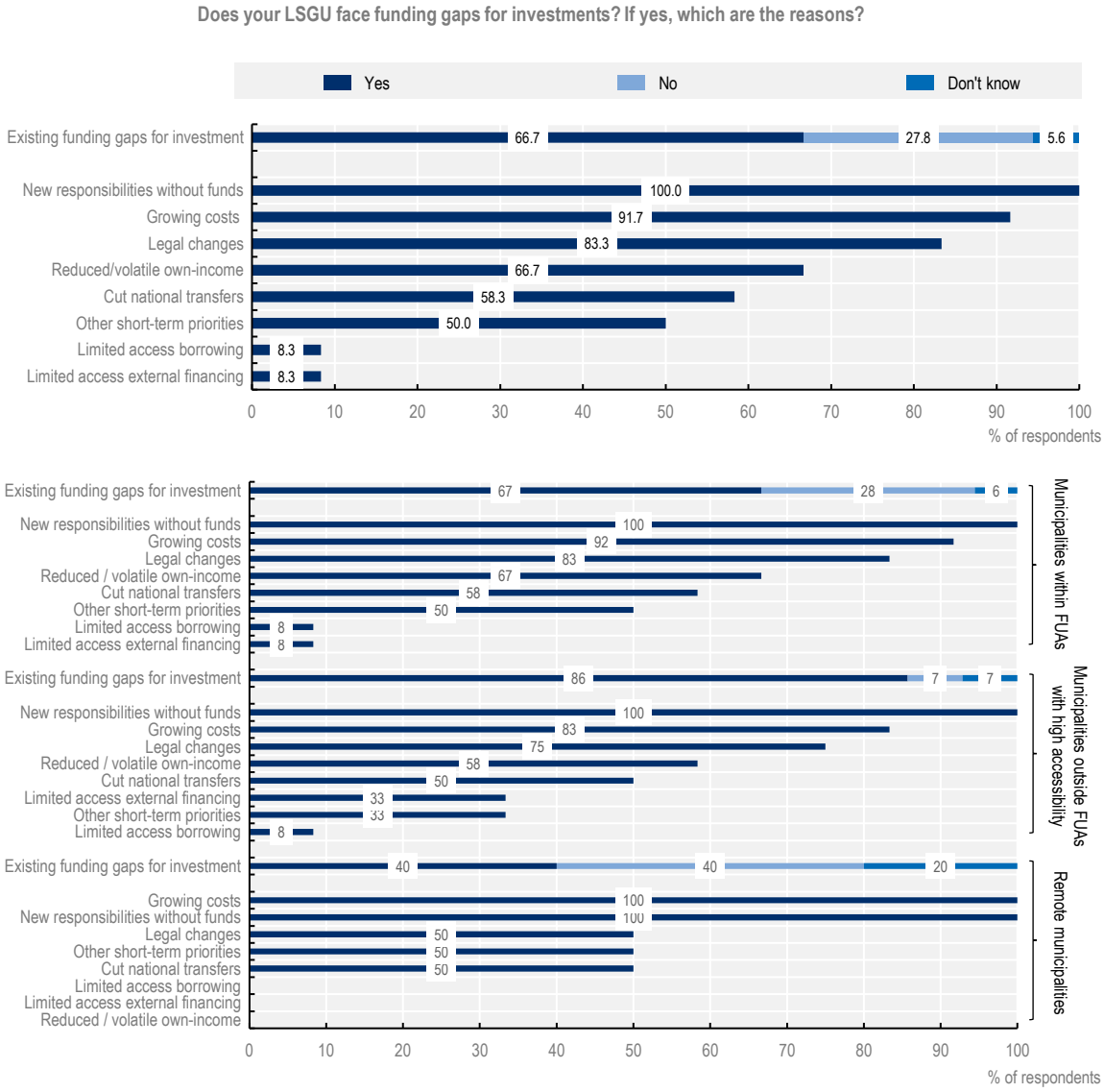
In 2020, the government announced the plan to transfer a total of PLN 36 billion (EUR 8.5 billion) to LSGUs in the form of FDS grants over the next 10 years. Importantly, multi-year projects will be eligible for FDS support, which could encourage local authorities to undertake larger investments that they have been putting off.

Source: Poland In (2018[8]), "Polish govt to spend billions on local roads", https://polandin.com/39070710/polish-govt-to-spend-billions-on-local-roads; Construction Market Experts (2019[9]), "Local Roads Fund money allocated among regions – applications to open in days", https://constructionmarketexperts.com/en/data-and-analysis/local-roads-fund-money-allocated-among-regions-applications-to-open-in-days/; https://archiwum.premier.gov.pl/en/news/news/we-are-developing-the-local-government-roads-fund-in-2021-the-government-is-planning.html

Still, infrastructure investment remains one of the greater challenges for LSGUs

Even if infrastructure investment has been upgraded, evidence shows that a gap between local needs and public investment remains. The EIB study cited above highlights that over the past years, 38% of Polish municipalities believe investment activities in their jurisdiction have been below their needs (2017[5]). This perceived gap stands out in urban transport for which 43% of municipalities report an investment gap (compared to 35% at the EU level), as well as in social housing and environment (EIB, 2017[5]). The OECD questionnaire conducted for this report also shows this gap between needs and actual public investment at the local level – 70% of respondents declared having a funding gap for investment, mainly due to the assignment of responsibilities without the corresponding funds (see section above) and the growing costs of existing services. This investment gap has been reported to be more pronounced in LSGUs inside functional urban areas (FUAs) than in remote ones (Figure 6.2). This is also the case at the national level where, for example, the perceived quality of overall transport infrastructure and electricity supply remains lower than in most OECD countries (Goujard, 2016[6]).

Figure 6.2. Funding gaps for public investments at the local level



Note: Based on 37 municipality responses to the OECD questionnaire. 18 responses from municipalities (gminas) within FUAs; 14 responses from municipalities outside FUAs with high accessibility; 5 responses from remote municipalities.
Source: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

Accessibility and the quality of roads is still a key priority for all types of LSGU across Poland. The quality of roads varies across the country: municipal roads exhibit the greatest share of unpaved roads (54.8% in 2017), in comparison with the county (8% of soil roads) and regional roads (0.1%) (see Chapter 1). Moreover, 26 out of the 73 TL3 regions[1] (including counties) have more than 50% of their road network unsurfaced (see Chapter 1). During the OECD missions to different LSGUs, all of them mentioned the need to put greater efforts into road infrastructure to improve their citizens' well-being as well as connectivity with the different economic centres within and outside the country. In Ziębice, for example, stakeholders reported having poor road infrastructure and street lighting, making the municipality less attractive for large investors. This is particularly relevant for local self-governments as all LSGUs across Poland are encouraged to attract businesses and offer better conditions for investment.

The current COVID-19 pandemic puts at stake infrastructure investments for all levels of government. All countries face the risk of using public investment as an adjustment variable, as was the case after 2010 to counterbalance fiscal consolidation plans that had created a strong drop in public investment, as observed in EU and OECD countries until recently (Box 6.2) (OECD, 2020[10]). In order to reduce these risks, the Polish national government has been very reactive in mitigating the negative impact of the crisis. Since March 2020, it has put in place a recovery package of EUR 48 billion, i.e. almost 10% of the Polish GDP. The package has 5 thematic pillars including one dedicated to boosting public investment by EUR 6.6 billion. The government will establish a special fund to finance public investment in the construction of local roads, digitalisation, modernisation of schools, energy transformation, environmental protection and reconstruction of public infrastructure (OECD, 2020[10]).

In order to ensure the level of public investment and make it a key tool for crisis exit and recovery, it will be crucial that public investment contributes to resilience and a low carbon economy. For this, all levels of government need to integrate social and climate objectives into recovery plans. To make the most of public investment in this context, as developed in the next sections, strengthening the multi-level governance system will be crucial.

Box 6.2. Public investment and crisis recovery: Lessons and ways forward

Many national and subnational governments have reacted quickly to address the economic and fiscal consequences of the crisis and countries are spending significantly more than in 2008-09. A number of countries have already announced recovery strategies with a focus on public investment to support economic recovery in the short and medium terms.

The level of public and private investment in OECD countries prior to the COVID-19 crisis was still below the 2008 pre-crisis levels. A main risk in the current context is a further decline of subnational public investment, which would act as a procyclical effect impeding the recovery. In several countries, the risk is high, given the contraction of self-financing capacities and increasing deficits. It is also important to avoid large investment stimulus followed by very strong fiscal consolidation, a sequence seen in 2008-10 that undermined public investment for almost a decade.

Experience from the 2008 financial crisis indicates that investment recovery strategies need to be well-targeted to a few priority areas and that the way public investment strategies are managed largely determines their outcomes, as highlighted by the OECD Recommendation on Effective Public Investment Across Levels of Government. During the implementation of investment recovery packages in 2008-09, for example, a major challenge came from the fact that investment was fragmented by the municipality, thus limiting the potential for large projects with an impact on territorial development.

Recovery investment strategies need to be aligned with ambitious policies to tackle climate change and environmental damage. Technologically advanced, sustainable and resilient infrastructure can pave the way for an inclusive post-COVID economic recovery (World Economic Forum, 2020[11]). It is also essential to look beyond physical infrastructure investment and consider investment needs in skills development, innovation and research and development (R&D). It is particularly important to ensure that investments from stimulus packages do not impose large stranded asset costs on the economy in coming decades.

Some key recommendations developed by the OECD to ensure that public investment can contribute to the crisis exit and recovery are:

- Minimise fragmentation in the allocation of funds and ensure allocation criteria are guided by strategic regional priorities.

- Consider temporarily relaxing fiscal rules to create sufficient fiscal space for public investment.
- Consider introducing green and resilience-building criteria for the allocation of public investment funding for all levels of government.
- Help target public investment strategies to green and inclusive priorities by introducing conditionalities.
- Encourage regional and local authorities to invest in digital infrastructure with an eye on full territorial coverage and ensure adequate weight is given to regional digital inclusion in support of public investment choices.

Source: OECD (2020[10]), "The territorial impact of COVID-19: Managing the crisis across levels of government", https://read.oecd-ilibrary.org/view/?ref=128_128287-5agkkojaaa&title=The-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government.

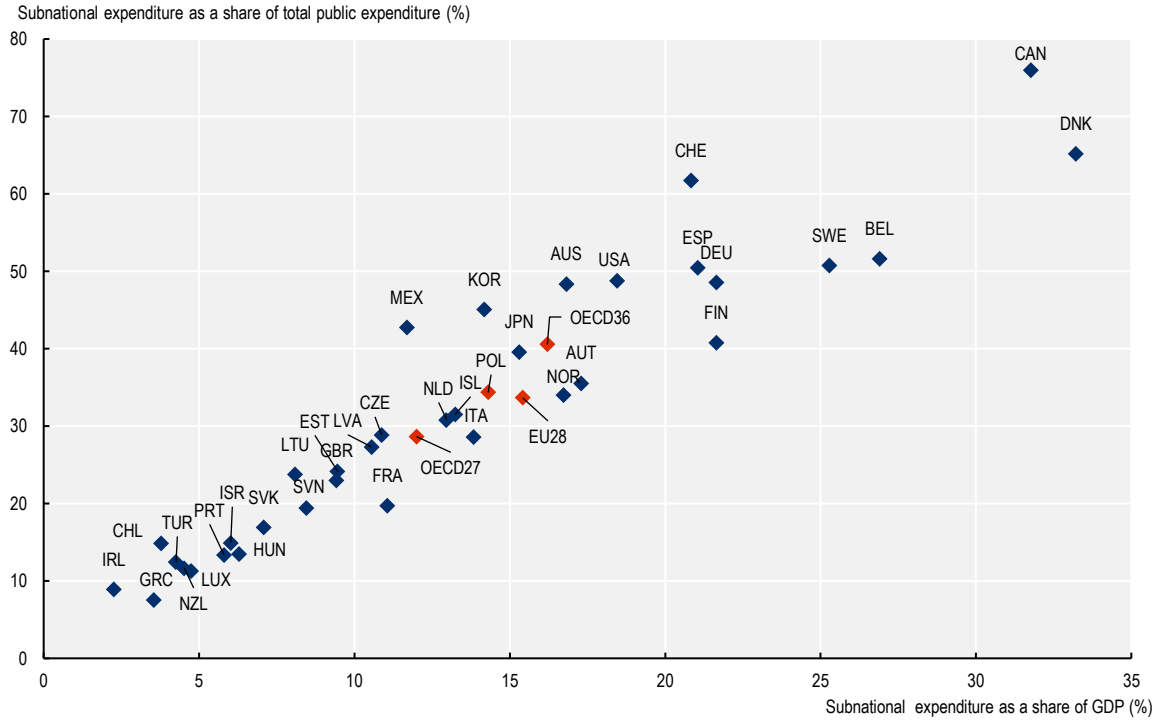
Fiscal challenges across levels of government in Poland

In Poland, as in most OECD countries, the alignment of responsibilities and revenues remains an area of concern for LSGUs. As will be discussed in details in this section, the mismatch between revenue-generating means and the responsibilities that have been recently assigned to LSGUs affects their capacity to effectively deliver on their mandates. To ensure that LSGUs are capable of promoting local development and financing investments, it is crucial to make sure they have adequate funding. In this respect, reducing the mismatch between expenditure and revenue generation means LSGUs should be a priority for Poland.

Municipalities have led the increase of subnational expenditures

Polish subnational governments, especially LSGUs, are key economic and social actors. The share of subnational governments[2] expenditure in total public expenditure substantially increased with decentralisation reforms (see introduction), going from 23% in 1995 to 34.4% in 2018 (OECD/UCLG, 2019[3]; OECD, forthcoming[4]). Regional and municipal expenditures as a share of public expenditure (34.4%) and GDP (14.3%) (Figure 6.3) in 2018 were above the OECD average for unitary countries (28.6% and 12% respectively) and similar to the EU average (33.7% and 15.4% respectively), even if they remain below the average for all OECD countries (40.5% and 16.2% respectively). Polish municipalities have also increased their municipal spending autonomy during the last years. A recent study by the OECD shows that, between 2011 and 2017, municipal spending autonomy[3] in Poland has increased by more than 5% in contrast with other countries such as the Czech Republic, Estonia or Spain where spending autonomy has decreased (Moisio, forthcoming[12]).

Figure 6.3. Subnational government expenditure in OECD countries as a percentage of GDP and total public expenditure, 2018



Note: OECD27 refers to the average of OECD unitary countries. EU28 identifies the average for EU countries. OECD 36 refers to the average for all OECD countries.
Source: OECD (forthcoming[4]), *Subnational Governments in OECD Countries: Key Data*, OECD, Paris.

While municipal expenditure has been increasing, the role of regions is still limited. Indeed, while looking at subnational expenditure, municipalities are by far the ones that expend the most. In 2016, municipalities were responsible for more than 80% of subnational expenditure (48% for municipalities and 35% for the cities with county status) (OECD/UCLG, 2019[3]) and county expenditure represented 11%. Regions were only responsible for 5.3% of subnational expenditure, contrasting with 25% on average in OECD unitary countries (OECD, 2020[13]). For regions, the most important share of expenditure is dedicated to economic affairs (52%) while only 5% and 7% of their expenditure goes to education and health respectively (OECD, 2020[13]).

The primary spending area of Polish counties and municipalities is education. In 2016, subnational expenditure in education (considering voivodeships, counties and municipalities) accounted for 48% of total public expenditure (OECD/UCLG, 2019[3]). Subnational governments are responsible for both capital and current expenditure, including remuneration of teachers and staff, which represent one of the most important subnational expenditure items not only in Poland but also for a large part of OECD countries. Thus, it is not surprising that the last reforms on transferring more responsibilities to municipalities regarding education have put strong pressure on municipal budgets. One key issue regarding the recent changes to the education law is that LSGUs have a limited capacity to adapt the school network and infrastructure to the sometimes-decreasing number of students. As the amount of the educational subsidy is calculated on the basis of the number of students, without a change in the network of educational institutions, LSGUs, to a large extent, have to finance the education task from other funds.

Social protection and healthcare, being the second and third most important subnational expenditure items, put Polish subnational governments at special risk in the current COVID-19 crisis. Social protection

expenditure has substantially increased in recent years, becoming the second most important subnational budget item in 2016 (21% vs. 13% in 2013) (OECD/UCLG, 2019[3]). In the context of the COVID-19 crisis, subnational governments are confronted with a number of complex and costly tasks. They must first manage the full or partial closure of certain services and facilities, and then the reopening to ensure the continuity of essential public services. They also need to adjust the services either physically (public transport, collection of waste, cleaning of public spaces) or virtually (telehealth consultations, remote education arrangement, local tax payments, access to government information, etc.) (OECD, 2020[10]).

Reducing the mismatch between expenditure and revenue-generating means

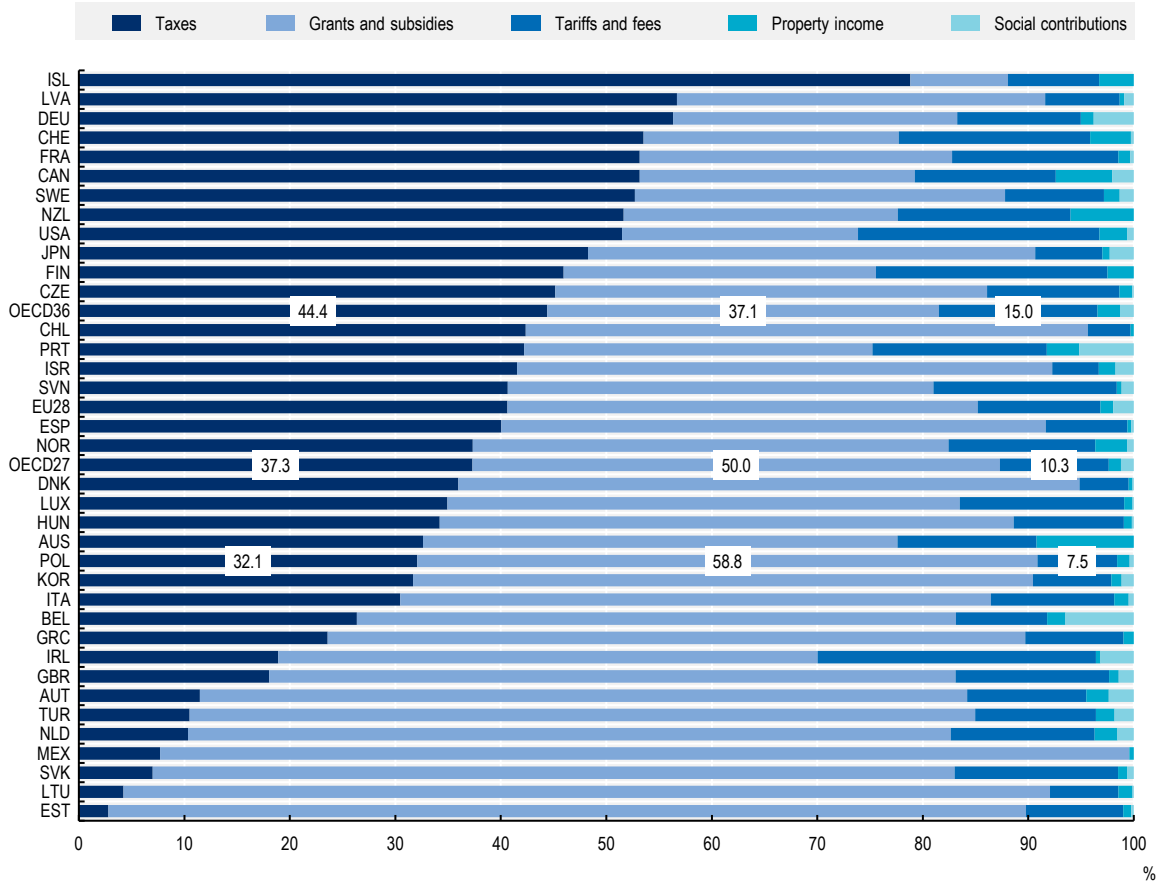
Subnational governments rely particularly on national government transfers

Subnational governments – voivodeships, counties and municipalities – in Poland are highly dependent on national government grants and subsidies, which represent almost 60% of subnational revenues, above the OECD average of 37% and the OECD average for unitary countries of 50% (Figure 6.4). In 2016, grants and subsidies represented 65% of county revenues, 56% of municipal revenues and 47% of regional revenues. In contrast, municipalities with county status have a more diversified structure of revenue, with grants and subsidies representing only 38% of their revenues (OECD/UCLG, 2019[3]). Revenue autonomy (own revenue relative to total resources available) at the local level is lower than the EU average (41% vs. 53% in 2018), which indicates a higher-than-EU-average dependency on national government transfers (59% vs. 48% in 2018) (CoR, n.d.[14]). Mirroring the expenditure side, the grant to cover educational expenses, including teachers' salaries, is by far the largest (78% of the general grant) accounting for 17% of subnational governments' revenues in 2016 (OECD/UCLG, 2019[3]).

Voivodeships and counties highly rely on national government's transfers or EU funding. Regional revenues represent a very small share of total subnational revenues (5.5%) and tax margins for regions are also low (1.5% of the income tax of physical entities, 0.5% of corporate tax) (OECD, 2020[13]). The majority of regional funds comes from mostly pre-allocated national state endowments, while most regional expenditure is quasi-obligatory (health and education) (OECD, 2020[15]). Voivodeships receive a portion of shared tax revenue, according to a fixed percentage, being the ones that receive the largest share of corporate income tax. Counties also receive a share of national income taxes but do not have any other form of tax revenue, which limits their investment capacity. Moreover, for some LSGUs that heavily rely on national or EU funding, the strategic planning process could be particularly challenging: with funding being assigned on a project basis, some LSGUs may tend to prioritise projects based on availability rather than other higher strategic priorities (OECD, 2018[16]).

Municipalities are the only subnational tier (of all three levels) that hold the power to tax – though this power is limited. LSGUs in Poland collect less revenue from autonomous taxes and more from tax-sharing schemes than in the rest of OECD countries. The LSGU tax autonomy indicator by the European Committee of the Regions (CoR) shows that LSGUs in Poland have very low autonomy in setting rates related to their tax revenues: the biggest share relates to shared taxes (59%), while 30.1% of the total is tax revenues over which LSGUs have little to no autonomy (CoR, n.d.[14]). The majority of local taxes are set by national laws or regulations and local authorities can only introduce some tax exemptions and reliefs. The only exception is the tax rate of property tax. Indeed, for municipalities, property tax is the most important local tax levied on buildings and plots of land. The amount of local taxes and fees is determined by each municipality but must comply with frameworks and upper tax limits determined by national legislation. Property tax revenue accounted for 28% of total budget revenues for predominantly rural subregions, 25% for intermediate subregions and 17% for predominantly urban ones in 2014 (OECD, 2018[16]). These figures have changed little since 2010 (OECD, 2018[16]). In contrast, counties do not have any lever to determine any local tax variable.

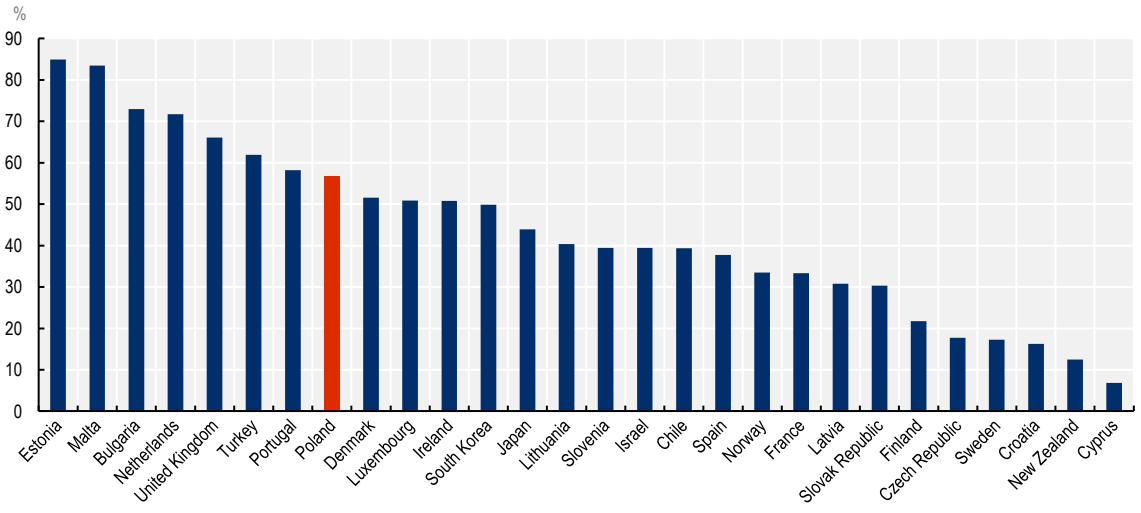
Figure 6.4. Structure of subnational governments revenue, 2018



Source: OECD (forthcoming[4]), *Subnational Governments in OECD Countries: Key Data*, OECD, Paris.

Poland is thus among the countries with a higher vertical fiscal gap[4] at the municipal level (Figure 6.5). In contrast with countries such as Estonia or Malta where over 80% of municipal sector spending is financed with national government transfers, in Poland, this rate reaches 57%. Still, the vertical fiscal gap in Poland is more important than in other OECD countries such as Chile or Estonia, the last being one of the most centralised countries in the OECD.

Figure 6.5. Vertical fiscal gap, 2017



Note: Primary results with a sample of 26 countries out of 32. There is no available municipal fiscal data before 2013 in Croatia, Greece, Hungary, Italy, Norway and Romania. Data is 2012 instead of 2011 for Spain and 2016 instead of 2017 for France, Israel and Japan.
Source: Moisio, A. (forthcoming[12]), "Uncovering the unknown: Spending indicators on municipal decision-making authority", CFE/RDPC(2019)19, OECD, Paris.

Municipalities receive the largest share of the personal income tax transfer and as such, are encouraged to attract people to live in their territory (Box 6.3). Still, Polish localities have a very limited ability to incentivise their citizens to pay the personal income taxes in order to increase their tax sharing revenue. The same happens with general grants, notably the education grant, which is calculated based on the number of pupils and teachers in a county. To prevent a reduction of education grants, some counties strives to hold on to their populations. Jarocin, for example, a town in central Poland, attempts to do this by collaborating with the national government to provide subsidised housing (Łaszek and Trzeciakowski, 2018[7]). The recent improvement of the road infrastructure network (see Chapter 1) has had a two-sided effect on tax collection in this regard. On the one hand, it has improved the accessibility of medium and small cities to FUA centres, with the positive implications on economic growth that this generates (see Chapter 1). On the other hand, it has indirectly encouraged people to move to less densely populated areas and smaller towns. In turn, this has benefitted some cities that now collect more local taxes but others with a declining population need to resort to more innovative ways of funding to counteract the decline of local tax collection.

The fiscal capacity of municipalities varies significantly across Poland depending on their size and income sources. To address these disparities, Poland has adopted a number of vertical and horizontal equalisation systems. The general subsidy for municipalities from the state budget consists of three parts: i) an educational subsidy calculated on the basis of the number of students in schools and educational institutions under the competency of the municipality; ii) a "compensation" or equalising part in which municipalities with fiscal revenues of less than 90% of the national average receive additional funds; and iii) the "balancing" part from a horizontal equalisation mechanism where municipalities obtaining the highest tax income per inhabitant make contributions to the mechanism and the funds are redistributed on the basis of an algorithm including different criteria (see Box 6.3).

The limited fiscal flexibility of Polish subnational governments might be a risk factor to face the current COVID-19 crisis. The crisis has resulted in increased expenditure and reduced revenue for subnational governments and, while its impact on subnational finance will not be uniform across the country, it is expected to be long-lasting. Polish subnational governments, depending strongly on national grants, might

in the short term be less exposed to revenue impacts than other subnational governments in OECD countries such as Canada or Sweden. Still, it is expected that, in the medium term, the decrease in revenues, combined with a continuous increase in expenditure (due to social spending and investment), could result in a scissor effect and therefore in subnational government deficit, as was the case in 2007-08 (OECD, 2020[10]).

Given the high fixed expenditures that municipalities, counties and voivodeships have, they have limited ability to absorb exceptional stress and restricted capacity to adjust their expenditure and revenues to urgent needs. Preliminary estimates show that some LSGUs might experience a negative gross operating surplus (difference between current income and current expenditure); for other LSGUs, the surplus might be less than 2% (Cieślak-Wróblewska, 2020[17]). Both situations imply an important adjustment for LSGUs, both in current expenses as well as in local investments and maintenance. LSGUs across Poland are already making efforts to reduce expenses or increase revenue sources. Drawsko, for example, has made cuts in investment expenditure by nearly PLN 11 million; the city council of Grudziądz has adopted resolutions to increase the price of public transport tickets and real estate tax, as well as expand the paid parking zone (Cieślak-Wróblewska, 2020[17]).

Box 6.3. The fiscal capacity of subnational governments in Poland

Subnational government revenues in Poland come mainly from four sources:

1. Own-source tax revenues levied through limited taxation powers in accordance with nationally determined maximum rates.
2. Shares in personal and corporate income taxes.
3. Grants, including general-purpose grants and conditional (or earmarked) grants. The latter may include resources from EU budgets (Structural and Cohesion Funds).
4. Non-tax own-source revenues (user tariffs and fees; revenue from property, leasing and sales, including revenues from municipal companies and public utilities).

Property tax is the most important tax for municipalities, which are the only ones that hold the power to tax. The amount of the local taxes and fees is determined by each municipality but must comply with frameworks (and upper tax limits) determined by national legislation. Property tax rates are differentiated depending on the purpose of the property, including the basic division that applies to residential and commercial properties. For example, in the case of land, property tax is based on the area of the land (to a maximum of PLN 0.89/m² of land); in the case of buildings, it is based on their floor area (to a maximum of PLN 23.03/m² of the usable surface of a building) (Ernst & Young, 2014[18]). This information is determined through the national registry and assessment takes place on an annual basis. Only one element of property tax is based on assessed value: certain construction structures (other than buildings) that are being used in economic activity are taxed based on the market value at a fixed rate (usually 2% of market value). Agricultural and forestry lands are subject to taxes, which are separate from property taxes. Other taxes that are far more marginal to the municipal budget include taxes on agricultural lands (paid by hectare with soil quality taken into account), forests, large vehicles and a number of other minor duties.

Shared tax revenue comes from the share of personal income tax (48% of subnational tax revenue) and company income tax (9% of subnational tax revenue). Shares of national income taxes are redistributed to all three levels of subnational government according to a fixed percentage of the total proceeds collected within the territory of the jurisdiction with municipalities receiving the largest share of the personal income tax transfer and voivodeships receiving the largest share of corporate income

tax. As such, there is a fiscal incentive for municipalities to increase their populations and for voivodeships to foster business growth. There is no horizontal equalisation mechanism.

The **general-purpose grant** consists of four main shares: education, equalisation, balancing and regional. Despite these delineations, subnational governments can spend general grants at their own discretion – they are not tied to a particular purpose (with the exception of the part of the educational subsidy allocated to expenditure on educating children with special educational needs).

1. The **education share** accounts for over 20% of subnational government revenues. It covers educational expenses, including teacher's salaries.
2. The **equalisation share** (5% of subnational revenue) is allocated to all subnational governments with below-average tax capacities. Municipalities whose per capita revenue-raising capacity from local and shared revenues are below that of a national threshold amount qualify for a basic grant determined on the basis of both population and tax capacity. The structure of the equalisation grant favours small municipalities with low population density (Sauer, 2013[19]).
3. The **balancing share** (only for municipalities and counties) distributes funds based on social expenditure; it takes into account such issues as GDP per capita, the surface area of public roads per capita and the unemployment rate in an area.
4. The **regional share** is a general grant calculated for each region based on the unemployment rate, GDP per capita, area of public roads per capita and regional railways expenditure.

In addition to the above, some municipalities may also receive **"compensation" grants**, which are used to compensate municipalities for lost property tax revenues due to special economic zones (special zones that can be established which provide businesses with income tax rebates, hence limiting tax intake for the municipality).

The final group of **conditional or earmarked grants** are related to the responsibilities that have been delegated to LSGUs, the most important of these being provisions for social assistance. The vast majority of intergovernmental transfers in Poland are lump sums as opposed to matching grants. Grants from the EU are included under conditional or earmarked grants in most cases. The value of LSGU revenue to GDP ratio in Poland has been significantly higher than the average of EU countries (Uryszek, 2013[20]).

The 2015 Revitalisation Act expands municipal fiscal instruments on two points: i) it enables LSGUs to calculate and collect an adjacency levy (at a rate higher than that set by general rules), which can be used to capture the increase in value of real estate as a result of the construction of municipal infrastructure in the regeneration zone; ii) it introduces the possibility of increasing the real estate tax rate (up to PLN 3/m² of land per year) in the designated revitalisation zone for new developments.

Source: OECD (2018[16]), *OECD Rural Policy Reviews: Poland 2018*, https://dx.doi.org/10.1787/9789264289925-en; OECD (2016[21]), *Governance of Land Use in Poland: The Case of Lodz*, https://dx.doi.org/10.1787/9789264260597-en; Uryszek, T. (2013[20]), "Financial management of local governments in Poland-selected problems", http://dx.doi.org/10.7763/JOEBM.2013.V1.55; Ernst & Young (2014[18]), *The Polish Real Estate Guide: Edition 2014 - The Real State of Real Estate*, http://www.ey.com/Publication/vwLUAssets/EY_Real_Estate_Guide_Book_2014/$FILE/EY_Real_Estate_Guide_Book_2014.pdf; Sauer (2013[19]), "The System of the Local SelfGovernments in Poland", Research paper 6/2013, Association for International Affairs, https://www.amo.cz/wp-content/uploads/2015/11/amocz-RP-2013-6.pdf.

Strengthening revenue-generating means, aligning LSGU responsibilities and revenues

One of the most important challenges for Polish municipalities relies on the existence of underfunded or unfunded LSGU responsibilities, as in many OECD countries. As mentioned above, with decentralisation

reforms, municipalities have been granted more responsibilities over the last years and the access to EU funds has increased their competencies. While municipalities are in a better position in terms of own-source revenue than counties and voivodeships, it is often remarked that they have seen more responsibilities devolved to them and yet very little in the way of increased fiscal decentralisation to match it. Successive OECD reviews have made this point (OECD, 2009[22]; 2013[23]; 2018[16]). The alignment of responsibilities and revenues remains an area of concern in most OECD countries as subnational expenditure far exceeds subnational tax revenues. This vertical fiscal gap is often filled by other sources of revenue, e.g. non-tax revenues and transfers (OECD, 2019[24]).

The recent educational reform seems to put strong pressure on some municipalities' financing and their ability to predict funding. The 2017 national educational reforms to the primary and secondary education system of primary and secondary schools place significant costs linked to infrastructure and teachers' salaries on municipalities, in particular the smaller and remote ones. For example, LSGUs reported that they sometimes need to use their own budgets to cover the costs of retrofitting classrooms or severance payable to exempted teachers (Wojniak and Majorek, 2018[25]). Since September 2017, students attend eight years of primary school and four years of secondary school (or five years of vocational school); middle school enrolments will be phased out and municipalities are obliged to provide pre-primary education for each child. For this to be possible, LSGUs have to bear the costs of new infrastructure but without adequate funding. This particularly affects rural and remote municipalities.

The assignment of responsibilities without the corresponding funds seems to be one of the major reasons behind investment funding gaps at the local level. During the OECD visit to different LSGUs across Poland all relevant actors identified the lack of financing of new responsibilities on education as a key challenge for the efficient management of expenditure and investments. The OECD questionnaire also reveals that all municipalities facing a funding gap for investment identify the existence of unfunded mandates as the main reason explaining this gap, and this is the case for all types of municipalities, whether inside FUAs, outside, or remote (Figure 6.2). The lack of funding and resources is also identified as the top challenge for all types of municipality to fulfil the responsibilities that are assigned by law. In addition, as seen in the recent OECD field visits to different municipalities and as pointed by previous OECD studies (2018[16]), municipalities report facing unpredictable funding due to changes related to the structure of significant factors in education subventions. A particular concern for rural municipalities is the timeframe for determining educational subventions on a year-to-year basis. More upfront communications on these changes will help communities better plan (OECD, 2018[16]).

The mismatch between responsibilities and revenues makes Polish voivodeships and municipalities very dependent on European funding, in particular for public investment. EU funds have greatly contributed to accelerating the development of Poland. They have allowed, for example, LSGUs to undertake infrastructure investments that have shaped the local reality and that would have not been possible without access to this source of funding. While subnational governments should continue to make the most of EU funding opportunities, they also need to diversify their sources of financing for public investment in a proactive way and not to rely too much on external funds as the only source of funding. At the same time, European co-financing may favour voivodeships and municipalities that have higher administrative and institutional capacities in preparing projects to be funded by European funds. To reduce these inequalities, voivodeships play a critical role in supporting LSGUs to strengthen their capacities to develop projects able to be financed by EU funds. The role of voivodeships in encouraging joint projects, through integrated territorial investments (ITIs) to implement EU projects across several jurisdictions for example, is also crucial.

A better balance between revenue-generating means and expenditure needs might help Poland in creating better accountability and responsiveness. Further decentralising revenues, by granting larger tax autonomy to LSGUs in Poland, may ensure more efficient functioning of the decentralisation system. Poland has space to expand the autonomous tax revenue. Indeed, evidence shows that subnational governments work best when local residents self-finance local services through local taxes and charges.

This enhances the efficiency and accountability of local service provision by encouraging local residents to evaluate the costs and benefits of local service provision (OECD, 2019[24]).

Strengthening co-ordination and collaboration among and across all levels of government

To maximise public investment returns on regional development, it is important to strengthen the Polish multi-level governance system. For this, moving towards a functional approach to the different partnerships between LSGUs is crucial. At the same time, Poland needs to embed vertical relations between the national, regional and local self-governments with a more bottom-up approach in which LSGUs can take the initiative for investment projects that better respond to local needs.

This is particularly relevant in the current COVID-19 crisis, as Poland needs to develop the right means to implement efficiently the COVID-19 crisis recovery package. At the same time, in order to protect public investment and make it a key tool for crisis exit and recovery, it will be crucial that public investment contributes to resilience and a low-carbon economy. For this, all levels of government should integrate social and climate objectives into recovery plans. In order to make the most of public investment in this context, as developed in detail in this section, strengthening the multi-level governance system is crucial.

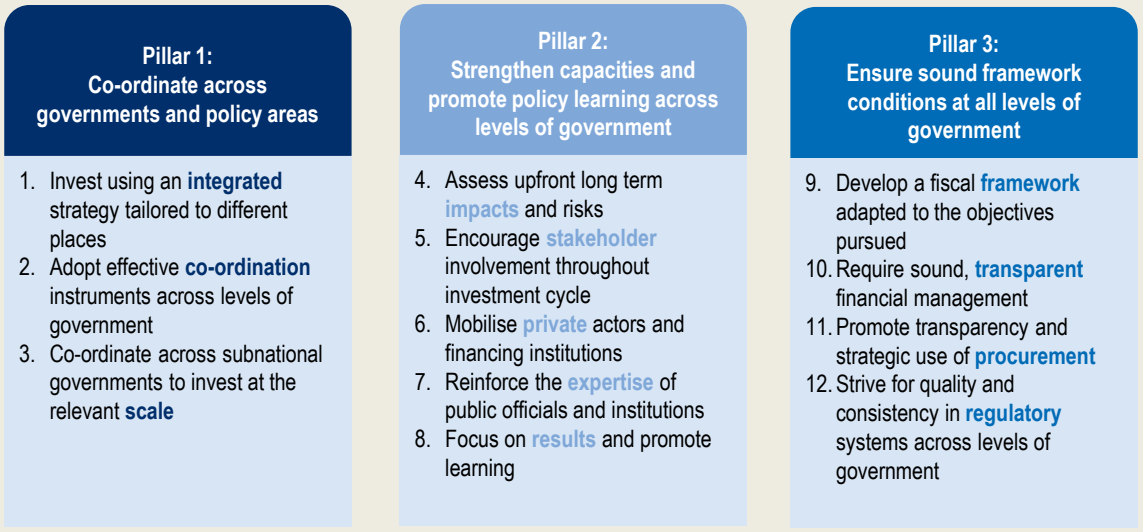
As recognised by the OECD Recommendation on Effective Public Investment Across Levels of Government (Box 6.4), a multi-level governance approach to investment allows countries to maximise their returns on regional development. National governments can help ensure a balanced approach to infrastructure development and regional and local actors are well placed to prioritise needs and identify complementarities at the local level. Better aligning investment with spatial and land use planning, as well as ensuring a functional approach to investments are key ways forward for Poland. For this, it is crucial to move towards an approach through which the different partnerships between LSGUs are developed in a functional and strategic fashion to optimise investment. At the same time, Poland needs to embed vertical relations among the national, regional and local governments with a more bottom-up approach in which LSGUs can take the initiative for investment projects that better respond to local needs.

Box 6.4. The OECD Recommendation on Effective Public Investment Across Levels of Government

In 2014, the OECD Recommendation on Effective Public Investment Across Levels of Government was endorsed by the OECD Regional Development Policy Committee (RDPC) and adopted by the OECD Council. The recommendation aims to help countries assess the strengths and weaknesses of their public investment governance capacity for regional development across all levels of government. It serves as a guide to setting priorities for improving the co-ordination mechanisms and capacities of subnational governments in the management of public investment.

The recommendation sets out 12 principles grouped into 3 pillars of policy recommendations that represent 3 systematic challenges to efficiently managing public investment at both the national and subnational levels. These 12 principles cannot be seen in isolation. The principles offer a whole-of-government approach that addresses the roles of different levels of government in the design and implementation of a critical and shared responsibility. All the principles are complementary and there is no hierarchy among them. They are also intended to be used in conjunction with other OECD policy guidance and tools.

Figure 6.6. The 12 Principles of the OECD recommendation



Source: OECD (2019[1]), *Effective Public Investment across Levels of Government: Implementing the OECD Principles*, https://www.oecd.org/effective-public-investment-toolkit/OECD_Public_Investment_Implementation_Brochure_2019.pdf.

Poland has already embarked on improving multi-level relationships focused on strengthening the institutional environment. The SRD (see Chapter 3) recognises the need to strengthen the institutional environment in Poland. The strategy identifies a variety of institutional challenges such as weak social capital in some voivodeships that inhibits the collective action needed for locally based development activity. The SRD also points to the need for reducing the rigid control exercised by the national level over the actions of subsidiary governments, thereby preventing innovative activities as well as the need to reduce excessive reliance on EU funds and EU programmes to define public policies.

The SRD also shows an increased awareness of the need to strengthen multi-level governance by reaffirming the commitment to decentralisation. The strategy explicitly highlights the need to reinforce co-ordination mechanisms between levels of government. Several efforts support this, including territorial contracts, Regional Social Dialogue Councils and a Joint of National Government and Local Self-Government (Joint Committee). This committee has established a forum to determine a common national government and LSGU position on state policy towards self-governments, as well as issues concerning LSGUs within the scope of action of EU and international organisations (OECD, 2018[16]). The forum has shown the commitment to a multi-level approach to policy design by developing joint opinions on legislation, programme documents and policies that have the potential to impact LSGUs, including their finances. The Social Dialogue Council, which provides a dialogue forum between the national government and the 16 regional councils, is another example of this commitment.

Moving towards a comprehensive and functional approach to inter-municipality co-operation

Co-ordination and collaboration among municipalities are particularly relevant in the Polish dispersed settlement structure. Poland has a large number of small- and medium-sized cities that are broadly distributed across its territory that provide essential services to non-metropolitan regions. Essentially, urban and rural areas are engaged in a symbiotic relationship where collaboration can benefit both places

(OECD, 2018[16]). But conversely, competition between adjacent urban and rural places also tends to weaken both. This makes strong horizontal co-operation among LSGUs crucial. Partnerships among municipalities allow managing fragmentation by sharing infrastructure and co-delivering services between large cities and surrounding communities, which can help enhance quality of life across the country.

Many OECD countries have recently enacted regulations to encourage this type of collaboration, which varies in the degree of co-operation, from the lightest (e.g. single or multi-purpose co-operative agreements) to the strongest form of integration (e.g. supra-municipal authorities with delegated functions and even taxation powers) (OECD, 2017[26]). While the purposes of the associations can vary, inter-municipal co-operation arrangements allow internalising externalities in the management of services and benefitting from economies of scale for utility services (water, waste, energy, etc.), transport infrastructure and telecommunications. Inter-municipal co-operation can result in investments that would not be pursued if subnational governments were not collaborating and in services provided more efficiently, as underlined by the first pillar of the OECD Recommendation on Effective Public Investment Across Levels of Government.

It is important for LSGUs to make greater use of the different forms and mechanisms for inter-municipal co-ordination. More flexibility, less red tape, as well as a stronger role in developing incentives for such co-ordination from the voivodeship and national levels, are needed to ensure that municipalities have the right mechanisms in place and the knowledge to act.

Polish law foresees different forms of inter-municipal co-operation

Inter-municipal co-operation has been at the core of the Polish multi-level governance system since the first wave of decentralisation reforms. Regional self-governments and LSGUs have made active use of the right to associate provided in the constitution (Article 172.1). Currently, there are six active associations of local and regional authorities with national coverage,[5] which play an active role in the representation, defence and advancement of local interests, conducting regular negotiations with the national government. The Municipal Self-Government Act of 1990 also lists in details all the constitutionally guaranteed possibilities to deliver public tasks. The act states that municipalities can co-operate in the form of unions of municipalities as single or multi-purpose public law entities (inter-municipal registered associations), inter-municipal public law agreements and associations of LSGUs as private law entities. Municipalities can also set up and act together in public law companies (Table 6.1) (Kołsut, 2016[27]; Potkanski, 2016[28]).

Table 6.1. Types of inter-municipal co-operation in Poland

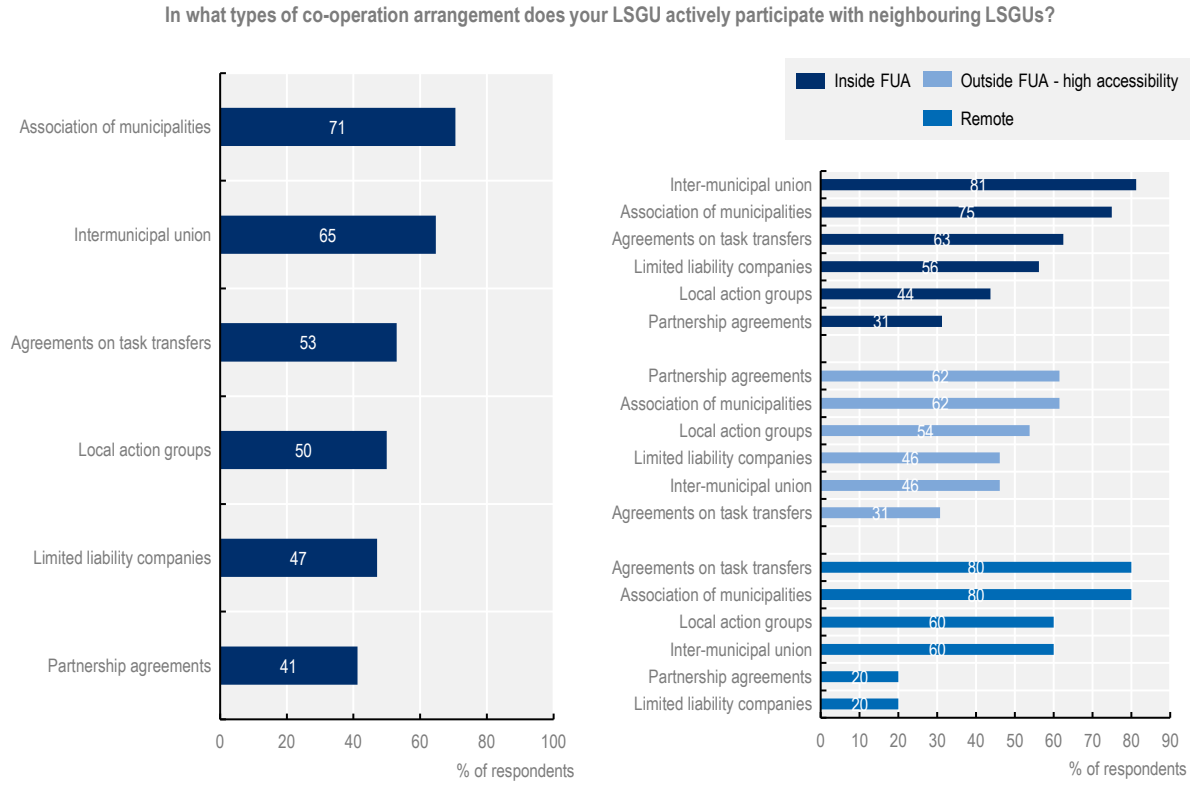
Type of inter-municipal co-operation form	Description	Type of service delivered
Inter-municipal unions	Corporations of public law created by LSGUs. The main objective is the delivery of specific services on behalf of member municipalities.	Water, sewage, garbage collection and management, local passenger transport, stray dogs, etc.
Association of municipalities	Entities of private law. Their main objective is to co-ordinate activities of member municipalities and/or provide new services.	Preparing joint development strategies, tourist promotion, regional tourism management, promotion of specific local industry, etc.
Inter-municipal agreements	These do not represent a separate legal entity. The main objective is to transfer certain tasks to other municipalities, typically the delivery of specific services, in the form of a signed agreement based on the delegation of the Municipal Self-Government Act.	Passenger transport, school service provision, kindergartens, social assistance services, stray dogs

Type of inter-municipal co-operation form	Description	Type of service delivered
Limited liability companies	Legal company (under private law). Their main objective is to deliver specific services on behalf of member municipalities.	Water, sewerage, garbage collection and management, local passenger transport
Partnership agreements – based on the civil code	Loose agreements on co-operation. They aim to co-ordinate activities of independent municipalities and can involve partners from the social or private sector.	Most often implementation of joint development projects
Public-private partnerships	Entities of private law. Their main objective is to deliver new services for citizens or businesses where the municipality has no capital to invest. They involve the private sector.	Car parks, new multi-purpose buildings for public use, energy efficiency
Local action groups	Associations bringing together actors from different sectors. Their main objective is to develop the local economy through co-operation agreements for the use of EU funds. They involve entities from public, private and social sectors (EU LEADER programme).	Operators of EU micro-grants to local businesses and non-governmental organisations (NGOs), building local social integration

Source: Adapted from Potkanski, T. (2016[28]), "Forms and experience of inter-municipal cooperation in Poland", https://rm.coe.int/16806fa10d (accessed on 30 July 2020).

Polish LSGUs are increasingly recognising the benefits of inter-municipal co-operation. The two most used forms of co-operation are inter-municipal unions and inter-municipal agreements. Among the municipalities responding to the OECD questionnaire for this report, 71% declare participating in an association of municipalities, 65% in an inter-municipal union and 53% in an agreement on task transfers (Figure 6.7). Municipalities inside FUAs are the ones that make the greater use of inter-municipal unions and agreements, followed by municipalities outside FUAs with high accessibility. In turn, remote municipalities[6] are the ones that make greater use of agreements to transfer tasks to other municipalities. With these responses, it seems that municipalities are increasingly recognising the need to co-operate when they are part of the same FUA. At the same time, remote municipalities have fewer capacities to deliver certain services and thus make greater use of the possibility of transferring certain tasks to other municipalities, although this finding is based on a limited sample of remote municipalities.

Figure 6.7. Types of co-operation agreements among local self-governments in Poland



Note: Based on 34 municipality responses to the OECD questionnaire (n=34). 16 responses from municipalities within FUAs; 13 responses from municipalities outside FUAs with high accessibility; 5 responses from remote municipalities.
Source: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

The access of Poland to the EU has also had a strong influence on strengthening co-operation arrangements for regional and local development, as it is a core element of EU Cohesion Policy. By forming unions, municipalities have been able to apply for pre-accession funds that were too large for municipalities to receive individually. This is the case, for example, of the Union of the Upper Raba Communities and Kraków that was created to deal with water degradation in the Raba River basin (Council of Europe, 2010[29]). Inter-municipal co-operation for waste management is also a clear example of the benefits brought by the EU membership. The term "waste revolution" is commonly used in Poland to describe institutional changes resulting from the adjustment of domestic law to EU requirements (Kołsut, 2016[27]). The increasing tendency of co-operation for waste management between Polish municipalities has been also reinforced by a large stream of EU funds earmarked for waste management projects (Kołsut, 2016[27]). In addition, Poland has had a successful experience with integrated territorial investments (ITIs), which have strengthened, among others, rural-urban partnerships by tackling joint projects across functionally connected municipalities. A key issue in the implementation of ITIs is the degree of formalisation of partnerships that can influence the quality of strategic programming. In Poland, the co-operation of municipalities in the development and governance of FUAs seems to be the most important element for efficient ITI functioning. ITIs in Poland have effectively promoted co-operation between different administrative units at the functional urban level. They have served, so far, as a laboratory of inter-municipal co-operation. Looking forward, the maintenance of flexibility of activities, without imposing artificial boundaries of the area of intervention, seems to be of key importance in the scope of governance of ITI implementation in the future.

Box 6.5. Integrated territorial investments in Poland

For the 2014-20 EU Cohesion Policy, ITIs allows EU member states to bundle funding from several Priority Axes of one or more operational programmes (EU programmes) to ensure the implementation of an integrated strategy for a specific territory. This tool responds to the necessity to strengthen the integrated approach to development programming combining policies, sectors and funds.

In Poland, ITIs are in place since 2012 – they are compulsory for the FUAs of voivodeship capitals. They are also optional in nine selected FUAs of regional centres and FUAs of subregional centres. The conditions to implement an ITI include:

The establishment of an ITI union can take the form of an arrangement of self-governments, an association or an intner-municipal union.

The ITI union overtakes the tasks related to the implementation of the national or regional operational programme that have been so far the responsibility of regional authorities, which means that regions cease to be the only entities and partners for the government's regional policy.

In the majority of cases, the establishment of ITI unions was based on two models: i) an "interim" model, usually taking the form of an arrangement, in which LSGUs established an ITI union for the purpose of expending allocations from a Regional Operational Programme (ROP); and ii) the "co-operation" model, where the ITI union is a natural continuation of previously commenced co-operation.

The preparation of an ITI strategy that specifies: the diagnosis of the area of implementation of an ITI together with the analysis of developmental challenges; the objectives to be implemented in the scope of an ITI; expected results and indicators related to the implementation of the ROP; proposals of project selection criteria in the course of an open call for proposals; a preliminary list of projects selected in the restricted call for proposals; and the sources of financing.

The establishment of an arrangement or agreement concerning ITI implementation between an ITI union and the relevant governing institution of the ROP.

Source: Kociuba, D. (2018[30]), "Implementation of integrated territorial investments in Poland – Rationale, results, and recommendations", http://dx.doi.org/10.2478/quageo-2018-0038.

The voluntary nature of ITIs leads to collaboration on projects that are mutually beneficial (OECD, 2018[16]). The Partnership City Initiative is an experience inspired by European examples that also reflects efforts carried out at the national level to strengthen networks of municipalities and that could be further developed (Box 6.6).

Box 6.6. The Polish Partnership City Initiative

The aim of the Partnership City Initiative (PCI) is to improve development conditions and support the integrated and sustainable development of Polish cities. It is an element of the SRD. For this, the Ministry of Development Funds and Regional Policy (MDFRP) provides organisational (e.g. organising meetings) and expert support for the networks. So far, 3 networks have been launched – air quality, urban mobility and revitalisation – with 34 cities involved. The representatives of individual LSGUs, responsible for the given topic, as well as external experts, participate in the works of each network.

All cities, in addition to exchanging experiences, work on the so-called Urban Action Initiatives, which are documents containing specific solutions for previously identified challenges and/or local problems. The final result of the work of each network will be the Improvement Plan, which is a document containing a set of recommendations for conducting national policies related to the thematic area of a given network.

Source: Ministry of Investment and Economic Development (2019[31]), *Sustainable Urban Development in Poland*, https://www.funduszeeuropejskie.gov.pl/media/72570/raport_en_final.pdf (accessed on 11 September 2020).

Inter-municipal co-operation schemes have been used in Poland for several purposes, most of them linked to investments in local roads or public transport, the delivery of public services such as waste management or the joint management of sewerage systems. Inter-municipal unions have also been adopted to promote investment in such areas as the agri-food sector or the development of tourism, sport and leisure (OECD, 2018[16]). For example, diverse groups of municipalities have set up public transport unions. Some of them date from the early stages of decentralisation reforms, such as the Municipal Transport Association of the Upper Silesian Industrial Basin created in 1991 in the Katowice metropolitan area – which is the largest and most densely urbanised region in Poland. There are also more recent unions established such as the Sub-Radom Automotive Transport Union of Municipalities dating from 2010 (World Bank, 2016[32]). During the OECD field research, different municipalities also declared co-operating with their neighbours for specific projects or services. The municipality of Łubianka, for example, collaborates with other municipalities for waste treatment, environmental protection and health protection. Kutno also collaborates with its neighbours in the provision of kindergartens by supporting their infrastructure in other smaller municipalities. Some co-operation between neighbouring municipalities also occurs informally, such as the case of Międzyrzec Podlaski where the urban and rural municipalities conduct regular meetings in order to align priorities without having a formal agreement or co-operation framework.

Still, the take-up of the different forms of inter-municipal co-operation remains slow

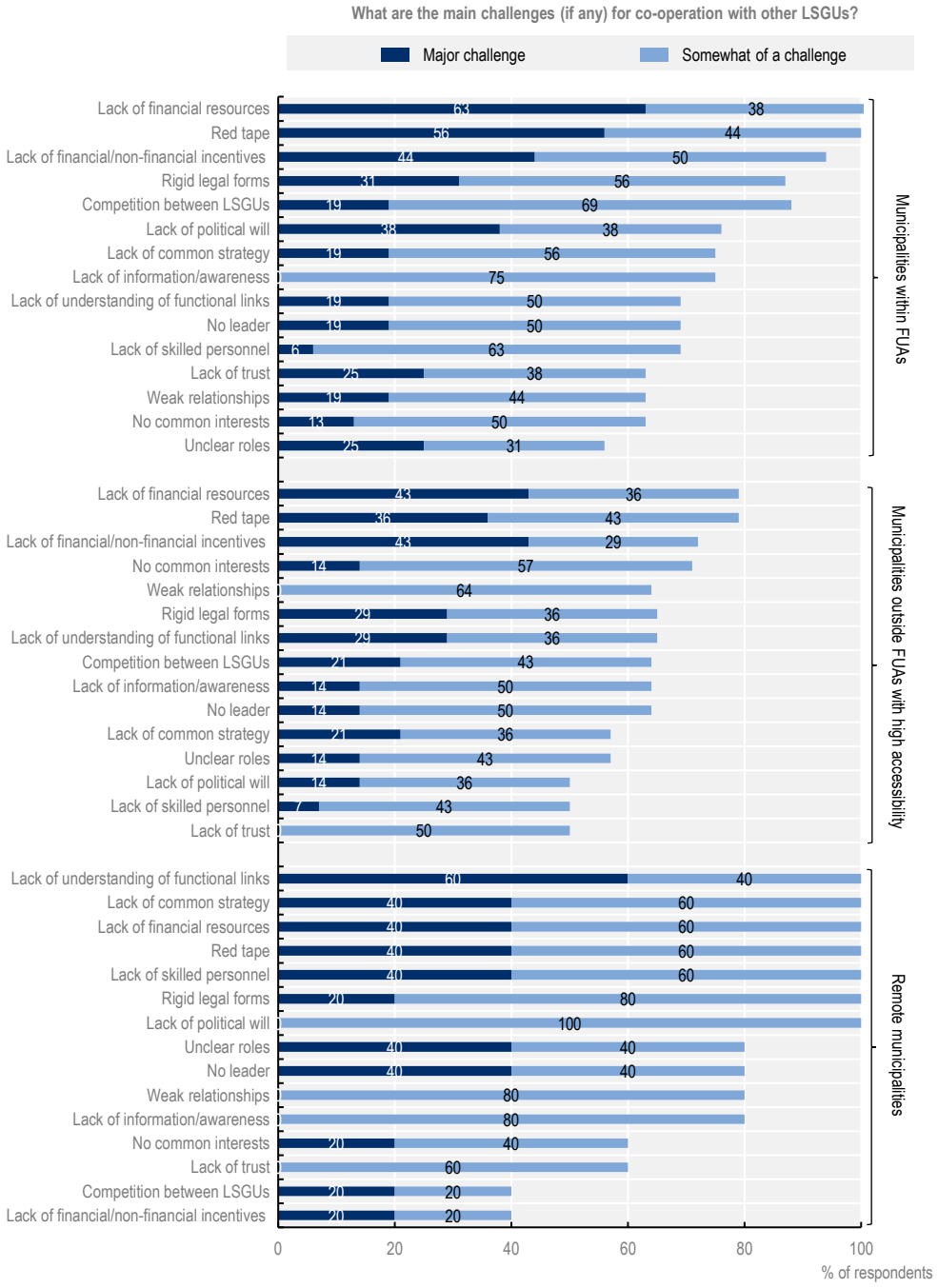
While increasing, the take-up of the different forms of inter-municipal co-operation remains slow and differs across the country. The EIB study that focuses on infrastructure investment shows that only 23% of Polish municipalities co-ordinate their investment projects with other neighbouring municipalities (compared with 37% on average in the EU) and only 17% do so with a network of municipalities, the smallest share of all EU countries represented in the study (EIB, 2017[5]). While inter-municipal co-operation is increasingly popular in areas such as water and waste management or broadband and road infrastructure, it remains limited in sectors such as education and housing (OECD, 2018[16]). Moreover, a study focusing on co-operation in waste management shows that the spatial distribution of inter-municipal bodies is uneven and clearly differs by voivodeship, co-operation in northern and western Poland being more important than in the south and east (Kołsut, 2016[27]). The author calls this a “voivodeship factor” as the regions play a significant role in initiating and stimulating co-operative behaviour among municipalities (Kołsut, 2016[27]).

Currently, co-operation between municipalities is mainly done on a project basis, lacking a comprehensive functional approach to co-operation. In general, co-operation takes place for particular investment projects or the delivery of certain services for which municipalities see an advantage in acting together. This is the case of road building, waste management services or public transport agreements. When it comes to strategic planning, municipalities only consult their own local development or spatial strategies with other neighbouring municipalities but do not necessarily plan together with the functional area in mind (see Chapter 3). An important change in this respect has been introduced by amendment to the Principles of Development Policy Act as of July 2020, which introduced the possibility of developing supra-local strategies by LSGUs pertaining to the same functional area (see Chapter 3). This represents an important step forward towards a functional approach to strategic planning, one that considers the whole territory and not only the administrative boundaries. The development of specific instruments to implement such strategies, with their corresponding incentives, would allow municipalities to have a comprehensive and territorial approach to development. The county, voivodeship and national levels play a crucial role in encouraging such an approach.

A key challenge for establishing co-operative arrangements in Poland is the lack of financial resources and incentives whereby municipalities could access higher or other funding sources if they plan together to conduct joint projects or share services. In the OECD questionnaire for this study, the lack of financial resources to form a co-operation arrangement and the lack of incentives appear as two major challenges for the majority of municipalities of all types. Interestingly, for remote municipalities, the lack of understanding of functional links with their neighbours is the primary challenge when it comes to horizontal co-ordination, in contrast with other municipalities (in FUAs or outside FUAs with high accessibility) for which this challenge appears only in the eighth or ninth place (Figure 6.8). Several stakeholders from the voivodeship and LSGU levels during the OECD field research also highlighted that co-operation was facilitated when they were able to access more funding. The lack of resources for municipal associations' or unions' joint projects may indeed explain the failure of some that were created in the early stages of decentralisation reforms. Due to a lack of incentives from co-operative arrangements between different municipalities, their creation depends largely on the political will and personal contacts of local authorities.

Excessive and complicated administrative procedures also hamper co-operative arrangements in Poland (Figure 6.8). A clear example is the burden caused by administrative procedures when municipalities want to integrate their public transport offer. When municipalities collaborate for public transport, they meet a number of legal obstacles making such integration difficult and expensive; rules are extremely detailed and suggest that agreeing on integrated fares across operators within a FUA is also unduly complex (World Bank, 2016[32]). Moreover, it is common to observe that while some co-operative agreements are set up, they stop functioning due mainly to administrative procedures that impede their efficient functioning. This is the case, for example, of the energy cluster started by Ziębice with other municipalities that did not receive the appropriate certification to prosper. The slow uptake of such agreements may be also in part due to a lack of adequate knowledge about how they work and the risks involved (OECD, 2018[16]). The lack of concrete incentives coupled with bureaucratic procedures results in weak co-operation between municipalities.

Figure 6.8. Main challenges for co-operation between municipalities



Note: Based on 35 municipality responses to the OECD questionnaire (n=35). 16 responses from municipalities (gminas) within FUAs; 14 responses from municipalities outside FUAs with high accessibility; and 5 responses from remote municipalities.
Source: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

Encouraging municipalities to form inter-municipal co-operation schemes

Further developing financial incentives for co-operative arrangements between municipalities is crucial for their greater success. Through financial incentives, Poland can encourage joint planning and the delivery of joint services, which is particularly relevant to face common local challenges, such as the ageing

population (see Chapter 1) and attenuate increasing costs of services. Many OECD countries have recently passed regulations to encourage inter-municipal co-operation on a voluntary basis. For instance, France offers special grants and a special tax regime in some cases and other countries, like Estonia and Norway, provide additional funds for joint public investments. Slovenia introduced a financial incentive in 2005 to encourage inter-municipal co-operation by reimbursing 50% of staff costs of joint management bodies – leading to a notable rise in the number of such entities. In Galicia, Spain, investment projects that involve several municipalities get priority for regional funds (Mizell and Allain-Dupré, 2013[33]; OECD, 2019[1]). Inspired by these examples, Poland can envisage assigning a share of existing funds for local development and investments exclusively to joint projects. Alternatively, Poland can further develop the territorial contracts for projects between the national or regional self-governments and municipal unions or associations. The county level can also play an active role in encouraging co-operation through financial incentives since the planning phase. For this, examples such as the one of Lubelskie, which provides additional funding for municipalities of the functional area that prepare a joint strategic plan, could be further expanded.

Peer learning and the creation of capacities are also crucial processes to further encourage municipalities to co-ordinate planning, investments and service delivery. Given the spatial compactness and closeness of co-operative arrangements in Poland for some areas such as waste management, diffusion and imitation seem to be key elements for their success (Kołsut, 2016[27]). Some OECD countries have opted to encourage collaboration by providing consulting and technical assistance, promoting information sharing or providing specific guidelines on how to manage such collaboration. Arrangements to solve capacity issues have been popular in particular among the Nordic countries (Denmark, Finland, Norway and Sweden) but they have also been practiced in Chile, France, Italy and Spain for example (OECD, 2017[26]; 2019[34]).

Box 6.7. Financial incentives for cross-jurisdictional co-operation

Most of the time, inter-municipal co-operation is promoted on a voluntary basis. Incentives are created to enhance inter-municipal dialogue and networking, information sharing and sometimes to help in the creation of these entities. These incentives can be financial or can also have a more practical nature (consulting and technical assistance, production of guidelines, measures promoting information sharing such as in Canada, Norway and the United States). Several countries have also implemented new types of contracts and partnership agreements to encourage inter-municipal co-operation.

France has more than 36 000 *communes*, the basic unit of local governance. Although many are too small to be efficient, France has long resisted mergers. Instead, the national government has encouraged municipal co-operation. There are about 2 145 inter-municipal structures with own-source tax revenues aimed at facilitating horizontal co-operation; 99.8% of *communes* are involved in them. Each grouping of *communes* constitutes a “public establishment for inter-municipal co-operation” (EPCI). EPCIs assume limited, specialised and exclusive powers transferred to them by member *communes*. They are governed by delegates of municipal councils and must be approved by the state to exist legally. To encourage municipalities to form an EPCI, the national government provides a basic grant plus an “inter-municipality grant” to preclude competition on tax rates among participating municipalities. EPCIs draw on budgetary contributions from member *communes* and/or their own tax revenues.

In **Slovenia**, inter-municipal co-operation has risen in recent years, in particular with projects that require a large number of users. In 2005, amendments to the Financing of Municipalities Act provided financial incentives for joint municipal administration by offering national co-financing arrangements:

50% of the joint management bodies' staff costs are reimbursed by the national government to the municipality during the next fiscal period. The result has been an increase in municipal participation in such entities from 9 joint management bodies in 2005 to 42 today, exploding to 177 municipalities. The most frequently performed tasks are inspection (waste management, roads, space, etc.), municipal warden service, physical planning and internal audit.

At the sub-regional level in **Italy**, there is a long tradition of horizontal co-operation among municipalities, which takes the form of *Unione di Comuni*, intermediary institutions grouping adjoining municipalities to reach critical mass, reduce expenditure and improve the provision of public services. A law from April 2014 established new financial incentives for municipal mergers and unions of municipalities. Functions to be carried out in co-operation include all the basic functions of municipalities. All municipalities up to 5 000 inhabitants are obliged to participate in the associated exercise of fundamental functions.

The Autonomous Community of Galicia in **Spain** has many small municipalities. Many have limited institutional capacity and are spread out geographically, which increases the cost of providing public services. The regional government has taken steps to encourage economies of scale. First, it has improved the flexibility of and provided financial incentives for voluntary ("soft") inter-municipal co-ordination arrangements. Investment projects that involve several municipalities get priority for regional funds. "Soft" inter-municipal agreements tend to be popular in the water sector. Local co-operation is also being encouraged in the urban mobility plan for public transport, involving the seven largest cities in the region. The regional government also imposed a "hard" co-ordination arrangement. Specifically, it created the Metropolitan Area of Vigo, an association of 14 municipalities. Although the metropolitan area was defined by the regional government, it was based on a history of "light co-operation" among 12 municipalities (out of 14). Voluntary municipal mergers may be encouraged in the future.

Source: OECD (2020[35]), *Regional Policy for Greece Post-2020*, OECD Territorial Reviews, OECD Publishing, Paris, https://doi.org/10.1787/cedf09a5-en; OECD (n.d.[36]), *Effective Public Investment across Levels of Government Toolkit*, www.oecd.org/effective-public-investment-toolkit; OECD (2017[37]), *Gaps and Governance Standards of Public Infrastructure in Chile: Infrastructure Governance Review*, https://dx.doi.org/10.1787/9789264278875-en.

In Chile for example, where the culture of collaboration between municipalities is weak, municipal associations have had a positive impact on investments and capacity building. Municipalities that are part of an association in Chile have proven to develop better investment projects able to get financing, to positively affect capacities of smaller municipalities, and to have more bargaining power than municipalities on their own to get financing from regional and national levels (OECD, 2017[38]). Based on these OECD experiences, Polish municipalities with successful stories can share their experience and encourage other municipalities to enter into such arrangements by showing that, through partnerships, municipalities can achieve more efficient and better results. Voivodeships and counties could lead this capacity building and peer learning process, in particular regarding weaker and rural municipalities. They are the ones that can organise peer learning, offer technical support and act as political facilitators. The elaboration of a clear toolbox or guidelines on how to deal with the administrative procedures when establishing co-operative arrangements should accompany this process.

Box 6.8. Local government associations in Chile: Capacity building and peer learning processes

Association of municipalities of Chile (*Asociación Chilena de Municipalidades*)

The Association of Municipalities in Chile's objective is to represent all Chilean municipalities, defend their interests and promote bottom-up policies. Its mission is "To be a democratic institution, representative and leader of all Chilean municipalities fulfilling a role of promotion of innovation and excellence, through education, training as well as technical and political support with the aim to deepen the decentralisation of the state". The association also acts as an expertise centre and think tank. It has already published a number of studies, surveys and publications that cover different topics such as municipal health, public education, citizen security, child protection, e-commerce, staff management, electoral participation, migration, transport and good municipal practices, among others. In 2017, the Association of municipalities of Chile comprises 61 municipality members.

Association of Chilean Municipalities (*Asociación de Municipalidades de Chile*)

The Association of Chilean Municipalities is a national-level body bringing together 342 of Chile's 345 local authorities (membership is voluntary). One of its objectives is to strengthen municipal capacity among both elected officials (mayors, municipal council members) and municipal civil servants who participate in a variety of seminars, training courses, workshops and fora. The association develops information products and training on legislative and regulatory updates. It also comprises technical commissions made up of mayors and municipal council members that explore specific areas in municipal management, such as housing, health, education, finance, staff management and the environment. The association also promotes the execution of joint development strategies among municipalities.

Source: OECD (2017[38]), *Making Decentralisation Work in Chile: Towards Stronger Municipalities*, http://dx.doi.org/10.1787/9789264279049-en.

More flexible co-operative arrangements may also be needed to spark municipal co-operation, in particular to face uncertainty and address the current crisis challenges. The existence of rigid legal forms of co-operation in Poland is among the top five challenges highlighted by all type of municipalities in the OECD questionnaire, being more prominent for municipalities inside FUAs. Indeed, the flexibility of co-operative arrangements is particularly relevant for municipalities pertaining to different functional areas that face specific and distinct challenges. France's "reciprocity contacts" are a good example of how a country can structure dialogue between municipalities but does not rigidly fix the responsibilities of each party. The purpose of this approach is to develop a framework for mutual exchange that can support the accompanying project (OECD, 2018[16]) (Box 6.9). The flexibility of co-operative arrangements is also crucial to allow municipalities to react more efficiently and quickly to the challenges which have arisen due to an unexpected crisis such as the current pandemic, which differ markedly across a country's territory. Facilitating inter-municipal co-operation can support recovery strategies by ensuring coherent safety/mitigation guidelines, pooling resources and strengthening investment opportunities through joint procurement or joint borrowing. The importance of such co-operation has been seen in Denmark, for example, where municipalities have joined forces to purchase protective equipment for their personnel. In Sweden, the four largest municipalities have joined forces with a guarantee for a credit of half a billion for the purchase of protective equipment for all Swedish municipalities (OECD, 2020[10]).

Box 6.9. France's reciprocity contracts

Well-aware of the complementarity potential of its different urban and rural territories, France has developed a new experimental tool to promote inter-municipal collaboration: city-countryside reciprocity contracts (*contrats de réciprocité ville-campagne*).

These agreements are adaptable to different territorial realities; their jurisdictions are not predefined, which allows them to cover different areas depending on the issue at hand. The process is primarily led at the inter-municipal level, with the state, regions and departments being asked to support local initiatives.

France's reciprocity contracts acknowledge the diversity of rural areas and seek to strengthen and valorise urban-rural linkages. This is driven by an understanding that urban-rural interactions should address not just proximity issues (e.g. commuting patterns) but also consider reciprocal exchanges in order to build meaningful partnerships. Potential areas for co-operation include:

- Environmental and energy transition (e.g. waste management, food security, the preservation of agricultural land and natural areas, and bioenergy development).
- Economic development (e.g. the joint promotion of the territory and the development of joint territorial strategies, land use policies, support for businesses and the development of teleworking to help maintain remote towns centres).
- The quality of services (e.g. promoting tourist sites, access to sports facilities, leisure, heritage and access to health services).
- Administrative organisation (e.g. mobilisation of staff with specific skills to support key projects or needs.

Source: OECD (2018[16]), *OECD Rural Policy Reviews: Poland 2018*, https://dx.doi.org/10.1787/9789264289925-en.

Moving forward with the governance of metropolitan areas

Co-ordination across municipalities is particularly relevant in metropolitan areas. Suitable governance arrangements in urban areas can promote productivity (Ahrend et al., 2014[39]). Enhancing the co-operation and co-ordination of the provision of public infrastructure and services on a metropolitan scale can also improve the quality of life and international competitiveness of large cities.

In accordance with OECD countries trends, in 2016, Poland established for the first time the possibility for municipalities to create a metropolitan association. Until the enactment of the Metropolitan Act in 2016, Polish law did not provide much scope for special metropolitan arrangements, as there was no specific regulation governing metropolitan areas, nor legal documents clarifying the delimitation of a metropolitan area. However, even before the Metropolitan Act, several metropolitan areas have launched bottom-up initiatives within the legal framework that existed, including the Wrocław voivodeship (1999), Warsaw (2000), Gdańsk (2003), Katowice and Poznań (2009), among others (Łaszek and Trzeciakowski, 2018[7]). However, many of them were unstable and most underwent a constant transformation. Only 1 city-region (Katowice/"Silesia") decided on the most formalised option of a joint committee of 14 cities (Łaszek and Trzeciakowski, 2018[7]). Until today, there is thus little tradition of metropolitan co-operation or development of relationships across jurisdictional boundaries in metropolitan areas in the country.

The Silesian Voivodeship is the only one across Poland to have benefitted from recent legislation by establishing the Metropolitan Association of Upper Silesia and Zagłębie (Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)) in 2017. The initiatives to establish a formal supra-local or metropolitan body

have been undertaken since the early 1990s in the Slaskie Voivodeship. The willingness to co-operate is explained by several reasons. First, the spatial structure of the central part of the region consists of several cities of similar features (in terms of size, level of urbanisation, etc.) with a common history of industrial cities. Second, these cities are internally connected in terms of infrastructure and transport and have almost no visible borders among particular municipalities, sharing development challenges and needs. In this context, the municipalities of the voivodeship have undertaken several initiatives to co-operate: the Communal Transport Union (gathering approximately 30 municipalities) was set up in 1991; the Union for Sustainable Development of the Cities of Katowice Agglomeration (consisting of 13 municipalities) operated in 1995-2000 to implement the Sustainable Cites Programme; and, finally, the Upper Silesian Metropolitan Association (so-called Silesia Metropolis) was established in 2006-17 as a voluntary initiative of 14 municipalities with county status (see Box 6.10).

Today, Metropolis GZM, which is an expansion of a previous collective union on transportation, is composed of 41 municipalities within the central part of the Silesian Voivodeship and has a metropolitan council which convenes in Katowice, the largest city of the region. The main purpose of the metropolitan association is to maintain a strong urban and industrially developed area, competitive at the national and international levels. As specified in the Metropolitan Association Act, Metropolis GZM should integrate the potential of all member municipalities and take initiatives towards a more dynamic social and economic development, enhancing spatial and functional coherence. Interestingly, the Act establishing Metropolis GZM unprecedentedly defined provisions regarding the financing of this type of institution in Poland. The sources of income are primarily 5% tax revenues from individuals who live in the metropolis and membership fees of municipalities and cities forming Metropolis GZM. The metropolis is also authorised to prepare and approve its development strategy, including a spatial-functional model, a novelty feature when compared to former legal regulations.

Box 6.10. The metropolitan association in the Silesian Voivodeship – Metropolis GZM

The creation of Metropolis GZM – the metropolitan association in the Silesian Voivodeship – is the result of more than 20 years of efforts to co-operate within the province. The creation of the Metropolitan Association of Upper Silesia in 2006 was an important step. It included the 14 largest cities of the Silesian conurbation. The association's activities laid the foundations for further work on building a strong metropolitan centre.

On 29 June 2017, the Council of Ministers issued the regulation regarding the creation of the metropolitan association under the name "Górnośląsko-Zagłębiowska Metropolia" (Metropolis GZM). It has an assembly, which is the legislative and control body that consists of representatives of all member municipalities and communes. The first assembly was held on 29 August 2017, while the Metropolitan Management Board, its executive body, was elected on 12 September 2017. On 1 January 2018, the metropolis began implementing statutory tasks. As of today, 41 municipalities form the metropolitan association.

The special law dedicated to the Metropolis GZM defines the list of tasks to be implemented:

- **Public transport**: The objective is to provide sustainable urban mobility. The association's main role, as self-defined, is to provide residents with a range of communication options that will be tailored to the needs of the moment and their personal preferences.
- **Socio-economic development**: The metropolis aims to take an active part in the process of building a knowledge-based economy, co-ordinating the co-operation of entities operating in the area and boosting the development of key industries. It also looks to reinforce the business-

science-LSGU co-operation and promote joint activities with business environment institutions and universities.

- **Spatial order**: The objective is to ensure a unified and rationalised spatial development. A key focus is co-operation for the development of communication systems, including bike routes.
- **Promotion**: One of the key roles of the association is disseminating all advantages of the metropolis at home and abroad.

Pursuant to the act, municipalities pertaining to the association may delegate the implementation of their statutory tasks to the metropolis but they must guarantee their financing. The part that individual communes additionally pay to the GZM budget when they commission performing their own task is called the variable contribution. This is the case with public transport organisations. It is, formally, the communes' own task, which was transferred to the metropolis. That is why they pay a contribution to GZM's budget every year to finance the operation of public transport in their area.

Source: Metropolis GZM (n.d.[40]), *Homepage*, https://metropoliagzm.pl/en/ (Accessed on 7 May 2021).

Further encouraging co-operation across municipalities in metropolitan areas is crucial for Poland as the lack of a metropolitan body prevents a whole-of-city approach to investments and policy delivery. The urban landscape in Poland is heterogeneous and a governance model for metropolitan areas needs to take into account this heterogeneity by being as flexible as possible (and not "one-size-fits-all"). The governance model must be in tune with the structure of the different FUAs. While for certain urban areas empowering the voivodeships or the counties with metropolitan governance responsibilities might be an effective solution, for other urban areas the creation of a new and independent institution might be necessary. A supra-municipal arrangement – as the one established in Silesia – where governance structures are reshaped to fit or approximate the functional economic area of the metropolitan region can take different forms. Regardless of its form, the effectiveness of any metropolitan institution will depend heavily on its competency allocation and the structure of its financial and administrative resources provision. A key element is the degree of autonomy: it will have to manage either its own resources, a transfer from the national level, municipal contributions or a combination of all three.

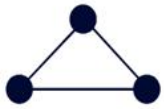
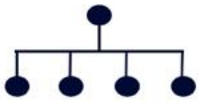
Identifying the most relevant arrangement for individual metropolitan areas remains a matter of political and social choice, conditioned by factors that vary from one country to another, and sometimes across metropolitan areas within the same country. When selecting a type of arrangement, governments are likely to make a more informed choice if they assess its overall impact in the specific national and metropolitan context – and particularly how fit they are to meet the following three challenges at hand (OECD, 2015[41]):

- Co-ordinating policies, both horizontally between municipalities and across policy sectors, and vertically with upper levels of government and supranational institutions.
- Acting institutionally and financially, in terms of staff, budget and financing structure and power.
- Being perceived as legitimate and generating trust among citizens and NGOs, other levels of government, the private sector, etc.

Experience in OECD metropolitan areas suggests the following four broad categories of metropolitan governance bodies (from the "lightest" to the most "stringent" in institutional terms) (Table 6.2): informal/soft co-ordination; inter-municipal authorities; supra-municipal authorities; and the special status of "metropolitan cities". One should note that the categories of the typology are not mutually exclusive. For example, a metropolitan area may adopt one arrangement for a specific public service and another for other services. Some instances may also be hybrids in practice, combining the characteristics of two or more categories (OECD, 2015[41]).

Table 6.2. Four broad categories of metropolitan governance bodies in OECD metropolitan areas

From the lightest to the most stringent in institutional terms

a) **Informal/soft co-ordination**. Often found in instances of polycentric urban development, lightly institutionalised platforms for information sharing and consultation are relatively easy both to implement and to undo. They typically lack enforcement tools and their relationship with citizens and other levels of government tends to remain minimal.	
b) **Inter-municipal authorities**. When established for a single purpose, such authorities aim at sharing costs and responsibilities across member municipalities – sometimes with the participation of other levels of government and sectoral organisations. Multi-purpose authorities embrace a defined range of key policies for urban development such as land use, transport and infrastructure.	
c) **Supra-municipal authorities**. An additional layer above municipalities can be introduced either by creating a directly elected metropolitan government or with the upper governments setting down a non-elected metropolitan structure. The extent of municipal involvement and financial capacity often determine the effectiveness of a supra-municipal authority.	
d) **Special status of "metropolitan cities"**. Cities that exceed a legally defined population threshold can be upgraded into a special status as "metropolitan cities", which puts them on the same footing as the next upper level of government and gives them broader competencies.	

Source: OECD (2014[42]), *OECD Regional Outlook 2014: Regions and Cities: Where Policies and People Meet*, https://dx.doi.org/10.1787/9789264201415-en.

Specifically, various metropolitan models have been implemented in different countries (Box 6.11). Good examples of metropolitan governance reforms can be found in Colombia where some metropolitan areas, like Bucaramanga or Medellin, have more competencies or access to resources than in many OECD countries. In Colombia, metropolitan areas are governed by a metropolitan board consisting of the mayors and a number of member municipalities, as well as the governor of the department in which the metropolitan area is located. Metropolitan areas have access to various financing sources, including transfers from national, departmental and municipal budgets, betterment levies collected from metropolitan development projects, taxes (including an environmental surtax on property tax), user charges and fees related to public service provision, borrowing and a gasoline surtax. The United Kingdom (UK) also has an interesting model where urban areas are governed through arrangements between the national and subnational governments by allowing a degree of "tailored" devolution of responsibility to British cities. The French model of metropolitan areas introduced in 2014 foresees differentiated responsibilities for the different metropolitan areas, carried out on a voluntary basis.

Box 6.11. Different models of metropolitan governance: The case of France and the UK

The 2013 French Law on Metropolitan Areas

The 2013 French Law on Metropolitan Areas contemplated differentiated governance for Paris, Lyon and Aix-Marseille, to include governance structures with their own taxing powers and the shift of competencies from regions and *départments*. In France, efforts were already made by the national government during the 2000s to encourage co-operation at an urban level (spatial planning directive, and calls for metropolitan co-operating projects). However, apart from the creation of urban communities in 1966, they had little success. The 2010 Law on the Creation of Metropolitan Areas has led to the creation of only one metropolis (Nice Côte d'Azur), confirming once again that regulation is not sufficient to induce reform. A new step was achieved in 2013 with the first discussions on the new law on metropolitan areas. The government adopted a new approach, based on governance solutions

tailored to territorial specificities and local needs. The 2014 MAPTAM law on the modernisation of public territorial action and metropolises introduced a degree of diversification across French territories. Fourteen metropolises (more than 400 000 inhabitants) will be granted greater responsibilities than "standard" municipalities or inter-municipalities, justified by their larger size and urban nature. Among them, the three largest metropolitan areas (Paris, Lyon and Aix-Marseille-Provence [PLM], which were already granted specific status by the 1982 PLM Law, received different ad hoc governance structures – i.e. different organisation, responsibilities and resources.

The *Métropole du Grand Lyon*, operational since January 2015, has (unlike Aix-Marseille-Provence and Paris) a particular metropolitan status: it merged the responsibilities of the existing inter-municipal co-operation entity Grand Lyon and those of the *département* du Rhône, covering about 1.3 million people – the only one of its kind in France. Political representatives for the metropolis will be elected through direct suffrage from 2020 onwards. This innovative "asymmetrical" approach based on "recognising the diversity of territories within the unity of the Republic" is relatively new in France (OECD, 2013[43]), where past policies were uniform across territories (except for overseas territories). It aims at adapting organisational structures and policies to the distinctive characteristics of territories at an appropriate scale. Another innovation is the setting up of two transitory inter-ministerial "prefiguration" task forces for Grand Paris and Aix-Marseille-Provence. These task forces, headed by the prefect and composed of national and local civil servants and experts, prepared the reforms and then helped in the transition process. They also work to gain support from citizens, local authorities, the private sector, and civil society (OECD, 2013[44]).

Finally, the French metropolitan reform is a good illustration (at least in the cases of Grand Paris and Aix-Marseille) of resistance from local mayors and possibly from the regional level. The implementation process is as crucial as the nature of the reform itself: the adoption of a law is not sufficient as it may not, or partly, be implemented in practice.

City Deals in the UK

Since 2010, the UK has developed a comprehensive policy on devolution and local economic growth which is characterised by:

- Agreeing on place-based approaches to driving economic growth, regeneration and housing development – including pan-region models.
- Devolving and decentralising powers and functions to local areas, e.g. through City Deals, Growth Deals and Devolution Deals.
- Empowering strong and accountable local decision-making and giving a voice to the private sector, e.g. local enterprise partnerships, mayors, combined authorities.
- Creating the conditions for local growth through a competitive, deal-making approach, which offers incentives, e.g. Local Growth Fund, Enterprise Zones.

In particular, City Deals are agreements between the government and a city that give cities control to: i) take responsibility for decisions that affect their area; ii) design their own strategies to help businesses grow; iii) create economic growth; and iv) decide how public money should be spent. The City Deals are focused on institutional alignments and recentring local governments as key agents of urban planning. The deals are built following a bottom-up approach to agree on priorities and proposals with local authorities.

Currently, the responsibilities of metropolitan areas comprise transport, spatial planning, regional development, waste disposal, water provision and sanitation.

Source: Thorpe, K. (2019[45]) (2019), "Devolution and local economic growth policy in the United Kingdom", Unpublished; Allain-Dupré, D., I. Chatry and A. Moisio (forthcoming[46]), *Asymmetric Decentralisation: Trends, Challenges and Policy Implications*.

Building stronger partnership and collaboration mechanisms across levels of government

In Poland, while traditionally inter-ministerial committees have been a main tool to co-ordinate policy priorities between the different levels of governments, agreement-based co-operation is gaining traction in the form of territorial contracts. Reinforcing vertical co-ordination mechanisms, particularly ones that foster a relationship based on a partnership among levels of government rather than hierarchy is becoming increasingly important as LSGUs become more empowered. Success at all levels of government depends on: clear communication of objectives and priorities, both top-down and bottom-up; agreement on development and investment priorities; and co-ordinated action, particularly in areas where interests overlap (e.g. transport infrastructure, urban development and land use, etc.).

Important progress in strengthening co-ordination across levels of government

Poland has made important progress in fostering dialogue with voivodeships and municipalities. The country supports the implementation of its development policy with the high-level Co-ordinating Committee for Development Policy (Box 6.12). This committee analyses the strategies, policies, regulations and other mechanisms associated with implementing Poland's SRD and assesses their efficiency and effectiveness. In parallel, the Joint Committee of National Government and Territorial Self-government (Joint Committee) discusses issues related to the functioning of municipalities and the state policy on local self-government, as well as those related to local self-government. Interestingly, the Joint Committee has the task of developing a common position across levels of government on matters such as municipal service management and the functioning of communal and county self-government, as well as regional development and the functioning of voivodeship government.

Consultation processes led by the national or voivodeship levels have also been gaining prominence in the country but can represent an important burden for the parties involved. The accession of Poland to the EU – through which Polish national policies and institutions have evolved to work within the structure of European funding priorities and rules – has also benefitted dialogue with subnational levels as many regulations to access EU funds require formal consultations to take place. The majority of municipalities visited during the OECD field research declared having a good dialogue with voivodeships, even if the dialogue is not always a formal or institutionalised process. The Regional Social Dialogue Councils, which gather the voivodeship marshals, representatives of trade unions, representatives of employers' organisations as well as LSGUs, are good examples of dialogue. In these councils, representatives can provide opinions on the projects of the voivodeship development strategy and other programmes, recommend solutions and proposals for legal changes, among others. In the same line, the county office of Krotoszyn, for example, conducts broad consultations via electronic forms for different projects. The municipality of Łubianka participates in several instances of informal co-ordination and consultations, as well as in local governance fora organised by the voivodeship to discuss priorities and pressing issues twice a year. Consultations and co-ordination between the municipality and the Marshal Office of Kujawsko-Pomorskie Voivodeship also often takes place for specific projects, in particular when it comes to road infrastructure. In those cases, co-ordination is mainly dedicated to securing funds from the EU or the national level. However, sometimes, formal consultations are perceived as a burden and time consuming both for the organisers as well as the participants. In some cases, consultations are superficial and serve the only purpose of complying with the regulations.

Box 6.12. Co-ordinating bodies in Poland

The Co-ordinating Committee for Development Policy

Poland's Co-ordinating Committee for Development Policy is a body of the Council of Ministers, led by the Minister of Funds and Regional Policy and the person appointed by this minister to the rank of Secretary or Undersecretary of State as a deputy. It is composed of ministerial representatives set by the formal act and invites representatives (e.g. regional self-governments and LSGUs, academia, etc.) on an ad hoc basis. The committee analyses the strategies, policies, regulations and other mechanisms associated with implementing Poland's SRD and assesses their efficiency and effectiveness. Sub-committees, on the territorial dimension or rural areas for example, can be designated. On an annual basis, the committee assesses work in progress and outcomes, including with respect to funding, and prepares recommendations for the Council of Ministers.

At least once a year the committee performs an assessment of the works' progress and the results achieved (including the regional dimension) of the SRD, its course of funding including EU co-funding, an analysis of the complementarity of support from various operational programmes, EU and national developmental programmes, and private funds. Using the assessment as a basis, it prepares recommendations for the Council of Ministers on programme, legal and institutional adjustments.

The Joint Committee of National Government and Territorial Self-government

The Joint Committee of National Government and Territorial Self-government is composed of the minister responsible for public administration and 11 representatives appointed by the prime minister (at the request of the chair), together with representatives of national organisations of LSGUs that work in 12 "problem teams" and 3 working groups. It deals with issues related to the functioning of municipalities and the state policy on local self-government, as well as with issues related to local self-government within the scope of operation of the EU and the international organisations to which Poland belongs. It develops a common position between levels of government and contributes to establishing the economic and social priorities of national and subnational self-government units on matters such as municipal service management and the functioning of communal and county government, as well as regional development and the functioning of voivodeship government. The Joint Committee develops social and economic priorities that can affect subnational development, evaluates the legal and financial circumstances for operating territorial units and gives an opinion on draft normative acts, programmes and other government documents related to regional self-governments and LSGUs.

Source: OECD (2018[47]), *Maintaining the Momentum of Decentralisation in Ukraine*, https://dx.doi.org/10.1787/9789264301436-en.

Polish authorities have also understood that co-ordination is not only about the alignment of priorities or consultation formalities but also about building capacities at the local level. The revitalisation initiatives currently in place in Poland (Box 6.13) represent an interesting example of the support given by the national government and marshal offices to enhance strategic co-ordination across levels of government while creating capacities at the local level. Indeed, one of the main pillars of these initiatives is the support given from the national and regional levels to LSGUs. It has shown how a specific team from the voivodeships can assist and influence the quality of documents developed by local stakeholders. Voivodeships and municipalities involved in this programme have a generally positive evaluation of its functioning and highlight it as a good example of how voivodeships and LSGUs can work together. Still, while the revitalisation initiatives are a good example of how a policy trickles down from the national to the local level, it also has its limits: it does not foresee co-operation among LSGUs, having no space for a horizontal

co-operative approach. Other sectors such as energy efficiency, sewerage systems and solid waste go beyond the administrative boundaries and should be addressed with a functional perspective.

Box 6.13. A new approach to revitalisation in Poland

The SRD and the National Urban Policy (NUP) include revitalisation as a high priority for the country. Both documents coincide in moving from revitalisation as a physical renewal towards conceiving revitalisation as a "comprehensive process of recovering from crisis situation of degraded areas through complex activities (interrelated projects including social and economic or spatial-functional or technical or environmental issues), integrating intervention for the local community, space and local economy, territorially focused and conducted in a planned manner integrated through revitalization programs" (Article 2.1. Revitalization Act).

The Revitalization Act defines the steps of the proper revitalisation process, which includes: diagnosis, delimitating degraded areas and revitalisation areas, elaborating municipal revitalisation programmes and implementing planned activities. One of the main financial sources for revitalisation activities in Poland is currently EU funds. The Partnership Agreement for 2014-20 lists revitalisation as one of the five so-called strategic intervention areas.

The SRD specifies different initiatives to support and promote revitalisation at the local level, including:

- Financial support: Municipalities receive financial support to prepare and update their revitalisation programmes. Over 1 000 municipalities such a subsidy.
- Technical support: Implemented through the marshal office. Each office's Revitalisation Team monitors the quality of revitalisation programmes and consults municipalities on them.

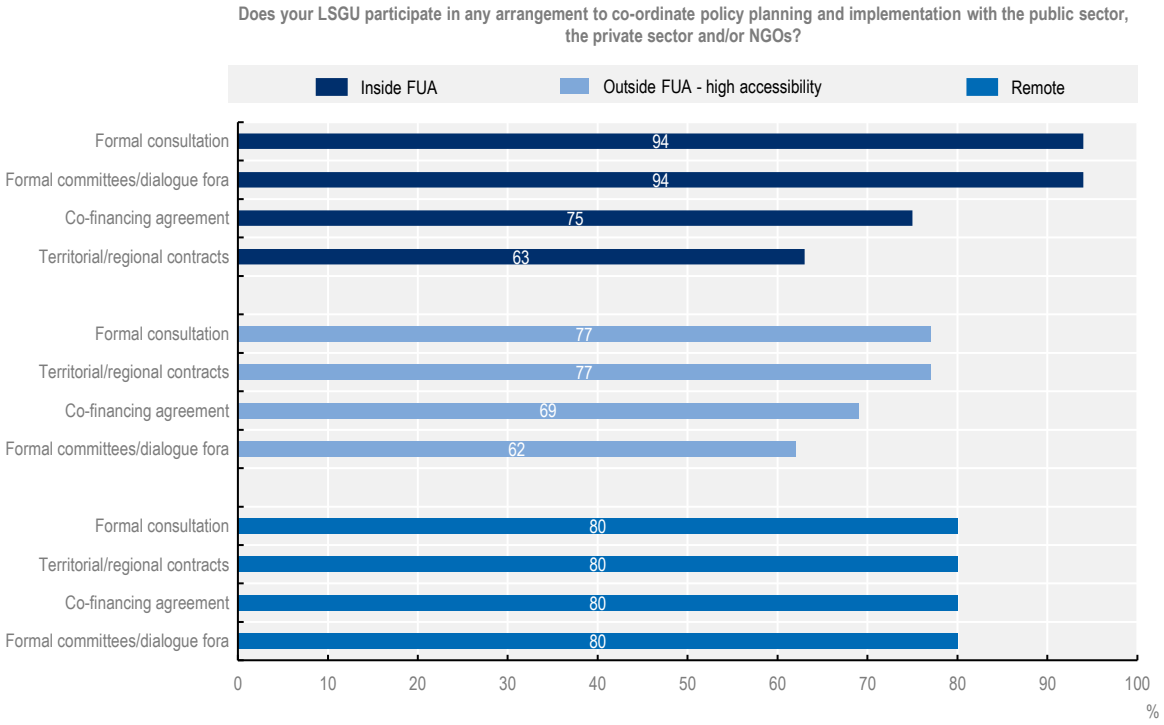
Moreover, the MDFRP implements the Model Revitalisation project. This initiative supports selected cities in the process of developing revitalisation programmes and model revitalisation activities. Additionally, three cities mentioned in the Partnership Agreement, Bytom, Łódź and Wałbrzych, receive revitalisation support under the Pilot Revitalisation project. This form of support is tailored to their needs and helps in developing solutions that respond to the specific needs of these cities, whilst fitting in with the vision of their development. In addition, these cities can count on the support of the MDFRP and external experts.

The achievements and results of the initiatives undertaken are disseminated through the National Knowledge Centre on Revitalisation, a portal about the modern approach to revitalisation.

Source: Ministry of Investment and Economic Development (2019[31]), *Sustainable Urban Development in Poland*, https://www.funduszeeuropejskie.gov.pl/media/72570/raport_en_final.pdf (accessed on 11 September 2020).

The OECD questionnaire reflects the efforts made by Poland to encourage vertical co-ordination (Figure 6.9). A vast majority of LSGUs participate in different arrangements for policy co-ordination. This is particularly true for municipalities pertaining to a FUA, among which 94% participate in formal consultations from the national level or in formal committees and dialogue fora. While less popular in municipalities outside FUAs or in remote ones, the percentage of municipalities that are consulted formally is still important (77% and 80% respectively). The other forms of co-ordination arrangements, e.g. co-financing and territorial contracts, are also popular among the three different types of municipalities.

Figure 6.9. Co-ordination mechanisms across levels of government



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

Still, co-ordination across levels of governments occurs mostly on an ad hoc basis

Co-ordination across levels of governments occurs mostly on a project basis and depends strongly on the willingness to co-operate with the different parties. While in Poland consultations for the planning process or specific projects do occur, in some cases they are in place only to comply with the formal regulations and in others, participation from LSGUs remains limited. Moreover, as the planning documents do not necessarily include investments projects (for further analysis, please refer to Chapter 3), co-ordination tends to occur on an ad hoc basis, depending on the project pipeline, in particular for those financed by EU funds. A majority of LSGUs visited during the OECD field research declared having some meetings with the regional level called upon as the need arises but without a strategy envisaging a long-term strategic collaboration. This also happens as co-operation with the regional and national levels is strongly based on the willingness to co-operate of the different parties. The EIB study on subnational infrastructure investment shows that overall, the share of Polish municipalities willing to co-ordinate in planning and implementing investment projects is very low. Only 13% of Polish municipalities always co-operate with regions and 8% with metropolitan authorities (EIB, 2017[5]). In addition, so far, dialogue mostly in the form of consultations is driven by upper levels of governments lacking bottom-up initiatives. Moreover, it is a common practice for national and regional authorities to launch consultations without prior notice and then set a short (e.g. 7-day) deadline for submitting comments, which in practice prevents some stakeholders from participating in consultations. This situation is particularly challenging for smaller and weaker LSGUs that face difficulty in undertaking ad hoc and short-term analysis of large draft documents. This, in practice, creates a barrier to proper engagement and prevents participation.

Rigid and complex legal forms also seem to hamper co-ordination between the different levels of government. During the OECD field research, some LSGUs declared that bottlenecks for vertical co-ordination often arise from a lack of understanding of the processes. This is in accordance with OECD

questionnaire responses from national level entities that declared that rigid legal forms appear to be the major challenge regarding co-ordination for policy design and implementation across levels of government. National and regional entities also highlighted the lack of capacities at the local level as an important challenge to co-ordination. At the same line, a World Bank study highlights that the limitations to create forms of co-operation and unions between relevant levels of self-government represent a major barrier to integration in the public transport sector. Creating transport unions covering all transport authorities in a given area, especially those responsible for rail, would constitute a major step forward. Indeed, the current Polish legal framework does not allow for the possibility to create unions between voivodeship and other local authorities (World Bank, 2016[32]).

Moving towards a territorial approach to co-operation across levels of government

Since regionalisation reforms, territorial contracts have been a key tool used by Polish authorities at all levels to ensure co-ordination. Inspired by the French example, since the first edition in the years 2001-02, these instruments were foreseen to support decentralisation and foster the region's empowerment to programme and implement a regional policy (Churski, 2018[48]). With Poland's accession to the EU, the territorial contracts (or provincial contracts as then known) became an instrument for redistributing state budget to co-finance EU Structural Funds and Cohesion Fund investments in the voivodeships, as well as for the financing activities realised only by national public means. For the 2014-20 programming period, the previous provincial contracts evolved towards "territorial contracts", with the clear objective of "co-ordination of pro-development activities undertaken by the national and local government targeted at achieving common objectives established in relation to the area defined in it (Churski, 2018[48]). These contracts are prepared by the minister in charge of regional development together with ministers responsible for the contract. At the subnational level, voivodeship authorities are responsible, though submit the contract to LSGUs if the latter are concerned by the activities described.

Although the territorial contracts represent a strong tool to co-finance investments, there are also several shortcomings linked to their scope and implementation. Poland has encountered different challenges while implementing these contracts, related, among others, to their rigidity, limited scope and top-down elaboration process. It has been documented, for example, that the negotiation between the national and regional levels is not exempted from difficulties (Churski, 2018[48]). The projects managed and co-financed through these arrangements tend to be fragmented and sector-driven and its use has been mainly restricted to large infrastructure initiatives in urban areas. Indeed, rural areas cannot enter into territorial contracts. In a majority of cases, initiatives and decisions are mostly taken at the national level, which at the same time leverages regional resources for sectoral plans. As a result, the links and alignment between territorial contracts projects and regional and local development strategies are weak.

In this scenario, some adjustments could help move towards territorially based contracts as in the examples of Colombia or France (Box 6.14). Territorial contracts need to be conceived as a way to identify relevant projects for competitiveness at the regional and local levels, which could benefit productivity greatly in all regions. To further develop contracts, some key elements to consider are:

- Specify territorial goals and regional development priorities supported by the contract through a careful assessment of needs and opportunities in voivodeships and municipalities (Charbit and Romano, 2017[49]). These goals should be aligned with regional and local development strategies.
- Extend the scope of the contracts to the whole territory, encouraging investments that favour urban-rural, urban-urban or rural-rural partnerships that take into account the functional area.
- Rebalance the top-down approach that has been dominant in the current framework with a stronger bottom-up component through a consultation phase. The consultation should involve national and subnational actors, the private sector and civil society to establish priorities and actions by assessing regional development needs. In France for example, a two-year consultation phase

allowed national and regional governments to agree on state-region planning contracts (*Contrat de plan État-région*, CPER) (Charbit and Romano, 2017[49]).

- Encourage partnerships with municipal associations to support investments at a supra-municipal scale. This might particularly help remote localities that do not have their own capacity to enter into such contracts. Funding could be especially dedicated to contracts signed by groups or networks of municipalities. Specific contractual arrangements might target metropolitan areas, along the lines of City Deals in the UK.
- Incorporate mechanisms and an evaluation phase in the initial contract monitoring that allow for assessing results and the potential impacts of contracts while learning from successes and failures and facilitating peer learning. Monitoring and evaluation are crucial to making enforcement possible with concrete incentives, allocating part of the funding based on good performance for example.

To further enhance territorially based partnerships, Poland also needs to take advantage of the policy planning process to ensure that priorities, objectives and policy implementation are aligned across levels of government (see Chapter 3 for further discussion). The confluence of many actors in territorial and local matters in Poland makes it critical to develop planning frameworks that promote a coherent approach. Planning documents, including vision-setting documents, integrated national-level strategic policies, sector policies and subnational development strategies, are co-ordination mechanisms that build vertical and horizontal links between government actors and their actions. Such documents also connect the various levels of a policy cascade and help co-ordinate diverse interests when implementing a new or reformed policy. For this to happen, development strategies should be based on an assessment of regional and local characteristics and specific competitive factors, with investments aligning with regional needs (Mizell and Allain-Dupré, 2013[33]). An important effort of communication and information from the national and regional levels – as well as a more strategic approach to co-ordinated policy planning – is needed. Indeed, ensuring that different levels of government are aware of each other's vision for development, priorities and planned activities is fundamental to coherent policy implementation. The recently enacted amendments to the Principles of Development Policy in July 2020, represents an important step forward in ensuring local development planning that could help Poland to attain better productivity levels in the entire territory.

Box 6.14. Contracts for investments: The cases of Colombia and France

France

State-region planning contracts (CPER) have been in operation since 1982 and are important tools in regional policy in terms of planning, governance and co-ordination. They are characterised by their broad thematic coverage and cross-sectoral nature, with a territorial approach applied across diverse policy fields including industrial, environmental and rural issues. DATAR functions as the regions' main national partner in developing and implementing such planning documents. The President of the Regional Council and the Prefect, as representative of the national government's different ministries, develop the contract. The co-financing of interventions is seen as an important co-ordination mechanism.

2007-13 planning contracts: A new generation of state-region contracts were introduced in 2007 alongside the 2007-13 Structural Funds programmes, in order to increase links between French and EU regional policies. The new contracts have the same timeframe as the EU operational programmes, are based on a joint territorial analysis and have integrated systems for monitoring. Similar to the Structural Funds, regions can decide that funding be de-committed 18 months after approval for projects if no commitment has been made. Contracts increased their focus on the Gothenburg and Lisbon

agendas. They reflect three priority areas: the promotion of territorial competitiveness and attractiveness, the environmental dimension of sustainable development, and social and territorial cohesion. The emphasis on sustainable development has grown, with a consultation process launched in 2007 (*Grenelle de l'environnement*). Priority is given to soft functions (e.g. education, R&D) as well as infrastructures other than roads.

2014-20 planning contracts: A new generation of state-region planning contracts 2014-20 has been launched. Five topics have been selected: higher education, research and innovation; national very high-speed broadband coverage and development of digital technologies usages; innovation, promising niches and the factory of the future; multimodal mobility; the environmental and energy transition. Being a priority for the government, employment will be treated as a cross-cutting issue in the contracts.

In order to ensure equality between territories within the regions, contracts will mobilise specific resources for priority areas: urban priority neighbourhoods, vulnerable areas undergoing major economic restructuring, areas facing a deficit of public services (rural areas), metropolitan areas and the Seine Valley. Inter-regional contracts for mountainous and fluvial basins will be renewed. The preparation of this new generation was conducted in two phases: a first phase of strategic thinking and co-preparation between the national government and the regions; a second phase of financial negotiation.

Colombia

Efforts to better co-ordinate investment among the three levels of government in a cross-sectoral way led to the introduction in the early 2010s of *Contratos Plan*, investment programmes in specific areas defined jointly by the national government (which finances most of it), departments and municipalities. Seven *Contratos Plan* were developed as a first step in the 2010-14 National Development Plan (in 9 departments and 272 municipalities) and 17 are planned in the 2014-18 National Development Plan until 2018. They focus on lagging regions and on improving road connectivity or service delivery – education, healthcare and water sanitation. While Colombian contracts are inspired by the French CPER, they differ from these in that the French system provides for simultaneous preparation of all of the contracts, each lasting for seven years. The *Contratos Plan* signed so far have different timings (from 3 to 8 years) and have a different territorial coverage: some focus on a department (e.g. Santander); one focuses on a group of departments (Atrato-Gran Darien covering 25 municipalities in the 3 departments of Antioquia, Chocó and Córdoba); and the majority focuses on groups of municipalities. For the seven pilot *Contratos Plan*, parties had to agree to a strategic agreement for the development of the territory.

Source: OECD (2017[37]), *Gaps and Governance Standards of Public Infrastructure in Chile: Infrastructure Governance Review*, https://dx.doi.org/10.1787/9789264278875-en.

Recommendations

Reduce the mismatch between expenditure and revenue-generating means

Recommendations for the national level

Increase the tax autonomy of LSGUs to reduce the dependency of local and regional authorities on state transfers

A better balance between revenue-generating means and expenditure needs might help Poland in creating better accountability and responsiveness. Further decentralising revenues by granting larger tax autonomy

to LSGUs, i.e. more taxing power over rates and bases, in particular concerning property tax, may ensure more efficient functioning of the decentralisation system.

Ensure that devolved responsibilities are sufficiently funded

The existence of unfunded mandates represents an important challenge for LSGUs across Poland, in particular due to the transfer of new competencies (e.g. education) to local authorities. For counties, pressure on subnational finance comes mostly from the requirement to ensure higher standards for local services (e.g. social assistance, retirement homes, orphanages, etc.) without the adequate transfer of resources. It is thus crucial that the national level allocates sufficient financial resources to local authorities ensuring that the transfer of new responsibilities to LSGUs is accompanied by adequate resources. For this, a review of the competencies and functions of LSGUs and their corresponding funding could be undertaken to clarify the breakdown of responsibilities and how they are funded. This would help have a clear view of the impact of recently transferred responsibilities in terms of charges and constraints. This review could also take place over the medium term within the framework of a formalised national dialogue, involving all levels of government as well as relevant stakeholders and experts, on the current decentralisation system in Poland. This national dialogue could aim to review the current administrative and territorial organisation of the country at the local level with a view to rationalising and clarifying its administration, reducing its complexity and embedding it with a clear functionality along with the resources to enable its execution.

Recommendations for LSGUs

Adopt innovative sources of financing

To reduce the dependence on national transfer and ensure financing for investment projects, large LSGUs with sufficient capacity should adopt innovative funding mechanisms, e.g. partnering with the private sector and institutional investors, adopting public-private partnerships or other instruments such as green bonds and social bonds for the large metropolitan areas. The use of new and innovative financing mechanisms should be accompanied by an assessment of their benefits, risks and local capacities to employ them.

Strengthening inter-municipal co-operation

Recommendations for the national and regional levels

Develop financial and non-financial incentives for inter-municipal co-operation

Polish LSGUs are increasingly recognising the benefits of inter-municipal co-operation. While increasing, the take-up of the different forms of inter-municipal co-operation remains slow and differs across the country. Co-operation between municipalities is mainly done on a project basis, lacking a comprehensive functional approach to co-operation, and remains limited in sectors such as education and housing. To further encourage inter-municipal co-operation, the national level, in co-operation and co-ordination with voivodeships, can take complementary measures to actively promote and support inter-municipal co-ordination and demonstrate its benefits:

- Create financial incentives for inter-municipal co-operation whereby municipalities can access higher funding amounts for joint projects or shared services. These financial incentives can be given by the national and/or regional levels (national or regional operational programmes) and should particularly target projects aligned with the supra-local development strategies, as per the amendment to the Principles of Development Policy Act as of July 2020. By assigning a share of existing funds for local development and investments exclusively to joint projects, Poland can, at the same time, encourage the development of these new supra-local strategies. Poland could also

promote co-financing arrangements for projects between the national government and municipal networks. For this, it is important to develop more flexible rules allowing for the undertaking of joint public services by inter-municipal partnerships.

- Encourage inter-municipal collaboration by providing consulting and technical assistance, promoting information sharing or providing specific guidelines on how to manage such collaborations. The national or regional level could organise peer learning activities where municipalities participating in successful co-operation arrangements can share their experience and encourage other municipalities to enter into such arrangements. 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).
- Encourage, through financial or non-financial incentives, the creation of collaboration schemes between municipalities with different capacities, given the heterogeneity of the municipal landscape in Poland. Larger, stronger municipalities that benefit from greater capacities to implement certain development projects should 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.

Strengthen LSGU capacities to develop inter-municipal collaboration schemes, in particular in view of the new supra-local development strategies and territorial agreements

- Organise targeted training for LSGU staff on the different existing co-operation schemes and their regulations. This training should focus particularly on remote and small LSGUs that do not often establish inter-municipal co-operations. The Ministry of Development Funds and Regional Policy (MDFRP) should in particular provide training and capacity building activities regarding the supra-local development strategies and territorial agreements recently introduced by law. This training could first target municipalities that are located in non-urban FUAs and ASI. This is also a way of encouraging LSGUs to develop supra-local strategies.
- 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 a partnership with neighbouring municipalities. 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. These guidelines would accompany the peer learning process.
- Capitalise on successful networking and collaboration schemes to strengthen inter-municipal co-operation within functional areas. To expand the successful experience of ITIs to all cities and their functional areas as currently envisaged by the MDFRP, the ministry, in co-operation with voivodeships, should promote peer learning and organise capacity building workshops to share good experiences on how to implement them. Other initiatives that could serve as a learning base for peers is the Partnership City Initiative that has also been successful in promoting networks of municipalities for integrated and sustainable development.

Ensure that legal frameworks for inter-municipal co-operation are simple and flexible

Municipalities across Poland highlight that the existence of rigid legal forms of co-operation in Poland is among the top challenges for establishing co-operative arrangements. The lack of concrete incentives coupled with bureaucratic procedures results in weak co-operation between municipalities. The flexibility of co-operative arrangements is particularly relevant for municipalities pertaining to different functional areas that face specific and distinct challenges. The flexibility of co-operative arrangements is also crucial

to allow municipalities to react more efficiently and quickly to the challenges which arise from unexpected crises. Some key steps to move in this direction are:

- Simplify the administrative procedures to establish co-operative arrangements between municipalities. For this, a thorough revision of the different existing legal frameworks would be needed. This revision should be accompanied by a consultation with municipalities to clearly identify the main bottlenecks. This process should also lead to clarifying the various advantages of the different existing legal frameworks.
- Integrate flexibility to the different inter-municipal co-operation legal frameworks so they can be adapted to different context and needs. The French reciprocity contacts, for example, serve such a purpose by structuring a dialogue between rural and urban municipalities rather than rigidly fixing the responsibilities of each party. These agreements are adaptable to different territorial realities; their jurisdictions are not predefined, which allows them to cover different areas depending on the issue at hand.

Recommendations for all LSGUs

Adopt a supra-local development strategy and co-operation schemes

The amendment to the Principles of Development Policy Act adopted in July 2020 introduces the possibility for municipalities to prepare joint development strategies or supra-local development strategies for the so-called functional areas. Municipalities across Poland pertaining to the same functional area should actively seek to develop these strategies. These supra-local development strategies should serve as the main planning framework to decide which partnership instruments to establish (inter-municipal union, association of municipalities, inter-municipal agreements, territorial agreements, etc.) and with whom. For this, it is important to:

- Identify a person/team within the LSGU administrative staff that is in charge of seeking and establishing co-operation opportunities with neighbouring LSGUs, especially with those pertaining to the same FUA. This person/team should actively and regularly identify opportunities for co-operation, monitor the co-operation scheme and evaluate its results/outputs.
- Define indicators (financial and non-financial) to monitor and evaluate co-operation and partnership agreements. For this, it is important that the different partnerships (independent of its form) set clear objectives and actions to achieve them. LSGUs should take actions in accordance with the results of the evaluation.
- Counties can also play an active role in encouraging co-operation through financial incentives as 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.

Moving forward with the governance of metropolitan areas

Recommendations for all levels of government

Introduce legal arrangements to recognise the special status of metropolitan areas and encourage experimentation

The urban landscape in Poland is heterogeneous and a governance model for metropolitan areas needs to take into account this heterogeneity by being as flexible as possible (and not “one-size-fits-all”). The governance model must be in tune with the structure of the different FUAs. While for certain urban areas empowering the regions or the county with metropolitan governance responsibilities might be an effective solution, for other urban areas the creation of a new and independent institution might be necessary. In other cases, a supra-municipal arrangement – as the one established in the Slaskie Voivodeship – where

governance structures are reshaped to fit or approximate the functional economic area of the metropolitan region might also be an effective solution. OECD countries are increasingly implementing differentiated metropolitan governance approaches within their countries – rather than one-size-fits-all approaches (Allain-Dupré, Chatry and Moisio, 2020[50])

These different approaches to the governance of metropolitan areas might be: i) flexible or experimental (see below), allowing for bottom-up initiatives based on existing general acts and laws; ii) based on formal legal acts (e.g. metropolitan association in Silesia Voivodeship); or iii) based on existing institutional structures such as metropolitan associations or unions.

Whatever the form, the legal framework needs to recognise the special status, with specific powers and responsibilities (e.g. transport, spatial and local development planning, socio-economic development) as well as adequate funding (see below). Such an asymmetric approach – one that differs depending on the specific context – should be based on consultations, dialogue, transparency and agreements between all main stakeholders.

Allow experimentation when establishing flexible metropolitan governance models

For a metropolitan governance model to be successful, pilot projects, whereby the country can experiment with different models, would be beneficial. Drawing on practical experience in implementing this asymmetric approach can enable stakeholders to successfully roll out different governance models in the near future. The experience of Metropolis GZM can be drawn on as a pilot experience. An exhaustive evaluation of its functioning may allow expanding this experience and adapting it to the different metropolitan contexts of the country. Poland could also take advantage of pilot experiences in the devolution of competencies as a way to ensure a gradual institutional change and “learning by doing”.

To facilitate successful pilot actions that lead to long-term systematic changes, an enabling regulatory and legislative framework could be beneficial as well as close and regular co-ordination among different stakeholders. The regulatory framework can delineate the validation and evaluation of pilot action results and provide the possibilities and revenues to scale up. Meanwhile, during the pilot project implementation, close and effective co-operation and co-ordination should be maintained among all stakeholders, including government and self-government administrations at different levels. Close co-ordination is aimed to secure common objectives and joint efforts in developing best solutions and practices to implement pilot actions successfully, ensure the influence and dissemination of results across the country and even lead to long-term regulatory and legislative changes.

Ensure adequate resources for metropolitan areas

Regardless of its form, the effectiveness of any metropolitan institution will depend heavily on its competency allocation and the structure of its financial and administrative resources provision. To be successful, metropolitan institutional structures must enjoy a degree of decision-making authority over resources and own revenues. A metropolitan governance structure needs to manage either its own resources, a transfer from the national level, municipal contributions or a combination of all three. To start, specific tax regimes for inter-municipal groupings or metropolitan areas could be promoted without taking resources away from the municipalities. The national level needs to make sure that metropolitan governance models, independent of their form, have adequate funding in order to match responsibilities and respond to their financial needs in terms of infrastructure and services. A legal act might be needed for this to happen. Alternatively, municipalities pertaining to the metropolitan area may decide to pay a contribution from their municipal budgets (e.g. as an amount per capita).

Building stronger partnership and collaboration mechanisms across levels of government

Recommendations for the national level

Strengthen territorial contracts

Territorial contracts represent a strong tool to co-finance investments but the country has encountered different challenges while implementing these contracts, related, among others, to their rigidity, limited scope and top-down elaboration process. In this scenario, some adjustments could help to move towards territorially based contracts conceived as a way of identifying relevant projects for competitiveness at the regional and local levels that could greatly benefit productivity in all regions. To further develop contracts, some of the key elements to consider are:

- Specify territorial goals and regional development priorities that will be supported by the contract through a careful assessment of needs and opportunities in regions and municipalities. This implies, among other things, involving initiatives from different sectors. These goals should be aligned with regional and local development strategies.
- Extend the scope of the contracts to the whole territory, encouraging investments that favour urban-rural, urban-urban or rural-rural partnerships that consider the functional area.
- Rebalance the top-down approach that has been dominant in the current framework with a stronger bottom-up component through a consultation phase. The consultation should involve national and subnational actors, the private sector and civil society to establish priorities and actions by assessing regional development needs.
- Encourage partnerships with municipal associations to support investments at a supra-municipal scale. This might particularly help remote localities that do not have their own capacity to enter into such contracts. Funding could be especially dedicated to contracts signed by groups or networks of municipalities. Specific contractual arrangements might target metropolitan areas, along the lines of City Deals in the UK.
- Incorporate in the initial contract monitoring mechanisms and an evaluation phase that allows assessing results and, potentially, the impacts of contracts while learning from successes and failures and facilitating peer learning. Monitoring and evaluation are crucial to making enforcement possible with concrete incentives, allocating part of the funding based on good performance for example.
- Ensure that they are a flexible tool that can be adapted to different local contexts and urban and rural localities. The key point is to specify the regional development priorities supported by contracts, possibly through a careful assessment of needs and opportunities.

Take advantage of the policy planning process to ensure that priorities, objectives and policy implementation are aligned across levels of government

The confluence of many actors in territorial and local matters in Poland makes it critical to develop planning frameworks that promote a coherent approach. Planning documents, including vision-setting documents, integrated national-level strategic policies, sector policies and regional, supra-local and local development strategies are co-ordination mechanisms that build vertical and horizontal links between government actors and their actions. For this to happen, local and supra-local development strategies should be based on an assessment of regional and local characteristics and specific competitive factors, with investments aligning with regional needs.

Make sure that consultations across levels of governments are a two-way engagement process

- Consultation processes involving LSGUs and led by the national or voivodeship levels have gained prominence in Poland. However, sometimes they can represent an important burden for the parties involved and are sometimes perceived as a way of complying with rules instead of a genuine engagement process. This is particularly true for smaller LSGUs which do not have the capacity to react to draft documents in a short period of time. Indeed, the sole existence of these consultations does not ensure an effective dialogue. This is why some complementary considerations to improve the outputs and outcomes emerging from these consultations include providing sufficient time for LSGUs to get familiar with the issue that is being consulted and allowing them to properly plan and allocate resources (in terms of time and personnel) for the task. For this, it might be necessary to introduce an obligation to announce the consultation in advance (e.g. at least 14 days in advance) and allocate a similar deadline for LSGUs to answer (e.g. a minimum of 14 days).
- Launch a dedicated website (that could be run by the MDFRP) for policy-makers and stakeholders to participate in consultation solutions that directly or indirectly co-shape the development of their LSGUs' path. This website should gather all relevant information regarding consultations held by the national level and in which LSGUs should participate. LSGUs would then receive prior notification of a future consultation (see above).
- Present the information in a simpler way, to help and stimulate LSGU engagement and design and communicate the message to the end users in a way that encourages and facilitates active participation.
- Ensure transparency in the process to ensure LSGUs understand the rules and impact of their engagement.
- Provide feedback on the ways consulted issues have been integrated into final policy decisions.

Make the most of the new territorial agreements

The recent creation of territorial agreements in the framework of the amendment to the Principles of Development Act is a key step forward for the financing of projects involving several municipalities. To make sure these agreements respond to local needs, and in particular to those of municipalities pertaining to the same functional area, it is important to consider some elements:

- *Promote bottom-up initiatives*. For these types of agreements, combining top-down and bottom-up approaches to define the projects and their objectives is crucial to establish priorities in a consensual manner by assessing local development needs and the impact of different on different people and places.
- Involve the private sector and civil society from the early stages of the definition of territorial agreements. While rebalancing the top-down approach that has been dominant in the current framework, involving the private sector and civil society from the conception of territorial agreements is important to better assess needs and establish priorities and actions.
- Integrate monitoring mechanisms and an evaluation phase that assesses results and, potentially, the impacts of territorial agreements. Monitoring and evaluation are crucial to making enforcement possible.
- Ensure that the procedures to establish a territorial agreement are simple, in view of greater uptake of these instruments by municipalities. There is a potential risk that the existence of diverse instruments to co-ordinate policies across levels of government – and with the creation of a new instrument – coupled with weak capacities may lead to inefficient or low use. It is crucial to weigh up the administrative burden with the expected policy benefits to avoid an excessive amount of guidance and legislation.

Recommendations for all LSGUs

Actively seek dialogue opportunities with the national and regional levels as well as other key relevant stakeholders

In Poland, there are several dialogue and consultation opportunities. For them to be effective, the initiatives taken by the national and regional levels need to be accompanied by active actions from LSGUs seeking to establish a dialogue with upper levels of government to communicate its priorities regarding investments and local development policies. For this to happen it is important that LSGUs:

- Participate systematically in formal consultations arranged by other levels of government and provide comments/suggestions when decisions affect its territory/citizens. These inputs need to be based on a consultation with the relevant staff within the administration, as well as with relevant stakeholders from the LSGU.
- 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. This process should be accompanied by regular training.
- Actively seek innovative ways of engaging with stakeholders. Other consultation mechanisms may be mobilised (roadshows, consultation roundtables, conferences, e-voting, etc.) to listen to different stakeholder views as well as innovative sharing information tools including Internet tools. This is particularly relevant in the current COVID-19 crisis recovery that offers an opportunity for LSGUs to communicate differently with citizens.

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Notes

[1] The 2 258 OECD small (TL3) regions correspond to administrative regions, with the exception of Australia, Canada and the United States. These TL3 regions are contained in a TL2 region, with the exception of the United States for which economic areas cross state borders.

[2] For this chapter, subnational governments refer to the three levels: municipalities (gminas), counties (powiats), and regions (voivodeships). In the System of National Accounts there is no disaggregation for different layers of subnational governments to ensure international comparability of national accounts.

[3] In a recent study, the OECD has developed the Municipal Fiscal Indicator using unique fiscal data, collected from the national accounts and the municipal accounts of 32 unitary EU and OECD countries. The indicator considers three sub-indicators: the municipal share of general government spending, the municipal own revenue share and the portion of non-shared municipal tax revenues. The methodology is based on assumptions that municipalities benefit from a greater spending autonomy when: i) a large share of public expenditures is decentralised; ii) municipalities have a low dependency on national government transfers; and iii) municipal tax revenues are mostly based on non-shared taxes.

[4] The vertical fiscal gap refers to the transfers received by municipalities as a share of municipal total revenues.

[5] The six associations of local and regional authorities in Poland are: the Union of Rural Communes of the Republic of Poland, the Association of Polish Cities, the Association of Polish Counties (ZPP), the Union of Polish Metropolises (UMP), the Union of Polish Towns, and the Association of Polish Voivodeships (ZWRP).

[6] Please refer to the introduction chapter for all methodological issues of the OECD questionnaire.

7 Toward a more strategic and effective local self-government workforce in Poland

This chapter discusses the framework for human resource management (HRM) at the local self-government level. Specifically, it explores challenges related to leadership and management capability, employer attractiveness and the role of human resource functions in local self-government units (LSGUs). It points to scope for a more strategic approach to workforce management and draws on international examples of good practice in this regard.

Introduction

Officials in local self-government administrations in Poland play central roles in delivering value for society. The tasks they carry out include running schools and hospitals, organising public transport and promoting investment. Big cities administered by local self-governments, like Kraków, Toruń and Wrocław, are engines of the regional economy. In some cases, particularly in smaller and rural municipalities, local self-government buildings physically anchor the community – they are administrative, social and cultural service providers and a key point of daily interaction for business owners and citizens alike. Partly because of this proximity to the population, local self-government in Poland generally enjoys higher trust levels (over 60%) than the national government (33%) and the parliament (34%) (Kaczmarek, 2016[1]).

To continue to meet evolving citizen demands, local self-government administrations must be able to attract talented and motivated candidates and develop and use their skills and competencies fully. Having talented and motivated employees is a precondition for success in key areas that will help long-term development, such as co-ordination across levels of government, development and design of evidence-based strategies for growth, communicating better with the public and developing ways to engage them in policy-making, setting, executing and managing budgets, and navigating complex and changing regulatory landscapes (e.g. for procurement).

As such, the importance of human capital development at the local self-government level is recognised in two key planning documents elaborated by the Polish government – the Strategy for Responsible Development (*Strategia na rzecz Odpowiedzialnego Rozwoju do roku 2020 z perspektywą do 2030 r.*, SOR) and the National Regional Development Strategy 2030 (*Krajowa Strategia Rozwoju Regionalnego 2030*, KSRR):

The SOR specifically highlights institutional efficiency as a competitive asset. It notes the importance of "an efficient state […] building interdepartmental thematic teams, management by objectives, remuneration schemes that motivate employees, clerical officer traineeships, common state purchasing policy and smart public procurement, e-government and comprehensive economic policy management" (OECD, 2019[2]).

The KSRR emphasises the skills necessary to conduct an effective development policy, in particular in areas with low development potential, and to promote links between the local and regional public sector (OECD, 2019[3]).

Attracting and developing human capital at the local self-government level in Poland, however, is challenging. The experience of LSGUs in Poland broadly aligns with the findings of an OECD/European Committee of the Regions survey which observed that smaller municipalities are hampered by having an inadequate pool of managerial and technical talent and service providers; larger municipalities face complex transport, planning and infrastructure tasks and do not have the workforce skills to address these tasks effectively (OECD, 2019[4]). The same survey also indicates that subnational government capacities vary enormously within countries in all countries surveyed and are not consistent with their responsibilities.

Governments at the national and subnational levels across the OECD are finding it harder to attract and retain the skills they need. Megatrends such as globalisation, digitalisation and ageing populations have wrought profound changes on labour markets. In the past, governments could rely on traditional aspects of public sector employment such as job stability and predictability of pension entitlements to attract candidates. But now, with many younger candidates eager for impact, autonomy and growth, the concept of a "government job" is less attractive. In Poland, many LSGUs, such as the city of Międzyrzec Podlaski and Łańcut County – reported outward migration or "brain drain" as a particular challenge affecting the attraction, retention and engagement of candidates and staff.

Through the Public Employment and Management (PEM) Working Party, the OECD has been working with a variety of countries on building strong, resilient and forward-looking workforces. This chapter describes the shape of local self-government employment in Poland and the legal provisions which govern

key aspects of people management. Specifically, it presents and discusses the three related challenges of leadership/management development, improvement of employer attractiveness/recruitment and the importance of effective human resource management (HRM) institutions and practices to do this. The framework for this discussion is the OECD Recommendation on Public Service Leadership and Capability (OECD, 2019[5]).

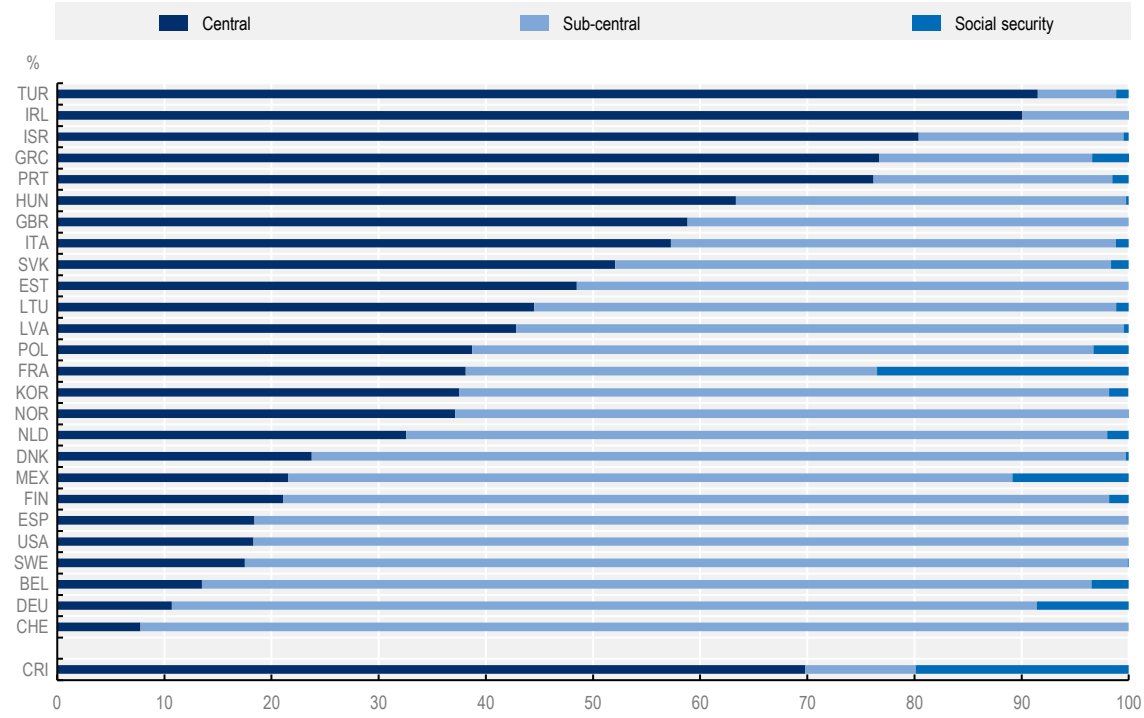
Size and shape of local self-government employment in Poland

Poland is governed by a national administration and a subnational self-government administration. There are three tiers of subnational self-government administration: 16 *województwa* (voivodeships/regions), 314 counties (powiats) and 66 big cities, like Kraków, that have rights and responsibilities usually reserved for counties – these are referred to as cities with "county rights". There are 2 477 municipalities (gminas). Local self-governments can be either urban or rural, or a mix of urban-rural. A key aspect of the reforms leading to the creation of LSGUs in Poland in the 1990s was that local self-governments would have their own staff who would be distinct and independent from public servants at the national level. Previously, they were employed by the state. The success of the Polish reforms to local self-government thus depended on the people involved in local self-government – both those elected and those employed by municipalities (Regulski, 2003[6]).

In 2018, Polish LSGUs employed close to 255 000 people – markedly more than the state administration (principal and central organs of administration, territorial organs of combined government administration and some state agencies), which employed around 174 000 people (OECD, 2019[7]). This number does not include teachers (including school heads), employees of cultural institutions, , management boards and supervisory boards of municipal companies. The number of LSGU employees has remained broadly stable since 2010, as has the balance between state and local employment. As noted by the Polish Central Statistics Office, the average monthly gross salary in LSGUs was PLN 5 014 (EUR 1 132). Statistically speaking, this is broadly in line with the average public sector gross wage of PLN 5 105 and slightly above the average private sector gross wage of PLN 4 390 in 2018 (OECD, 2019[7]). Wages are higher in central administrations than in local self-government. A general perception on the part of local self-government officials is that salary is not competitive enough to attract the volume and quality of candidates with specific expertise needed to deliver on local self-government mandates. Although it is beyond the scope of this report to establish an empirical pay gap, salary competitiveness will be addressed later in the context of the broader attraction of LSGUs as employers.

Across the OECD, in 2017, more general government employees were employed at the sub-central level than at the central level, though this varies across countries (Figure 7.1). Some federal states, such as Belgium, Germany and Switzerland, characteristically demonstrate higher levels of general government employees working at the sub-central level. Others with a unitary state model, such as Ireland, Israel and Turkey, tend to concentrate most general government workers at the central level (OECD, 2019[8]). In Poland, the larger number of staff working at the local level indicates the scope of their responsibilities in delivering value for citizens.

Figure 7.1. Distribution of general government employment across levels of government, 2017



Source: OECD (2019[8]), *Government at a Glance 2019*, https://doi.org/10.1787/8ccf5c38-en.

Legal framework for HRM at the local self-government level in Poland

To review and update their approach to managing LSGU staff, political leaders and senior managers must work within a legislative framework. While the fact-finding missions to Poland conducted as part of this project revealed a perception of legislative rigidity, the legal framework governing human resource management at the LSGU level does permit managers some flexibility in some aspects of HRM. Identifying, prioritising and exploiting these opportunities will be key.

Chapter VII of the Polish Constitution establishes the framework for local self-government (*samorząd terytorialny*). Articles 163-172 provide the basis for their functioning, specifying the scope of tasks, funding and elections to constitutive and executive bodies, among other aspects. With regard to HRM, Article 169 of the constitution provides that "the internal system of LSGUs shall be defined, within the limits of the Acts, by their constituent bodies". The framework for key HRM aspects, such as recruitment, promotion, performance management and remuneration in local self-government, are specified in the Act of 21 November 2008 (*Ustawa z dnia 21 listopada 2008 r.o pracownikach samorządowych*):

- **Required qualifications:** Officials employed by local authorities must meet basic criteria including: i) possess at least an upper secondary education; ii) have no criminal record of intentional indictable crimes; and iii) have a good reputation. Managerial positions also require three years of experience in a similar position or a commercial activity consistent with the requirements for the post and a higher education.
- **Recruitment**: The staffing of local self-government positions must be open and competitive, and require a public call of the position(s). The actions of a special committee, assigned the task of directing the recruitment procedure, must be transparent and the results must be announced publicly.

- **Performance evaluation**: Local self-government officials are subject to mandatory, periodic evaluations performed at least biannually but not more than once every six months.
- **Restrictions on private activities**: Officials cannot engage in activities that may cause a conflict of interests with their work in the local authority and all are obliged to make a statement as to their business activities.

The 2008 reforms were designed to remove some of the perceived rigidities and introduce new standards. With regard to HRM, the act introduced the possibility of promotion within individual job groups (Article 20) and provided for periodic assessment at least every two years (Article 27). It introduced the "preparatory service" (Article 19), a probationary period combining training, on-the-job experience and finishing with a test of substantive knowledge. It introduced an oath of local self-government employees (Article 18) as well as the obligation to secure funds for the training of local self-government employees. It opened the possibilities of shaping the level of remuneration in all positions where the basis of employment is an employment contract and – to a limited extent – in other positions, with the exception of the level of remuneration of the commune head/mayor/president. Remuneration issues were further clarified in the Act of 15 May 2018 (*Rozporządzenie Rady Ministrów z dnia 15 maja 2018 r. w sprawie wynagradzania pracowników samorządowych*). Box 7.1 outlines the main actors involved in HRM in LSGUs.

Box 7.1. Responsibility for human resource management in Polish LSGUs

The following actors are usually involved in HRM processes:

- **Mayor of municipality or respectively head of the county** (here as the statutory head of the office) – in relation to the heads of LSGU organisational units and LSGU office employees [except for the treasurer of the municipality/county, who is appointed and dismissed by the council] and other activities in the field of labour law in relation to the treasurer, including determining remuneration, carried out by an executive body, i.e. the Mayor/Head of the county). According to art 5.5 of the Law on Local Self-Government Employees, the Mayor/Head of the county has a right to authorize the secretary of the municipality/county to set and implement HRM policy.
- **Heads of organizational units of LSGUs** – in relation to unit employees (e.g. schools, municipal welfare offices, children shelters, cultural centres, libraries, etc.).
- **Secretary of municipality/county and heads/staff of human resource (HR) departments** – design system solutions (sometimes with the support of external entities) and annual operational plans (e.g. remuneration fund management, training plans, etc.). They also carry out technical activities based on individual decisions previously made.
- **Employee service superiors** (e.g. Heads of units, directors of departments, offices) – have a major impact on the implementation of system tools in subordinate organisational units through participation in operational planning and the right to submit individual applications on individual HRM matters for the Mayor's/Head of the county decision.

Source: Commentary provided by the Association of Polish Cities.

The counterpart at the national level for local Polish self-governments is the Department of Public Administration within the Ministry of the Interior and Administration. The Department of Public Administration houses the Secretariat of the Joint Commission of Government and Local Self-government.

The joint commission is a body that brings relevant central ministries together with associations representing the regional and local authorities to verify compliance of locally developed solutions with the constitutional and legal framework.

The ministry's role regarding operational HRM in LSGUs is relatively limited. Nevertheless, it does play a role in providing training support to local self-government bodies. In the 2014-20 programming period for the European Structural and Investment Funds (ESIF), the ministry accessed funding from the European Social Fund (ESF) under Thematic Objective 11 – Efficient public administration. One of the investment priorities was "enhancing institutional capacity and efficient public administration". Indeed, a recent project aimed to support LSGUs in the implementation of accessibility requirements for staff with disabilities (OECD, 2019[9]). Training co-ordinated by the ministry thus targeted officers working in HRM units of local self-government.

Local self-government in Poland is also framed by Poland's ratification of the European Charter of Local Self-Government in 1993. With regard to HRM, Article 6 of the charter notes that:

> - *Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management.*
> - *The conditions of service of local self-government employees shall be such as to permit the recruitment of high-quality staff on the basis of merit and competency; to this end, adequate training opportunities, remuneration and career prospects shall be provided (Council of Europe, 1985[10]).*

LSGUs thus have normative motivation as well as legislative scope to develop initiatives and solutions to deal with HRM as long as those initiatives and solutions respect the legal framework. Nevertheless, it should be noted that as municipalities and counties have limited regulatory powers, they are restricted to situations in which legislative competency is expressly provided in national legislation. Consequently, they cannot create a local rule whenever they want to attain an objective (Kulesza and Sześciło, 2012[11]).

Strategic human resource management (SHRM) and the Future of Work

People are the backbone of any organisation. That is why it is so important that the people who work in local self-government administration in Poland are skilled, motivated and able to work productively and with purpose. A 2018 paper from the Polish National Institute of Local Self-Government (*Narodowy Instytut Samorządu Terytorialnego*), a unit of the Ministry of the Interior, notes that "a long-term vision for the development of local self-government administrations […] should be supported by a vision of strategic human resource management" (Warwas, 2018[12]). SHRM takes a long-term perspective to attracting, recruiting, developing and managing staff. It is an approach used by governments to frame and link how they manage workforces with the types of outcomes they wish to achieve. This emerges from the recognition that:

> *[t]housands of jobs are part of our work-a-day world, and the variety of tasks and human requirements necessary to carry out this work is staggering. Faced with such variability in jobs and their requirements on the one hand, and with people and their individual patterns of values, aspirations, interests, and abilities on the other, programmes for the efficient use of human resources are essential (Cascio and Aguinis, 2019[13]).*

Governments that apply SHRM principles look at the processes and tools used to ensure that workforce capacities are aligned with the mission and core strategic objectives of the government. This means ensuring that the right people with the right skills work in the right places to achieve goal and objectives as effectively and efficiently as possible (OECD, 2017[14]). Typical stages of SHRM planning include determining what skills are needed (gap analysis), evaluating how people with those skills can be attracted

to the public sector, developing a culture of learning to support employee development and using skills optimally through sound management practices and organisational structures.

Recognising the need for a whole-of-government approach in applying SHRM principles, in 2019, the OECD Council adopted the Recommendation on Public Service Leadership and Capability (OECD, 2019). The recommendation is a normative instrument that aims to guide member and partner countries in developing public sector workforces with the right leadership and skills, supported by effective organisations and practices.

Figure 7.2. OECD Council Recommendation on Public Service Leadership and Capability



Source: OECD (2019[5]), *Recommendation of the Council on Public Service Leadership and Capability*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0445.

Governments that have adopted SHRM principles usually share several common traits. First, senior leadership explicitly recognises the role of people management strategies in achieving organisational objectives. They are actively involved in strategies to attract and retain the best candidates for the civil service. Second, the involvement of senior leaders helps embed a view of HR departments/ministries or units as proactive partners that can help achieve strategic objectives – not passive administrators of staff files. Third, governments that practice SHRM recognise the importance of developing a workforce with the right skill and competency mix at the individual and team levels. The vast majority of OECD countries use competency frameworks to inform recruitment campaigns, assessment questions, performance management and promotion/mobility decisions. This is designed to create a virtuous circle where clear organisational objectives are aligned with observed characteristics of people who contribute successfully to achieving those objectives. Finally, iterative, agile solutions are encouraged and supported by fit-for-purpose information technology (IT) systems.

Guided by these questions, many governments have been implementing reforms to ensure that workforces are able to adapt to the "Future of Work". OECD research has identified three key aspects of preparing government workforces for the Future of Work (OECD, forthcoming[15]).

- **Forward-looking**: Public service employers will need to be better at planning for the future to ensure recruiting skills and talent can adapt to change. This requires public employment systems to ensure their job classification can adequately incorporate emerging jobs and respond with appropriate remuneration packages.
- **Flexible**: The future is full of uncertainty and public services will need to be flexible and agile to respond to unforeseen change. This implies the need to be ready to reallocate skills to emerging challenges and pull together multi-disciplinary teams across ministries and agencies. Pay systems, therefore, need to strike a careful balance between specificity for skills and talent, and harmony across organisations to enable mobility and agility.
- **Fulfilling**: The diversity of the public service workforce will continue to grow to incorporate more skills and backgrounds that it has traditionally done so in the past. And with a diversity of people comes the need for a diversity of employment models and individualisation of people management. This suggests the need to think about pay systems that recognise and reward motivation and achievements, without crowding out the intrinsic motivation of public employees.

At the time of writing, Polish LSGUs were grappling with additional responsibilities and pressures in relation to the COVID-19 pandemic. Continuity and adaptation in the provision of administrative services to citizens, safely opening schools and running healthcare facilities are key priorities. Yet as the pandemic has illustrated, the types of "wicked" policy challenges facing government administrations span multiple policy areas and require new approaches and ways of working. These challenges can have far-reaching effects: the European Union (EU) Annual Regional and Local Barometer shows that the COVID-19 pandemic is widening existing social and economic disparities in the EU and that regional and local authorities have a key role in economic recovery (European Committee of the Regions, 2020[16]). An effective municipal response to the pandemic, and the development of longer-term municipal capacity, thus depends on leveraging the skills and motivation of a skilled, flexible and resilient public sector workforce. The following section discusses three areas of people management where investment and attention by LSGUs could play a key role in preparing for the Future of Work and building workforce capacity.

People management challenges in Polish LSGUs

Polish LSGUs face specific people management constraints due to contextual factors such as proximity/accessibility to urban centres (i.e. greater competition for candidates with other employers) and local labour market dynamics. LSGUs must also respond to broader trends that affect government workforces around the world, such as the digitalisation of public services and working methods, and changing and more diverse citizen expectations. Drawing on the questionnaire of Polish LSGUs administered by the Association of Polish Cities as part of this project, as well as qualitative data collected during four fact-finding missions to Poland, three broad and interrelated people management challenges were identified:

- **Leadership and management capability**: The Law on Local Self-Government Employees defines the framework for workforce management. LSGU leaders have a particularly important role to play in the development of municipal capacity through identifying scope for adjustment to work practices within the constraints of this law. This involves developing and gaining consensus for a workforce strategy vision, providing resources and ensuring accountability. The skills and competencies involved are complex.
- **Targeted investment in skills**: LSGUs in Poland need specialist skill sets and staff with a broad range of transversal competencies. However, many struggle to attract candidates. This is particularly acute for smaller, rural municipalities. Investment in employer branding, recruitment efforts, compensation and learning and development will be key. Moreover, skills in LSGUs are required for effective implementation of the tasks outlined in the other chapters of this report, such

as effective co-ordination, budgeting, navigating the regulatory landscape and engagement with citizens.

- **Institutions/Strategy**: Responsibility for HRM decision-making within LSGUs is multi-layered: the mayor, the secretary, human resource departments and line managers all play key roles in the day-to-day management of staff. However, there are few strategic guidelines or high-level principles (such as a workforce strategy document) to guide co-ordination, prioritisation and decision-making. This can lead to a fragmentation of efforts and a weakened ability to develop human capital initiatives.

The lack of homogeneity between LSGUs means that not all are affected by these challenges to the same degree. It should come as no surprise that smaller LSGUs in general have more difficulty developing and implementing strategic workforce development strategies than larger LSGUs with more staff and greater institutional capacity. The lack of homogeneity means that there is no one-size-fits-all solution to key HRM challenges. This places a premium on local leadership and managerial ability to develop local, tailored solutions within the current legal framework. It suggests the need for greater sharing of good practices and collaboration, and a long-term approach to the development of human capital at the local self-government level.

Investing in leadership capability can improve organisational capacity in LSGUs

As outlined in the OECD Recommendation on Public Service Leadership and Capability, leaders and managers are a central part of developing HRM capacity in governments. Building leadership capability in the public service is essential to meeting citizen expectations and developing a high-performing workforce. The recommendation explicitly calls on adherents to focus on:

1. Clarifying the expectations incumbent upon senior-level public servants to be politically impartial leaders of public organisations, trusted to deliver on the priorities of the government and uphold and embody the highest standards of integrity without fear of politically motivated retribution.
2. Considering merit-based criteria and transparent procedures in the appointment of senior-level public servants and holding them accountable for performance.
3. Ensuring senior-level public servants have the mandate, competencies and conditions necessary to provide impartial evidence-informed advice and speak truth to power.
4. Developing the leadership capabilities of current and potential senior-level public servants.

The provisions of the recommendation typically apply to senior leaders of the public service, i.e. not elected politicians. However, in the case of Poland, elected mayors still have substantial day-to-day management tasks. Their interaction with non-elected positions, such as the secretary, assume pivotal importance for the HRM of the LSGU. Given the variety of size and contexts of Polish LSGUs, it is difficult to identify specific leadership challenges affecting all LSGUs. Senior leaders in Płock, for example, are responsible for managing an organisation of some 600 LSGU employees. There, one of the key challenges facing leaders is adapting employee skills to new contexts and mandates, and ensuring that organisational structures and practices facilitate this. To do this, leaders and managers can draw on a human resource department. On the other hand, in rural LSGUs such as Ziębice, there is no human resource department. The mayor personally decides on who co-ordinates activities if various organisational units of the office are involved in a cross-functional project.

One of the most comprehensive reports on leadership in Polish LSGUs relates leadership capability with the ability to innovate (OECD, 2019[17]). The report includes a study pointing to the rapid pace of change in the functioning of local self-governments and the potential for new solutions in public administration, based partly on practices adopted in the private sector. As such, the principles of effective leadership as set out in the recommendation apply across all LSGUs. The challenge for LSGUs is to identify how the

principles relate to their specific organisational context and to support investment in leaders through training in order to build capability.

Effective leaders can drive efficiency and productivity by creating the right conditions for employee engagement, a concept that is often measured and tracked through employee surveys. Engaged employees are shown to perform better and be more productive and more innovative (see for example OECD (2016[18])). Box 7.2. illustrates some of the ways that the OECD has been working with administrations to boost leadership capacity.

Box 7.2. Assessing and reinforcing leadership skills in Croatia and Greece

Ahead of the 2021-27 programming period for ESIF, the OECD worked with a pilot group of five managing authorities (MAs) of ESIF to diagnose administrative challenges and support targeted capacity-building actions. Supporting leaders and senior managers was a key part of those actions in two MAs: the MA of the Competitiveness and Cohesion Operational Programme in Croatia and the MA of the Transport Infrastructure, Environment and Sustainable Development Operational Programme in Greece.

In both MAs, the OECD has focused on boosting leadership capacity through a series of workshops and surveys in two areas: employee engagement and analysis of key managerial, professional and operational competencies. The OECD designed and ran a tailored employee engagement survey in order to quantify key issues relating to staff motivation and perceptions of their work environment and bring them to the attention of senior leaders. The results were used to design a series of workshops focused on developing an action plan to improve employee engagement. In parallel, the OECD ran a competency gap analysis of both MAs in Croatia and Greece. The analysis enabled senior leaders in the MAs to better understand the areas where employees wished to develop their skills and competencies. It also provided valuable feedback for senior leaders on perceptions of managerial competency. The results of the gap analysis were used to design a learning and development strategy for the MAs through a series of workshops involving leadership perspectives as well as data from the surveys and employee focus groups.

Both work streams provided valuable feedback for leaders as well as a way to involve them directly in co-creating workable and long-term solutions for their organisations.

There are encouraging signs that leadership capability at the local self-government level is being prioritised (Box 7.3). The city of Płock, for example, uses an online training provider specialised in Polish local self-government called *Akademia Wspólnoty* to enrich its training programme for staff and support senior leaders. Fora to exchange experiences and investment in training, coaching and mentoring are thus key aspects of building leadership and management capability in LSGUs.

Box 7.3. School for City Leaders programme, Poland

The School for Leaders Foundation (*Szkoła Liderów*) established the City Leaders programme to develop leadership capacity in local self-government leaders, non-governmental organisations and companies. The purpose is to develop recommendations and ideas for the authorities of their cities and then put the ideas into practice. At the beginning of 2020, in order to further develop activities aimed at city leaders, the concept of a special programme dedicated to representatives of city authorities – people with the greatest influence – was created, called Leadership in Local Self-government. Its goal is to build resilience to city crises by developing the leadership skills of leaders and deepening knowledge of urban resilience in terms of health, economic, social and environmental challenges. The essence of the project is also the actual exchange of experience and proven solutions to systemic problems between city management. The programme is targeted at people holding key positions for the operation of local self-government (mayors, presidents, deputies, treasurers, secretaries, heads of key departments and management of city councils) from ten invited cities. The programme structure comprises online modules and in-person training. The School for Leaders Foundation is a publicly funded body supported by private grants.

Source: Szkoła Liderów (2020[19]), *Leadership in Local Self-government*, https://www.szkola-liderow.pl/przywodztwo-w-samorzadzie/.

Improving employer attractiveness can facilitate the recruitment of specialised skill sets

LSGU leaders and senior managers are essential to developing workforce capacity: a key component of effective leadership depends on attracting, developing and managing workforces with complex skill sets to address increasingly complex policy challenges. This is specifically mentioned in the OECD Recommendation on Public Service Leadership and Capability, which calls on public administrations to:

1. Continuously identify skills and competencies needed to transform political vision into services that deliver value to society.
2. Attract and retain employees with the skills and competencies required from the labour market.
3. Recruit, select and promote candidates through transparent, open and merit-based processes, to guarantee fair and equal treatment.
4. Develop the necessary skills and competencies by creating a learning culture and environment in the public service.
5. Assess, reward and recognise performance, talent and initiative.

There is thus a need for substantive skills and specialist qualifications (e.g. construction engineers). However, many LSGUs report difficulty in recruiting the skills they need. In larger LSGUs close to urban centres with alternative employment options, salary was frequently cited as a barrier to recruitment. In smaller LSGUs, particularly rural ones, outward migration toward urban centres depletes local labour markets and thus reduces the pool of prospective, qualified candidates.

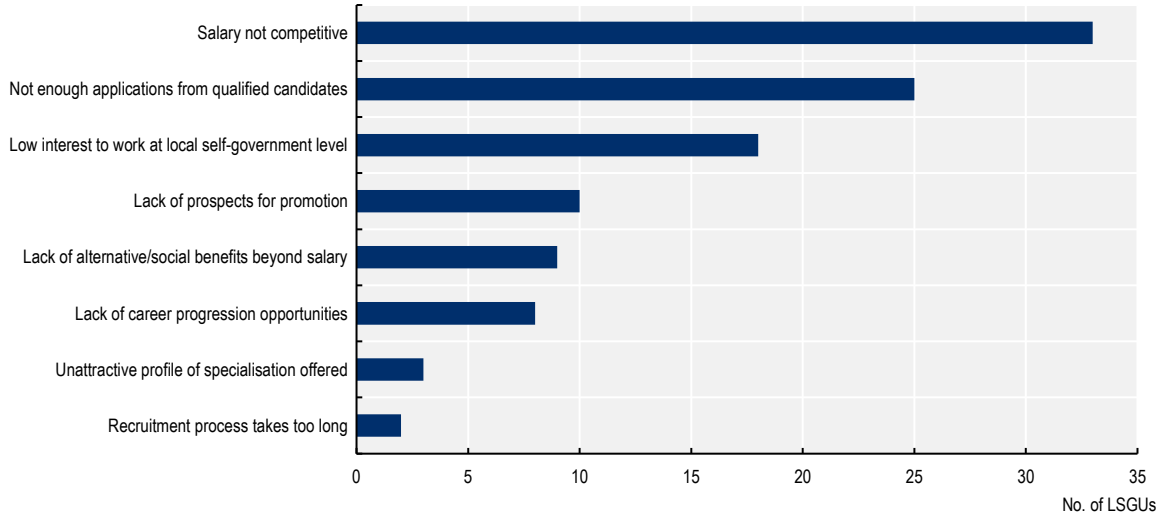
The salary of LSGU staff is seen as a barrier to recruitment

Figure 7.3 illustrates that salary competitiveness is a key challenge affecting recruitment in Polish LSGUs. OECD questionnaire data gathered for this report show that the three key determinants of pay in Polish LSGUs are educational qualifications, job content and relevant experience. This aligns with trends in OECD countries which show that the most important factors in determining base salary for government jobs are job content and education qualification, regardless of the hierarchical level (OECD, 2018[20]). This suggests a system that rewards static indicators (things that happened in the past and are already

acquired, like a university degree) at the expense of a more dynamic system that rewards performance. In reality, a mixture of both is necessary to be able to attract candidates and develop a high-performance culture.

A common challenge across OECD countries is how to pay public servants a wage that reflects the importance of their role and the local labour market while maintaining overall control of public finances. The principle of flexibility to allow targeted pay increases for certain profiles based on precise conditions and regular review and dialogue has helped many administrations overcome barriers to salary competitiveness. Doing so implies a long-range vision for HRM capacity and identification of critical roles linked to local development strategies. It suggests the need for regular and segmented analysis of local labour market conditions and more local discretion within a set budget.

Figure 7.3. Challenges affecting attraction in Polish LSGUs



Note: 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 LSGUs.
Source: Author's own elaboration based on LSGU responses to the OECD questionnaire (2020).

A recurring theme during qualitative interviews was the perception that low salaries are a barrier to attracting talented candidates: 39% of LSGUs said that increasing the attractiveness of the LSGU as an employer was a high priority and almost as many (37%) listed pay reform as a high priority. On the other hand, just 13% of LSGUs saw recruitment reform as a high priority, which suggests a pressure point around salaries.

However, targeted wage adjustment for certain positions as well as general salary increases proves difficult. In 2018, a Regulation of the Council of Ministers (*Rozporządzenie Rady Ministrów z dnia 15 maja 2018 r. w sprawie wynagradzania pracowników samorządowych*) reduced the salaries of mayors and their deputies by an average of 20% (OECD, 2019[21]). This may have had the unintended effect of pressing down wages throughout the LSGUs, exacerbating attraction and retention difficulties. Increasing the salary of key positions to a relevant market-level could result in some staff members being paid more than the mayor – the political and administrative head of the LSGU.

It was beyond the scope of this study to establish an empirical pay gap for local self-government employees compared to relevant markets. Nevertheless, pay is central to the psychological contract public employers have with each employee. The link between pay and attractiveness as an employer is well established, and compensation plays an important role in "virtually every aspect of organisational functioning" (Gupta

and Shaw, 2014[22]). It is a consideration in career choices and influences decisions to accept job offers and to remain with an employer. It also affects the number and quality of job applicants (OECD, 2012[23]). As such, Polish LSGUs must be able to maintain some level of salary competitiveness with relevant external markets, especially for key positions where there are long-standing recruitment challenges (e.g. lawyers, civil engineers, construction engineers, etc.). However, benchmarking a fair and appropriate salary for some categories of public servants – for example, an advisor or policy officer – can be difficult. This partly relates to methodological considerations involved in establishing equivalency for certain positions and contexts, as well as the scope for political considerations and a range of other contextual factors to affect the findings. In the context of Polish LSGUs, the Association of Polish Cities has lobbied for greater flexibility to determine wages according to factors such as the size of the local self-government unit and average labour market salaries.

The need for new skills and competencies has never been greater

The global financial crisis in 2008 caused many governments across the OECD to reduce public sector pay in an effort to balance public budgets (OECD, 2012[23]). It is to be expected that Poland's fiscal and budgetary response to the COVID-19 pandemic, as in many countries, will also create further pressure on public sector pay, including at the local self-government level. As such, in the absence of empirical data on salary levels in Polish LSGUs compared with relevant market levels and in the context of limited space for broad pay rises, a central challenge for LSGUs in Poland will thus be how to improve attractiveness as an employer and recruit and develop the skills they need – particularly in smaller LSGUs like Łancut. Moreover, the scope of responsibilities of LSGUs is increasing at the same time as budgetary resources (transfers and own-tax revenue) are less predictable. This creates further pressure on LSGU administrations to adapt established ways of working to meet new demands.

OECD countries have been addressing these issues by rethinking their skill needs and adapting recruitment practices to match diverse candidate expectations. Building effective public sector workforces depends on employers recognising that their needs are evolving ever more quickly. Focusing only on estimates of how many employees will be needed to implement projects – as is the case in many LSGUs – and simply replacing workers with the same skills will not be effective in the long term.

Learning and development is a key part of building effective public sector workforces yet, in many Polish LSGUs, much of the training content focuses on equipping employees to interpret regulations (e.g. around public procurement). While this is important, longer-term municipal capacity can be increased by complementing training on procedural issues with broader competency-based training. Competency-based training identifies important competencies required for specific functions or levels of hierarchy – such as decision-making, influencing others, achieving results – and aligns training programmes with those competencies.

Public employers want public employees with the technical/substantive skills needed to address these challenges using new (technological) tools at their disposal. This creates three big challenges. First, public employers need increasingly specialised expertise, which is usually in short supply. This puts them in direct competition with private sector employers. Second, public employers also need employees with more complex behavioural competencies and management skills. Finally, public employers are looking for employees whose values align with those of their public sector organisations.

In all of these areas, employers want to hire candidates with the professional expertise and strategic orientation needed to deliver cutting edge services to the society they serve. But technical skills such as knowledge of legislative provisions are not enough: increasingly, public services are prioritising transversal skill sets and competencies that are even harder to assess, such as risk-taking, capacity to innovate and problem-solving. A number of public policy reforms – such as the growing use of participatory budgeting processes in LSGUs – depend on new skill sets that not all public employees have. Size also matters:

LSGUs in rural areas are more at risk of "brain drain" of young and qualified candidates than LSGUs within functional urban areas (FUAs) where there are comparatively more employment options.

So how can Polish LSGUs improve the attraction of candidates with these types of skills within the current pay framework? While pay is a key component of how the public sector is perceived as an employer, Box 7.4 provides examples of administrations that have begun to address issues of attractiveness and recruitment through initiatives that do not affect pay. The common thread underpinning these initiatives is the identification and prioritisation of key skills and competencies that add value to the public sector. Developing new ways to engage with candidates through in-person events (career fairs), formal partnerships with universities and the use of social media to promote job opportunities can all improve the pool of candidates in LSGUs. Reducing barriers to applying to jobs, such as facilitating online applications, can make it easier for candidates to apply, and re-thinking the assessment process for candidates – while respecting the provisions on recruitment in the law on local self-government – can help LSGUs have scope to modernise and upgrade recruitment. Finally, investing in employee career development by providing opportunities for staff to work in different parts of the LSGU to gain more experience can prove stimulating. These types of practices are usually known as "mobility programmes" and typically refer to a period of a few months during which an employee is supported to gain new skills by taking a short-term assignment in a different functional area.

Each of these practices depends on joined-up thinking and co-ordination among the many actors involved in HRM, which is the focus of the next section.

Box 7.4. Improving employer attractiveness and recruitment through non-pay related modalities

Belgium: In response to the COVID-19 pandemic, the Ministry of Finance has invested in improving outreach to candidates to promote careers in the ministry through social media. The ministry uses Facebook Live events to engage with candidates and has moved interviews and some testing online. A key component of this was developing more guidance and support for candidates during the application process and investing in induction programmes for new staff. Candidate satisfaction with the recruitment process as measured through surveys has increased.

Estonia: Estonia has invested in employer branding to promote careers as a senior public servant. Previous advertising campaigns have emphasised the mission-oriented nature of public service and appealed to candidates' motivation to have an impact and serve the public good.

France: The Directorate-General for Public Administration (DGAFP) has developed a centralised recruitment portal and smartphone application for candidates to browse job offers at different levels of the public administration and submit applications through the portal. The portal and application are designed to increase user-friendliness, standardise job offers and provide greater control and visibility of candidates to hiring managers.

Israel: A pilot project led by the Civil Service Commission (CSC) aims to increase the attractiveness of public sector careers by involving senior public servants in various aspects of recruitment. Four ministries/agencies took part in the initial pilot. The CSC provided tailor-made support to senior managers in communicating with the public about career opportunities, reviewing and updating key job requirements, and engaging with candidates as part of the application process.

Ireland: Promoting public service as an employer of choice is one of the three pillars of the Civil Service People Strategy. Actions taken include supporting organisations to ensure roles are more varied and meaningful and by supporting staff to develop appropriate skills to respond effectively to evolving business challenges. Communications have been increased with existing civil servants, potential new

recruits and with the public to raise awareness of the richness, variety and importance of the work civil servants do on behalf of society. Addressing diversity and inclusion, mobility, the opportunity for promotion, learning and development of staff will also help the Civil Service be seen as an employer of choice.

Italy: In preparation for the 2021-27 period, the Calabria, Friuli-Venezia-Giulia and Umbria regions in Italy have collaborated to set up a registry of chartered accountants specialised in the management and control of programmes co-financed by ESIF. This project was extended to include other administrations, such as those in Emilia-Romagna, Liguria, Sicilia and Trento. The purpose is to help Managing Authorities of EU funds recruit candidates with sought-after skills but who can prove difficult to attract.

Source: Belgium: Presentation by Ms Joke Bauwens at SIGMA webinar on innovation in recruitment 22 July 2020; Estonia: Information provided by the Estonian Top Civil Service Excellence Centre; France: French Government (2019[24]), *Place de l'emploi public*, https://www.place-emploi-public.gouv.fr/; Israel: Information provided by the CSC, see also OECD (forthcoming[25]), "Leadership for a high performing public service, Draft working paper, OECD, Paris; Ireland: Civil Service HR Division (2017[26]), *People Strategy for the Civil Service 2017-2020*, https://hr.per.gov.ie/wp-content/uploads/2020/04/People-Strategy-for-the-Civil-Service-2017-2020.pdf; Italy: OECD (2020[27]), *Strengthening Governance of EU Funds under Cohesion Policy: Administrative Capacity Building Roadmaps*, https://doi.org/10.1787/9b71c8d8-en.

Developing coherent HRM institutions can provide a more effective basis for strategic workforce management practices

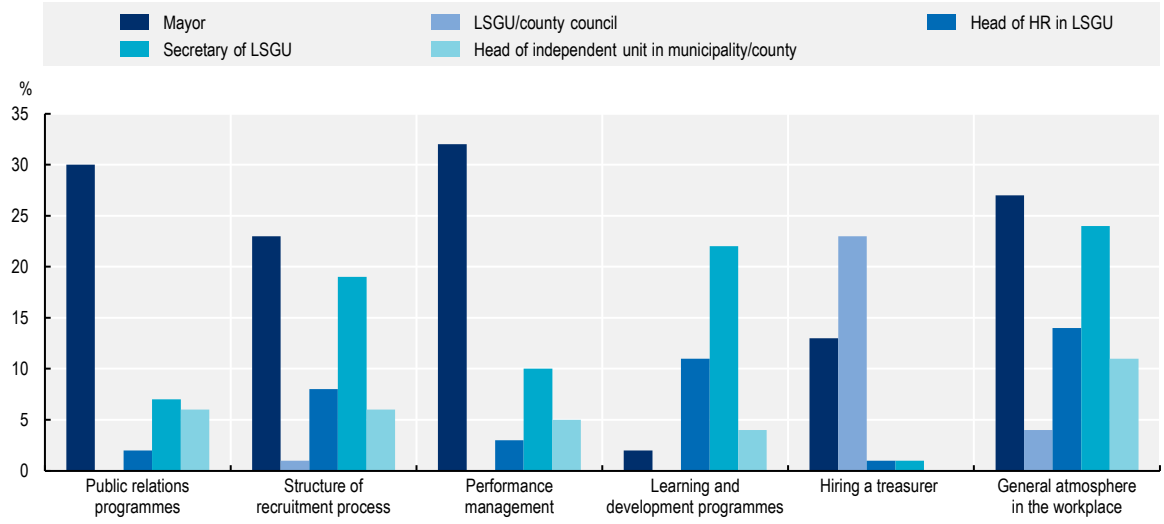
Across the OECD, the structure of HRM decision-making usually tries to achieve a balance between several principles. At the national level, centralising decision-making in a central HRM body suggests a greater ability to align people management practices with high-level organisational objectives. Conversely, the assumption underlying decentralising decision-making to individual ministries or departments is that they are best placed to decide on policies that work for them. But for this to work, managers need to be bought into the system and seen as key partners for implementation and reforms. Managers need a degree of autonomy and flexibility to develop a high-performing culture, encourage good work and remedy sub-optimal performance. This is recognised in the OECD Recommendation on Public Service Leadership and Capability, which calls on adherents to clarify the institutional responsibilities for people management to strengthen the effectiveness of the public employment system through:

1. Establishing institutional authority to set and oversee common minimum standards for merit-based people management.
2. Delegating an appropriate level of autonomy to individual agencies, ministries, leaders and/or managers, in order to allow the alignment of people management with their strategic business objectives.
3. Ensuring appropriate mechanisms for communication and information sharing among institutional actors in the public employment system.
4. Ensuring that each institutional actor in the public employment system has the appropriate mandate and resources to function effectively.

Flexibility in decision-making is typically underpinned by a strategy or clear guidelines and rules of procedure so that HRM decision-making on aspects such as recruitment, promotion and training is done objectively and using all available workforce data. There is no one single right way to do this – the important aspect is to get the balance right between various principles such as transparency, flexibility, accountability and performance, and to ensure proper co-ordination between different actors involved in HRM decision-making.

In Polish LSGUs, formal responsibility for key HRM decisions like recruitment and promotion is concentrated mainly in the hands of two key positions: the mayor (*burmistrz/wójt*) and the secretary (*sekretarz*) of LSGUs (Figure 7.4). The mayor in LSGUs has a dual mandate: she or he is a political leader elected by citizens of the municipality and also an executive manager. The secretary is employed on the basis of an open recruitment competition, i.e. not appointed.

Figure 7.4. Decision-making responsibility for key HRM processes in LSGUs



Note: 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: Author's own elaboration based on LSGU responses to the OECD questionnaire (2020).

This concentration means that for the most part, HRM departments in LSGUs mostly carry out administrative tasks such as running payroll, processing training requests and ensuring that recruitment procedures meet all legal requirements. It is also important to note that there are additional actors outside the formal remit of HR departments who play an important role in the management and development of staff, e.g. operational managers (e.g. directors of departments and organisational, managers).

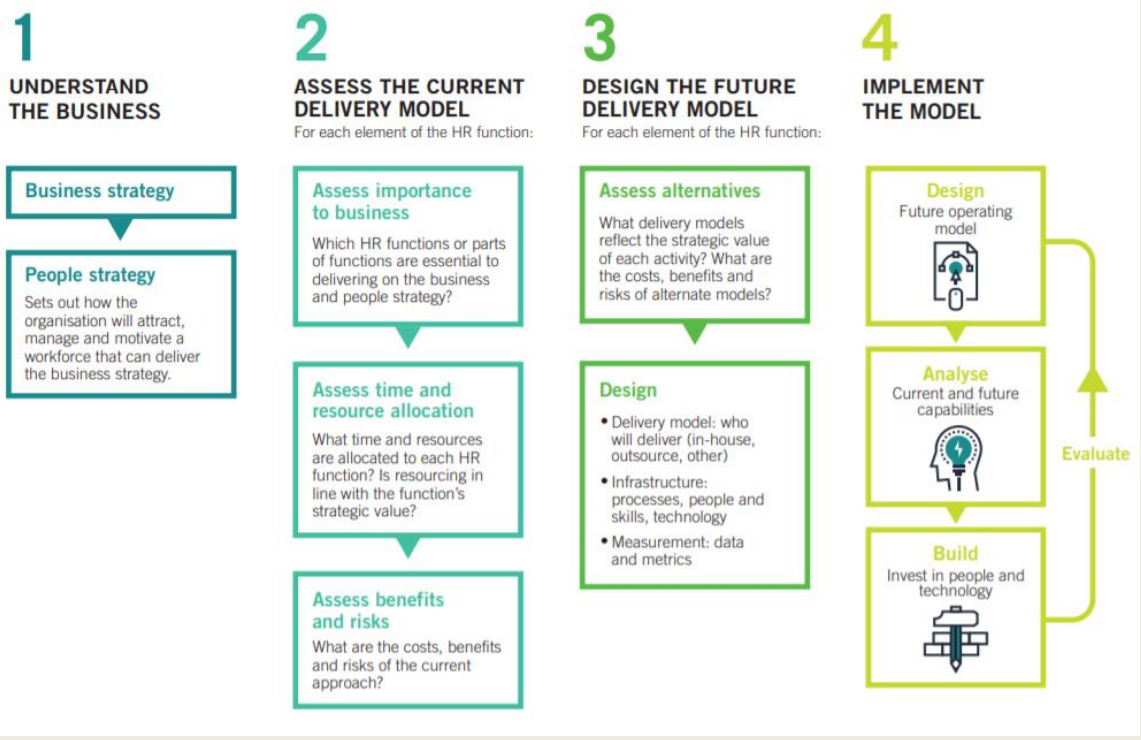
Responsibilities for different aspects of HRM is thus shared among many actors in Polish LSGUs. This can be seen as a good thing – HRM is a dynamic process involving a healthy division of responsibilities between line managers and the organisational HR unit as appropriate. Nevertheless, as LSGUs look to the future, the key question is whether the time spent by each actor on human resource activities adds value and contributes to an overall HR strategy. The overall goal is improved workforce capability; so are the activities of human resource departments and line managers underpinned by clear guidelines and a common vision of overall objectives?

In 2015, the Australian Public Service (APS) launched an exercise to address many of these questions: the review began with a vision for the future APS, examined existing reforms and benchmarked other country practices (Box 7.5). The review looked at the need to re-design HRM practices and specifically found that human resource activities in the APS were not sufficiently focused on high-value, strategic activities, partly due to capability gaps. It found a lack of clarity around the role of the APS Commission in HRM and noted the scope to re-design learning and development and leverage technology for better HR performance and delivery.

Box 7.5. 'Unlocking Potential': Sample model for review of human resource capacity and practice in the Australian Public Service (APS)

The APS review included a sample model for reviewing how different people and parts of the organisation contributed to HRM:

Figure 7.5. Sample model for review of human resource capacity, Australia



Source: Australian Public Service Commission (2015[28]), *Unlocking Potential: Australian Public Service Workforce Management Contestability Review*, https://www.apsc.gov.au/sites/default/files/Unlocking-potential-APS-workforce-management-review-Design_WEB.pdf.

Reviewing and reinforcing human resource units and activities means that LSGUs can devote more of their time to higher-value (and potentially more engaging) activities such as developing and managing programmes to manage LSGU staff more strategically. In many administrations, HRM units play a key role in the collection, management and use of data used to inform workforce management policies such as recruitment, training and employee turnover. This could mean, for example, exploring how HRM units could be positioned to support mobility programmes for short-term secondments to other parts of the LSGU, or indeed a different LSGU or level of LSGU such as the regional voivodeship. The APS review stemmed from the recognition that reviewing HR capacity was a necessary first step to building stronger and more effective workforces. As LSGUs in Poland look to the future, their ability to put in place effective HRM practices will play an important role in how they are able to develop and mobilise the skills of LSGU staff to deliver value for citizens.

While individual LSGU staff may not perceive reform of HRM as a key priority, one factor may well be a misconception of HR practices and what a modern, well-developed HR function is actually about (Zientara and Kuczynski, 2009[29]). A dominant theme in research on HRM practices in local self-government in Poland is the degree to which they have moved away from traditional, "top-down" forms of people management to embrace modern management methods. This suggests that there is indeed scope for reviewing human resource operations and building capacity to support leaders and managers in attracting, recruiting and managing a high-performing workforce. The following recommendations provide guidelines for how LSGUs may wish to do so.

Recommendations

The chapter on HRM describes the shape of local self-government employment in Poland and the legal provisions, which govern key aspects of people management. It presents and discusses the three related challenges of leadership/management development, improvement of employer attractiveness/recruitment and the importance of effective HRM institutions and practices.

This is a good time to build momentum on many of these issues. With the COVID-19 pandemic, many administrations across OECD countries have had to rethink and adapt key elements of how they run and manage public sector workforces. The post-crisis period will be a unique opportunity to capitalise on changes whose implementation was expected to occur only gradually in the future. Examples include large-scale remote working, agile tools to reallocate staff to where they are most needed, and streamlined and technology-enhanced people management processes such as recruitment and training.

The recommendations that follow are designed to support LSGUs to achieve these broad objectives. A common thread underpinning the recommendations is that reforms to HRM practices are not only about regulations: they also require a great deal of culture change within institutions. The question is how administrations can attract and retain qualified people and ensure that they work in a positive and constructive environment, and continually develop their skills. In general, public sector legislation – and this is the case at the local self-government level in Poland – leaves some room for managerial discretion in achieving these aims. The challenge is to find it and use it in ways that encourage innovative thinking: often what is most needed is internal discussion, consensus and agreement to pilot a new approach.

Given the vast number of LSGUs in Poland, the recommendations below should be treated as indicative of good practices. The point is not to apply them narrowly but to use them as a basis to design solutions that adapt to local conditions.

Recommendations for all LSGUs

Invest in supporting leaders and managers to ensure that they have the autonomy, tools, support and accountability to effectively use their leadership capabilities

This refers to political leaders such as mayors as well as positions such as municipal secretaries and line unit operational managers. Leaders' and managers' objectives should provide a clear sense of values, vision, direction and an appropriate level of autonomy as well as accountability to be able to achieve them. Leaders should have access to learning opportunities and peer support (such as coaching/mentoring) as well as relevant tools – including financial tools – to access the skills and expertise they need. This could include initiatives to:

- Increase ways for mayors and senior managers (such as the treasurer, municipal secretary and line managers of organisational units) to discuss training needs and share experiences in problem-solving, both within individual LSGUs and with other LSGUs.

- Develop “communities of practice”, i.e. informal groups to structure thematic collaboration and share good practices. This has proven to be an effective practice in many administrations.
- Map competency gaps at the management level, exploring how these could be addressed through current or new training tools.
- Ensure that accurate and relevant human resource data are available to senior managers to inform policies, e.g. through data held in IT systems or generated through employee surveys.
- Support the development of a middle-management pipeline, i.e. to support high-performing staff with the potential to move into managerial positions in the future.

Focus on the attraction and development of transversal skills and competencies

Many LSGUs reported facing difficulties in candidate volume (not enough) or quality (not enough with the right skills) – and sometimes both. Investment in employer branding and a more strategic approach to recruitment could help address these gaps. LSGUs could begin to address this and consider:

- Identifying key competencies that add value to the work of the LSGU and prioritising ways to communicate job opportunities better to candidates with those competencies. This could include: developing relationships with universities and public employment services to increase the number of qualified applicants; adjusting recruitment processes to test for these competencies; and investing in fit-for-purpose and needs-based recruitment programmes.
- Seeking out internal staff from LSGU resources (e.g. with managerial potential) and preparing them to carry out new duties or take on new functions.
- Pooling resources between LSGUs for hard-to-recruit profiles, e.g. through identifying roles where one particular profile could work on a project basis for LSGUs that are geographically close to each other or, if the work allows, remotely.
- Introducing an online application for recruitment. Jobs in local self-government are advertised electronically (online) but candidates still have to fill out and send hard copies of their applications. Adding the possibility to apply online could help candidates – especially younger candidates with valuable IT skills – to perceive local self-government as a modern employer and fitting place for their ambitions.
- Reviewing the recruitment process. While staying within the scope of legislation, LSGUs could review aspects of the recruitment process such as improving communication with candidates and ensuring that screening and interviews are focused on assessing relevant competencies in addition to minimum requirements.

Review the effectiveness of HRM practices and invest in strategic workforce management capabilities

The scope of local self-government responsibilities is changing. Some organisational structures are no longer a good fit for these increased responsibilities. While some local development strategies make reference to the human capital required, this is frequently in the form of headcount estimates. This is a good starting point but a focus on what type of workforce – not just numbers – is needed should be included in planning processes. This could include initiatives to:

- Support human resource units and managers so that they can play a greater role in the achievement of organisational objectives, particularly through the identification, recruitment and development of high-potential talent.
- Monitor the impact of HR policies and procedures, gather and review workforce data and adjust policies where appropriate, including through budgetary and human capital resource reallocation in line with organisational objectives.

- Invest in the capability of HR units and managers through training on SHRM.
- Invest in improving employee engagement as part of a healthy organisational culture where employees feel motivated and supported to contribute to LSGU objectives.

Recommendations for the Ministry of the Interior and Administration

Test a more flexible approach to regulations where there is clear evidence that it makes sense

LSGUs of all sizes work under a common legal framework for HRM. The ministry, either on its own initiative or through relevant bodies, could consider reviewing where targeted and evidence-based derogations to the law on local self-government may be useful. For example, some smaller LSGUs reported persistent difficulty in recruiting/retaining much-needed profiles. The ministry could grant flexibility for a pilot group of LSGUs to develop alternative recruitment solutions that would still respect the principle of merit-based recruitment and transparency in these cases.

Consult with local self-government organisations regarding long-term pay strategy for LSGU staff and elected representatives

On the one hand, many LSGUs feel that staff salaries are too low. On the other, the Ministry of the Interior correctly points out that national regulations only provide for a minimum level of salary and that, therefore, LSGUs do have scope to adjust staff salaries upwards in order to improve attraction. However, a stumbling block appears to be the salaries of elected officials, where there is an upper ceiling on what they can be paid. In light of these divergences of opinion, the Ministry of the Interior and Administration could consider convening a pay reform commission or using existing consultation bodies to study the state-of-play of pay at the LSGU level and the impact of salary on attraction and retention of selected skill sets.

Expand the ministry's co-ordination role in delivering targeted training

The ministry can play a valuable role in complementing local training strategies by identifying and supporting the dissemination of examples of good practice. While it already does this to a degree, particularly through the use of EU funding, it should explore how it could expand support to more LSGUs on a more long-term basis, complementing training organised in co-ordination with local self-government organisations on a decentralised basis. The ministry could also play a supporting role in creating opportunities for sharing of knowledge and experience across municipalities, e.g. through the facilitation of communities of practice.

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8 Open Government at the local level in Poland

This chapter assesses the open government initiatives of Polish local self-government units (LSGUs) against the provisions of the 2017 OECD Recommendation of the Council on Open Government. It moreover analyses how the principles of transparency, integrity, accountability and stakeholder participation can be incorporated into decision-making processes to further improve policy-making and achieve more efficient and effective service design and delivery. Finally, the chapter provides recommendations to support the three different types of municipalities in taking a strategic approach to open government.

Introduction

More than ever, citizens across the world are calling for increased openness, transparency, integrity and participation in government at all levels. They are seeking public administrations that are more transparent, accountable and responsive, and are increasingly collaborating with stakeholders to achieve these objectives. They expect policies and services to address their needs and demands as well as governments to listen to their opinions and concerns. This new culture of governance, which places citizens and other stakeholders at the centre of public policies and service delivery, is known as open government. It is defined by the OECD as "a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth" (OECD, 2017[1]).

There has been a significant increase in the number of national and local governments that have adopted open government strategies and initiatives in recent years. This has led to the consolidation of this policy field as a priority within the broader public sector transformation agenda. In some cases, municipalities, towns, cities and provinces lead the way and inspire national governments to undertake these same policies or initiatives. For example, in France, the open data movement begun at the local level and exerted bottom-up pressure, leading the national government to strengthen its efforts to meet the advancements taking place at the local level (OECD, 2018[2]). Other times, national governments implement whole-of-government open government strategies which can be undertaken across all branches and levels of government with requirements that filter down to the local level; Colombia's ambitious reform agenda to move beyond open government to becoming an open state is such an example (OECD, 2019[3]). Thus, the subnational level manifestly plays a key role, both in its capacity to implement and, even more so, influence national policy and directives, as well as in its ability to advance their own innovative open government agendas beyond those mandated at the national level (OECD, forthcoming[4]).

Unsurprisingly, open government reforms often take place at the local level. They are the closest point of contact for many stakeholders and citizens are more likely to be directly affected by the policies and service delivery in their own communities. The implementation of open government initiatives at the local level offers several opportunities for promoting more inclusive governance as well as fostering stakeholder engagement in policy-making to empower citizens, develop more responsive public policies and ultimately build greater trust in government. For these reforms to come to fruition, a system of adequate legal, regulatory and institutional frameworks alongside a strategic approach to open government and to directing these initiatives is necessary. Moreover, solid implementation measures must be in place, including improved mechanisms for co-ordination, a clear mandate and the necessary capacities, as well as increased knowledge and skills for both public officials and citizens to effectively embed the principles of open government into policy-making processes.

Setting the scene for open government in LSGUs in Poland

Open government as a catalyst for inclusive growth

The OECD recognises that open government is a key contributor to achieving different policy outcomes across a range of diverse domains. Yet, open government can mean different things to different stakeholders and policy-makers, and what it entails is often influenced by political, social and cultural factors. In recent decades, reformers both inside and outside of government have advocated the value of transforming the government-citizen relationship into a two-way dialogue with an emphasis on incorporating the open government principles (Box 8.1) into every stage of the policy-making process.

Box 8.1. Defining the principles of open government

- **Transparency**: Government transparency refers to the stakeholder access to public data and information – both proactively and reactively disclosed – on policy actions taken by public officials and the resulting outcomes as well as openness in the public decision-making process.
- **Accountability**: Accountability denotes a relationship referring to the responsibility and duty of government, public bodies, public officials and decision-makers to provide transparent information on and being responsible for their actions, activities and performance. It also includes the right and responsibility of citizens and stakeholders to have access to this information and the ability to question the government and reward/sanction performance through electoral, institutional, administrative and social channels.
- **Integrity**: Integrity refers to the consistent alignment of and adherence to shared ethical values, principles and norms for upholding and prioritising the public interest over private interests in the public sector.
- **Stakeholder participation**: Stakeholder participation refers to all the ways in which stakeholders (any interested and/or affected party, e.g. individuals – regardless of their age, gender, sexual orientation, religious and political affiliations, civil society organisations (CSOs), journalists, trade unions, academics) can be involved in the policy cycle and in service design and delivery from sharing information to scheduling consultations and increasing engagement and collaboration at all phases of the decision-making process.

Source: Author's own elaboration based on OECD (2017[1]), *Recommendation of the Council on Open Government*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0438 and OECD (2017[5]), *OECD Recommendation of the Council on Public Integrity*, https://www.oecd.org/gov/ethics/OECD-Recommendation-Public-Integrity.pdf.

In this new relationship, citizens are no longer passive receptors of government information and observers of the policy-making process; to the contrary, governments and citizens engage in the joint cocreation of value to the benefit of all parties (OECD, 2016[6]). All actors in society, from citizens and CSOs to the private sector, have unique perspectives and insights on policy issues that affect their lives. Actively involving them in decision-making contributes to a better-targeted use of limited state resources as well as greater stakeholder buy-in with suggested policies and reforms (see also Chapter 4 on the use of evidence in strategic decision-making) (OECD, 2016[6]). Importantly, it also signals civic respect from the government and empowers citizens to take action in their communities. While recognising that many intermediary forms of participation exist, the OECD has developed a typology to map the different existing relationships between citizens and governments, ranging from weaker to stronger forms of participation: information, consultation and engagement.

National and subnational governments around the world have long implemented the above practices and initiatives to foster the open government principles in sectoral fields, for example in urban planning or the environment, without necessarily realising that these are related to the concept of open government. However, governments are increasingly recognising the benefits of promoting these principles through an integrated and coherent approach. These benefits include but are not limited to:

- **Tailored and more responsive policies**: Stakeholders provide their expertise and perspective on areas in which governments have less knowledge and understanding, making these policies more likely to achieve their objectives.
- **Enhanced service design and delivery**: Citizens are the ones using public services and thus they are best placed to recognise their shortcomings and potential areas for improvement. Involving

a greater range of voices, particularly marginalised demographics, will give governments greater insight into service gaps and necessary reforms.

- **Increased government legitimacy**: If government decision-making is transparent, accountable and participatory, there will be more stakeholder buy-in with the proposals and ultimately more trust in the competency and ability of public officials to deliver on their promises.
- **Rebuilding trust**: A lack of trust compromises the willingness of citizens to participate in their democracy and contribute to their own community. Trust in institutions is important for the success of many government policies, programmes and regulations that depend on the co-operation and compliance of citizens.
- **Inclusive growth**: Openness is crucial for driving and accelerating progress and innovation in government and empowering citizens of all social backgrounds to know their civic rights as well as their opportunities to interact with their governments, make proposals based on their unique viewpoints, and monitor and evaluate the outcomes of government policy-making for sustainable and bottom-up economic and social development.

Consequently, open government reforms are being used by governments at all levels as a catalyst for attaining broader policy goals such as improving democracy, fostering inclusive growth and increasing trust. To achieve these objectives, governments must implement related strategies and initiatives. Building on the collective experiences of its members and partners, the OECD Council composed of all OECD member countries including Poland approved the Recommendation on Open Government in 2017 to support governments in this endeavour (see Box 8.2).

Box 8.2. Summary of the Provisions of the OECD Recommendation of the Council on Open Government

1. Develop and implement open government strategies and initiatives in collaboration with stakeholders and foster commitment from politicians, members of parliament, senior public managers and public officials.
2. Ensure the existence and implementation of the necessary open government legal and regulatory framework while establishing adequate oversight mechanisms to ensure compliance.
3. Ensure the successful operationalisation and take-up of open government strategies and initiatives.
4. Co-ordinate, through the necessary institutional mechanisms, open government strategies and initiatives – horizontally and vertically – across all levels of government to ensure that they are aligned with and contribute to all relevant socio-economic objectives.
5. Develop and implement monitoring, evaluation and learning mechanisms for open government strategies and initiatives.
6. Actively communicate about open government strategies and initiatives, as well as about their outputs, outcomes and impacts.
7. Proactively make available clear, complete, timely, reliable and relevant public sector data and information that is: free of cost; available in an open and non-proprietary machine-readable format; easy to find, understand, use and reuse; and disseminated through a multi-channel approach, to be prioritised in consultation with stakeholders.
8. Grant all stakeholders equal and fair opportunities to be informed and consulted and actively engage them in all phases of the policy cycle and service design and delivery. This should be

done with adequate time and at minimal cost while avoiding duplication to minimise consultation fatigue.

9. Explore innovative ways to effectively engage with stakeholders to source ideas and cocreate solutions and seize the opportunities provided by digital government tools.
10. Explore the potential of moving from the concept of open government toward that of an open state, while recognising the roles, prerogatives and overall independence of all concerned parties and according to their existing legal and institutional frameworks.

Source: OECD (2017[1]), *Recommendation of the Council on Open Government*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0438.

Poland's context for open government reforms

Over the last decade, the Polish government has made efforts towards better governance with the inclusion of open government elements in key national policy documents. For example, the 2017 Strategy for Responsible Development 2020 (including the perspective for 2030) highlighted the need for "effective public institutions to be inclusive, available, and open to citizens and entrepreneurs" (Government of Poland, 2017[7]). Similarly, the 2013 *Poland Long-term National Development Strategy 2030: Third Wave of Modernity* articulates the government's key development strategy for the next decade. This strategy emphasises, under one of its three key pillars (innovation, diffusion, effectiveness), the need for the state to become more effective in being citizen-friendly (Government of Poland, 2013[8]).

Moreover, certain national public entities have a mandate in areas relevant to open government principles and are well-placed to advance this topic further. For example, the Department for Civic Society in the Chancellery of the Prime Minister (*Kancelaria Prezesa Rady Ministrów*, KPRM) is tasked with preparing draft legal regulations for supporting civil society by the state and conducting civil dialogue (Chancellery of the Prime Minister[9]). Until recently, the tasks of the Department of Data Management within the Ministry of Digital Affairs included creating and co-ordinating open government data policies (Ministry of Digital Affairs[10]). However, following the adoption of the Regulation of the President of the Council of Ministers in October 2020 on the detailed scope of activities of the Ministry of Digitisation, these tasks are now also carried out by the KPRM (President of the Council of Ministers, 2020[11]). Another relevant public autonomous body is the Office of the Ombudsman (*Rzecznik Praw Obywatelskich*, RPO) in Poland. The Office of the Ombudsman has taken a series of measures to ensure that the civil liberties and human rights of Poles are protected, including active communication campaigns at the national, regional and local levels to raise awareness of citizens' rights and how to protect them. However, despite meeting all of the eligibility criteria for membership since the Open Government Partnership's (OGP) establishment in 2011, Poland has not joined the OGP, a multilateral initiative that aims to secure concrete commitments from both national and subnational governments on promoting open government and empowering citizens, with national and local members in all regions of the world (Open Government Partnership[12]).

A number of civil society organisations have assessed that, since 2015, Poland has faced considerable challenges related to creating an adequate environment for open government reforms to thrive. According to the World Justice Project Rule of Law Index (2020) (2020[13]), the country ranks below average among countries of the European Union (EU) and European Free Trade Association (EFTA) in terms of relevant indicators such as publicised laws and government data, the right to information, complaint mechanisms and civic participation. According to Reporters Without Borders, an increase in the criminalisation of defamation has had a negative effect on freedom of expression for journalists and in independent media outlets. This tendency has caused Poland to fall in the ranking of the World Press Freedom Index from 22nd place in 2013, when the index began, to 62nd in 2020 (RSF, 2020[14]). Furthermore, Transparency International's 2019 Corruption Perceptions Index ranks[1] Poland 41st out of 180. The Economist

Intelligence Unit's (EIU) Democracy Index also found that Poland's score has decreased year-on-year since 2014, placing it 57th out of 167 (EIU, 2019[15]), and the EIU Poland Report (June 2020) noted that Poland's rule of law dispute with the European Commission (EC) concerns the government's reforms to the national court system (EIU, 2020[16]). While the World Economic Forum Global Competitiveness Index ranks Poland relatively well at the 34th place out of 141 for incidences of corruption, it also finds that the system of checks and balances has deteriorated in recent years (World Economic Forum, 2019[17]). This was also reflected in the most recent report from the Polish Ombudsman, which outlined an escalation of systemic problems related to challenges in the rule of law (Polish Ombudsman, 2018[18]).

As outlined in Box 8.1, the OECD Recommendation on Open Government defines stakeholders as "any interested and/or affected party, including individuals, regardless of their age, gender, sexual orientation, religious and political affiliations; and institutions and organisations, whether governmental or non-governmental, from civil society, academia, the media or the private sector" (OECD, 2017[1]). Ensuring inclusiveness and equality for all segments of society, in particular for vulnerable, under-represented or marginalised groups, is key for promoting an open government. CIVICUS, a global alliance dedicated to strengthening citizen action and civil society around the world, has reported a number of violations to fundamental rights and civil liberties (CIVICUS[19]). Since January 2019, for example, over 80 municipalities, counties and voivodeships have declared themselves to be free from LGBTI ideology. Although these declarations do not have legal force, they have contributed to an atmosphere of intimidation (OECD, 2020[20]). The OECD Recommendation on Open Government recognises the importance of granting "all stakeholders equal and fair opportunities to be informed and consulted and actively engage" in public decision-making for more informed and effective policies, as excluding certain groups from public life will inevitably lead to suboptimal governance outcomes. In fact, specific efforts "should be dedicated to reaching out to the most relevant, vulnerable, under-represented and marginalised groups in society" (OECD, 2017[1]) to ensure a wide range of perspective and expertise is considered, which will ultimately lead to more coherent and efficient policy-making and service design and delivery.

Regarding government transparency, providing access to public information (ATI) is a foundational tool, which allows citizens to hold governments accountable while also enabling more informed participation in the policy-making process. At the national level in Poland, the right to information is guaranteed in Article 61 of the 1997 Constitution and enforced by the ATI law adopted in 2001 (OSCE[21]). The Global Right to Information (RTI) Rating places Poland's law 76th out of the 128 assessed countries and notes that some provisions are weak or insufficient (RTI Rating, n.d.[22]). An analysis from the Batory Foundation found several challenges in the process for requesting information, including frequent refusals without proper justification, delays in processing applications and incomplete responses (Batory Foundation, 2014[23]). The OECD *Open Government Data Review of Poland* explained that this is partly due to the high number of requests, which puts pressure on the public institutions' capacity to respond (OECD, 2015[24]).

Aside from the provisions outlined in the Law on Public Benefit Activity and Volunteerism for consultations on regulations, there are few opportunities for civil society to meaningfully engage and see the impact and outcomes of their participation. The development of formal dimensions of social activities, such as membership in non-governmental organisations (NGOs) and contribution to community activities is at a moderate level in Poland (OECD[25]). Volunteering through an organisation (termed "formal volunteering") is less common in Poland than in the average OECD country: 19.4% of the Polish working-age population report that they engaged in formal volunteering during the past 12 months compared to 34.2% in the OECD (OECD, 2015[24]). Despite this, Polish civil society is quite diverse: it includes not just formal NGOs[2] working on issues related to democracy and the rule of law but a whole range of organisations, from trade unions to student organisations (CIVICUS[19]). As of the end of 2018, approximately 26 000 foundations and 117 000 associations were registered in the country. However, it is estimated that only about 70% of registered organisations, or about 100 000 associations and foundations, remain active (USAID, 2018[26]). In addition, there are also about 50 000 other entities that fall broadly under the third sector and can range from social co-operatives and employers' organisations to craft guilds and church institutions and which

vary in their levels of formalisation, especially at the local level (USAID, 2018[26]). This was confirmed during the fact-finding mission, as many of the CSOs the OECD team engaged with were community organisations that could be defined more as service providers or social, sports and leisure clubs rather than issue-based organisations that advocate for specific public policy changes on topics such as healthcare, education, social welfare or the environment. In practice, a number of LSGUs continue to broadly outsource various services to organisations in fields such as social assistance, sports and culture.

A key challenge for many CSOs is acquiring adequate funding for their planned activities, whether these come from the national government or external sources, such as international organisations. At the voivodeship level, EU funds are allocated to and implemented by 16 regional operational programmes which equates to one per voivodeship, in which the marshal office holds the responsibility of managing authority. They aim to support the socio-economic development of all 16 Polish voivodeships and the funding is aligned with the seven-year EU budgetary terms. However, concerns have been raised by CSOs that the funds from these new programmes will not be equally accessible to the entire sector in this current period. The United States Agency for International Development (USAID) noted that in Poland, organisations that are perceived as "loyal" to ruling party authorities receive ample government funding, while those focused on issues such as democracy and human/civil rights have little or no access to these funding sources (USAID, 2018[26]). To address the issue, the National Centre for Civil Society Development (*Narodowe Centrum Rozwoju Spoleczenstwa Obywatelskiego*, NCRSO), a government agency established in 2017 to allocate all public funds dedicated to civil society development, created and funded new programmes to support civil society (Novakova, 2020[27]).

Overall, civic engagement is relatively weak in Poland at the national level, which can be attributed to a range of factors from its communist past to its narrowing civic space in recent years. CIVICUS points out the paradox of Polish civil society, stating that in Poland a "rather well-connected and well-structured organised civil society exists in the context of weak civic engagement" (Jacobsson and Korolczuk, 2017[28]). Over time, this can lead to lower levels of trust in government and less civic interaction with national governmental institutions, including lower rates of voter turnout, which was only 55% in the 2019 elections in Poland, compared to an OECD average of 68% (OECD, n.d.[25]). It can also result in individuals becoming less likely to volunteer in their community and be involved in its development.

However, based on research and the OECD fact-finding missions, the situation at the local level appears to be more promising, wherein citizens are turning to civil society and other forms of participation to ensure their voices are heard and to hold their public administrations to account. In fact, according to the 2019 Eurobarometer, trust in regional authorities (56%) is higher than in the national government (38%) (EC, 2019[29]). This higher degree of trust can be leveraged by LSGUs to further involve their citizens while making government decision-making more transparent and inclusive. Some of the aforementioned issues at the national level regarding the protection and promotion of an open, democratic and participatory government do have repercussions for the local level, for example, a decline in national funding for issue-based CSOs. However, LSGUs do have wide-ranging powers to guide their own affairs and embrace open government culture, including through civic participation initiatives, participatory budgeting and how they choose to communicate with and involve a wide range of stakeholders in public decision-making.

The current open government scene at the local level

Local governments are at the forefront of open government reforms. Their smaller population size enables greater proximity to citizens, making it easier for them to meet demands for transparency, accountability and responsiveness. It also facilitates the implementation of more targeted and innovative public policies and regular opportunities to promote the principles of open government (OECD, 2019[30]). This is also the case in Poland, wherein the wide-ranging competencies of Polish local self-governments are in large part due to the process of decentralisation in the late 20th century, which was one of the most successful aspects of the Polish transition to a stable democracy (see Chapter 6 on multi-level governance for more

information) (COE, 2019[31]). The concept of local self-government represented one of the most significant pillars of this transformation. The scope of municipal responsibilities now ranges from spatial planning, telecommunications, public transport and health to social welfare, culture, tourism, co-operation with NGOs, and co-operation with local communities of other counties. It also includes "all public matters of local significance that are not reserved by law for other entities" (COE, 2019[31]), which suggests that LSGUs have substantial autonomy in undertaking initiatives that go beyond those outlined by law. This legal framework has allowed LSGUs more flexibility to find innovative ways to meet their citizen's demands in ways that are not mandated by law or guided by the national level. This range of competencies also ensures that, should they wish to do so, LSGUs in Poland can find ways to compensate for the barriers to openness that can be witnessed at the national level and address these challenges in their own communities.

In Poland, local self-governments implement, to varying degrees and with different objectives, a range of open government initiatives. The OECD defines such initiatives as "actions undertaken by the government, or by a single public institution, to achieve specific objectives in the area of open government, ranging from the drafting of laws to the implementation of specific activities such as online consultations" (OECD, 2017[1]). The Polish legal framework, outlined in Table 8.1, largely shapes the open government principles and initiatives that can be found in the different types of municipalities.

Table 8.1. Legal framework shaping open government initiatives in Poland

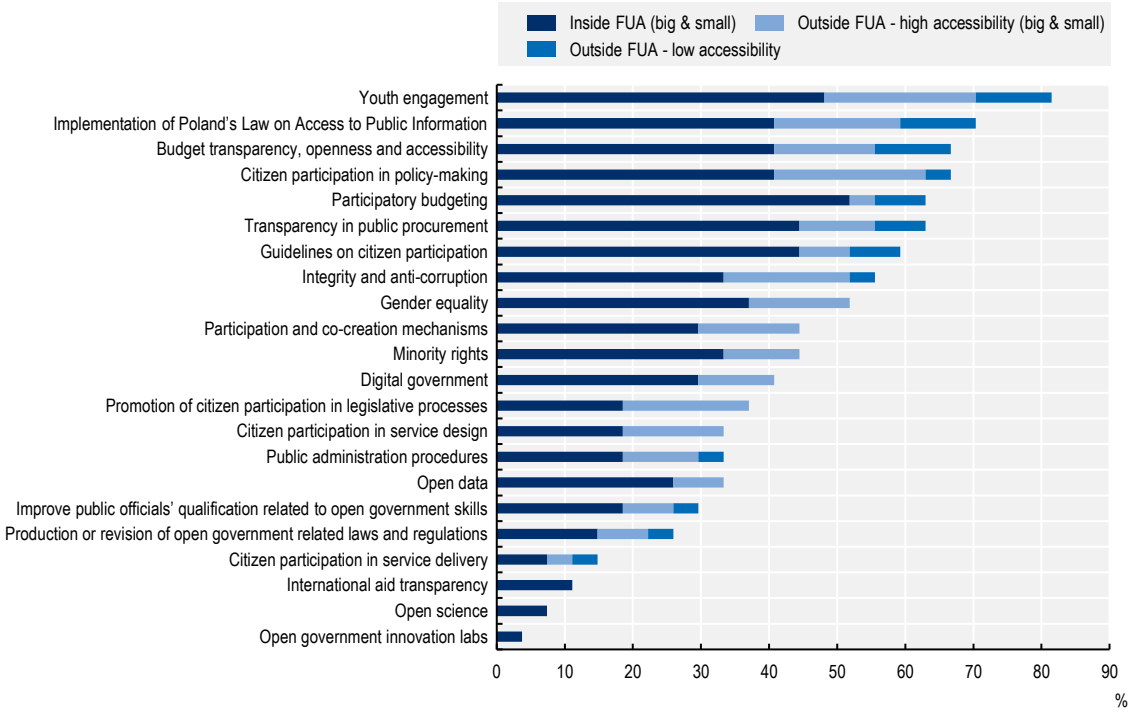
Law	Main articles/provisions/rules/principles/amendments
Law on Access to Public Information (2001, latest amendments on 2020)	• Proactively publish information through the Public Information Bulletins (*Biuletyn Informacji Publicznej*, BIP). • Respond to individual requests for information.
Law on Municipal Self-government (1990, latest amendments on 2020)	• Possibility to conduct local referendums (among other issues, on the removal of the mayor). • Possibility to conduct public consultations. • Possibility to create auxiliary units, including youth and senior councils. • Transparency on municipal activities by, for example, providing access to the LSGU council sessions and meetings of its committees. • The LSGU council must examine complaints, applications and petitions from citizens through a dedicated committee. • Possibility for residents to participle in the debate on the yearly report on the state of the municipality. • Possibility for citizens to initiate legislative procedures by submitting proposals of resolutions to be passed by the LSGU council (citizens' legislative initiative). • Possibility to conduct (civic) participatory budgeting, which is obligatory for cities with county rights.
Law on Village Funds (Fundusz Sołecki) (2014, latest amendments on 2015)	• Possibility to conduct participatory budgeting for rural and urban-rural municipality.
Law on Public Benefit and Volunteer Work (2003)	• Provisions to regulate the engagement of stakeholders in consultative processes (e.g. through the creation of public benefit councils). • Provisions to implement "local initiatives" (i.e. form of co-operation between LSGUs and inhabitants to jointly implement a public task). • Provisions for NGOs to submit, on their own initiative, an offer of performance of public tasks; the relevant public authority must formally review and respond to this proposal.
Law on Public Finance (2009)	• Principles of openness and transparency for public finance management. • Compliance and promotion of ethical/integrity standards for public administration units.

Note: The list of laws and provisions is not exhaustive.
Source: Authors own work based on the Law on Access to Public Information (2001[32]), the Law on Municipal Self-government (1990[33]), the Law on Village Funds (2014[34]), the Law on Public Benefit and Volunteer Work (2003[35]) and the Law on Public Finance (2009[36]).

In particular, the OECD questionnaire found that municipalities inside functional urban areas (FUAs) implement more initiatives than other types of municipalities, with approximately ten on average, including those outside FUAs with high accessibility (eight on average) and with low accessibility (seven on average), as shown in Figure 8.1. The fact-finding missions revealed that this may be due to the fact that municipalities with low accessibility often have fewer resources and capacities to implement more initiatives and are also less aware of the benefits of doing so.

Overall, the most common initiatives in all types of municipalities are, unsurprisingly, those required by law. In particular, LSGUs regularly take action to comply with the access to information (ATI) law by proactively publishing information and responding to requests for information. The Law on Municipal Self-government also requires LSGUs to report on the state of the commune and provide access to external stakeholders to sessions of the LSGU council and its committees. LSGUs also reported a high degree of citizen participation in policy-making, in ways that are mandated under the Law on Public Benefit and Volunteer Work. These results are in line with the practice at the national level in most OECD countries, where 86% implement initiatives related to ATI laws and 80% conduct citizens' consultations (OECD, 2016[6]).

Figure 8.1. Open government initiatives implemented by type of Polish municipalities



Note: Based on 27 municipalities' responses to the OECD questionnaire (n=27), from which: 16 Inside FUA (big and small), 8 Outside FUA – high accessibility (big and small), 3 Outside FUA – low accessibility. 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).

Beyond the provisions required by law, both the OECD questionnaire and the fact-finding missions illustrated that the most frequently implemented initiatives in all types of municipalities are different types of public consultations. These include youth and senior councils, some form of participatory fund allocation (including participatory/citizens' budgets, village funds or citizen participation in the regular budgetary cycle) and open government data (OGD) initiatives.

Consultations

The OECD defines consultation as the ways in which governments can gather comments, perceptions, information and the experiences and expertise of stakeholders to support their decision-making. In general, these consultations do not oblige public officials to take the stakeholders' perspectives and recommendations into consideration in the final outcome of their discussions, but instead help them to make informed choices (OECD, 2016[6]). The Polish Constitution differentiates between two types of consultations: i) consultations between government, business and labour (social dialogue); and ii) consultations between the national government, local authorities and NGOs (civil dialogue) (OECD, 2013[37]). The most important civil dialogue institutions in Poland are Public Benefit Works Councils (*Rada Działalności Pożytku Publicznego*), appointed by the minister responsible for social welfare. These councils, which operate at the national and regional levels, act as consultative bodies. They are comprised of representatives of the national government, local self-governments and NGOs, constituting the key parties in civil dialogue (OECD, 2013[37]). Moreover, the Law on Public Benefit Activity and Volunteerism (2003) includes provisions to regulate the engagement of stakeholders in consultative processes. This law mentions that the "decision-making body of an LSGU adopts an annual programme of co-operation with

non-governmental organisations" (ISAP, 2003[35]). Most of the LSGUs consulted during the fact-finding missions mentioned having these programmes. They include a wide range of activities such as allowing NGOs to have their sessions in the municipal building and organising training and information sessions for NGOs, as is done by the municipality of Płock (Government of Płock, 2019[38]).

Most LSGUs interviewed during the fact-finding missions recognised the value of consultations for strategic policy documents and intend to expand the process for their upcoming local development strategy (LDS). The Law on Municipal Self-Government allows LSGUs to conduct consultations "on all issues that are important for local communities" (ISAP, 1990[33]). In practice, most municipalities mainly apply this provision to conducting consultations for designing the LDS (see Chapter 3 on strategic planning for more information about the consultation process for the LDS). In order to collect information on citizens' perceptions and needs, some LSGUs also have various mechanisms to engage as many stakeholders as possible and utilise their feedback, for example, online surveys, street interviews with citizens, focus groups with CSOs and discussions with experts on specific topics (see Chapter 4 for more information on the use of consultations for evaluation and regulations). For instance, in 2018, the municipality of Kutno , in collaboration with researchers from the University of Warsaw, asked residents for feedback on a variety of topics for their most recent report on the quality of public services and then published the results of these polls and referenced them for priority-setting going forward. Moreover, town-wide opinion polls have also been undertaken in the small municipality of Lubartów (Davies, 2019[39]). Besides consultations for the LDS, small LSGUs have problems with distance and access in rural municipalities, which poses issues for stakeholders who would like to participate in consultative processes but have difficulties in attending. LSGUs could use information and communication technology mechanisms and tools such as online consultation to increase their reach and involve more stakeholders.

Furthermore, municipalities outside FUAs with low accessibility, which are often under the Polish territorial category of non-metropolitan areas, conduct consultations through local action groups (LAGs) following the EU requirements from the LEADER programme, for which they get funding and specific guidelines. LAGs under the EU LEADER programme are part of an inter-municipal partnership that involves private and non-profit actors. Poland has the greatest number of LAGs among the EU states (Hoffmann and Hoffmann, 2019[40]) with 324 such groups (OECD, 2019[41]). However, the extent to which CSOs have been meaningfully engaged in the LAGs has been questioned (OECD, 2018[42]), with members of LAGs and the third sector outlining some challenges to their participation. The LAGs have strong public sector influence and the vast majority of these organisations in Poland have been established by public sector entities as opposed to civic or voluntary ones (OECD, 2018[42]). The involvement of third sector organisations in LAGs has had a positive impact on the extent of civic engagement in local development strategy (LDS) building. However, it is also the case that 25% of Polish LAGs did not involve meaningful civic participation in how LDS were formulated. Given this, targeted policy support for civil society is required to ensure that the third sector has a more defined presence in intersectoral partnerships and non-metropolitan areas more generally (Furmankiewicz, Janc and Macken-Walsh, 2016[43]). To achieve this, LSGUs could aim to co-implement open government initiatives as a way to support greater civic engagement and stakeholder participation and meaningfully involve CSOs in local development. LSGUs could also establish a system that ensures an institutionalised commitment to dialogue and consultation with civil society actors at each stage of formulating the LDS to guarantee that all stakeholders in society, including vulnerable, under-represented and marginalised groups, have a seat at the table. Meaningful community-led local development can lead to greater legitimacy of public decision-making and increased stakeholder buy-in for reforms. In this regard, LSGUs could consider the appointment of networks featuring stakeholders with varied knowledge, expertise and perspectives. It is also important that the national government's 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. Municipalities – especially those outside FUAs – could advocate for this transformation at the local, regional and national levels for more inclusive and effective policy-making.

Youth and senior councils

Other consultative initiatives found in all types of municipalities are youth and senior councils, which are created as auxiliary consultative units for these population demographics under the law on local self-government, which provides guidelines for their creation. Although youth and senior councils are not mandated at the national or local level, many LSGUs undertake these initiatives to engage with these groups of citizens; 81% of respondents to the OECD questionnaire stated that they have undertaken initiatives for youth engagement and many of the LSGUs visited during the OECD fact-finding mission either had established or were in the process of establishing youth and/or senior councils. Members of these councils are usually voluntary and can range from representatives of relevant NGOs to elected citizens that are affected by these issues.

Despite legislative pathways enabling dialogue between youth and policy-makers at various levels of political authority, youth councils in particular do not form a coherent system (EC, 2019[44]). For example, the Krotoszyn LSGU council established a youth council in 2018 (City Council of Krotoszyn, 2018[45]). The role of the LSGU council is of paramount importance in this regard as it determines the scope of tasks, prerogatives, formal statutes and the voting system of its youth council. About 200 municipal youth councils are currently registered in Poland, which means that they operate within every 12th LSGU (8%) (EC, 2019[44]). The role and activities of these youth councils usually involve consultations. Young people provide insight into the issues that affect them such as education, employment, housing, culture and sport, and they also serve to identify and inform public officials of the needs of young people in their community. In addition to their advisory role, these councils also promote active citizenship and demographic practices and encourage youth to participate in public decision-making. There are no similar provisions at the level of counties, which is why youth representations operating there often take the form of associations or bodies appointed as part of social consultation. There are also no specific programmes encouraging young people with fewer opportunities or at risk of exclusion to increase their participation in representative bodies (EC, 2019[44]). Additionally, many smaller LSGUs noted that they have difficulty in gaining and retaining members for these councils as most young people move to urban areas. LSGUs could work, in collaboration with relevant local CSOs, to empower existing youth councils and facilitate the creation of new councils, especially in disadvantaged and vulnerable regions. LSGUs with existing youth councils could broaden the scope of their responsibilities and ensure that the outcomes of consultation with these youth councils are adequately reflected in the decisions made. This could result in a more active youth population who take a greater interest in their communities and towns as they can see their own impact on policies and the associated outcomes. Thus, establishing youth councils at the local and regional levels can counter sentiments of disengagement and social exclusion among this demographic and combat the population drain from rural to urban areas.

Surveys have shown that many Polish senior citizens believe they have little influence over what is happening in their local communities, which can be explained by the fact that the concept of local self-government itself is quite new to Poland and that some senior citizens may not be aware of their opportunities to participate in local decision-making (EEA Grants, 2014[46]). Senior councils with an advisory role are identified as one of the most effective ways of including senior citizens more closely in the local decision-making process in order to make an impact on local issues (EEA Grants, 2014[46]). Senior councils are a source of knowledge about the problems of seniors in the municipality and can support public officials in creating local policies and initiatives adapted to the needs of older people. Some of their activities can include giving opinions on documents that affect the situation of seniors such as resolutions, strategies and co-operation programmes, as well as on projects that affect seniors. They can also create their own proposals, produce solutions to challenges that the elderly may face, suggest actions that the municipality could take, and implement projects on co-operation with public authorities. Furthermore, the Association of Creative Initiatives “ę”, based in Warsaw, receives support from the Citizens for Democracy NGO fund in Poland (Citizens for Democracy[47]). It is financed by the European Economic Area (EEA) and Norway Grants, to support existing councils and to create new ones ("ę" Association of Creative

Initiatives[48]), which may explain the high number of senior councils in Polish municipalities. The association received funds from Iceland, Liechtenstein and Norway through this NGO fund in Poland under the 2009-14 EEA and Norway programme to finance these initiatives. In December 2017, Iceland, Liechtenstein and Norway signed new co-operation agreements with Poland for additional programmes under the EEA and Norway Grants 2014-21, which include a commitment to continue supporting similar initiatives and to protect civil society and civic space (EEA Grants[49]). Thus, LSGUs could work to establish senior councils to unlock the expertise of senior citizens, many of whom have spent significant portions of their lives in their communities and are potentially more aware of opportunities as well as challenges to its development. While many already do, all LSGUs could then work to establish both a youth and senior council with a consultative purpose at each stage of the decision-making process in order to derive the aforementioned benefits. LSGUs could also consider encouraging and enabling collaboration between different thematic councils to facilitate an exchange of good practices.

Participatory fund allocation

As mentioned above, many LSGUs undertake some form of participatory fund allocation (67% of LSGUs responding to the OECD questionnaire), whether these are participatory/citizens' budgets, village funds or citizen participation in the budgetary cycle. Participatory budgets (PBs) are a mechanism that allows residents of counties of urban municipalities to allocate a certain amount of the city budget to the needs of their communities (counties they reside in) and by doing so they decide about their closest environment (Radzik-Maruszak, 2016[50]). As described in-depth in Chapter 5 on budgeting, while cities with county rights have an obligation to implement PBs since 2018, this practice has extended to about 200 municipalities, counties and voivodeships that voluntarily implement such budgets. A related initiative to encourage engagement in non-metropolitan areas was also established by national law in 2009, called the Village Fund. The fund is presently being used in almost 90% of rural municipalities and is the strongest instrument for public participation in the country in terms of the number of community members that can be involved and the size of the funds (OECD, 2018[42]). However, the main challenges for both initiatives are the relatively low tendency of citizens to participate and that participation is limited to a minor part of municipal budgets. In addition, the current plebiscite system for participatory budgeting has raised some concerns that there is not enough deliberation, consensus-building or consideration of the projects that are in the best interest of the local community, with the emphasis instead placed on which group can get the highest amount of votes, regardless of the quality of the project or need within the LSGU (Anna and Maria, 2019[51]). Moreover, the change in the law in 2018 made open voting compulsory whereas a secret ballot assured residents that there will be no consequences of revealing the content of their vote (Budziarek, 2019[52]). These factors undermine the potential of PBs for enhancing open and collaborative governance. To address this, LSGUs could review and evaluate their current systems and the quality of the projects being undertaken. One good practice of PBs in Poland in combatting this issue is the example of Dąbrowa Górnicza. The city's approach is a shift to deliberative democracy, within which citizens work out plans, policy or strategies through fair and reasonable discussions, instead of the decision being based on the most common aggregation of preferences through voting. While this is more costly and involves greater co-ordination of all stakeholders, it brought significant benefits in shaping civic awareness and initiating actual co-operation and real inclusion of residents in decisions concerning the city (Popławski, 2018[53]). As a result, much effort is put into the quality of the process itself and LSGUs with the capacity to do so could learn from this practice. It would be beneficial for LSGUs to introduce the possibility of using more advanced forms of participation – such as discussion groups to jointly seek consensual outcomes as in Dąbrowa Górnicza – in addition to existing voting procedures to guarantee that citizens' priorities are more accurately reflected in the decision-making process. More generally, LSGUs could attempt to 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.

Open government data (OGD) initiatives

In many national and subnational governments, the digital government and open data initiatives have driven the open government agenda. In Poland, while only 33% of all LSGUs stated that they implement OGD initiatives in the OECD questionnaire, some urban municipalities have contributed to advancing national policies through their own OGD initiatives. According to the Ministry of Digital Affairs, from the 130 data providers to the central open data portal (dane.gov.pl), 44 are LSGUs. However, maintaining a portal is time-consuming and costly, especially for small and rural LSGUs with few resources and a lack of necessary IT skills and/or connectivity. The ministry has therefore made available the central open data portal to facilitate the use of data for local self-governments and conducts workshops to engage more local self-governments to publish OGD. These efforts are part of an ambitious Public Open Data Programme led by the national government. According to the OECD OURdata Index 2019, Poland has significantly improved data availability, accessibility and support for reuse since 2017 and is now situated above the OECD average (OECD, 2019[54]). Moreover, research shows that this movement has been driven by urban cities such as Gdańsk, Katowice, Poznań, Szczecin and Warsaw. Municipalities inside and outside FUAs with high accessibility have moreover developed OGD policies and foster initiatives in this regard to further engage with stakeholders. For example, since 2018, Płock has organised a yearly hackathon to use the city's open databases "to increase the quality of life of residents and improve their communication with the government" (Government of Płock[55]). The agenda for the fourth edition in 2021 includes ecology, safety and security, and solutions for returning to normalcy in times of COVID-19.

Another noteworthy example is the case of Gdańsk, where the city conducted an ambitious open data strategy since 2014 in order to increase engagement and trust with citizens. The good practices learned by the city largely contributed to the elaboration of the *Data Opening – Good Practice Guide* published by the Ministry of Digital Affairs in 2019. This guide is targeted at public officials from national and local self-governments to increase awareness and facilitate the publication of OGD (Government of Poland, 2019[56]). It includes Gdańsk's Open Manifesto as an example of an OGD policy. LSGUs could undertake the good practices outlined in the guide to improve their own open data policies, which focuses on the basic framework for the process of opening data and the relevant legal acts, identifying desirable institutional settings and presenting practical scenarios for data opening in government offices, while being catered to both public officials and stakeholders. LSGUs could also be encouraged to follow the example of Gdańsk as a LSGU that paved the way for better policies at the national level. The OECD is currently working on a set of Good Practice Principles for Data Ethics to ensure that the data use policies from both national and local self-governments serve the public interest, which member countries will be able to use to compare their practices and make improvements (OECD, forthcoming[57]).

Engagement: Innovative citizen participation at the local level

Engagement refers to the ways in which governments provide opportunities to participate at each stage of the policy-making cycle. These participatory processes often entail citizens and other stakeholders having a direct influence over decision-making (OECD, 2016[6]). Among the different types of innovative citizen participation that exist, deliberative processes have been gaining traction in recent years. For these processes, governments assemble ordinary citizens from all parts of society to deliberate on complex political questions and develop collective proposals. Public authorities at all levels of government have been using citizens' assemblies, juries, panels and other representative deliberative processes to better understand their priorities and concerns over the last decades. In fact, the recent OECD report *Innovative Citizen Participation and New Democratic Institutions*, which analyses such deliberative processes, found that most examples take place at the local level (52%) (OECD, 2020[58]). During these processes, randomly selected citizens, comprising a microcosm of a community, spend significant time learning and collaborating through facilitated deliberation to develop informed collective recommendations for public authorities. The benefits of representativeness and deliberation are manifold. These processes can lead to better policy outcomes as they result in public judgement rather than public opinions (OECD, 2020[58]).

Innovative practices for engaging with stakeholders can be found in a number of urban LSGUs in Poland. For example, the cities of Gdańsk, Lublin and Poznań have conducted citizens' juries and panels. LSGUs of all sizes and capacities could endeavour to implement deliberative mechanisms to increase citizen participation on the scale that best suits their own capabilities and the human and financial resources available. See Box 8.3 for more information on the examples of these mechanisms of citizen engagement in Poland.

Box 8.3. Citizens' juries/panels at the local level in Gdańsk and Lublin, Poland

In Gdańsk, former mayor Pawel Adamowicz presided over numerous civic innovations until 2019. In 2016, Gdańsk established Poland's first "citizen assembly" in order to develop policies on flood prevention in the city, with 63 residents drawn at random from the local electoral register to "raise the level of civic engagement in the areas most challenging to the city".

Lublin is the second city in Poland to benefit from the model of a citizens' panel. The city of Lublin has already hosted three panels devoted to various issues of great importance to the citizens. One such panel consisted of 60 panellists, 36 hours of meetings and 6 days of meetings and discussions. The result was 55 recommendations for the city with regard to reducing smog. Hence, Lublin is an example of a pioneering city and is open to social innovations, which involve its citizens in the decision-making process.

Source: Davies, C. (2019[39]), "Poland's democratic spring: the fightback starts here", https://www.theguardian.com/world/2019/jan/30/poland-democratic-spring-fightback-citizens; Eurocities (2019[59]), "The citizens' panel in Poland – Lublin as the second city to take up the challenge!", http://www.eurocities.eu/eurocities/documents/The-citizens-panel-in-Poland-Lublin-as-the-second-city-to-take-up-the-challenge-WSPO-B32MMJ.

Although LSGUs may face some challenges in implementing the aforementioned initiatives, their existence among all three types of municipalities shows a willingness to bring policy-making closer to their citizens and to adapt them to their specific needs. However, these practices are often scattered and found in isolation. Overall, no municipality takes a strategic approach to implement such initiatives with a wider objective of embedding the principles of open government in their decision-making process. In order to do so, the following sections provide analysis and recommendations on how LSGUs can take steps to further promote open government principles in high-level policy documents and in strategically co-ordinating existing initiatives. The focus will also touch upon the need to raise awareness among public officials and stakeholders of the benefits of open government reforms as well as of ensuring that the necessary institutional frameworks and human and financial resources are in place for effective implementation and tangible impact.

Towards a strategic approach to open government in LSGUs

Evidence from the OECD has shown that many open government initiatives are being carried out by national and local governments across its membership. However, as in Polish LSGUs, this is often done in an isolated, uncoordinated manner and on an ad hoc basis, limiting the impact of their potential benefits, increasing costs for the public administration and not achieving the intended results. This is why the OECD encourages governments at all levels to take a more strategic approach to implementing these initiatives. Provision 1 of the Recommendation on Open Government encourages adherents to "take measures, in all

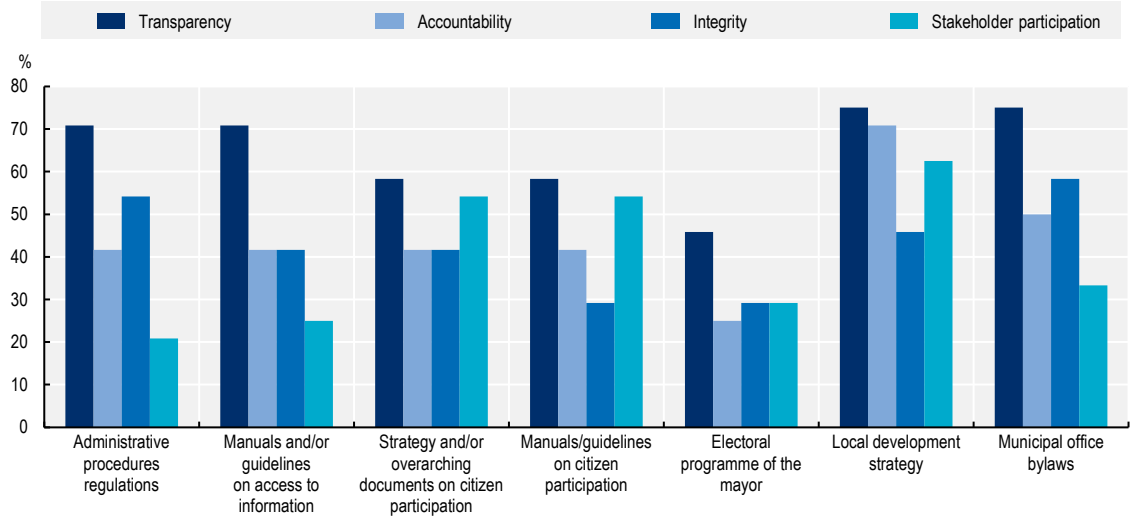
branches and at all levels of the government, to develop and implement open government strategies and initiatives in collaboration with stakeholders and to foster commitment from politicians, members of parliaments, senior public managers and public officials, to ensure successful implementation and prevent or overcome obstacles related to resistance to change" (OECD, 2017[1]). This needs to be accompanied by strong political commitment and leadership, a clear and well-disseminated mandate, adequate capacities and effective public communication measures.

Open government as a key element of the LSGUs' local development strategies (LDS)

The crosscutting nature of open government reforms requires strong political commitment and leadership to ensure greater policy coherence. Political commitment reflects the decision of leaders to use their power, influence and personal involvement to ensure that reforms, programmes and initiatives receive the visibility, resources and ongoing political support required to overcome resistance to change, internal and external opposition, and to avoid deadlock (OECD, 2019[30]). This commitment is often promoted in high-level policy documents to show leadership or outlined in the form of an open government strategy, the latter being a document that defines the open government agenda and "includes key open government initiatives, together with short, medium- and long-term goals and indicators" (OECD, 2017[1]).

Data from OECD countries has shown that governments at all levels have included commitments related to open government and its principles in high-level policy programmes or documents (for example, in their government strategies), in crosscutting reform agendas (for example, in anticorruption strategies or modernisation plans) or in strategies on specific open government initiatives (for example, on open data or open contracting) (OECD, 2016[6]). While the LSGUs interviewed by the OECD were not familiar with open government as a concept, they all recognised its principles as crucial elements of local policy-making and integrate them into different legal and policy frameworks. According to the OECD questionnaire, in Polish municipalities, transparency is the most frequently mentioned principle in such frameworks. As shown in Figure 8.2, it is included in the LDS (75% of respondents), in municipal office bylaws (75%) and administrative procedures regulations as well as manuals and/or guidelines on access to information (both 71%). Accountability and stakeholder participation are mostly included in the LDS (71% and 63% respectively). Furthermore, public integrity is mostly used in municipal office bylaws (58%) and administrative procedures regulations (54%). For more information on the LDS, see Chapter 3 on strategic planning.

Figure 8.2. Open government principles mentioned in legal and policy frameworks of Polish municipalities



Note: Based on 24 municipalities' responses to the OECD questionnaire (n=24). Answers reflect responses to the multiple-choice question: "Select which open government principles are mentioned in the legal acts and/or policy frameworks specific to your local government (tick all that apply)". 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).

While 87% of LSGUs responding to the OECD questionnaire include one or more open government principles in their LDS and implement related initiatives to varying degrees, none were found to have an open government strategy as per the OECD definition. Only the Metropolitan Association of Upper Silesia and Zagłębie ((*Górnośląsko-Zagłębiowska Metropolia (GZM Metropolis)*), which is a metropolitan union of 41 individual cities and communes, has been found to start to adhere to a strategic approach to open government (Box 8.4).

Box 8.4. Open metropolis approach

The GZM Metropolis, a metropolitan union of 41 cities and communes, has regrouped some of the scattered initiatives on transparency, open data and stakeholder participation under the same "heading". The overarching objective is to connect citizens and local self-government officials through transparency and dialogue by increasing public consultations and participation in topics falling under its responsibilities: public transport, socio-economic development, spatial planning and promotion of the metropolis.

Thus far, the GZM Metropolis has undertaken several initiatives under this open approach, including consultations with local self-government officials, on pedestrian accessibility standards for example, as well as community consultations on topics such as sustainable urban mobility. Going forward, the metropolis also provides for the creation of a communication brochure with simple language to explain the essence of the idea-sharing principle. It moreover plans to organise a series of meetings, debates and participatory workshops on different topics relevant to its citizens (e.g. transport, mobility, spatial planning, etc.).

The metropolis website also comprises an open data portal with datasets on key topics, such as education, ecology, culture and public transportation. The portal offers combined data from all metropolis cities and communes in an open, free and reusable format. This can help local self-governments take more accurate decisions on the needs of their citizens, while also providing any stakeholder with the opportunity to monitor the quality of their public services. The InfoGZM portal is one of the tools supporting the process of making data and information publicly accessible (http://infogzm.metropoliagzm.pl/). It serves to share and visualise public data as well as to publish analyses, using several presentation forms such as cartograms, maps, charts, tables and summaries.

Source: Authors own elaboration based on fact-finding missions and internal documents provided by the GZM Metropolis and the official website https://otwartedane.metropoliagzm.pl/.

Moreover, 64% of all LSGUs found that a lack of or inadequate strategy is somewhat of or a major challenge to the implementation of open government initiatives. When disaggregating by type of municipality, the strategy is also noted as a challenge for 53% of big and small municipalities inside FUAs and 58% of those outside FUAs with high accessibility (big and small). This implies that urban LSGUs recognise more the need for taking a strategic approach to implementing such initiatives but have not yet done so.

In this sense, local self-governments could follow the example of the GZM Metropolis as well as those undertaken by other local governments in OECD countries (Box 8.5) and 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. However, it is important to note that the realities of each LSGU are different in terms of size, capacity, accessibility and resources and that not all of them have the financial or human capacity to develop and implement such a document and the associated initiatives. For small LSGUs with limited resources and capacities, they can provide a strategic approach to this policy area by dedicating a component or chapter of the LDS to open government. To do so, LSGUs could include some of the main components of a strategy, such as setting objectives, establishing priorities and designing initiatives for implementation.

Box 8.5. The Open Government Plan of Biscay, Spain, and the Open City Policy of Edmonton, Canada

Open Government Plan of Biscay, Spain

The province of Biscay has shown high-level political commitment and leadership on open government reforms through its development of a 2017-19 Open Government Action Plan (OGAP). In this plan, Biscay aims to change the culture of the public sector with the underlying objective of improving public service delivery through 14 specific commitments. The overarching objective of Biscay's open government agenda is to improve the efficiency and effectiveness of the government while bringing the administration closer to its citizens. The commitments include: i) create and implement a transparency plan for the province; ii) develop the open data initiative of Biscay; iii) open provincial budgets; iv) promote accountability initiatives in the management of the Provincial Council of Biscay; v) define a policy evaluation system; vi) develop a model for citizen participation; and vii) foster social participation in gender equality policies, amongst others.

Open City Policy of Edmonton, Canada

Edmonton adopted an Open City Policy in 2015 in order to "articulate the city's commitment to bring to action the Open City principles of transparency, participation, collaboration, inclusiveness and innovation" (City Council of Edmonton, Canada, 2015[60]). To do so, the city will conduct the following initiatives: i) manage information and data assets as a strategic resource; ii) ensure information and data are open by default and private where appropriate; iii) expand opportunities to foster a collaborative environment and engage citizens to ensure municipal activities reflect community values, priorities and standards; vi) embrace technology and new business models to deliver services; v) remove barriers to access and open up new possibilities for collaboration between citizens and the city; and vi) work with other public and private sector organisations for the advancement of Open City principles.

Source: OECD (2019[30]), *Open Government in Biscay*, https://dx.doi.org/10.1787/e4e1a40c-en; City Council of Edmonton (2015[60]), *Open City Policy*, https://www.edmonton.ca/city_government/documents/PoliciesDirectives/C581.pdf.

In developing the document outlining the strategic approach, it is important to define the main objectives and establish medium- to long-term goals. Such a document should be linked to and aligned with the high-level objectives set by the LSGU in their LDS or any other relevant high-level policy document. LSGUs could take into consideration the below common elements, outlined in Table 8.2, which are used by other governments for taking a strategic approach to open government.

Table 8.2. Elements of a strategic approach to open government

Elements	Description
Identifying a **vision**	A clear statement of what the government and stakeholders aim to achieve through the implementation of open government reforms.
Assessing the current situation, looking back and planning ahead	A new policy should be based on a thorough review that maps efforts to date, discusses achievements and highlights challenges ahead. This step provides both the government and stakeholders with the necessary information and data to make better decisions.
Establishing **priorities**	Define clear and attainable priorities from the very beginning (which means making compromises).
Defining **objectives**	Define specific objectives, which should be: measurable, achievable and relevant; evidence-based in order to facilitate monitoring; ambitious without overcommitting the government or creating unrealistic expectations; and responsibly budgeted.
Including **key definitions**	Include definitions of key concepts (such as open government) as well as of key principles (e.g. transparency) to enhance the quality of the process.
Defining a **narrative**	The narrative links the document with the government's broader policy agenda and priorities. It should be written in easily understandable language.
Clustering initiatives	Before designing initiatives, it can be useful to define the clusters/activity streams to which initiatives will contribute. Clustering can be done in different ways, including through a principle-based, sectoral, open state or target-audience approach.
Designing **successful open government initiatives**	Key features of successful open government initiatives should be considered: aligned to the overall vision and the objectives of the strategy, built on pre-existing work, linked to other national or local strategies, linked to resources, anchored by the open government approach and communicated both internally and externally.

Source: OECD (forthcoming[61]), "Taking an integrated approach to the promotion of transparency, integrity, accountability and stakeholder participation: Towards an Open Government Strategy", OECD, Paris.

Promoting co-ordination for open government initiatives

The existence and interaction of "different stakeholders in a given national or local government that have a mandate and/or a role to play in the open government agenda" (OECD, 2019[30]) are essential to ensure the effective and efficient implementation of open government strategies and initiatives. In order to achieve this, Provision 4 of the Recommendation on Open Government invites adherents to "co-ordinate, through the necessary institutional mechanisms, open government strategies and initiatives – horizontally and vertically – across all levels of government to ensure that they are aligned with and contribute to all relevant socio-economic objectives" (OECD, 2017[1]). The transversal nature of open government reforms requires a variety of stakeholders for its implementation, both from the public sector and civil society. Thus, the creation of strong co-ordination mechanisms is necessary to ensure that the goals outlined in an open government strategy or in the LDS are actually met. Evidence indicates that public administrations with a single office in charge of co-ordinating, implementing, monitoring and evaluating the open government strategy and initiatives are more likely to achieve positive outcomes (OECD, 2016[6]). This is why, governments at all levels have increasingly established a dedicated office or have appointed a particular individual in charge of co-ordinating the open government agenda (77% of OECD countries) (OECD, 2016[6]). This helps ensure the quality of open government initiatives by:

- Facilitating the link between open government objectives with broader ones by connecting principles, a strategy and initiatives across the government and with non-state actors in order to foster a shared vision of this agenda.
- Promoting visibility across the government and towards citizens of existing good practices in the area of open government, as well as institutional champions.
- Creating economies of scale when implementing open government initiatives.

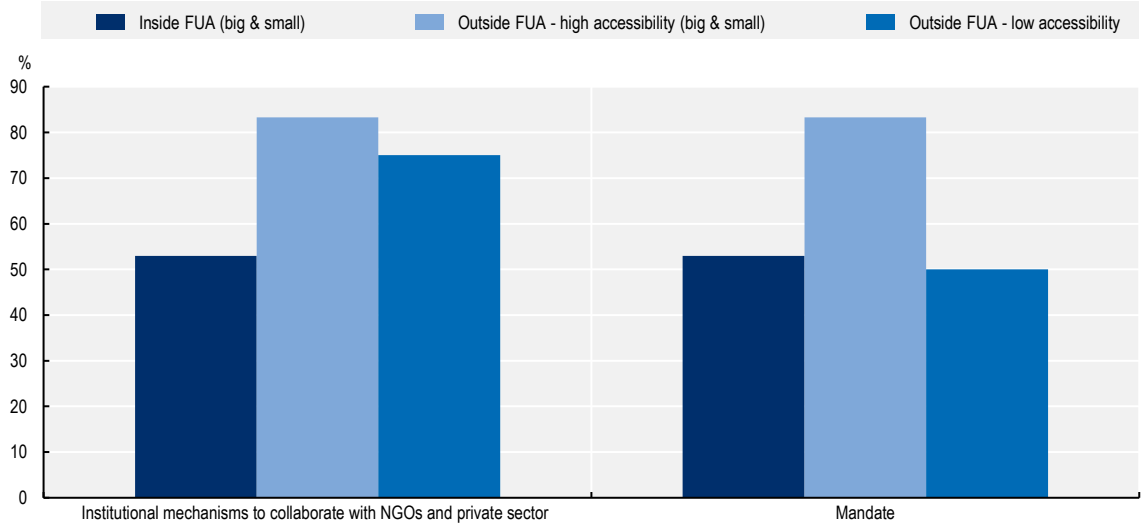
The most common mandate for existing offices in OECD countries at the national level is the co-ordination of the implementation of open government initiatives (89% of OECD countries), followed by monitoring the implementation of such initiatives (78% of OECD countries). Other recurring mandates for these offices

include developing the open government strategy and communicating about the reforms (70% of OECD countries for both). The mandate can also include evaluating the impact of the reforms (52%) and assigning financial resources for implementation (22%) (OECD, 2016[6]). The institutional location of this office is essential, as its placement needs to facilitate a whole-of-government approach to open government as well as encourage the necessary political leverage. As mentioned above, political commitment, support and leadership are key to the success of open government reforms, which is not considered a major challenge for the municipalities who responded to the OECD questionnaire (only 35%). This could imply underlying high-level support for open government in Polish municipalities, supported by the fact that most principles are included in legal and policy frameworks (shown in Figure 8.2 above). These initiatives are however impeded by other challenges, such as insufficient human and financial resources.

Furthermore, the OECD questionnaire found that only 24% of municipalities have a specific institution, office or body in charge of open government initiatives. These municipalities are mostly inside FUAs or with high accessibility (88% of those having one). The most frequent duties and responsibilities from the minority of municipalities that have one include: participating in joint projects with other institutions (17%); implementing open government initiatives (11%); and organising regular meetings including steering committees and public fora (11%). In municipalities, the initiatives linked to the principles of open government are usually co-ordinated and implemented by the office or person in charge of the specific initiative, for example responding to requests to access information or conducting consultations for a given topic. The aforementioned annual programmes of co-operation with non-governmental actors and CSOs undertaken by many municipalities provides another example of an initiative that could be co-ordinated by an open government office. The fact-finding missions showed that small municipalities outside FUAs with high and low accessibility tend to have smaller teams with multiple responsibilities within the administration and therefore less institutional capacities to designate an office or a person solely for open government. Larger municipalities within FUAs or with high accessibility have greater resources resulting in them being more likely to have an office for interacting with CSOs and citizens. For example, Kutno has the intention of creating an office for social dialogue as a principal institution to hold consultative processes.

The lack of a co-ordinating body may hinder the elaboration and implementation of open government initiatives and weaken the possibility of long-lasting cultural change within the public administration. For instance, the open government team in the Scottish Government oversees both the implementation of the OGP commitments at the national level and the wider open government strategy with various local governments (Scottish Government, 2019[62]). Significantly, data from the OECD questionnaire suggests that municipalities also recognise this as a challenge for open government initiatives. In particular, 67% of all types of municipalities consider as a major or somewhat of a challenge the lack of or inadequate institutional mechanisms to collaborate with NGOs and the private sector. This was even higher for LSGUs outside FUAs with high (83%) and low (75%) accessibility identified this as a major challenge or somewhat of a challenge (Figure 8.3).

Figure 8.3. Municipalities considering the lack of or inadequate mandate and institutional mechanisms to collaborate with NGOs and the private sector as challenges



Note: Based on 33 municipalities' responses to the OECD questionnaire (n=33), from which: 17 Inside FUA (big and small), 12 Outside FUA – high accessibility (big and small), 4 Outside FUA – low accessibility. Responses in the graph include municipalities responding "major challenge" and "somewhat of a challenge". Answers reflect responses to the question: "What are the main challenges in implementing open government strategies focused on the areas of transparency, stakeholder participation, integrity and accountability in your local self-government? (Please tick the 3 main challenges).". Multiple choice between the following responses: Lack of or insufficient mandate for the implementing institution; Lack of or inadequate strategy for the implementing institution; Lack of or insufficient incentives (career, financial, etc.) among local self-government institutions to implement; Lack of or insufficient financial resources for the implementing institution; Lack of or insufficient human resources for the implementing institution; Lack of or insufficient capacities in the implementing institution; Lack of or insufficient political will/leadership; Lack of or inadequate institutional mechanisms to collaborate with NGOs and private sector (e.g. the legal, financial or management frameworks and arrangements are not in place). Responses include the following categories: Major challenge; Somewhat of a challenge; Not a challenge.
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).

Moreover, the co-ordinating office or official requires a strong mandate to convene the resources and range of stakeholders needed to attain its outlined objectives. As Figure 8.3 shows, most municipalities also consider the lack of or insufficient mandate for the implementing institution a major challenge or somewhat of a challenge (64% of all types), most notably for the municipalities outside FUAs with high accessibility (83%). This implies that while more urban municipalities recognise the importance of open government reforms, they lack the mandate for co-ordinating and/or implementing them effectively. This mandate could take the form of a provision within a legal framework or within a policy document or policy guidelines that would outline their responsibilities and entitlements in the area of open government.

Larger municipalities could therefore assign an office or a person with the mandate of co-ordinating the open government initiatives as well as monitoring and evaluating their implementation and impact. It is recommended that the office in charge of co-ordinating the open government agenda be located at the highest level in the municipalities. Smaller municipalities could assign the unit or person in charge of the LDS for co-ordinating the open government initiatives, particularly for those municipalities that include a dedicated chapter on open government in their strategy. This could help ease the burden for those municipalities that do not have the capacity or the resources to develop a strategy for open government nor to create a dedicated office or designate a person in charge of this policy area. When designating the office or official, municipalities could ensure that their mandate is clear and well-disseminated, and outlines whether it includes only co-ordination responsibilities or also developing the strategic approach, monitoring

and evaluating the initiatives, and communicating about the reforms. Doing so enables the office and the public officials in charge to have clarity about their role and duties and allows them to provide strategic guidance to the other relevant institutions implementing the initiatives.

The co-ordination of open government reforms can take different forms as the office with this role is not usually the one implementing these initiatives. In response, some OECD member and non-member countries have created ad hoc mechanisms such as open government committees or steering groups with relevant stakeholders such as CSOs, academia, the private sector, independent institutions and interested citizens. These mechanisms help exploit synergies to promote the open government principles, increase buy-in among the stakeholders involved in the initiatives and address insufficient CSO involvement in policy-making more broadly. This is the case for 34% of OECD countries (OECD, 2016[6]) and some subnational governments, such as the state of Jalisco, Mexico, which created a Technical Secretariat for co-ordinating and monitoring the implementation of its Open Government Action Plan under the framework of the OGP (Technical Secretariat for Open Government in Jalisco[63]). Other governments have created informal mechanisms to exchange good practices and share experiences among different implementing institutions. This can take the form of informal meetings or dialogue platforms among designated focal points in charge of the implementation of the initiatives across different institutions or departments, as is the case with Costa Rica which has designated open government contact points (see Box 8.6). This example could be replicated among larger municipalities to improve co-ordination among implementing stakeholders and foster an exchange of good practices.

Box 8.6. Co-ordinating mechanisms for open government reforms: The examples of Costa Rica and the state of Jalisco, Mexico

Costa Rica

The *enlaces institucionales* (i.e. open government contact points) in Costa Rica, established for the design and implementation of the Second Open Government Partnership (OGP) Action Plan, were an important first step to ensure inter-institutional co-ordination. An initiative taken by the centre of government, the *enlaces* comprise: the contact points of the Deputy Ministry of the Presidency, which is the main office responsible for open government initiatives in the country; the different national government ministries; decentralised institutions (e.g. semiautonomous and autonomous bodies); some municipalities; the Ombudsman; the judiciary, etc. The government aims to create at least one contact point in each institution that is involved in the implementation of its open government agenda. The *enlaces* met regularly and receive capacity-building support from the OGP Support Unit. While they do not formally report to the Deputy Ministry of the Presidency, they volunteer to collaborate with this office in order to achieve better results, contributing to an effective co-ordination tool for the centre of government, both horizontally and vertically.

State of Jalisco, Mexico

The state of Jalisco created a Technical Secretariat for co-ordinating and monitoring the implementation of its Open Government Action Plan under the framework of the OGP. This secretariat is a space for new proposals as well as follow-up on the commitments outlined in their action plan for 2019-21. Its purpose is to co-ordinate the work both within the government and by engaging with wider civil society through articulated dialogue. In 2019, the secretariat was restructured with these objectives in mind and is now comprised of several government branches and bodies that work to advance transparency, accountability and stakeholder participation and co-ordinate open government reforms. These include the Institute of Transparency as co-ordinator of the secretariat through its president commissioner; the executive power of the state through the Constitutional Governor of the Jalisco

State; the legislative power of the state through the President of the Board of Directors of Congress in the State; and the state judiciary through the President Magistrate of the Supreme Court of Justice. Other participating bodies include the Social Participation Committee of the State Anticorruption System through its president, the business sector through the President of the Employers' Confederation of the Mexican Republic (COPARMEX) and organised civil society through the head of the Council of Institutions for Social Development (CIDES).

Source: OECD (2019[30]), *Open Government in Biscay*, https://doi.org/10.1787/e4e1a40c-en; Government of the State of Jalisco (2019[64]), *Segundo Plan de Acción Local 2019-2020 de Gobierno Abierto Jalisco (Second Action Plan 2019-2020 of the Government of Jalisco)*, https://www.opengovpartnership.org/wp-content/uploads/2019/09/Jalisco_Action-Plan_2019-2021.pdf.

Moreover, vertical and horizontal co-operation among other LSGUs and levels of government represents untapped potential for further collaboration among Polish municipalities (for more information, consult Chapter 6 on multi-level governance). By co-designing and implementing open government initiatives with other levels of government, LSGUs can benefit from economies of scale and foster an exchange of ideas and good practices. Box 8.7 provides an example of a multi-level government effort to implement open government initiatives in the Autonomous Community of the Basque Country in Spain. Furthermore, the national government in Poland could establish a national commission on open government to co-ordinate among the national, regional and local levels. A similar commission currently exists in the form of the Open Government Commission of the Federal Council for Modernization and Innovation in Public Management of the Argentine Republic (COFEMOD), which includes representatives from the relevant national ministries, the Autonomous City of Buenos Aires and 17 provinces including Catamarca, Jujuy, La Pampa and Misiones.

Box 8.7. Implementing open government initiatives in collaboration with all levels of government: The example of the Basque Country, Spain

In 2018, the Basque Country joined the local Open Government Partnership (OGP) programme as a coalition of all regional levels of government: the Basque government, the three provincial councils (Araba, Biscay and Gipuzkoa) and the city councils of the capital cities of the territories (Bilbao, Donostia-San Sebastian and Vitoria-Gasteiz). The action plan for 2018-20 included five commitments, each led by one or two governments and contributed to by the other members.

Thus, the implementation of these commitments is being jointly assumed by the Basque society and its institutions in a transversal manner, and counts on the co-leadership and direct intervention of at least two institutions promoting the OGP in the Basque Country, the involvement of them all in learning and contributing with their experience throughout the process and in the commitment to foster the Basque model that emerges to address the shared challenges. For example, for the commitment targeting open data, the objective is to identify the main datasets of interest for citizens in order to further increase impact. All Basque administrations will be responsible for standardising and "linking" the data, creating new opportunities to use and analyse it.

As the competencies within the Basque Country are divided by sector and level of government (for example, the Basque Country is responsible for education and the provinces for taxation), this multi-level, integrated approach to open government further increases the potential impacts of the initiatives

and of the possibility of cross-sectoral analysis to find innovative solutions to address issues in the region.

Source: Basque Country (2018[65]), *OGP Action Plan for the Basque Country 2018-2020*, http://www.ogp.euskadi.eus/contenidos/documentacion/doc_plan_accion/en_def/adjuntos/cocreacion_plan/plan_ogp_revisado_en.pdf.

Providing adequate capacities for implementation

At its core, open government is about culture change. Well-qualified and motivated individuals are needed to promote and consolidate such a change (Regulski and Drozda, 2015[66]). Therefore, having adequate capacities for implementation, including sufficient human and financial resources, is essential to achieve a strategic approach to open government reforms. Indeed, the lack of or insufficient resources is a common challenge for implementation among OECD countries, with 46% identifying human resources and 49% identifying financial resources as a main challenge (OECD, 2016[6]). For this reason, the OECD's Recommendation on Open Government calls on adherents to provide "public officials with the mandate to design and implement successful open government strategies and initiatives, as well as the adequate human, financial and technical resources, while promoting a supportive organisational culture" (OECD, 2017[1]). This contributes to ensuring the successful operationalisation and take-up of open government strategies and initiatives by public officials in charge of its implementation.

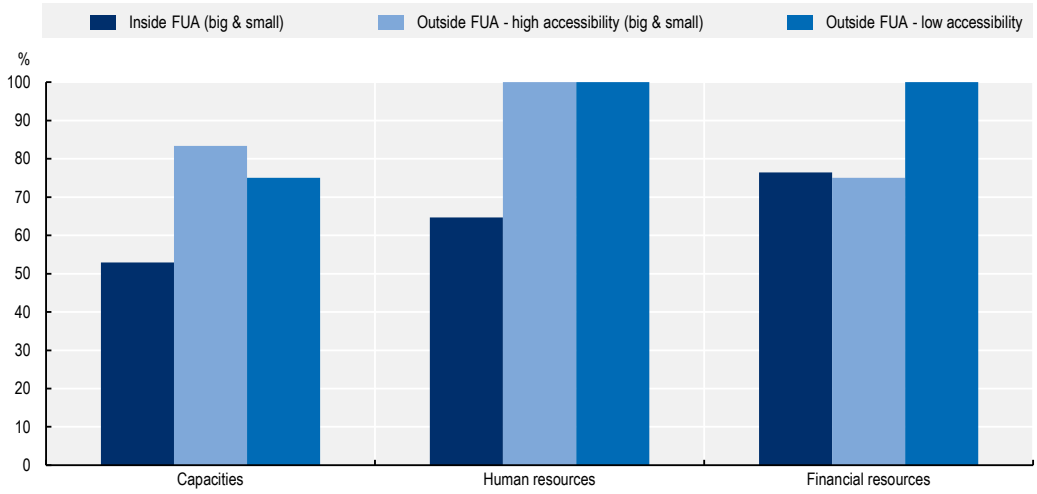
Moreover, these public officials require a solid foundation of competencies and knowledge on open government to carry out their duties effectively. The latter is what the OECD has called open government literacy, which is the combination of awareness, knowledge and skills that public officials and stakeholders require to engage successfully in open government strategies and initiatives (OECD, 2019[30]). The Recommendation on Open Government acknowledges the need to promote "open government literacy in the administration, at all levels of government, and among stakeholders" (OECD, 2017[1]).

The necessary skills and values for open government can include but are not limited to those related to stakeholder participation and transparency initiatives, such as negotiation skills, mediation skills and communication skills. These could be included in a range of policy documents but also in competency frameworks, codes of conduct, and especially in specific job profiles where these skills are most important for the position (i.e. those with tasks related to open government). For example, the province of Biscay in Spain introduced questions of general knowledge on the Provincial Law on Transparency in its entrance exam to the public administration (OECD, 2019[30]). These skills could also be mainstreamed and incorporated into training and information sessions for public officials not only in vision documents and high-level strategic government priorities but also in public sector value statements and competency frameworks. A means to achieve this is through effective internal communication (i.e. within the public administration). This can contribute to secure political commitment and to have a better understanding of its objectives, responsibilities and duties for every public official involved. For instance, the United Kingdom elaborated an Open Government Playbook to enable policy-makers to implement the principles of open government throughout every stage of the policy-making and delivery cycle (UK Government, 2020[67]). The playbook defines and promotes "open government ways of working" and provides a set of simple actions for implementation.

In Poland, 67% of all municipalities found the lack of capacities (human and financial) in the implementing institution as a major challenge or somewhat of a challenge (Figure 8.4). Unsurprisingly, this issue was exacerbated for municipalities outside FUAs with high accessibility (83%). This is even more relevant when solely considering human resources, as 82% of municipalities of all types found this as a major or somewhat of a challenge, particularly for 100% of interviewed municipalities outside FUAs with high and low accessibility. As mentioned above, the size of the teams in smaller municipalities is often limited, hindering their institutional capacities for effective implementation. These findings were confirmed during

the fact-finding missions, where smaller municipalities outside FUAs noted that they often face difficulties in both recruiting and retaining employees who would rather move to large cities, especially those in areas of low accessibility. Other municipalities also mentioned that frequent employee turnover and rotations hindered the implementation of longer-term objectives as well as co-operation both internally amongst colleagues and with other municipalities with whom they have built relationships. Municipalities could better advertise the duties and responsibilities of public officials, including the local open government initiatives that would fall under this position and, in doing so, attract local talent that may be interested in a career in the public sector and participatory practices. Though retaining public officials is dependent on many external factors (outlined in Chapter 7 on human resource management), open government reforms can result in more dynamic, inclusive and innovative policy-making processes, which increases the likelihood of public officials being both more invested in advancing this new culture of governance and being more connected to their wider communities.

Figure 8.4. Municipalities considering the lack of or inadequate capacities, human resources and financial resources as challenges



Note: Based on 33 municipalies' responses to the OECD questionnaire (n=33), from which: 17 Inside FUA (big and small), 12 Outside FUA – high accessibility (big and small), 4 Outside FUA – low accessibility. Responses in the graph include municipalities responding "major challenge" and "somewhat of a challenge". Answers reflect responses to the question: "What are the main challenges in implementing open government strategies focused on the areas of transparency, stakeholder participation, integrity and accountability in your local self-government? (Please tick the 3 main challenges).". Multiple choice between the following responses: Lack of or insufficient mandate for the implementing institution; Lack of or inadequate strategy for the implementing institution; Lack of or insufficient incentives (career, financial, etc.) among local self-government institutions to implement; Lack of or insufficient financial resources for the implementing institution; Lack of or insufficient human resources for the implementing institution; Lack of or insufficient capacities in the implementing institution; Lack of or insufficient political will/leadership; Lack of or inadequate institutional mechanisms to collaborate with NGOs and private sector (e.g. the legal, financial or management frameworks and arrangements are not in place). Responses include the following categories: Major challenge; Somewhat of a challenge; Not a challenge. 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).

Moreover, LSGUs have the obligation to respond to the legal frameworks of the national level, some mentioned that this represents a heavy regulatory burden, which causes a lack of time, too high a workload for public officials or insufficient capacities to comply, affecting the quality of the initiatives. For instance, in responding to the obligations under the access to information (ATI) law at the local level, LSGUs often struggle to respond to a large number of requests for information (Batory Foundation, 2014[23]). In addition, small municipalities with limited capacities face challenges to manage the information and data needed for proactive disclosure of information under the ATI law, which is published through the Public Information Bulletins (BIP). These challenges are due, in part, to the enforcement of the ATI law itself, as sanctions for

non-compliance are not sufficiently enforced nor supervised by the relevant oversight bodies. LSGUs, therefore, seem to have few incentives to comply with the law and generally perceive their obligations as cumbersome (OECD, 2015[24]). As aforementioned, these challenges result in frequent refusals without proper justification, delays in processing applications and incomplete responses. Another cause is the lack of sufficient capacities from public officials to adequately implement the ATI law. For example, municipalities with more capacities try to publish more information in the BIP to reduce the number of requests for information, while smaller municipalities do not have the resources to do so. This implies that some LSGUs do not have the necessary human resources to comply with the law and that those public officials responsible for compliance need additional training to manage information and data. Smaller municipalities with less capacity both inside and outside of a FUA could implement better information management systems through partnerships with other levels of government. Small and large municipalities alike could aim to proactively disclose more government information than the minimum required by law in order to reduce the burden of these requests and enable greater use and reuse of public data. Municipalities could monitor the most frequent and popular requests for information and release these on a regular basis through the BIP. Relatedly, municipalities could collaborate with the national government to identify opportunities for improvement as well as bottlenecks and capacity gaps in the use and reuse of public sector data.

In this context, Polish LSGUs and CSOs acknowledged the need to enhance knowledge and skills amongst public officials. This was reflected during the fact-finding missions, where the OECD found a lack of awareness among some public officials of the benefits of open government reforms. LSGUs could therefore aim to establish a wide range of measures to systematically enhance open government skills and knowledge among stakeholders on a regular basis. To increase awareness, LSGUs could conduct conferences, fora and debates on the topic as well as carry out an internal communication campaign through different channels to ensure that public officials know the benefits and potential impacts of these reforms. Other initiatives can include organising teach-ins and knowledge exchange sessions with international partners on the national and local levels. Having an accessible document that presents open government with simple actions in plain language could also contribute to raising awareness among public officials. Moreover, LSGUs could introduce upskilling and capacity-building training on open government, which would provide public officials with the knowledge and skills needed to implement such initiatives. In addition, it would enable public officials to communicate the benefits of open government both within the administration and with external stakeholders to increase their buy-in and allow them to better engage with other stakeholders in the policy-making process. Several LSGUs have undertaken initiatives to improve open government literacy for both public officials and stakeholders. The examples of Gostynin, Kutno and Płock are outlined in Box 8.8.

Box 8.8. Promoting open government literacy at the local level in Poland: Good practices from Gostynin, Kutno and Płock

In Kutno, a Code of Ethics for Employees of the City Hall specifies the values and standards of behaviour expected of public officials. Employees are obliged to undertake public duties with the following values in mind: the rule of law, impartiality, open proceedings and integrity, amongst others (article 9.1). The code also mentions that corruption is an abuse of a public position and refers specifically to nepotism, abuse of public or private funds and abuse of competency (article 7.1) and emphasises the importance of public trust. Lastly, the code promotes transparency and ATI in stating that employees must provide citizens with the information they request and allow access to public documents in accordance with the provisions of the ATI law (article 14.1).

Płock outlines its engagement and co-operation programme within its "Cooperation program of the Płock County with non-governmental organisations and other entities conducting public benefit activities for 2020" alongside which, as mentioned in the fact-finding mission, it organises training sessions for NGOs.

Similarly, Gostynin began hosting free training for NGOs in collaboration with the Society of Universal Knowledge in 2016. This event first took place in connection with the implementation of the Active NGO project, co-financed by the funds from the Marshal Office of Mazowieckie Voivodeship as part of the task "Enhancing the potential of Mazowieckie NGOs and building attitudes of civic activity". In the 2016 session, training participants had the opportunity to deepen their knowledge of recent changes in the regulations governing the functioning of non-governmental organisations that took place in connection with the amendment to the Law on Associations and the Act on Public Benefit Activities and Volunteering.

Source: Płock City Council (2019[68]), *Uchwała Nr 217/xiii/2019 (Resolution no 217/xiii/2019)*, http://pozarzadowe.plock.eu/wp-content/uploads/2015/07/217.pdf; Government of Gostynin (2016[69]), "I szkolenie dla organizacji pozarządowych już za nami! (And the training for non-governmental organizations is behind us!)", http://www.gostynin.powiat.pl/informacje-powiatowe/1180-i-szkolenie-dla-organizacji-pozarzadowych-juz-za-na; Government of Kutno (2016[70]), *Kutno Code of Ethics*, https://umkutno.bip.e-zeto.eu/bip/227_umkutno/fckeditor/file//Zarzadzenia/zarzw14_16.pdf.

However, LSGUs highlighted a lack of resources both for training to build capacities of public officials and for implementing open government initiatives. This was reflected in the OECD questionnaire, where the lack of or insufficient funding was also highlighted as a major or somewhat challenge by 75% of all municipalities. As shown in Figure 8.4, this was particularly the case for 100% municipalities outside FUAs with low accessibility, followed by 76% of municipalities inside FUAs and 75% for those with high accessibility. In this regard, LSGUs could explore the possibility of co-implementing open government initiatives and training programmes for public officials with other neighbouring LSGUs to share costs and increase impact. Moreover, LSGUs could seek innovative sources of funding through diverse stakeholders, including different levels of government and external donors. For example, marshal offices manage funds from the EU at the regional level, which often finance projects with elements linked to the open government principles (for example through rural LAGs). The national government could also provide more funding to LSGUs, which would allow them to invest in and maintain human capital and allocate dedicated resources to training and upskilling public officials in the area of open government.

Improving public communication to effectively engage with stakeholders

Public communication is a mean for governments to inform and interact with citizens. In particular, external communication (i.e. with stakeholders beyond government) allows stakeholders to be informed on the reform, policy or strategy, fostering their engagement in policy-making processes that affect their lives. As in any policy area, public communication is particularly important for open government reforms. In fact, Provision 6 of the Recommendation on Open Government calls upon adherents to "actively communicate on open government strategies and initiatives, as well as on their outputs, outcomes and impacts, in order to ensure that they are well-known within and outside government, to favour their uptake, as well as to stimulate stakeholder buy-in" (OECD, 2017[1]). Improving public communication can therefore contribute to foster stakeholder participation by building wider social potential and the creation of conscious citizens who are motivated to use the mechanisms available to them to become involved.

As in most subnational governments, most communication in LSGUs tends to be community-based and supported by a central website. Interviewed municipalities also confirmed that they usually inform residents through press conferences, emails, text messages, social media and local newspapers and radio stations. Some LSGUs offer a questions and answers space for specialists or experts to exchange on specific topics. This is also the case for most OECD countries, which at the sectoral level, inform stakeholders on participation initiatives through the ministry website (OECD, 2016[6]). Other forms of communication used by OECD countries include individual outreach activities targeted at selected participants, social media, traditional media (newspaper, TV, radio, etc.) or official publications like gazettes or bulletins.

However, most local self-governments also identified a lack of awareness or motivation among stakeholders to participate as a key challenge and pointed to a lack of participation culture as well as challenges related to engaging certain demographics. Some LSGUs also stated the need to better promote participatory initiatives as well as civic education. The national government could thus promote civic education and civic awareness in public life from a young age in a way that would foster a culture of participation in public decision-making in the future. Similarly, the OECD has found that citizens do not necessarily search proactively for means to participate nor are they aware of the opportunities to do so. Governments, including those at the local level, therefore "need to ensure that both the message and the channels to communicate initiatives are tailored to different stakeholders needs, including those of under-represented and groups" (OECD, 2019[30]). In this regard, LSGUs could also promote the use of simple language in interactions with residents, in official documents and calls for consultation, especially those on the local development strategy. For instance, additional measures could be put in place to ensure that information is easily accessible for people with special needs to guarantee that public officials are reaching all groups in society. The national government could also develop good practice principles for simple language and ensure their promotion and dissemination among LSGUs. This could be done for instance through the establishment of a committee or expert group for simple language, which could collaborate with the Association of Polish Cities or another self-government organisation to ensure its roll out across the entire public administration.

These challenges are reflected in the data from the OECD questionnaire, where municipalities engage with limited stakeholders throughout the policy cycle. Municipalities of all types mostly engage with CSOs and with stakeholders that are identified as being affected by the policy issue in identifying policy priorities (more than 60% on average for both). By types, municipalities inside a FUA most often involve stakeholders that are identified as being affected by the policy issue in identifying policy priorities (69%), followed by policy implementation and evaluating the results and monitoring the impact of policies (56%). They also overwhelmingly tend to involve CSOs in identifying policy priorities (75%) as well as in policy implementation (63%). As is expected, municipalities outside the FUAs with both high and 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. However, 50% of those in areas of low accessibility noted that they involve citizens in identifying policy priorities and in policy

implementation and service delivery. 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, under-represented and marginalised groups, to ensure that policies and services are designed in an optimum way that best serves their citizens.

In order to do so, LSGUs could host seminars and discussion groups for all age groups in society to equip citizens with civic, social and political education needed to enable them to gain access to the decision-making process and hold their governments accountable. It is also important for LSGUs to establish proper communication channels not only to raise awareness of existing initiatives to participate but also on its results and impact. This is a crucial element to foster participation and buy-in in the long term as stakeholders know how and why their input is included. To facilitate this, the OECD has elaborated a guide for communicating open government reforms (Box 8.9), which could provide useful insights for LSGUs.

Box 8.9. Communicating open government: A "how to" guide

An analysis of OECD data on open government and the Open Government Partnership (OGP) Action Plans shows that governments do not reap the full benefits of institutional communication on open government. For this, the two organisations – the OECD and the OGP – developed a practical guide to improving communication around open government reforms.

First, the guide provides a step-by-step process for developing a communications strategy for an open government strategy or initiative with the following elements: identifying internal and external objectives; setting targets and milestones; setting responsibilities; monitoring and evaluation; identifying audiences (by understanding existing perceptions, with stakeholder mapping and prioritisation, and with ways to reach diverse audiences); and developing key messages.

Moreover, the guide sets out various communication tools necessary for delivering messages successfully. It includes practical examples, such as content development (e.g. case studies, hard-hitting stories, talking points, etc.) and communication channels (e.g. press kits, websites, brochures, etc.). Finally, the guide calls on public officials responsible for open government to partner with the country's public communicators in order to disseminate the open government strategy or the OGP National Action Plan.

Source: OECD (2019[71]), *Communicating Open Government: A How-to Guide*, http://www.oecd.org/gov/Open-Government-Guide.pdf.

Recommendations

Improving existing open government initiatives and fostering further stakeholder participation

Improve existing participatory practices in LSGUs of different sizes and resources to involve a wider range of stakeholders

- Municipalities in low accessibility FUAs could aim to 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.

- LSGUs could also establish a system that ensures an institutionalised commitment to dialogue and consultation with civil society actors at each stage of formulating the local development strategy (LDS) to guarantee that all stakeholders in society, including vulnerable, under-represented and marginalised groups, have a seat at the table. Meaningful community-led local development can lead to greater legitimacy of public decision-making and increased stakeholder buy-in for reforms. In this regard, LSGUs could consider the appointment of networks featuring stakeholders with varied knowledge, expertise and perspectives.
- It is also important that Polish rural policy foster 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. Municipalities – especially those outside FUAs – could advocate for this transformation at the local, regional and national level for more inclusive and effective policy-making.
- LSGUs could use information and communication technology mechanisms and tools such as online consultations to involve more stakeholders, in particular those with little accessibility.

Work to empower existing youth councils and facilitate the creation of new councils, especially in disadvantaged and vulnerable regions

- Creating youth councils at the local and regional level can counter sentiments of disengagement and social exclusion among this demographic and combat the population drain from rural to urban areas. LSGUs with existing youth councils could broaden the scope of their responsibilities and ensure that the outcomes of consultation with these youth councils are adequately reflected in the decisions made.

Consider establishing senior councils

- LSGUs could work to establish senior councils to unlock the expertise of senior citizens, many of whom have spent significant portions of their lives in their communities and are potentially more aware of opportunities as well as challenges to its development. LSGUs could also consider encouraging and enabling collaboration between different thematic councils to facilitate an exchange of good practices.

Consider expanding participatory budgeting and village funds

On participatory budgeting and village funds, LSGUs could attempt to 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.

- LSGUs could review and evaluate their current systems for participatory budgeting and the quality of the projects being undertaken due to internal procedures (e.g. open voting).
- LSGUs with the capacity to do so could learn from the good practices of other LSGUs in prioritising a deliberative process over a plebiscite system of voting for choosing projects. It would be beneficial to introduce the possibility of using more advanced forms of participation – such as discussion groups to jointly seek consensual outcomes as in the city of Dąbrowa Górnicza – in addition to existing voting procedures to guarantee that citizens' priorities are more accurately reflected in the decision-making process.

Take advantage of existing guidance on open government data (OGD)

- On OGD initiatives, LSGUs could undertake the good practices outlined in the Data Opening – Good Practice Guide, which focuses on the basic framework for the process of opening data and the relevant legal acts, to improve their own open data policies. Some of the measures to consider

include identifying desirable institutional settings, building the skills necessary for managing open data and presenting practical scenarios for data opening in government offices, which cater to the needs and capacities of both public officials and stakeholders.

Explore inclusive deliberative mechanisms to increase citizen participation

- LSGUs of all sizes and capacities could 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, to increase citizen participation (citizens' assemblies, juries, panels, etc.) on the scale that best suits their own capabilities and the human and financial resources available.

Taking a strategic approach to open government

Consolidate scattered and fragmented open government initiatives

All LSGUs could take a strategic approach to open government by consolidating scattered and fragmented initiatives they currently implement into a single framework.

- Larger LSGUs could follow the example of GZM Metropolis, as well as those undertaken by other local governments in OECD countries and 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.
- Smaller LSGUs could dedicate a component or chapter of the LDS to open government. To do so, LSGUs could include some of the main components of a strategy, such as setting objectives, establishing priorities and designing initiatives for implementation.

Ensure institutional responsibility and co-ordination for open government initiatives

- Larger LSGUs could therefore assign a single office or person with the mandate of co-ordinating the open government initiatives as well as monitoring and evaluating their implementation and impact. It is recommended that the office in charge of co-ordinating the open government agenda be located at the highest level in the LSGUs (please see recommendations in the chapter on intra-LSGU co-ordination).
- Smaller LSGUs could assign the unit or person in charge of the LDS for co-ordinating the open government initiatives, particularly for those LSGUs that include a dedicated chapter on open government in their strategy.
- When designating the office or official, LSGUs could ensure that their mandate is clear and well-disseminated, and outline whether it includes only co-ordination responsibilities or also developing the strategic approach, engaging with CSOs, co-creating initiatives, monitoring and evaluating the initiatives, and communicating the reforms, to ensure the effective operationalisation of open government initiatives. Doing so also enables the public officials in charge to have clarity about their role and duties and allows them to provide strategic guidance to the other relevant institutions implementing the initiatives.

Foster vertical co-operation across levels of government for open government initiatives

- LSGUs could aim to co-design and co-implement open government initiatives with other levels of government and other LSGUs in order to benefit from economies of scale and foster an exchange of ideas and good practices.

Creating an open government culture in LSGUs

Improve the advertisement of the duties and responsibilities of public officials

- On attracting and retaining public officials, LSGUs could better advertise the duties and responsibilities of public officials, including the local open government initiatives that would fall under this position and, in doing so, attract local talent that may be interested in a career in the public sector and participatory practices. Though retaining public officials is often dependent on many external factors, open government reforms can result in more dynamic, inclusive and innovative policy-making processes, which increases the likelihood of public officials being both more invested in advancing this new culture of governance and being more connected to their wider communities.

Improve compliance with the access to information (ATI) law

- To improve compliance of LSGUs with the ATI law, smaller LSGUs with less capacity both inside and outside of FUAs could implement better information management systems through partnerships with other levels of government.
- Similarly, small and large LSGUs could aim to proactively disclose more government information than the minimum required by law in order to reduce the burden of these requests. LSGUs could monitor the most frequent and popular requests for information and release these on a regular basis.

Foster greater transparency by improving the reuse of public sector data

- LSGUs could collaborate with the national government to identify opportunities for improvement as well as bottlenecks and capacity gaps in the use and reuse of public sector data.

Increase open government literacy among LSGU officials and employees

- To enhance knowledge and skills amongst LSGU employees and public officials, LSGUs could conduct conferences, fora and debates on the topic as well as carry out an internal communication campaign through different channels to ensure that public officials know the benefits and potential impacts of open government reforms. Other initiatives can include organising teach-ins and knowledge exchange sessions with international partners on the national and local levels. Having an accessible document that presents open government with simple actions in plain language could also contribute to raising awareness among public officials. Moreover, LSGUs could introduce upskilling and capacity-building training on open government, which would provide public officials with the knowledge and skills needed to implement such initiatives. In addition, it would enable public officials to communicate the benefits of open government both within the administration and with external stakeholders to increase their buy-in and allow them to better engage with other stakeholders in the policy-making process.

Foster new partnerships for open government

- To address the lack of resources available both for training and capacity-building of public officials and for implementing open government initiatives, LSGUs could explore the possibility of co-implementing such initiatives with other neighbouring LSGUs to share costs and increase impact. Moreover, LSGUs could seek innovative sources of funding through diverse stakeholders, including different levels of government and external donors. For example, marshal offices manage funds from the EU 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).

Continue building better methods of public communication

- To improve public communication, LSGUs could host seminars and discussion groups for all age groups in society to equip citizens with civic, social and political education needed to enable them to gain access to the decision-making process and hold their governments accountable. It is also important for LSGUs to establish proper communication channels not only to raise awareness of existing initiatives to participate but also on its results and impact. This is a crucial element to foster participation and buy-in in the long-term, as stakeholders know how and why their input is included.
- LSGUs could promote the use of simple language in interactions with residents, in official documents and in calls for consultation, especially those on the local development strategy.
- Additional measures could be put in place to ensure that information is easily accessible for people with special needs to guarantee that public officials are reaching all groups in society.

Recommendations for the national government

Consider establishing a National Commission or Committee on Open Government.

- To facilitate vertical and horizontal collaboration throughout all levels and branches of government, the national government in Poland could establish a national commission or committee on open government to co-ordinate among the national, regional and local levels. The existence of a multi-level, integrated body for open government further increases the potential impacts of related initiatives and the possibility of cross-sectoral collaboration at different levels of government.

Mobilise additional funding for open government in LSGUs at the national level

- The national government could also provide more funding to LSGUs, which would allow them to invest in and maintain human capital and allocate dedicated resources to training and upskilling public officials in the area of open government.

Prioritise inclusion in public decision-making for more effective and efficient policies

- The national government could consider making specific efforts to reach out to and engage the most vulnerable, under-represented and marginalised groups in society to ensure a wide range of perspective and expertise is considered, which will ultimately lead to more coherent, efficient and sustainable policy-making and service design and delivery.

Promote civic education to improve local citizen participation

- The national government could promote civic education and civic awareness in public life from a young age in a way that would foster a culture of participation in public decision-making in the future.

Endeavour to use simple language in public communication

- The national government could develop good practice principles for simple language and ensure their promotion and dissemination among LSGUs. This could be done for instance through the establishment of a committee or expert group for simple language, which could collaborate with the Association of Polish Cities or another self-government organisation to ensure its roll out across the entire public administration.

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Notes

[1] The rankings indicated in this section refer to a calculated score for each country assessed based on several indicators. As an example, the Transparency International Corruption Perceptions Index ranks 180 countries with the ranking ranging from 1 (best) to 180 (worst). For further information on the methodology behind each ranking, please consult the references.

[2] The author uses both the term non-governmental organisation (NGO) and the term civil society organisation (CSO) throughout the text. This is to account for the fact that Polish LSGUs most often refer to NGOs only in their policy documents while the OECD uses the term CSO to describe a broader range of civic actors outside of the subset of formal, registered organisations.

9 Reducing administrative burden and simplifying public procurement in Poland

This chapter examines the regulatory framework governing administrative simplification and red tape reduction in Poland and, in particular, in Polish local self-government units (LSGUs). It identifies areas that can be strengthened to enhance service delivery by LSGU employees and improve the interaction between citizens and businesses and local administration. This chapter uses local public procurement practices as a lens through which it assesses administrative burden and red tape reduction challenges at the local level and provides recommendations to support public procurement reform.

Introduction

The interaction between governments, citizens and businesses can shape elements such as confidence in the public administration, economic competition, entrepreneurship and productivity. In the past years, public administrations have acknowledged the importance of introducing reforms that bring about positive economic outcomes and make the lives of citizens and businesses as easy as possible. Administrative simplification is a key tool in this respect.

In the Polish context, administrative simplification has been driven by efforts at the national level, particularly aimed at supporting business development and entrepreneurship. At the LSGU level, efforts have focused on implementing national policies, with reduced scope for action by the municipalities and subnational administrations. This has led to LSGUs being primarily "policy implementers" rather than "definers", with limited leeway for adapting administrative processes to local specificities realities. There are however important efficiency gains to be obtained by simplifying procedures and reducing administrative burden, including increasing digitalisation, improving interactions with businesses at the local level and cutting red tape, notably in the context of public procurement.

As highlighted in the OECD Recommendation of the Council on Public Procurement (OECD, 2015[1]), public procurement can derive substantial benefits from administrative simplification. From the public administration's perspective, there is a high cost related to compliance when the public procurement legal landscape changes constantly or requirements are excessive and difficult to meet. From the suppliers' perspective, simplification allows easier and wider access to business opportunities and is a driver for economic growth. Thus, authorities need to carefully balance priorities, i.e. advancing a simplification and reform agenda without compromising legal stability and the capacity for users to absorb a given reform.

This chapter analyses the ongoing trends in administrative simplification at the national, regional and local levels in Poland. It then looks at how simplification applies to the public procurement context; specifically, it analyses the impact of ongoing public procurement reforms on LSGUs. Furthermore, it discusses how aspects of the regulatory framework pose particular challenges for LSGUs. Finally, it identifies concrete steps that LSGUs are taking to reduce administrative burden, particularly those generated by procurement procedures. The chapter concludes with proposals for actions aimed at: i) ensuring the successful implementation of regulatory reforms as a concerted effort by LSGUs and national authorities, implying, among other things, that these changes do not impose unnecessary burdens on LSGUs and residents; and ii) reaping the benefits, in terms of efficiency, economic competition and transparency, that can derive from an elimination of red tape and burdensome procedures, especially in the public procurement process.

The regulatory framework for administrative simplification in Poland

Cutting administrative burdens at the national government

Administrative simplification, defined as a strategy to reduce regulatory complexity and red tape is particularly important for the provision of government services and facilitates the reform of the public administration (OECD, 2009[2]). It is hard for citizens and businesses to comply with cumbersome regulations. Burdensome requirements and difficult processes limit the capacity of governments to achieve their objectives and hinder entrepreneurship and business development. Governments have acknowledged the efficiency gains that can be unlocked by cutting red tape and rendering processes more straightforward and streamlined, thus putting administrative simplification high on the policy agenda (OECD, 2010[3]). Easier formalities are correlated with higher compliance, as fulfilling the regulatory requirements implies an opportunity cost for residents and business representatives (OECD, 2010[3]). Moreover, when the cost of complying is particularly high, it can represent an entry barrier for small- and medium-sized enterprises (SMEs), which in 2016 accounted for over 99% of the total number of enterprises

in Poland and employed 67% of the workers in the country (EC, 2016[4]). The majority of the efforts and resources that the country has devoted to administrative simplification have focused on reducing the burdens on SMEs.

In 2006, Poland introduced its regulatory reform programme, which included a thematic area focusing on the simplification of administrative procedures and reduction of operating costs for businesses (OECD, 2011[5]). Since then, administrative simplification has been a relevant component of the regulatory policy in the country, leading to the implementation of several legislative changes, especially to simplify administrative procedures for businesses (see Box 9.1 below). However, the reform programme focused almost exclusively on the national level of government and did not devote resources to the subnational levels (OECD, 2011[5]).

LSGUs are the first contact point between citizens and the public administration and, as such, they shape the experience of residents in relation to the government to a significant extent. Streamlined procedures that adapt to the different realities of LSGUs can increase the efficiency in the provision of services and enhance business development. By some estimates, approximately 20% of the formalities and processes represent, on average, 80% of the administrative burden faced by regulated parties, which is why smart investments in simplification can represent significant efficiency gains (OECD, 2010[3]).

As highlighted above, consulted stakeholders mentioned that different institutions of the public administration often interpret laws differently. This leads to uncertainty, lower compliance levels and greater barriers to entry, particularly for small businesses that cannot afford specialised legal services. A law enacted in 2018 (see Box 9.1 seeks to address this problem by requiring the publication of simple explanations of regulations and providing that, if in doubt, regulations should be interpreted in favour of the entrepreneurs.

In 2016, the Polish Ministry of Entrepreneurship and Technology introduced the 100 Changes for Companies programme, whose main objective is to reduce the administrative burdens that SMEs face (OECD, 2018[6]), particularly by:

- Simplifying the business constitution process.
- Streamlining business regulations.
- Increasing the revenue threshold for companies to maintain full accounting records.
- Reducing the requirements for the construction industry and machine operation.
- Reducing the number of years that a company must store employee information (from 50 years to 10 years), in addition to digitalising the files.
- Simplifying the generational changes in family businesses.
- Requiring ministries to publish simple explanations of administrative rules and tax laws.

Box 9.1. Poland's Responsible Development Strategy and Entrepreneur Law

In 2017, Poland published its Responsible Development Strategy (Strategii na rzecz Odpowiedzialnego Rozwoju) for the period to 2020, which identifies five development traps for the country, including the low efficiency of state institutions. In this context, the government set the creation of economic institutions contributing to growth as well as social and economic inclusion as one of its objectives (Ministry of Funds and Regional Policy, 2017[7]). The strategy refers to the need to simplify, deregulate and reduce bureaucracy, and emphasises the relevance of strong co-ordination mechanisms as a way to eliminate barriers that hinder entrepreneurship. It also highlights the importance of reforming the

Public Procurement Law (PPL) as a way of creating rules that follow the best regulatory practices. An important element of the strategy is the simplification of the legal environment.

In 2018, the government enacted the Entrepreneur Law (Government of Poland, 2018[8]), which seeks to simplify the creation and operation of businesses, especially SMEs. Key components of the law are the introduction of the proportionality principle and the friendly interpretation of regulations. It also reduces the administrative burden generated by the information and documents that entrepreneurs must gather when requesting a public service or complying with a regulation. It states that public administration cannot impose unjustified burdens on businesses and should not request documents or information that has been produced by public entities.

Source: Ministry of Funds and Regional Policy (2017[7]), Strategia na rzecz Odpowiedzialnego Rozwoju [Strategy for Responsible Development], https://www.gov.pl/web/fundusze-regiony/informacje-o-strategii-na-rzecz-odpowiedzialnego-rozwoju(accessed on 30 June 2020); Government of Poland (2018[8]), Law on the Amendment of Some Acts to Introduce Simplifications for Entrepreneurs in Tax and Economic Law, http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20180002244/O/D20182244.pdf (accessed on 2 July 2020).

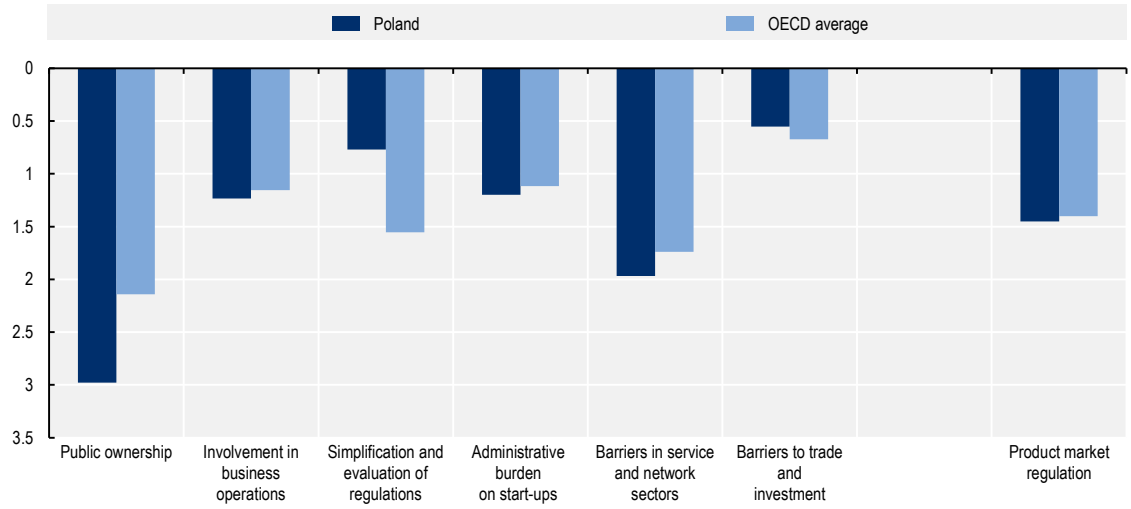
In 2019, the Ministry of Development took another step in the reduction of administrative burdens by implementing the SME package. This programme includes the simplification of tax and economic laws for entrepreneurs (Ministry of Development, 2019[9]). Also, in 2019, the Friendly Law package introduced measures aimed at simplification (Ministry of Development, 2019[10]), including:

- The right to error during the first year of operations.
- Reduced reporting frequency for some obligations.
- Reduced number of copies attached to some applications.
- Digitisation of some reporting obligations.

The OECD indicators of product market regulation (PMR) reflect the result of Poland's efforts regarding simplification and better regulation since 2006. PMR measures the degree to which policies (from a lawful perspective) promote or hinder market competition for goods and services (OECD, 2018[11]). Poland has improved its PMR estimates compared to the OECD average over the years. It remains slightly above the OECD PMR indicator average for 2018 – lower values represent international best practices. In the sub-indicator for simplification and evaluation of regulations in particular, Poland is doing better than the OECD average. Evidence on the impact of those efforts at the local level is however relatively scarce. Data and information gathered in the context of this project point to a contrasted landscape combining LSGUs that have taken a number of steps to identify and address priorities in this regard with others that lack the appropriate tools and resources to do so.

Figure 9.1. Sub-components of the OECD Product Market Regulation Indicator

Index scale 0 to 6, where 0 represents international best practices



Notes:
1. The United States has not completed the data collection; hence this OECD country is not included in the PMR database.
2. For federal countries, where matters are regulated at the state level, the values reflect the situation in one state (selected so as to be representative).
3. Data include Colombia among OECD countries (the country joined the organisation in May 2020).
Source: Vitale, C. et al. (2020[12]), "The 2018 edition of the OECD PMR indicators and database: Methodological improvements and policy insights", https://dx.doi.org/10.1787/2cfb622f-en.

Evidence gathered through meetings with representatives of the private and public sectors shows that the legal environment is constantly changing and is difficult to navigate. Rigid and ever-changing public procurement laws and regulations make their application difficult by contracting units and constitute a barrier to potential bidders. Introducing administrative simplification measures in this domain is thus of great importance for boosting efficiency in public administration.

Reducing red tape at the local level

As mentioned above, most of the administrative simplification efforts have taken place at the national level of government and have mainly focused on administrative burdens faced by entrepreneurs. Although LSGUs do not have the responsibility to regulate many of the aspects that underpin the opening and operation of a business, they are the implementers of many processes and procedures that do affect entrepreneurs. This point, however, does not mean that LSGUs do not have opportunity areas to streamline and simplify the services and processes that depend entirely on them.

Regarding the implementation of regulations and procedures that the national level of government determines, both LSGUs and representatives from the private sector mentioned that constant regulatory changes, as well as the difficulty of administrative procedures, are one of the main sources of red tape. Rigid regulations imposed by the national government may limit the scope of influence of local administrations in the way regulations are implemented. A recent report concludes that "an increasing number of acts of the State imposes a rigid internal organisational structure on local authorities thus limiting their ability to take account of local circumstances and administrative efficiency in organising their own administrative services" (Congress of Local and Regional Authorities, 2019[13]). As discussed in the following sections, the area of public procurement is an area with significant potential for positive developments in that respect.

The Joint Committee of National Government and Territorial Self-government is a bilateral body, with equal representation of associations of the territorial self-government units and national government. Its functions include “analysing information on draft legal projects, government documents and programmes on the issue of territorial self-government, in particular on expected financial consequences” and “expressing opinions on draft normative acts, programmes and others government documents regarding the issues of local government, including those defining the relations between the local self-government and other public administration bodies” (Congress of Local and Regional Authorities, 2019[13]). According to the same report, “although the Joint Committee represents an adequate legal framework for consultation, the recent tendency is to bypass this mechanism, making it ineffective” (Congress of Local and Regional Authorities, 2019[13]). In the same vein, officials from some of the LSGUs interviewed mentioned that the national government does not engage with them before these regulatory modifications take place, creating a disconnection between the policy design and its implementers. Evidence gathered through in-depth interviews suggests that the views of LSGUs, especially the smaller ones, are not always considered during the development or modification of legal provisions, leading to the introduction of rules that are difficult to comply with and to a misalignment in expectations. Interviews with national government officials suggest otherwise and emphasised that LSGUs are well aware of the regulatory changes ahead. In any case, LSGUs, the private sector and the national government could benefit from closer collaboration and strengthening the engagement of relevant actors in the design and implementation of regulations.

Information collected through direct interviews with stakeholders shows that local public officials are somewhat reluctant to make changes to the way processes are implemented. Uncertainty regarding the interpretation of legal provisions by other public authorities, risk of sanctions in case of misinterpretation of the law and a preference for face-to-face interactions add up to the obstacles that need to overcome in order to introduce a broad-based administrative simplification strategy.

Size and resource availability (financial, human, technological) seem to be key determinants of the level of formality and of sophistication of the services that LSGUs provide to their residents and businesses. Interviews with LSGU officials show that smaller municipalities tend not to see value in formal procedures and perceive them as more cumbersome than informal interactions with residents.

Especially in smaller LSGUs, interactions are carried out in an informal way, as citizens personally know the LSGU officials and prefer a face-to-face approach with the official in charge of a given process or service. The risks of this approach range from limited transparency and accountability to the possibility of capture of the public officials and the lack of equal treatment. Some of the stakeholders consulted expressed their preference for more direct and informal interaction with the officials, whereas others have mentioned that public authorities in their LSGU offer more favourable treatment to bigger companies than SMEs. In particular, in the public procurement context, it is important to streamline interactions with suppliers to ensure equal treatment, e.g. during the market engagement. Similarly, interactions related to questions about the procurement process also need to be handled in a transparent way.

In general, administrative simplification does not come easy at the local level in Poland. According to the responses to the OECD questionnaire completed in the framework of this report, 53% of the municipalities do not have any requirement to minimise the administrative burden of planned or existing regulations (at the county level, only one out of the nine that answered the OECD questionnaire has an explicit requirement to simplify administrative burdens). In cases where the municipalities have explicit requirements (32% of those that answered), efforts are driven by the mayor or higher levels of administration, as there is no legal or de facto requirement to reduce the administrative burden for citizens or within the public administration. It would be important for LSGUs to formalise their administrative simplification strategy. The lack of a mandate or records may affect the continuity of the simplification efforts as changes in the administration could imply modifications to the priorities and/or a loss of knowledge and expertise. For those LSGUs where there is a mandate to reduce administrative burdens generated by the modification or implementation of a regulation, 26% of them reported carrying out

measurements of the burden. Larger LSGUs seem to engage in the quantification of administrative burdens more often compared to their smaller counterparts.

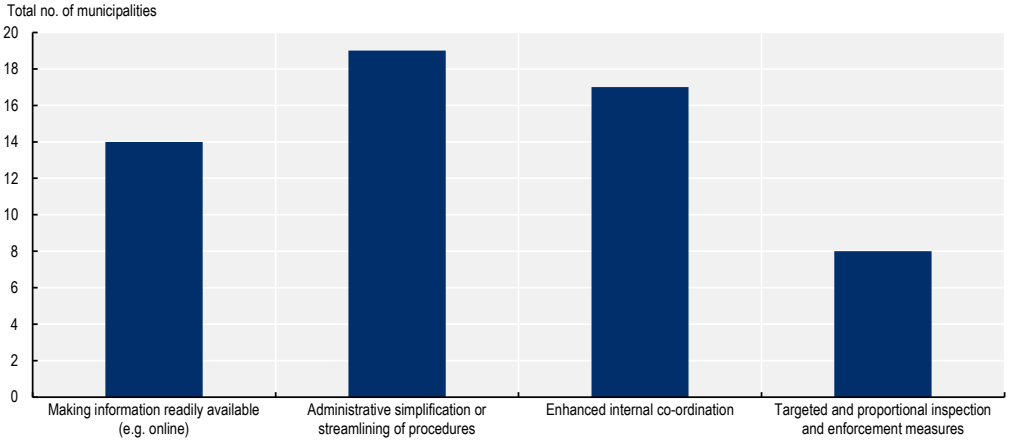
Administrative simplification or streamlining of procedures is the most commonly used measure to tackle administrative burdens by LSGUs (see Figure 9.2). For example, the urban municipality of Międzyrzec Podlaski uses plain language in its public procurement tenders as a way to increase provider compliance and facilitate the analysis of the information and documents by municipality officials.

Digitalisation

One of the tools used for the reduction of red tape is the introduction of e-government services. Information and communication technology (ICT) decreases the time that citizens and business representatives allocate to gathering, understanding and fulfilling regulatory requirements, thus making their lives easier and reducing the opportunity cost of compliance. Poland has introduced a series of regulations aimed at strengthening the digital transformation of the country by fostering interoperability, the use of data and enhancing cybersecurity. ICT tools, however, should be accompanied by a process where regulations and administrative procedures are reviewed and simplified.

In 2005, Poland introduced the Act on the Computerisation of the Operations of the Entities Performing Public Tasks, which defines the framework for the interoperability of systems at the national level (EC, 2019[14]). At the subnational level, regional and local authorities are in charge of developing a digital strategy, which should refer to the general direction set by the national government. Implementation of ICT tools at the regional level has not been easy due to uneven access to broadband Internet and digital technologies. In addition, the demographics of a given LSGU may shape the preferred communication and interaction channel between residents and government authorities. For example, LSGUs with a higher share of elderly population and with low Internet access might be reluctant to digitise[1] administrative procedures. For an in-depth discussion on demographic trends and other contextual factors as well as their implications, please refer to Chapter 1 on strengths and challenges for local self-government development in Poland.

Figure 9.2. Measures taken by Polish municipalities to reduce administrative burden

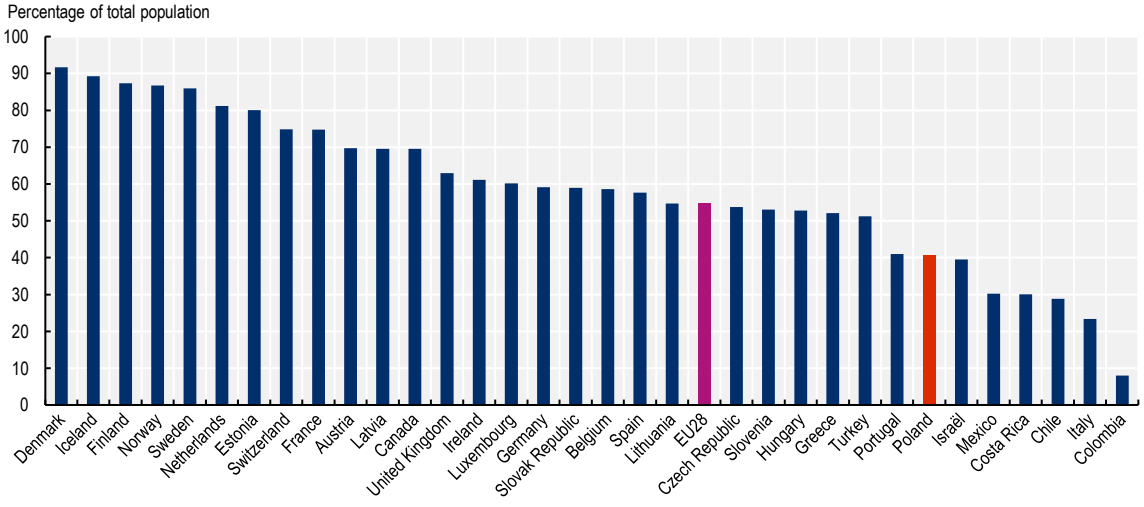


Note: Based on 38 responses by municipalities to the OECD questionnaire (n=38). While the size of the questionnaire response sample does not allow to draw statistically relevant conclusions, it nevertheless offers sample-specific insights that may be relevant for a larger audience of Polish LSGUs.
Source: Author's own elaboration based on municipality responses to the OECD questionnaire (2020).

Capacity building and stakeholder engagement (for an overview of the benefits of stakeholder engagement, see Chapter 8 on open government) are relevant points that should be taken into consideration for the successful adoption of ICT tools. Officials in charge of providing public services and ensuring regulatory compliance can be somewhat hesitant to migrate to digital and standardised processes when they do not feel comfortable managing them. It is important to ensure that officials have access to existing capacity-building resources and receive adequate institutional support. This can help reduce resistance to change, particularly in those LSGUs where informal interactions with residents are deeply embedded. On the other hand, deploying digital technologies should be accompanied by the provision of facilities for the front users of the different platforms and channels. It is not enough to digitise the back office; citizens should be made aware of the facilities that this channel entails, the advantages of using a more formal approach and the potential time savings. In some LSGUs, citizens do not trust digital platforms and prefer to visit the municipal office to gather information or submit documents. Elements such as information campaigns, the introduction of one-stop-shops and user-friendly platforms foster the use of electronic channels. However, it is important to accompany these initiatives with capacity-building programmes aimed at providing public officials with the tools to operate digital platforms, otherwise, their implementation and continuity are compromised by the lack of officials with the resources to manage them.

Meetings with local officials and residents suggested a general scepticism regarding the facilities and efficiencies that can be unlocked by the digitalisation of formalities and services. Polish LSGUs pointed to the lack of accessibility, the extra administrative burden in comparison with the status quo and the preference for face-to-face interactions between residents and public officials as the main barriers for digitisation, which is a step towards a digital transformation of processes and services. Additionally, ICT infrastructure – measured by the share of households connected to broadband Internet – lags behind the OECD average, with the largest gap in rural regions, making it hard to introduce digital tools (please refer to Chapter 1 for further details). Figure 9.3 shows the share of people interacting with public authorities (at all levels of the administration) in OECD countries. In Poland, this figure neared 40% in 2019 compared to about 90% for the leading countries.

Figure 9.3. Citizens' e-interaction with public authorities across OECD countries



Note: Refers to the share of individuals who used the Internet to send filled forms to public authorities, obtain information from public authorities' websites and download official forms in the 12 months preceding the survey. Data refer to 2019 or latest available.
Source: OECD (2020[15]), "Share of individuals using the Internet to interact with public authorities", https://goingdigital.oecd.org/en/indicator/23/ (accessed on 17 July 2020).

Co-ordination and collaboration

Co-ordination and collaboration across LSGUs, with the national administration, regional self-governments or with other public institutions is a good strategy to cut administrative burdens and boost efficiency. Collaboration allows for information sharing, better use of resources and reduces overlapping functions. It also fosters the exchange of good practices, innovation and knowledge dissemination. A formal approach to co-operation ensures the continuity of the co-ordination and collaboration efforts in spite of political and staff changes. Please refer to Chapter 6 on multi-level governance for an elaborate discussion on the topic.

Co-ordination across Polish LSGUs is a relatively infrequent and unsystematic process. Data from the OECD questionnaire indicate that 42% of consulted municipalities actively interact with other local authorities to reduce administrative burdens. Information gathered through interviews suggest that personal relationships drive the collaboration dynamics across LSGUs, making them particularly susceptible to political or managerial changes. Co-ordination between LSGUs and the national administration is also limited, especially for smaller LSGUs.

The national administration designs and enacts many of the regulations that LSGUs implement or need to comply with; thus, it is of utmost importance to align expectations, capacities and realities across government levels. There are various examples from OECD countries including Canada, Italy and Mexico, of successful practices and policies to promote regulatory reform and entrepreneurship at the subnational level, including ones regarding administrative simplification (see Box 9.2) (Villarreal and Pastor, 2010[16]). Administrative burdens, switching costs and constant regulatory changes could be avoided, at least in part, by establishing a whole-of-government co-ordination and collaboration strategy, with strong engagement from relevant parties, particularly in the Polish context, where LSGUs constantly mentioned lack of engagement with the national government.

Box 9.2. Administrative simplification in British Columbia, Canada

The government of British Columbia has taken several steps towards improving the regulatory environment in the province and reducing administrative burdens for its citizens and businesses. In 2001, the Red Tape Reduction Task Force was established with representatives from the private sector and industry and made over 600 recommendations for reducing red tape, which were assessed by the government and implemented over the following year. Since then, the province's regulatory reform has focused on four pillars:

- Establishing, reducing and capping regulatory count.
- Monitoring the quality of regulations.
- Streamlining, clarifying and simplifying regulatory requirements and related business processes.
- Reporting on the results.

Moreover, in 2015 the government introduced the Red Tape Reduction Day with the objective of identifying and eliminating outdated regulations. Citizens and business representatives are able to submit suggestions and comments on regulatory improvements to the provincial government, which provides feedback on the actions taken to cut red tape.

The results of the province's regulatory reform are very positive. Since 2004, the number of regulatory requirements for people, businesses and government have decreased by 15% and over 130 regulatory changes or repeals since the introduction of the Red Tape Reduction Days have been implemented.

Source: Government of British Columbia (n.d.[17]), Regulatory Reform Policy, https://www2.gov.bc.ca/gov/content/governments/about-the-bc-government/regulatory-reform/resources (accessed on 16 May 2018).

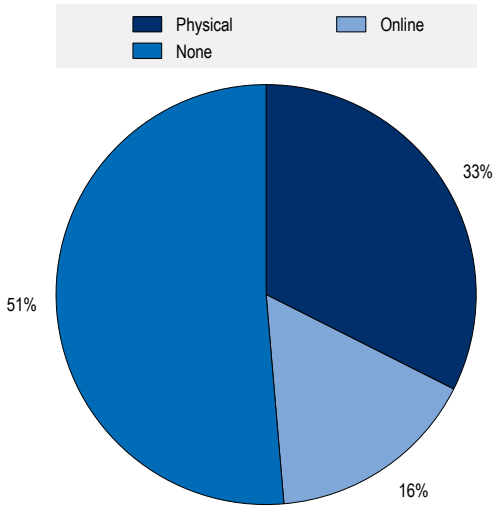
One area of regulatory delivery where co-ordination is crucial is the inspection and enforcement process. As per the OECD Regulatory Enforcement and Inspections Toolkit, clarity should be ensured between different geographic levels (national, federal, regional, local, etc.) so that establishments are not subject to repeated (potentially conflicting) inspections and public resources wasted on uncoordinated and duplicating activities (OECD, 2018[18]). Interviews with LSGU representatives suggest that they are subject to constant inspections and audits from different institutions. Moreover, several interpretations of the law make the process burdensome and unpredictable. This means that LSGUs are devoting time and resources to the preparation of all of the information that is required for an inspection only to find out that there are overlaps and inconsistencies, generating inefficiencies and rigidities. The case for collaboration in the inspection process is also valid from the citizen and business perspective. Constant visits from authorities make compliance harder, limit the time that entrepreneurs allocate to productive activities and could give way to lawbreaking behaviour.

Regarding public procurement, the Supreme Audit Office in Poland will carry out audits every three years based on three criteria: i) complaints about a given entity; ii) information from an authority of the national government stating that an audit is required; and iii) the burden that is imposed on the inspected unit. Additionally, the new amendments to the PPL (Act of 29 January 2004) limit repetitive inspections; however, this provision does not apply to other regulated entities or processes.

One-stop-shops

One-stop-shops are physical or digital platforms that gather a wide range of information requirements with the objective of providing information to businesses and residents and/or carrying out transactions between the platform's clients and public administration (OECD, 2020[19]). They can help reduce transaction costs for citizens and increase efficiency. Establishing and managing a one-stop-shop requires human, technological and financial resources. It involves co-ordination and collaboration between different institutions and ideally across levels of government. Evidence collected during in-depth interviews shows that these requisites are somewhat excessive for some LSGUs, as less than half of municipalities consulted and only two out of nine counties have one one-stop-shop (see Figure 9.4). Moreover, smaller ones often highlighted the maintenance costs as one of the main factors preventing them from creating a physical or digital platform. Additionally, informal interactions seem to be the preferred communication channel, thus limiting the uptake of services offered by existing one-stop shops.

Figure 9.4. One-stop-shops in Polish municipalities



Note: Based on 38 responses from municipalities to the OECD questionnaire (n=38). 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: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

It is important to embed the principles of monitoring and evaluation into the management of one-stop-shops. The definition of performance indicators that are linked directly to the objectives of the platform helps identify areas for improvement, bottlenecks and simplification opportunities. Among the Polish municipalities that have a one-stop-shop, the most common criterion to assess their performance is improved service delivery, followed by uptake levels. Although data from the OECD questionnaire do not offer a comprehensive description of the methodologies used by LSGUs, it is important to point out that other data sources such as transaction costs, service completion rates and in-depth interviews provide valuable insights into the users' perspective (OECD, 2020[19]). It is worth highlighting that the figures referring to the questionnaire results reflect the answers of less than one-third of the respondents, as the majority does not assess the performance of the platform at all.

The case for administrative simplification of the public procurement process

Polish municipalities and counties are responsible for the provision of most public services such as local public transport, social protection, municipal housing construction, among others (Congress of Local and Regional Authorities, 2019[13]). In order to fulfil their duties, governments use public procurement to identify, assess and ensure the best option to deliver services to their residents. As such, public procurement represents a significant amount of spending in terms of gross domestic product (GDP) and has a key role in furthering efficiency, transparency and accountability (OECD, 2015[1]).

Given the relevance of public procurement for the economy, it is of utmost importance to cut the red tape that contracting authorities and bidders face. In Poland, the Strategy for Responsible Development (*Strategia na rzecz Odpowiedzialnego Rozwoju*) and the reform to the PPL are the initiatives aimed at modifying and simplifying the regulatory framework that underpins public procurement at all government levels. The Strategy for Responsible Development focuses, among other things, on tackling the multiplicity of interpretations of the law – a problem widely acknowledged in Poland. On the other hand, the new law modifies significant legal provisions and introduces an intelligent purchasing system (Ministry of Funds and Regional Policy, 2017[7]). Simpler procedures, clear rules and the introduction of digital tools are measures

that promote economic competition, increase the offer of goods and services and boost efficiency in the public administration.

The next section will focus on the public procurement framework in Poland and the application of principles related to administrative simplification and reduction of red tape to advance the reform of the public administration (EC, 2016[20]).

LSGUs struggle in applying procurement regulations defined at the national and European Union (EU) levels

Public procurement accounts for nearly 11.2% of GDP in Poland in 2017 (OECD.Stat, n.d.[21]), slightly below the OECD average of 12% (OECD, 2019[22]). The public procurement system in Poland is decentralised, with approximately 14 000 contracting authorities spread out among the country's ministries, national offices, province offices, state control organs, courts and tribunals, and territorial self-government offices (EC, 2016[23]). Indeed, public procurement expenditure is fairly concentrated at the level of subnational government, which accounted for 46.2% of procurement expenditure in 2017. By comparison, the share of national government procurement is 38.7%. In contrast, OECD countries tend to have slightly higher levels of centralised procurement expenditure, with an average of 41.6% of procurement expenditure at the national level and 42.7% at the subnational level (OECD.Stat, n.d.[21]).

In addition to being very significant in economic terms, public procurement is also a highly regulated area, following rules and regulations defined primarily at the EU and national levels, and in some instances at the local level too. Procurement rules aim to establish an equal-level playing field to accessing contracts with the government, ensuring transparency and competition as well as preventing fraud and corruption. Nevertheless, as a highly regulated area, public procurement is often linked to significant administrative burden, both for contracting authorities implementing procurement procedures and for suppliers responding to procurement opportunities.

Similar to other EU countries, contracting authorities at the local level in Poland have little influence over the regulatory framework, which is largely decided either at the EU or national level. Nevertheless, LSGUs are responsible for the lawful implementation of procurement regulations. This is often challenging due to the complexities linked to the implementation of public procurement. Indeed, a survey of procurement administrative practices in EU countries by the European Commission (EC) identified complexity as the single biggest challenge for procurement officials (EC, 2016[24]). Indeed, the complexities around public procurement are manifold and affect LSGUs across the board, particularly small ones. They involve technical knowledge around the procurement legal framework and practical implementation. The lack of legal knowledge has serious implications, as contracting authorities may find themselves in breach of regulations, which can result in sanctions or financial corrections. Lack of procurement skills on the other hand may result in suboptimal purchases, which either do not meet the needs of the final user or result in extra costs (e.g. additional works, increased maintenance costs, new purchases). These challenges are compounded at the local level as procurement officials typically have low levels of capacity both in terms of manpower and skills, and only procure infrequently, thereby making it more difficult to build up skills over time.

The complexities experienced across the EU are applicable in the context of Polish LSGUs. Indeed, many LSGUs voiced challenges in maintaining up-to-date legal knowledge of procurement provisions and thereby ensuring compliance with the law. Another common concern was the limited staff carrying out procurement procedures. For instance, in some of the smaller LSGUs visited, one person only was responsible for public procurement. In other cases, procurement staff was not working full-time on the topic but was also dedicated to other functions. The level of professionalisation of procurement officials appears relatively low, considering that most procurement practitioners do not practice the use of most-economically advantageous tender (MEAT) criteria. Similarly, LSGUs have a limited understanding of the

strategic use of public procurement, e.g. by applying green or social criteria, which is also an indication of low professionalisation.

Box 9.3. Public procurement framework in the EU

The regulatory framework for public procurement in the EU is shaped heavily at the European level through relevant directives, which are transposed into national legislation by each member state. The objective of these common rules is to ensure the functioning of the single market, i.e. allowing businesses across Europe to compete for public contracts above certain thresholds. European directives implement the basic principles of public procurement, namely transparency, equal treatment and competition. Beyond these principles, the EU legal framework aims at establishing a procurement market place that is competitive, open and well-managed, thereby achieving value for money with taxpayers' money. The most recent reform of EU public procurement directives simplifies procedures to allow SMEs better access and encourages the use of social and environmental considerations in public purchases.[2]

European directives in public procurement harmonise rules in the EU above the so-called thresholds. Below these thresholds, member states are free to set their own national regulatory framework provided that the overall principles of the Treaty on the Functioning of the European Union (TFEU) are respected. In Poland, additional national thresholds apply too.

Table 9.1. EU public procurement thresholds

	Supplies	Service contracts and all design contests	Services concerning social and other specific services1	Works
National government authorities	EUR 139 000	EUR 139 000	EUR 750 000	EUR 5 350 000
Subnational contracting authorities	EUR 214 000	EUR 214 000	EUR 750 000	EUR 5 350 000
Utilities	EUR 428 000	EUR 428 000	EUR 1 000 000	EUR 5 350 000

Note :
1. As listed in Annex XIV for Directive 2014/24/EU and in Annex XVII for Directive 2014/25/EU.
Source: Directive 2014/24/EU; Directive 2014/25/EU.

As part of its accession to the EU, Poland adopted the PPL of 2004 as the national legislation directly transposing EU directives and regulating public procurement. Since then, the PPL has been amended several times, notably in 2009, 2014, 2016 and 2019 (with the 2016 amendments being linked to the transposition of EU directives). In addition to the PPL, there also exists a body of secondary legislation that governs public procurement in Poland. This includes regulations of the prime minister, which cover issues such as the obligation to publish notices on the Tender Electronic Daily (TED), the European public procurement journal. Other major acts regulating the Polish public procurement system are the Public-Private Partnership Act of 19 December 2008 and the Concessions for Construction Works and Services Act of 9 January 2009 (Dzienni Ustaw, 2009[25]).

The procurement regulatory environment is shaped by the Public Procurement Office (*Urząd Zamówień Publicznych*, PPO), which is an executive and oversight agency for procurement in Poland, setting the

primary policy in this regard. The PPO is responsible for drafting procurement legislation, gathering data and conducting analysis on the procurement system, including via the publication of annual reports, disseminating procurement guidance and maintaining the digital Public Procurement Bulletin (*Biuletyn Zamowien Publicznych*, BZP), the national e-procurement platform. The PPL that is drafted by the PPO is applicable to all contracting authorities in Poland, including those at the LSGU level, and applies to all contracts above EUR 30 000 (approximately PLN 128 000) (Urzad Zamowien Publicznych, 2004[26]). The PPO does not function in any purchasing role or as a national purchasing body. Individual contracting authorities, including LSGUs, are responsible for conducting their own procedures.

Changing the regulatory landscape to public procurement in Poland

The public procurement regulatory landscape in Poland undergoes frequent changes that often result from top-down mandates for regulatory reform, as with the transposition of EU directives in 2016. However, regulatory changes often go beyond the obligatory amendments to align with European legislation. Indeed, the PPL has undergone several major amendments, named "secondary legislation". There have been 21 separate secondary legislation created to either complement or amend the original PPL since its enactment in 2004 (Urzad Zamowien Publicznych, 2020[27]). Three significant pieces of secondary legislation came into force in 2014 and 2016, along with the forthcoming secondary law that will be enacted on 1st January 2021, requiring LSGUs to comply with new provisions, as discussed below. In contrast, other European member states, especially the "historical" ones, tend to have more stable procurement legal frameworks, as evinced by the EC's stock-taking study of public procurement. Not least, the OECD Recommendation of the Council on Public Procurement calls for a coherent and stable legal, institutional and regulatory framework. At the same time, effective multi-level governance is needed given that multiple layers of government are involved in public procurement reforms.

The 2014 amendment of the PPL promotes award criteria beyond price, expands the scope for exclusion of suppliers in the event of gross negligence and introduces provisions on exceptionally low price. Overall, these developments can be seen as positive in aligning the legal framework to the promotion of value for money in public procurement. Indeed, promoting non-price criteria has been a priority of the most recent procurement reforms at the EU level. Finally, the new legislation permits contracting authorities to request additional information in the case of an exceptionally low price presented by the economic operator (EC, 2016[23]). In 2016, major amendments have been implemented to align the Polish legislation with the new European directives. The details of the 2016 amendments are discussed in Box 9.4 below.

Forthcoming secondary law

On 24 October 2019, a new law was published (passed on 11 September 2019), providing significant changes to the Polish PPL to improve the transparency and efficiency of public procurement (Urzad Zamowien Publicznych, 2019[28]). These changes took effect on 1st January 2021. This new legislation updates the existing regulations and introduces numerous changes in relation to the currently applicable provisions. This includes:

- *Amendment to thresholds for publication on the BZP*: Under the 2004 legislation, only tenders above the threshold of EUR 30 000 had to be published on the national BZP. In this amended legislation, there is now a requirement that all procurements above PLN 50 000 (approximately EUR 12 000) must be published on this bulletin. By lowering the threshold for publication of procurement, the amendment provides greater transparency and potentially opens up a greater share of procurement to competition.
- *Expansion of the e-procurement system and integration with the BZP*: In parallel to the amendment of procurement thresholds, the e-procurement system will be generalised for all contracts above PLN 50 000. Namely, all entities will be obliged to use the e-procurement platform for the publication of notices on the BZP, which will be integrated in the e-procurement system. Procurement plans must also be published or referenced on

the BZP via the e-procurement platform. The e-procurement platform has a phased approach to implementation: from 1st January 2021, all tenders above the threshold must be published on the platform. Then from the second quarter of 2021 until mid-2022, there will be further functionalities added, including modules for reporting and analysis. While the platform is not obligatory for LSGUs as such, due to the integration with the BZP, all LSGUs will be obliged to use the e-procurement platform for the publication of notices. They will also be required to regularly send information on their procurements via the platform and provide an annual report on awarded contracts.

One of the reasons behind introducing such a platform is that the information that it generates will provide insights into how the new thresholds work and provide oversight as to what spending is occurring in LSGUs in Poland.

- *The introduction of a new simplified procurement procedure*: For contracts with a value below EU thresholds. This includes a new procedure called the "basic procedure", under which the contracting authority will have three options to choose from:
- The basic procedure without negotiations, in which the contracting authority selects the most advantageous tender without the possibility of negotiation.
- The basic procedure with the possibility of negotiating the content of tenders.
- The basic procedure with mandatory negotiations, in which the contracting authority negotiates the content of submitted tenders in order to improve them.
- With this amendment, LSGUs will have additional flexibility on how to run a procurement procedure below EU thresholds.
- *The introduction of a list of abusive clauses in public contracts*: This solution is intended to limit the transfer of all risks of fulfilment of a public contract to the contractor. Clauses which were considered abusive include provisions regarding the calculation of contractual penalties for the conduct of the contractor not related directly or indirectly to the subject of the contract or its proper performance and provisions regarding the contractor's liability for delays (unless justified by the circumstances or the scope of the contract).

While there may be important reasons to amend the PPL, it should be considered that frequent changes to the regulatory environment have a cost too. As reported in the OECD questionnaire (2020), the greatest challenge for LSGUs administering public procurement at the local level is constantly changing national legislation, making it hard to adapt to new regulations (60.5% of respondents). This challenge may be exacerbated in small LSGUs, as they often have less capacity to keep up-to-date on such legal changes. Moreover, these findings are consistent with the analysis by the EC on administrative practices in public procurement in Poland (EC, 2016[29]). Namely, the instability of the general legal framework poses a challenge to contracting authorities, as they need to constantly stay abreast of new developments. Thus, an unstable legal framework can be a source of irregularities and may not allow contracting authorities to make full use of available provisions to make procurement more effective, i.e. the implementation of non-price criteria. Specifically, the LSGUs visited in the fact-finding mission are often wary of using MEAT criteria in their procurements, due to uncertainties on how to apply the law. Indeed, as reported by LSGUs, limited legal clarity in this area makes them vulnerable to appeals.

Box 9.4. 2016 amendment of the Polish PPL: Transposition of EU directives

As part of the process to transpose the EU 2014 directives on public procurement, the Polish PPL underwent considerable amendment in 2016. The amendments introduced major changes to the public procurement system in regards to the evaluation of bids and attempted to simplify processes to ensure that SMEs could participate in tender procedures. The amended legislation directly transposed EU directives – standard 2014/24/EU and sectoral 2014/25/EU – into the Polish legal system. Key changes included:

- *Price no longer the only criterion:* One of the most important changes was the obligation to consider criteria other than price during bid evaluation. This amendment prescribed a number of measures to ensure that price is not the decisive factor in awarding a public contract. The price factor must generally not exceed 60% weight. Non-price factors (also known as MEAT) should account for the remaining 40%.
- *The contracting authority requires contractors (subcontractors) to sign employment contracts for work covered by the public contract*: The amended act puts more emphasis on non-economic aspects of public procurement. Therefore, if a task under the public contract involves the performance of work in the meaning of the Labour Code, then the contracting authority will require the contractors or subcontractors to sign contracts of employment with the persons performing the task.
- *More SMEs in tenders:* The amended regulations give the contracting authority the right to require the contractor to implement key parts of the contract on their own. This will help to eliminate the problem of businesses that do not have the necessary resources and only exploit the potential of others. Quite commonly, smaller, usually Polish enterprises, which actually employ workers and have the necessary equipment, are only subcontractors.
- *Administrative simplification:* Under the new act, only the contractor whose bid is the most favourable is obliged to submit documents confirming eligibility and fulfilment of requirements to take part in the tender. Furthermore, the contracting authority is not allowed to request documents confirming the contractor's eligibility and fulfilment of requirements to take part in the tender or the selection criteria if the contracting entity already has the documents concerning that contractor or can obtain them from free public databases.
- *Legal remedies for public contracts below EU thresholds:* According to the amended legislation, if the contract value is lower than EU thresholds, it will be possible to appeal to the National Appeal Chamber (Krajowa Izba Odwoławcza) against the eligibility criteria for a public procurement procedure and the selection of the most favourable bid. This was not permitted before. Moreover, the head of the PPO will issue official rulings on the regulations, which will increase the transparency and consistency of the application of the PPL.

Source: Urzad Zamowien Publicznych (2016[30]), "Regulation of the Minister of Development) of 26 July 2016 on the types of documents which the contracting authority may require from the economic operator in a contract award procedure", https://www.uzp.gov.pl/__data/assets/pdf_file/0022/35464/Regulation_on_types_of_documents.pdf.

Administrative issues and red tape challenges faced by LSGUs with public procurement

Poland made substantial progress in reforming its procurement system in recent years, creating a robust system of institutions to shape, guide and oversee public procurement procedures nationwide. These national reform efforts in public procurement have a strong impact on LSGUs, as they are affected by these regulations in their daily operations. Specifically, LSGUs are responsible for providing a number of public services that are implemented via public procurement, e.g. road maintenance. Thus, LSGUs' ability to adapt to new rules is essential for the lawful and effective implementation of procurement. However, LSGUs are often confronted with barriers in this process. Whenever LSGUs are not sure how to interpret new procurement rules, they may have a tendency to opt for known practices and procedures. As a result, small contracting authorities often do not evolve in their public procurement practices, for instance by continuing the use of the lowest price over non-price criteria.

At the same time, reform initiatives taken at the national level may not sufficiently take into account local specificities or prepare LSGUs for the new sets of rules. The forthcoming changes to the Polish PPL present a case in point. From the perspective of national authorities, the new amendments will lead to simplification, more transparency and better access to public procurement opportunities. However, LSGUs interviewed during the OECD fact-finding missions shared concerns about the potential additional burden posed by the new rules and often consider themselves unprepared to adapt to the new regulatory environment. Namely, the main concerns revolved around lowering the threshold for publication of procedures and using the upcoming e-procurement platform, which may pose difficulties for them and suppliers.

To ensure the uptake of any given reform and this reform in particular, national-level authorities need to consider how implementation affects practices on the ground and what specific challenges LSGUs will be faced with. Failure to do so may result in a faulty uptake of the new rules, lack of compliance or even the need to backtrack on some reform steps. A sweeping public procurement reform attempted in the Czech Republic in 2012 provides a cautionary tale for reform efforts that are not sufficiently informed by the realities on the ground (see Box 9.5).

Beyond that, commitment to effective multi-level governance is also key to ensuring that reforms are successfully adopted by local self-government authorities. Indeed, the need to strengthen multi-level governance and to improve co-ordination between levels of government and has been highlighted by the Strategy for Responsible Development. Initiatives such as the Joint Committee of National Government and Territorial Self-Government provide a forum for exchange and take a multi-level approach to policy design (see Chapter 6).

Administrative burden in applying forthcoming regulations

The national framework for public procurement is often perceived as burdensome by local authorities, as demonstrated by the OECD questionnaire (38 municipalities and 9 counties). As mentioned, the fact that national legislation is constantly changing is considered a major challenge by surveyed LSGUs. Furthermore, a plurality of respondents considers red tape imposed by government-level regulation the second largest challenge in the implementation of procurement locally (Box 9.5). Another area of difficulty for LSGUs is the fact that control and audit institutions may interpret the law differently whenever it changes, further compounding the difficulties in adapting to the legal framework. Capacity constraints may add an additional layer of complexity: small LSGUs do not always have full-time public procurement staff and procurement officials tend to have other responsibilities. Thus, keeping abreast of changes in procurement legislation is even more difficult for them. In contrast to municipalities, counties surveyed appear to face fewer challenges in understanding the interpretation of the law, as well as in accessing support from national authorities.

In some instances, the burden may result from the technical provisions of the law. In other instances, the burden for LSGUs may lie in the adaptation process to new changes, in particular when these are significant. Conversations with LSGUs during the fact-finding mission revealed that many of them do not consider themselves prepared for some of the developments brought by from the forthcoming regulations. Not least, burden can result from a lack of legal clarity about existing provisions. Indeed, the forthcoming public procurement regulation will bring significant changes to procurement operations of contracting authorities including LSGUs. Two particular provisions are expected to result in a significant impact on how procurement is currently conducted: first, the publication of procedures to the new threshold of PLN 50 000; second, the application of e-procurement to all procedures above this new threshold.

The transition to e-procurement has already been ongoing in Poland. In fact, the 2014 EU directives mandated the use of e-procurement (e-submission) as of 2018 for all European member states. A national-level public procurement platform is currently being developed that will be accessible to all LSGUs. In parallel, the so-called miniPortal,[3] an e-procurement platform administered at the national level, also exists and is available to use for LSGUs. At present, LSGUs are able to use a combination of e-procurement solutions, resulting in a lack of a standardised approach. This includes using external solutions (or on a subscription or license purchase basis), their own tools or the PPO temporary tool, i.e. the miniPortal. The new solution (e-Platform) is to replace the current miniPortal. In some instances, technical issues affect the miniPortal, as reported by LSGUs. For instances, encrypted offers are very difficult to download off the system. Based on the feedback from the fact-finding mission, many LSGUs already struggle with the current e-procurement system.

Box 9.5. A cautionary tale for reform – The 2012 amendment of public procurement law in the Czech Republic

In 2012, the Czech Republic introduced an important amendment to the Public Procurement Act (PPA) of 2006 (Article No. 137/2006 Coll.) consisting of several provisions that addressed transparency, public procurement procedures, tender documents, selection criteria as well as additional enforcement measures. Among other goals, the reform was designed to promote competitive tendering rather than a direct award. While in itself a worthy goal, the reform did not consider the administrative burden these changes would place on contracting authorities, nor the preparation steps needed to ensure that contracting authorities would be able to implement the new legal requirements.

In effect, once announced, the new rules wreaked havoc within the Czech public administration and generated a rush among contracting authorities to publish as many tenders as possible under the old regime. It should be noted that the time between the passing of the law and its entry into effect was of mere five weeks. Furthermore, adequate support to ensure the implementation of legal changes was also not given consideration. For instance, training and guidance material on the new law was not made available until months after the entry into effect of the law. Due to the massive uncertainty around the rushed adoption of the law, as well as the lack of guidance and training, contracting authorities reverted back to using price-only in their tenders, instead of favouring value for money.

Indeed, the introduction of the reform was rushed due to political pressure to deliver on the new government's commitment to anti-corruption. As such, the reform did not undergo the regular consultation process and was passed in a short amount of time, without the essential input from those actors that ultimately enact the legal changes. As a result, the reform proved unsustainable and within one year, many of the amendments considered burdensome were repealed.

Source: EC (2016[24]), Stock-taking of Administrative Capacity, Systems and Practices across the EU to Ensure the Compliance and Quality of Public Procurement involving European Structural and Investment (ESI) Funds - Final Report, European Commission.

With the new legal changes, many more public procurement procedures will be going through the new e-procurement platform. However, conversations with LSGUs revealed that they do not consider themselves prepared for this development and are concerned that suppliers are also not ready to face the digitalisation process. These findings are consistent with a 2018 evaluation report on the functioning of the procurement system by the PPO, in which contracting authorities do not consider themselves and the market fully prepared to embrace e-procurement (Falkowska, 2018[31]). Given that the upcoming platform is not yet operational, many LSGUs do not know what to expect from the new system. Thus, it is conceivable that lack of experience and predictability contributes to a hesitancy for a generalised shift to e-procurement. In addition, LSGUs consider that the publication of procedures above PLN 50 000 (EUR 12 000) will also add burden, compared to the current situation in which greater flexibility exists up to the threshold of EUR 30 000.

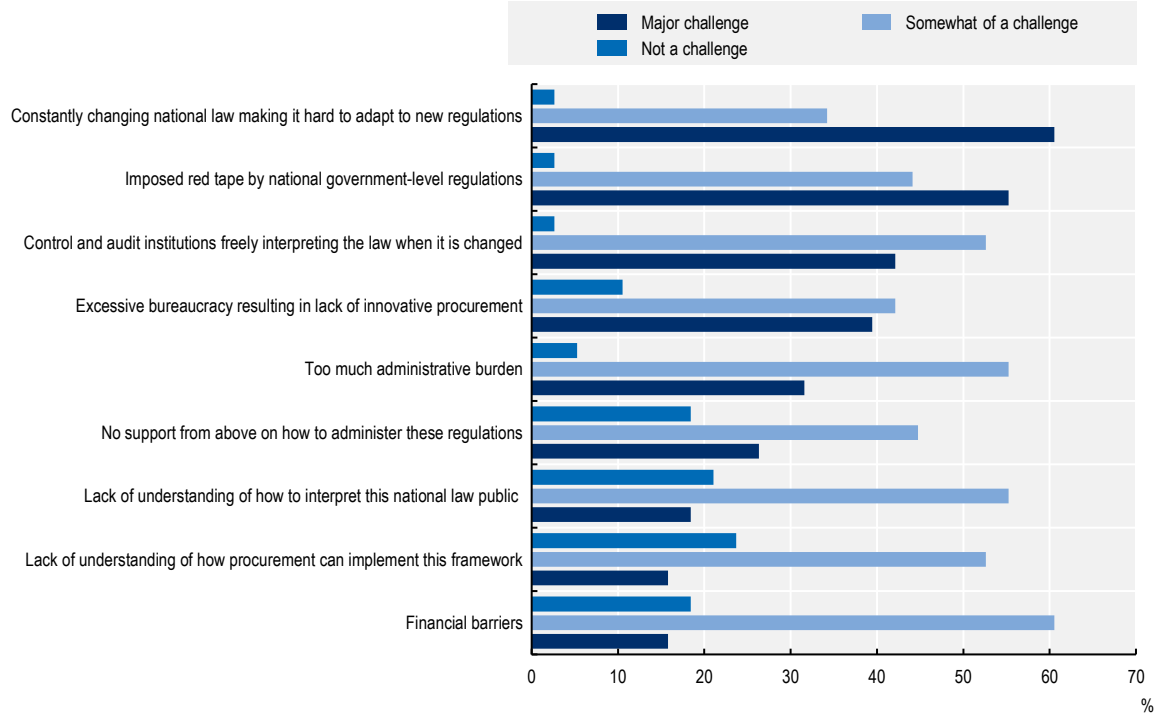
Legal clarity on upcoming provision is very important to limit administrative burden. In a number of instances, LSGUs still lack clarity about past amendments and have not been able to fully digest some of the provisions that are now established (see Box 9.6). This poses several challenges, as LSGUs are not able to communicate clearly about requirements to suppliers, particularly SMEs that are likely to lack detailed expertise themselves. Furthermore, LSGUs capacity to adopt important aspects of procurement good practices, such as non-price criteria, is reduced if the legal provisions are not clear. Finally, appeals are more likely to occur whenever legal clarity is not ensured.

National-level efforts and collaboration needed to ease the administrative burden on LSGUs

The national government plays a crucial role not only to craft a given reform but also to ensure its successful uptake and implementation throughout the national territory. For public procurement, these responsibilities fall under the remit of the PPO. Given that public procurement is strongly decentralised, careful attention should be paid to ensure that all actors are on board when legal changes occur. A national-led effort to accompany LSGUs through reform is even more important considering that the administrative burden for LSGUs may also be linked to the process of implementing the reform itself. LSGUs may be put under strain whenever legal changes occur, without being sufficiently prepared to adopt these changes through consultation, training and lead time in the uptake of new rules for example. As discussed, throughout the course of several reforms, LSGUs have had difficulties in complying with the newly changed procurement rules and keeping abreast of new requirements.

The interactions between LSGUs and the PPO as observed in the field mission point to a need to enhance effective multi-level governance, whereby channels of communication and co-operation between the national and local levels are well-functioning and support LSGUs throughout the reform lifecycle, from its inception to the support needed for uptake, e.g. guidance and tools. Such governance mechanisms would help in minimising the administrative burden on LSGUs that have experienced throughout successive reform cycles.

Figure 9.5. Challenges identified by municipalities when administering public procurement at the local level through the national Public Procurement Law



Note: Based on 38 municipalities' responses to the OECD questionnaire (n=38). 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: Author's own elaboration based on municipalities' responses to the OECD questionnaire (2020).

For instance, preparation time appears to have been neglected when changing procurement rules. When the new procurement regulation was adopted in 2016, there was no grace period for contracting authorities to adjust and enforcement was effective immediately. With no chance to adapt to these new regulations, it was very difficult for LSGUs to apply the law immediately. Evidence from the LSGU visited suggests that some LSGUs do not become aware of any changes or amendments to the law until it has already been adopted, resulting in a complete lack of understanding as to how to interpret the new amendments. This issue has been particularly relevant for past amendments, while awareness appeared somewhat improved regarding forthcoming regulatory changes with at least some LSGUs having attended relevant training. Once again, smaller LSGUs are likely to suffer the most from such developments.

Box 9.6. Additional areas resulting in burden for LSGUs

Beyond the upcoming reform, LSGUs interviewed by the OECD highlighted several areas of public procurement rules that add complexity and administrative burden:

Mandatory use of MEAT criteria: The 2016 amendment to the PPL stipulated that MEAT criteria should account for 40% of the award criteria. However, there are no clear guidelines in place for contracting authorities on how to use MEAT criteria, resulting in a scarcity of their use. Contracting authorities are

so used to focusing on price as the only criteria that they are now uncertain about how to use MEAT criteria. Furthermore, given uncertainties around MEAT, appeals are frequent in this area.

Stricter verification of subcontractors: In the new PPL, the contracting authority may request the contractor to indicate in the offer part of the contract whether it intends to entrust the work to subcontractors as well as the names of any subcontractors. In certain situations, the contracting authority may examine whether there are grounds for exclusion against a subcontractor, provided it has been specified in the procurement documents. Previously, the verification process only applied to the main contractor. In LSGUs, there is often only one person responsible for public procurement and this kind of verification is thus very burdensome to implement.

Submission of extensive tender documents: Bidders must submit paper-based bids requiring extensive knowledge on how to submit detailed documents. Because bidders often lack the practical knowledge on how to do this, contracting authorities then have to answer many questions and ask for clarifications.

Prohibition of market consultation: With the exception of the negotiated procedure, the PPL in Poland prohibits dialogue with suppliers on the content of tenders once the procedure has been initiated. While contracting authorities can have technical discussions with suppliers on the procurement process, they cannot for example, under any circumstance, describe the contents of the tender. It should be noted, however, that market consultations preceding the procedures ("prior market consultations") are allowed and encouraged.

Source: Based on interviews with LSGU officials conducted during the OECD's three fact-finding missions at the local level.

Consultations are also a helpful way to prepare LSGUs for upcoming regulatory changes, in addition to collecting input from practitioners affected by such changes. In regards to the forthcoming secondary legislation, the PPO considers having consulted extensively with LSGUs. Namely, the bill was uploaded as a public consultation document to their website and was sent to the Association of Polish Cities (*Związek Miast Polskich*, APC) for dissemination and review by LSGUs. According to the PPO, the bill solicited reactions from LSGUs but, overall, it is seen to promote positive change. Concerns over additional burden have been registered; nonetheless, the PPO is confident that the new law will be satisfactory.

In contrast, evidence suggests that the engagement of LSGUs in this process has been be limited. Namely, many of the LSGUs interviewed and that responded to the questionnaire stated that they have very limited contact with the PPO and have been unaware of any public consultations taking place. Similarly, communication concerning the new 2021 law has been limited or has not reached some of the final recipients. LSGUs, particularly the very small ones, often have limited capacity to be meaningfully involved in the consultation process. As a result, some public procurement practitioners in LSGUs consider that the laws are unpractical and do not sufficiently account for how procurement is carried out at the local level.

Communication between LSGUs and the PPO could be an additional instrument to facilitate preparation for new procurement rules and their uptake. With its institutional setup, Poland is well-placed to manage the communication with LSGUs. Namely, having the PPO as the key institution responsible for public procurement gives LSGUs a single interlocutor for procurement matters that is highly visible. In some OECD countries, particularly decentralised ones, responsibilities around public procurement are scattered and LSGUs do not have a clear counterpart. Second, the PPO has a one-stop-shop procurement portal in place, which pulls together key information on public procurement in one place and is considered good practice to share information to a wide audience, such as LSGUs.

LSGUs interviewed did not appear to have established communication channels with the PPO, nor did they seem to perceive the PPO as engaged at the local level. In many cases, the primary form of communication with the PPO is limited to sending calls for tender/tender announcements and statements

on the winners. This communication is solely carried out via the PPO website. In part, there is a general recognition that the PPO is understaffed for conducting its multiple tasks, including outreach to LSGUs. Nevertheless, more proactive communication would increase the flow of information and support the adoption of important reform aspects, such as e-procurement uptake and the use of MEAT criteria. There is no one-size-fits-all approach to communication. Some OECD countries, particularly smaller ones, are active via social media in disseminating information on procurement. Others use more traditional means of communication, such as circulars or posting updates on their own websites. Regular face-to-face events are an additional way to engage with contracting authorities, as practised in the Netherlands by PIANOo, the Dutch Public Procurement Expertise Centre. In some instance, national authorities facilitate the exchange between peers by setting up fora or platforms, in which practitioners can exchange directly amongst themselves (see Box 9.7).

Box 9.7. The Dutch Public Procurement Expertise Centre, PIANOo

Since 2005, the Netherlands introduced the Dutch Public Procurement Expertise Centre, PIANOo, operated under the Ministry of Economic Affairs and Climate to professionalise public buyers. The main purpose of PIANOo is to centralise information on public procurement and facilitate the exchange of knowledge and expertise among procurement practitioners. PIANOo is recognised as the primary website for procurement in the public sector, gathering reliable and up-to-date information. Among the different information services offered by PIANOo, there is a biweekly procurement e-newsletter, a weekly legal review and summary of case law, model templates and online tools. On average, the PIANOo website receives 50 000 visits with 13 500 downloaded contents per month. In addition, the platform provides direct access to the PIANOo forum, a community of 1 600 procurement professionals that can exchange directly on procurement matters.

Source: EC (n.d.[32]), Building an Architecture for the Professionalisation of Public Procurement, http://dx.doi.org/10.2873/56676.

While communication from the national level to the subnational level appears limited, communication and collaboration across LSGUs seems more firmly established, albeit largely through informal channels. This allows LSGUs to share knowledge and experience on various topics, including good practices and procurement documents. Promoting these kinds of peer-to-peer channels for collaboration with the PPO could be a further way to reduce the various types of administrative burden on LSGUs. Available mechanisms for inter-municipal co-operation (as discussed in Chapter 6) could further be explored as suitable models to expand capacity and peer-learning at the local level. The Krakow Metropolis Association represents an example of such collaboration in the field of public procurement (Box 9.8).

Box 9.8. Krakow Metropolis Association - Community of practice for public procurement

Established in 2014, the Krakow Metropolis, creates an institutionalised platform for cooperation for 15 associated municipalities, namely Krakow and the 14 municipalities surrounding it: Biskupice, Czernichów, Igołomia - Wawrzeńczyce, Kocmyrzów - Luborzyca, Liszki, Michałowice, M ogilany, Niepołomice, Skawina, Świątniki Górne, Wieliczka, Wielka Wieś, Zabierzów, Zielonki.

The Association supports its members across a host of issues to ensure the implementation of the Integrated Territorial Investment (ITI), including public procurement. With regards to procurement, the Association has set up a regular working group (Public Procurement Forum) that allows sharing of experience among practitioners and provides continuous support to the daily work of municipal employees responsible for public procurement. The Public Procurement Forum meets on a monthly basis and discusses select topics, such as regulatory changes as well as advanced procurement practices. Meetings and webinars include joint analysis of problem areas and working out a common approach to specific issues, such us: criteria for evaluating offers, conditions for contractors' participation, dividing the procurement into lots, competition rules, etc. Additionally, members of the Forum have ongoing access to external expert's support as well as access to a catalogue of good practices developed once a year.

Source: (Krakow Metropolis Association, n.d.[33]), http://metropoliakrakowska.pl/sektory/o-stowarzyszeniu (accessed on 16 April 2021)

LSGU self-training on the regulatory framework to facilitate the adoption of new procurement rules

The provision of training and guidance by a national level entity such as the PPO is vital to ensure that regulatory frameworks are able to be upheld and utilised in the correct manner. Acknowledging that many LSGUs are challenged by the new rules and requirements that are stipulated in a fast-changing regulatory environment, the PPO has made efforts to decentralise its training offer and bring it closer to local municipalities. Namely, as part of its training and dissemination activities, it held two large conferences in 2019 in Warsaw and additional conferences in Kraków, Lublin, Piła, Sopot and Wrocław over January-March 2020 (some have been postponed due to the COVID-19 pandemic). It has also planned 68 two-day and 18 one-day training courses on the new procurement rules throughout Poland over the period 2020-22. Information is regularly published on its website. Not least, the PPO is producing a new e-learning tool, with a number of different modules on public procurement, aiming to educate contracting authorities on the new national e-procurement platform.

Furthermore, to gain better insight into public procurement at the local level, the PPO carried out an evaluation of the functioning of public procurement in 2018. This report included an analysis of what LSGUs expect from the PPO in terms of training as well as an assessment of the current level of knowledge that LSGUs have on the public procurement process. The report highlights the need for additional training and heterogeneous levels of satisfaction amongst contracting authorities regarding the training offer. Greater coverage of e-procurement in the training programme would also be beneficial, according to the report (Falkowska, 2018[31]). The results of the study have been taken on board to better shape training and awareness activities, as described in Box 9.9.

While the PPO has been making an effort to make training available beyond the capital, access to training represents a key challenge for LSGUs. Indeed, many LSGUs stated that have not been made aware of any of these guidance or training opportunities. Furthermore, they are often unable to attend any of the conferences in Warsaw, as the location is not easily reachable for some officials. The very limited availability of training spots is an additional hampering factor for LSGUs. Beyond that, the current sanitary situation linked to the COVID-19 pandemic, adds further complexity to travel and calls for greater use of digital tools in training in present and future scenarios. Another problem described by LSGUs is that the law is made by policy-makers and not practitioners, so the training workshops are not very practical. The difficulty to effectively train and professionalise the procurement workforce is a common challenge in OECD countries, as reported in the *Reforming Public Procurement* report, which analyses progress in implementing the 2015 OECD Recommendation (OECD, 2019[34]). Many EU and OECD countries are increasingly moving towards professionalisation strategies that are based on predefined competency

frameworks, such as the training strategy put in place by the French State Purchasing Directorate (*Direction des achats de l' État*, DAE) (EC, n.d.[32]). Similarly, Lithuania is embarking on a professionalisation strategy based on a certification framework (OECD, 2019[35]).

Box 9.9. Training and awareness-raising initiatives by the PPO

Based on the findings from the evaluation of the functioning of public procurement, the PPO has been able to plan training and information activities that are more targeted to a diverse audience of LSGUs. Namely, the PPO, either on its own or in co-operation with other entities, expanded the geographical coverage of its activities by organising events for contracting authorities and entrepreneurs in various Polish cities. Furthermore, the PPO disseminated educational materials and other information on the public procurement system on its website and developed, among others, a publication on the practical application of non-price criteria and review clauses. It has also organised a contest for the best non-price evaluation criteria. This initiative aimed to promote concrete examples of how to apply criteria relating to quality, technical parameters, functionality, aesthetic properties, etc.

In addition to the above, the Best Practices Forum was established together with the Forum of Sectoral Practices – both initiatives promote good procurement practice and establish principles of awarding contracts in specific procurement sectors. The Forum of Sectoral Practices is aimed primarily at representatives in particular sectors/industries that are active in shaping conditions for performing specialised activities on the public procurement market. As a place for the exchange of knowledge, experience and deepening competencies, it provides practical and substantive support for contracting authorities in the process of awarding specialised contracts.

Not least, the PPO one-stop-shop procurement portal is continuously updated. Namely, publications on public procurement have been produced and made available, and the collection of model documents and good practices was systematically expanded. All these activities will be continued in the coming years.

Source: Information provided by the PPO.

As a result, many LSGUs also conduct their own training, for both their internal public procurement staff and contracting authorities within their jurisdiction. When there is a significant change in the law, LSGUs have taken the initiative to organise training days for public procurement practitioners from within the region. A notable example is described in Box 9.10 below. Other LSGUs follow a similar pathway. Some are able to attend the training provided by the PPO, yet still have to do a large amount of “self-training” themselves. Larger LSGUs, with significant resources and more staff, are more likely to have the capabilities to provide or attend public procurement training. Whereas those smaller LSGUs, with fewer resources, do not have the same capabilities. For example, a larger metropolitan LSGU regularly develops its own training session on the new law for all associated municipalities linked to this city hall and hired an external contractor, who is a practical user of the law, to host such sessions. In contrast, a smaller LSGU stated that they have been unable to get enough funding to host such training.

Pooling resources amongst LSGUs to expand training opportunities, as practised already by some of the LSGUs visited, appears an effective way to increase capacity at the local level. While single initiatives already provide results, the impact of such “self-organised” training would be much larger if organised or co-ordinated in a central location. The APC could take the initiative in this area, by regularly surveying the needs for training and pairing LSGUs with similar training needs for instance. Similarly, it could engage

with LSGUs and the PPO to develop online training material, particularly in light of the current context. Not least, strengthening multi-level governance would facilitate a granular approach to channelling various forms of support from the national government to local authorities, taking into account the needs of different types of LSGUs.

Box 9.10. Public procurement training provided by the City Hall of Międzyrzec Podlaski

Międzyrzec Podlaski is a city in Biała Podlaska County, within the Lublin Voivodeship in Poland. It has a population of 16 753 inhabitants in 2019. The city hall acts as the urban LSGU and has a small public procurement unit with only one full-time equivalent (FTE) fully dedicated to public procurement.

Despite these low staff levels, the LSGU has created a renowned procurement training programme for contracting authorities under its jurisdiction. When there is significant change in the law, such as the forthcoming changes set to come into force in 2021, they organise training days for public procurement practitioners from within the region. A training session took place in July 2020, focused on providing information on the new secondary law. The last session held earlier in the year saw around 60 people attend. This training is not business/private sector-focused – it is purely for contracting authorities. At the time of writing this report, this LSGU is planning on working with neighbouring LSGUs to expand the breadth of the training.

Source: City Hall of Międzyrzec Podlaski (2020[36]), *Municipal Council*, https://www.miedzyrzec.pl/en/ (accessed on 11 June 2020)

Strategies for simplification of public procurement at the local level

LSGUs have limited scope for simplifying the legal and regulatory framework in public procurement. As per the OECD questionnaire, a small share of LSGUs (21%) is active in shaping the procurement framework either through local-level policies or by shaping national procurement legislation. The approaches used by municipalities can take various shapes but ultimately are limited to providing opinions on the draft PPL, defining case law and regulating contracts up to the EUR 30 000 threshold (Table 9.2). Nevertheless, LSGUs have some ability to make the most effective use of below-threshold public procurement. While this type of procurement is relatively small in value, it can have a significant impact on the local economy of smaller and often rural municipalities. In particular, optimising small value public procurement can be beneficial to SMEs, as these types of firms often do not have the technical or financial capacity to compete for larger contracts. Similarly, LSGUs can embrace the digitalisation of public procurement, including below-threshold, to make it more efficient.

Table 9.2. Examples of local-level approaches to shaping procurement regulatory framework

Municipality	Type of local-level procurement policy implemented
Kraków	Case law that settles city cases; co-creation of control reports; creation of own local policy framework.
Katowice	Internal regulations and the opportunity to state an opinion on draft of national acts of law.
Poznań	Opinion on the draft PPL on behalf of the Association of Polish Cities. Participation in a consensus conference on the new Public Procurement Law. Update of internal regulations.
Bieliny, Łubianka	Regulations for awarding contracts up to EUR 30 000.

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

Below-threshold procurement strategies within LSGUs

As discussed, some LSGUs introduce below-threshold procurement strategies in the form of internal regulations or similar instruments to optimise their procurement procedures. In this context, "below-threshold" strategies refer to the frameworks in place that govern purchases by contracting authorities that are below the PPL financial thresholds for works, supplies and services. Depending on the municipality, these strategies can be more or less formalised. As previously mentioned, the current threshold for the application of the PPL in Poland is EUR 30 000.[4] As demonstrated within the OECD questionnaire results and by interviews, an important share of LSGUs has formal strategies in place to govern under-threshold procurements.

For some LSGUs, such strategies are kept as basic as possible. This includes, for example, an LSGU that uses the principle of lowest price for all under-threshold procurements. Tenders between EUR 20 000 and EUR 30 000 are openly published and announced on their website. Only written offers are accepted: offers are not accepted via the e-procurement platform as there is not yet enough capacity from both contracting authorities and contractors. This LSGU uses the "request for proposals" procedure as often as possible – usually for three to four key businesses. The goal of such strategies is to ensure that processes are as open and as transparent as possible.

Other LSGUs simply follow the criterion that when procurement is coming close to the EUR 30 000 threshold, there must be a competitive tender. One LSGU simply assesses below-threshold procurement on a case-by-case basis. When a procurement contract gets closer to the EUR 30 000 threshold, stricter procedures are applied. Many LSGUs stated that it is significantly easier to procure under the threshold because there are fewer administrative burdens associated with the procurement process. For example, for under-threshold procurements, there is no requirement to advertise for the required 30 days that the PPL prescribes. In some instances, below-threshold strategies involve forming a committee that decides which company the procurement will be awarded to.

The success of under-threshold procurement strategies can be associated with formalised, ingrained processes that are associated with greater efficiency. Furthermore, standardised procurement strategies can be beneficial from the perspective of suppliers, as they typically designed to enhance transparency and competition. LSGUs that have bigger procurement teams are more likely to have an under-threshold policy. However, there is no one-size-fits-all approach to these kinds of procurement strategies. Indeed, they need to balance various goals, such as increased transparency and competition in relation to the market, while maintaining a degree of simplification and flexibility. Importantly, below-threshold procurement strategies need to be adapted to the level of capacity of the LSGU in question, so as not to add additional complexity and workload for entities that already face capacity constraints.

Embracing digitalisation above and below thresholds

Contracting authorities are faced with great uncertainty regarding the transition to the new e-procurement platform, particularly given the fact that it is not yet operational. In addition to their own limited preparation, LSGUs consider that suppliers also lack the skills, tools and readiness for moving to digital procurement processes. It should be noted that such challenges are not limited to local procurement officials in Poland but are widely shared across OECD countries as highlighted in the report *Reforming Public Procurement* (OECD, 2019[34]).

These concerns are understandable when dealing with micro businesses and SMEs at the local level, which may not yet have been exposed to e-procurement processes. Furthermore, adequate preparation is needed both for contracting authorities and suppliers to navigate this transition. Nevertheless, LSGUs need not be scared of embracing digitalisation. In fact, e-procurement tools can be designed in such a way as to simplify the entire procurement process, including small value procurement. Digitalising small value procurement is meant to open up competition. Many OECD members and other countries have already made positive experiences moving towards digital public procurement above and below thresholds. For instance, Tunisia introduced a so-called E-Shopping Mall for small value procurement. Since its introduction, the system has been vastly popular with suppliers and contracting authorities, allowing to increase transparency and competition in procurement markets that were previously heavily reliant on established suppliers (OECD, 2020[37]). Italy has a similar widely popular system called MePA (Public Administration e-Marketplace) for goods, services and maintenance works under the EU thresholds. Moreover, e-procurement across OECD countries is gradually expanding towards a comprehensive system that allows the improvement of workflows, process automation and the elimination of silos. For instance, an increasing number of systems include modules for business intelligence or e-auctions (OECD, 2019[34]).

While many LSGUs have appeared hesitant in the uptake of e-procurement, some have taken a proactive approach by introducing a commercial e-procurement platform ahead of the mandatory schedule, thereby aligning their under-threshold strategies with the national PPL (see Box 9.11). This strategy was designed to prepare the market for upcoming national changes. While initially concerned about the market's reaction to a shift to e-procurement, authorities reported satisfaction from suppliers.

Box 9.11. E-procurement platform for under-threshold procurements at the City Hall of Płock

In order to ensure that both the contracting authorities and contractors are successfully able to adapt to the new requirements established by the national level e-procurement platform, the city of Płock has created its own online platform, called *platfomazakupowa.pl.* Procurements above PLN 30 000 (and up to the threshold of EUR 30 000) are required to be published on this platform, administered by the public procurement unit.

When the PPO announced in 2018 that there was going to be a new law that required all contracting authorities to use a new electronic tendering system, this LSGU implemented its own, under-threshold e-platform in order to ensure that contracting authorities as well as suppliers are able to use such a system. It is a very simple and has had great user uptake. This system is not yet interoperable with other e-procurement platforms in neighbouring LSGUs but this update could be considered in the future.

Currently, approximately 150 000 suppliers and 1 000 contracting authorities are registered on *platformazakupowa.pl*. When the platform was first introduced, contractors and contracting authorities were worried that it would result in more bureaucracy. They have since come to understand that it is a

simple tool that is primarily used to speed up the procurement process and ensure that they are prepared for the forthcoming national e-procurement platform.

The City Hall of Płock also provided training sessions for contracting authorities on how to use its e-platform. The company that designed the platform conducted the training.

Source: City Hall of Płock (n.d.[38]), Platformazakupowa.pl, https://przetargowa.pl.

A well-designed e-procurement system can reduce administrative burden through embedded interoperability links to other government platforms. This reduces time spent by both contracting authorities and suppliers. As suggested by one of the LSGUs, the new national e-platform could allow contractors to upload prechecked references to the system, to avoid having new manual reference checks. Verification of selection and exclusion criteria can also be simplified by connecting the e-procurement system to business registries, tax registries, the criminal records database and other relevant databases.

Not least, widespread use of e-procurement generates data on public procurement, which in turn could be analysed for monitoring and analysis purposes. At the local level, contracting authorities are able to use insights from procurement data for market analysis and benchmarking purposes, thus increasing the efficiency of procurement. National authorities could improve their monitoring and oversight function.

Recommendations

The following recommendations aim at introducing principles of administrative simplification at the LSGU level and improving the uptake of reforms led by national-level authorities. They focus on the role LSGUs can play to shape their regulatory environment and reduce the burden from top-down regulations. At the same time, the recommendations highlight the role national authorities play in ensuring that reforms are implemented smoothly without adding administrative burden.

Recommendations for all LSGUs

Assess the administrative burden generated by administrative red tape

Resources for simplification of administrative red tape are limited and should be allocated strategically. LSGUs should identify the procedures and requirements that place a greater administrative burden on citizens and businesses, and prioritise their simplification. Red tape reduction measures such as streamlining of processes, the introduction of simple and clear language and, when possible, creating digital alternatives help drive compliance levels and efficiency in the administration.

Increase transparency in the interactions with stakeholders

Create and promote formal communication channels and standardise the provision of information and services. This would foster transparency and equal treatment of citizens and businesses. Additionally, it facilitates the interaction with stakeholders that are not residents of the LSGU. In the context of public procurement, streamlined interactions with suppliers on questions about procurement procedures for example would help make tenders more easily accessible and promote equal treatment. Specific training would support LSGUs to better interact with stakeholders, notably putting in practice mechanisms for prior market consultations.

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

Digital tools can help improve traceability of documents, data and information exchange and can reduce the time it takes officials to process requests. Moreover, they increase accessibility to relevant municipal services and reduce the room for illegal behaviour. The deployment of ICT tools should be accompanied by a communications campaign to promote their use by both citizens and public officials.

In the context of procurement, making use of digital tools, i.e. adopting e-procurement above and below thresholds, makes the procurement process more efficient and accessible, including to small suppliers. Sufficient resources need to be devoted to preparing this transition, at both the local and national levels.

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

Whilst the national authorities have key responsibilities in ensuring the smooth adoption of reforms, LSGUs can take proactive steps that allow them not only to adopt reforms effectively but also to have a stronger voice when reforms are designed at the national level. Collaboration among LSGUs is key in an environment where resources are scarce and their cohesive voice carries more weight. Furthermore, LSGUs can use different levels of advancement to their benefit by pooling and sharing resources and expertise.

In the procurement context, there are four main areas in which collaboration among LSGUs would bring tangible benefits in the application of procurement reforms: keeping abreast with regulatory changes, improving the consultation process with national authorities, ensuring training on upcoming regulatory changes and exchanging good practices. To this end, a focal point for interaction with the national government on procurement reform could be hosted by the Association of Polish Cities (APC) or be taken over on a rotating basis by one of the larger LSGUs. Additional proposals for action also differ on whether an LSGU lies inside a functional urban area or whether it lies outside of it, given the different levels of resources associated with these LSGUs. Collaboration and pooling resources are vital for smaller LSGUs, while better-resourced LSGUs have an important role to play in sharing their knowledge to support the smaller ones.

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

Simplification of public procurement for LSGUs is best achieved through exchanging and sharing good practices between peers that are experiencing similar conditions. Furthermore, smaller and less experienced LSGUs can benefit from the knowledge and expertise of more advanced ones. In some cases, simplification can be achieved through simple means, such as adopting clear language in tender documents. Sharing templates for technical specifications can be a simple way of helping procurement practices. Finally, LSGUs should seek to optimise below-threshold public procurement by implementing strategies that make this area of procurement more open, transparent and efficient.

Recommendations for the national and/or regional levels of government

Design administrative processes that are easily implementable by LSGUs with different realities

Rigid regulations and/or constant legislative changes make their adoption hard for LSGUs, especially for those with fewer resources. The national government could engage more directly with LSGUs and support them by providing guidelines, addressing their concerns and proposals and ensuring a stable and clear

regulatory environment. The latter could be done through the Joint Committee of National Government and Territorial Self-government, which brings together representatives from the national government as well as LSGUs. However, to harness the benefits from the joint committee, all regulations that have an impact on LSGUs must go through the commission to collect views and feedback from its members.

Furthermore, the national authorities must consider the burden they place on local authorities whenever starting a reform initiative. The positive impact expected from the reform needs to be weighed against the capacity of authorities to effectively implement regulatory changes. Streamlining approaches (e.g. bundling several smaller reform initiatives into a single larger reform) can help rationalise efforts and minimise regulatory burden.

On the other hand, the national government, through Statistics Poland, could liaise with regional and local institutions that collect data from LSGUs to reduce red tape for LSGUs, such as reporting obligations, especially when there are several formats and overlaps on the data that is requested. Statistics Poland could emit guidelines on the characteristics and quality of the data and be the single authority gathering information and statistics from the LSGUs.

Enhance communication and collaboration with LSGUs and support capacity for smooth implementation of legal changes

To ensure greater effectiveness of reform efforts, it is important to strengthen the collaboration and co-ordination between the national and local levels (multi-level governance). Even if the legislative process promotes the participation of all stakeholders during the public consultation phase, further efforts could be carried out to ensure the participation of all types of LSGU. In particular, national authorities could take specific actions targeted at smaller LSGUs that may otherwise be left behind. Namely, national authorities could ensure that a sample of small LSGUs is represented during the consultation process, as in practice they are seldom involved in such processes.

The adaptation time for legal changes to take place could also take into account the needs of LSGUs, particularly smaller ones. Active and effective communication channels with LSGUs should be ensured throughout the reform and implementation process to ensure that legal changes are understood and implemented correctly. Reform provisions that appear particularly burdensome to small authorities should be accompanied with dedicated support (e.g. the use of MEAT criteria), thereby ensuring a uniform uptake.

Ensure that the right infrastructure is in place for the deployment and successful implementation of ICT tools, including e-procurement platforms

Digitalisation is key to reduce administrative burden and increase efficiency in the processes of public authorities, including LSGUs. In the context of public procurement, the shift to e-procurement above and below thresholds will lead to greater efficiency, simplification and transparency for both contracting authorities and suppliers at all levels of government, including LSGUs. To achieve the efficiency and simplification goals of digitalisation, however, it is imperative that the necessary digital infrastructure is well-functioning and user-friendly, and that adequate training is available. Attention should be paid to the interoperability of digital tools such as e-procurement platforms. This is particularly important for public procurement, as it can be a significant driver for simplification (including through linkages with government databases). To familiarise users with the digital tool, it is necessary to provide all interested parties with its operating instructions in the form of multimedia presentations that teach correct use of the tool using a step-by-step methodology.

Facilitate decentralised knowledge and good practice sharing

A national authority can play a major role in facilitating the sharing of relevant knowledge by creating opportunities for exchange and sharing of good practices. Specifically, for public procurement, the PPO or the APC could support targeted experience-sharing, where LSGUs can learn from peers and discuss issues, challenges and solutions that are relevant to them. In addition, the PPO could continue delivering activities supporting LSGUs in the form of published good practices, model documents and guidelines of relevance to the public procurement process, as well as delivering other educational multimedia materials on the PPO portal.

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Notes

[1] Digitisation refers to the process of converting physical documents and information into digital formats. On the other hand, digitalisation entails the use of digital tools to improve procedures, streamline processes and transformation systems.

[2] Currently, the following two main directives, introduced in 2014, govern public procurement in the EU: Directive 2014/24/EU ("classical" directive) and Directive 2014/25/EU ("utilities" directive). In addition to these directives, other specific EU-level rules apply for the defence sector, concessions and remedies. As part of the reform process, member states were required to transpose the EU rules by April 2016.

[3] See https://miniportal.uzp.gov.pl/.

[4] The 2021 amendments stipulate that procurement above PLN 50 000 (approximately EUR 12 000) must be published in the national gazette.

Glossary

Administrative burden: the costs involved in obtaining, reading and understanding regulations, developing compliance strategies and meeting mandated reporting requirements, including data collection, processing, reporting and storage, but not including capital costs of measures taken to comply with regulations, nor the costs to the public sector of administering the regulations.

Administrative simplification: a tool used to review and simplify the stock of administrative regulations. Its main objective is to remove unnecessary costs imposed on regulated subjects.

Competency framework: a competency framework articulates a set of common competency requirements at different job levels in a manner that reflects the required managerial capacity and staff autonomy. It can serve as a foundation for ensuring efficiency and effectiveness in the selection and development of staff to adapt to an organisation's changing needs. It can also serve as the foundation of talent management and be an integral part of recruitment selection, performance evaluation, learning and career development. It is not related to the local government act but is a standalone document outlining the expected skills of public officials.

County: An intermediate administrative level in Poland (powiat) between voivodeship and municipalities.

Evaluation (policy evaluation): structured and objective assessment of the design, implementation and/or results of a future, ongoing or completed policy initiative. The aim is to determine the relevance and fulfilment of policy objectives, as well as to assess dimensions such as public policies' efficiency, effectiveness, impact or sustainability. As such, policy evaluation refers to the process of determining the worth or significance of a policy.

Ex ante impact assessment (or evaluation): identification and critical assessment of the positive and negative effects likely to flow from regulatory and non-regulatory options for a policy or regulation under consideration. Like ex post assessment (below), it is an important element of an evidence-based approach to policy making.

Ex post assessment (or evaluation): assessment of the effects and impacts of policies and regulations once they are in force. It is essential to ensure that policies and regulations remain relevant and fit for purpose.

Functional Urban Area (FUA): FUAs consist of a densely inhabited core and its commuting zone whose labour market is highly integrated with the core.

Innovative financing mechanisms: In cases where public sources of funding are insufficient to cover expenditure and investment needs at the state government and local government levels, diversifying revenue sources by resorting to external sources of financing and innovative financing mechanisms can help cover this gap. Local and state governments can mobilise innovative sources of financing through partnering with the private sector and institutional investors, issuing bonds, Public-Private Partnerships, joint borrowing in capital markets or other instruments such as green bonds and social bonds.

Key performance indicator (KPI): a quantifiable measure to evaluate how effectively an organisation or individual is achieving a set of predetermined goals.

Large and medium-sized FUAs: A FUA of more than 250 000 inhabitants.

Local development strategy: is a document that details the strategy of a local self-government for the development of a particular area. A development strategy usually includes specific goals, priorities and objectives for local development in response to the local self-government's needs.

Local self-government unit: the term local self-government unit covers both municipalities (gminas) and counties (powiats) in Poland.

Metropolitan regions: A TL3 region that has more than 50% of its population living in a FUA of at least 250 000 inhabitants. They divide into:

- Large metropolitan regions - if more than 50% of the population live in a FUA of at least 1.5 million inhabitants.
- Metropolitan regions - if the TL3 region is not a large metropolitan region and 50% of the population live in a FUA of at least 250 000 inhabitants.

Municipality: lowest administrative level in Poland (gminas) that can be divided into three categories: urban, rural and mixed (urban-rural) municipalities.

Non-metropolitan regions close to a FUA: Non-metropolitan TL3 regions that have their population living within a 60-minute drive from a metropolitan region or contain more than 80% of the area of a FUA of at least 250 000 inhabitants.

Non-metropolitan regions: TL3 regions, with less than 50% of their population living in a FUA. This category of regions divides into three categories depending on the level of access to FUAs of different sizes:

- Non-metropolitan regions close to a FUA
- Non-metropolitan regions with/near a small FUA
- Non-metropolitan remote regions

Non-metropolitan regions remote: Non-metropolitan TL3 regions do not classify in the other groups of non-metropolitan regions and less than 50% of its population have access to a small FUA within a 60-minute drive.

Non-metropolitan regions with/near a small FUA: Non-metropolitan TL3 regions that have their population living within a 60-minute drive from a metropolitan region or contain more than 80% of the area of a FUA of at least 250 000 inhabitants.

Open government: a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth.

Open government initiatives: actions undertaken by the government, or by a single public institution, to achieve specific objectives in the area of open government, ranging from the drafting of laws to the implementation of specific activities such as online consultations.

Open government literacy: the combination of awareness, knowledge, and skills that public officials and stakeholders require to engage successfully in open government strategies and initiatives.

Open government principles: Open government initiatives are inspired by and based on the following four principles:

- Transparency: transparency in government is the disclosure and accessibility of relevant government information and data.

- Integrity: public integrity is defined as adherence to shared ethical values, principles, and norms for upholding and prioritising the public interest over private sector preferences.
- Accountability: accountability refers to government duty to inform citizens of its decisions and to provide an account of the activities and performance of the administration and its public officials.
- Stakeholder participation: all the ways in which stakeholders can be involved in the policy cycle and in service design and delivery, including:
  - Information: an initial level of participation characterised by a one-way relationship in which the government produces and delivers information to stakeholders. It covers both on-demand provision of information and "proactive" measures by the government to disseminate information.
  - Consultation: a more advanced level of participation that entails a two-way relationship in which stakeholders provide feedback to the government and vice-versa. It is based on the prior definition of the issue for which views are being sought and requires the provision of relevant information, in addition to feedback on the outcomes of the process.
  - Engagement: when stakeholders are given the opportunity and the necessary resources (e.g. information, data and digital tools) to collaborate during all phases of the policy-cycle and in the service design and delivery

Open government strategy: a document that defines the open government agenda of the central government and/or of any of its sub-national levels, as well as that of a single public institution/unit/office or thematic area, and which includes key open government initiatives, together with short, medium and long-term goals and indicators.

Partnerships: refers to the different forms of formal cooperation structures that are specified in the Polish Law (e.g. Inter-municipal Union, Association of municipalities, Inter-municipal agreements, Partnership agreements – based on civil code).

Policy-making cycle: the stages of the policy-making cycle include: (1) Identifying policy priorities; (2) Drafting the policy document outlining the objectives to be achieved and initiatives to be carried out; (3) Implementation of the outlines initiatives; and (4) Monitoring & evaluation that the outlined initiatives have achieved the objectives set.

Regulation: the set of instruments by which governments set requirements on enterprises and citizens. It includes laws, formal and informal orders, subordinate rules, administrative formalities and rules issued by non-governmental or self-regulatory bodies to whom governments have delegated regulatory powers.

Regulatory decisions: refer to instances in which LGUs, when identifying a policy objective, decide to use regulation as a policy instrument and proceed to draft and adopt such regulation.

Small FUAs: A FUA with more than 50 000 inhabitants and less than 250 000 inhabitants.

Stakeholders: any interested and/or affected party, including: individuals, regardless of their age, gender, sexual orientation, religious and political affiliations; and institutions and organisations, whether governmental or non-governmental, from civil society, academia, the media or the private sector.

Strategic Human Resource Management: Strategic human resource management allows governments to align their workforce with their goals. It enables governments to have the right number of people with the right skills at the right place.

Strategic planning: strategic planning is the mechanism through which local governments determine the direction of development of their territory, underpinned by in-depth SWOT analysis of the current context and the framework conditions under which it is implemented. Strategic planning helps build resilient local economies, which can respond to fast changing external dynamics. Spatial plans, economic local

development plans and other policy frameworks are delivered through this mechanism. It is the lever to enable integrated planning.

Vision: it is the statement that shows how the organisation will look like in the future once the mission and objectives are accomplished.

Voivodeship: The highest-level territorial division of administration in Poland.

Better Governance, Planning and Services in Local Self-Governments in Poland

This report provides an assessment of public governance and territorial development in Polish local self-government units (LSGUs). It offers key recommendations to governments at the national, regional and local levels in Poland on how to enhance development, improve service delivery and strengthen management processes within LSGUs. It addresses eight key thematic areas, including strategic planning, co-ordination across administrative units and policy sectors, multi-level governance and investment capacity, the use of monitoring and evaluation evidence for decision-making, budgeting, strategic workforce management, open government, and regulatory policy to reduce administrative burden and simplify public procurement. The report proposes a classification of LSGUs in Poland based on OECD typology, in order to reflect the economic functionality of specific regions/territories as a means to help LSGUs design more effective local development policies. A self-assessment tool for LSGUs in Poland complements the report and provides key indicators that allow counties and municipalities to assess their main strengths and weaknesses on public governance and local development practices, plan how to better serve citizens, enhance local sustainable development and engage with stakeholders to build a collective vision and plan of action.

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