OECD Public Governance Reviews

POLAND

IMPLEMENTING STRATEGIC-STATE CAPABILITY



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Poland: Implementing Strategic-State Capability



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Foreword

External socio-economic and demographic factors are influencing Poland's public governance capacity. Since joining the European Union (EU), Poland has registered significant economic growth, in part aided by EU programme investments. While the country has weathered the recent economic crisis well, its GDP growth rates are now slowing, its unemployment rates rising, significant regional disparities persist, the population is ageing rapidly and its fiscal environment will become significantly tighter over time. The purpose of this Review is to advise the government of Poland on how to improve its governance capacity to achieve long-term strategic quality-of-life and competitiveness outcomes for its citizens and businesses and how to deliver services more effectively and efficiently to these citizens and businesses in the context of the challenges the country is facing.

The Polish Ministry of Regional Development commissioned this Review to obtain advice from the OECD on building strategic-state capability – a set of government institutions able to set, steer and operationalise strategies to achieve these outcomes efficiently and effectively. The request for this Review reflects the Polish government's desire to address the good-governance priority in the EU's Human Capital Operational Programme for Poland – it also coincides with the upcoming 2014-2020 programming period, which offers the opportunity to take stock of progress and initiate further reforms in the pursuit of good governance.

This publication is part of a series of Public Governance Reviews undertaken by the OECD's Public Governance and Territorial Development Directorate that offer advice using an international comparative perspective to countries interested in assessing and enhancing the effectiveness and efficiency of their public governance arrangements. The Directorate's mission is to help governments at all levels design and implement strategic, evidence-based, innovative policies to strengthen public governance, respond effectively to diverse and disruptive economic, social and environmental challenges, and deliver on government's commitments to citizens. Consistent with this mission, Public Governance Reviews provide practical advice to governments on how to improve their ability to set, steer and implement strategies to meet existing and emerging challenges effectively and efficiently. They emphasise a strategic-state approach, the chief components of which include leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions (both inside and outside government), the need to draw inspiration from sub-national practice and from citizens, and crucially, the importance of effective implementation of strategies and policies in support of positive outcomes and impacts for a country's economy and society.

The government of Poland has asked the OECD to advise specifically on the "how" of effective reform, by identifying international good practices that can help shape and define specific reforms, and by offering concrete advice on tools and processes for enhancing strategic-state capacity under the governance themes of Centre of Government

co-ordination, evidence-based decision making, performance-based budgeting, multi-level governance, and e-government strategies to improve trust in government through enhanced policy design and implementation and service delivery to citizens and business.

While this Review does not address every aspect of these themes – for instance, it does not examine line ministry mandates or organisational structures, nor issues related to the constitutional division of powers between levels of government – it does suggest ways to improve the central government's capacity to identify and address internal and external challenges by enhancing evidence-based decision making, through efficiency gains in policy design and service delivery to meet these challenges, and by mobilising actors and leveraging resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively as it pursues its strategic vision for the country.

Is the Polish public administration fully able to play its role as a strategic state? This Review addresses this question by assessing:

- the main challenges facing the country and their implications for its governance (Chapter 1);
- the capacity of the Centre of Government to co-ordinate strategy implementation (Chapter 2);
- the central government's evidence-based decision-making capacity with a particular emphasis on regulatory impact assessment (Chapter 3);
- multi-level governance partnerships (Chapter 4);
- the need to improve trust in government (Chapter 5);
- practical considerations to implement strategic-state capacity in Poland (Chapter 6).

This Review incorporates three governance-related case studies into its analysis. The first assesses Poland's application of e-government to implement strategy and deliver services (Annex A); the second focuses on multi-level governance arrangements to manage public investments effectively in a tight fiscal environment (Annex B); while the third addresses the government of Poland's current approach to managing its own workforce (Annex C). Key information from these annexes also appears in the chapters; this is deliberate so as to ensure that each annex can be read separately as a stand-alone case study.

The closure date for the content reflected in this Review was 15 November 2012, the point at which the draft was submitted to the OECD's Public Governance Committee for consideration at its December 2012 meetings. The findings presented in this Review flow from the standard OECD peer review methodology of the Secretariat's analysis of information and data provided by the country based on detailed questionnaires and extensive interviews with key country-based central and sub-national government officials, theme-based analyses provided by external academic experts, and comparative good-governance practice linked to the challenges identified in this Review provided by the peer reviewers associated with this Review and gleaned from previous work conducted by the Secretariat in Poland and other countries.

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- Canada: William (Bill) Austin, Assistant Secretary (retired), Treasury Board Secretariat of Canada.

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Assessment and recommendations

Governance reform is not an end in itself; it is a means to achieve public policy results for citizens and businesses efficiently and effectively. Good governance is about building a better national and regional environment in which people can live, learn and work, in which entrepreneurs can innovate and commercialise the results of their creativity, and in which businesses can invest to create wealth and jobs. Good governance is about enhancing trust in government, its institutions, the quality of its services and decisions, because they are perceived to be made in the general, public interest.

Since the end of communism, and in particular since joining the European Union (EU), Poland has experienced significant economic growth, aided in part by EU programme investments. However, external socio-economic and demographic factors are influencing Poland's aims to implement strategic-state capacity.

In this Review, strategic-state capacity means the extent to which the central government can set and steer a national long-term vision-based strategy for the country, identify and address internal and external challenges to implementing this strategy correctly through enhanced evidence-based decision making and strategic foresight, strengthen efficiencies in policy design and service delivery to meet these challenges, and mobilise actors and leverage resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively. The strategic-state concept emphasises leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions both inside and outside government, the need to draw inspiration from sub-national initiatives and from citizens, and the importance of effective implementation of strategy in support of positive outcomes for a country's economy and society.

Poland has taken important steps toward enhancing strategic-state capacity. However, faced with the prospect of slower growth, a tighter fiscal space, persistent regional disparities and an ageing population, the window for the government of Poland to complete governance reform is closing relatively quickly. This Review focuses specifically on "how" to implement effective reform to enhance strategic-state capacity, including Centre of Government (CoG) co-ordination, evidence-based decision making, performance-based budgeting, multi-level governance, e-government and the participation of citizens and businesses in government decision making. This capacity is central to enhancing the credibility of government through better policy performance and its legitimacy in the eyes of citizens and business through greater public ownership of policy and programme design and implementation.

Centre of Government hub capacity to set and steer strategy

In 1989, with the end of the communist regime, Poland undertook important reforms aimed at building a democratic state and a functioning market economy. These included the privatisation of public sector economic activity, price liberalisation, the reform of the

banking system, administrative modernisation and the recasting of the social welfare system, including in education and healthcare. The country reorganised its branches of government to balance the different constitutional powers and re-established sub-national and local self-government structures that have shifted powers and responsibilities closer to citizens, eschewing top-down, command-and-control central planning.

By the end of the 1990s, as these new democratic institutions took hold, they gained legitimacy in the eyes of citizens and business, gradually enabling the central government to articulate a long-term national vision for the country. By the beginning of the new century, much was being accomplished in defining a series of integrated medium-term strategies to pursue national and regional development; considerable thought has since been given to how best to implement these strategies, and how best to monitor progress in their implementation (the central government having notably been advised on this by the OECD in 2011).

Since Poland's accession to the EU, significant inflows of EU funds, an important portion of which is being managed at the sub-national level, have heightened the need for stronger multi-level governance. Stronger vertical and horizontal co-operation, co-ordination and coherence in implementing national strategy are now recognised as central to achieving development outcomes effectively: the central government is no longer alone in articulating and implementing strategy affecting national performance. Hence, successfully carrying out strategic-state capabilities depends first and foremost on the strength and agility of Poland's CoG institutions to lead the implementation of the government's national vision within the central government and with its sub-national and non-governmental partners.

Effective Centre of Government co-ordination

The key function of the CoG is to act as a central leadership and stewardship hub: its role is to lead and steer the implementation of the national vision-based strategy and its policy and programming initiatives effectively, efficiently and coherently across the central administration and with sub-national authorities, and mobilise non-governmental actors from across society in support of the government's vision. CoG institutions act as champions of reform and promote reform to generate and manage interdependencies across the administration. Collaboration thus becomes the default option, not the exception. CoG leadership can encourage widespread "buy-in" from key actors both within and outside government, so that the strategic vision for the country is implemented effectively and efficiently because it is seen as legitimate and in the country's best long-term interests.

CoG co-ordination is still evolving in Poland. The central government has made an important effort to consolidate and streamline national planning, laying the ground for enhanced co-ordination. From over 400 politically driven single-sector strategies at the beginning of the 2000s, the government has integrated its strategic direction within a single long-term vision ("Poland 2030"), a National Development Strategy and nine medium-term integrated strategies which address cross-cutting issues and form the basis for working across traditional ministerial lines. However, most medium-term integrated strategies have yet to be approved, and the CoG structure still appears to be too siloed and neither integrated nor nimble enough to address fast-moving policy challenges effectively. Uneven co-ordination between CoG institutions, and between these institutions and line ministries, hinders capacity to build cross-sector synergies and coherence to maximise the impact of decisions on results for citizens and reap fully the

potential benefits of the new strategic framework. Intra- and inter-ministry co-ordination within the national government tends to be sporadic and ineffective.

Recommendations

- The Prime Minister could announce the government's commitment to complete the governance reform process within a specified timeframe on the basis of a publicly available implementation roadmap.
- Complete the approval of all outstanding medium-term strategies, including the Efficient State Strategy.
- Identify political-level institutional champions to oversee CoG reform implementation. This process could be facilitated by empowering an existing committee of the Council of Ministers to facilitate CoG co-ordination reform, with a mandate that includes:
  - co-ordinating, communicating and reporting out on integrated strategy implementation, evidence- and performance-based decision making and budgeting across the central government and in the regions;
  - approving reform initiatives in the form of recommendations to the full Council of Ministers for approval and implementation;
  - working closely with the Standing Committee on Digitization Issues, the Ministry of Administration and Digitisation and the Chancellery's Department of the Civil Service so that cross-cutting issues that have e-government and strategic HRM implications are duly integrated into the roll-out of the nine integrated strategies and the main governance reforms over the upcoming programming period;
  - overseeing the development and application of robust monitoring and reporting capacity on progress in reform implementation, and on the impact of these reforms on national performance over time.
- Create three sub-committees of ministers to support the committee, each responsible for one of the three strands of reform. These sub-committees could be co-chaired by the key CoG ministers responsible for the subject area:
  - the CoG Sub-committee to co-ordinate the implementation of the medium-term strategies could be co-chaired by the Chancellery and the Minister of Regional Development – who could be named co-champions for this area;
  - the Performance-based Budgeting Sub-committee could be chaired by the Minister of Finance – who could be named champion of implementing performance-based budgeting (PBB) reform (see below);
  - the Sub-committee on Evidence-based Decision Making (see below) could be chaired by the Minister of the Economy.
- Mandate the Chancellery of the Prime Minister, as the committee's secretariat, to work closely with the key responsibility centres in CoG institutions on an ongoing basis. The Chancellery could create one-off "task teams" to serve the committee, using officials from various ministries to tackle complex reform issues and recommend integrated reform implementation plans.

Recommendations (*cont.*)

- Articulate (either through regulation or legislation) and communicate widely a distinction in mandate between sector-specific line ministries and CoG co-ordination institutions:
  - The list of CoG institutions could include the Chancellery, the Legislative Centre and the Ministries of Finance, Economy, Foreign Affairs, Regional Development, and Administration and Digitisation.
  - CoG institutions' co-ordination mandates could cover all significant strategic policy and fiscal initiatives being developed to implement the medium-term integrated strategies so that all national decision making on significant issues is whole-of-government, integrated, evidence-based and coherent with the EU's strategic objectives while based on the long-term interests of Poland and its citizens.
  - Communicate government-wide the role of CoG co-ordination so as to ensure that line ministries understand that their sector-specific mandates and particular policy initiatives stand the best chance of being implemented as part of a coherent, integrated, government-wide strategic plan, and that it is therefore in their best interests to work horizontally with these CoG institutions to move their own sector-based agendas forward.

Managing the implementation of EU policy through national strategy

EU member countries are expected to integrate EU strategic priorities and directives into their national planning; for example, how they plan to attain – at a national level – the targets set out in *Europe 2020*. Smaller and/or newer EU member countries may, however, face particular challenges in this regard as they tend to base the development of national strategies and priorities on those set by the EU without first developing a clear national vision of their own. For all EU member countries, there is a need to strike a balance between meeting EU obligations and anticipating the future EU context, and developing their own national direction.

The government of Poland is aware of the need to balance EU and national strategies. The central government's capacity to establish strategic priorities for its EU policy and its management of EU regulations so that these are fully integrated into (or at the very least do not contradict) Poland's nine development strategies is key to achieving this balance. At issue is the way in which Poland's CoG institutions are using EU strategy to steer national strategy and manage the country's fiscal framework, particularly given the fiscal challenges Poland is facing. How Polish ministries currently integrate EU strategy and cohesion funding and implement EU regulations within a single planning system is unclear, particularly since many of the integrated medium-term strategies have yet to be approved.

An administrative process exists for transposing EU directives into the Polish legal framework, managed by the Ministry of Foreign Affairs (MSZ) which supervises the process:

- the process is co-ordinated by the Committee for European Affairs of the Council of Ministers;

- the MSZ monitors the EU *Official Journal* and informs individual ministries and the Chancellery about new EU laws;
- the Chancellery then forwards transposition requirements to relevant ministries as part of the government's legislative programme of work.

However, Poland does not appear to be taking a systematic strategic approach to influence EU planning and integrate EU objectives into its national medium-term development plans and priorities. Managing EU regulations is particularly important given that a large proportion of the legislation enacted by the *Sejm* (lower house of the Parliament) flows from, or directly relates to, Poland's membership in the EU. This is an issue common to virtually all EU member countries. Efforts are therefore needed to ensure that Poland's CoG institutions give appropriate consideration to the impact of EU strategy and regulations on national strategies and priorities. It is equally important that Poland bring its key national strategic issues to the EU negotiating table early in the process of EU policy making.

Recommendation

- Ensure that the Committee on European Affairs co-ordinates closely, on an ongoing basis, with the Council of Ministers policy committees, including the sub-committee recommended above responsible for supervising the implementation of Poland's national integrated strategies, not only on the transposition of EU regulations but during the negotiation phase of EU policies and regulations. This co-ordination could be facilitated through regular joint committee sessions to discuss upcoming EU policies to ensure that the Polish position reflects relevant strategic issues reflected in the national planning framework.

Effective multi-level governance to achieve integrated development objectives

Effective and efficient multi-level governance (MLG) arrangements can serve to enhance development policy outcomes for citizens and businesses. Good MLG arrangements can often enhance the ability of a national government to pursue its vision by working with sub-national governments to identify and mobilise a given region's endogenous strengths and assets to achieve commonly defined development outcomes for the region and the country. These arrangements can lead to better service delivery through better programme design, co-ordination and implementation, particularly in policy areas under the responsibility of more than one level of government in a given region; for example, better healthcare and education for citizens, more efficient use of public investments in infrastructure, productivity enhancements for business.

Sub-national governments play a crucial role in investing for development: in 2010, they contributed on average 54% of general government contribution to gross capital formation across OECD countries. Polish sub-national governments contributed almost 60% of the country's general government contribution to gross capital formation in 2010, representing about 3% of GDP – among the highest across OECD countries. Therefore, effective integrated policy approaches to achieve development objectives effectively cannot be pursued properly – in Poland or elsewhere – without effective MLG arrangements.

In Poland, the Ministry of Regional Development (MRD) plays a key role in ensuring that each regional self-government's strategic development objectives are aligned with those defined at the EU and national levels, while reflecting challenges and opportunities

that are specific to each region. Each region's operational plan is approved by the MRD (and the European Commission). This calls for robust vertical and horizontal co-ordination to ensure consistency and access to local knowledge necessary for tailoring national and region-wide interventions and investments to respond to local needs.

To this end, the MRD has been piloting formal, legally binding contractual arrangements between the central government and regional authorities since 2000. These regional contracts constitute the primary tool for co-ordinating public investments vertically. Investments by regional self-governments from EU funding can only be made under the terms of such a contract. In addition, since 2008, regional contracts have defined the terms and conditions for the use of central government development funds by the regional self-governments to implement their regional operational plans.

A new generation of contractual arrangements is being proposed under the recently approved National Regional Development Strategy 2010-2020 (NDRS), one of Poland's nine integrated strategies. The NDRS establishes a more comprehensive, all-encompassing tool to replace the regional contract, the "territorial contract", in recognition of the need to move intergovernmental relationships toward an approach based on partnership rather than on top-down command and control. In an effort to create synergies between all policy instruments having a territorial dimension, these territorial contracts aim to ensure the effective co-ordination of initiatives implemented by the regional self-governments with those implemented by the national government in the region. In other words, these contracts aim to enhance co-ordination horizontally within each of the sub-national and central levels, and vertically between the sub-national and central levels. In addition, provision is being made for special contractual arrangements targeting functional regions below the *voivodship* (province) level that cross local administrative boundaries – for example in metropolitan areas. This new instrument is to be supported by multi-level co-ordinating structures, strategic monitoring and policy conditionality. It will cover:

- the central government's regional development strategic priorities for each of the 16 regions;
- the relevant strategic objectives in the remaining integrated national strategies having an incidence on territorial growth and development;
- the EU's Cohesion Policy strategic objectives;
- the regional self-government's own regional development policy priorities as defined in their own development strategies (which are developed in consultation with local governments and non-governmental and civil society stakeholders in each *voivodship*).

However, the process of reform remains at an early stage – the legal framework for the territorial contracts has yet to be defined – and regional actors remain cautious, particularly with respect to the impact of planned increased co-ordination between line central ministries on decision-making timelines. This Review strongly supports these efforts and suggests that the government, in particular the MRD as the central government lead, take into account the significant experience in other OECD countries as it negotiates and implements these contracts. Indeed, this instrument needs to be designed in a way that addresses core challenges highlighted in the extensive recent work conducted by the OECD on multi-level governance. These challenges relate to disparities

in fiscal, policy and administrative capacity across sub-national governments and between central and regional authorities.

If unchecked, these challenges can make the implementation of Poland's integrated development strategies through these contractual arrangements difficult or lead to unintended consequences that could potentially undermine the impact of the strategies on Poland's regional and national development. OECD evidence in this area suggests the following:

- Given disparities in fiscal capacity across Polish regional self-governments, the MRD might consider including complementary measures such as conditionality clauses, match-funding requirements and monitoring mechanisms so that EU and central government funding does not "crowd out" sub-national investments in jointly defined priority areas;

- OECD experience points to governments having experimented with a range of financial instruments to stimulate investment for infrastructure development, leverage private investment and diversify sources of funding for local governments, including special investment funds and greater municipal access to bond markets. The government could consider facilitating access to new sources of financing with rules designed for this purpose embedded in the territorial contracts.

- Reconciling short-term, often politically driven investment imperatives with longer term strategic objectives is a key issue in many countries – and an important one in Poland as it sets about negotiating its territorial contracts. Across the OECD, crisis-driven investment strategies have focused almost exclusively on micro-scale, short-term infrastructure projects. These immediate-term, sector-specific investments represent a "missed opportunity" to integrate short-term recovery objectives within broader long-term multi-sector development strategies. In some OECD countries, regional development strategies were harnessed to implement short-term investments more coherently to advance long-term strategic objectives.

- Poland is well positioned here: the government's nine integrated development strategies have already been designed. In addition, the upcoming EU programming period offers an opportunity for the central government to implement with the self-governments robust outcomes-driven performance evaluation and monitoring protocols using the territorial contracts. These should focus on assessing the impact of investments on the achievement of the strategic outcomes identified in each of the integrated strategies covered by the territorial contracts and build on existing outcomes-based evaluation successes.

Recommendations

- Use the territorial contracts to target investment priorities using a cross-sector multi-year perspective that connects immediate-term spending decisions with the achievement of medium-term integrated strategic objectives.
- Ensure that the contracts are flexible enough to allow for situations where local decisions in some policy areas will be taken in response to local preferences – and that these decisions may not always comply perfectly with national strategic objectives. This contractual flexibility is crucial to achieving national development objectives based on the specific strengths and assets of each region.
- Use the territorial contracts to facilitate, where possible, cross-jurisdictional co-operation in functional economic regions – in particular metropolitan regions having multiple municipal authorities operating within the functional unit – as a means to target effectively the relevant scale for investment and overcome administrative boundaries to achieve strategic development objectives more effectively.
- Use the territorial contracts where possible to address significant sub-national disparities in administrative capacity through adequate operational funding.
- In designing, negotiating and implementing the contracts, consider the following ten evidence-based guidelines for effective multi-level governance arrangements, derived from extensive OECD analysis of how OECD national and sub-national governments best addressed the fiscal, policy and administrative challenges they face in implementing effective multi-level governance arrangements:
  - Combine investments in physical infrastructure with investments in soft infrastructure, including human capital and other innovation-related assets, tailored to each region's strengths and assets (for example, human capital/workforce development needs will differ between Wielkopolska and Lubelskie *Voivodship*) to maximise long-term productivity growth.
  - Exploit the value-added of place-based investment policies by prioritising investments to address the specific potential and impediments to growth in each region. Regional and local actors have a critical role to play in identifying policy complementarity and trade-offs in investment priorities.
  - Use the territorial contracts to enhance co-ordination mechanisms for the design and implementation of investment strategies vertically between levels of government. Co-ordination is critical for designing well-informed growth strategies, better targeting them and ensuring policy and fiscal coherence across levels of government. The territorial contracts should explicitly define mandates for the intergovernmental co-ordinating/monitoring committees they are establishing. Getting incentives right for the responsibilities of sub-national governments should help avoid duplications of tasks, for example regarding the provision of e-government services.
  - Build transparent management/oversight/audit processes into the territorial contracts to improve investment project selection and implementation at all levels of government. Maximise transparency at all stages of the procurement and project decision-making cycle and establish clear accountability and control mechanisms.
  - Enhance horizontal co-ordination across local jurisdictions in functional economic areas (for example, in metropolitan regions), either with incentives or regulations (or both). Avoid the proliferation of small-scale projects with low economic returns.

Recommendations (*cont.*)

- Address risks associated with long-term investment commitments through robust budget procedures, including rigourous cost-benefit and strategic environmental analyses *ex ante* the decision, and by ensuring the PBB principles including outcomes-based performance assessment capacity is explicitly laid out in each territorial contract.
- Diversify financing sources for infrastructure investments by making better use of user fees, charges and partnerships with the private sector, and include these rules in the territorial contracts. Carefully assess the benefits of PPPs as compared to traditional procurement. Consider joint investment pools and other innovative financing mechanisms to expand the range of funding sources available to all levels of government.
- Conduct regular reviews of regulations affecting public investment decision making and strengthen regulatory coherence across levels of government.
- Encourage capacity-building at all levels of government. The territorial contracts should contain provisions that address disparities in capacity, especially in terms of human resources, skills and experience, and ICT use, and should focus on sustaining this capacity over time in addition to building it in sub-national administrations. These capacity issues differ between regions, of course, and the resources allocated in individual territorial contracts should reflect these differences.
- Bridge information gaps across levels of government. Enhance the use of e-government tools to improve transparency, performance information dissemination and accountability both to citizens and businesses and within government.

Implementing strategy through whole-of-government evidence-based decision making

OECD experience suggests that whole-of-government evidence-based decision making tends to generate greater effectiveness and efficiencies in achieving strategic outcomes. Evidence-based policy analysis allows for decisions aimed at setting and steering strategy to be taken in the country's medium- and long-term interests. Ideally, policy decisions are based on evidence derived from strategic foresight and environmental scanning that correctly identifies domestic and international challenges and opportunities. Decision making should also benefit from performance assessment that allows for judicious prioritisation of expenditures to achieve the best results with the least resources, while embedding the analysis of individual issues within a broader strategic framework.

The major ingredients needed to obtain and use the "right evidence" include a sound methodology allowing for proper consideration of the immediate and long-term nature of the issue and of the rationale supporting different options for policy intervention (including doing nothing); good data; public access to the data, so that scrutiny can be brought to bear and the analysis replicated independently; time to carry out this analysis properly and to consult the general public on its results; a capable and skilled public service including people skilled in quantitative methods; and a "receptive policy-making"

environment – that is political leaders who are willing and able to decide on the basis of the evidence presented.

Evidence-based policy analysis is not yet systematically informing important decision making by the government of Poland – and evidence-based policy advice is not always sought by decision makers – perhaps due to a perception that it takes too much time and effort to generate this evidence, or due to a lack of confidence in the quality of the evidence once it is produced, or that once produced the evidence will be ignored.

The government of Poland appears to use regulatory instruments as its standard approach to addressing policy issues. This Review therefore focuses on the extent to which the system that leads to the adoption of a regulation is based on the use of sound evidence. Regulations include laws, formal and informal orders and subordinate rules issued by all levels of government, and rules issued by non-governmental or self-regulating bodies to which governments have delegated regulatory powers.

The Review finds that the government of Poland could improve its decision-making practices to make better use of evidence in the choice of policy options and ensure that regulation is only selected when it is the right solution to address a policy problem, and better use impact and risk assessment in applying regulation to address a policy issue.

Regulatory impact assessment as a tool to improve decision making

Since standard policy-making practice in Poland points to the systematic use of regulation to address policy issues, it is important for the Polish government to ensure that its decisions to adopt regulation are based on sound evidence. Poland is making progress in this area, but the government could benefit from further improvements to its decision-making practices. Poland still faces major challenges in implementing its regulatory impact assessment (RIA) system – linked to the quality, timing and use of RIAs:

- The RIA is completed late in the decision-making process – generally after a decision has already been taken to proceed with a regulation, rather than to inform whether the regulation should be implemented. It appears that there are exceptions to this – including some high-impact proposals where RIA informed the decision of whether and when to regulate. That said, a systematic review of the quality of RIA and how it informs the decision-making process has not been conducted, so there is no systematic information available on how RIA functions in practice.
- The government's Programming Team, the filter created to validate regulatory proposals before they reach the Council of Ministers for decision, examines a regulatory test for just under half of all submissions. The team also asks for an *ex ante* regulatory test for important proposals if such a document is not presented. However, since this test was introduced in the current legislative period, its effectiveness will need to be evaluated as more regulatory proposals undergo such tests.
- It appears that many RIAs do not comply systematically with the official government guidelines on preparing RIAs introduced in 2009. This means that an RIA often does not include critical information necessary for making an informed decision. Key challenges seem to include inadequate definition of the problem the regulation is trying to address, a lack of assessment of alternatives to the regulatory proposal and poor quantification of the costs and benefits to citizens

and business of the regulatory proposal. Indicators on the proportion of RIAs that comply with the guidelines and on the quality of RIAs are not available.

Recommendations

- Reform the regulatory impact assessment system using a publicly available, binding roadmap to ensure that all programming proposals submitted to the Council of Ministers for decision coherently articulate the policy, financial, human resources, performance evaluation and long-term contextual considerations needed to maximise evidence-based decisions on whether to proceed with the proposal.
- Consider implementing this roadmap by:
  - integrating impact assessment into the early stages of the policy process for the formulation of new regulatory proposals and improving its quality to guide decision making as a relevant and accurate tool for the Council of Ministers;
  - ensuring that any legal text submitted to the Council of Ministers is accompanied by a regulatory test or impact assessment.
  - introducing a formal threshold test to ensure that resources spent on impact analysis are proportionate to the potential impact of the regulatory proposal;
  - making it mandatory for ministries to conduct a full RIA for all high-impact proposals early in the process;
  - improving the quality of RIAs for these high-impact proposals; this could be achieved by making it compulsory for ministries to submit early in the process an RIA for high-impact proposals meeting the threshold test to the RIA oversight unit, making it compulsory to revise RIA if it is assessed as unsatisfactory by the RIA oversight unit, providing intensive methodological support for high-impact RIAs to ministries sponsoring the regulation, in particular on the assessment of costs and benefits to citizens and business, and paying particular attention to consultation with the general public for high-impact RIAs;
  - strengthening CoG regulatory assessment co-ordination and oversight mechanisms by strengthening collaboration between the Ministry of the Economy and such CoG institutions as the Chancellery. Co-operation between the Chancellery, the MoE and the Government Legislative Centre in the development of the "regulatory test" is a move in the right direction;
  - ensuring that the unit in the Chancellery responsible for RIA oversight has both the mandate and the capacity to assess all individual regulatory tests and RIAs, and to provide technical assistance on proposals of significant impact;
  - establishing a unit in each ministry to support the introduction of the regulatory test; the government could also establish a long-term strategy for hiring experts and training officials independent of EU funds;
  - assigning a CoG unit responsibility to systematically monitor compliance with requirements to consult the public on regulatory proposals;

Recommendations (*cont.*)

  - ensuring that up-to-date regulatory tests and RIAs are attached to any legal text sent to Parliament and strengthening the capacity of Parliament's Chancellery to evaluate regulatory tests and RIAs. On contentious policy issues, particularly ones with significant financial implications, the *Sejm* Chancellery could thus play a "challenge function" with respect to the assessment of legislative proposals from the executive and provide separate advice to parliamentarians on the executive's regulatory test and RIAs. It should also be able to work with the executive to ensure that information is presented in a way that allows parliamentarians to understand easily the results of an RIA and the assumptions upon which it is based.

- Integrate risk-assessment as an integral component of RIAs by developing guidance on methodologies for risk assessment with the key actors within the government that are tasked with managing risk (e.g. environmental or health risks), and by including a module on risk assessment in the training on RIA. For major proposals, external scientists could be asked to review and improve risk assessments.

- Solicit input from external stakeholders on regulatory tests and RIAs under a timetable that allows for its meaningful impact. Lessons from the pilot project conducted by the MoE on online consultation could lead to the design of a government-wide online system for submitting regulatory tests and RIAs for both inter-ministerial and external consultation at an early stage of the regulatory proposal.

- Institute systematic *ex post* evaluation of regulations and regular reviews of the stock of regulations to measure their continued relevance, utility, effectiveness and efficiency in the achievement of policy outcomes.

- Render systematic full *ex ante* consideration of alternatives to regulation, by training staff in the oversight unit in the Chancellery and in the units in each ministry responsible for RIAs to identify systematically other policy options, including the "do-nothing" option. Particular attention should be paid in the regulatory test and in the RIAs to the quality of the assessment of alternatives, in particular for high-impact proposals.

- Encourage ministries to pilot an *ex ante* discussion or green paper on a major policy initiative that:

  - outlines the objectives of a policy and possible options to address them;

  - is based on a solid analysis and modelling, and considers different scenarios and policy options;

  - invites stakeholders and the general public to comment on the paper and have sufficient time to submit their answers;

  - is drafted in plain language so that it is understandable by the general public;

  - is issued early in the process, before the government has identified its preferred policy option;

  - renders public the results of consultations on the paper;

  - if the green paper results in a regulatory proposal, stakeholder comment on the potential impact of the proposal could inform the subsequent preparation of the regulatory test and the RIA.

The budget as a tool to implement and steer strategy

Budgets that link spending to performance and results, where this makes sense, can improve strategy implementation by enabling the management of the country's public finances in a way that allows the government to assess whether spending is achieving the strategy's policy outcomes, while strengthening allocative and operational efficiency, multi-year fiscal planning capacity and transparency, and accountability. The purpose of introducing performance-informed or PBB is to improve policy delivery:

- PBB is a methodology that seeks to focus on the results attained through public sector spending, rather than on how much is spent on a particular government programme.
- This increases transparency and accountability, because spending results can then be assessed against spending objectives and targets, and discrepancies or disconnects can then be adjusted (and savings or reallocations made through discontinuing dysfunctional or low-priority spending – see section on strategic reviews below).

Poland currently manages a budget system that is primarily based on organisational units and input controls. The central government is in the process of introducing a new, performance-informed budgeting system which will initially work alongside the existing system. This dual system is to be in place in 2013. Next steps regarding the budgeting system have yet to be decided. Indeed, in the immediate term, the PBB will not be legally binding, yet it will cover the entire central government. In effect, this means that Poland will have two "budgets" as of 2013: the traditional budget and the performance-based budget attached to it.

This is not a sustainable decision-making tool over the long term (nor does it reflect an optimal use of internal resources), since this system can cause confusion across the central government (and Parliament) and raises the issue of co-ordinating government reporting on these two budgets, especially if they are at odds:

- For instance, the nine medium-term integrated strategies will, by definition, cut across ministries' mandates. According to the Constitution, ministers are responsible for their areas as per their input budgets; however, each of the nine integrated strategies will have a lead-minister/co-ordinator whose responsibilities will cover areas in the strategy that fall outside the lead ministry's mandate (and therefore under the responsibility of another minister). How performance-informed budgeting will square this circle remains unclear.
- The extent to which the new EU fiscal rules and obligations under the "Six-Pack", especially the November 2011 Council directive on budgetary framework requirements which needs to be implemented by the end of 2013, will affect the medium-term perspective on the Polish budget process is unclear. Poland will need to strengthen capacity within its Ministry of Finance (MoF) so that its medium-term fiscal framework can properly reflect these new EU fiscal rules.

It is therefore in Poland's best interests to proceed with implementing performance-informed budgeting and strengthen the related machinery in the MoF to complete this process efficiently and effectively. The *status quo* will not provide Poland with the tools to steer strategy implementation effectively based on decision making that clearly links resource allocation to the achievement of results in a consistent, whole-of-government manner. Perhaps more importantly over the medium term, the

status quo will prevent the government of Poland from using the budget to make transparent, performance-related, evidence-based decision making to meet emerging strategic spending priorities while identifying the fiscal room for debt and deficit reduction in an ever-tightening fiscal environment.

Performance measurement and evaluation, multi-year financial planning, spending reviews

Performance targets and indicators are central to ensuring that decision making is based on performance results; they are thus integral to implementing performance-based budgeting. The Polish government has begun to define and develop performance measures, notably based on advice from the OECD in this area through the indicators study it submitted to the government of Poland in 2011 as a lead-up to this Review. The structure and philosophy of Poland's new system is being aligned with what is happening in many other OECD countries and offers a sound foundation for moving forward. Yet the quality and utility of performance targets and indicators varies significantly and they are not yet informing fully decision making by the Council of Ministers.

The Multi-Year Financial Plan (MYFP) is a relatively new concept in the Polish budget process. It has been adopted by the Council of Ministers for 2010-2013, a rolling four-year horizon. It covers general fiscal policy, economic projections, revenue and expenditure estimates, budget balance and debt. The plan is to be updated yearly to form the basis of the preparation of the budget and is meant to support the Polish Convergence Programme that aims to eliminate the excessive deficit, i.e. a fiscal deficit above 3% of GDP as set out in the EU Stability and Growth Pact, by the end of 2012.

The MYFP is a central element in the implementation of PBB reform in Poland. The MYFP is prepared according to the new PBB structure covering the functions of the state along with objectives and results-measures. It provides a platform for assessing and reporting on spending performance on a pluri-annual basis. Under the MYFP system introduced in 2010, ministers annually submit information about the implementation of the MYFP to the Finance Minister, including information about the degree to which objectives have been achieved. This information is then submitted to the Council of Ministers for approval and published. However, given that the system was only introduced recently, there is limited evidence as to how it will actually influence budgeting.

It takes time for any strategic policy initiative to achieve fundamental outcomes – e.g. to reduce crime, improve employment for students, reduce the number of road deaths or increase the environmental health of lakes and rivers. A multi-year perspective is thus necessary to allow for strategic operational reviews to be carried out to monitor expenditure efficiency and effectiveness and to identify programme areas that no longer reflect government priorities. That said, it appears that current fiscal oversight practice in Poland does not include the regular conduct by the Ministry of Finance of such strategic reviews. New initiatives and programmes proposed to the Council of Ministers are scrutinized, as are existing expenditures within the first stage of the budget planning process (when spending limits are being established) but the ministry does not perform strategic expenditure reviews on existing programmes or sectors to map operational expenditures against targeted whole-of-government strategic objectives. This is unusual compared to many OECD countries. The ministry needs the capacity to work with line ministries to target programming areas where in-depth analysis that assesses single-sector or cross-sector expenditures against the integrated medium-term strategic objectives

targeted by the government can pay off in savings through the elimination of lower priority spending and improvements to higher priority expenditures to enhance the achievement of relevant policy outcomes:

- The main strategic objective of expenditure reviews is the identification of fiscal room based on evidence-based performance evaluation to meet emerging programming priorities efficiently without damaging the government's fiscal framework or threatening its capacity to meet its overall fiscal consolidation goals.
- This takes on added importance given the policy and fiscal challenges Poland is facing. It could therefore be helpful to introduce reviews of spending areas or programmes using performance information.

Using the MYFP to carry out strategic operational reviews may require capacity building in the MoF (and might require adjustments to the Public Finance Act) so that it can engage with line ministries to enable the government to conduct reviews of existing operational programming activity (either within or between ministries) and design and implement multi-year ministry spending envelopes across the government that take into account the results of these reviews. Indeed, the introduction of such a system would enhance analytic capacity in the ministry in particular and in line ministries generally. The central government might therefore wish to gradually introduce a system of strategic reviews of existing operational programming to address fiscal effectiveness as well as efficiency on a scale that reflects strategic targeting: those programmes deemed to be less of a priority for advancing the government's strategic objectives could be the subject of initial pilot reviews.

Recommendations

- Implement progressively a single budget system that links spending to performance and results (where this makes sense), based on:
  - A publicly expressed political commitment by the Prime Minister and the Chancellery to integrate within a fixed time-horizon all national and EU-funded budgets into a single performance-informed budget, based on a rationale that highlights success – that holds up areas in the government where PBB currently lends value as good practice examples on how best to extend this work across the government.
  - In the immediate term, pilot or demonstration initiatives that integrate those components of PBB that clearly add value to the existing budget process.
  - Using these demonstration projects to create political interest and buy-in for the rationale behind, and utility of, performance assessment and evaluation tools, and performance indicators and targets across the government and in sub-national governments.
  - Introducing multi-year planning and resource allocations linking appropriations and targets.
- Establish the Ministry of Finance as the CoG's budgetary decision-making hub and as champion for this reform in the above-recommended Council of Ministers' Co-ordination committee.

Recommendations (*cont.*)

- Ensure that the MoF has the capacity to lead the performance-informed budget modernisation process efficiently and effectively government-wide, along the lines of OECD best practices.
- Enhance the capacity of the MoF to engage with line ministries in strategic programming reviews to ensure that the government can rely on in-depth analysis of operational programming performance to identify fiscal room to address emerging priorities, to enhance outcomes for existing ones and identify capacity to pursue its fiscal consolidation strategy over the medium term.
- Mandate the MoF to work with key line ministries to introduce a gradual system of strategic operational reviews, starting with pilot reviews of those programmes deemed to constitute less of a priority for advancing the government's strategic objectives, using performance measurement tools for multi-year budgeting and analysis, to identify fiscal room to address emerging priorities. The reviews could form the basis of multi-year agreements covering performance targets and appropriations. Incentives for line ministries could be built-in to the review process: for instance, ministries could be allowed to redirect their savings into higher priority spending areas within their remit (instead of having to give them up).
- Ensure that all line ministries and agencies can establish performance assessment capacity, indicators and targets for their spending areas for inclusion in the budget, and ensure that this performance measurement and assessment toolkit is sound and independently verifiable, in particular by ensuring that adequate training is provided to the relevant civil servants both in the MoF and in line ministries charged with developing PBB methods, performance assessment, indicators, etc., and managing PBB for their ministries/agencies.
- Involve the *Sejm* in discussions on PBB implementation.

Strategic human resources management as a tool to implement strategy

Poland possesses a strong legal framework underpinning its professional workforce, originating with the explicit recognition of the civil service in the Constitution of the republic and supported by the Civil Service Act (2008). Implementing strategic-state capacity, however, implies optimising the agility of the public service workforce in identifying and meeting emerging challenges effectively by implementing a whole-of-government system of strategic management of the workforce. It requires a long-term vision for the public service that aligns human resources management (HRM) with the strategic objectives of the government as well as greater use of strategic workforce planning to ensure that the government has the right number of people with the right skills in the right place at the right time.

To strengthen its capacity to implement whole-of-government HRM strategic planning, Poland will need to re-examine the role of the Department of the Civil Service in the Chancellery and its relationship with line ministries and other government institutions. While the government of Poland has delegated significant HRM responsibilities to line ministries and other government institutions to allow them greater flexibility to meet their business needs, delegation without sufficient HRM expertise or outside of an effective accountability framework that provides some consistency in HRM across the central government can lead to fragmentation and a reduction in the

government's effectiveness to address emerging policy challenges quickly and correctly. The government will need to address this critical issue soon, particularly in the context of an ageing workforce, tighter fiscal room and a rapidly changing external environment.

Recommendations

- Ensure that the Chancellery's Civil Service Department is mandated by the Council of Ministers to lead a whole-of-government process to achieve strategic HRM reform within an implementation timetable by working closely with line ministry and agency HR units to ensure that on-the-ground workforce needs are taken into account in these reforms, by:
  - ensuring that line ministries and agencies acquire the necessary HRM tools and skills;
  - reporting regularly to the Council of Ministers through the reform implementation committee recommended above and to the *Sejm* through the Prime Minister, on the government's strategic HRM issues and progress being made in addressing them.
- Ensure that the Chancellery's Civil Service Department is mandated to work closely on an ongoing basis with the other CoG units responsible for co-ordinating the implementation of the nine integrated medium-term strategies, performance-based budgeting and evidence-based decision making to ensure that the government's strategic HR issues are fully reflected in the roll-out of the nine medium-term integrated strategies, in the annual budget and multi-year financial plans and in any and all regulatory tests, impact assessments and policy rationales underpinning line ministry proposals being submitted to the Council of Ministers for decision.
- Ensure that this strategic HRM reform includes, at a minimum:
  - Increasing the use of government-wide strategic workforce planning to ensure that the government can identify its competency gaps and develop strategies to address these gaps against its existing and emerging medium-term strategic priorities.
  - Pursuing the review of the government's remuneration system to ensure that it attracts and retains talented employees, by standardising pay levels for similar jobs across different ministries and setting pay levels for different job categories based on labour market trends.
  - Pursuing the reforms begun in 2012 aimed at standardising HR tools and modernising the employment framework for the public service, in order to facilitate greater mobility within the public service and improve the government's flexibility to redeploy human resources where they are most needed.

Improving trust in government to enhance buy-in to strategy implementation

Trust in government as an institution is fundamental in a democracy because it is on the basis of trust that government decisions are perceived as legitimate. Building trust in public institutions is therefore central to ensuring that strategic decisions aimed at implementing strategy in pursuit of a national vision receive broad public support, that the institutions making those decisions are perceived as legitimate, and that the government is perceived as deciding in favour of – and defending – the general, public interest.

The day-to-day experience of citizens interacting with government or how they are affected by the decisions of government influences their perceptions of, and trust in, public institutions. Research on citizens' attitudes conducted in 2008 finds that more than half of respondents respect and like the state; almost half of respondents trust the state. This strong attachment to the state was, however, accompanied by an equally strong criticism of its operations, particularly relating to how it delivers its welfare services and the unequal treatment of formally equal citizens. Since then, despite these high levels of trust, Poles' trust in the public sphere seems to be declining – a situation similar to many countries across the OECD and beyond. When compared with the results of the 2008 survey, most institutions have suffered significant losses in levels of trust, including the government (by about 25%), television (20%) and Parliament (about 18%).

Enhancing the effectiveness of citizens' consultations

Since the fall of communism, the government of Poland has articulated extensive, detailed rules to engage citizens and key public and private stakeholders in the public life of the country and in its long-term development. Yet, despite these efforts, trust in government continues to decline. Perhaps this can be explained by the apparent disconnect between rhetoric and reality: the strategy to engage citizens in meaningful consultations and to build the country's social capital has been set. But it has yet to be fully implemented. The implementation gap between formal requirements for consultation and reality is particularly large with respect to consultation with the public and key stakeholders on government policy initiatives:

- Currently it appears that external consultations are perceived as *ad hoc*, with little time allocated for meaningful comments, results seldom incorporated into subsequent policy initiatives and their quality not systematically monitored and assessed.
- Ministries appear to perceive consultations as a bureaucratic hurdle rather than a source of information about the potential impact of a policy initiative. Consultation guidelines tend to be ignored – stakeholders are not always consulted on regulatory impact assessments – and their quality is sometimes such that meaningful feedback from stakeholders is not obtainable.

The government could deepen its reliance on the principles of open government, including transparency and participation in the regulatory process, to ensure that regulation serves the public interest and is informed by the legitimate needs of those interested in and affected by regulation. This includes providing meaningful opportunities (including online) for the public to contribute to the process of preparing draft regulatory proposals and to the quality of the supporting analysis. The process of communication, consultation and engagement which allows for public participation in the regulation-making process and in the revision of regulations can help governments understand citizens' and stakeholders' needs and improve trust in government. Also, it can help governments collect more information and resources, increase compliance, and reduce uninformed opposition. It may enhance transparency and accountability as interested parties gain access to detailed information on the potential effects of regulation on them.

One possible way toward more citizen- and business-focused policy making in Poland is to establish a systematic and mandatory system throughout the government for public consultation on regulatory and policy proposals at all key stages in the process, including:

- at the beginning of the process, by using green and white papers regularly to consult on policy issues (see above) when the issue needs to be identified properly;
- when the "regulatory test" is being prepared and when the "full RIA" is being developed prior to a decision being taken;
- *ex post*, to evaluate the results of implementing the initiative as a means to improve the service or enhance the desired policy impact.

This system of consultations should take into account lessons learnt from the pilot of the online consultation system in the MoE and establish a consultation system throughout the government to be compulsory for the whole administration:

- Resources dedicated to consultation should be proportional to the expected impact of the proposal on business and the general public.
- Regular evaluations of the functioning of the consultation system involving the administration, citizens and business should be conducted, for example by the audit office, to monitor progress over time and improve the system.

While transparency, access and openness may be prerequisites for trust, they are not sufficient to build trust. This extends to the provision of e-government services: while an enhanced supply of e-government services might contribute to increasing trust in government, this supply will not by itself necessarily improve trust. Rather, it is the nature and scope of the demand and uptake for electronically delivered services, and the degree to which citizens and businesses engage meaningfully using e-government tools in the development, implementation and improvement of government policy and service delivery, that will materially affect trust levels.

Citizens have the right to know how their taxes are spent, whether they are being spent efficiently and effectively, and whether they are achieving the results they are supposed to be achieving. Accountability and reporting tools relate to the definition of robust performance assessment capacity and its associated indicators and targets that allow policy makers, their political leaders, Parliament and the public to assess spending against the outcomes the spending was supposed to achieve. These tools also include the production and distribution of performance-based budgets, annual reports, green and white papers, etc., and the use of e-government to optimise their diffusion as well as integrating public feedback into designing newer, enhanced versions of these tools, for example through use of social media to support governments' outreach to the citizens.

Recommendations

- Strengthen the application of *ex ante* and *ex post* consultation rules respecting the development and implementation of policy initiatives, regulations and services government-wide and monitor and report regularly on their efficiency and effectiveness.
- Consider mandating the Co-ordinating Committee, supported by the Chancellery and relying on data from *inter alia* such independent authorities as the National Audit Office, to prepare, approve and issue, in print and electronically, one or more whole-of-government annual "State of the Country" reports that:
  - Present to Parliament and citizens what progress the government has made over the preceding year in achieving the strategic outcomes it has articulated for the country in its medium-term integrated strategies, based on sound quantitative evidence, while highlighting government action to address emerging challenges proactively.

Implementing e-government: An illustration of the decision-making challenges facing Poland

E-government is the use of information and communication technology (ICT), particularly the Internet, to make government better. E-government maximises the opportunity for governments to communicate more meaningfully with the general public, with key service users and with non-governmental and business stakeholders. E-government offers great potential to lever policy making and public sector reforms and to improve public service delivery.

In Poland, realising this potential seems to be encountering a number of challenges that illustrate broader issues faced by the central government and the country's public sector; notably the capacity to engage in evidence-based decision making and link policy and programming decisions to the achievement of integrated strategic policy outcomes. E-government investment decisions seem biased in favour of purchasing infrastructure and hardware. The significant use of EU Structural and Cohesion Funds for e-government roll-out does not yet seem to have translated into systematic online service uptake in Poland: although the establishment of a sound ICT communication infrastructure and the provision of online services are of the utmost importance, ensuring demand for and use of such services is equally, if not more, important to the relevance and usefulness of e-government. Reliable online services, whose availability is widely advertised and whose use is broadly taken up are important to enhancing trust in public institutions. However, the Polish central government has not yet fully aimed its online service delivery focus on the users of these services. The existing service delivery channels do not seem to have been coherently developed from the user's point of view. The government therefore needs to nurture more reliable, effective and efficient e-government service provision and service delivery.

While Poland has made impressive e-government progress in recent years, individual projects are not always fully implemented and the potential benefits of using ICTs are not clearly identified and accordingly not reaped. The value of projects does not seem to be assessed systematically, neither *ex ante* nor *ex post*. Nor does a clear outcome-based assessment capacity seem to be in place – either to measure the impact of policy making, project implementation or service delivery. This results in a tendency to implement projects without having clearly identified intended outcomes. When the value of the ICT projects is disconnected from their implementation, individual public authorities might

experience e-government as an additional cost with limited added-value for users, rather than as a clear benefit. Hence, the government should focus on linking e-government decision making to the realisation of the value of the decision for the government and the end-user.

Poland's Ministry of Administration and Digitisation (MoAD) has revised and expanded its e-government strategic work plan, particularly with respect to the public sector's use of ICTs. In April 2012, it launched State 2.0 – A New Beginning for E-administration. This new blueprint presents a critical analysis of the state of e-government in Poland and proposes ongoing revisions to the government's e-government strategy. The assessment highlighted a lack of co-ordination within a coherent strategic framework, an insufficient focus on the real costs and benefits of e-government, and a lack of key implementation standards and skills. Most importantly, State 2.0 proposes a "turn-around" based on four citizen-centred principles: a user-centred plan based on a freer flow of information; a focus on the needs of citizens and business as the determinant of service delivery objectives rather than the purchase of technology for its own sake; transparent and effective investments; and, technology neutrality, enabling sustainable competition and agile procurement in public markets.

To implement these principles, the government needs to clarify its strategic focus on meeting the needs of e-government users. To do so, it needs to establish more coherent horizontal and vertical e-government implementation mechanisms, encouraging a whole-of-government e-government implementation and uptake of services. The central-local governance relations also appear inadequate, with key issues and responsibilities not fully corresponding to the challenges of e-government development and implementation in the *voivodships* and local administrations.

Recommendations

- Pursue coherency in e-government services through the development and implementation of an e-government strategy that engages all levels of government, by:
  - Further clarifying the e-government agenda in a strategic action plan, building on State 2.0 and defining the government's vision, rationale and priorities for ICT use, establishing clear mandates and responsibilities across the government and improving the mechanisms of political accountability for e-government progress.
  - Clarifying the boundaries between central and local service delivery responsibilities and establishing mechanisms to ensure adequate use and re-use of infrastructure components, service solutions and data across the different levels of government.
  - Designing and implementing a legal and regulatory framework enabling e-government, both across government and within specific service delivery areas in each ministry.
- Meeting users' needs through implementation of reliable online service delivery by:
  - Providing a connected and coherent e-government service delivery framework around the ePUAP (Electronic Platform for Public Services), using a prioritised approach to managing service delivery channels and implementing the key services to be delivered.

Recommendations (*cont.*)

- Matching supply and demand, particularly regarding ICT communication infrastructure, by ensuring greater coherence between pricing, service levels and service providers through a well-conceived market design, and matching communication infrastructure more clearly with the government's (and end-users') service delivery needs and its administrative procedures.
- Moving from mainly digitising administrative procedures to a more comprehensive use of ICTs by the government, thus integrating the use of ICTs in all relevant policy areas by, for example, improving the e-business environment and increasing local user-participation through e-dialogue on policy making and service delivery processes.

- Strengthen the government's capacity to realize the value of e-government, by:
  - Using business-case analyses as an integrated part of e-government projects, measuring the value and benefit of ICTs to increase their effectiveness and efficiency.
  - Enhancing the focus on end-users to design and implement better e-government services and help improve their uptake, for example through a more effective users engagement.
  - Generating better data that can support future work on implementation, for example developed through and supported by a more comprehensive e-government review ensuring key data on strategy implementation.

Conclusion: Securing the effective implementation of reforms

In Poland, significant progress has been made in strengthening the government's capacity to set strategy. The central government has articulated a vision-based strategic framework for the country's long-term development. There is renewed commitment to whole-of-government evidence-based decision making, along with emerging central co-ordination and leadership capacity, emerging centres of excellence across the public sector and a committed, dynamic public service workforce in key government ministries and agencies.

It is implementation that remains the central issue: asking today's leaders to meet tomorrow's challenges using yesterday's governance toolkit is like asking an engineer to design faster trains using steam-engine technology. CoG and line ministries still work in silos. Budget and strategy are not yet sufficiently connected. Performance information is still not sufficiently integrated into decision making and resource allocation. Decision making is still seen as rule making. Ministry and self-government mandates are not always supported by proper incentives. Human resources management is still fragmented within and between governments. There is room to improve co-ordination across levels of government, and consultations with non-government partners tend to be *ad hoc* and occur too late in the process to influence decision making.

The choice between "big bang" implementation and incremental progress is a question of political judgement. For Poland, given the scope and scale of the reforms that are still required to implement strategic-state capability, an incremental approach likely constitutes the most prudent and realistic way to complete the reform implementation

process. In the end, however, it is up to the country's national authorities to decide what is best in terms of when, how and at what speed the reform process is concluded. For Poland, regardless of the speed, scale and scope of reform implementation, it will be critical that the roadmap for reform be led by institutional champions at the centre of government, that it be accompanied by an implementation plan with a deadline for completion, that the roadmap and implementation plan be clearly and transparently communicated to public sector staff, Parliament and civil society, and that the government report regularly on progress in implementing its reforms and, over the medium term as performance assessment capacity is broadened and deepened, on the impact these reforms are having on the country's economic performance and on citizens' well-being.

Chapter 1

Growth and governance: Poland's strengths and challenges

Poland has weathered the economic crisis well relative to its European neighbours. It has also taken important steps toward enhancing strategic-state capacity. However, faced with the prospect of slower growth, a tighter fiscal space, persistent regional disparities and an ageing population, the window for the government of Poland to complete its governance reforms is closing relatively quickly. This chapter provides an overview of Poland's economic, demographic, policy and fiscal challenges and opportunities. It highlights the need for the government of Poland to improve its governance capacity to enhance the country's competitiveness and sustain growth while addressing emerging challenges.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

Poland joined the European Union (EU) in 2004 having successfully transitioned to a free-market democracy. Poland has since benefitted from large inflows of EU Structural and Cohesion Funds which have helped finance investment and contributed to economic growth. These funds, along with other factors including pro-cyclical fiscal and monetary policies, have contributed to shielding the country from the global economic crisis.

Poland, however, is likely to face a worsening economic and fiscal outlook. The debt crisis in the euro area, a critical market for Poland, is slowing economic growth, and there is some uncertainty regarding the level of EU Structural and Cohesion Funds beyond 2020. Lower growth rates and the need for fiscal consolidation are forcing the government to reduce public expenditures. This is likely to affect the government's capacity to deliver services unless expenditure reductions are properly targeted and take into account the emerging challenges it will need to address over the medium to long term, including an ageing population, regional imbalances and the need to improve the quality of such basic services as healthcare.

An efficient and effective government can play a key role in this endeavour. It will need to build on effective horizontal and vertical co-ordination across government institutions; strategic visioning that influences resource allocation effectively over time; decision making based on rigorous and effective policy analysis, monitoring and evaluation; as well as the participation of stakeholders outside government in developing and implementing government strategy.

Economic and fiscal challenges and opportunities

Prolonged uncertainty about future growth prospects across the euro area, the expected diminishing impact of EU Structural and Cohesion Funds on Poland's economic performance and the need to consolidate public finances are, however, creating a challenging environment for Poland's public administration.

Good economic performance so far

Economic growth has registered above the OECD average as well as the average for the 15 euro area countries since 2005, allowing Poland to catch up relatively quickly to several of its European neighbours (Figure 1.1A). This strong performance reflects the country's successful transition to a market economy, its proximity to such important export markets as Germany, its low labour costs coupled with a relatively well-trained labour force.

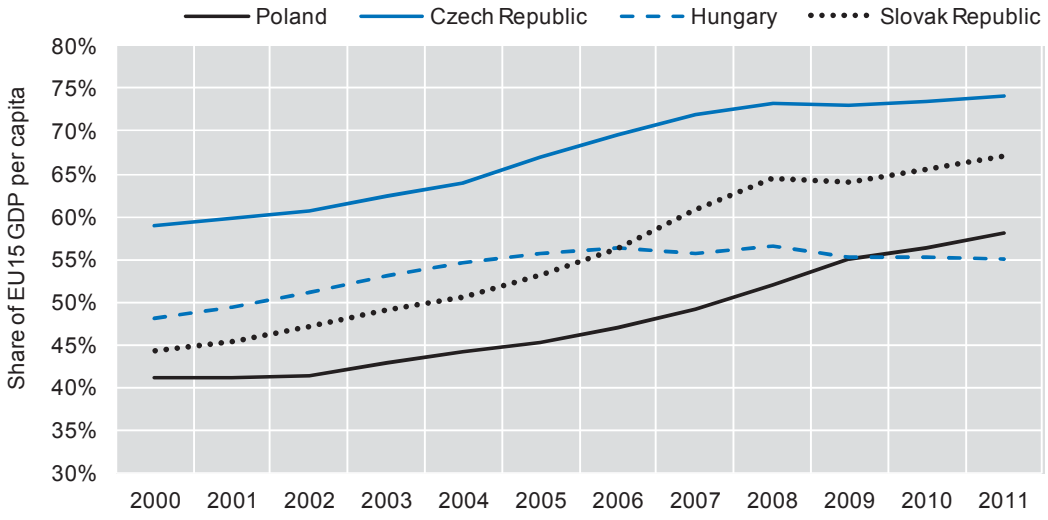
EU funding has also been important in spurring the convergence of Poland's economy toward that of its peers in the EU and across the OECD. The government estimates that between 2004 and 2006, EU funds contributed 0.3 percentage points to GDP growth and such contribution reached 0.5 percentage points between 2007 and 2008. In some regions, GDP grew by 0.9 percentage points more thanks to EU funds (Ministry of Regional Development, 2010). The government also estimates that about half the 1.7% growth in GDP achieved in 2009 came from EU fund inflows (Ministry of Regional Development, 2010).

Poland has also weathered the global economic crisis relatively well (Figure 1.1B). Sound banking supervision coupled with a relatively under-developed banking sector have prevented households from borrowing in foreign currency. Tax cuts decided before

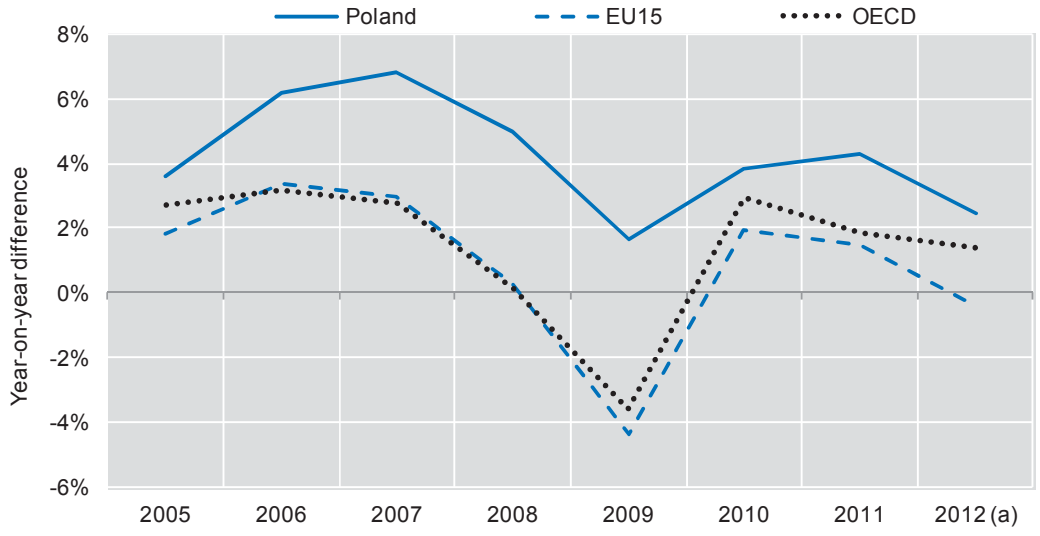
the recession were implemented during the recession, thus supporting consumption when it was most needed. Poland's central bank reacted swiftly to the economic crisis by cutting interest rates to stimulate demand. In addition, the depreciation of the zloty, the national currency, against the euro has helped boost exports (OECD, 2012b).

Figure 1.1. **Poland's economic growth**

A. Convergence in GDP per capita towards EU15



B. Real GDP growth



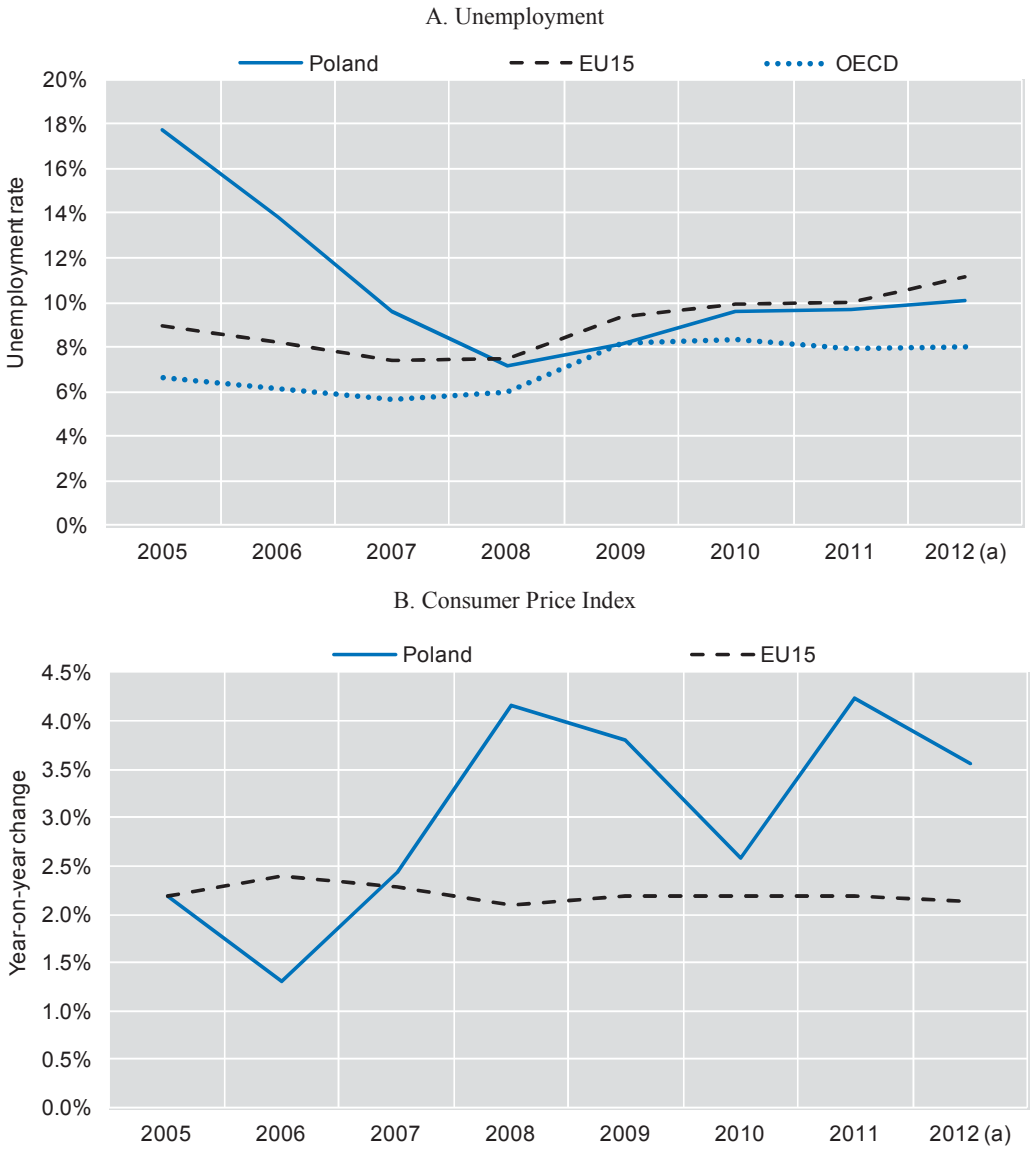
Notes: GDP volume at 2005 purchasing power parity (USD). EU15 includes the euro area countries minus Portugal and Greece. (a) Estimates.

Source: OECD (2012), *OECD Economic Surveys: Poland 2012: Volume 2012, Issue 7*, OECD Publishing, doi: *10.1787/eco_surveys-pol-2012-en*; OECD (2012), "OECD Economic Outlook No. 92", *OECD Economic Outlook: Statistics and Projections* (database), OECD, Paris, doi: *10.1787/data-00646-en*; IMF (2012), "Republic of Poland: 2012 Article IV Consultation", *IMF Country Report No. 12/162*, IMF, Washington, DC.

But growth is likely to slow

The future, however, appears more challenging. In 2012, real GDP growth slowed by approximately 2 percentage points compared to 2011. Fiscal consolidation, weaker external demand and a levelling off of EU funds are likely to have reduced growth to 2.5% in 2012 (OECD, 2012d). A gradual recovery is expected to start only in the second half of 2013, and real GDP growth is expected to reach approximately 3% through 2014 (OECD, 2012d). Unemployment was expected to rise to approximately 10% by the end of 2012 (Figure 1.2A). This slow-down will tame inflation and is likely to have some positive effects on Poles' purchasing power (OECD, 2012d) (Figure 1.2B). At the same time, however, it will reduce the resources available to finance public expenditures.

Figure 1.2. **Unemployment and inflation**

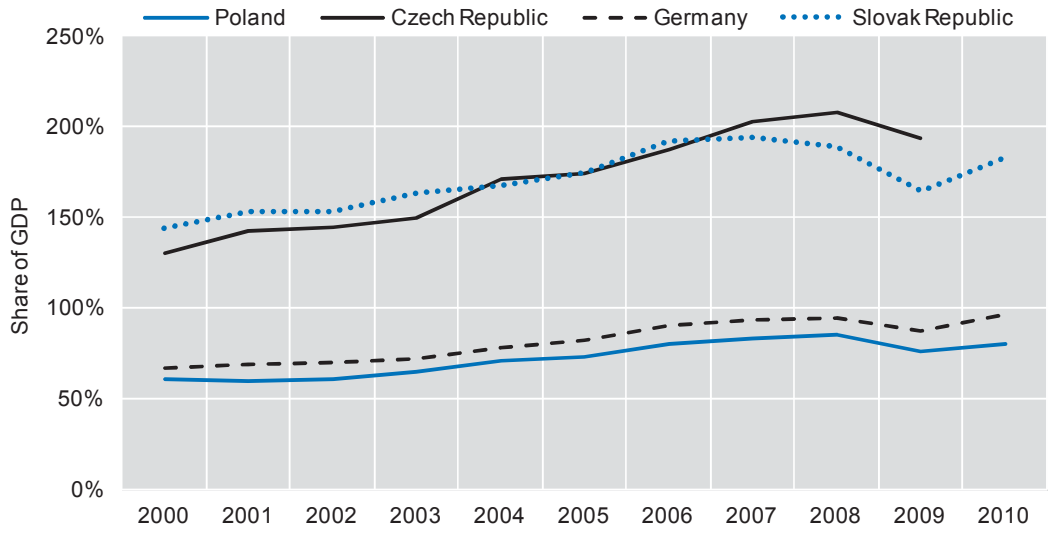


Notes: Harmonised consumer price index for EU15. (a) Estimates.

Source: OECD (2012), "OECD Economic Outlook No. 92", *OECD Economic Outlook: Statistics and Projections* (database), OECD, Paris, doi: *10.1787/data-00646-en*.

Poland remained relatively insulated from external shocks in part thanks to a relatively large internal market. The value of trade in goods and services amounted to approximately 80% of GDP in 2010. This value is less than half that of total trade for the Czech Republic and the Slovak Republic, two particularly open economies, and not dissimilar from its largest EU neighbour, Germany (Figure 1.3).

Figure 1.3. **Trade-to-GDP ratio**



Notes: Value of exports and imports of goods and services divided by the value of GDP. Constant prices, constant exchange rates, OECD base year 2000.

Source: OECD Statistics on Measuring Globalisation. Macro-trade indicators dataset (2012).

Over the medium term, however, as the country's growth patterns converge with those of the other countries in the euro area and the OECD generally, Poland's growth rates might be affected by external developments to a greater extent than they have been to date. The debt crisis and the economic slow-down in the euro area are likely to affect the Polish economy. Approximately 60% of Polish exports go to euro area countries, and Poland is heavily integrated into the German manufacturing supply chain (IMF, 2012). As growth in the euro area is projected to remain modest, Polish exports – especially in manufacturing – are likely to suffer, which will in turn negatively affect the welfare of the country.

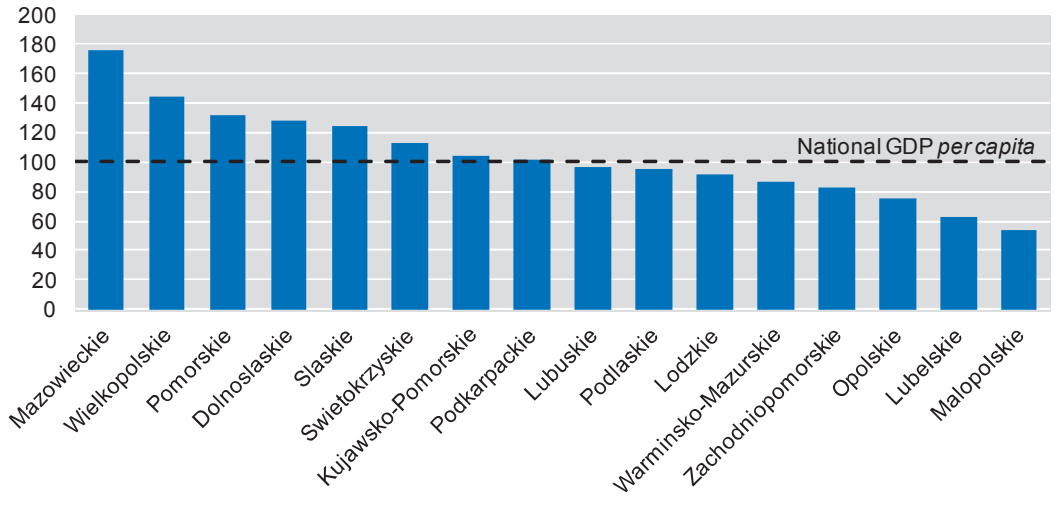
The banking sector has remained relatively insulated from the debt crisis, but could still suffer from external shocks. Approximately 60% of Poland's banking market is owned by euro area banks, which could be vulnerable to debt exposure in other European countries, although the Polish banking system's moderate loan-to-deposit ratio could help mitigate this risk (IMF, 2012). In addition, compared to the Czech Republic and the Slovak Republic, Polish households face significantly larger exposure to foreign-denominated debt. At the end of 2011, about 40% of household loans, mostly mortgages, were in foreign currencies (compared to less than 5% for the Czech Republic and the Slovak Republic). A sharp depreciation of the Polish currency could worsen households' indebtedness and deteriorate the quality of the assets, affecting banks' balance sheets (IMF, 2012).

And regional disparities persist

While Poland's convergence toward economic well-being levels in the other euro area countries has been significant, its GDP *per capita* still accounts for less than 60% of the average GDP *per capita* for the euro area (minus Portugal and Greece). Moreover, this catch-up has not benefitted the country equally. Disparities in income are pronounced at the regional level. Poland is divided between a relatively more developed west and a lagging east. With the exception of the Warsaw region, located in the centre-east of the country and the richest in Poland, the most developed areas are situated in central and western Poland. For example, while the Wielkopolska region, located in the west, has a GDP *per capita* rate of more than 140% of national GDP *per capita*, the Lubelskie region in the east has a GDP *per capita* rate of just 60% of national GDP *per capita* (Figure 1.4). Important disparities also exist within regions. In 2008, Poland displayed the 6th most pronounced intra-regional disparities in income distribution among the 34 OECD countries, with strong disparities between urban and rural areas (OECD, 2008).

Figure 1.4. **Regional GDP *per capita***

National GDP *per capita* = 100 (2009)



Note: The index measures the difference between national and regional GDP *per capita*. For example, Lubelskie's GDP *per capita* is approximately 60% the average national GDP *per capita*, calculated on the basis of 2009 prices in national currency.

Source: OECD Regional Statistics: *Regional Accounts Database* (2012), doi: *10.1787/data-00522-en.*

Heightening the need to leverage EU funds more effectively

Over the EU programming period 2007-2013, Poland received approximately EUR 67.3 billion in committed funds, accounting for 19% of the total allocation of EU Structural and Cohesion Funds across the EU membership. The government estimates that EU funds account, on average, for approximately 4% of GDP per year and approximately 12% of the annual state budget (Ministry of Regional Development, 2009). EU funds support employment growth and an increase in the level of social, economic and spatial cohesion by supporting human and capital investment (Box 1.1).

Box 1.1. **Poland's National Strategic Reference Framework Objectives for 2007-2013**

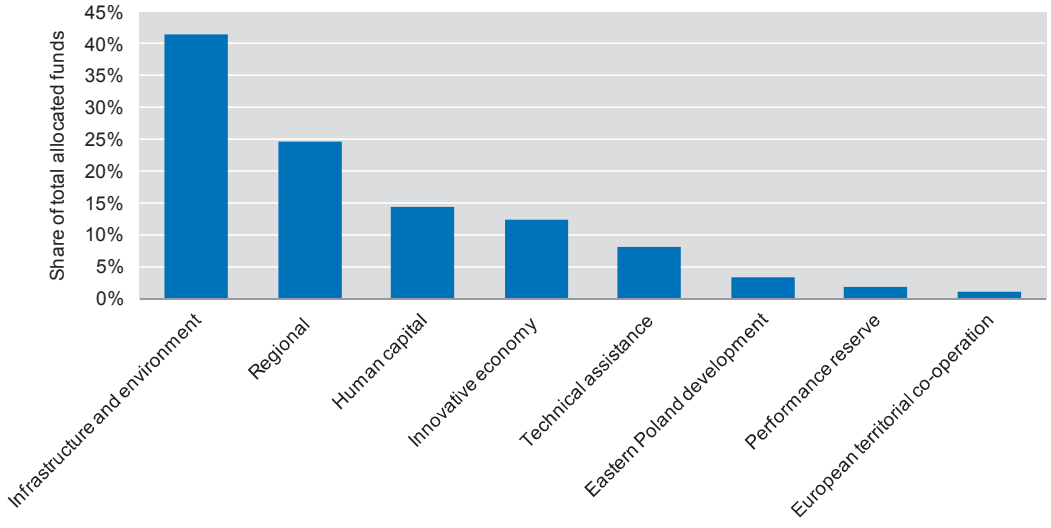
EU funds are directed towards six horizontal strategic objectives:

1. Improving the functioning standard of public institutions and development of partnership mechanisms.
2. Improving human capital quality and enhancing social cohesion.
3. Building and modernising technical and social infrastructure crucial for better competitiveness.
4. Improving the competitiveness and innovativeness of enterprises, including in particular the manufacturing sector with high value-added and development of the services sector.
5. Increasing the competitiveness of the Polish regions, and preventing their social, economic and territorial marginalisation.
6. Balancing growth opportunities and supporting structural changes in rural areas.

Source: Ministry of Regional Development (2010), "Poland. Strategic Report 2009. National Strategic Reference Framework", Ministry of Regional Development, Warsaw.

Poland aims to reach these objectives through 6 operational programmes implemented at the national level (infrastructure and environment; human capital; innovative economy; technical assistance; Eastern Poland development; European territorial co-operation) and 16 regional programmes. The largest share of EU funds, more than 40%, finances infrastructure, essentially transport and environmental protection (Figure 1.5). The good governance priority within the Human Capital Operational Programme (HCOP), which is expected to help achieve the first horizontal strategic objective, accounts for 5% of the allocated funds for the programme and less than 1% of the total allocated funds (Table 1.1). The relatively modest size of this investment is likely to require considerable leveraging of national resources to advance the reform of the public administration.

Figure 1.5. **Allocation of EU Structural and Cohesion Funds by operational programme**



Note: The performance reserve is established to enhance relevant priorities of operational programmes, following an evaluation of their implementation.

Source: Poland's National Strategic Reference Framework 2007-2013 (May 2007).

Table 1.1. **Human Capital Operational Programme**

Priority		EUR million	% of programme funds	% of total funds
I.	Employment and social integration	430.3	4.4%	0.6%
II.	Development of human resources	661.3	6.8%	1.0%
III.	High quality of the education system	855.3	8.8%	1.3%
IV.	Higher education and science	816.3	8.4%	1.2%
V.	Good governance	519.3	5.3%	0.8%
VI.	Labour market open for all	1 918.4	19.8%	2.9%
VII.	Promotion of social integration	1 320	13.6%	2.0%
VIII.	Regional economy staff	1 350.2	13.9%	2.0%
IX.	Development of education and competence in regions	1 447.9	14.9%	2.2%
X.	Technical assistance	388.3	4.0%	0.6%
Total		9 707.3	100%	14.4%

Source: Poland's National Strategic Reference Framework 2007-2013 (May 2007).

The same applies for the other objectives on which EU funds are expended, particularly with respect to regional development and infrastructure. EU funding is particularly important for Poland's regional development and for its sub-national governments:

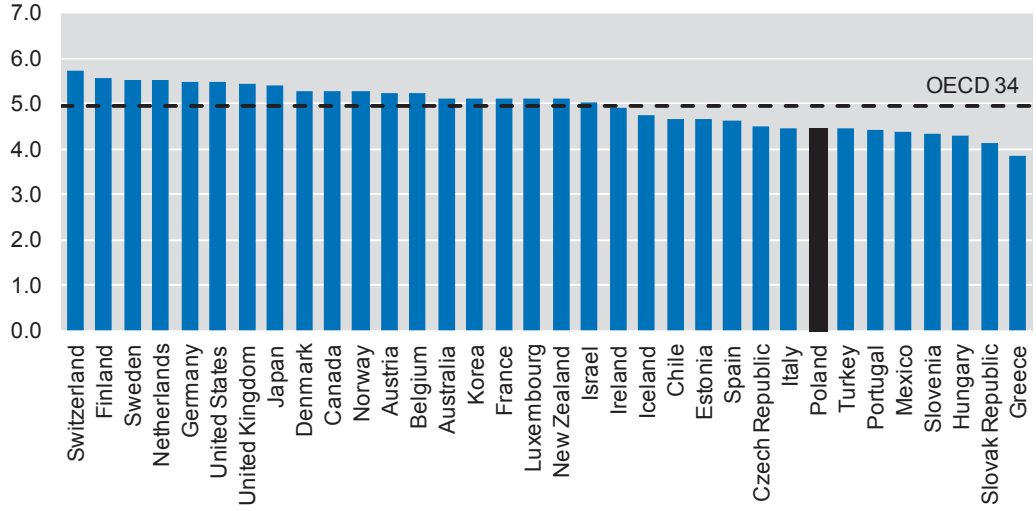
- The Polish government estimates that the 16 regional operational programmes, the Eastern Poland development operational programme and the regional component of the HCOP will bring to the *voivodship* governments approximately EUR 24 billion, or about 40% of the total EU Structural and Cohesion funding envelope for Poland, for investment over the programming period 2007-2013 (Ministry of Regional Development, 2009).
- Over this programming period, this represents an average annual envelope of approximately EUR 3.4 billion for Poland's 16 *voivodship* governments (the remaining 60-odd percent of the Cohesion and Structural funding envelope for Poland is expended through state-level operational programming).
- Considering that over the period 2007-2010, sub-national government expenditures amounted, on average, to EUR 47 billion per year (*OECD National Accounts Database*), EU funds therefore represent on average approximately 7% of annual sub-national government expenditures in Poland, not including the portion of EU Structural and Cohesion funding for regional development expended through state-level operational programming.
- In anticipation of the next programming period (2014-2020), the government of Poland plans to integrate the entire regional expenditure envelope, including EU, state-level and sub-national funding, within 16 "territorial contracts", one for each *voivodship* (see Chapter 4). This implies that the portion of EU funds supporting the roll-out of the territorial contracts will be significantly greater than the 7% the *voivodship* portion of the EU funding envelope now represents in *voivodship* budgets, and highlights the possible vulnerability facing Polish governments as they collectively seek to achieve development objectives over the long term, especially given the uncertainty surrounding EU funding levels after 2020.

The Polish government will need to pay particular attention to the effectiveness with which the management of EU funds, particularly under its territorial contracts, efficiently and effectively leverages resources to achieve development objectives across the country in an ever-tightening fiscal environment over the long term. EU funds have the greatest impact on economic growth when they finance public investment, increasing productivity and capital accumulation over time (IMF, 2008). As capital stock accumulates, the impact of EU funds is likely to face decreasing marginal returns. It is estimated that EU funds accounted for 1 percentage point of the growth in investment in Poland between 2006 and 2007. Estimates suggest that the impact of EU funds on GDP will peak between 2012 and 2014 and then progressively diminish through 2020 (Sierhej, 2006). So while EU funds have been particularly important in supporting investment, their impact is likely to decrease over the medium term. And while funding for the pending 2014-2020 programming period is likely to remain relatively high for Poland, considerable uncertainty exists regarding funding levels beyond 2020.

Improve Poland's competitiveness

Poland's competitiveness is relatively low compared to other OECD countries (Figure 1.6). Poland ranks 27th out of the 34 OECD member countries in the Global Competitiveness Index. Among the basic requirements that the World Economic Forum has identified as key contributors to strengthening competitiveness, Poland lags behind on infrastructure (34th), health and primary education (28th), and on institutions and macroeconomic environment (25th).

Figure 1.6. **Global Competitiveness Index 2012-2013**



Note: The index scores countries from 1 (least competitive) to 7 (most competitive).

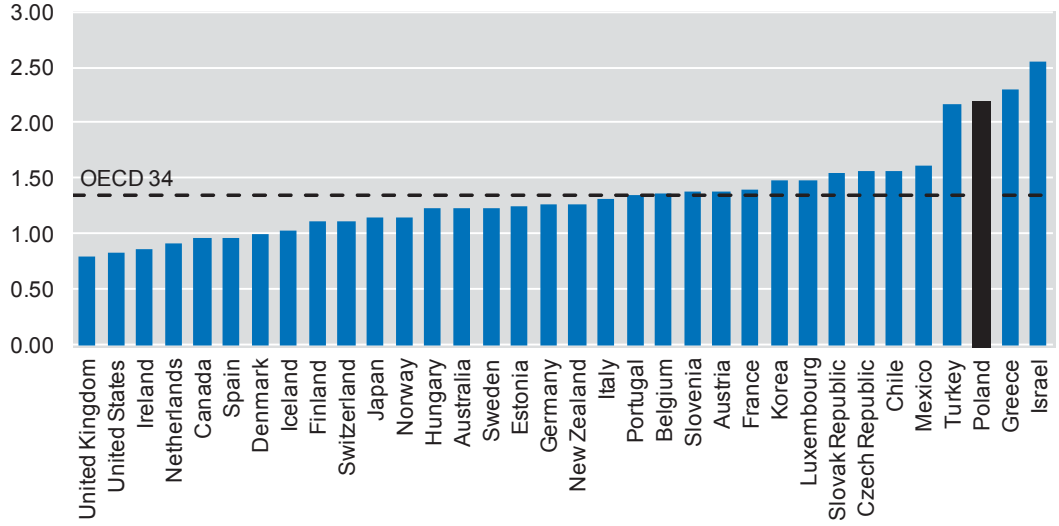
Source: Global Competitiveness Index 2012-2013 data platform, *www.weforum.org/issues/competitiveness-0/gci2012-data-platform*, accessed July 2012.

Respondents to a survey conducted by the World Economic Forum for the preparation of the Global Competitiveness Index 2012-2013 identified an inefficient government bureaucracy as the third most-important stumbling block to doing business after tax regulations and restrictive labour regulations (World Economic Forum, 2012). The OECD measure of the restrictiveness of regulation in the Polish product markets

points to a level of restrictiveness in Poland that is well above the OECD average (Figure 1.7). This regulatory environment might be hampering competition, which would in turn affect economic activity and growth.

Figure 1.7. **Product market regulation**

Scale of 0-6: from least restrictive to most restrictive (2008)



Source: *OECD Product Market Regulation (PMR) Database*, doi: *10.1787/pmr-data-en*.

Some progress has been made in improving Poland's business environment, but significant challenges remain. Between 2011 and 2012, Poland was the country that showed the greater improvement in its ranking in the World Bank's annual 185 country assessment of regulations affecting domestic firms. Poland made it easier to register property, pay taxes, enforce contracts and resolve insolvency. However, Poland still ranks 27th out of the 31 OECD member countries included in this assessment. Poland lags particularly behind in dealing with construction permits (31st) and providing access to electricity (29th) (World Bank, 2013).

Deregulating the economy is likely to enhance economic activity and support economic growth (Box 1.2). Public administration reform can also improve Poland's competitiveness through less costly public services, better regulation, and a more strategic allocation of government financial and human resources. While the government is removing regulatory bottlenecks, including through the deregulation of a number of professions, additional structural reforms are needed to help support growth (Box 1.3).

And improve Poland's well-being

Poland ranks 25th on the Better Life Index that measures well-being in the 34 OECD countries (Figure 1.8). In particular, Poland finds itself in the bottom two deciles on most indicators for material living conditions (income and wealth, jobs and earnings, housing) and rates marginally better on quality-of-life indicators; for example, the country scores in the top two deciles for education and personal security (but in the bottom two deciles for life-expectancy at birth) (OECD, 2011b).

Box 1.2. **Growth and regulation**

Estimating the impact of improved competition on growth requires careful assessment of the contextual factors, including the level of economic development of a country. The OECD estimates that, on average, lowering barriers to entrepreneurship can boost economic growth by 0.3-0.4%. The effects can be more important on countries with a relatively high GDP *per capita*.

OECD estimates are consistent with the experience of the government of Italy, that has launched a programme of liberalisation and deregulation similar to the one Poland is introducing. Italy has a GDP *per capita* which is higher than the GDP *per capita* of Poland and a larger economy. However, it shares some of the challenges faced by Poland in terms of competitiveness and product market regulation. In Italy, in 2010 reducing regulatory bottlenecks led to estimated savings for small and medium enterprises of approximately EUR 1.5 billion per year. Easing regulation is expected to increase growth by 0.3-0.4% per year over a decade.

Source: Wölfl, A., I. Wanner, O. Röhn and G. Nicoletti (2010), "Product Market Regulation: Extending the Analysis Beyond OECD Countries", *OECD Economics Department Working Papers*, No. 799, OECD Publishing, doi: *10.1787/5km68g3d1xzn-en*; OECD (2012), *Better Regulation in Europe: Italy 2012*, OECD Publishing, doi: *10.1787/9789264169975-en*; Government of Italy and OECD estimates.

Box 1.3. **Structural reforms supporting Poland's economy**

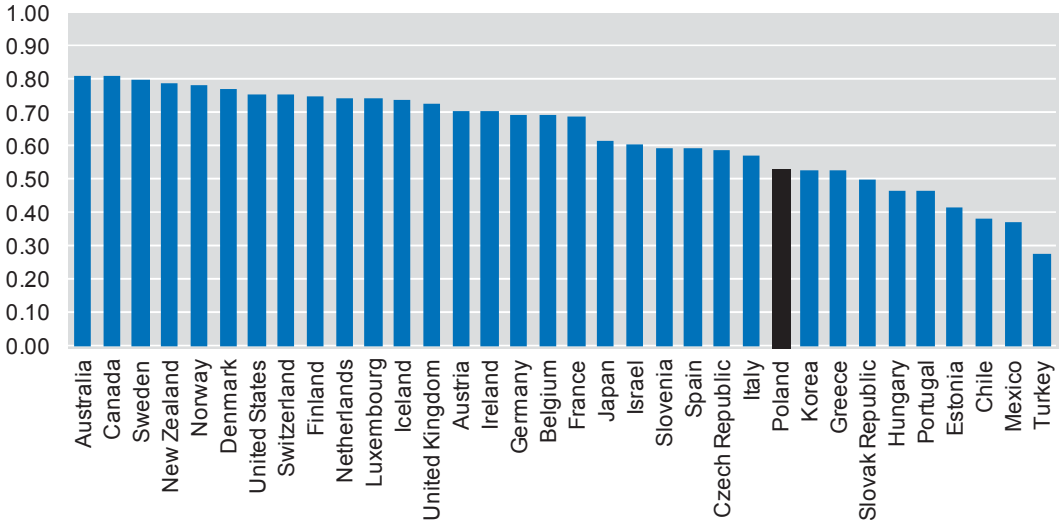
Tax and labour market reforms can create an environment that supports economic growth. Key reforms include:

- A more transparent and balanced tax system: eliminating a number of exemptions could create the conditions for lowering the statutory tax rate. The tax burden could be progressively shifted from labour and capital to taxes that are likely to have a more limited negative impact on economic growth such as property and environmental taxes.
- Active labour market policies: improving counselling, training and vocational programmes could help reduce skill mismatches and unemployment. These policies could be accompanied by the development of apprenticeship programmes and the strengthening of tertiary education.
- Supporting labour force participation and mobility: increasing the availability of childcare would improve female employment. Developing the private rental market would facilitate labour force mobility.

Source: OECD (2012), *OECD Economic Surveys: Poland 2012: Volume 2012, Issue 7*, OECD Publishing, doi: *10.1787/eco_surveys-pol-2012-en*.

Measures of well-being reflect several factors and cannot always be linked directly to policy interventions. For example, health outcomes can depend on individuals' behaviour and their environment in addition to the quality of healthcare services (OECD, 2011b). With this caveat in mind, these measures of well-being can provide a useful complement to standard measures of economic performance and a snapshot of some of the public policy areas on which government might need to focus to strengthen its effectiveness.

Figure 1.8. **Better Life Index**



Note: The OECD Better Life Index is an interactive tool that allows citizens to see how countries perform according to the importance assigned by them to each of 11 indicators – income and wealth, jobs and earnings, housing, health, work-life balance, education, social connections, civic engagement and governance, environmental quality, personal security, subjective well-being – that contribute to overall well-being. The figure shows the values of the index obtained by assigning to the 11 topics equal weight. Assigning different weights to the 11 topics will only marginally affect the values. Further information on the index is available at *www.oecdbetterlifeindex.org*.

Source: OECD (2011), *How is Life?: Measuring Well-being*, OECD Publishing, doi: *10.1787/9789264121164-en*.

Government capacity to address emerging challenges

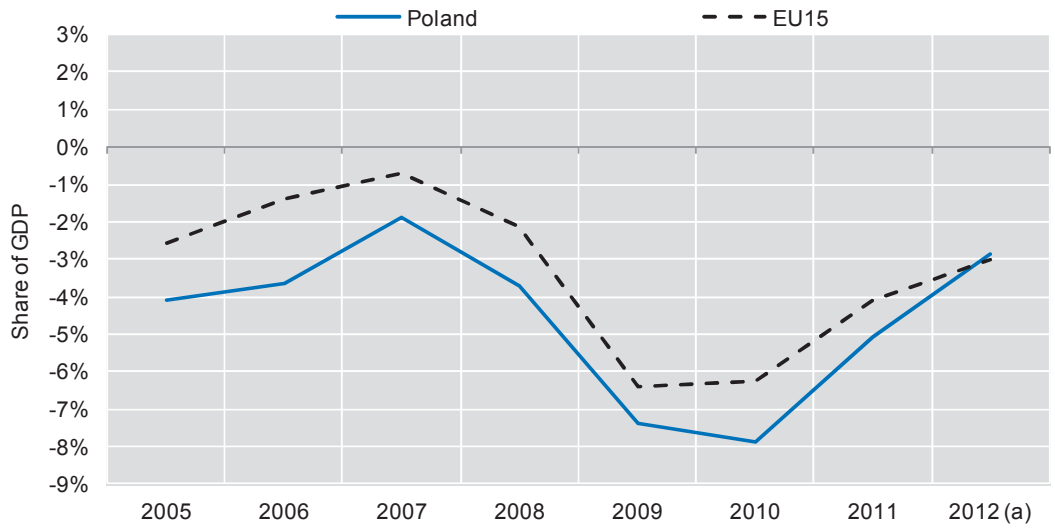
Reduced economic growth perspectives and the need to leverage EU Structural and Cohesion Funds better will put new demands on the Polish public administration. As the government reduces deficit and debt, the public administration will be called upon to do more (or at least not less) with fewer resources. This perspective will heighten the need to re-think the way in which Poland's public administration develops and implements public policies, sets priorities, and reallocates financial and human resources to meet changing priorities.

Fiscal space is tightening

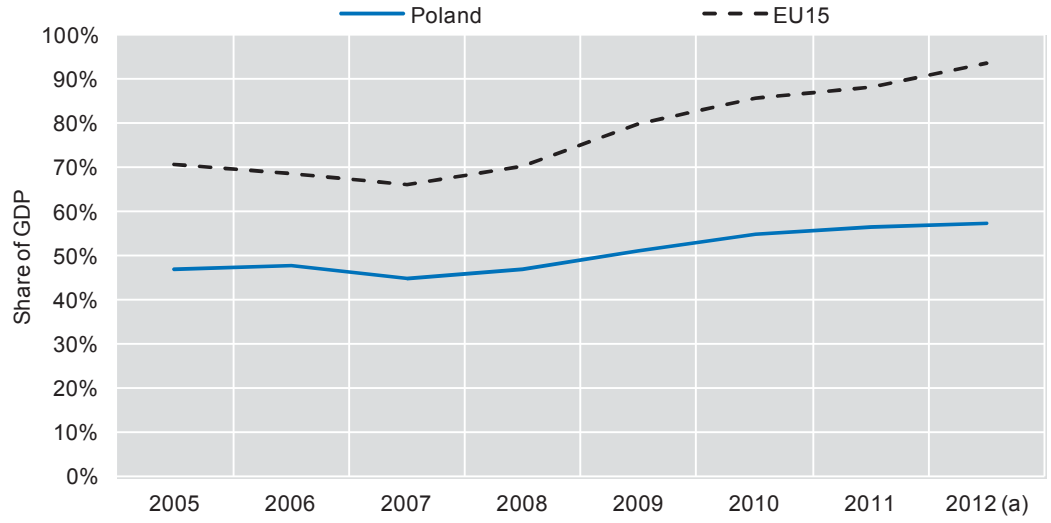
Fiscal stimulus to counteract the effects of the economic crisis, lower tax revenues triggered by adverse economic conditions, tax cuts and the work of automatic stabilizers like unemployment benefits contributed to widening the general government deficit to 7.4% and 7.9% of GDP in 2009 and 2010, respectively, compared to 3.7% of GDP in 2008 (Figure 1.9A). Public debt rose continuously between 2008 and 2011, reaching 56.4% of GDP in 2011 (Figure 1.9B).

Figure 1.9. **Poland's fiscal position**

A. Fiscal balance



B. Public debt (Maastricht definition)



Notes: Fiscal balance is the financial balance of the general government (i.e. central and sub-national governments and social security institutions). Public debt is the general government gross debt defined according to the convergence criteria set out in the Maastricht Treaty. It comprises currency, bills and short-term bonds, other short-term loans and other medium- and long-term loans and bonds. Debt is consolidated within the general government (i.e. central and sub-national governments and social security institutions). Financial liabilities such as trade credits extended to the government are not included. Government bonds are valued at nominal value (see OECD Glossary of Statistical Terms, *http://stats.oecd.org/glossary/detail.asp?ID=1161*). (a) Estimates.

Source: OECD (2012), "OECD Economic Outlook No. 92", *OECD Economic Outlook: Statistics and Projections* (database), OECD, Paris, doi: *10.1787/data-00646-en*.

In 2011, following fiscal consolidation and improved economic conditions, the deficit dropped to approximately 5% of GDP, remaining, however, above the 3% threshold set in the EU Stability and Growth Pact. Accordingly, Poland remains one of the EU countries under an excessive deficit procedure, with an obligation to correct its deficit by 2012. The

government planned to eliminate the excessive deficit in 2012 and further pursue the fiscal consolidation in order to reach the medium-term budgetary objective (MTO), a deficit of 1% of GDP in structural terms (European Commission, 2012a), set out in the EU legislation that has strengthened the Stability and Growth Pact (Box 1.4).

Box 1.4. **EU economic governance**

A new set of rules – five directives and one regulation, the so-called "Six-Pack" – entered into force in December 2011 to enhance EU economic governance. The rules include four main components:

- Stronger preventive action through a reinforced Stability and Growth Pact (SGP) and deeper fiscal co-ordination: EU countries are required to make significant progress towards medium-term budgetary objectives (MTO) for their budgetary balances. Expenditure benchmarks are used alongside the structural budget balance to assess adjustments towards the MTO. An interest-bearing deposit of 0.2% of GDP is imposed on non-compliant euro area countries.
- Stronger corrective action through a reinforced SGP: the launch of an Excessive Deficit Procedure (EDP) can result from government debt developments as well as from government deficit. EU countries with debt in excess of 60% of GDP should reduce their debt in line with a numerical benchmark. Progressive financial sanctions kick in at an earlier stage of the EDP. A non-interest bearing deposit of 0.2% of GDP may be requested from a euro area country which is placed in EDP on the basis of its deficit or its debt.
- Minimum requirements for national budgetary frameworks: EU countries should ensure that their fiscal frameworks are in line with minimum quality standards and cover all administrative levels. National fiscal planning should adopt a multi-annual perspective, so as to attain the MTO.
- Preventing and correcting macroeconomic and competitiveness imbalances: a new surveillance mechanism aims to prevent and correct competitiveness divergences and macroeconomic imbalances that have emerged across EU countries It relies on an alert system that uses a scoreboard of indicators and in-depth country studies, strict rules in the form of a new Excessive Imbalance Procedure (EIP) and better enforcement in the form of financial sanctions for EU countries which do not follow up on recommendations.

Twenty-five EU countries, including Poland, also signed an inter-governmental Treaty on Stability, Co-ordination and Governance (TSCG), which is expected to come into force in 2013. The treaty, which includes a so-called "Fiscal Compact", is binding for all euro area countries, while other EU countries will be bound once they adopt the euro or earlier if they wish. The Fiscal Compact includes stricter deficit requirements and an enhanced monitoring and compliance mechanism.

Source: European Commission, Economic and Financial Affairs (2012), "Six-pack? Two-pack? Fiscal Compact? A Short Guide to the New EU Fiscal Governance", European Union, Brussels, 14 March, *http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm,* accessed in December 2012.

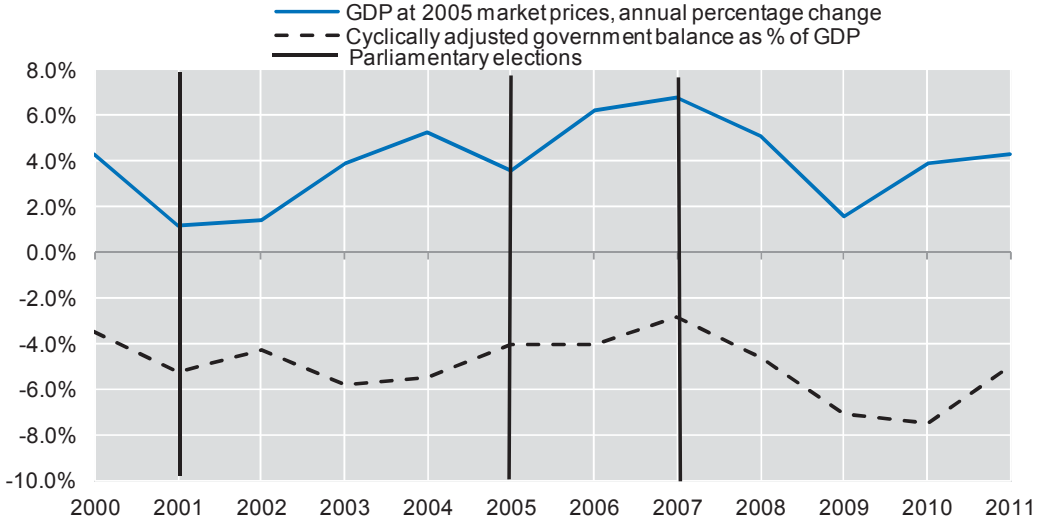
The government is introducing permanent fiscal rules that are expected to strengthen the long-term stability of public finances. It introduced a nominal freeze of the wage bill and a ceiling on discretionary spending, which should not exceed the growth in the consumer price index plus 1%. In addition, the government plans to impose additional expenditure limits at the regional and local levels. Specifically, a new rule under

discussion would introduce deficit limits and excessive deficit procedures for local governments. Local governments' four-year deficit projections (i.e. current year plus three following years) will be assessed at the planning stage to facilitate fiscal discipline. This measure would be accompanied by the roll-out of a data and information-delivery system connecting local government, regional auditing chambers and the Ministry of Finance to monitor sub-national government deficits (OECD, 2012a). Good management of public finances across levels of government is particularly important in Poland as regional/local and central governments are almost equally responsible for general government expenditures (approximately 33% each in 2010).

Heightening the need for counter-cyclical fiscal policies

In times of worsening growth outlooks, it becomes paramount to save for rainy days by steering a counter-cyclical fiscal policy. Before 2005, Poland expanded government expenditures in times of economic growth, conducting a pro-cyclical fiscal policy. Since 2005, fiscal policy has tended to become slightly more counter-cyclical with no significant fiscal expansion following parliamentary elections and some deficit-reduction measures before the 2007 parliamentary elections (Figure 1.10). The fiscal rule that the government is putting in place can facilitate counter-cyclical (or cyclically neutral) fiscal policies. This fiscal rule might, however, not be enough; the government might need to ensure, through strategic foresight and multi-year performance-based fiscal planning, that emerging challenges and opportunities are factored into public spending plans and decision making, including long-term fiscal projections linked to medium-term expenditure ceilings.

Figure 1.10. **GDP growth, cyclically adjusted balance and parliamentary elections**



Note: The cyclically adjusted government balance measures what government revenues and expenditure would be if output were at its potential level, factoring out changes in revenues and expenditure automatically triggered by an economic boom or a recession.

Source: European Commission (2012), "Cyclical Adjustment of Budget Balances" (Spring), European Union, Brussels, *http://ec.europa.eu/economy_finance/db_indicators/gen_gov_data/adjustment/index_en.htm*.

Fiscal consolidation is likely to affect the machinery of government

Fiscal consolidation measures are expected to rely largely on increasing revenues first, shifting to greater expenditure reductions later (Figure 1.11). Central government

and social security savings make up 95% of the consolidation measures, with all sectors except defence and health expected to face some expenditure cuts (Table 1.2).

Table 1.2. **Major consolidation measures**

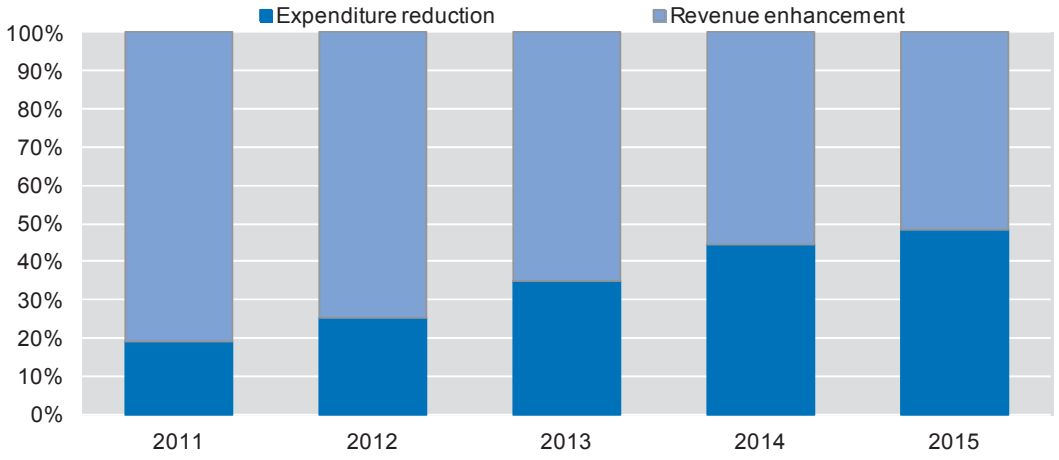
Billion PLN

		2011	2012	2013	2014	2015
I. Expenditures		**6.4**	**15.4**	**26.7**	**36.1**	**44.4**
	% of nominal GDP	*0.4%*	*1.0%*	*1.6%*	*2.0%*	*2.3%*
A. Operational expenditures		**3.7**	**6.1**	**9.0**	**13.6**	**19.5**
	% of nominal GDP	*0.2%*	*0.4%*	*0.5%*	*0.8%*	*1.0%*
A1. Staff expenditure	Compensation increase for the army and police forces.		-0.4	-0.7	-0.8	-0.8
A2. Operating expenditures	Temporary expenditure rule (including a freeze of the nominal wage fund) and ceiling on new legally mandated spending.	3.4	5.4	7.6	11.1	16.0
	Reduction in debt-servicing cost due to changes to the funded pension scheme.	0.3	1.0	2.1	3.2	4.3
B. Programme measures		**2.7**	**9.4**	**17.7**	**22.6**	**24.8**
	% of nominal GDP	*0.2%*	*0.6%*	*1.0%*	*1.3%*	*1.3%*
B1. Pension expenditure	Suspension of pension benefits for persons employed.	0.9	0.9	0.9	0.9	0.9
	Implemented abolition of early retirement scheme.	1.0	7.2	13.3	16.8	17.8
	Increase and equalisation of retirement age to 67 years.			0.5	1.6	2.7
B2. Health insurance	Reforming health insurance premium for farmers.		0.1	1.8	1.9	1.9
B3. Social benefits	Reduction in funeral benefits.	0.8	1.1	1.3	1.4	1.6
II. Total revenue enhancement measures		**26.8**	**44.9**	**49.7**	**45.2**	**47.7**
	% of nominal GDP	*1.8%*	*2.8%*	*2.9%*	*2.5%*	*2.5%*
A. Personal income taxes	Freeze of thresholds.	1.2	2.6	3.9	5.4	7.2
	Changes in the personal income tax on capital profits.		0.4	0.4	0.4	0.4
	Reduction in tax expenditure.			-0.2	0.4	0.4
B. Corporate income taxes	Reduction due to higher disability contribution rate		-1.0	-1.2	-1.3	-1.4
C. Value-added tax	An increase of the VAT rate.	5.6	7.0	7.2		
	Restriction of right to deduct input VAT for company cars and fuel.	1.2	1.3	1.3		
D. Excise duties	Increase in excise duty on tobacco (4% in each year).	0.2	0.9	1.7	2.5	3.2
	Increase in excise duty on fuel and in fuel fees.		2.4	2.5	2.7	2.8
	Abolition of reduced excise duty on bio-fuels.	0.9	1.50	1.6	1.6	1.8
	Expiration of the period of exemption from the excise duty tax on coal and coke for combustion purposes.		0.1	0.2	0.2	0.2
E. Social contribution	Higher disability contribution rate paid by employers: increase by 2 percentage points (effective from February 2012).		7.1	8.8	9.3	9.9
	Changes to the funded pension scheme.	17.6	19.9	17.2	17.4	16.0
F. Implementing a royalty charge on copper and silver			1.5	2.2	2.1	2.1
G. Newly introduced road speed limit enforcement system			1.2	1.2	1.2	1.2
H. Revenues from the CO^2 emission rights auction				2.9	3.1	3.4
I. Increase and equalisation of the retirement age for men and women to 67 years (from present levels of 65 and 60 years, respectively)				0.1	0.4	0.6

Note: The percentage of nominal GDP is calculated by the OECD, based on the government's GDP forecasts.

Source: OECD (2012), *Restoring Public Finances, 2012 Update*, OECD Publishing, doi: *10.1787/9789264179455-en*; and Ministry of Finance updates.

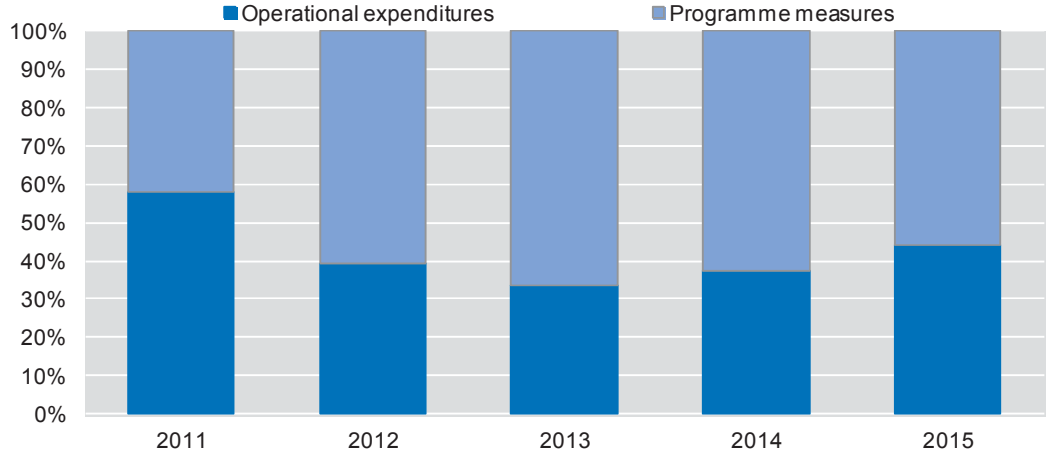
Figure 1.11. **Composition of fiscal consolidation**



Source: OECD (2012), *Restoring Public Finances, 2012 Update*, OECD Publishing, doi: *10.1787/9789264179455-en*.

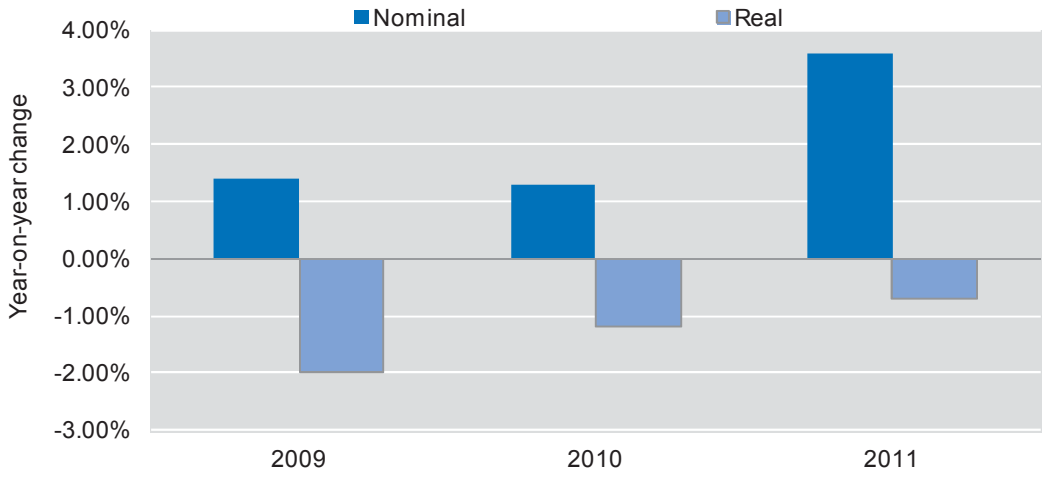
The government plans to address both operational and programme expenditures, placing slightly more weight on programme expenditures. Most savings on programme expenditures are expected to flow from the abolition of early retirement schemes and the gender equalisation of the retirement age to 67 years. Operational measures, however, are not negligible, accounting on average for 42% of expenditure measures and affecting more directly the public administration (Figure 1.12). In particular, the public sector wage freeze through 2015 might limit the capacity of the public administration to recruit and retain high-level talent. This wage freeze falls on the heels of a drop in the real wages of civil servants and could counteract the positive effect that the expected slow-down in the inflation rate could have on civil servants' purchasing power (Figure 1.13).

Figure 1.12. **Composition of expenditure measures**



Source: OECD (2012), *Restoring Public Finances, 2012 Update*, OECD Publishing, doi: *10.1787/9789264179455-en*.

Figure 1.13. **Change in the average monthly salary of civil servants**



Note: The 2011 nominal wage increase occurred before the wage freeze was effective.

Source: Chancellery of the Prime Minister (2011), "Report of the Head of the Civil Service on the Condition of the Civil Service", Warsaw.

Government expenditures are likely to require efficiency savings

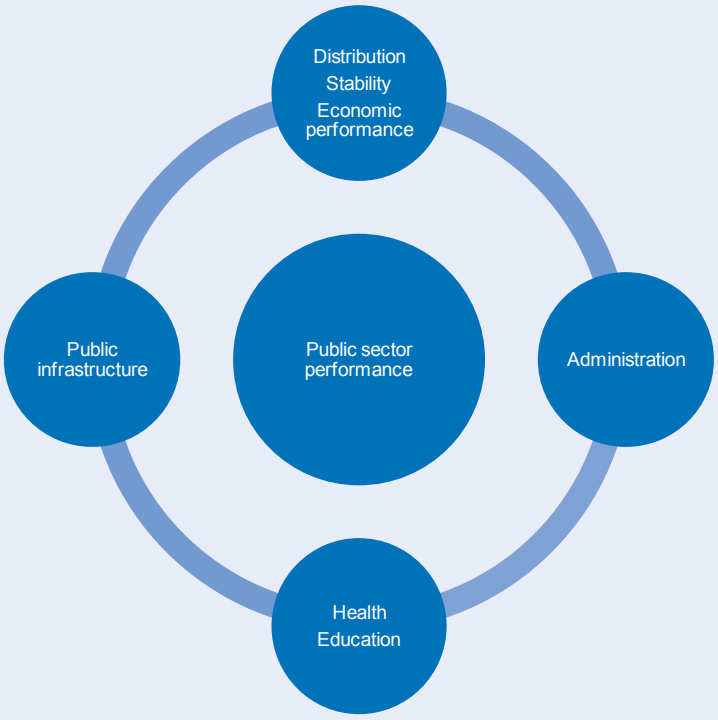
In Poland, general government expenditure (central and sub-national government as well as social security institutions) as a share of GDP is broadly aligned with the OECD average and accounted for approximately 45% of GDP in 2010 (compared to the OECD average of 47% of GDP) (Figure 1.14). Government plays an important role in financing investment. In 2009, government investment accounted for 27% of general government expenditure, 7 percentage points above the OECD average. Partly supported by important inflows of EU funds, government investment represented almost 26% of total investment, 6 percentage points above the OECD average (Figure 1.15). The underdeveloped infrastructure network calls for sustained engagement on the part of the government in supporting investment. Accordingly, savings will need to come from the daily operations of the public administration, while at the same time ensuring that the public administration is effective and maximises net policy benefit for society (Box 1.5).

Box 1.5. **Measuring public sector performance**

This chapter provides a snapshot of the human and financial resources of the Polish public administration and how these resources measure compared to other OECD countries. However, this is only one side of the efficiency equation, which also needs to look at the overall performance of the public administration to determine the extent to which it operates efficiently and effectively.

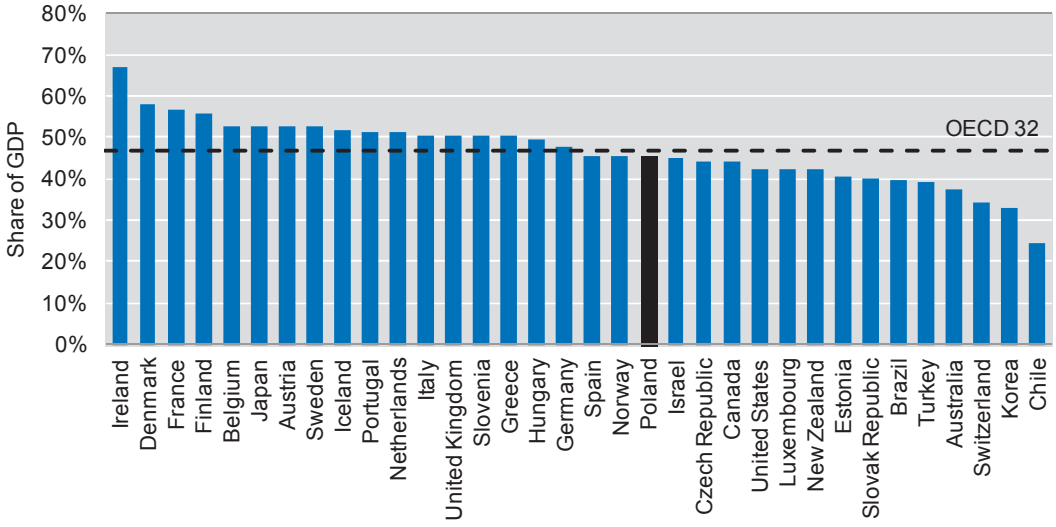
To assess performance, it is important to pin down the functions of government. Taking a macroeconomic perspective, government could be defined as the steward of allocation, distribution and stabilisation to ensure that the economy grows in a balanced and sustained fashion. Yet, the concept can be refined to include a more granular assessment of performance that takes into consideration more closely the everyday business of government, including the delivery of essential services like health and education, the construction and maintenance of infrastructure and the administration of all these services, including policy development and implementation (administration in the figure below). These different functions are closely interrelated and as a whole they contribute to the performance of the public sector and the economy as a whole.

Box 1.5. **Measuring public sector performance** (*cont.*)



Source: Hüfner, F. (2011), "Increasing Public Sector Efficiency in Slovakia", *OECD Economics Department Working Papers*, No. 839, OECD Publishing, doi: *10.1787/5kgj3l0m0q0r-en*; Afonso, A., L. Schuknecht and V. Tanzi (2006), "Public Sector Efficiency: Evidence for New EU Member States and Emerging Markets", *European Central Bank Working Paper Series No. 581*, European Central Bank, Frankfurt.

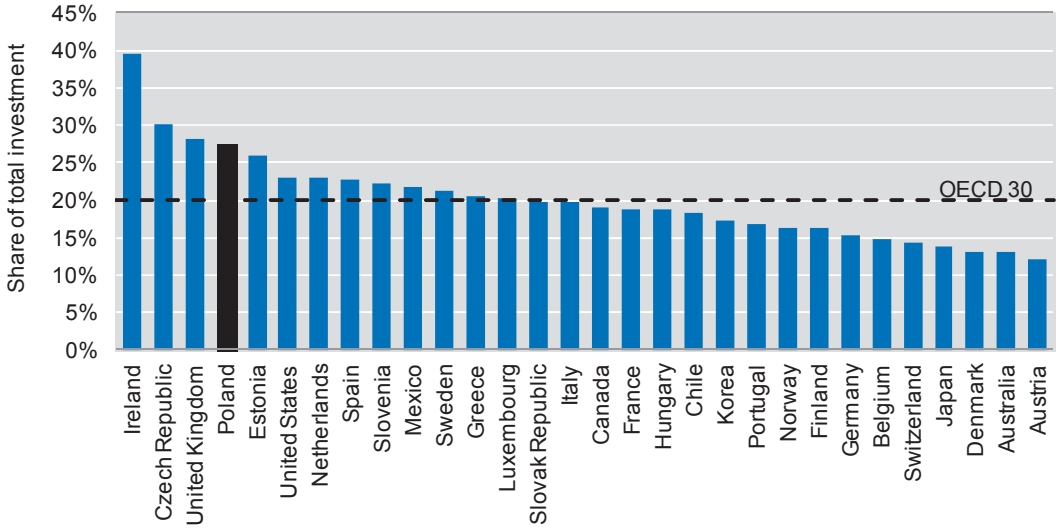
Figure 1.14. **General government expenditure as a percentage of GDP (2010)**



Notes: Australia, Japan, Korea and New Zealand: 2008 instead of 2009.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, doi: *10.1787/gov_glance-2011-en.*

Figure 1.15. **Government investment as a share of total investment (2009)**



Note: Data for Iceland and Turkey are missing. 2009 data for Israel and New Zealand are missing and these countries are not included in the average (OECD 30). Data for Korea and Luxembourg do not include capital transfers. Australia, Greece, Japan, Korea, Switzerland and the Russian Federation: 2008 instead of 2009.

Source: OECD (2011), *Government at a Glance, 2011*. OECD Publishing, doi: *10.1787/gov_glance-2011-en*.

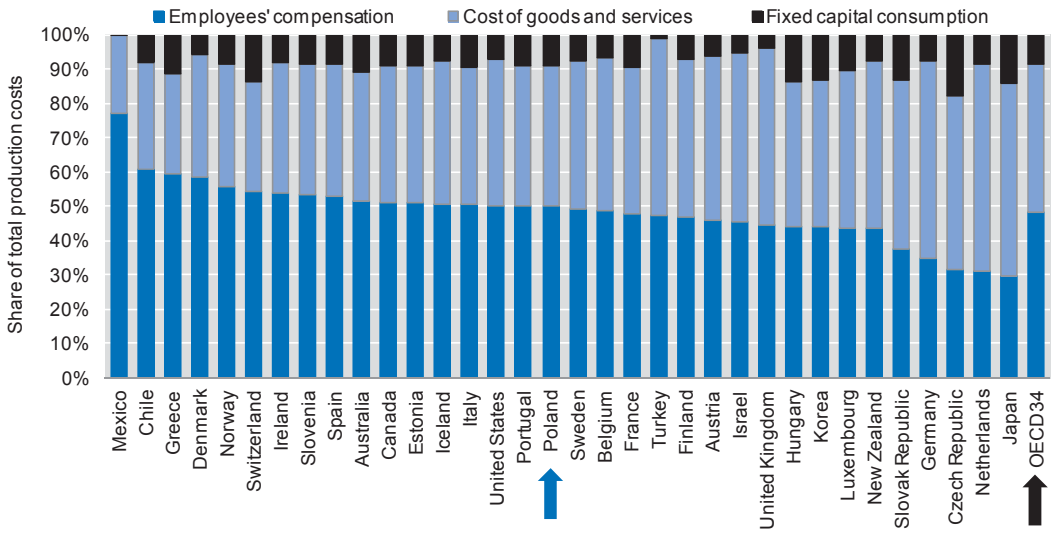
In 2010, approximately 20% of the Polish economy was engaged in the production of public goods and services, slightly below the OECD average (23%). Poland's reliance on government employees in the production process is slightly above the OECD average. In 2010, compensation costs for employees amounted to 50% of total production costs, 2 percentage points above the OECD average of 48% (Figure 1.16). Public employment, however, remains low in comparison to other OECD countries. In 2008, Poland general government employees (central and sub-national government as well as social security institutions) accounted for approximately 10% of the total labour force, 5 percentage points below the OECD average (Figure 1.17). Production costs and, indirectly, public expenditure, could thus benefit from leveraging greater resources from outside government and refocusing civil service mandates on policy and strategic functions.

An ageing population will affect public administration

As in a number of OECD countries, Poland will face important demographic change over the long term. The dependent population, defined as those who are less than 15 years old and 65 years of age and older, is expected to increase to approximately 42% of the population by 2050, up from approximately 31% in 2000. In 2010, approximately 15% of the Polish population was less than 15 years old and 13% was 65 and older. By 2050, the elderly will represent more than 30% of the Polish population, while youth will account for only 13%. Accordingly, the elderly will account for almost 70% of the dependent population by 2050, compared to 47% in 2010 (Figure 1.18).

Figure 1.16. **Production costs in general government**

Share of total production costs (2010)

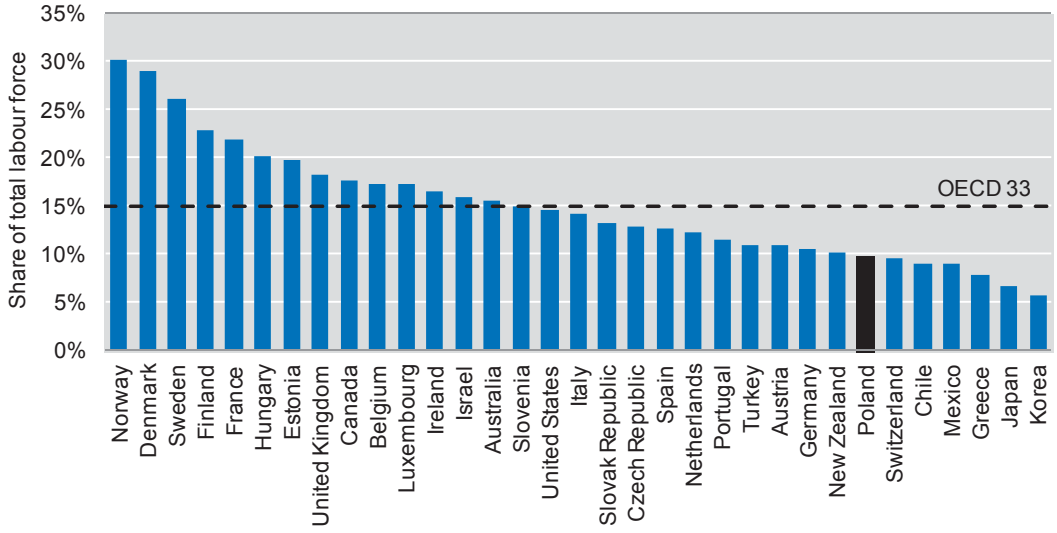


Notes: Australia, Japan, Korea, New Zealand and the Russian Federation: 2008.

Source: OECD (2011), *Government at a Glance 2011,* OECD Publishing, doi: *10.1787/gov_glance-2011-en*.

Figure 1.17. **Employment in the general government**

Share of the total labour force (2009)

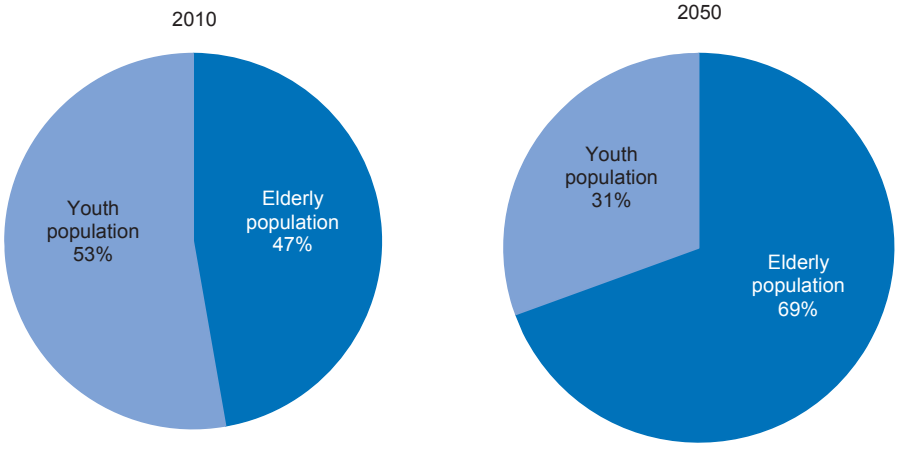


Notes: Data for Iceland are missing. Data for Australia and Chile refer to the public sector (general government and public corporations). Data for Austria, the Czech Republic, Italy, the Netherlands and New Zealand are expressed in full-time equivalents (FTEs). In New Zealand FTEs are included for education, health and community services and personal and other services. Chile, the Czech Republic, Greece, Korea, Portugal, Switzerland and Turkey: 2008 instead of 2009. Sweden: 2007 instead of 2009. France: 2006 instead of 2009.

Source: International Labour Organization (ILO), *LABORSTA database*; *OECD Labour Force Statistics Database*. Data for Turkey are from the Ministry of Finance and the Turkish Statistical Institute. Data for Korea were provided by government officials.

Figure 1.18. **Evolution in the youth and elderly population**

Youth and the elderly as a share of the total dependent population



Note: Youth includes people aged less than 15; the elderly population includes people aged 65 and over.

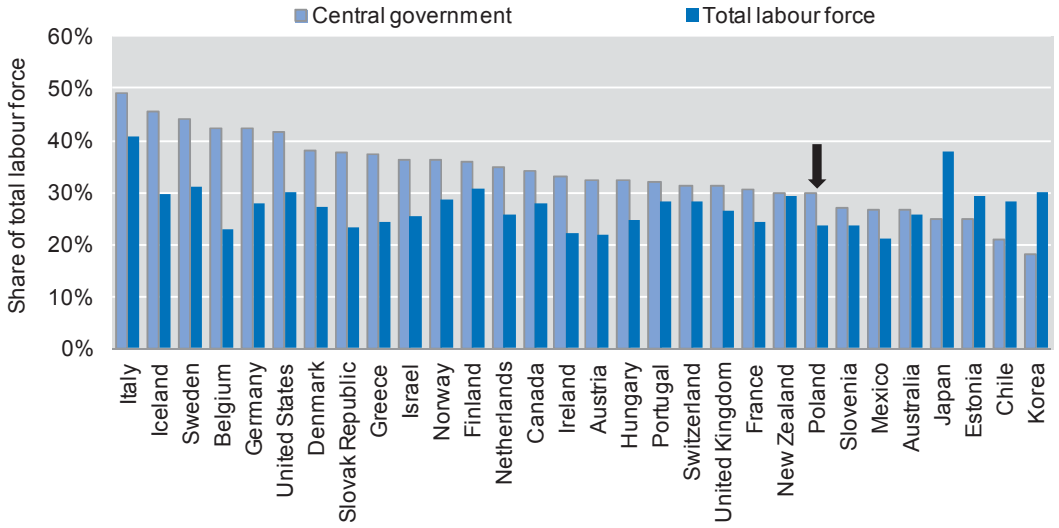
Source: OECD (2011), "OECD Factbook 2011-2012", *OECD Factbook Statistics* (database), doi: *10.1787/factbook-data-en*.

This change is likely to have important consequences on government expenditure and service delivery. The government is already anticipating some of these consequences by increasing the retirement age for the entire population, which should in part ease the burden imposed on the pension system by a larger elderly population. Other consequences, however, will need to be addressed. A larger elderly population is likely to place heavier demands on the health system, while some resources allocated to caring for the young might need to be redeployed. In addition, an ageing population is likely to affect the public workforce. Poland's civil service is still young compared to that in most OECD member countries, with approximately 30% of central government employees above the age of 50 (Figure 1.19). However, this share is likely to increase in the future. In the short term, an ageing public service could increase the fiscal burden on Poland's taxpayers while decreasing immediate capacity to deliver services to them. In this regard, new technologies are being adopted in many OECD countries to improve service delivery in the context of an ageing and declining workforce, for example by increasing the automation and online self-delivery of many social services.

Improved co-ordination to improve service delivery

Poland's performance in terms of health outcomes is consistent with the performance of countries at Poland's level of development and their overall spending on health (OECD, 2012b). However, the OECD expects that public healthcare spending is likely to increase in the coming decades. Rapid ageing, projected income growth and cost-increasing technology are likely to generate mounting health- and long-term care needs. Healthcare responsibilities are shared across levels of government (with delivery responsibilities sometimes overlapping); hence, co-ordination and co-operation will be paramount in minimising cost and service delivery inefficiencies and waste (Figure 1.20).

Figure 1.19. **Employees 50 or older in central government and total labour force (2009)**

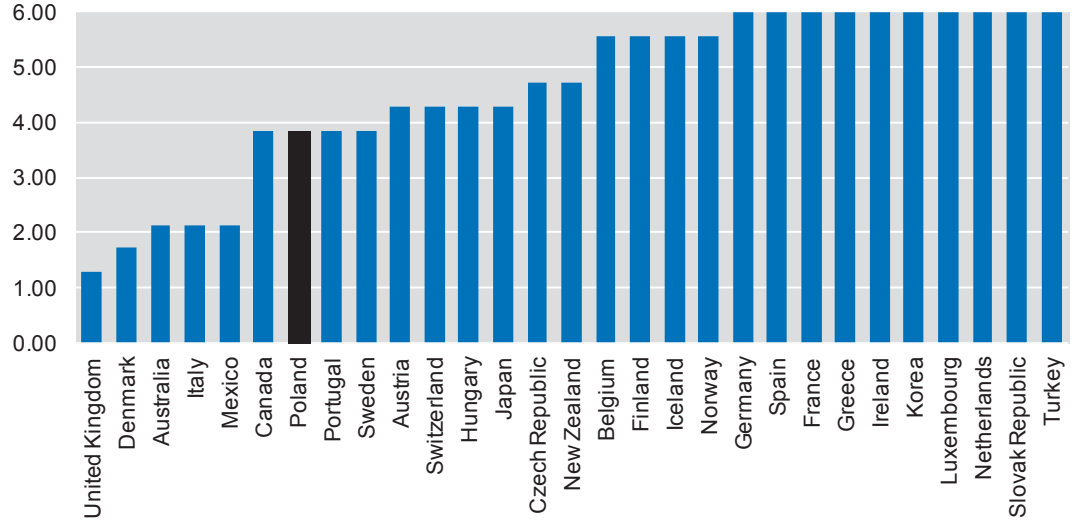


Notes: Data are not available for the Czech Republic, Luxembourg, Spain and Turkey. Data for Poland's central government employees are for 2011. Data for Italy, Japan and Korea are for 2008 instead of 2009. Data for Portugal are for 2010 instead of 2009. For Estonia and Hungary, the data represent the percentage of government employees aged over 51 years. For Chile, data represent the percentage of government employees aged over 55 years.

Source: OECD (2011), *Government at a Glance 2011,* OECD Publishing, doi: *10.1787/gov_glance-2011-en*; and Chancellery of the Prime Minister updates.

Figure 1.20. **Consistency in responsibilities across levels of government**

Indicator scale of 0-6 (2008-2009)



Note: The lower the score, the lower the consistency in responsibility assignment across government levels.

Source: OECD (2012), *OECD Economic Surveys: Poland 2012: Volume 2012, Issue 7*, OECD Publishing, doi: *10.1787/eco_surveys-pol-2012-en*.

Conclusion: Toward achieving strategic-state capability

These significant demographic, policy and fiscal challenges point to a pressing need for Poland to improve the government's capacity to enhance the country's competitiveness and sustain growth while remaining capable of planning and delivering services to citizens and businesses equitably across the country.

Countries that are meeting these challenges successfully have done so by maximising their public sector's resiliency and nimbleness in the face of increasingly complex policy challenges generated by a constantly changing environment. This requires maximising strategic-state capacity – that is a government that can articulate a broadly supported long-term vision for the country, identify emerging and longer term needs correctly, prioritise objectives, identify medium- and short-term deliverables, assess and manage risk, strengthen efficiencies in policy design and service delivery to meet these needs effectively, and mobilise actors and leverage resources across society to achieve integrated, coherent policy outcomes in support of the vision (OECD, 2010).

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Chapter 2

Centre of Government hub capacity to implement strategy: Co-ordination, budgeting and human resources management

This chapter examines the role of the Centre of Government (COG) to implement and steer strategy and assesses the role of budgeting and human resources management as tools in this regard. This chapter examines the strength and agility of Poland's Centre of Government institutions to lead the implementation of the government's national vision across the central government and with its sub-national and non-governmental partners. The chapter highlights the success the government has had in setting strategy, underscoring the need for it to move to implement it and monitor its implementation on an ongoing basis.

Introduction

Following the end of the communist regime in 1989, Poland undertook important reforms aimed at building a democratic state and a functioning market economy. Reconstructing the Polish state was based on the following principles (Zawicki et al., 2012):

- building a democratic state based on the rule of law;
- the introduction of a market economy;
- the institution of property rights; and
- respect for individual freedoms.

These principles drove the most important reforms of the Polish public sector, including the privatisation of public sector economic activity, price liberalisation, the reform of the banking system, administrative modernisation and the recasting of the social welfare system, including in education and healthcare. The country reorganised its branches of government to balance the different constitutional powers (Box 2.1) and re-established sub-national self-government structures that have shifted powers and responsibilities closer to citizens (Box 2.2).

Box 2.1. **The executive, legislative and judiciary powers in Poland**

The 1997 Constitution introduced a hybrid system with elements of both a parliamentary system and a presidential system.

The executive power is exercised by the President of the republic and the Council of Ministers. The President is directly elected every five years. Domestic and foreign policy is guided by the Council of Ministers, headed by the Prime Minister who is appointed by the President. The Prime Minister and the Council of Ministers, once appointed, need to receive a vote of confidence from the *Sejm*, one of the two parliamentary chambers. In March 2012, the government consisted of 20 members – the Prime Minister, 18 ministers and the Head of the Chancellery of the Prime Minister. As provided in the Constitution, the ministers participate in determining the state policy and are responsible for the developing and implementing government action in the respective policy areas.

The legislative power consists of the *Sejm* – the lower chamber composed of 460 members – and the Senate – the upper chamber composed of 100 members. Both houses are directly elected every four years. The Constitution assigns the *Sejm* a dominant role in the legislative process, and only the *Sejm* is vested with the right to supervise the activities of the Council of Ministers. Members of the government and the Council of Ministers bear full political responsibility to the *Sejm*.

The Supreme Court is the principal body of the judiciary power. It supervises the activity of common and military courts in the area of adjudication and recognises the validity of elections to the *Sejm* and the Senate as well as the presidential elections. It passes opinions on acts of Parliament and other legal regulations. Supreme Court judges are appointed by the President of the republic upon recommendation of a National Judicial Council, which is composed of 24 judges from national and local courts. Common courts are divided into regional (45), district (321) and appeal (11) courts. Their judges are appointed by the President of the republic acting on a motion of the National Judicial Council. Courts are managed by presidents appointed by the Minister of Justice. Administrative courts ensure that activities of public administration are consistent with the law, settle disputes in the area of competencies and jurisdiction between local government units, local government appeal courts and among central government administration authorities. The Supreme Administrative Court supervises the administrative judiciary both in the organisational and administrative areas. A Constitutional Tribunal, whose members are appointed by the *Sejm*, judges the constitutionality of laws.

Source: Zawicki et al. (2012), "Background Report for the Public Governance Review of Poland", 2 May (unpublished).

Box 2.2. **Decentralisation reform in Poland**

In the 1990s, Poland undertook a wide-ranging decentralisation, and it is probably the country of Central and Eastern Europe that has gone the furthest in this direction. It started with municipal autonomy in 1990, seen as having an essential role in shaping a democratic Poland. Municipalities (*gminas*) have the largest responsibilities in terms of spatial planning, infrastructure development, housing, social services and education. Mayors are directly elected.

The creation of the 16 Polish regions in 1999 was an important step in the establishment of multi-level governance. The regions (*voivodships*) have an elected regional assembly and are responsible for regional economic development, higher education, hospitals and facilities beyond municipal boundaries, the labour market and job creation. Although they play a relatively limited role in providing public services (mainly higher education and transport), their strategic role is important and increasing, owing to the elaboration of regional development strategies and the management of increased inflows of EU funding.

Abolished in 1975, 314 counties (*powiats*) were re-established in 1999. Compared to regions and municipalities, they have a more limited role and influence, as they are essentially funded by the central government. Their main responsibilities include secondary schools, public health services, social welfare, economic activity and job creation (employment offices). At the head of the *powiat*, the *Starosta* is elected by the *powiat* council, itself directly elected for a four-year term. The largest municipalities (above 100 000 inhabitants) also have the status of *powiats* and combine the responsibilities of both.

Source: OECD (2008), *OECD Territorial Reviews: Poland 2008*, OECD Publishing, doi: *10.1787/9789264049529-en*.

These reforms led to clear improvements in the central government's capacity to articulate a strategic vision for the country:

- From over 400 politically driven single-sector strategies at the beginning of the 2000s, the government has consolidated its strategic direction under a single long-term vision ("Poland 2030") and a medium-term strategic framework adopted in 2007.
- Centre of Government machinery has improved coherence in the articulation of this strategic framework. Some political and administrative-level committees are in place to lay the ground for effective deliberative and evidence-based decision-making capacity.
- Multi-level governance arrangements have improved with the adoption of legally binding contractual arrangements between the state and the sub-national governments to enhance coherence in achieving nationally and regionally defined development objectives in each of the country's regions.
- The civil service as an institution has been enhanced significantly – the government now employs a relatively diverse, well-educated workforce. Many centres of excellence exist across the government and Poland's National Civil Service School's role in training civil servants is now recognised beyond the country's borders.

Significant progress in strategy setting

In 2004, Poland's accession to the European Union (EU) not only generated new opportunities for its social and economic development but obliged its governments to meet a number of membership-related conditions. One initial basic governance condition was the requirement to implement efficient strategic management mechanisms to apply EU regional policies successfully (and absorb the considerable amounts of EU funding the policies deliver). Accordingly, an initial key challenge facing Poland's central government was the design and implementation of legal, institutional and organisational arrangements enabling the harmonisation of its national social and economic development policy framework with the policy and administrative requirements of the EU's Cohesion Policy.

In 2006, the government of Poland initiated the development of a strategic whole-of-government Development Management framework. The first step was the adoption of the Act on Development Policy (2006) that established the Ministry of Regional Development (MRD – MRR in Polish) as the central government's responsibility centre for shaping and co-ordinating Poland's development strategy and the ministry responsible for preparing the National Development Strategy 2007-2015. This piece of legislation articulates the country's development strategy using a set of interconnected action plans to sustain permanent and balanced national development along with regional and spatial socio-economic cohesion while enhancing competitiveness and stimulating job creation nationwide, regionally and locally.

Responsibility for fleshing out this Development Management framework was assigned jointly to the MRD and the Chancellery of the Prime Minister. In so doing, the MRD was handed extensive co-ordination powers:

- the MRD is to co-ordinate all programming implementing development policy;
- it will determine terms and conditions and methodological standards for the management of development-related programming;
- these terms and conditions are to be adopted by all ministries and agencies across the government whose programming influences the achievement of development policy outcomes.[1]

The reason why the MRD – defined as a line ministry, after all – was given such broad competencies in this area was its crucial role in implementing EU Cohesion Policy in Poland after accession. The MRD represents the Polish government in contacts with the European Commission on EU Cohesion Policy matters. The ministry has acquired competencies and experience in managing development strategy and programming thanks to the key role it plays in managing European Cohesion Funds.

The ultimate purpose in assigning responsibility for both Poland's national development policy and the Development Management framework to the same institution was to ensure that the framework successfully integrated national development and EU Cohesion Policies coherently. In 2008-2009, the MRD led the conceptual work on the Development Management framework. The principles underpinning the new framework, adopted by the Council of Ministers in April 2009 (*Założenia*, 2009, in Zawicki at al., 2012), identified, *inter alia*, the system's objectives, types and hierarchical importance of national development strategies, their subject matter and their implementation timeframes including, most importantly, a definition of the relationship between national strategies and those prepared for the purpose of implementing EU Cohesion Policy.

Consolidation, streamlining and integration of national strategy

During the lead-up to preparing the Development Management framework, the MRD surveyed government strategies, programmes and plans and determined that between 1989 and 2006, the Council of Ministers had adopted no fewer than 406 national strategies, all with different formal status, rank, co-ordination mechanisms and degrees of implementation. The MRD found that 140 were already useless, a further 146 had ceased to be binding owing to the expiration of their programming periods, while only the remaining 120 were still relevant (Zawicki et al., 2012).

Hence, in November 2009, the Council of Ministers passed the Development Strategy Rearrangement Plan (2009), updated in April 2011, as a means to reduce the number – and rearrange the importance – of binding strategies. Since 2010, only strategic initiatives compatible with the new system have been developed by ministries and agencies and approved by the Council of Ministers.

In accordance with the Development Management framework, development policy is now executed by the Council of Ministers as well as by sub-national governments at the *voivodship* and local (*gmina* and *poviat*) levels. The Development Management framework marks a departure from the narrower, sector-based approach of traditional strategies by identifying interdependencies between various policy issues and focusing on enhancing policy integration as a means to build synergies between strategic plans to optimise the achievement of integrated development policy outcomes. Table 2.1 presents the three basic categories of strategic initiatives developed within the Development Management framework:

- long-term national development strategies;
- medium-term national development strategies;
- other development strategies.

The key national, long-term development strategy for the country is articulated in "Poland 2030: The Third Wave of Modernity – A Long-term National Development Strategy". This strategy identifies key domestic and international challenges that are affecting Poland's development. It then presents a comprehensive long-term vision for Poland's national development that takes into account the country's social, economic, environmental, territorial and institutional dimensions. This vision for the country focuses on three national performance "pillars" (Zawicki et al., 2012):

- the innovation (modernisation) pillar: building a new competitive advantage for Poland based on increased intellectual capital (human, social, relational and structural) and the use of digital technology to increase the competitiveness of the Polish economy and society;
- the diffusion (balance) pillar: pursuing balanced spatial development and social cohesion to optimise Poland's development potential;
- the effectiveness pillar: making the state more effective in becoming citizen-friendly and helpful by avoiding exercising responsibility in undesirable areas of national life, but by acting effectively in those areas in which it does intervene.

Table 2.1. **The profiles of strategic initiatives in Poland's Strategic Development Management Framework**

Initiative category	Time horizon	Profile
Long-term national development strategy entitled: "Poland 2030. The Third Wave of Modernity. A Long-term National Development Strategy"	A 15-year (long-term) implementation perspective – a horizontal, comprehensive strategic framework	Specifies the main trends and challenges that arise from the internal development of Poland as well as changes in its external environment. Includes a comprehensive idea of national social and economic development viewed from a long-term perspective in consideration of its social, economic, environmental, territorial and institutional dimensions.
National Spatial Development Concept	20-year perspective (long-term)	The most important document dealing with Poland's spatial management. Its strategic objective is to use the available space effectively in consideration of its differentiated development potential in order to improve: competitiveness; the employment rate; effectiveness of the state, social, economic and spatial cohesion in a long-term perspective.
National Spatial Development Plan	In accordance with the National Land Use Development Perspective	An operational plan of spatial development formulated in accordance with the National Spatial Development Concept.
Medium-Term National Development Strategy	Four- to ten-year development perspective – a horizontal and comprehensive document, includes provisions of the Long-Term National Development Strategy	Specifies the fundamental determinants, objectives and directions for national development along the social, economic, regional and land-use dimensions implemented via the development strategies with the aid of development programmes. The medium-term perspective permits the formulation of more specific objectives as well as tools for their implementation.
Other development strategies	Usually with a four- to ten-year implementation perspective, but not longer than the implementation perspective of the Medium-Term National Development Strategy	Related to the areas indicated in the Medium-Term National Development Strategy. Subject to concordance evaluation with the Medium-Term National Development Strategy. The category includes: – nine integrated development strategies; – a supra-regional strategy; – *voivodship* development strategies.
National Strategic Reference Framework (National Cohesion Strategy)	Corresponds to the EU programming period (medium-term)	Determines development activities to be undertaken in order to achieve strategic objectives of European Cohesion Policy. It is as the guidelines for using Structural Funds and the Cohesion Fund and provides a framework for the preparation of operational programmes.
Operational programmes	Implementation of the EU Cohesion Policy	Developed and implemented at national and regional level in order to utilise the EU Structural Funds and the Cohesion Fund. Operational programmes achieve the objectives set by the National Cohesion Strategy and development strategies. Operational programmes include: – national operational programmes; – regional operational programmes.
Programmes	Pursuant to national legislation	Operational documents for the development strategies, including: – multi-year programmes; – *voivodship* programmes.

Source: Zawicki et al (2012), "Background Report for the Public Governance Review of Poland", 2 May, unpublished.

How the government intends to implement this vision is presented in its key medium-term strategic framework entitled "The Medium-Term National Development Strategy 2020 (NDS)", focusing on a ten-year time-horizon. This medium-term implementation framework integrates the European Union's policy objectives under its

Europe 2020 strategy for growth (Box 2.3). The NDS identifies the fundamental policy drivers, objectives and directions for national development under its socio-economic, regional and land-use dimensions. It focuses on achieving an effective and efficient state, a more competitive economy, and greater social and territorial cohesion.

Box 2.3. **Europe 2020: The European Union's strategy for growth**

Europe 2020 is the European Union's growth strategy for the period up to 2020. It is based on five objectives, each with concrete targets for the EU as a whole. These five objectives focus on:

- Employment: 70% of 20-64 year olds to be employed.
- Innovation: 3% of EU GDP (public and private combined) to be invested in R&D/innovation.
- Education: reducing school drop-out rates to below 10%; at least 40% of 30-34 year-olds completing tertiary education.
- Poverty/social exclusion: at least 20 million less people in or at risk of poverty and social exclusion.
- Climate/energy: greenhouse gas emissions 20% (or even 30% if the conditions are right) lower than in 1990. Twenty percent of energy from renewables; 20% increase in energy efficiency.

The EU-level targets are translated into national targets for each member country. Each member country has adopted its own national targets in each of these areas.

Achieving the goals of the Europe 2020 strategy requires reinforced surveillance to address key macroeconomic challenges and a thematic approach to speed up growth-enhancing structural reforms. Monitoring by the European Commission and Council is organised around the so-called "European Semester". This starts with the publication of the Annual Growth Survey. The Spring meeting of the European Council, based on the Annual Growth Survey, takes stock of the overall macroeconomic situation, progress towards the five EU-level targets, and progress under the flagship initiatives. It provides policy orientations covering fiscal, macroeconomic and structural reform and growth-enhancing areas, and advises on linkages between them.

Member countries then present their medium-term budgetary strategies in their stability and convergence programmes and set out actions to be undertaken (e.g. in employment, research, innovation, energy and social inclusion) in their national reform programmes. In April these two documents are sent to the Commission for assessment. Based on the Commission's assessment, the Council issues country-specific guidance to member countries in June/July. This means that policy advice is given to member countries before they start to finalise their draft budgets for the following year.

Where recommendations are not acted on within the given time frame, policy warnings can be issued. There is also an option for enforcement through incentives and sanctions in the case of excessive macroeconomic and budgetary imbalances.

The EU monitors developments on three fronts: macroeconomic factors, growth-enhancing reforms and public finances.

Source: European Commission (n.d.), "Europe 2020", European Union, Brussels. *http://ec.europa.eu/europe2020/index_en.htm*, accessed July 2012.

This strategy framework, in turn, is to be implemented through the application of nine medium-term integrated development strategies using EU and central government development funding:

- innovation and the efficiency of the economy;
- the development of human capital;
- the development of transport;
- energy security and the environment;
- the effective state;
- the development of social capital;
- regional development;
- national security; and
- sustainable development of rural areas and agriculture.

Table 2.2 shows the stage of development of the central government's nine integrated strategies as of March 2012 (Zawicki et al., 2012). Over the upcoming EU programming period, it will be important for the Polish government to ensure that each of these nine integrated strategies transposes the relevant EU strategic objectives defined in Europe 2020 and integrates the horizontal strategic objectives of Poland's EU-funded National Strategic Reference Framework (see Chapter 1) into the nine national strategies for implementation. It currently remains unclear whether these integrated strategies do this, particularly given that many have not yet been approved by the Council of Ministers (Table 2.2).

Formal Centre of Government modernisation

Scoping work conducted by experts for the MRD and the Chancellery of the Prime Minister in their lead-up to finalising the Development Management framework found that (*Programowanie strategiczne* 2008, in Zawicki et al., 2012):

- the traditional approach to managing strategy implementation in Poland was characterized, *inter alia*, by insufficient institutional capacity to co-ordinate policy implementation at the central level, a lack of effective rules and mechanisms governing co-ordination, particularly horizontal co-ordination, by a domination of vertical management over horizontal collaboration, and by institutional rivalry rather than co-operation. Indeed, the evaluation pointed to a system of governance characterised by an entrenched administrative culture that promotes a departmental, siloed approach to the management of public affairs;
- little attention was being paid to using a multi-year timeframe or planning horizon in managing financial resources to achieve the government's strategic objectives;
- insufficient awareness of the rules and instruments governing the implementation of policies and programmes existed across government;
- programme evaluation results were not linked to decision making; decision makers lacked the institutional tools to use the aggregation, analysis and synthesis of programme evaluation results to inform planning and ongoing decision making. Similar evaluations of the state's strategy-implementation

management system can be found both in reviews prepared by government institutions and in the government's own analytic and strategic documents (e.g. *Założenia*, 2009; *Długookresowa Strategia Rozwoju Kraju*; *Średniookresowa Strategia Rozwoju Kraju* 2013, in Zawicki et al., 2012).

Table 2.2. **Poland's nine integrated strategies: Objectives and state of play**

Strategy/lead	Current status	Goals and objectives
"Economic Innovation and Effectiveness'" Lead: Ministry of Economy	Public consultations completed on 30 March 2011	– Stable macroeconomics baseline – Stable financial market – Friendly entrepreneurship environment – Development of industry and construction sectors – Development of human capital in economy – Information society – Export and economy promotion
"Human Capital Development" Lead: Team of Strategic Consultants to the Prime Minister	Public consultations completed on 21 December 2011	– Life-long learning – Labour market – Healthcare system – Social exclusion prevention – Family support – Housing – Development through sport – ICT technologies
"Transportation Development Strategy until 2020" Lead: Ministry of Infrastructure	Public consultations completed on 1 June 2011	– Road transport – Rail transport – Air transport – Maritime transport – Inland water transport – Improving economic efficiency and organisation of transport infrastructure – ICT technologies
"Energy Security and the Environment. Perspective 2020" Lead: Ministry of Economy	Draft strategy adopted by the Ministry of Economy on 19 May 2011	– Energy security – Environmental protection – Rational management of natural resources – Establishment and improvement of HR capacity in the energy and environmental protection sectors – ICT technologies
"Effective State 2011-2020" Lead: Ministry of Administration and Digitisation	Public and interdepartmental consultations completed in October 2011	– Effectiveness of public institutions – Improving the quality of state and local government personnel – Managing the development of the country – Quality of development and implementation of regulatory and legislative instruments – Judiciary system – Public safety – Consumer rights – Communications and social dialog – Public services
"Social Capital Development 2011-2020" Lead: Ministry of Culture and National Heritage	Public and interdepartmental consultations completed on 25 January 2012	– To shape attitudes supporting co-operation, creativity and communication – To improve the mechanisms of social participation and citizens' influence on public life – To improve social communication processes and knowledge-sharing; – To develop and use effectively cultural and creative potential

Table 2.2. **Poland's nine integrated strategies: Objectives and state of play** (*cont.*)

Strategy/lead	Current status	Goals and objectives
"National Strategy for Regional Development 2010-2020. Regions, Cities, Rural Areas" Lead: Ministry of Regional Development	Document adopted by the Council of Ministers on 13 July 2010	Objective 1: Support for the competitive growth of regions (competitiveness): – Strengthening the metropolitan functions of *voivodship* centres and integrating their functional areas – Establishing conditions to disseminate development processes and increase their absorption outside *voivodship* cities – Building competitive capacity in the *voivodships* (thematic measures) Objective 2: Establishment of territorial cohesion and preventing marginalisation of problem areas: – Strengthening cohesion in the national structure – Support to rural areas with the lowest level of inhabitants – access to goods and services for development possibilities – Restructuring and revitalising cities and other areas whose previous socio-economic functions have declined – Overcoming difficulties related to the situation of border regions, especially along the external EU border – Increasing transport accessibility to *voivodship* centres situated within the areas with the lowest accessibility Objective 3: Establishment of conditions for efficient, effective partnership implementation to develop measures targeted at territories (efficiency): – Strengthening the strategic dimension of regional policy – Improving the quality of managing public policies, including proper territorial targeting – Reconstruction and reinforcement of co-ordination in the multi-level governance system – Support to the construction of social capital for the regional development on the basis of network of co-operation between various actors of regional policy
"National Security of the Polish Republic Development Strategy 2011-2022" Lead: Ministry of National Defence	Public consultations completed, interdepartmental consultations commenced on 7 November 2011	– National security system development (transformation) objectives and operational requirements of the system resulting from the strategic responsibilities of the state provided in this strategy – Capacity for self-defence – Protection of critical infrastructure and establishment of a strategic reserve system – Research base, research and development potential, integration of socio-economic development and national security – Creation of conditions conducive to the development of an integrated national security system
"Sustainable Development of Rural Areas, Agriculture and Fisheries" Lead: Ministry of Agriculture and Rural Development	Public consultations completed on 21 January 2011	– Competitiveness of the agricultural sector – Ensuring food security – Environment, biodiversity, climate change – Enterprise development and employment – Fishing – Human capital – Improving quality of life – ICT technologies

Hence, a key driver of the Development Management framework was the recognition of the need to enhance co-ordination capacity at the centre to implement strategy more effectively (especially, *inter alia*, the preparation and co-ordination of the National Development Strategy), a need highlighted at the time by the Prime Minister himself. This "founding principle" framed the rationale for the new framework[2] (*Założenia*, 2009

in Zawicki et al., 2012)[3] and the new Centre of Government (CoG) co-ordination machinery and rules it established:

- The most important responsibility of ministers and heads of central offices regarding Poland's development is to implement the integrated development strategies – and they are to do so using the rules and procedures established by the MRD. They are to be held accountable for their results.
- A Development Policy Co-ordination Committee (of the Council of Ministers) is to play a consultative and advisory role to the Prime Minister on the central government's strategic policy. The Co-ordination Committee's key task is to determine directions for development policy and strategic programming, and to monitor and evaluate ongoing policies. The committee is to review and adopt programming documents prepared by ministers and heads of central offices, and report on their implementation (*Założenia*, 2009 in Zawicki et al., 2012).
- Development policy is to be financed according to the provisions of a National Multi-year Financial Plan, which will constitute the basis for subsequent state budgets. The provisions of the plan are to be updated annually. Each of the programmes included in the Budget Act will be associated with specific performance indicators, which should lead to the implementation of a single national performance-based budget (*Założenia*, 2009 in Zawicki et al., 2012) (see below).
- To improve effectiveness and ensure synergies between activities undertaken by different public actors pursuing development objectives, the framework enhances the programming co-ordination instrument known as the "regional contract" (see Chapter 4) by planning for its next incarnation, to be styled the "territorial contract". In its upcoming incarnation, this instrument is intended to integrate all operational programming for regional development – regardless of whether it is funded by the EU, the central government or sub-national authorities – by codifying a single set of terms and conditions to be used to choose development policy projects, whether these are managed by the central government (regardless of ministry), the *voivodships* or by local government units and, possibly, by other public entities (Założenia, 2009 in Zawicki et al., 2012).
- It was also deemed necessary to introduce changes to the formula of multi-year programmes so that coherence with the objectives and priorities specified in strategic documents is enhanced. These programmes will no longer be developed separately for individual capital investments but will be used to implement all sector-based investments under the integrated strategies (*Założenia*, 2009 in Zawicki et al., 2012).

Since most of the Development Management framework's nine integrated strategies have yet to be approved, their worth in addressing Poland's development challenges cannot yet be assessed. Moreover, the Effective State Strategy 2011-2020 (ESS – yet to be approved), frames several of the government's sector-specific strategic plans, including its own human resources management strategy and its renewed strategy on e-government, outlined in its policy paper "State 2.0" on the development and implementation of e-government services (Annex A). These plans cannot be implemented until the ESS is approved.

The ESS is, in fact, of crucial importance in advancing the government's strategy-implementation agenda: it explicitly addresses issues related to the efficient operation of the state and its capacity to co-ordinate strategic activities. The ESS's main objective is "work towards a state open to citizens' needs and effectively executing public mandates" by:

- developing a functional organisational structure of the state;
- ensuring effective management and co-ordination;
- ensuring good-quality legal solutions;
- implementing an effective system for the protection of citizens' rights;
- ensuring the effective operation of the judiciary and the public prosecutor's office; and
- ensuring a high level of security and public order.

The ESS is to be implemented on the basis of "partnership and dialogue, knowledge-based policy, co-ordination and co-operation using a thematic focus" by a core set of central government actors in the strategic management system including the Prime Minister and the Council of Ministers, key line ministers, the Chief of the Civil Service, the Attorney General, the President of the Government Legislation Centre, the President of the Office of Competition and Consumer Protection, managers of central offices and general directors of central offices. The strategy assigns responsibility for strategy management as follows:

- the Council of Ministers is responsible for approving the ESS and its implementation action plan, which is to include a delineation of specific duties of key actors across government to do so;
- the Prime Minister is identified as a key "champion" of this strategy and is thus expected to involve himself personally in implementing the strategy, including by participating in the bodies that manage the process. He is to be responsible, *inter alia*, for the preparation of proposals to:
  - streamline ministerial structures;
  - strengthen horizontal co-ordination mechanisms in the central, *voivodship* and municipal administrations;
  - ensure conformity of selected regulatory initiatives with national strategic development objectives;
  - strengthen the Centre of Government for co-ordination and information.
- the Minister of Finance is to be responsible for:
  - the timing of the process of integrating strategic programming with budgetary planning;
  - improving the effectiveness of strategic planning and budget execution (introduction of performance budgeting);
  - introducing mechanisms to ensure a focussed spending of budget funds on selected spheres of crucial importance to Poland's development.

The other key "champion" identified in the ESS is its implementation co-ordinator, the Minister of Administration and Digitisation. To ensure coherence and complementarity of operations undertaken by government actors implementing the strategy, the minister is to appoint a Monitoring Committee composed of representatives of line ministers and heads of central offices. The committee is, *inter alia*, to recommend to the Development Policy Co-ordination Committee operational plans (for 2012-2014, 2015-2017, 2018-2020), approve annual audits of action plans submitted by the co-ordinator, inform the Co-ordination Committee about the implementation of these action plans, submit proposals for priorities for a given year and monitor strategy implementation. The minister, as co-ordinator, is to co-operate with the Development Policy Co-ordination Committee which will have oversight capacity over strategy implementation, the Joint Committee of Government and Local Governments, the Tripartite Commission for Social and Economic Affairs, and the Council on public Activities, as a means to share information with non-governmental stakeholders, and with individual line ministers and senior officials to implement the strategy.

As mentioned above, the financial framework for implementing the ESS will be the performance-based Multi-year National Financial Plan identified in the Development Management framework. For every implementing programme under the strategy, performance indicators and targets will be identified. Funding sources for implementing the ESS include the central budget, budgets of local government units and other public sector units as well as the resources from various public-private and public-civic partnerships, including EU Cohesion Funds, loan funds, loan guarantees, revolving funds, etc. Responsibility for monitoring progress in ESS implementation will rest with the Ministry of Administration and Digitisation as co-ordinator; the ministry is to prepare annual progress reports on strategy implementation for discussion by ministers and make these reports available to the general public (Table 2.3).

The ESS is to be updated periodically based on the results of the strategy implementation progress reports; the conclusions of the reports on regional, spatial and socio-economic development; social, economic and technological changes in the country; and new directions in development policy or issues that are affecting the efficiency of the state that were not identified in the initial versions of the strategy.

And a professionalised Polish public service

The government of Poland's ability to implement and sustain strategic-state capacity depends on the ability of the public sector – in particular its own workforce – to identify and address internal and external challenges correctly, strengthen efficiencies in policy design and service delivery to meet these challenges, and mobilise actors and leverage resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively as the government pursues its strategic vision for the country. Effective human resource management (HRM) is an important tool in developing this government-wide capacity, as it helps align workforce skills to meet the competency needs of the government.

Table 2.3. **The ESS preparation, implementation and monitoring system**

<table>
<tr><td colspan="4">Council of Ministers:
Adopts action plans 2012-2014, 2015-2017, 2018-2020
and receives information on their implementation in 2015, 2018, 2021</td></tr>
<tr><td colspan="4">Development Policy Co-ordination Committee
Adopts and recommends to the Council of Ministers action plans for 2012-2014, 2015-2017, 2018-2020
and receives information on their implementation in 2015, 2018, 2021 submitted by the strategy co-ordinator,
on the annual verification of action plans as well as implementation progress reports starting in 2013</td></tr>
<tr><td colspan="4">Monitoring Committee
Recommends to the Development Policy Co-ordination Committee action plans for 2012-2014, 2015-2017, 2018-2020,
receives verified annual action plans submitted by the co-ordinator
and information on action plan implementation starting in 2013</td></tr>
<tr><td>Action plans for 2012-2014, 2015-2017, 2018-2020 prepared by the co-ordinator</td><td>Progress report on action plans for 2012-2014, 2015-2017, 2018-2020 prepared by the co-ordinator every three years in the 1st quarter of 2015, 2018, 2021, submitted to the Co-ordinating Committee together with the subsequent action plan</td><td>Annual information on action plan implementation prepared by the co-ordinator twice for each action plan in the 1st quarter starting in 2013</td><td>Annual action plan audits prepared by the co-ordinator twice for each action plan in the 1st quarter starting in 2013</td></tr>
<tr><td>Recommendations for action plans for 2012-2014, 2015-2017, 2018-2020 submitted by relevant entities in 2011, 2014, 2017 at co-ordinator's behest</td><td>Partial progress reports on action plan implementation for 2012-2014, 2015-2017, 2018-2020 submitted by relevant entities to the co-ordinator every three years by end of January 2015, 2018 and 2021</td><td colspan="2">Annual data on the implementation of action plans submitted by relevant entities to the co-ordinator by end of January 2013</td></tr>
<tr><td>Every three years</td><td colspan="3">Action plan implementation report every three years</td></tr>
</table>

In the two decades since the fall of communism, Poland has demonstrated the political will to professionalise its civil service through a variety of legislative reforms. The Constitution of the republic of Poland established a corps of civil servants "to ensure a professional, diligent, impartial and politically neutral discharge of the state's obligations." The Civil Service Act (2008) further defined the rules governing access to the Polish civil service along with the principles of its organisation, functioning and development. This act is the 5th such piece of legislation regulating the civil service in the last 15 years, however, suggesting a need for greater stability and continuity in the legal framework governing the civil service. Such stability will be critical to the success of HRM reforms, as these reforms require sustained commitment and often take a few years to produce results.

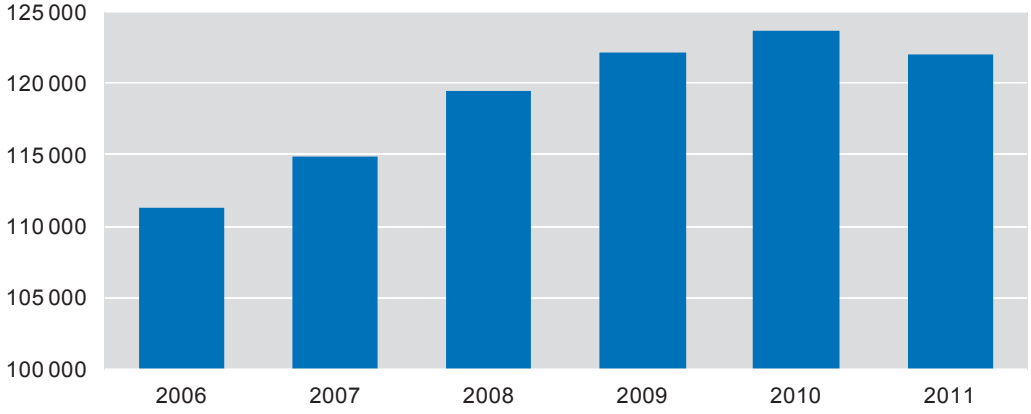
These laws seem to have improved professionalism in the civil service. In 2012, the Polish Supreme Audit Office positively assessed the functioning of the Head of the Civil Service and its compliance with the Civil Service Act (2008), especially regarding the transparency and competitiveness of entry into the civil service and professional development (Supreme Audit Office, 2011). These findings represent significant progress since 2004, when the Supreme Audit Office last reviewed the functioning of the civil service and found serious weaknesses.

The size and composition of the Polish civil service

The Polish public administration employs approximately 643 000 staff, not including teachers, doctors, soldiers or officers (Annex C for details). Of this number, about 122 000 (about 19%) are members of the civil service corps (Figure 2.1). Employment in general government as a percentage of the total labour force in Poland was 9.7% in 2008, well below the OECD average of 15.0%; compensation of government employees

accounted for 10.2% of GDP (2009), one point below the OECD average of 11.2%. However, employee compensation in Poland (51.6%) accounts for a slightly larger share of total production costs in general government than the OECD average (48.7%), suggesting that Poland relies slightly more on government employees in the production process than the OECD average (Figures 1.16 and 1.17).

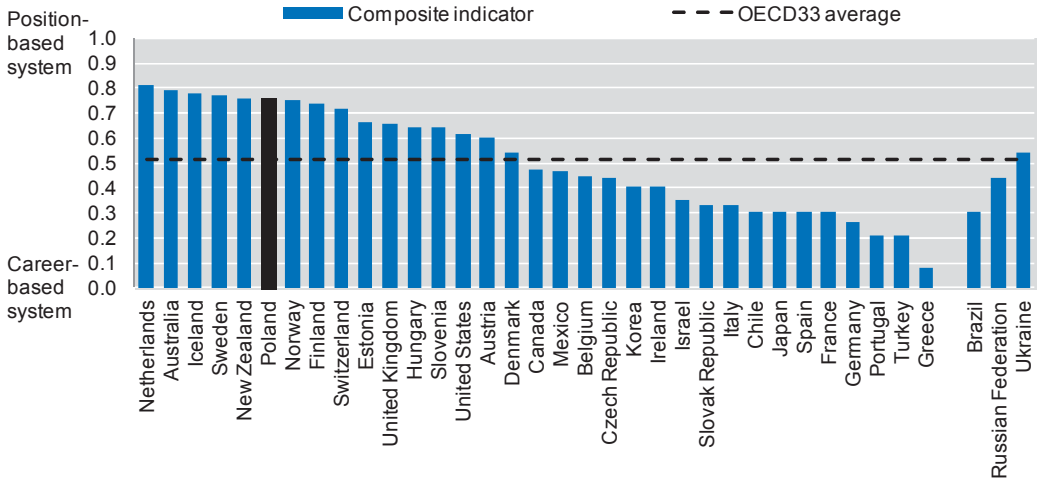
Figure 2.1. **Number of full-time equivalents in the Polish civil service (2006-2011)**



Source: Chancellery of the Prime Minister (2011), *Report of the Head of Civil Service on the Condition of the Civil Service and Accomplishment of Tasks of that Service in 2011*, Warsaw.

The government of Poland's civil service recruitment system is governed by the Civil Service Act (2008) and is generally competitive and open, according to the Supreme Audit Office – i.e. the process is universal, transparent and conducted in accordance with the principle of equality. The system is hybrid; exhibiting elements of both a career-based and position-based model, with a tendency toward the position-based model (Figure 2.2). A career-based system is characterised by competitive selection early on in a public servant's career with higher level posts only open to public servants. In contrast, in a position-based system, candidates apply directly to a specific post and most posts are open to both internal and external applicants.

Figure 2.2. **Type of recruitment system used in central government (2010)**



Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

Reflecting this hybrid nature, the Polish civil service distinguishes between two categories of employees: civil servants (*urzędnik służby cywilnej*) and civil service employees (*pracownik służby cywilnej*). Civil servants comprise 5.9% of the civil service corps and are nominated through a career-based system, either by passing an examination of the knowledge and skills necessary to execute civil service tasks or by graduating from the National School of Public Administration, which is part of the civil service system.

The stability of the employment status of nominated civil servants can be an important bulwark against political interference. For example, the Civil Service Act (2008) prohibits them from publicly expressing their political beliefs or establishing or participating in political parties. However, at less than 6% of the civil service, there are too few such employees, according to the Supreme Audit Office. The Head of the Civil Service has proposed raising the proportion of civil servants to 10% by 2020, which he believes to be a reasonable compromise between professionalisation of the civil service and the budgetary constraints that the government is facing. However, the number of new civil servants does not appear to be based on any strategic needs-assessment of the civil service, but is rather determined in the Budget Law.

Gender in public employment

In recent years, ensuring gender diversity in the public service has become a priority throughout the OECD, and countries have developed strategies aimed at ensuring a representative percentage of women in the public workforce. The emphasis on diversity is not only an issue of equity but of efficiency and effectiveness. Sound diversity policies recognise the value of diversity while continuing to uphold the principle of merit.

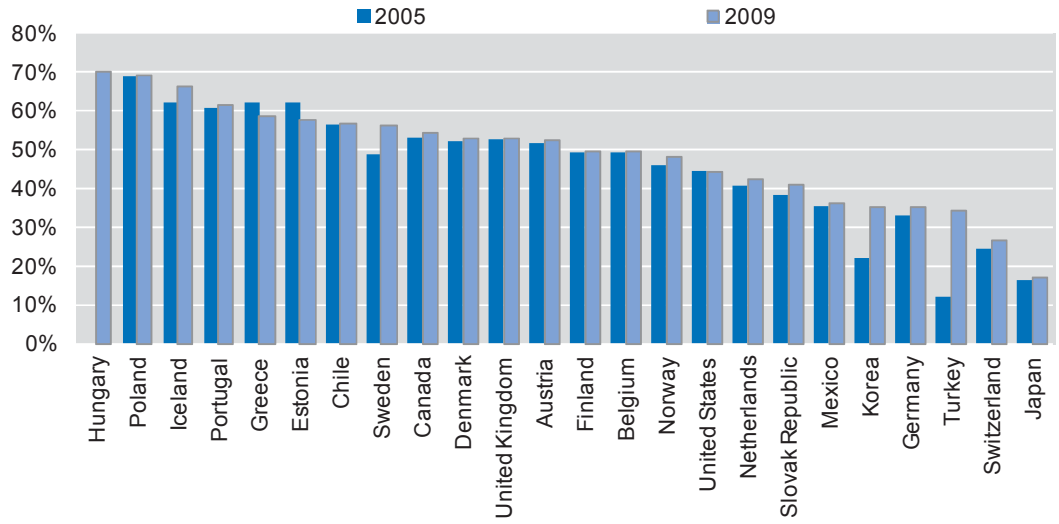
Poland deserves significant credit for achieving gender balance in its civil service, including in senior positions, and for minimising the pay gap between men and women. The Polish civil service employs a significantly higher proportion of women than most other OECD member countries. In 2009, women comprised 69.2% of the civil service corps, compared to the OECD average of 48.6% (Figure 2.3). Moreover, the percentage of women occupying senior management posts (46.2%) was significantly higher than the OECD average of 34.5% in 2009 (Figure 2.4), and it increased in 2011 (49.9%). In many countries, male employees tend to earn more than their female counterparts, and this wage gap generally increases in higher level positions. However, in Poland, the gender wage gap in the civil service is small at all career levels, and, significantly, salaries for women in the most senior positions in government are higher than those for men in similar positions.

An ageing workforce

Poland's central government workforce is, on average, older than the country's general labour force and is ageing more rapidly. In 2009, 26.9% of the civil service corps was 50 years or older, compared to the OECD average of 33.5% in central governments and 23.5% in the total Polish labour force, and this figure rose to 29.7% in 2011 (Figure 1.19). The government of Poland has acknowledged the risks of ageing in the civil service, such as the loss of specialised skills in certain areas, and has taken some preliminary steps to encourage older employees to stay in the workforce, such as supporting their professional development through IT training, language lessons and personal and interpersonal skills development training. However, unlike many OECD countries, such as Germany, Korea and Sweden, it does not explicitly consider demographics in its strategic human resource planning, potentially leading to greater

challenges in the future. Poland can take advantage of the fact that its workforce is not as old as other OECD countries' and start developing succession plans to proactively manage the change in the age profile.

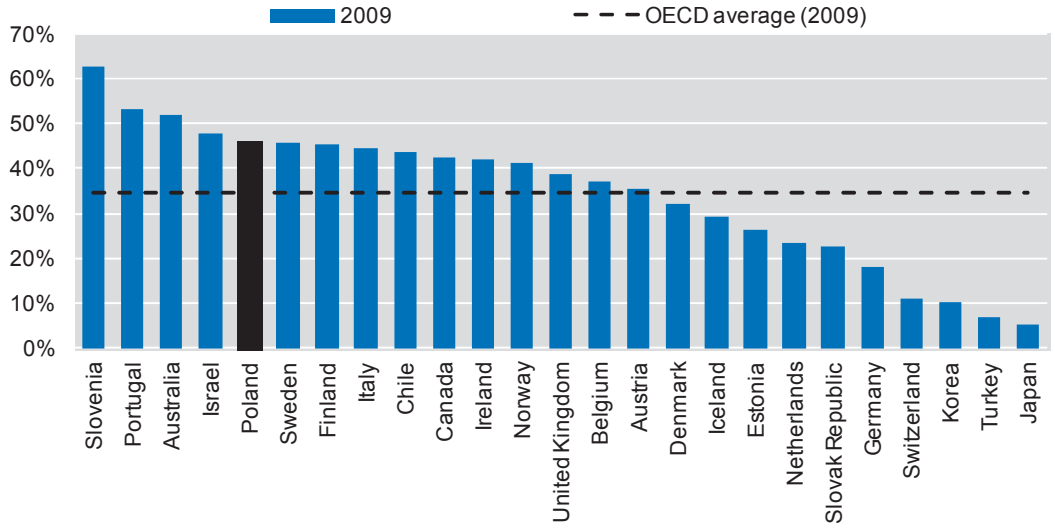
Figure 2.3. **Percentage of female employees in relation to total employment in central government**



Note: Data for Poland are from 2004 and 2009.

Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

Figure 2.4. **Percentage of top and middle management positions in the central government occupied by women (2009)**



Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

An ageing public service also represents an opportunity to restructure the workforce. Some OECD countries have undertaken workforce planning and competency management initiatives to change the composition of their workforce and make reallocations across policy sectors, resulting in a better alignment of their public sector workforce to meet the future needs of society. Lessons from OECD countries show that human resource policies to address ageing should include an array of tools for retaining older workers beyond retirement age, such as removing legal obstacles to continued working, encouraging flexible working arrangements, deterring early retirement and delaying the retirement age, among others. In addition, such policies should include improving recruitment, especially in areas where there will be skills gaps, attracting good young graduates, developing fast-track careers to fill in gaps in management and senior management positions, and adapting the pension system to the challenges of an ageing workforce.

A renewed focus on improving public service values and ethics

Poland's 2011 *Diagnosis of Human Resources Management in the Civil Service* found that the work ethic and the sense of public service mission were eroding. In response, the government is taking steps to solidify the core values of the civil service by promoting public service ethics and integrity. The draft Strategy for Human Resource Management in the Civil Service includes increasing ethical awareness as one of four key priorities (Chancellery of the Prime Minister, 2011b). In October 2011, the Prime Minister issued guidelines on complying with the principles of the civil service and the Code of Ethics, reinforcing principles of legality, the protection of human and civil rights, transparency and professionalism, among others.

Achieving strategic-state capacity and creating a more nimble civil service in Poland will require a change in the culture of the public workforce. As one official noted, 50 years of communism inhibited a generation's capacity for innovation. It has also been noted that the culture of the civil service is too risk-averse, decreasing its competitiveness and limiting its ability to attract talented employees from the private sector. However, Poland's public sector is showing signs of a willingness to adapt; for example, as noted in Chapter 4, the Wielkopolska Regional Innovation Strategy prioritises administrative capacity building in support of innovation in order to promote pro-innovation attitudes both within the Wielkopolska Marshall's Office and in local self-governments.

Strategic workforce planning is a core HRM tool that helps to identify, develop and sustain the workforce skills necessary for the effective and efficient discharging of the government's responsibilities for strategic policy design and implementation and service design and delivery over time:

- It is a process that ensures that the organisation has the right number of people with the right skills in the right place at the right time to deliver short- and long-term organisational objectives.
- It is a prerequisite for effective service delivery in a rapidly changing environment.
- Its purpose is to enable governments to make deliberate, calculated decisions about future staff needs and sustain capacity in linking human resource management to the strategic management of the government as a whole and its component organisations.

- It involves developing a long-term vision for the civil service in order to avoid making short-term, reactive organisational changes, and aligning this vision with the long-term policy and fiscal objectives of the government to ensure the sustainability of HRM reforms.

Poland seems to have a mosaic of tools for modernising the management of the public workforce, such as the new job evaluation and remuneration systems described below, but these tools are not connected to one another within a coherent, integrated approach. This sends weak messages about the priorities in staff management (OECD, 2011a). These tools and other proposed actions are outlined in Poland's draft Strategy for Human Resource Management in the Civil Service, which provides a basic vision for the civil service and outlines three broad strategic objectives: increasing its effectiveness and efficiency, strengthening its management, and increasing its professionalism. However, although the strategy was drafted in 2011, the government has yet to adopt and implement it, pending approval of the Efficient State Strategy (see above). This delay creates uncertainty regarding human resource reforms. Polish officials indicated that so long as this strategy remains to be approved, there is no formal document that gives them direction on HRM issues. While they continue to implement HRM tasks, they find it hard to plan and justify further reforms. As a result, Polish officials noted that individual ministries were developing human resource programmes from the bottom up, outside of an overarching strategic direction.

Poland needs to complete its governance reforms

Clearly, much has been accomplished in the last two decades in articulating a clear set of integrated strategies to pursue national and regional development based on a long-term strategic vision for the country. Equally clearly, considerable thought has been given to how best to implement these strategies, and how best to monitor progress in their implementation.

However, significant EU programming and the decentralisation of government decision making since Poland's accession to the EU have heightened the need for stronger vertical and horizontal co-operation, co-ordination and coherence in implementing strategy: the central government is now no longer alone in articulating and implementing development policy of national consequence. Hence, leading the implementation of the government's national vision by applying strategic-state capabilities depends first and foremost on the strength and agility of Poland's CoG institutions.

In this Review, strategic-state capacity means the extent to which the central government can set and steer a national long-term vision-based strategy for the country, identify and address internal and external challenges to implementing this strategy correctly through enhanced evidence-based decision making and strategic foresight, strengthen efficiencies in policy design and service delivery to meet these challenges, and mobilise actors and leverage resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively. The strategic-state concept emphasises leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions both inside and outside government, the need to draw inspiration from sub-national initiatives and from citizens, and the importance of effective implementation of strategy in support of positive outcomes for a country's economy and society.

The leadership role of Centre of Government institutions

The key function of CoG institutions is thus to act as a central leadership hub: its role is to lead the implementation of the national vision-based strategy and its policy and programming initiatives effectively, efficiently and coherently not only by the central administration, but with sub-national authorities and by mobilising non-governmental actors from across society in support of the government's vision (Box 2.4). CoG leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is needed to change the way in which the public administration defines its role and encourage widespread "buy-in" from key actors both within and outside government, so that the strategic vision for the country is implemented effectively and efficiently.

Box 2.4. **Characteristics of the "Centre of Government"**

Functions of the Centre of Government

The key function of the Centre of Government (CoG) is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go and how it will get there. Leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is also needed to change the way in which the public administration conceives its role and to encourage widespread "buy-in", so that the strategic vision for a country is implemented.

An effective CoG is critical for:

- Strategic vision. The CoG needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might be an objective to minimise poverty and unemployment, to promote a sustainable environment or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a "whole-of-government" vision.
- Accountability. The CoG is the steward of the strategic vision. It is accountable for overall results and oversight of delegated responsibilities. It is important, however, to avoid over rigid "command and control" structures and micro management, and instead to work toward a system where the CoG can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared or collective commitment.
- Strategic planning, policy coherence and collective commitment. The CoG needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a "dead letter". The doctrine of collective responsibility is crucial to bind line ministries as well as the CoG to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

Box 2.4. **Characteristics of the "Centre of Government"** (*cont.*)

- Communication. The CoG needs the capacity to communicate the strategic vision, how it is being taken forward, and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important, so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

Institutional structures for the Centre of Government

It is rare to find just one institution covering all these functions in OECD member countries. It is far more common that a small set of key players share the task. The CoG structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country.

In most countries, however, they can be identified in a combination of those units of the central administration that:

- Provide direct support to the head of the government (Prime Minister/President/ Chancellor's Office). In many countries, however, these offices are not equipped, and do not seek, to cover the whole of the CoG function. They need the capacity to protect the authority and reputation of the Prime Minister/President "above the fray", without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their usual role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.

- Manage the budget. This is normally vested in the Ministry of Finance. The budget can be viewed as key to understanding the government's fiscal framework and its financial operating systems. It is a key allocative document affecting a significant share of a country's GDP – over half in some OECD member countries. It is an important policy tool, used by governments to establish policy priorities in concrete terms through the allocation of funding. It is an important management document, in that the basic operational costs of government ministries and agencies are established. In short, the budget provides the basic operational architecture for the work of government.

- Responsible for key horizontal policies including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, Ministry of the Interior and Ministry of Justice.

- For EU member countries, the participation of any dedicated EU oversight unit for the negotiation and implementation (transposition) of EU directives is essential, since these play a major part in shaping the legislative and policy landscape of member countries.

Some of these units or institutions need to co-ordinate especially closely (or be the same unit):

- There is a crucial interface between regulatory policy and the management of the Cabinet agenda, since a well-functioning regulatory policy implies the development of regulatory impact assessments (RIAs) on draft legislation. In countries where policies are usually synonymous with laws, the unit responsible for RIAs needs to work closely with (or be the same unit as) the unit that sets the Cabinet agenda.

Box 2.4. **Characteristics of the "Centre of Government"** (*cont.*)

- There is also a crucial interface between HR management and budget management, in that performance budgeting and staying within fiscal targets implies staying within budget for HR managers.

The sustainability of the CoG across political cycles needs attention. CoG institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the periods of time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the vision is taken seriously, and that the country will have the institutional capacity, over time, to carry out the vision.

External oversight and audit helps to ensure that the strategic vision and its implementation stay on track and that the CoG – together with other actors – is accountable for progress, and can be challenged for the lack of it. In many European countries, the National Audit Office provides valuable independent perspectives not only on the efficiency but also the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

Last but not least, the first line of engagement of an effective CoG is to project and share policy priorities in key areas with the relevant ministries, and to ensure that these policy priorities are coherent and joined up. "Joined-up government" – the capacity to ensure that complex policy objectives can be met, and that the achievement of high-level policy goals are not undermined by a failure to deal with this complexity – is often weak. Ensuring policy coherence is a major public governance challenge across all OECD member countries. A united position on cross-cutting policy goals is essential if governments are to sustain their credibility, meet their strategic objectives, and if goals are to be achieved without wasting resources. It does not serve the public interest if one part of government fails in its role in policy delivery; and it is directly contrary to the public interest if one action of government is counteracted or undermined by an action taken by another part.

Source: OECD (2011), *Greece: Review of the Central Administration*, OECD Public Governance Reviews, OECD Publishing, doi*: 10.1787/9789264102880-en.*

Yet Poland's track-record in implementing its Development Management framework, its associated nine medium-term integrated strategies and their strategic plans can serve to illustrate the hurdles the government's CoG institutions still face in implementing national strategy effectively. Many of the medium-term integrated strategies have yet to be approved; enhanced implementation capacity through improved CoG co-ordination and performance-based, multi-year budgeting has yet to be achieved. In other words, governance modernisation has yet to be completed:

- Internal and external consultations on key integrated strategies – and in particular on the ESS – were completed in December 2011, yet these have yet to be approved two years on. This lag illustrates a reform stall that needs to be overcome if CoG-led, government-wide strategic management is to see the light of day.
- This stall also raises issues about the extent to which the government of Poland can effectively transpose and integrate the EU's strategic development objectives – as articulated in Europe 2020, for example, and in its EU-funded National Strategic Reference Framework – into national and sub-national strategy, since most of the national integrated strategies have yet to be approved and implemented.

- Poland's Development Management framework addresses both social and economic development policy. Yet the framework was not applied across the full spectrum of government decision making: a number of major structural initiatives have been implemented entirely outside the system, in an *ad hoc* manner, in response to short-term political needs (Zawicki et al., 2012). At issue is not necessarily the rationale for why these policy decisions were made outside the government's Development Management framework. Indeed, these particular decisions ended up being widely publicised by the government and dominating public debate – always healthy in a democracy. Rather, good-governance practice across the OECD suggests that a lack of consistency in the processes used to take important decisions undermines public perceptions surrounding the legitimacy of government decision making. The consistent application of rules enabling strategic policy decisions to be taken only once rigourous internal study and debate, and meaningful external consultations, have occurred – rules that are clearly envisaged in the Development Management framework and such integrated strategic plans as the ESS – seems to enhance their legitimacy in the eyes of both line ministries and the general public – thus contributing to improving confidence and trust in the state as defender of the public interest.
- In many OECD countries, the civil service reporting to the head of government (in Poland, the civil service in the Chancellery of the Prime Minister), either alone or in tandem with the government's finance and management board units, tends to lead efforts to design, implement and monitor the ongoing efficiency and effectiveness of government-wide strategic management frameworks. In Poland, this responsibility was in no small part remitted to the MRD (albeit in partnership with the Chancellery at the time). While there is no *prima facie* reason to query this decision based on the original rationale, it did generate discontent across line ministries that questioned the wisdom of concentrating so much power within a single sister line ministry (Zawicki et al., 2012) – as a result, likely compromising any willingness to co-operate horizontally as a matter of course:
  - This highlights the need to distinguish between line functions and CoG co-ordination functions. In many OECD countries, there exists a dynamic relationship between government institutions that underscores, either through convention and tacit acceptance or explicitly in regulation or enabling legislation, the co-ordination responsibilities of CoG institutions along with the requirement for line ministries to co-operate with these CoG institutions to move strategic policy through the decision-making process.
  - Clearly, the Chancellery and the MRD along with the Ministries of Economy, Finance, Foreign Affairs, and Administration and Digitisation (see next sections), are just such CoG institutions, yet their Centre of Government co-ordination responsibilities are not articulated in legislation, nor do they seem to be clearly understood (or accepted) by other key ministries.
  - This needs to be addressed if only to optimise the efficiency and effectiveness with which the Chancellery, the MRD and the other CoG ministries can carry out their co-ordination responsibilities – the MRD's workload, for instance, is due to increase dramatically with the negotiation and implementation of territorial contracts with the *voivodships* that are to cover all central government operational programming affecting a region's development (see Chapter 4).

– This issue highlights a related challenge: that of sustaining CoG institutional co-ordination capacity notwithstanding turnover in senior political-level officials. Championing reform – and ensuring it is implemented and sustained over time – need not fall under the purview of a specific individual. Indeed, OECD experience suggests that a distinction should be made between political leadership and institutional champions in implementing governance reform. While ideally the two should work hand-in-hand, these are distinct concepts. This Review argues that institutional political champions are able to implement and sustain governance reform over time in a way that individuals cannot.

In light of the significant social, demographic, structural and fiscal challenges presented in the previous chapter, the rest of this chapter assesses how Poland's CoG sets strategic objectives and implements them across the government, including through its national budget and its regulatory framework for decision making. The rest of this chapter focuses on:

- the institutional champions needed to sustain effective CoG co-ordination capacity over time to implement strategy effectively;
- the Polish government's capacity to transpose EU policy into national strategy;
- Poland's CoG capacity to link the management of the government's fiscal framework with the achievement of policy results in implementing national strategy, notably through performance-based budgeting as a key tool to steer and implement strategy;
- Poland's capacity to apply strategic human resources management in implementing strategic HRM issues, including CoG capacity to set and implement an HRM plan that ensures that the government possesses the right human resource skills in the right places at the right time to implement the national development strategy over the medium term (Annex C analyses these issues in greater detail).

Practical issues related to implementing evidence-based decision making (including improvements to Poland's regulatory decision making and performance-based budgeting) will be addressed in Chapter 3, as will issues related to e-government implementation to support the effective and efficient use of information and communication technologies (ICT) across the public sector (examined in greater detail in Annex A).

Champions to sustain effective Centre of Government co-ordination capacity to implement strategy

At the moment, the government of Poland as an institution still appears to be too siloed and neither integrated nor nimble enough to address fast-moving policy challenges effectively. Uneven co-ordination between CoG institutions, and between these institutions and line ministries, hinders capacity to build cross-sector synergies and coherence to maximise the impact of decisions on results for citizens. Intra- and inter-ministry co-ordination within the central government tends to be sporadic, *ad hoc* and ineffective.

Breaking down silos and heightening co-ordination to enhance evidence-based decision making speak to the issue of fostering a public governance environment that encourages policy and management innovation. Innovation can occur internally within

the public sector through sharing across responsibility centres good practices and innovative ideas that can be adapted to address different policy challenges across government, and externally in the national economy through reductions in red tape and unnecessary or obsolete rules and through facilitating networks of key public and private stakeholders in government, business and academia to work together to create and commercialise new, innovative products and services.

The use of ICT is clearly a way of breaking down silos. This can be achieved by adopting platforms to facilitate communication across ministries – something the central government is currently planning – by re-using data and services for seamless user experiences and by organising e-government service delivery around the needs of users (be they citizens, businesses or internal to government).

Currently in Poland, there does not appear to be any obviously identifiable reform lead or champion in the government. There no longer appears to be a reform "heart" to set the rhythm of reform – as the Chancellery and the MRD did when the Development Management framework was being designed and approved. Hence, to complete the reform process, the Prime Minister could identify political-level institutional champions to oversee this evolution. Indeed, "champion" need not be equated solely with an individual. A steering committee or reference group of senior political representatives from the key CoG institutions could be appointed as champions to steer reform and monitor progress in its implementation on an ongoing basis. In addition, these institutional champions could report regularly to the government, Parliament and citizens on progress. To this end, the government could consider the following recommendations:

- The Prime Minister could announce the government's commitment to complete the governance reform process within a specified timeframe on the basis of a publicly available implementation roadmap.
- The Council of Ministers could complete the approval of all outstanding medium-term strategies, including the Efficient State Strategy.
- The Prime Minister could identify political-level institutional champions to oversee CoG reform implementation. This process could be facilitated by empowering an existing committee of the Council of Ministers to facilitate CoG co-ordination reform, with a mandate that includes:
  - co-ordinating, communicating and reporting on integrated strategy implementation, evidence- and performance-based decision making and budgeting across the central government and in the regions;
  - approving reform initiatives in the form of recommendations to the full Council of Ministers for approval and implementation;
  - working closely with the Standing Committee on Digitization Issues, the Ministry of Administration and Digitisation and the Chancellery's Department of the Civil Service so that cross-cutting issues that have e-government and strategic HRM implications are duly integrated into the roll-out of the nine integrated strategies and the main governance reforms over the upcoming programming period;
  - overseeing the development and application of robust monitoring and reporting capacity on progress in reform implementation, and on the impact of these reforms on national performance over time.

- In so doing, the Prime Minister could create three sub-committees of ministers to support the committee, each responsible for one of the three strands of reform. These sub-committees could be co-chaired by the key CoG ministers responsible for the subject area:
  - the CoG sub-committee to co-ordinate the implementation of the medium-term strategies could be co-chaired by the Chancellery and the Minister of Regional Development – who could be named co-champions for this area;
  - the Performance-based Budgeting Sub-committee could be chaired by the Minister of Finance – who could be named champion of implementing PBB reform (see next chapters below);
  - the Sub-committee on Evidence-based Decision Making (see Chapter 3) could be chaired by the Minister of the Economy.
- The government could mandate the Chancellery of the Prime Minister, as the committee's secretariat, to work closely with the key responsibility centres in CoG institutions on an ongoing basis. The Chancellery could create one-off "task teams" to serve the committee, using officials from various ministries to tackle complex reform issues and recommend integrated reform implementation plans.
- The government could articulate (either through regulation or legislation) and communicate a distinction in mandate between sector-specific line ministries and CoG co-ordination institutions:
  - the list of CoG institutions could include the Chancellery, the Legislative Centre and the Ministries of Finance, Economy, Foreign Affairs, Regional Development, and Administration and Digitisation;
  - CoG institutions' co-ordination mandates could cover all significant strategic policy and fiscal initiatives being developed to implement the medium-term integrated strategies so that all national decision making on significant issues is whole-of-government, integrated, evidence-based and coherent with the EU's strategic objectives while based on the long-term interests of Poland and its citizens;
  - the role of CoG co-ordination could be communicated government-wide so as to ensure that line ministries understand that their sector-specific mandates and particular policy initiatives stand the best chance of being implemented as part of a coherent, integrated, government-wide strategic plan, and that it is therefore in their best interests to work horizontally with these CoG institutions to move their own sector-based agendas forward.

These sub-committees and their parent Co-ordinating Committee could be supported by a secretariat that could be located in the Chancellery to work closely with the task teams from the key responsibility centres in the CoG ministries (MRD, MoAD, Finance, the Economy, etc.). The Co-ordinating Committee could oversee reform roll-out by approving reform initiatives in the form of recommendations to the full Council of Ministers for approval and implementation. The Co-ordinating Committee, supported by its secretariat in the Chancellery, could also ensure that the three sub-committees work closely with the Standing Committee on Digitization Issues (Annex A) and the Chancellery's Department of the Civil Service so that cross-cutting issues that have

e-government and HRM implications are duly addressed as the nine integrated strategies and governance reforms are implemented over the upcoming programming period. Robust monitoring and reporting on progress (see Chapter 5) could also be a regular responsibility of the Co-ordinating Committee.

Managing the negotiation and transposition of EU policy into national strategy

EU member countries are required to integrate EU strategic priorities and directives into their national planning; for example, how they plan to attain – at a national level – the targets set out in Europe 2020 (Box 2.3). Smaller and/or newer EU member countries may, however, face particular challenges, and overly base the development of national strategies and priorities on those set by the EU without first developing a clear national vision of their own. For all EU member countries, there is a need to strike an appropriate balance between meeting EU obligations and anticipating the future EU context, and developing their own national direction. This challenge manifests itself differently between countries. For example in Estonia, strategies were developed and driven by a need to meet requirements for EU membership. This, however, fell short of providing a coherent, overarching, shared, strategic agenda that included broad input for achieving economic, environmental and social outcomes that could shape future opportunities for competitiveness and for managing risks (OECD, 2011c). Finland, on the other hand, has made it a priority to identify its position *vis-à-vis* the EU and then move forward (Box 2.5).

Box 2.5. **Finland's approach to integrating EU policy**

In April 2009, the Finnish government adopted a report on Finland's EU policy. This report analysed the significance of EU membership to Finland, and set out basic principles and key objectives for Finland's EU policy. It also considered ways for Finland to develop its influence in the EU. The report was intended to help define Finland's objectives at the EU level for the coming period and outlined far-reaching visions for the future development of the EU. In addition, it proposed that the findings and information contained in the report serve as a basis for encouraging discussion and debate among citizens on EU membership and feed into a future project aimed at developing the co-ordination of EU issues and tools for better exerting influence as an EU member country.

Source: OECD (2010), *Better Regulation in Europe: Finland 2010*, OECD Publishing, doi: *10.1787/9789264085626-en*; Finnish Prime Minister's Office (2009), *Government Report on EU Policy*, Prime Minister's Office Publications 20/2009, Helsinki, Finland.

In Poland, there is an awareness of the need to balance the EU and national strategic agendas. The central government's capacity to establish strategic priorities for its EU policy and its management of EU regulations so that these are fully integrated into (or at the very least do not contradict) Poland's nine development strategies is key to achieving this balance. The challenge for Poland's CoG institutions will be to ensure that, as the government proceeds with implementing its nine integrated strategies over the upcoming EU programming period, it applies a consistent approach with line ministries and sub-national governments as it integrates EU policy commitments into their policy mandates, budgets and resources.

At issue is the extent to which the government of Poland is using EU strategy to steer national strategy and manage the country's fiscal framework, particularly given the challenges facing Poland, as presented in Chapter 1. How Polish ministries are to integrate EU strategy and cohesion funding and implement EU regulations within a single

budget-planning system is unclear. Implementation costs and how these will be met are only considered after negotiations in Brussels are finalised. While those who are developing umbrella strategies are aware of the linkages, this is not necessarily shared more broadly across the Polish central government.

An administrative process exists for transposing EU regulation into the Polish legal framework, managed by the Ministry of Foreign Affairs (MSZ), which thus plays a CoG co-ordination function here. The process is co-ordinated by the Committee for European Affairs of the Council of Ministers. The MSZ monitors the EU *Official Journal* and informs individual ministries about new EU laws. The MSZ submits a list of key transposition requirements to the Chancellery of the Prime Minister, which then forwards it to relevant ministries as part of the government's legislative programme of work.

The MSZ also regularly codifies information on the state of implementation of European Union directives, submitting it once a month to the Committee for European Affairs. This gives the members of this Council of Ministers Committee an overview of implementation-related legislative priorities as well as the current status of the implementation of individual EU directives. This document constitutes the basis for the monitoring of legislative work related to the transposition of EU directives into Polish law. Planning for the transposition of individual EU directives is the responsibility of relevant ministries and their departments.

That said, there does not appear to be a systematic strategic approach on the part of the Polish central government to take the impact of EU strategy and regulations into account in its national integrated development strategies or its high-level priorities. Managing EU regulations is particularly important given that a large proportion of the legislation enacted by the *Sejm* flows from or directly relates to Poland's membership in the EU. This is an issue common to virtually all other EU member countries (Box 2.6).

Box 2.6. **The management of EU regulations**

The three types of EU "regulation"

There are three types of EU binding legal instruments, of which directives are the most common and important in practical terms for member countries to manage:

- Regulation: a general measure that is binding in its entirety and that is directly applicable without requiring transposition into national regulations.
- Decision: an individual measure that is binding in its entirety for the person(s) to whom it is addressed.
- Directive: addressed to the member countries and binding as to the results to be achieved, but leaving them the choice of form and method to realise the Community objectives within the framework of their internal legal order.

An increasing proportion of national regulations originate at the EU level. While European Commission regulations have direct application in member countries and do not have to be transposed into national regulations, directives do need to be transposed. This raises the issue of how to ensure that the regulations implementing EU law are fully coherent with the underlying policy objectives, do not create new barriers to the smooth functioning of the EU Single Market, and avoid "gold plating" and the placing of unnecessary burdens on businesses and citizens. Transposition also needs to be timely in order to minimise the risk of uncertainty as regards the state of the law, especially for businesses.

Box 2.6. **The management of EU regulations** (*cont.*)

Negotiating EU regulations

Countries want to find ways of exerting stronger influence on the development of EU legislation. This is important for them in order to avoid creating technical as well as more fundamental policy problems for the transposition (implementation) of EU directives into national law, and the creation of unnecessary burdens. But, member countries often find this process frustratingly difficult. Considerable energy, time and resources are often deployed for EU issues, not just by central ministries but also by regulatory agencies which have a stake in EU legislation (e.g. telecoms).

Responsibility for overseeing negotiations is usually either with the Prime Minister's Office or the Foreign Affairs Ministry. In a few countries the process relies on a ministerial network with no specific lead, which appears to work just as well. Co-ordination structures to cover the interests of different ministries and keep track of developments are often sophisticated and rigorous, standing out in contrast to the less well-networked arrangements for domestic regulatory management. They ensure that negotiating positions are clear, but their real impact in terms of what needs to be achieved around the negotiating table is less clear. It was recommended to several countries that prioritisation of dossiers might help, to ensure that focus and resources go to key directives. Specific guidance and training is often (not always) available for officials engaged in EU negotiations.

A recurring recommendation in the reviews was to suggest that co-ordination approaches for the EU might inspire ideas for more effective co-ordination of national regulatory work. For example, this could be the establishment of a dedicated committee for national regulatory policy chaired at a high level at the centre of government.

Parliaments are directly involved in EU-related regulation, even when they do not play a major role in domestic regulatory management. Dedicated committees for the management of EU affairs have usually been set up. There is a small but clear tendency for parliaments to acquire stronger powers, for example to approve negotiating positions (if they do not already have this power).

Transposing EU regulations

The transposition of EU regulations is often considered problematic. The issues are varied:

- Underlying policy differences which were not resolved in negotiation resurface when the directive needs to be accommodated into the national context.
- The clarity of legal texts, once they emerge from successive rounds of negotiation (Council working group, Council of Ministers, European Parliament), is much reduced (some texts are no longer coherent), complicating the task of transposition.
- Some countries use the opportunity of transposition to amend existing national laws, which can complicate matters.
- A few countries "gold-plate", that is, they go beyond what is strictly necessary to implement a directive. This can be for fear of not doing enough, to avoid subsequent infringement proceedings, or to maintain high standards which are at risk from a "lower standard" EU directive (this can be deemed a failure in negotiation).
- In other cases, the directive is literally translated into national law without regard to making necessary adjustments to pre-existing regulations, as this may be seen as the only practical solution to an incoherent and complicated text, or reflects a worry that the country will be challenged if the wording is not strictly followed.

Box 2.6. **The management of EU regulations** (*cont.*)

The speed with which directives are transposed has improved, with countries showing smaller deficits over time. There is strong awareness of the importance of timely transposition, and countries are generally now meeting the 1% target set by the EU Council of Ministers. There is a need for caution over the interpretation of these trends. Some calculations compare the number of directives transposed with the total stock of directives going back to 1957, which of course yields a small and decreasing percentage. Transposition may be notified upon adoption of the first of several implementing acts (meaning that the process is not complete even if the directive is said to have been transposed).

As with negotiation, institutional and co-ordinating structures for transposition are generally well established. Most countries use existing national regulatory mechanisms for transposition (laws and secondary regulations approved by Parliament for example). A few have fast-track processes for approval. There are some institutional weaknesses. Monitoring of transposition is, surprisingly, not always done systematically. For example, not all countries have databases to track progress. The use of correlation tables (to check the provisions of the directive against national provisions) is relatively rare. Impact assessments prior to transposition are often not carried out. This partly reflects uncertainty as to their value, since the directive cannot be amended, and may already be very prescriptive.

Interaction with EU Better Regulation policies

The national (and sub-national) perspective on how the production of regulations is managed in Brussels itself is important. Better Regulation policies, including impact assessment, have been put in place by the European Commission to improve the quality of EC regulations. The view from "below" on the effectiveness of these policies may be a valuable input to improving them further.

There is a particular wish to improve the articulation of EU impact assessments with national impact assessments. Influencing the Commission's own regulatory management strategies is important for many countries. EU-level impact assessments are carried out before a draft directive reaches the European Parliament. This means that amendments by the latter, which can be significant, are not assessed (an issue picked up by the recently published European Court of Auditors report on EU impact assessment). Another issue is that EU-level assessments do not necessarily capture the issues of concern to specific countries and settings (it may be hard for them to do so).

Source: OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, doi: *10.1787/9789264116573-en*.

Efforts are therefore needed to ensure that CoG institutions, in particular the MSZ working closely with the Chancellery, give appropriate consideration to the impact of EU strategy and its implementing regulations on national strategies and priorities – particularly given the point at which Poland finds itself in implementing its nine integrated development strategies over the 2014-2020 programming period – and that these are fully understood and considered by line ministries. It is equally important that given the challenges Poland is facing the government bring its key national strategic issues to the EU negotiating table early in the process of EU policy making. The Chancellery-MSZ partnership could help line ministries focus on these *ex ante* issues as well. The OECD has, through its Public Governance Reviews, provided a range of EU member countries with advice on "how to do it better" with the negotiation and transposition of EU strategy and related directives and the general approach to

influencing outcomes in Brussels (see, for example, the Public Governance Review on Slovenia [OECD, 2012]). Hence, the government could consider the following recommendation:

- Ensure that the Committee on European Affairs co-ordinates closely, on an ongoing basis, with the Council of Ministers' policy committees, including the sub-committee recommended above responsible for supervising the implementation of Poland's national integrated strategies, not only on the transposition of EU regulations but during the negotiation phase of EU policies and regulations. This co-ordination could be facilitated through regular joint committee sessions to discuss upcoming EU policies to ensure that the Polish position reflects relevant strategic issues reflected in the national planning framework.

The budget as a tool to implement and steer strategy

The budget is a key strategic decision-making tool. It needs to be comprehensive, covering all government revenue and expenditures, so that the necessary trade-offs between policy options can be assessed based on hard evidence against the parameters of the government's fiscal framework. The budget supplies critical information that constitutes a *sine qua non* condition for implementing strategic decisions rationally. This is in the nature of the strategic tools governments use to affect change. Lacking a modern, responsive, transparent and outcome-focused budget process thus severely restricts a government's ability to perform and deliver strategic results to citizens and businesses in a rapidly changing environment fraught with uncertainty.

The purpose of introducing performance-informed or performance-based budgeting (PBB) is to improve policy delivery to citizens by improving strategy implementation through managing the country's public finances in a way that enables the government to assess whether spending is achieving strategic outcomes. PBB strengthens allocative and operational efficiency, multi-year fiscal planning capacity, and transparency and accountability. PBB is a methodology that seeks to focus on the results attained through public sector spending, rather than on how much is spent on a particular government programme. This increases transparency and accountability, because spending results can then be assessed against spending objectives and targets, and discrepancies or disconnects can then be adjusted (and savings or reallocations can be made by discontinuing dysfunctional or low-priority spending).

While the use of performance budgeting varies greatly, almost all OECD countries now use non-financial performance targets/measures[4] in their budgeting methodology. This usually involves a government developing a framework through which objectives can be set and performance indicators can document results. In some countries, objectives and indicators are developed as part of an overall strategic plan for the government; in others, objectives and indicators will be set and monitored according to priorities in a particular policy area. In practice this means a number of things. This information can be used to gain insight into how different programmes contribute to the achievement of the government's policy goals. Depending on the type of performance information, this can also help explain why some programmes work and whether they represent value-for-money. Used in policy and budget formulation, this information can inform the design of better programmes.

Poland's medium-term approach to budgeting: One country – two systems?

Poland currently manages a traditional budget that is primarily based on organisational units and input controls. Poland is also in the process of introducing a new, performance-based budgeting system, which will initially work alongside the traditional system. This dual system is to be in place in 2013. Next steps regarding the budgeting system have yet to be decided. Indeed, the PBB will not be legally binding, yet it will cover the entire central government. In effect, this means that Poland will have two "budgets" as of 2013: the traditional budget and the PBB budgets of the operating programmes funded under the EU cohesion and regional development policy frameworks implementing Poland's nine national integrated strategies.

That said, the scope and ambition of Poland's reforms are striking: great ingenuity and effort have gone into their design and implementation so far. Poland's Public Finance Act 2009 set up the "scaffolding" for these reforms; however, many of the reform's details have yet to be finalised. Poland now faces hard choices on how to harness the upsides of performance management while minimising its costs in terms of organisational capacity and funding. Indeed, the challenges Poland faces in reforming its budgeting system successfully are not technical in nature. They go to the heart of the ability of the Polish government to steer strategy effectively to achieve meaningful policy outcomes for citizens.

Of course, a certain amount of flexibility and potential adjustments to areas of the reform in the coming years are to be expected. This Review strongly supports the efforts of the Polish government to generalise the use of performance information in decision making and to move its budget reform process forward. To this end, this section assesses the extent to which this capacity is present in the Polish budgeting system today and makes recommendations on what could be modified to implement these reforms effectively.

The CoG institution that prepares the Polish national budget is the Ministry of Finance (MoF). However, the traditional role of a central MoF as fiscal gatekeeper and scrutinizer of legislation and initiatives from line ministries does not seem to be well developed in Poland – likely due to the fact that its CoG co-ordination functions are not recognised. This lesser degree of government-wide influence differs from the traditional role of the Ministry of Finance in OECD countries (Box 2.7 on the organisation of a central budget authority). Indeed, contrary to practice across OECD central governments, the Polish MoF does not appear to play a key role in the preparation and scrutiny of the fiscal aspects of initiatives and bills that are brought forward as part of line ministries' strategic implementation programmes for approval by the Council of Ministers.

It might also make sense to strengthen the institutional framework within the Ministry of Finance for implementing performance budgeting government-wide where this makes sense. Only once PBB is fully integrated into the annual budget process can its utility be appreciated government-wide and support for it as a strategic decision-making tool be extended across the government.

Poland's 2013 budget will contain an appendix with a PBB for the entire central government. While the production of the PBB will be beneficial to selected ministries, it will be burdensome to produce. Clearly this will not be sustainable over time and will cause confusion across the central government (and Parliament). Indeed, the existence of two distinct budgets raises the issue of co-ordination: how will the government report on these "budgets", especially if they are partly at odds? For instance:

Box 2.7. **Organisation of a central budget authority**

The importance of a powerful central budget authority in achieving sound budget outcomes – particularly that of fiscal discipline – has received much attention in the literature on budget institutions. Dimensions of a strong central budget authority are the political strength of the Ministry of Finance, the resources available to it, but also importantly the internal organisation of the central budget authority. Organisations must always adapt institutionally to reflect the main priorities of the government of the day. In addition, many Ministries of Finance are faced with the question of how best to organise staff resources in order to maximise their utility. Many OECD countries have organised their Ministries of Finance based on the following principles:

- The Ministry of Finance should reflect the organisation of government at large by having units shadowing each ministry or policy area.
- These units should be the "key account managers" of the relevant line ministry. All dealings between the Ministry of Finance and the line ministry should be co-ordinated by the relevant unit.
- The unit's core task should be to prepare the budget proposals for the line ministry in collaboration with the line ministry's budget office. This entails that the unit has a number of experts that thoroughly understand the line ministry's budget as well as the ministry's political goals.
- All key account managers should ultimately refer to the budget director, who should be able to have final say on all technical aspects of the budget, and be the Minister of Finance's senior advisor on all budget matters.

Source: Hawkesworth, I., R. Emery, J. Wehner and K. Saenger (2009), "Budgeting in Bulgaria", *OECD Journal on Budgeting*, Vol. 9/3, OECD Publishing, doi: *10.1787/budget-9-5kmh6dn6n4d7*.

- The nine medium-term integrated strategies will, by definition, cut across ministries' mandates. According to the Constitution, ministers are responsible for their areas as per their input budgets; however, each of the nine integrated strategies will have a lead-minister/co-ordinator whose responsibilities will cover areas in the strategy that fall outside the lead ministry's mandate (and therefore under the responsibility of another minister). How performance-informed budgeting will square this circle remains unclear.
- The November 2011 Council directive on member countries' budgetary framework requirements needs to be implemented by the end of 2013 (Box 2.8). The extent to which this directive, the EU fiscal compact along with other obligations under the "Six Pack" will affect the medium-term perspective on the Polish budget process is unclear. Poland will need to strengthen capacity within its Ministry of Finance so that its medium-term fiscal framework can properly reflect these new EU fiscal rules.

Performance measurement and evaluation as integral to budget decision making

Performance targets and indicators are integral to implementing PBB, and have been rolled out across the entire central government (due to EU-funded PBB reform strategies); yet their quality and utility vary significantly and they do not seem to inform government decision making. That said, the Polish central government has made considerable effort to define and develop performance measures. Indeed, the OECD had

advised the government in this area, most notably in the indicators study it submitted to the government in 2011 as a lead-up to this Review. The structure and philosophy of Poland's new system is aligned with what is happening in many other OECD countries and offers a sound foundation for moving forward.

Box 2.8. **The EU Directive on Budgetary Frameworks**

The "Six Pack", which came into force in December 2011 (Box 1.3), includes the Council Directive 2011/85/EU on budgetary frameworks. A directive is binding on all EU countries, but leaves EU counties a certain freedom in choosing the legal instrument to transpose the directive into national legislation. Transposition of the Council Directive is expected to be completed by end-2013. The Council Directive sets out requirements on five dimensions of budgetary frameworks:

- Accounting and statistics: public accounting systems need to comprehensively and consistently cover all sub-sectors of general government and contain the information needed to generate accrual data.
- Macroeconomic and budgetary forecasts: the macroeconomic and budgetary forecasts need to be compared with the most updated forecasts of the EU Commission and, if appropriate, those of other independent bodies. Significant differences between the chosen macro-fiscal scenario and the EU Commission's forecast needs to be described and justified.
- Numerical fiscal rules: country-specific rules need to effectively promote compliance with a country's obligations in the area of budgetary policy over a multi-annual horizon for the general government as a whole. These rules need to promote compliance with deficit and debt rules and adherence to the medium-term fiscal objective (MTO).
- Medium-term budgetary frameworks: fiscal planning horizons need to cover at least three years to ensure that national fiscal planning follows a multi-annual fiscal planning perspective. In particular, medium-term budgetary frameworks need to include: *i)* comprehensive and transparent multi-annual budgetary objectives; *ii)* projections of major expenditure and revenue items for the budget year and beyond based on unchanged policies; *iii)* a description of medium-term policies with the expected impact on revenues and expenditures; *iv)* an assessment of medium-term policies on fiscal sustainability.
- Transparency of general government finances and comprehensive scope of budgetary frameworks: budgetary frameworks need to build on appropriate co-ordination mechanisms across all levels of governments and include detailed information on the impact of tax expenditures on revenues and the impact of contingent liabilities on public finances.

Source: Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states,
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:306:0041:0047:EN:PDF.

Performance management requires a collaborative, horizontal approach to be successful. Consequently there need to be incentives for civil servants to embrace such a change. In addition, key skills regarding performance budgeting need to be provided through extensive training. These incentives could partly come in the form of positive recognition from the minister and senior management and partly through a greater transparency about implementing performance measurement as part of civil servants' annual performance evaluation that would affect pay and promotion.

Table 2.1. **Budget classification for traditional and performance budget**

Traditional budget structure	Example	Performance-based budget structure	Example
Parts (84)	Ministries, institutions, EU funds, local government grants, debt servicing	Functions (22)	Main policy areas such as Function 3: education, upbringing and care or Function 6: state economic policy
Sections (33)	Activities/areas such as industry, agriculture or transport	Tasks (145)	Main programmes such as 4.4 public debt management; 6.1 increase of competiveness of economy
Chapters (576)	Sub-areas regarding sectors such as industry, agriculture or transport	Sub-tasks (698)	Sub-programmes such as 6.1.3 creating conditions for increasing the innovativeness of enterprises
Paragraphs (229)	Economic classifications such as wages or investment	Actions (< 4 000)	Sub-activities such as 6.1.3.1 creating conditions for functioning of enterprises

Note: The rows of the table should not be read as though the levels of the traditional budget structure and the performance-based budget structure correspond.

Experts have suggested that one way of creating political support for PBB is for Parliament to demand an increased focus on measuring performance against target objectives (Hardt and de Jong, 2011). It is clearly in the interest of the Parliament to scrutinise and hold government to account for performance and it should clearly be in the interest of the government of the day to publicise its achievements. One possibility could be to have an annual performance accountability day. The Prime Minister could present the main results of the past year and a subsequent parliamentary debate could be held. MPs could rely on both the performance information generated on the basis of the PBB as well as other performance information from Statistics Poland, NGOs, etc.

Beyond the budget, performance measurement and evaluation tools need to be integrated into any and all *ex ante* and *ex post* regulatory impact assessment mechanisms – these tools are critical to evaluate policies to identify success and failures, and to improve policies accordingly. The process of performance measurement includes the definition of concrete and measurable objectives and the evaluation of whether these have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility and to communicate progress.

OECD experience suggests that performance measurement works best if it builds on clear objectives, good-quality data and is embedded in a culture of constant learning and improvement. If indicators are not complemented with more in-depth qualitative analysis, or if they end up being imprecisely related to the policy objective the programme is being implemented to achieve, there is a risk that they will lead to a situation in which reward is given to programming that is not achieving its intended result, or is achieving perverse outcomes. Moreover, an exclusive focus on "what is measurable" leads to the discounting or non-measurement of other important performance objectives. The OECD has developed a methodology to assist countries in the development of performance measurements (Box 2.9).

The Multi-Year Financial Plan, spending reviews and performance information

The Multi-Year Financial Plan (MYFP) is a relatively new concept in the Polish budget process adopted by the Council of Ministers in 2010 (for the period 2010-2013). It has a rolling four-year horizon and covers general fiscal policy, economic projections, revenue and expenditure estimates, budget balance and debt (see previous section on the ESS). The plan is updated yearly in light of budget changes and is approved by the

Council of Ministers. The plan does not set binding top-down expenditure limits, but the Act on Public Finance states that the deficit targets of the plan should be respected except in "justified cases", in which an explanation must be given to Parliament detailing the reasons for the exception. The plan is to be the basis for the preparation of the budget and is meant to support the Polish Convergence Plan that aimed at reducing the deficit to 3% of GDP by the end of 2012 with a view to subsequently adopting the euro. This target seems realistic given the strong economic performance Poland has exhibited after the global financial crisis and in contrast to many of its neighbours.

Box 2.9. **From setting objectives to measuring results: A seven-step process**

Performance measurement and evaluation need to be integrated into all major policy initiatives both *ex ante* and *ex post* – these tools are critical to evaluate policies to identify success and failures, and to improve policies accordingly. The process of performance measurement includes the definition of concrete and measurable objectives and the evaluation of whether they have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility, and to communicate progress. Performance measurements work best if they build on clear objectives, good-quality data and are embedded in a culture of constant learning and improvement.

There are risks, however: if measurements are not complemented with more in-depth qualitative analysis these indicators lead to a situation in which reward is given to programming that is not achieving its intended result, or is achieving perverse outcomes. Moreover, an exclusive focus on "what is measurable" leads to the discounting or non-measurement of other important performance objectives.

The OECD has developed a seven-step methodology to help policy makers set objectives for their policies and assess whether they have been achieved. The figure below provides a concrete illustration of the application of the seven-step method to a policy on strengthening the enforcement of traffic regulation to reduce traffic causalities.

Step 1: Establish priority policies

For indicators to provide valuable information, they must be properly rooted in policy itself. At the same time, it is unrealistic, and perhaps undesirable, to link indicators to all policy initiatives. Thus, policies need to be prioritised according to their ability to help government meet its strategic objectives. A priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement (see example below).

Step 2: Define the targets

A target is a concrete goal that states the degree or level of achievement expected with respect to its associated priority policy. Targets are most directly linked to results indicators, and the degree or level of achievement that a target measures can be based on a variety of comparative parameters, depending on the base comparator and the results being sought.

Step 3: Identify key activities

An activity is a specific programme, initiative or project that clearly supports reaching a target. Activities must be systematically and clearly linked to targets and should be expressed as action verbs. Thus, "train", "implement" and "build" all work well to lead an "activity statement" but "improve", "strengthen" or "enhance", for example, do not.

Step 4: Build output indicators

Output indicators measure progress with an activity, and thus these two components should be clearly linked. A well-constructed output indicator is measurable. Thus, it must be quantitative (i.e. expressed in physical or monetary units) and time bound (i.e. limited to the lifetime of the corresponding activity). One key question to ask when establishing an output indicator is what will be produced by the activity being measured?

Box 2.9. From setting objectives to measuring results: A seven-step process (*cont.*)

Step 5: Build results indicators

A results indicator measures the results of activities in terms of their contribution to corresponding targets. Thus, they are closely associated with targets.

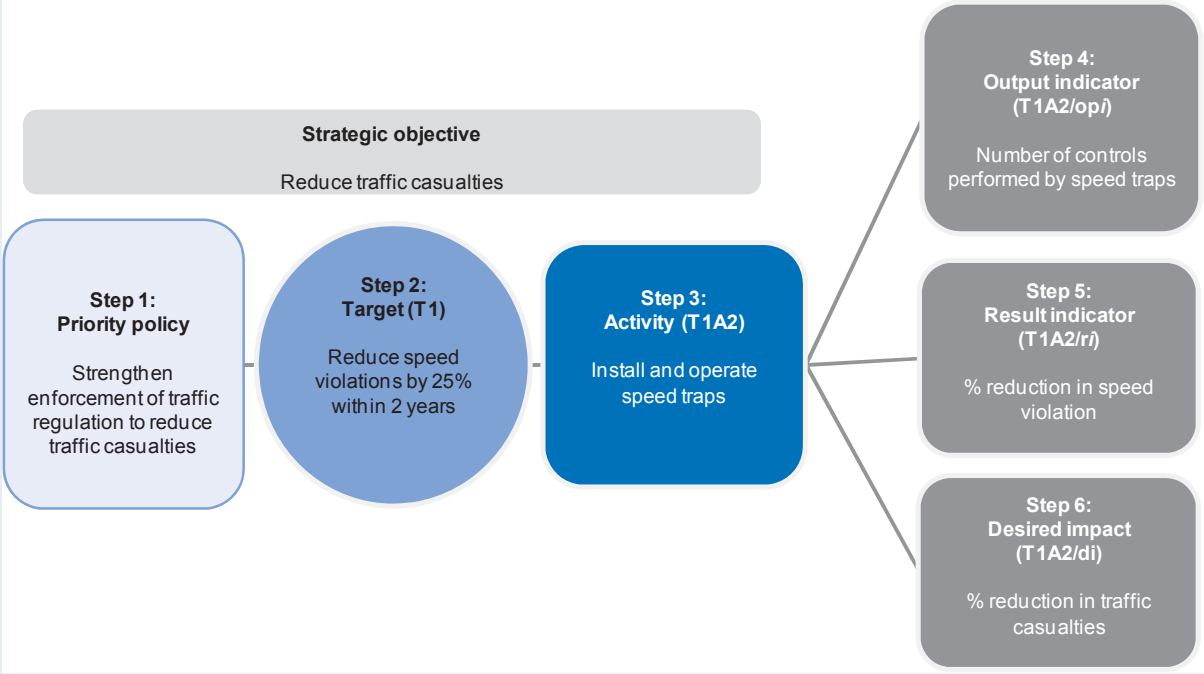
Step 6: Identify the desired impact

An impact indicator sets a longer term perspective and provides insights on the effect that one or more key activities have on the priority policy, and ultimately on the strategic objective. Impact indicators are particularly difficult to develop because attribution or causality is hard to establish – i.e. making a direct and complete link between the activity's impact and policy objective can be difficult. This is because other factors, often not within the control of government, may be involved with meeting a strategic or policy objective. Thus, it may be more rewarding and appropriate to identify desired impact – the desired impact of an activity on a priority policy, and more fundamentally the desired impact of a priority policy on a strategic objective. Such a conversation can: *i)* help focus policy thinking by providing a framework or an orientation within which other decisions can be made; *ii)* inspire extended institutional and individual effort.

Step 7: Identify appropriate qualitative research methods

There are many approaches to determining the effectiveness of activities and/or priority policies. Output, result and impact indicators may signal problems and trigger governments to "dig deeper" to find the causes of the problem and identify the appropriate actions. Qualitative research methods can add value to the indicators and an understanding of policy effectiveness. Such research methods can include case studies, focus groups, interviews and reviews (e.g. OECD peer reviews).

Illustration of the seven-step methodology



Source: OECD (2013), *Poland: Developing Good Governance Indicators for Programmes Funded by the European Union*, OECD Public Governance Reviews, OECD Publishing, doi: *10.1787/9789264193543-en.*

The MYFP is a central element in the development of the PBB-reform in Poland. The MYFP is prepared according to the new PBB structure covering the functions of the state along with the objectives and related measures. It provides an additional platform for the presentation and reporting on performance information. Ministers must annually submit information about the implementation of the MYFP to the Finance Minister, including information about the extent of achievement of their objectives. This information is then submitted to the Council of Ministers and published. A number of countries have introduced medium-term expenditure frameworks and performance budgeting as part of the same reform package – for example Austria, France and Korea (OECD, 2008b).

As the MYFP was only recently introduced there is limited evidence as to how it will actually influence budgeting. For now, expectations in line ministries seem to be that the allocation among functions in the MYFP will be for indicative purposes only. The Swedish experience (Box 2.10) shows the importance of institutionalising a medium-term expenditure framework so that all actors are aware that government is committed to it.

Box 2.10. **Medium-term framework and expenditure ceiling in Sweden**

In Sweden, the Parliament sets an expenditure ceiling for the next three years at the same time as it decides the limit for total central government expenditure for the coming budget year. The ceiling applies to all expenditure in the central government budget as well as the old-age pension system – only interest on national debt is excluded. Importantly, this includes transfers and other mandatory expenditures. The expenditure ceiling is given in nominal terms and works on a rolling basis based on proposals from government.

The total expenditure ceiling contains a "budgeting margin" for unforeseen expenditures and Parliament has full discretion to revise the ceiling. These are elements of flexibility, but also elements which can undermine the function of the medium-term expenditure framework. Thus, the ceiling not only builds on realistic and reliable projections but also on a Parliament and government interested in actually restricting their own discretion of the annual budget process according to medium-term fiscal targets. In other words, government and Parliament have to be committed to medium-term objectives, which has been the case in Sweden where the medium-term fiscal targets and the expenditure ceiling have become highly institutionalised.

Constructing the MYFP in the PBB structure with related objectives and indicators indicates an intention to use performance information in multi-year budgeting. Poland has some experience with this given the significant national regional development programming it co-finances with the EU.

Strategic expenditure reviews to find fiscal room to address emerging priorities

It takes time for a strategic policy initiative to achieve fundamental outcomes – e.g. to reduce crime, improve employment for students through enhanced academic credentials, reduce the number of road deaths or increase the environmental health of lakes and rivers. A multi-year perspective is thus necessary to allow for strategic operational reviews to be carried out to monitor expenditure efficiency and effectiveness and to identify programme areas that no longer reflect government priorities. That said, it appears that current fiscal oversight practice in Poland does not include the regular conduct by the Ministry of Finance of such strategic reviews. New initiatives and programmes proposed to the Council of Ministers are scrutinized, as are existing expenditures within the first stage of the budget-planning process (when spending limits are being established) but the ministry does not perform strategic expenditure reviews on existing programmes or sectors to map

operational expenditures against targeted whole-of-government strategic objectives. This is unusual compared to many OECD countries. The ministry needs the capacity to work with line ministries to target programming areas where in-depth analysis that assesses single-sector or cross-sector expenditures against the integrated medium-term strategic objectives targeted by the government can pay off in savings through the elimination of lower priority spending and improvements to higher priority expenditures to enhance the achievement of relevant policy outcomes:

- The main strategic objective of expenditure reviews is the identification of fiscal room based on evidence-based performance evaluation to meet emerging programming priorities efficiently without damaging the government's fiscal framework or threatening its capacity to meet its overall fiscal consolidation goals.
- This takes on added importance given the policy and fiscal challenges Poland is facing. It could therefore be helpful to introduce reviews of spending areas or programmes using performance information (see Chapter 1).

Canada has been using expenditure and strategic reviews since 2007 (Box 2.11). These reviews could be used to settle multi-year envelopes with clear performance targets to be reported and re-evaluated in, say, four years along the lines of the Australian (and Canadian) "Strategic Reviews" as discussed in Boxes 2.11 and 2.12 below.

Using the MYFP to prepare performance information and carry out expenditure reviews to establish multi-year envelopes and targets will require investing in capacity building in the MoF (and might require adjustments to the Public Finance Act) to enable the ministry to conduct expenditure reviews in co-operation with line ministry budget managers, and design and roll out a process for negotiating multi-year envelopes across the government. Indeed, the introduction of such a system would enhance analytic capacity in the ministry. Moreover, budget managers must accept and co-operate if expenditure reviews are to be successful.

Box 2.11. **Canada's Expenditure Management System and Strategic Reviews**

The government of Canada's Expenditure Management System (EMS) guides expenditure planning and decision making, budget implementation and oversight. In June 2007, a renewed approach to the EMS was announced that ensures all government programmes are focused on results providing value for taxpayers' money and are aligned with the priorities of Canadians and federal responsibilities.

Strategic Reviews are an important element of the EMS: federal departments and agencies are required every four years to conduct a Strategic Review to examine their direct programming and operating costs to assess how and whether they are aligned with government priorities and whether they provide value for money. The results of Strategic Reviews are considered by Cabinet as part of budget planning. Strategic Reviews have two overarching objectives:

- management excellence: Strategic Reviews support effective management of the government's resources to achieve results and drive excellence in programme performance and services to Canadians; and
- fiscal credibility: Strategic Reviews assist in ensuring that overall spending growth is consistent with the government's commitments in this regard – on average below annual GDP growth.

Box 2.11. **Canada's Expenditure Management System and Strategic Reviews** (*cont.*)

Strategic Reviews enable the government to assess on an ongoing basis the relevance and performance of programme spending. To that effect, organisations undertaking a Strategic Review must:

- comprehensively assess 100% of their direct programme spending and identify areas where programmes and policy adjustments can improve programming performance and relevance; and
- assess opportunities for savings by identifying their lowest-priority and lowest-performing programming along with potential efficiency gains in internal services.

To assist in these reviews, reduction targets are provided from which funding could be reallocated to meet emerging government priorities. At the start of the review process the Treasury Board Secretariat sends a letter to each department or agency conducting a review setting out the scope of the review, including targets for the lowest-priority, lowest-performing programming. In conducting reviews, ministers and deputy heads must provide evidence on the performance of 100% of their programmes and spending, which will allow the Treasury Board ministers to answer the following key questions:

- Are all programmes and spending effectively aligned with the government's priorities?
- Are all programmes and spending consistent with federal roles and responsibilities?
- Are there other organisations (e.g. federal/provincial, private sector or not-for-profit sector) better placed to deliver these programmes?
- Are all programmes and spending relevant and still meet the needs of Canadians?
- Are all programmes maximising value for money?
- Are all programmes effectively serving the purposes for which they were created?
- Are adjustments required to improve performance (including efficiency and effectiveness)?
- Can the same results be achieved using less money?
- Does the organisation have the capacity to spend and manage for results effectively?
- Can improvements be made to internal services in order to maximise efficiencies?
- Are there opportunities to reduce overlap and duplication as a means of achieving greater efficiency and savings?

Strategic Reviews use external advisors to provide the responsible minister with independent advice and an attestation to Treasury Board ministers that a comprehensive review has in their opinion been performed.

Source: Government of Canada, Treasury Board Secretariat website, accessed July 2012.

The central government might therefore wish to introduce gradually a system of expenditure reviews on a scale that reflects strategic targeting: those programmes deemed to be less of a priority for advancing the government's strategic objectives could be the subject of initial reviews. The reviews should use performance measurement tools for

multi-year budgeting and analysis. The government could first "test" the system by launching a couple of pilot reviews in programme areas deemed particularly ripe for assessment.

Box 2.12. **Strategic Reviews in Australia**

The Strategic Review Framework was introduced in 2007 to work alongside Australia's decentralised departmental programme evaluation and review frameworks. Strategic Reviews are typically broader than departmental programme (or spending) reviews, take a whole-of-government perspective and provide a greater degree of independent scrutiny.

Strategic Reviews focus on major policy and spending areas across programmes or portfolios and other significant Australian government initiatives. Reviews can also be targeted and focused on a particular issue of current interest to the government. A particular feature of Strategic Reviews is that they focus on examining the continuing relevance and performance of ongoing programmes and activities and are not necessarily about finding savings. Each Strategic Review operates from a terms of reference established for each individual review with the goal of addressing some or all of the Expenditure Review Principles, depending on their relevance. The Expenditure Review Principles address appropriateness, effectiveness, efficiency, integration, performance assessment and strategic policy alignment.

The programme of Strategic Reviews is either endorsed by the Prime Minister or the Expenditure Review Committee of Cabinet and are reviews for consideration by Cabinet. Strategic Reviews are either led by an independent eminent person or a senior employee of the Department of Finance and Deregulation ("Finance"), depending on the nature of the review. The review teams vary in size and can include both Finance employees and secondees from relevant line agencies. All reviews are conducted within and managed by Finance. The length of a Strategic Review varies depending on the complexity and size of the policies and programmes being reviewed. However, most Strategic Reviews aim to begin after the budget and to be completed by the end of November, being approximately four to six months in duration with the aim that they report back to Cabinet prior to or as part of the next budget.

Source: Information provided by the Australian Department of Finance and Deregulation, February 2013.

Given that reviews entail the setting of multi-year performance targets for a sector they could fit with the new initiative already planned which introduces ministerial targets that are to be reported to the Prime Minister yearly. These targets could be linked to the multi-year financial plan. A source of inspiration, albeit at another scale, could be the British Public Service Agreements (PSAs) based on spending reviews and binding medium-term budget envelopes for line ministries (Box 2.13).

The MYFP would benefit from being more closely tied to the annual budget process, especially if expenditure levels in the out years are binding. At the same time, expenditure levels expressed in the MYFP should not turn in to "floors" in the form of minimum envelope rights for spending ministries.

Box 2.13. **Spending Reviews and Public Service Agreements in the United Kingdom**

Starting in 1998, the Comprehensive Spending Reviews involved in-depth reviews of departmental aims, objectives and spending plans for each department for a three-year period. The Comprehensive Spending Reviews of the first decade focused on combining multi-year spending plans with policy outcome targets for the period. This gave birth to Public Service Agreements (PSAs), which set measurable targets for the government's objectives for public expenditure programmes. Each department had its own PSA (quasi-contract) negotiated with the Treasury to present the outcome delivered according to the funding level for a three-year period. Thus, Treasury had a main role both in the development of the PSA performance framework and the departments' actual PSAs as well as in the in the Spending Review process directed at each department.

The PSAs were introduced to *ex post* measurement of output/outcomes in relation to expenditures but also as an *ex ante* tool to motivate departments to direct operations to deliver the right results. However, it was also recognised that the PSA performance measures and target setting could not be applied to all government expenditure.

Later Comprehensive Spending Reviews in the previous decade took a deeper approach, turning from allocating incremental increases in expenditure to performing a set of zero-based reviews of involved departments' baseline expenditure. Departmental expenditures were analysed on the background of the government's long-term objectives in order to assess its effectiveness in delivering and fitting expenditure to current priorities.

The 2010 Spending Review is focused on establishing an encompassing framework for reducing the budget deficit involving budget reallocation, value for money and targeted savings. PSAs are also evolving from a top-down performance management system to "departmental business plans" which will provide information on performance and spending, including each departments:

- vision and priorities to 2014-2015;
- structural reform plan, including actions and deadlines for implementing reforms over the next two years; and
- contribution to transparency, including the key indicators against which it will publish data to show the cost and impact of public services and departmental activities. This section will be published for consultation to ensure that the government agrees the most relevant and robust indicators in time for the beginning of the Spending Review period in April 2011.

Time to integrate all budgeting across government into a performance-based framework

Poland needs to move ahead; the *status quo* will not provide the tools that it needs to steer and implement strategy effectively through decision making that clearly links resource allocation to the achievement of results in a consistent, whole-of-government manner. That said, the history of PBB in Poland is not one of failure. Rather, it suggests that introducing performance budgeting is a long journey that requires sustained political champions/leadership, technical soundness and civil service buy-in/ownership. Therefore, the government could consider the following set of recommendations:

- Implement progressively a single budget system that links spending to performance and results (where this makes sense), based on:

  - A publicly expressed political commitment by the Prime Minister and the Chancellery to integrate within a fixed time horizon all national and EU-funded budgets into a single performance-informed budget, based on a rationale that highlights success – that holds up areas in the government where PBB currently lends value as good practice examples on how best to extend this work across the government.
  - In the immediate term, pilot or demonstration initiatives that integrate those components of PBB that clearly add value to the existing budget process.
  - Using these demonstration projects to create political interest and buy-in for the rationale behind, and utility of, performance assessment and evaluation tools, and performance indicators and targets across the government and in sub-national governments: for example, clearly defined performance measures for ICT projects to enhance e-government service provision could lead to better financial choices as well as better project implementation. The rationale for funding a particular portfolio of e-government projects would then be based on whether – and how well – they achieve the e-government performance outcomes the government identified in its roll-out strategy.
  - Introducing multi-year planning and resource allocations linking appropriations and targets.

- Establish the Ministry of Finance as the CoG's budgetary decision-making hub and as champion for this reform in the Council of Ministers' Co-ordination Committee recommended above.
- Ensure that the MoF has the capacity to lead the performance-informed budget modernisation process efficiently and effectively government-wide, along the lines of OECD best practices.
- Enhance the capacity of the MoF to engage with line ministries in strategic programming reviews to ensure that the government can rely on in-depth analysis of operational programming performance to identify fiscal room to address emerging priorities, to enhance outcomes for existing ones and identify capacity to pursue its fiscal consolidation strategy over the medium term.
- Mandate the MoF to work with key line ministries to introduce a gradual system of strategic operational reviews, starting with pilot reviews of those programmes deemed to constitute less of a priority for advancing the government's strategic objectives, using performance measurement tools for multi-year budgeting and analysis, to identify fiscal room to address emerging priorities. The reviews could form the basis of multi-year agreements covering performance targets and appropriations. Incentives for line ministries could be built-in to the review process: for instance, ministries could be allowed to redirect their savings into higher priority spending areas within their remit (instead of having to give them up).
- Ensure that all line ministries and agencies can establish performance assessment capacity, indicators and targets for their spending areas for inclusion in the budget, and ensure that this performance measurement and assessment toolkit is sound and independently verifiable, in particular by ensuring that adequate training is provided to the relevant civil servants both in the MoF and in line

ministries charged with developing PBB methods, performance assessment, indicators, etc., and managing PBB for their ministries/agencies.

- Involve the *Sejm* in discussions on PBB implementation. Make a clear commitment to switching to PBB within a two-year horizon.

Strategic human resources management as a tool to implement strategy

Achieving and maintaining strategic-state capacity implies optimising the agility of the government's civil service to identify and meet emerging challenges effectively by implementing a whole-of-government system of strategic management of the workforce (Annex C). It will require a long-term vision for the civil service that aligns human resources with the strategic objectives of the government as well as greater use of strategic workforce planning to ensure that the government has the right number of people with the right skills in the right place at the right time.

In the last several years, the government of Poland has developed a variety of tools to modernise the management of its workforce, but these tools are not connected to one another within a coherent, integrated strategic approach. Despite the development of a Strategy for Human Resource Management in the Civil Service in 2011, which outlines these tools and other proposed HRM activities, the government has yet to adopt it, as noted above.

The government might find the United States' experience with workforce planning instructive here. The Office of Personnel Management (OPM) has made an effort to align workforce planning with the strategic management of organisations and requires agencies to submit human capital plans annually (Box 2.14). These workforce plans identify competency gaps and strategies to close these gaps. This experience emphasises the need for a forward-looking assessment of current and future capabilities and for aligning HRM with the overall mission and strategic objectives of government organisations.

To strengthen its capacity to implement whole-of-government HRM capacity, Poland will need to re-examine the role of the Department of the Civil Service in the Chancellery and its relationship with line ministries. As in many countries, the government of Poland has delegated significant HRM responsibilities to line ministries to allow greater flexibility for each ministry to meet its business needs. However, delegation without sufficient HRM expertise in line ministries or outside of an effective whole-of-government accountability framework that provides some consistency in HRM across the central government can lead to fragmentation and a reduction in the government's effectiveness to address emerging policy challenges quickly and correctly.

In Poland, HR fragmentation has resulted in wide variations in the employment conditions across the central government, notably for occupations and positions that are similar, if not identical, across different ministries. The decentralisation of authority for HRM has contributed to significant discrepancies in pay between similar jobs in different ministries, which hinders mobility in the civil service. This fragmentation limits the government's ability to reallocate skills to meet shifting and emerging priorities. Some countries, such as Australia, Canada and Sweden, have developed tools to achieve the right balance between delegation and accountability. Canada's Management Accountability Framework demonstrates the importance of applying common measures across departments and agencies to develop a whole-of-government perspective, even in a decentralised federal context (Box 2.15).

Box 2.14. **Strategic workforce planning, strategic alignment and workforce analysis in the United States**

In the United States, workforce planning is part of the strategic alignment system which focuses on a human capital strategy aligned with the mission, goals and organisational objectives of federal departments and agencies. It is implemented by the senior management, and in particular the Chief Human Capital Officer (CHCO), through analysis, planning, investment, measurement and management of human capital programmes.

Human capital management strategies are integrated into strategic plans, performance plans and budgets and are organised around: human capital planning, workforce planning, human capital best practices, knowledge sharing, and human resources as strategic partner. Each has several key elements that indicate effectiveness and is linked to suggested indicators that identify how well the agency is doing relative to key elements.

Activities and outcomes of this system are assessed through documented evidence of a Strategic Human Capital Plan which includes human capital goals, objectives and strategies; a workforce plan; and performance measures and milestones.

Agencies are required under Office of Personnel Management (OPM) regulations implementing the CHCO Act to submit the Strategic Human Capital Plan described by this system to OPM on an annual basis.

Effectiveness results of workforce planning

Each agency approaches workforce planning strategically and in an explicit, documented manner. The workforce plan links directly to the agency's strategic and annual performance plans and is used to make decisions about structuring and deploying the workforce.

Mission-critical occupations and competencies are identified and documented, providing a baseline of information for the agency to develop strategies to recruit, develop and retain talent needed for programme performance.

The agency's documented workforce plan identifies current and future workforce competencies and the agency is closing identified competency gaps through implementation of gap reduction strategies such as:

- restructuring;
- recruitment;
- competitive sourcing;
- redeployment;
- retraining;
- retention (e.g. compensation, quality of work life); and
- technology solutions.

A business-forecasting process identifies probable workforce changes, enabling agency leadership to anticipate changes to human capital which require action to ensure programme performance.

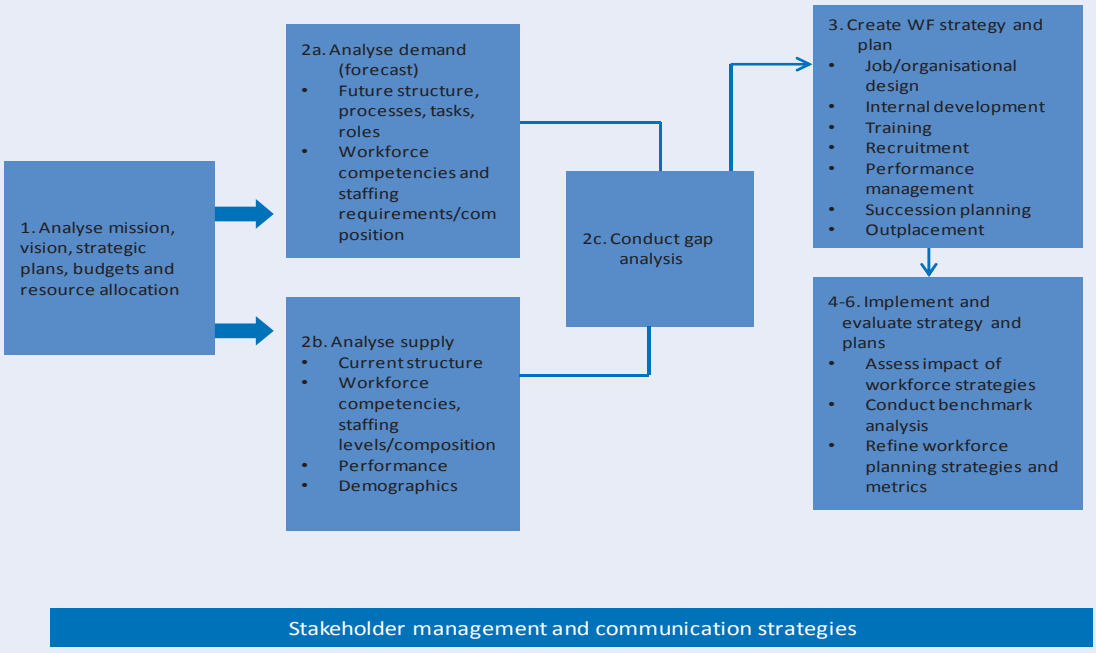
Based on functional analyses, the agency is structured to achieve the right mix and distribution of the workforce to best support the agency's mission.

Based on analysis of customer needs and workload distribution, the agency has the right balance of supervisory and non-supervisory positions to support the agency mission.

Box 2.14. Strategic workforce planning, strategic alignment and workforce analysis in the United States (*cont.*)

Workforce analysis

To support agencies' workforce planning efforts, OPM has issued a Federal Workforce Planning Model, which includes a workforce analysis framework. The following process chart illustrates this framework:



Source: United States Office of Personnel and Management (n.d.), "The Strategic Alignment System", *www.opm.gov/hcaaf_resource_center/3-1.asp,* accessed July 2012; and United States Office of Personnel and Management (2008), *Workforce Planning Best Practices*, US OPM, Washington, DC.

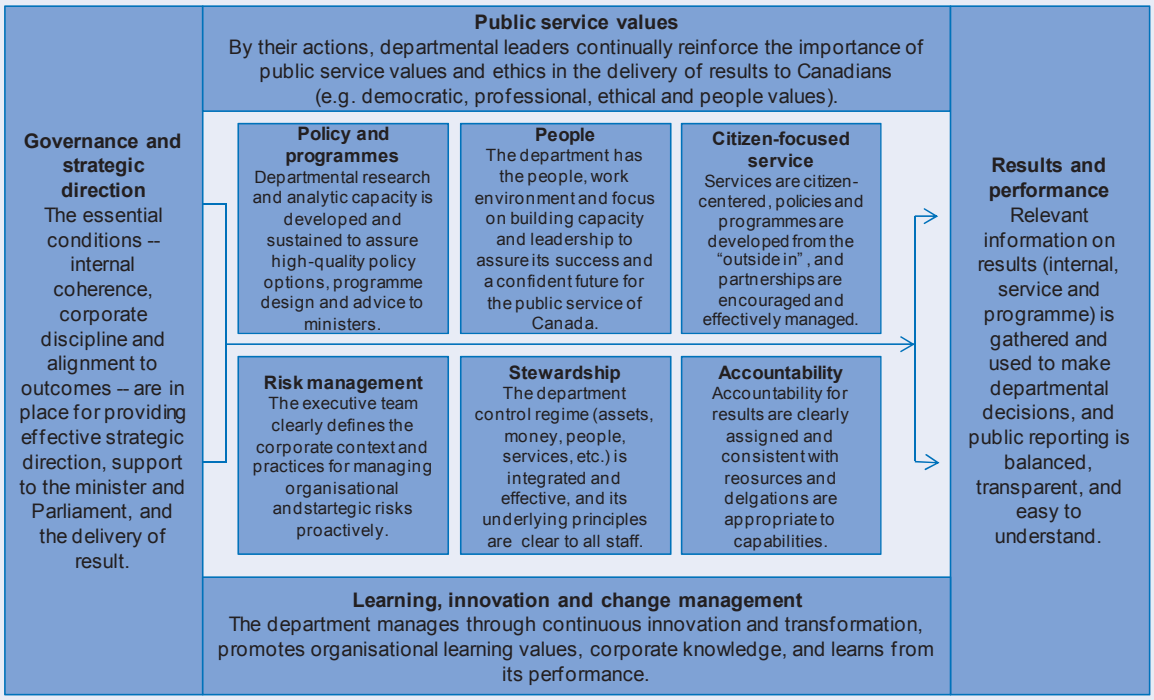
Box 2.15. The Canadian Management Accountability Framework

In the context of increased emphasis on results and performance management and increased delegation of management functions to departments, the Canadian government has developed a Management Accountability Framework (MAF) to ensure departmental accountability for management results, including human resources. The MAF is structured around ten key elements that collectively define "management" and establish the expectations for good management of a department or agency. It sets clear indicators and measures that can be used to gauge performance over time to help managers, deputy ministers and central agencies to assess progress and to strengthen accountability for management results.

The MAF is part of the government's efforts to move away from prescriptive rules and heavy central regulation to focus on risk-based monitoring and accountability for results. The government uses annual MAF assessments to identify management strengths and weaknesses in individual departments and agencies and ultimately government-wide. The assessment process leads to a joint agreement on specific management improvement action plans and ultimately public reporting on the state of management. MAF assessment now also factors into deputy ministers' performance appraisals.

The people component of the MAF provides a common structure for assessing HRM in departments and agencies. It sets out vision, expectations, key performance indicators and associated measures for sound HRM. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The outcomes are:

Box 2.15. **The Canadian Management Accountability Framework** (*cont.*)



- a workforce that is talented, professional, representative, engaged and productive, with the required competencies and values to meet current and future needs;
- a workplace that is healthy, safe and fair and enables employees to work effectively in a supportive environment and a culture of excellence;
- strong leadership and management capacity to effectively lead organisations and people in a complex and dynamic environment;
- effective infrastructure, which facilitates effective organisational planning supported by strategic and enabling HRM and achieves high levels of client satisfaction.

The key "people management" performance indicators provide a solid foundation on which managers at all levels, including deputy ministers and human resource professionals, can build their accountability regimes for quality HRM and assess their organisation's business and human resources outcomes. Every department and agency (except for small and micro agencies) in the federal public service is assessed in each component of the MAF. Each MAF component is further subdivided into areas of management (AoM), each of which has lines of evidence with associated rating criteria and definitions to facilitate an overall rating by AoM. The four-point assessment scale measures each AoM as either strong, acceptable, opportunity for improvement or attention required. The annual performance assessment of deputy ministers takes their department's MAF performance into account.

The MAF assessment process is performed annually by the Treasury Board Secretariat (TBS) (OCHRO performs assessment of the "people" component of MAF), based on evidence submitted from departments and agencies to support the defined quantitative and qualitative indicators within the framework. Assessments are completed by TBS representatives, including a quality assurance process to ensure results are robust, defensible, complete and accurate.

Source: OECD (2010), *OECD Reviews of Human Resource Management in Government: Brazil 2010: Federal Government*, OECD Publishing, doi: *10.1787/9789264082229-en*.

To strengthen its capacity to implement and sustain whole-of-government HR strategic management, the government of Poland could consider the following recommendations:

- Ensure that the Chancellery's Civil Service Department is mandated by the Council of Ministers to lead a whole-of-government process to achieve strategic HRM reform within an implementation timetable by working closely with line ministry and agency HR units to ensure that on-the-ground workforce needs are taken into account in these reforms, by:
  - ensuring that line ministries and agencies acquire the necessary HRM tools and skills;
  - reporting regularly to the Council of Ministers through the reform implementation committee recommended above and to the *Sejm* through the Prime Minister, on the government's strategic HRM issues and progress being made in addressing them.
- Ensure that the Chancellery's Civil Service Department is mandated to work closely on an ongoing basis with the other CoG units responsible for co-ordinating the implementation of the nine integrated medium-term strategies, performance-based budgeting and evidence-based decision making to ensure that the government's strategic HR issues are fully reflected in the roll-out of the nine medium-term integrated strategies, in the annual budget and multi-year financial plans and in any and all regulatory tests, impact assessments and policy rationales underpinning line ministry proposals being submitted to the Council of Ministers for decision.
- Ensure that this strategic HRM reform includes, at a minimum:
  - increasing the use of government-wide strategic workforce planning to ensure that the government can identify its competency gaps and develop strategies to address these gaps against its existing and emerging medium-term strategic priorities;
  - pursuing the review of the government's remuneration system to ensure that it attracts and retains talented employees, by standardising pay levels for similar jobs across different ministries and setting pay levels for different job categories based on labour market trends;
  - pursuing the reforms begun in 2012 aimed at standardising HR tools and modernising the employment framework for the public service, in order to facilitate greater mobility within the public service and improve the government's flexibility to redeploy human resources where they are most needed.

This chapter recommends that the government consider ensuring that all proposals (whether regulatory, legislative, budgetary, programmatic, or other) submitted to the Council of Ministers for decision coherently articulate the policy, financial, human resources, performance assessment and long-term strategic considerations needed to maximise evidence-based decision making. The next chapter addresses evidence-based decision-making capacity in the central government, with a specific focus on regulatory decision making, the practical aspects of implementing performance-based budgeting, and e-government implementation as a tool to enhance the efficiency and effectiveness of service delivery to citizens and businesses – a contributor to improving trust in government.

Notes

1. The Chancellery and the Board of Strategic Advisors will initiate programming activities and ensure that strategic initiatives comply with the strategic objectives of the Development Management framework.
2. Codified in the document "Assumptions of Poland's Development Management System" submitted to the Council of Ministers.
3. These issues were also studied in the "Długookresowa Strategia Rozwoju Kraju. Polska 2030" and "Średniookresowa Strategia Rozwoju Kraju."
4. *OECD Budgeting Practices and Procedures Database*, *www.oecd.org/gov/budget/database*, Q. 71 "What types of performance information are produced to assess the government's non-financial performance?"

Annex 2.A1

Practical considerations on implementing performance-based budgeting

PBB: Definitional elements and policy considerations

Chapter 2 examined the strategic role performance-based budgeting can play in setting strategy by framing the government's fiscal decision making in a way that links expenditures to results and allows for spending decisions to optimise the government's capacity to measure the degree to which spending is achieving national strategic policy outcomes and if it is not, to adjust course accordingly. This annex presents some practicalities to ensure that financial decision making is based on solid evidence on the performance of expenditures against results. It aims to provide the government of Poland with some practical considerations respecting the nature and scope of PBB as it proceeds to implement its PBB system over the next few years.

The OECD defines three broad categories of performance budgeting (Table 2.A1.1):

- Presentational performance budgeting requires the publishing of performance information in budgets and other government documents (e.g. annual reports). The information can refer to targets, the results against them, or both. While it serves to disseminate information for greater transparency and accountability of government operations, it is not intended to play an explicit role in decision making.
- Performance-informed budgeting requires that either proposed future or past performance to inform the allocation of resources. Performance information is used along with other information in the decision-making process.
- Direct (or formula) performance budgeting requires the allocation of resources based solely on past performance. This form of performance budgeting is used only in specific sectors, such as education and health. For example, the number of students who graduate with a Master's degree, either in the current year, in the past or a combination of the two, will determine the following year's funding for the university running the programme (OECD, 2007).

These three categories are not intended to be exhaustive. Variations exist within government and within programmes. Table 2.A1.2 shows a widespread use of performance information in the budgeting process. This, however, should not be taken to indicate that performance information determines budget appropriations. Table 2.A1.3 demonstrates that the overwhelming majority of countries use performance information simply to inform budget negotiations.

Table 2.A1.1. **Performance budgeting categories**

Type of performance budgeting	Link between performance information and funding	Planned or actual performance	Main purpose in the budget process
Presentational	No link	Performance targets and/or performance results	Accountability
Performance-informed budgeting	Loose/indirect link	Performance targets and/or performance results	Planning and/or accountability
Direct/formula performance budgeting	Tight/direct link	Performance results	Resource allocation and accountability

Source: OECD (2007), *Performance Budgeting in OECD Countries*, OECD Publishing, doi: *10.1787/9789264034051-en*.

Table 2.A1.2. **Use of non-financial performance information in budget discussion/negotiations**[1]

Evaluation reports	Performance targets		
	Yes	No	Total
Yes	Australia, Austria, Canada, Denmark, Finland, France, Greece, Ireland, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Slovak Republic, Sweden, Switzerland,[2] Turkey,[3] United Kingdom, United States	Germany, Iceland, Spain	23
No	Mexico	Belgium, Czech Republic, Hungary, Italy, Poland, Portugal[4]	7
Total	21	9	

Notes: 1. Based on *OECD Budgeting Practices and Procedures Database* Q. 83 "Is performance information used as part of the budget discussions/negotiations between the central budget authority and ministries?" 2. Switzerland: a limited number of agencies (23 out of 70) are managed by performance mandate and global budget (MPM). These are mainly agencies producing measurable services. Agencies with strong participation in policy preparation and formulation are not granted MPM status. 3. Turkey: only seven pilot institutions have introduced performance targets and performance measures, and include them in the budget and supporting documents. 4. Portugal: only some sector ministries have established non-financial performance information.

Performance budgeting reflects a number of innovations with respect to budget and management institutions in various countries. These include:

- Changing the budget classification from inputs to programmes: under traditional (input) budgeting Parliament appropriates funding specified essentially by inputs (e.g. "salaries for a particular institution"). Performance budgeting entails government allocated funding to a political priority (e.g. "enhancing road safety") which will typically entail fewer line items.
- Reporting on non-financial performance information: traditionally, government accounts and audits focus on whether the appropriation was used lawfully (e.g. on unemployment benefits rather than civil servant salaries). Performance budgeting reporting is meant to focus on outputs (e.g. the number of "drive safely" campaigns conducted) and outcomes (e,g. reduction in road fatalities). This enables an increased awareness of what certain activities cost and what benefits are accrued by them.

Table 2.A1.3. **Use of performance information by the central budget authority in the budget negotiation process: Performance against targets**[1]

Country	Proportion of government organisations in which performance against targets is used by the central budget authority in budget negotiations	How performance targets is used by the central budget authority as part of the budget discussions/negotiations		
		Determine	Inform	Not used
Australia	81-100%	n/a	81-100%	n/a
Austria	0-20%	n/a	61-80%	0-20%
Canada	41-60%	0-20%	41-60%	81-100%
Denmark	81-100%	21-40%	81-100%	n/a
Finland	0-20%	21-40%	61-80%	0-20%
France	81-100%	n/a	81-100%	n/a
Greece	..	41-60%	n/a	41-60%
Ireland	81-100%	0-20%	81-100%	n/a
Japan	81-100%	21-40%	21-40%	21-40%
Korea	81-100%	81-100%	n/a	0-20%
Luxembourg	0-20%	41-60%	41-60%	41-60%
Mexico	..	0-20%	21-40%	n/a
Netherlands	21-40%	21-40%	61-80%	0-20%
New Zealand	81-100%	21-40%	21-40%	41-60%
Norway	..	0-20%	61-80%	0-20%
Poland	..	81-100%	61-80%	n/a
Slovak Republic	81-100%	61-80%	41-60%	0-20%
Sweden	0-20%	0-20%	21-40%	61-80%
Switzerland[2]	21-40%	0-20%	21-40%	61-80%
Turkey[3]	0-20%	41-60%	61-80%	n/a
United Kingdom	81-100%	n/a	81-100%	n/a
United States	..[4]	0-20%	41-60%	41-60%
0-20% (almost never) including n/a responses	5	11	2	14
21-40% (rarely)	2	5	5	1
41-60% (sometimes)	1	3	4	4
61-80% (often)	0	1	6	2
81-100% (almost always)	9	2	5	1

Notes: 1. Based on *OECD Budgeting Practices and Procedures Database* Q. 83 "Is performance information used as part of the budget discussions/negotiations between the central budget authority and line/spending ministries?" and Q. 88 "When performance against targets is used by the central budget authority in the budget formulation process, how is it used and how often?" 2. Switzerland: a limited number of agencies (23 out of 70) are managed by performance mandate and global budget (MPM). These are mainly agencies producing measurable services. Agencies with strong participation in policy preparation and formulation are not granted MPM status. 3. Turkey: only seven pilot institutions have introduced performance targets and performance measures, and include them in the budget and supporting documents. 4. United States: no available estimates.

- Conducting reviews where spending is assessed according to efficiency, effectiveness and political priority in order to enhance the focus on the purpose for which money is being spent, what each political programmes costs and what outputs and outcomes it generates. These reviews can be *ad hoc* or systematic; they can focus on a particular policy area (e.g. health) or a number of different

areas in order to identify fiscal space. Reviews will often need political guidance in order to rank two politically important initiatives.

- Using non-financial performance data as part of the management and/or budget process. This might take the form of performance-informed budgeting or formula budgeting (see above); it might also take place in negotiations between the Ministry of Finance and the line ministries and/or between the line ministry and its executive units and agencies. In OECD countries there is a great variation with regards to the usage of this, but most commonly performance information is used by line ministries to manage executive unit activities, possibly in the form performance contracts. Usually these contracts are linked to increased flexibility given to these agencies in order for them to decide the appropriate mix of inputs that will achieve the desired outputs and outcomes. One measure of flexibility is lump-sum appropriations. As can be seen in Table 2.A1.4, approximately two-thirds (21) of OECD countries use lump-sum appropriations, but not with the same coverage of capital and operating expenditures.
- Tight monitoring of formula performance budgeting in order to maintain fiscal discipline. Performance budgeting does not imply that the Centre of Government abandons fiscal discipline. Even if additional flexibility is allowed and/or formula budgeting is used in certain sectors (e.g. health, education) tight overall ceilings – either at ministerial, programme or agency level – will be maintained by the Ministry of Finance.
- Use of medium-/long-term strategic plans and budgetary frameworks. As most policy outcomes can only be detected over a number of years, performance budgeting requires a medium-term perspective. For programming to be relevant, this also typically requires clear links between the government's electoral-cycle programming (for the parliamentary period or the life of the government, etc.) and its overall long-term strategic goals.

A number of challenges need to be addressed when designing and using performance budgeting:

- That which gets measured gets managed. This means that objectives and indicators have to be comprehensive, reliable and measureable – easier said than done.
- Reforms need to be implemented at the agency/ministry level, which requires political buy-in and a willingness to change.
- Not all performance indicators are useful in the budget cycle. Legislators, ministers, policy analysts, service delivery professionals and concerned citizens are not necessarily interested in the same information at the same time; yet all must be able to derive value from the system.
- Given the cross-government nature of some policy outcomes (e.g. child obesity), successful performance budgeting implies substantial, sustained cross-ministerial co-operation.

OECD studies (Hawkesworth et al., 2011) show that one size does not fit all in performance-budgeting reforms across OECD countries. While countries might face similar challenges and share a common need to focus on demonstrating the extent to which spending achieves policy outcomes, they need to tailor their performance

budgeting system to fit their particular circumstances. Dimensions on how countries use PBB vary; this depends in part on the extent to which performance information is used in the budget process and on the role played by the Ministry of Finance with regard to the use of performance information.

Table 2.A1.4. **Do ministries/agencies receive lump-sum appropriations?**

	Number	Countries
For both operating and capital expenditures, without any sub-limits	3	Finland, Ireland, Switzerland[1]
For both operating and capital expenditures, with a sub-limit on wages	5	Czech Republic, Hungary, Italy,[2] Slovak Republic, United Kingdom
For only operating expenditures, without any sub-limits	4	Australia, Iceland, Norway, Sweden[3]
For only operating expenditures, with a sub-limit on wages	2	Canada, Denmark
Other	7	France,[4] Luxembourg,[5] Netherlands,[6] Poland,[7] Portugal,[8] Spain,[9] United States[10]
No, detailed appropriations are set	9	Austria, Belgium, Germany, Greece, Japan, Korea, Mexico, New Zealand, Turkey

Notes: Based on *OECD Budgeting Practices and Procedures Database* Q. 49 "Do your agencies/executive organisations receive lump-sum appropriations?" 1. Switzerland: global budgets exist only for MPM agencies, typically comprising of two lump-sum appropriations (own operating and capital expenses). 2. Italy: some receive amount as percentage of tax revenues (e.g. revenue agency). 3. Sweden: for smaller investment items (e.g. computers and office equipment) and larger items (e.g. software). Others with heavy investments (e.g. national road agency) receive one appropriation for the agency operations and one for investments. 4. France: appropriations unrelated to the nature of expenditure. 5. Luxembourg: appropriations are fixed on the basis of a detailed proposal provided by the agency. 6. Netherlands: some agencies receive lump-sum appropriations covering operating expenditures; a large number of agencies are financed based on their output (i.e. formula budgets; price*quantity). 7. Poland: each agency receives a lump-sum appropriation covering expenditures linked to targets imposed by central government. 8. Portugal: typically receive lump-sum appropriations with two sub-limits for operating and capital expenditures. 9. Spain: depends on the agency/organisation and its expenditures. 10. United States: some small agencies receive lump-sum appropriations; Cabinet and major agencies do not.

Importantly, no country directly links public expenditures to performance information. Except for a few areas (education and health, for instance), performance information is used to inform the budget, not determine it. Fiscal discipline is consequently not threatened with the introduction of performance budgeting. While there is great variation in the performance targets used by governments, many limit their number to prevent information overload. The United States has the most performance targets (3 700) followed by the Slovak Republic (1 641) and Korea (1 033). France, Japan and New Zealand have between 500 and 600 targets each and Sweden only has 48.[1] The public sector needs to be motivated, trained and rewarded for introducing performance budgeting. This requires political backing and predictable and consistent reform implementation. Stop-go reforms only undermine momentum and might result in ineffectual systems.

Implementing PBB: The example of Austria

There are several ways to use performance budgeting as illustrated by the richness of experience across countries. Austria can serve as an example how to develop a binding medium-term perspective for the budget and in a pragmatic approach linking resources to results. Austria had been facing traditional budgeting challenges, including:

- a short-sighted annual approach without a medium-, let alone, long-term perspective;

- budget discussions that focused on expenditure of ministries, but barely on results in light of policy decisions for citizens;
- a cash-based system which did not provide a full picture of public finances;
- a lack of incentives and sanctions to foster appropriate fiscal behaviour in spending ministries and administrative units.

Inspired by budget reforms in such other countries as New Zealand, Sweden and Switzerland which made remarkable improvements (with OECD support), the Austrian Ministry of Finance launched a reform initiative to re-launch its budget system from scratch. As the reform required amending the Austrian Constitution, a broad political consensus was needed. Thus, an informal committee was established, comprised of representatives from all political parties in Parliament, and of the Court of Audit, the Chancellery and the Ministry of Finance. The latter presented concepts; the other institutions provided feedback. The committee managed to work away from the public eye, thus avoiding political controversy. All institutions involved viewed the reform as a non-partisan modernisation project. Parliament passed the necessary legislation unanimously and controversy was avoided.

As of 2009, the first stage of the Austrian reform combined fiscal discipline with enhanced financial flexibility. A top-down medium-term expenditure framework (MTEF) contains legally binding expenditure ceilings and caps for staff covering four years in advance on a rolling basis. The annual budget bill must respect the boundaries of the MTEF. While spending ministries must adhere to fiscal discipline, they gain financial flexibility as they are allowed to redeploy funds within their financial portfolio. Saved money within expenditure ceilings can be carried forward and used by the relevant ministry in the future – even for different purposes. This creates an incentive for each ministry to spend taxpayer's money more carefully ("Each minister is his or her own finance minister").

The experience of the first three years has been encouraging: line ministries which always claimed to lack financial room to manoeuvre have saved considerable amounts of money. This reduces interest payments (as the carry-forwards are financed when they are needed and not when the savings occur) and creates better value for money – and the traditional year-end "spending fever" is greatly reduced.

The second stage of the Austrian reform (now enshrined in law) began with the annual budget for 2013, prepared in 2012. Several reform elements combine enhanced fiscal transparency with a clear focus on results for citizens. For instance, the budget is easier to read: global budgets replace a very detailed budget structure, which could only be understood by specialists (but not by the public). The number of legally binding line items will be reduced from more than 1 000 to about 70. An operating statement and a balance sheet will complement the traditional cash perspective, thereby providing an annual answer to whether Austria is poorer or richer than a year ago. And a regular long-term fiscal projection (at least 30 years out) will assess whether fiscal sustainability is assured.

The most important reform focuses on performance, linking resources to results:

- Each ministry defines a maximum of five outcomes, covered by the budget decision in Parliament. These outcomes define the strategy of the ministry. Each outcome has to be justified and explained: Why has this outcome been chosen? How will it be achieved? What is the benchmark for success? The outcomes are

not only addressed in the annual budget but also in the MTEF, which links performance information in the medium-term perspective to the annual budget.

- Each ministry contains a number of global budgets (e.g. schools in the Ministry of Education; labour market in the Ministry of Social Affairs). For each, a maximum of five outputs are defined, which form part of the budget decision. These outputs have to be directly attributable to the general outcomes of the ministry as defined in the budget.
- In order to connect resources to results at each level of the administration, resources and results are defined not only for each ministry's global budget but for each of the ministry's discreet administrative units. Thus, resources and performance information covering all levels of the federal budget are presented within a single budget document.

To make sure that every public servant who deals with the budget is aware of the potential for improvement in the relevant general budget, the Court of Audit may add a set of brief summary recommendations. Thus, the annual budget document provides three basic types of information: resources, performance information and recommendations of the Court of Audit, thereby giving a comprehensive picture of all relevant information necessary for members of Parliament and the public to interpret the budget documentation effectively.

To reduce the risk either of a lack of ambition when formulating the objectives or possible tensions between objectives in interrelated political areas the Chancellery was given a co-ordinating role in formulating the objectives. This role is restricted to monitoring and advice. Due to the Austrian constitutional framework, the Chancellery cannot force line ministries to accept specific outcomes and outputs.

The Austrian budget reform aims to instil interest within the administration to spend public money carefully. For that purpose incentives and sanctions are used. As an example of incentives, administrative units are allowed to carry forward saved money to meet future needs. Additionally, modest pay premiums for civil servants will be introduced to reward those whose performance and financial objectives are met. As budget mechanisms do not always work solely on the basis of rewarding good behaviour, sanctions for bad behaviour are also applied: If money is spent in violation of the budget law, the Ministry of Finance is obliged to cut the resources for the respective ministry accordingly.

The Austrian reform is a comprehensive approach that combines fiscal sustainability with better transparency and a strong focus on results. This strengthens the budget as the government's central planning document. Ministers will have to decide on their priorities and communicate them in a transparent and binding way. Members of Parliament will have to vote not only on resources, but on defined performance results. This will curb and strengthen the strategic dimension of policy making. It will be a challenge for politicians, civil servants and the public to interact with the new system to make sure that its intended effects are fully achieved.

The process of moving from input-based budgeting to performance-based budgeting should be methodically laid out, with a firm implementation timetable (and end date) communicated to all and proper training provided to the relevant political and administrative players to ensure this integration. Boxes 2.A1.1 and 2.A1.2 summarise the Swedish and French experiences in PBB.

Box 2.A1.1. **The Swedish experience with performance management**

In Sweden, the government has worked with performance objectives since the 1980s with initial reforms in 1997 and more reforms currently under way. The Swedish performance system is based on 27 expenditure areas determined by the Parliament. The expenditure areas are divided into 47 policy areas. Most of the policy areas are subdivided into activity areas. Goals for policy areas and activity areas are formulated within the budget process. The purpose is to give a transparent picture of the objectives and the actual impact of the activities in the different policy areas. Goals are proposed by the responsible minister and approved by Parliament and have proved stable over time.

The Swedish appropriation system is based on rather small ministries and large, independent and powerful agencies. The main governing mechanism for the government is the annual Letter of Instruction, based on the passed budget. In it, the responsible line minister specifies objectives and reporting requirements. The letter is drafted with input from the Ministry of Finance on the basis of an *ex ante* dialogue with the agency/ministry.

Performance information is not normally used as a basis for negotiations on future funding. This is true both in the relationship between the line ministries and the Ministry of Finance's budget department, and in the relationship between the line ministries and the subordinate agencies. The reason being that the goals are diffuse and inexact, and performance as reported by agencies only reflects certain measurable dimensions of an agency's activities. Nor is it possible – or perhaps desirable – to base agency performance on data compiled by that agency.

Experience from Sweden points to the following:

- Performance targets, indicators and appropriations are directed at agencies, not programmes. The link between tasks and organisations is thus vital if performance information is to be used.
- It is advisable to keep the system of targets, objectives and evaluations as simple as possible. This limits the risk of information overload for a line ministry, the Ministry of Finance and Parliament, and strengthens the focus of performance value-added.
- A performance system needs continual pruning, as there are always arguments for making it more detailed, but this will detract from its usefulness.
- It is difficult but important to keep the information relevant for the political level.

Source: Küchen, T. and P. Nordman (2008), "Performance Budgeting in Sweden", *OECD Journal on Budgeting*, Vol. 8/1, OECD Publishing, doi: *10.1787/budget-v8-art2-en.*

Box 2.A1.2. **France's experience with performance management**

The French Parliament adopted France's new organic budget law introducing the performance-based budget in August 2001. The reform was planned to be phased in over a number of years and the 2006 budget was the first to be fully prepared, adopted and enforced under the new PBB framework. A testing phase occurred in 2005. Government-prepared objectives and indicators were reviewed by various institutions (Parliament, Court of Audit, Inspectorate General) leading to some modifications in the programme organisation The French PBB reforms sought to give greater budgetary authority to Parliament, to modernise public financial management and to increase transparency. Under the present PBB system. Parliament debates the entire budget, votes to approve missions and may reallocate appropriations between programmes. The French PBB structure is broken down into three classifications:

Box 2.A1.2. **France's experience with performance management** (*cont.*)

- Missions (currently 34): missions correspond to major government policies. A mission may fall under one or several ministries. This is similar to the current Polish structure.
- Programmes (currently 133): individual programmes fall under a single ministry. They are tied to strategic plans with explicit performance goals and indicators. On average there are around five goals per programme and two indicators per goal, although there has been some adjustment downwards of goals and indicators over the years. There are three main types of indicators related to: *i)* socio-economic effectiveness; *ii)* quality of services provided; and *iii)* management efficiency.
- Actions (currently 580): specify how funds are to be spent.

Each programme's strategy and the objectives are defined by the relevant minister with the help of the programme manager. The strategy, indicators and objectives are presented to Parliament in the annual performance plan appended to budget bills. The French Parliament conducted an evaluation of the new performance management system in 2009. Among the key recommendations:

- Indicators need to be more reliable and flow from better information systems involving less manually collected data.
- Comparison between indicators should be enhanced through the development of more standardised indicators for comparable programmes.
- A better ownership of indicators and objectives should be sought.
- The performance-based approach is often disconnected from operational management.
- There should be a stronger relationship between performance measurement and the budgetary process. The relationship should not be automatic, but performance should be part of the process.
- The involvement of Parliament is necessary to maintain the momentum gathered with performance-based budgeting.
- Managers have complained about complex procedures and burgeoning bureaucracy, in particular a significant lengthening of administrative channels and an increase in payment delays.

Source: French National Assembly (2009), "Rapport d'information déposé en application de l'article 145 du Règlement par la Commission des finances, de l'économie et du plan relatif à la performance dans le budget de l'État 2009, *www.assemblee-nationale.fr/13/rap-info/i1780.asp*, accessed July 2012.

Note

1. *OECD Budgeting Practices and Procedures Database*, *www.oecd.org/gov/budget/database*, Q. 75: Approximately how many performance targets are there in the budget?

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Chapter 3

Achieving results through whole-of-government evidence-based decision making

This chapter assesses the extent to which Poland's central government could improve its decision-making practices and make use of sound evidence in choosing policy options. It assesses how the government currently uses impact and risk assessment in developing and applying regulation to address a policy issue. The chapter provides an illustrative example of Poland's e-government implementation and provides recommendations that could help nurture more reliable, effective and efficient service provision and service delivery through e-government strategies that focus on maximizing value-for-money and outcomes-based needs of end-users.

Introduction

OECD experience suggests that whole-of-government evidence-based decision making leads to greater effectiveness and efficiencies in achieving strategic outcomes (Box 3.1). Evidence-based policy analysis is not yet systematically informing important policy decisions in the government of Poland – and evidence-based policy advice is not always sought by political decision makers – perhaps due to a perception that it takes too much time and effort to generate this evidence, or due to a lack of confidence in the quality of the evidence once it is produced.

Box 3.1. **OECD experience regarding evidence-based decision making**

Evidence-based policy analysis allows for decisions aimed at implementing and steering strategy to be taken in the country's medium- and long-term interests, based on evidence derived from strategic foresight and environmental scanning that correctly identifies domestic and international short- and long-term challenges and opportunities, on performance assessment that allows for judicious prioritisation of expenditures to achieve the best results with the least resources, and on individual issues being analysed within a broader strategic framework.

Throughout the OECD, good-governance practice suggests that policy should be based on sound evidence derived from rigourous analysis of the available facts on the issue the policy is supposed to address. Governance practices determine how evidence contributes to identifying policy options and how rules are made. This evidence needs to be available at the right time and be seen by the right people. OECD practice suggests that the following major ingredients are needed to obtain and use the "right evidence" (Banks, 2010):

- a sound methodology that allows for proper consideration of the immediate and long-term nature of the issue and of the rationale supporting different options for policy intervention (including doing nothing);
- good data for analysis;
- public access to the data, assumptions and methodologies used to frame the issue and identify options to address it, so that scrutiny can be brought to bear and the analysis replicated independently;
- time to carry out this analysis properly and to consult the general public on its results;
- a capable and skilled public service including people skilled in quantitative methods;
- a "receptive policy-making" environment – that is political leaders who are willing and able to decide on the basis of the evidence presented.

Source: Banks, Gary (2010), "An Economy-wide View: Speeches on Structural Reform", Australian Government Productivity Commission, Canberra.

The Polish central government faces challenges that are common to those faced by countries transitioning away from centralised, command-and-control decision making. These challenges include:

- limited performance assessment capacity;
- resistance in the administration to "doing things differently";
- the results of strategic foresight not being adequately embedded in decision making;

- sometimes weak strategy execution – in any country, citizens can lose confidence in their government if it is not delivering expected results;
- a "disconnect" between policy, financial and human resources considerations in government decision making.

This chapter therefore:

- assesses the degree to which regulation, as a widely-used government decision-making tool, is based on sound evidence;
- presents practical considerations on the implementation of performance-based budgeting (Chapter 4 discusses performance indicators to monitor the territorial implementation of development strategies in the regions);
- assesses decision making on implementing e-government to illustrate the challenges the government is facing more generally in making decisions government-wide based on sound evidence.

Poland could improve its governance practices to make better use of evidence in the choice of policy options and ensure that regulation is only selected when it is the right solution to address a policy issue. Regulation is defined broadly here: the OECD – and this Review – defines "regulation" as the diverse set of instruments by which governments set requirements on enterprises and citizens. Regulations include laws, formal and informal orders and subordinate rules issued by all levels of government, and rules issued by non-governmental or self-regulating bodies to which governments have delegated regulatory powers (OECD, 2012a). In Poland, governments rely heavily on the use of regulation to implement policy decisions.

The regulatory impact assessment system as a tool to improve decision making

Regulating, along with spending and taxing, is a key tool of government. It is of particularly high importance for implementing government strategies: well-designed legislation tends to help governments achieve policy goals; poorly designed legislation tends to undermine the operation of the economy and impede people's lives. Ill-conceived regulation can stifle innovation and entrepreneurship, reduce welfare and slow growth. Whether legislation is well- or poorly designed depends to a large extent on the quality and use of evidence in the rule-making process.

The government in Poland appears to rely heavily on regulatory instruments to address policy issues. It is therefore important for the Polish government to ensure that its decisions to adopt regulation are based on sound evidence. Poland is making progress in this area, but the government could benefit from further improvements to its decision-making practices. This assertion is based on the 2012 *OECD Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a). The assessment in this chapter of governance practices for evidence-based policy making in Poland is grounded in these recommendations.

Out of the 12 principles in the *Recommendation*, five are of particular relevance for evidence-based decision making. They focus on the institutional capacity for regulatory policy, *ex ante* and *ex post* analysis of regulations including the consideration of alternatives, risk assessment and the evaluation of regulatory policy programmes and tools. This section assesses the implementation of these five principles in Poland. It also considers findings of previous OECD reviews of regulatory policy and governance in

Poland (2002, 2007, 2011). Namely, it assesses whether the recommendations of the most recent review (OECD, 2011a) to strengthen the regulatory impact assessment (RIA) system by improving quality control, strengthening capacities in the Chancellery and possibilities for public control, and by continuing to train civil servants in techniques to conduct RIAs, have been implemented in Poland.

Institutional capacity to enhance regulatory quality

> "Establish mechanisms and institutions to actively provide oversight of regulatory policy procedures and goals, support and implement regulatory policy, and thereby foster regulatory quality." (OECD, 2012a, Principle 3)

Regulatory institutional capacity is central to delivering regulatory policy effectively and to maximising the quality of regulation. In OECD countries, an important feature of these institutional arrangements is the existence of regulatory oversight bodies, usually located at a focal point within the government administration, with a broad remit to advocate for regulatory quality. The functions of these bodies include assisting regulators in implementing elements of regulatory policy, undertaking quality control in areas such as RIA and administrative simplification and ensuring compliance with and reporting on overall performance in achieving regulatory policy objectives (Jacobzone et al., 2009).

In Poland, responsibility for regulatory policy design and oversight is shared between several Centre of Government (CoG) institutions, mainly the Chancellery (whose head chairs the Programming Committee), the Ministry of Economy and the Government Legislative Centre (GLC – Figure 3.1). Overall, structures for the co-ordination of rule making across ministries seem to be insufficient and there does not seem to be a culture of co-operation between ministries – this was outlined in the OECD Review on *Administrative Simplification in Poland* (2011): "'Silo' ministries usually operate on departmental principles, and horizontal co-ordination is one of the main weaknesses of the public administration system, as in many other post-socialistic countries". In addition, many of the regulatory policy initiatives in Poland including much of the training in regulatory policy are funded by European Structural Funds. There is currently no strategy to sustain them beyond the EU funding period.

The Polish central government ministry leading the formulation of regulatory policy is the Ministry of Economy (MoE), due to the government's focus on providing a better regulatory environment for business. The MoE's Department of Economic Regulation, reporting directly to the Minister of the Economy, and the MoE's Regulatory Reform Unit, are jointly responsible for co-ordinating the preparation of strategic plans respecting regulatory policy. The department advocates for regulatory policy within the ministry and across the government and contributes to introducing a modern framework for government-wide economic regulation. The department also provides the government with comments on draft legislation that potentially affects business activity (OECD, 2011a).

The MoE holds a relatively strong position within the government. Its minister is also a Deputy Prime Minister. Improving the business environment is also considered to be one of the priorities of the current government. Nonetheless, the MoE is still "only" a line ministry and does not have any special co-ordinating powers (this is addressed in Chapter 2). It is therefore currently not possible for the ministry to enforce some of its regulatory policies when faced with resistance from other government institutions. Placing responsibility for regulatory reform in the MoE also shapes the orientation of the

regulatory reform programme, which mainly aims at improving regulations affecting businesses and strengthening economic competitiveness of the country (OECD, 2011a).

Figure 3.1. **Responsibilities for regulatory quality in Poland**

Regulatory Reform Unit, Department of Economic Regulation, **Ministry of Economy**	RIA Unit, Department of Strategic Analysis, **Chancellery**	**Government Legislative Centre (GLC)**
▪ Develops strategic documents in the area of regulatory policy and manages most of the projects ▪ Advocates for regulatory policy ▪ Introduction of a modern framework for economic regulation ▪ Comments on draft bills that have potential impact on businesses	▪ Quality check of individual RIAs on new legislative proposals ▪ Cost-benefit and economic analyses for high-impact proposals (Department of Strategic Analysis)	▪ Co-ordinates the government's legislative activity ▪ Provides legal advice to the government ▪ Prepares government drafts ▪ Advises on Parliament's drafts ▪ Considers the constitutionality and conformity of proposed laws with general principles of law
Jointly developed the Regulatory Test		

While RIA guidelines have been developed by the MoE, a unit in the Chancellery is responsible for checking the quality of individual RIAs. The OECD review in 2011 on administrative simplification found that this unit was "seriously understaffed; with few employees, it can only focus on assessing formal aspects of impact assessments". A positive development is that the unit was moved to the Strategic Analysis Department within the Chancellery in 2011 and given more staff. The unit now has the mandate to check all RIAs on new legislative proposals. Positions within the unit are being gradually filled with staff with expertise in cost-benefit analysis.

In other OECD countries, RIA oversight bodies not only check the quality of individual RIAs but promote their and provide training and methodological guidance government-wide. Such oversight bodies can also play an effective role in monitoring compliance with such requirements as public consultations, which promote transparency in decision making and improve the rigour of the analysis (OECD, 2009). In Poland, the RIA unit in the Polish Chancellery hosted a series of workshops in 2012 on data analysis, economic modelling, cost-benefit valuation and *ex post* evaluation. These workshops will continue during the first half of 2013, and from 2014 onwards an in-depth training programme will be offered alongside existing RIA training. The programme will be specifically targeted at economists and policy analysts in the Polish civil service.

There is now also a trend to set up "independent watchdogs" composed of experts from outside the government to monitor government compliance with its own RIA policy (OECD, 2012b) (Box 3.2 on the Czech experience).

Box 3.2. **Improving the evidence base for laws: The Regulatory Impact Assessment Board in the Czech Republic**

High-quality evidence is necessary to identify the best policy option for a policy problem. Regulatory oversight bodies can play an important role in checking and improving the quality of regulatory impact assessments conducted in individual ministries.

With its newly established Regulatory Impact Assessment Board (RIAB), the Czech Republic follows an OECD-wide trend to set up "independent watchdogs" (OECD, 2012b). As an independent advisory body of the Legislative Council (GLC), the RIAB has been in charge of quality control for RIA reports since November 2011. RIAB is authorised to issue opinions on RIAs, carry out consultations about RIA principles and provide methodological guidance to ministries for the preparation of RIA reports. In contrast to its predecessor which was mainly composed of government officials, the RIAB is comprised of 15 independent experts appointed by government and mostly stemming from business and academia.

The opinions from RIAB are delivered as part of an overall opinion of the GLC before submission to the government. The government does not have to follow the opinion of the GLC. The analyses by the RIAB go beyond a formal checking of RIA proposals and include a substantial assessment of whether an RIA adheres to official guidelines. The RIAB may propose either to approve or disapprove a suggested RIA. In the latter case, the RIAB will provide an explanation of its decision and guidance on how to improve the RIA for subsequent re-submission to the RIAB.

In addition, the RIAB provides recommendations regarding the scope and depth of impact analyses during the preparation phase of the annual Government Legislative Plan. This analysis forms the basis for the government to determine whether a full or no RIA report is adequate for a proposed policy.

The first legislation cases treated by RIAB in 2012 indicate that is has assumed an important role in the process of developing new legislation. Out of the 49 cases processed, the RIAB has so far recommended re-submission for the vast majority of RIA reports due to omissions and deficiencies. It is too early to assess whether the reform of regulatory oversight in the Czech Republic has improved the quality of RIA. An evaluation is scheduled for mid-2013.

Source : Written communication with a Czech government official, July and August 2012.

In Poland, the other key player in assessing the quality of regulations is the Government Legislative Centre (GLC), the CoG institution that co-ordinates the government's legislative activity, provides legal advice to the government, prepares government draft legislation and advises on Parliament's draft legislation. Its head is also the Secretary of the Council of Ministers. When scrutinising draft primary laws or subordinate regulations or amending existing laws,[1] the GLC considers the constitutionality of proposals, their conformity with general legal principles and the extent to which they are drafted in a clear and coherent manner. The GLC is also responsible for publishing legislation. Indeed, following recent reforms, the GLC is now responsible for drafting about 70% of legislation, in particular paragraph wording based on the substantive policy intent developed by the responsible ministry in the "assumptions" document (OECD, 2011a).

Parliament is not directly involved in regulatory reform efforts of the government. It had its own initiative from 2008 to 2011, the Friendly State Extraordinary Committee (*Komisja Nadzwyczajna Przyjazne Państwo* – KNPP). The committee's tasks included reviewing and analysing provisions in order to identify unclear, incoherent, ineffective,

unnecessary or over-regulating provisions, preparing arguments in favour of amendments to legislation and providing legislative initiatives on the basis of these arguments (Sejm of the Republic of Poland, 2007). Some criticism was raised that the committee bases "too many legislative initiatives not on these formulated by the committee itself but on draft acts submitted to the committee by lobbyists and interest representatives" (OECD, 2011a). The committee was dissolved after the elections in 2011.

At the end of 2011, the government enhanced the role of the "Programming Team" – a group of senior officials chaired by the head of the Chancellery (who is also the Chair of the permanent Committee of the Council of Ministers), and composed of undersecretaries of state from the Ministries of the Economy, Finance and Foreign Affairs, and from the GLC. The Programming Team manages a new "traffic light system" – a tool to manage the flow of new regulatory proposals up to the Council of Ministers for decision. The Programming Team now has the power to ask for a "regulatory test" (Box 3.3) in order to obtain a first assessment early in the decision-making process of the eventual impact of proposed legislation:

- The regulatory test is a short document that officials from the lead ministry complete at the request of the Programming Team.
- The team uses the information to vet a regulatory proposal against the government's overall policy agenda to determine whether its subject is covered by the agenda – if so, it can then be placed on the list of items to be debated at the Council of Ministers.

The regulatory test requires that the regulatory proposal's financial implications be outlined and that the potential costs and benefits to citizens and business be identified. This is in line with international good practice. Less in line with international good practice, however, is that the regulatory test seems to be submitted on its own without additional documentation that would allow for a check of the accuracy of the cost-benefit analysis and explain the assumptions that underlie the calculations. There is no detailed break-down of costs and benefits to private and public actors.

Currently, this new regulatory test co-exists with traditional RIAs. An RIA is mandatory for all new draft laws and subordinate regulations. When prepared properly, RIAs improve the use of evidence in policy making:

- they identify an appropriate response to an identified problem;
- they reduce the incidence of regulatory failure arising from regulating when there is no case for doing so, or failing to regulate when there is a clear need (OECD, 2012a, Principle 4).

However, Poland still faces major challenges in implementing its RIA system – linked to the quality, timing and use of RIAs. Unlike the new regulatory test, the RIA is completed late in the decision-making process – usually after a decision has already been made to proceed with a regulation, rather than to inform whether the regulation should be implemented. Moreover, it appears that many RIAs do not comply systematically with the official government guidelines on preparing RIAs introduced in 2009. This means that an RIA often does not include critical information that would be necessary for making an informed decision. For example, some regulatory impact assessments consist only of the statement "there is no impact". And while the regulatory test is likely to influence the government's decision making because it is prepared before a decision is taken, its Programming Team currently only asks for a regulatory test for just under half of all

regulatory proposals. These proposals are not selected on the basis of a clearly defined threshold in terms of the impact of the proposal. That said, ministries increasingly anticipate questions regarding costs and benefits and submit regulatory tests voluntarily.

Box 3.3. **The Polish regulatory test**

The new Polish regulatory test was introduced in December 2011. It consists of 18 items and questions that officials have to answer in an Excel sheet for legislative proposals.

1. Ministry leaders and ministries co-operating.
2. Document name and date of preparation.
3. What problem is solved?
4. Source (e.g. *Exposé* of the Prime Minister, Decision of Prime Minister, EU law, statutory authorisation, etc.).
5. Does the draft implement EU law or are additional solutions introduced beyond those strictly required by the EU?
6. Recommended solution and the desired effect.
7. Is it possible to solve the problem through non-legislative action? If so, how? If not, why not?
8. Quantified consequences for the public sector in millions of Polish zlotys (positive in plus, negative downward).
9. Quantified social costs and benefits.
10. Other data that emphasise the importance of the project (economic data, such as share of GDP, the impact on the labour market, etc.).
11. Does the project reduce the regulatory burden? In what area?
12. Does the project introduce additional regulatory burdens in relation to the current situation?
13. If the project increases regulatory burdens, please indicate in what other area within its competency the ministry will reduce burdens in exchange (the principle of "one for one").
14. How was this problem solved in other countries, the OECD/EU (best practices)?
15. Schedule (dates to develop the project design, consultation and completion of the transfer document to KSRM (Komitet Stały Rady Ministrów – Standing Committee of the Council of Ministers). Are there factors that determine the time limit to implement the project? If so, what?
16. When will the results of the evaluation of the project be available and what indicators will be used (*ex post* evaluation)?
17. Main contact (working level).
18. Minister/secretary/secretary of state responsible for the project.

Source: Regulatory Test Excel Sheet, submission from the Polish Government (2012).

In order to reap the benefits from RIAs, the government of Poland could consider integrating RIA into the early stages of the policy process for the formulation of new regulatory proposals – possibly by combining the regulatory test and the RIA and making

this new tool part of the submission to the Council of Ministers before it takes its decision. The government could consider:

- Making the regulatory test mandatory for all regulatory proposals before submitting them to the "Programming Team", while improving the quality of RIAs on high-impact proposals significantly. Strengthening its co-ordination mechanisms and oversight necessary to implement regulatory policy and improve the design of policy responses government-wide by strengthening collaboration between the MoE and such CoG institutions as the Chancellery. The co-operation of the Chancellery, the MoE and the Government Legislative Centre in the development of the "regulatory test" is a move in the right direction.
- Strengthening the unit in the Chancellery responsible for RIA oversight so that it has both the mandate and the capacity to assess the quality of all individual regulatory tests and RIAs, and to provide technical assistance on proposals of significant impact. The Chancellery could check the quality of each RIA on a high-impact proposal and conduct its own analysis if necessary. To ensure that the unit actually improves the quality and use of analysis, it will be necessary to have sufficient staff with skills in cost-benefit analysis and in bringing about change across the government towards evidence-based decision making. Poland could also consider setting up an independent watchdog for RIA composed of experts from outside the government.
- Establishing a unit to support the introduction of the regulatory test in each ministry. The government might also consider establishing a long-term strategy for hiring experts and training officials independent of EU funds (Annex C).
- Assigning responsibility to a unit at the centre of government to monitor compliance systematically with requirements to consult the public.

The *Sejm* needs better evidence to assess new regulatory proposals. In Poland, this could be achieved by attaching up-to-date regulatory tests and RIAs to any legal text sent to Parliament, and by strengthening the capacity of Parliament's Chancellery to evaluate regulatory tests and RIA. The *Sejm* Chancellery could thus play a "challenge function" with respect to the RIAs provided by the executive, and provide separate advice to parliamentarians on the executive's regulatory test and RIAs when warranted. It could also work together with the executive to ensure that information is presented in a way that allows parliamentarians to understand easily the results of an RIA and the assumptions upon which it is based.

Ex ante *evaluation of regulations and consideration of alternatives*

> "Integrate regulatory impact assessment (RIA) into the early stages of the policy process for the formulation of new regulatory proposals. Clearly identify policy goals, and evaluate if regulation is necessary and how it can be most effective and efficient in achieving those goals. Consider means other than regulation and identify the tradeoffs of the different approaches analysed to identify the best approach." (OECD, 2012a, Principle 4)

The RIA is both a tool and a decision process for informing political decisions makers on whether and how to regulate to achieve public policy goals. Improving the evidence base for regulation through an *ex ante* (prospective) impact assessment of new regulations is one of the most important regulatory tools available to governments. The aim is to improve the design of regulations by assisting policy makers to identify and consider the

most efficient and effective regulatory approaches, including the non-regulatory alternatives before they take a decision. One method of doing so is by analysing the evidence for the costs and benefits of regulation and of alternative means of achieving policy goals and to identify the approach that is likely to deliver the greatest net benefit to society (OECD, 2012a).

The government of Canada, for example, uses three *ex ante* decision-making tools to ensure that both strategic and transactional decisions are based on key policy and financial evidence: the Memorandum to Cabinet, the Treasury Board Submission, and the Governor-in-Council Submission (Box 3.4). These are documents that present for consideration by ministers the issue to be discussed, the recommended course of action, its rationale, policy, political and contextual considerations that frame the rationale, a proposed implementation plan, factors relating to due diligence (financial implications and accountability issues), a summary of consultations undertaken, a communications plan and a parliamentary plan (if required). The strength of this process lies in seeking the collective view of Cabinet based on rigorous evidence derived from due diligence performed by the civil service working on the issue.

Box 3.4. **Evidence-based decision-making tools: Canadian federal examples**

- A Memorandum to Cabinet (MC) from a minister(s) seeks Cabinet approval to introduce a new, or amend an existing, policy. Its genesis can be the political platform of the government, the Speech from the Throne (the Canadian equivalent to the Polish Prime Minister's *Exposé*), the federal budget or a policy challenge requiring the government to take action. An MC will often be discussed conceptually with stakeholders, drafted by officials, discussed with senior executives in the department, circulated and discussed by departments and agencies, discussed with the sponsoring minister, vetted by central agencies, before being considered by Cabinet. Often a Cabinet committee will discuss the MC before it goes to the full Cabinet. The actual document will lay out *inter alia* the issue to be discussed; a recommended course of action; its rationale, policy and political considerations; an implementation plan; due diligence (financial implications and accountability issues); consultations undertaken; a communications plan and a parliamentary plan (if required).
- A Treasury Board Submission is made by a Minister to the Treasury Board (TB), the Cabinet committee mandated by the Canadian Financial Administration Act to manage the government's spending and operations once an MC has been approved by Cabinet and implementing the decision requires the expenditure of public funds, or in instances where programme terms and conditions are being enhanced or amended, or authority is being sought to spend public funds. Examples include authority to supplement existing or reallocate resources, pay a grant or contribution, carry out a project, enter into a contract or seek exemption from a TB policy where the line minister does not already have the necessary authority. The actual document will detail *inter alia* the subject to be discussed, the nature of the authority being sought, the details of the proposal, the cost and source of funds to implement it, a breakdown of resources required to implement it, a project schedule/rationale, and expected results/outcomes.
- A Governor-in-Council (GIC) Submission to the Treasury Board is used to seek authority to implement a specific regulation under existing legislation, a Cabinet order, to make certain senior appointments, to approve federal Crown corporation corporate plans, federal-provincial agreements, and to approve the transfer of federal assets.

The following table shows the key differences between these three *ex ante* decision-making tools.

Box 3.4. **Evidence-based decision-making tools: Canadian federal examples** (*cont.*)

	Memorandum to Cabinet	Treasury Board (TB) Submission	Governor-in-Council (GIC) Submission
Purpose	To seek approval of a policy or new initiative	To seek approval of elements for a programme's design, delivery and implementation	To seek approval of a specific order in council or specific regulations
Focus	Policy or programme rationale with clear objectives, expected results and outcomes; links to horizontal objectives; relationship between new and existing programmes; options and risks; opportunities for reallocation	Detailed programme design and implementation plan; detailed costing; results measurement and accountability frameworks; opportunities for reallocation	Regulations, orders, appointments, corporate plan approvals, federal-provincial agreements and asset transfers
Resource details	While sponsoring organisations normally provide cost breakdowns to central agencies, the MC often contains only high-level information on total resources required each year	Specific funding details and a clear rationale for what resources will be spent each year	Limited (cost-benefit analysis required for most regulatory submissions)
Target audience	Cabinet ministers	Treasury Board ministers	Ministers of the Treasury Board as Committee of the Privy Council
Key federal organisations involved	Organisation sponsoring the MC, central agencies and other interested federal organisations	Organisation(s) sponsoring the submission (in the case of a Crown corporation, the corporation itself and the portfolio department) and the Treasury Board Secretariat	The federal organisation(s) sponsoring the GIC submission, the Privy Council Office (the Canadian equivalent to the Polish Chancellery of the Prime Minister), the Treasury Board Secretariat and sometimes the Department of Finance

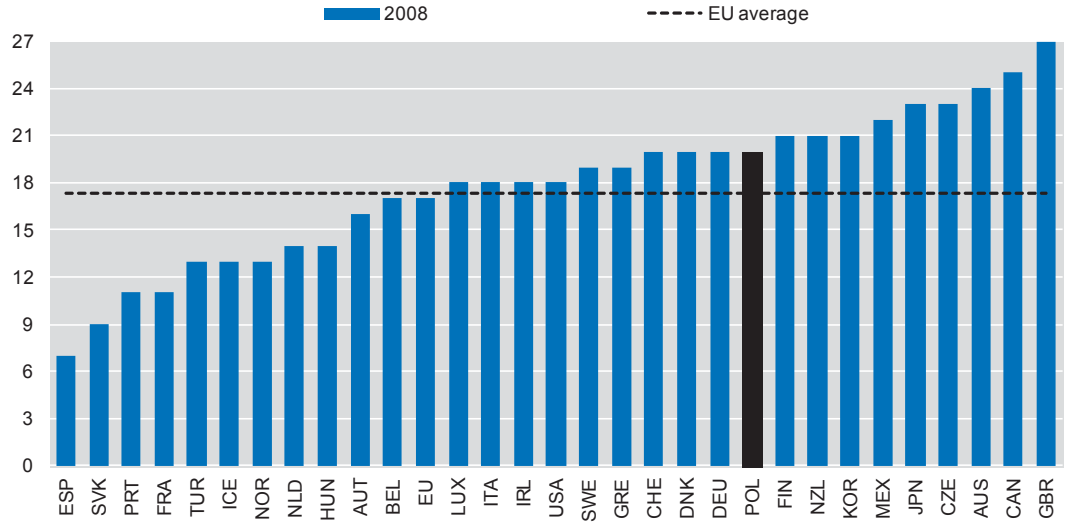
Source: Government of Canada (2012), Treasury Board Secretariat website.

In Poland, RIA implementation was initiated at the end of 2001. Since then, it has been mandatory to carry out impact assessment studies for all governmental bills and regulations (OECD, 2011a). While Poland has some formal requirements in place that are in line with international good practices (Figure 3.2), these do not appear to be widely implemented.

As outlined in the OECD Recommendation, member countries should adopt *ex ante* impact assessment practices that are proportional to the significance of the regulation, When regulatory proposals have potentially significant impacts, *ex ante* assessment of costs, benefits and risks should be quantitative whenever possible (OECD, 2012a, Principles 4.1 and 4.4). In Poland, the scope of the impact analysis is not proportionate to the significance of the proposal. This means that the breadth and depth of scope of the analysis are not necessarily related to the proposal's significance or its impact, and resources dedicated to the assessment of high-impact proposals are apparently often insufficient.

Figure 3.2. **Requirements for RIA processes used by central governments (2008)**

RIA 1



Source: OECD Regulatory Management Systems' Indicators Survey 2008, Question 10, *www.oecd.org/regreform/indicators.*

Many OECD countries have adopted a threshold test to ensure that the resources spent on analysis are proportionate to the potential impact of a regulatory proposal (OECD, 2009). They have adopted explicit "filtering" mechanisms which limit the number of regulations that are subject to full RIA requirements and, in some cases, vary the extent of the RIA required to be undertaken according to the defined threshold tests. However, there is considerable divergence between countries as to the nature of the specific filters applied. While several countries specify quantitative thresholds in terms of regulatory costs for the application of RIA requirements, these have typically been supplemented by qualitative thresholds (OECD, 2009). For example:

- The United States defines "major" rules as those that are likely to impose annual costs exceeding USD 100 million or those likely to impose major increases in costs for a specific sector or region, or have significant adverse effects on competition, employment, investment, productivity or innovation (OECD, 1999).
- The United Kingdom decides whether an RIA is required by a combination of both quantitative cost thresholds (when administrative burdens or unfunded policy costs of GBP 5 million or more are imposed on the public sector) and qualitative judgments, such as whether the regulation would impose re-distributive or cost effects on public, private or civil society organisations (HM Government, 2011).
- Australia decides on the basis of a preliminary assessment which includes information on how the proposal will affect compliance costs (Box 3.5) whether a full RIA (Boxes 3.5 and 3.6) is to be carried out.

Box 3.5. **Preliminary assessment in Australia**

A preliminary assessment is required to assess whether a regulatory proposal would need a full regulatory impact statements (RIS). To allow the Office of Best Practice Regulation (OBPR) to make this assessment, departments and agencies proposing a regulation will have to provide the following information (a preliminary assessment is available via the OBPR website: *www.finance.gov.au/obpr/proposal/ria-guidance.html*):

1. Brief outline of the key elements of the regulatory proposal

1. The problem that the regulation is attempting to solve, and the government's objective.
2. Any preliminary options that are being considered. And,
3. Information on whether it is a proposal for a new regulation, to amend an existing regulation or to replace sunsetting regulation.

2. Whether the regulatory proposal is likely to impact on business or not-for-profit organisations, either directly or indirectly

1. Regulatory impacts may include:
   - changes to the number or type of products that businesses can offer, such as:
     - ❖ banning products or industry practices;
     - ❖ changing the way in which products can be offered.
   - impacts on consumer demand for certain products, such as:
     - ❖ increasing prices brought about by the regulation's requirements;
     - ❖ changing the information available to consumers.
   - impacts on the ability or incentives of businesses to compete in the market, such as:
     - ❖ creating either a self-regulatory or co-regulatory regime;
     - ❖ changing the requirements for a licence, permit or other authorisation;
     - ❖ influencing the price or quantity of goods which are sold;
     - ❖ setting standards for product/service quality;
     - ❖ changing the price or type of inputs available to businesses.
2. Compliance costs are those costs that businesses face as a result of dealing with the government. Compliance costs may include:
   - requiring the collection and reporting of certain information;
   - keeping abreast of certain requirements and re-training staff;
   - changing operating procedures or purchasing patterns;
   - co-operating with audits or inspections; and
   - engaging lawyers, accountants or other advisors.

3. Timing

3. Key dates, as well as an indicative timeline should both be clearly outlined.

Source: Australian Government (2010a), *Best Practice Regulation Handbook*, Canberra; Australian Government (2010b), "OBPR Preliminary RIA Assessment Form", Canberra, available at: *www.finance.gov.au/obpr/proposal/ria-guidance.html*, accessed 15 July 2012.

Box 3.6. **Full RIA in Australia**

A full RIA should generally contain seven elements, setting out:

1. The problem or issues that give rise to the need for action:
   - present evidence on the magnitude (scale and scope) of the problem, relevant existing regulation and risks;
2. The desired objectives:
   - the RIS should explain the objectives, outcomes, goals or targets of government action.
3. A range of options that may constitute feasible means for achieving the desired objectives:
   - the RIS should identify a range of alternative options including, as appropriate, non-regulatory, self-regulatory and co-regulatory options.
4. An assessment of the impact of a range of feasible options for consumers, business, government and the community:
   - identify the groups in the community likely to be affected by each option and specify significant economic, social and environmental impact on them;
   - assess the costs and benefits of all the options supported by an acceptable level of evidence, where appropriate through a formal cost-benefit analysis, using the *status quo* as a baseline;
   - assess the net impact of each option on the community as a whole, taking into account all costs and benefits;
   - assess the impacts on business and the not-for-profit sector, including distributional issues such as the impact on small business, and quantify the effect of each option on business compliance costs;
   - recognise the effect of the options on individuals and the cumulative burden on business;
   - quantify other significant costs and benefits to an appropriate extent, taking into account the significance of the proposal and its impact on stakeholders;
   - analyse the extent to which each option would reduce the relevant risk if an objective of regulation is to reduce risk, and the costs and benefits involved;
   - document any relevant international standards and, if the proposed regulation differs from them, identify the implications and justify the variations;
   - if the proposed regulation would maintain or establish restrictions on competition, demonstrate that the regulation results in a net benefit and that the government's objective(s) can be achieved only by restricting competition;
   - provide evidence in support of key assumptions and clearly identify any gaps in data.
5. A consultation statement:
   - outline the consultation objective and describe how consultation was conducted and what views were expressed.

Box 3.6. **Full RIA in Australia** (*cont.*)

6. A conclusion and recommended option:
   - The RIS should clearly state the preferred option, why it is preferred, and indicate the costs and benefits of this option.
7. A strategy to implement and review the preferred option:
   - the RIS should provide information on how the preferred option would be implemented, monitored and reviewed.

Source: Australian Government (2010), *Best Practice Regulation Handbook*, Canberra.

Ensuring that resources for impact assessments are used in the most efficient way implies that they are expended proportionally to the significance of the regulation. This is currently not the case in Poland – the scope and quality of RIAs on high-impact proposals is often insufficient. A two-stage system as practiced in many OECD countries could help Poland improve the evidence base for its decisions while using resources more efficiently. Poland could make it mandatory to conduct a regulatory test for all regulatory proposals including subordinate legislation and to attach the test results to all regulatory proposals submitted to the Programming Team, which could use the results of the regulatory test and the advice from the unit in the Chancellery responsible for RIA oversight to determine whether a proposal is likely to have a high impact. For all high-impact proposals, the government could consider making it mandatory for ministries to conduct a full RIA. The assessment could be submitted to the unit in the Chancellery responsible for RIA oversight for a review of its quality and accuracy and be refined if necessary. It could then be submitted to the Programming Team and used for public dialogue with business and citizens to improve the proposal. A full RIA should quantify costs, benefits and risks whenever possible.

Risk assessment as an integral component of RIAs

Regulation is often developed as a measure to respond to a perceived risk. In such cases, the design of regulatory solutions is often based on an assessment of the risk that they are designed to address. Governments tend to have developed systems for applying scientific principles to the estimation of risks (OECD, 2012a). In Poland, guidance on RIA does not include risk assessment nor does the explanation for the "problem definition" in the regulatory test ask officials to provide the results of a risk assessment (Polish Ministry of the Economy, 2009; Polish Government, 2012). Other OECD countries such as Australia or the United Kingdom integrate risk assessment into regulatory impact assessment (Box 3.7).

Risk assessment constitutes a necessary part of an RIA at the stage of problem definition and for defining the rationale for regulating. For all regulations that respond to a perceived risk (e.g. health regulation, environmental regulation, regulation of construction), the government could consider requiring that an assessment of risks form part of the regulatory test and the RIA. The government could develop guidance on methodologies for risk assessment with the key actors within the government that are tasked with managing risk (e.g. environmental or health risks). A module on risk assessment could be included in the training on RIA. For major proposals, external scientists could be asked to review and improve the risk assessments. This would be

consistent with the 2012 OECD *Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a, Principle 9).

Box 3.7. **Risk assessment as part of RIA in Australia**

The Australian government estimates that about half of all new regulations in requirement of an RIA are risk-related. This includes regulation to reduce the incidence of workplace accidents, reduce public health hazards (e.g. food standards), reduce risks from faulty consumer products (e.g. product safety standards), reduce the risk of financial institution failure and reduce the risk of terrorist attacks.

The Australian *Best Practice Regulation Handbook* outlines how the evaluation of regulation aimed at managing risks should be approached in RIAs (Australian Government, 2010). It emphasises that risk analysis should not be seen as a distinct step in the RIA process but be considered throughout each step of the RIA process, in particular at the stage of the problem definition and the analysis of impacts.

The problem section in RIA should contain relevant information on the size of the actual ("objective") risk, its likelihood, nature and what will be the likely risk into the future in the absence of government action. The problem section should also clearly identify who bears the risk and highlight how the risks are currently being addressed.

The impact analysis should clearly spell out how each option will impact on the size and distribution of the risk. For each option being considered, this involves assessing the following questions:

- Will the proposal reduce the size of the risk (e.g. standards, information provision)?
- Will the proposal remove the risk altogether (e.g. banning certain activities/products)?
- Will the proposal transfer risk from one party to another (e.g. mandatory insurance)?

Risks should be quantified as far as possible, including the size and the likelihood of the risk and the impact of the proposed regulation on probable future risk outcomes. The analysis should be informed based on existing sources of relevant evidence about risks or based on specific studies to uncover the size and magnitude of the risk.

Source: Adapted from Australian Government (2010), *Best Practice Regulation Handbook*, Canberra, p. 77-83.

Public access to regulatory impact assessments

Impact assessment processes should be closely linked to general consultation processes for the development of new regulations. Experience suggests that higher quality regulations rely on, for example, the publishing of roadmaps, giving early notice of possible regulatory initiatives, making completed impact assessment work public, and using a consultation stage RIA to engage the public and key stakeholders. The results of the consultations, together with individual contributions, should be made public (including online where appropriate) in order to ensure a high level of transparency and to reduce the risks of "regulatory capture" (OECD, 2012a).

In Poland, while RIAs are published on ministries' websites and on the GLC legislative platform, this tool is not used as a vehicle for information gathering or for the development of options to address the issue. Moreover, sometimes the RIA appears to be of such low quality that it does not provide any useful information to stakeholders. A positive recent development is the pilot of the e-consultation system in the MoE which

foresees consultation open to any member of the public on the regulatory tests and RIAs (see Chapter 5). The pilot is scheduled to start at the beginning of 2013 and is funded by the European Union (EU).

The government could consider doing more to encourage stakeholders to participate in consultations and comment on RIAs, including inviting the general public explicitly to comment early in the regulatory process. Lessons from the pilot project conducted by the MoE on online consultation could lead to the design of a (compulsory) government-wide online system to be used by the whole administration to submit regulatory tests and RIAs for both inter-ministerial and external consultation. This would be consistent with the OECD recommendation to consult on all aspects of an impact assessment analysis (OECD, 2012a, Recommendation 2).

Ex-post *evaluation of regulations and reviews of the stock of regulations*

> "Conduct systematic programme reviews of the stock of significant regulation against clearly defined policy goals, including consideration of costs and benefits, to ensure that regulations remain up to date, cost justified, cost effective and consistent, and deliver the intended policy objectives." (OECD, 2012a, Principle 5)

Evaluating policy through *ex post* impact analysis is necessary to ensure that regulations meet their policy objectives, remain up to date and do not impose unnecessary costs on business and citizens or on the government's fiscal framework. In some circumstances, the formal processes of *ex post* impact analysis may inform ongoing policy debate better than *ex ante* analysis. This is likely to be the case, for example, if regulations have been developed under pressure to implement a rapid response. Consideration tends to be given early in the policy cycle to the performance criteria for *ex post* evaluation, including whether the objectives of the regulation are clear, what data will be used to measure performance as well as the allocation of institutional resources. It can be difficult to direct scarce policy resources to review existing regulation; accordingly, it is necessary to systematically programme the review of regulation to ensure that *ex post* evaluation is undertaken. Practical methods include embedding the use of sunset clauses or requirements for mandatory periodic evaluation in rules, scheduled review programmes and standing mechanisms by which the public can make recommendations to modify existing regulation (OECD, 2012a).

In Poland, *ex post* evaluation of regulation is not widespread across the government. The MoE has developed a form for *ex post* evaluation and plans to systematically review regulations and consult on it as part of a pilot on a new e-consultation system in 2013. The regulatory test form contains a question on the date of *ex post* evaluation for a regulatory proposal and the indicators that will be used for the evaluation.

While systematic *ex post* evaluation is only undertaken in a few OECD countries, the majority of OECD countries report having automatic review requirements for primary laws (Box 3.8) in at least some policy areas. Only 12 countries report using sunsetting triggers; these include Austria, Canada, Finland, France, Germany, Iceland, Korea, New Zealand, Switzerland, the United Kingdom and the United States (OECD, 2011c).

Box 3.8. *Ex post* evaluation in OECD countries

In a number of OECD countries regulations are scheduled to be reviewed some years after their enactment. For example, the impact assessment form in the United Kingdom requires officials to commit to a date when they will review the actual costs and benefits of any new proposal, and establish whether the policy has achieved the desired effects. This post-implementation review should typically occur within three years of implementation, depending on the nature of the policy. The review should establish a baseline and include the success criteria against which the effectiveness of the policy will be judged. Departments are also asked to consider the scope for simplification, including revisiting EU directives as part of the EU programme of simplification where relevant. Where appropriate, the impact assessment guidance additionally recommends that opportunities to use sunset clauses should be explored (OECD 2010a).

The Parliamentary Committee for Legislative Monitoring in Belgium is charged with evaluating laws that have been enacted for at least three years. It has to identify possible implementation difficulties (due to complexity, loops, incoherence, vagueness, contradictions) and assess how the law has effectively responded to its initial objective. Requests can be sent by a large number of stakeholders (any administration in charge of implementing law, any authority in charge of law enforcement, any natural or legal person, and deputies and senators). The work of the committee is also to be fed by reports from the Court of Cassation and tribunals on difficulties encountered with laws and from the decisions of the Constitutional Court (OECD, 2010b).

Austria has adopted a new regulatory impact assessment system, which is scheduled to enter into force in 2013. It foresees to compare objectives and expected impacts of regulations and policies with actual outcomes within five years after the adoption. The results of this internal evaluation should subsequently be sent to a unit for "outcome controlling" within the federal Chancellery. After their check for completeness and plausibility of the evaluation, it is then included in the annual report for Parliament (written communication with an Austrian government official, July 2012).

Sources: OECD (2010), *Better Regulation in Europe: United Kingdom* 2010, OECD Publishing, doi: *10.1787/9789264084490-en*; OECD (2010), *Why Is Administrative Simplification So Complicated. Looking Beyond 2010*, Cutting Red Tape, OECD Publishing, doi: *10.1787/9789264089754-en*.

"Poland could improve the quality of its regulation significantly through systematic *ex post* analysis of high-impact regulations drawing on the methods of enhanced RIAs." (OECD, 2012a, Principle 5)

- In order to ensure that reviews take place, the government could consider including review clauses in primary laws and sunsetting clauses in subordinate legislation.
- The government could ensure that the *ex ante* RIA of every high-impact regulation contains a section on the performance criteria for *ex post* evaluation including clear objectives of the regulation, what data will be used to measure performance as well as the allocation of institutional resources for *ex post* review.
- An independent body could conduct reviews of high-impact regulations.
- Poland could consider integrating *ex post* review for high-impact proposals into an e-consultation system, drawing on lessons learnt from the consultation pilot in the Ministry of Economy in 2013.

Evaluation of the regulatory process itself

> Regularly publish reports on the performance of regulatory policy and reform programmes and the public authorities applying the regulations. Such reports should also include information on how regulatory tools such as regulatory impact assessment (RIA), public consultation practices and reviews of existing regulations are functioning in practice. (OECD, 2012a, Principle 6)

OECD countries should review the effectiveness of regulatory procedures inside government to improve the design and delivery of regulation. This is particularly relevant in countries such as Poland where a large gap seems to exist between the formal rules governing the design of regulation and the government's track record in designing regulation in practice. Reviews can help track progress over time, identify good practices to be spread across government, identify problems and bottlenecks, and suggest solutions for improvement. Without evaluation, it is not possible to know how regulatory policy practices are implemented in ministries and how to improve them.

In Poland, performance reporting was introduced internally in 2012 in the Chancellery's Department of Strategic Analysis and work is under way to make it more comprehensive. The department monitors, *inter alia*, the performance of:

- the Programming Team (from March to December 2012 the team asked for clarification on 43% of submissions and rejected 7% of submissions);
- the RIA Unit (in 2012 our recommendations concerned mostly social and economic impacts, because ministries provided generally sufficient information on the impact on the administration);
- the permanent Committee of the Council of Ministers and the informal resubmission mechanism (several draft bills were vetoed in 2012, half of the vetoes were successful).

In a survey of OECD countries in 2012 (forthcoming, preliminary data subject to change), 19 countries reported evaluating how their RIA systems function in practice and 9 countries evaluated the functioning of their consultation systems. Less than one-third of OECD countries report on their RIA system regularly, ranging from annual to three-year reporting periods. For example, since 2008 New Zealand reports annually on how departments meet their responsibility to self-assess the quality of RIS (Box 3.9). Such indicators as the proportion of RIAs that are of sufficient quality help identify implementation gaps systematically and track progress over time.

The Polish government could consider instituting regular government-wide evaluation of the RIA and consultation systems, highlighting progress in different ministries toward implementing government-wide regulatory policy. Reports could contain information on the percentage of draft laws and subordinate regulations which meet clearly defined quality standards. Citizens and businesses could be consulted to understand whether the quality and presentation of results of RIA are appropriate for use by stakeholders and to identify problems with the consultation process. Reports could identify areas for improvement and possible solutions and could be made public. The Chancellery and the MoE could lead discussions on results with different ministries and identify action plans to pursue reforms. This would be consistent with Principle 6 in the OECD *Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a).

Box 3.9. **Evaluation of the RIA system in New Zealand**

Since 2007, the New Zealand Treasury has commissioned three reports (in 2007, 2009 and 2011) to a non-profit consultancy to provide an independent assessment on how departments meet their responsibility of self-assessing the quality of regulatory impact statements (RIS) that are not considered likely to have a significant impact or risk.[1]

Based on a pre-defined set of quality assurance criteria laid out in the New Zealand *RIA Handbook*, the findings from the last assessment in 2011 point to a considerable degree of divergence between the external consultant's and the agencies' own RIA assessments. Only one-third of agency-assessed papers' ratings were consistent with the scores calculated by the consultancy. As dominant factors for their different evaluations they point to analytical shortcomings (among others, a narrow options identification and lack of logical framework) and a lack of consultation. The consultancy also found that their ratings of the quality of RIS matched those of the unit responsible for RIA oversight in New Zealand, the Treasury's Regulatory Impact Analysis Team.

The consultancy provides recommendations for improving the quality of regulatory impact analysis in New Zealand, including:

- agencies should focus on improving their problem definition, on setting clearer objectives and criteria for regulatory proposals, and on identifying options including regulatory and non-regulatory approaches;
- agencies should seek more frequently the views of senior or expert staff at the beginning of the project, not just bringing them in at the end;
- the RIA Team in the Treasury should revise and clarify the *RIA Handbook* and Independent Quality Assurance documents to make them shorter and less prescriptive.

Note: 1. *www.treasury.govt.nz/publications/guidance/regulatory/riareview*.

Source: NZIER (2011), "Regulatory Impact Assessment Evaluation 2010: Final Report to the New Zealand Treasury", NZIER, Wellington, available at: *www.treasury.govt.nz/downloads/pdfs/ria-review-feb11.pdf*, accessed 15 July 2012.

Alternatives to regulation

Policy makers need to know what option is the most effective and efficient approach to meet their policy goals. Information on the impact of a regulatory proposal is not sufficient if policy makers cannot compare it to the impact of alternative options. As outlined in the OECD *Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a), *ex ante* assessments of regulatory proposals therefore tend to include a consideration of alternative ways of addressing the public policy objectives including regulatory and non-regulatory alternatives to identify and select the most appropriate instrument, or mix of instruments to achieve policy goals. The no-action option or baseline scenario should always be considered. *Ex ante* assessment tends in most cases to identify approaches likely to deliver the greatest net benefit to society, including complementary approaches such as through a combination of regulation, education and voluntary standards.

Although required by the Polish guidelines, it appears that RIAs do not systematically contain an assessment of alternative options to the proposed regulation. The new regulatory test asks officials if it "is possible to solve the problem through non-legislative action". It also requires officials to describe how the same policy problem was solved in

other OECD or EU countries. There is, however, currently no requirement to provide an assessment of alternative options including of the impact of the no action option or baseline scenario.

It is therefore possible that Poland is missing important opportunities to identify the best policy option to address a policy challenge. Alternative options to the proposed regulation may, in fact, reach the same policy goals more effectively and at lower costs for business and citizens, hence stimulating innovation and increasing Poland's competitiveness. Alternatives can include both regulatory and non-regulatory options (Box 3.10). For example, information and education campaigns, labelling requirements or requirements to disclose other information to the market change behaviour through the provision of greater information, allow people to make decisions on the basis of greater information than would otherwise be available, rather than imposing a single solution on all as is often the case with traditional command-and-control regulations. These instruments are often characterised as "soft" because the degree of direct government involvement in decision making or directing behaviour is more limited than with other instruments. However, even with "soft" instruments, the degree of involvement can vary. In some cases, government can require companies to provide greater information to consumers or government can provide the information itself (OECD, 2011b; 2006).

OECD experience shows that governments must lead to overcome bureaucratic inertia, risk aversion and a "regulate first, ask questions later" culture (OECD, 2012a). A policy-making process which supports and encourages the consideration of alternative instruments is essential if governments are to make informed decisions regarding the options available to deal with policy issues. It is important that policy makers be encouraged to carry out, early in the regulatory policy-making process, a thorough consideration of the advantages and disadvantages of the options available. If consideration of alternatives to regulation is left until very late in the policy-making process, they are unlikely to be explored fully and policy makers may have developed a preconceived conclusion in favour of regulation (OECD, 2011b; 2006). Indeed, if all policy options are not explored *ex ante*, other more appropriate options might never end up being considered. Care must be taken when deciding to use light-handed approaches such as self-regulation to ensure that public policy objectives are attained (OECD, 2012a). Self-regulation of professions, for example, requires that professions are organised, committed and capable to put adequate control mechanisms in place.

As outlined in the *Recommendation*, the consideration of a range of alternative approaches to the regulatory proposal helps ensure that the most efficient and effective approaches are used for meeting policy goals. In Poland, consideration of the alternatives of the proposed regulation are required in the RIA guidelines, but are in practice not usually considered. As a first step, the government could consider placing particular emphasis on training staff in the oversight unit in the Chancellery and in the units in each ministry responsible for RIA to identify systematically other policy options, including the "do-nothing" option. Particular attention could be paid in the regulatory test and in the RIAs to the quality of the assessment of alternatives, in particular for high-impact proposals.

Bottom line: Focus on policy making

Not all policy is about regulation and regulation is not always the optimal instrument to address a policy issue. In order to ensure that the best policy option is selected, it is necessary to have embedded practices in government for exploring all policy options. In

Poland, it is not clear what the governance arrangements for the exploration of policy options are. One major issue seems to be the lack of co-ordination between ministries and of consultation with the public early in the process, before a decision on the preferred solution to a policy problem has been taken. Poland might benefit from introducing a more systematic approach for exploring policy options together with stakeholders early in the process, in order to achieve public policy objectives at the lowest possible costs for the state, business and citizens.

Box 3.10. **Regulation: A continuum from explicit government regulation to self-regulation**

Regulation constitutes only one of a wide range of policy instruments that can be used by governments to achieve their public policy objectives. Different instruments have widely varying characteristics and can be more or less suited to resolving a particular policy issue. Regulation can be viewed as part of a "continuum", rather than as distinct categories, with explicit government regulation representing one end of this continuum, and self-regulation at the other extreme.

Explicit government regulation is sometimes known as "black letter law". It attempts to change behaviour by detailing how regulated parties must act under the law, and it generally imposes punitive sanctions (such as fines or even custodial sentences) in instances of non-compliance with these regulations.

Performance-based and management-based regulations are more flexible, less prescriptive forms of regulation. Performance-based regulation is regulation that sets objectives or standards for outcomes and allows the regulated entity some flexibility to determine the means by which they will meet these objectives. Management-based regulation (sometimes called process-based regulation) requires businesses to demonstrate that they are meeting regulatory objectives through the requirement to have in place management processes directed at achieving regulatory outcomes.

Co-regulation typically refers to the situation where an industry or professional body develops the regulatory arrangements (e.g. a code of practice, accreditation or rating schemes) in consultation with a government. While the industry administers its own arrangements, the government provides legislative backing to enable the arrangements to be enforced.

Quasi-regulation refers to the range of rules, instruments and standards whereby governments influence businesses to comply, but which do not form part of explicit government regulation. Governments may assist in developing industry codes of conduct under quasi-regulation (e.g. through official endorsement, representation on monitoring committees, provision of funding), but the government undertakes no enforcement activity.

Self-regulation is generally characterised by the development of voluntary codes of practice or standards by an industry, with the industry solely responsible for enforcement. The government's role under this form of regulation is non-existent, or may be limited to the provision of advisory information.

Source: OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, doi: *10.1787/9789264116573-en*; OECD (2006), "Alternatives to Traditional Regulation", OECD, Paris, available at: *www.oecd.org/gov/regulatory-policy/42245468.pdf,* accessed 29 March 2013.

An approach that models good practice in OECD countries for the exploration of policy options is the use of green and white papers. Green papers help governments, without committing them, to engage with actors within government and with business and citizens to explore together policy options and their likely impact. Such a process reduces

the risk of arriving at policy options too quickly, including the risk of overlooking better options and ignoring negative consequences of proposed policies. Participation of stakeholders in policy making at an early stage also improves the likelihood of compliance by increasing legitimacy of policy responses and may therefore reduce the costs of enforcement. White papers serve to express the policy propositions the government has arrived at.

Key features of green and white papers are described well by Watts (2007):

- A "[g]reen [p]aper is a tentative statement of governmental thinking on the issues raised by some issue of public policy. Such a paper often sets out alternative means of resolving a problem and invites consultation and discussion of the available options. A [g]reen [p]aper is usually used at an early stage in the process of making public policy and may be regarded as a first step in changing the law. There is no commitment to action, but such a document may be followed by a more specific [w]hite [p]aper".
- A white paper "sets out governmental thinking in a policy area and is indicative of the [g]overnment's legislative intentions. Consultation on a [w]hite [p]aper is still possible, hence occasional references to '[w]hite [p]apers with green edges'. However, this stage is a much clearer indication of current thinking than a [g]reen [p]aper".

Australia, Canada, the European Commission (Box 3.11), Ireland, New Zealand, the United Kingdom and the United States all use green papers to engage in a dialogue within government and with the general public about policy challenges and their possible solutions. In Australia, departments and agencies are required to prepare a green paper for regulatory proposals of major significance as the basis for consultation on the policy options. If the green paper leads to a regulatory proposal, the consultation responses can later form the basis of the regulatory impact assessment (OECD, 2010c).

Poland could benefit from a more open debate early in the policy process within the government and with business and citizens to identify correctly the policy challenge that requires attention and discuss possible policy options to address it. A process for early and open discussion would make it more likely to find the most efficient and effective solution for a policy challenge in order to maximise benefits and reduce unnecessary costs for business and citizens. Unintended consequences of policy problems could be identified early and stakeholders could be engaged to create awareness and buy-in for possible solutions. Thus, the government could consider piloting the issuance of a discussion or green paper outlining the objectives for any major policy initiative and possible options to address them. Stakeholders and the general public could be actively invited to comment on the paper and have sufficient time to submit their answers. The government could ensure that the paper is drafted in plain language so that it is understandable by the general public. The government should issue the discussion paper early in the process, before it has identified its preferred policy option. Results of the consultation on the paper could be published. If the green paper results in a regulatory proposal, stakeholder comment on the potential impact of the proposal could inform the subsequent preparation of the regulatory test and the RIA.

Box 3.11. **Consultation on green papers in the European Union**

The European Commission uses green papers to consult with EU organs and stakeholders on major policy proposals. For example, the European Commission issued seven green papers in 2011 (European Commission, 2012a) on stability bonds, agricultural products, professional qualifications, the EU corporate governance framework, online gambling, research and innovation funding, and public procurement.

The Commission publishes its green papers online and actively invites comments from anyone interested in the subject to participate in a consultation process and debate on the basis of the proposal put forward (European Commission, 2012b). There are several examples where consultation processes stimulated by Commission green papers have resulted in considerable stakeholder involvement. For instance, because of the problem of an ageing population in Europe, in 2010 the Commission issued a green paper on European pension systems. Upon release of the green paper (COM(2010)365 final) in July 2010 and a reader-friendly summary for citizens, the Commission invited comments from anyone interested in the topic through a dedicated website and online survey. During the four-month consultation phase, considered as "extremely successful" by the Commission (European Commission, 2011), the Commission received almost 1 700 responses from across the EU, including member country governments, national parliaments, business and trade union organisations, civil society, representatives of the pension industry, the European Parliament, the European Economic Social Committee and the Committee of the Regions (European Commission, 2011). Subsequently, these submissions were summarised in a separate published document with commentaries from the European Commission.

The issue of a green paper can, but does not necessarily, lead to the publication of a white paper. A white paper focuses on "translating the conclusions of the preceding debate into practical proposals for Community action in a specific area" (Hofmann et al., 2011) and presents the Commission's conclusions. For example, the EU published in early 2012 a white paper (COM(2012)55 final) on pension systems in Europe, which was based on the preceding green paper and the received submissions from the consultation process as well as 100 meetings with stakeholders (European Commission, 2012c).

Source: European Commission (2011), "Summary of Consultation Responses to the Green Paper 'Towards Adequate, Sustainable and Safe European Pension Systems'", European Union, Brussels; European Commission (2012a), "Green Papers", European Union, Brussels, *http://europa.eu/documentation/official-docs/green-papers/index_en.htm;* European Commission (2012b), "Green Paper: Glossary", European Union, Brussels, *http://europa.eu/legislation_summaries/glossary/green_paper_en.html*; European Commission (2012c) "An Agenda for Adequate, Safe and Sustainable Pensions", White Paper, COM(2012)55final, European Union, Brussels.

In summary, the government could consider the following recommendations to broaden and deepen evidence-based decision making government wide:

- Reform the regulatory impact assessment system using a publicly available, binding roadmap to ensure that all programming proposals submitted to the Council of Ministers for decision coherently articulate the policy, financial, human resources, performance evaluation and long-term contextual considerations needed to maximise evidence-based decisions on whether to proceed with the proposal.
- Consider implementing this roadmap by:
  - integrating impact assessment into the early stages of the policy process for the formulation of new regulatory proposals and improving its quality to

guide decision making as a relevant and accurate tool for the Council of Ministers;

- ensuring that any legal text submitted to the Council of Ministers is accompanied by a regulatory test or impact assessment;
- introducing a formal threshold test to ensure that resources spent on impact analysis are proportionate to the potential impact of the regulatory proposal;
- making it mandatory for ministries to conduct a full RIA for all high-impact proposals early in the process;
- improving the quality of RIAs for these high-impact proposals; this could be achieved by making it compulsory for ministries to submit early in the process an RIA for high-impact proposals meeting the threshold test to the RIA oversight unit, making it compulsory to revise the RIA if it is assessed as unsatisfactory by the RIA oversight unit, providing intensive methodological support for high-impact RIAs to ministries sponsoring the regulation, in particular on the assessment of costs and benefits to citizens and business, and paying particular attention to consultation with the general public for high-impact RIAs;
- strengthening CoG regulatory assessment co-ordination and oversight mechanisms by strengthening collaboration between the Ministry of the Economy and such CoG institutions as the Chancellery. Co-operation between the Chancellery, the MoE and the Government Legislative Centre in the development of the "regulatory test" is a move in the right direction;
- ensuring that the unit in the Chancellery responsible for RIA oversight has both the mandate and the capacity to assess all individual regulatory tests and RIAs, and to provide technical assistance on proposals of significant impact.
- establishing a unit in each ministry to support the introduction of the regulatory test:
  - ❖ the RIA oversight unit in the Chancellery could support training and regular networking of ministry-level staff responsible for regulatory assessment so that ministry-level staff can share experience and break down silos;
  - ❖ the government could establish a long-term strategy for hiring experts and training officials independent of EU funds.
- assigning a CoG unit responsibility to systematically monitor compliance with requirements to consult the public on regulatory proposals;
- ensuring that up-to-date regulatory tests and RIAs are attached to any legal text sent to Parliament and strengthening the capacity of Parliament's Chancellery to evaluate regulatory tests and RIAs. On contentious policy issues, particularly ones with significant financial implications, the *Sejm* Chancellery could thus play a "challenge function" with respect to the assessment of legislative proposals from the executive and provide separate advice to parliamentarians on the executive's regulatory test and RIAs. It should also be able to work with the executive to ensure that information is

presented in a way that allows parliamentarians to understand easily the results of an RIA and the assumptions upon which it is based.

- integrating risk assessment as an integral component of RIAs by developing guidance on methodologies for risk assessment with the key actors within the government that are tasked with managing risk (e.g. environmental or health risks), and by including a module on risk assessment in the RIA training. For major proposals, external scientists could be asked to review and improve risk assessments;
- soliciting input from external stakeholders on regulatory tests and RIAs under a timetable that allows for its meaningful impact. Lessons from the pilot project conducted by the MoE on online consultation could lead to the design of a government-wide online system for submitting regulatory tests and RIAs for both inter-ministerial and external consultation at an early stage of the regulatory proposal;
- instituting systematic *ex post* evaluation of regulations and regular reviews of the stock of regulations to measure their continued relevance, utility, effectiveness and efficiency in the achievement of policy outcomes;
- rendering systematic full *ex ante* consideration of alternatives to regulation, by training staff in the oversight unit in the Chancellery and in the units in each ministry responsible for RIAs to identify systematically other policy options, including the "do-nothing" option. Particular attention should be paid in the regulatory test and in the RIAs to the quality of the assessment of alternatives, in particular for high-impact proposals;
- encouraging ministries to pilot an *ex ante* discussion or green paper on a major policy initiative that:
  - outlines the objectives of a policy and possible options to address them;
  - is based on a solid analysis and modelling, and considers different scenarios and policy options;
  - invites stakeholders and the general public to comment on the paper and have sufficient time to submit their answers;
  - is drafted in plain language so that it is understandable by the general public;
  - is issued early in the process, before the government has identified its preferred policy option;
  - renders public the results of consultations on the paper;
  - if the green paper results in a regulatory proposal, stakeholder comment on the potential impact of the proposal in the green paper could inform the subsequent preparation of the regulatory test and the RIA.

Implementing e-government: An illustration of the decision-making challenges facing Poland

E-government is the use of ICTs, particularly the Internet, to achieve better government for citizens. E-government offers great potential to lever policy making, public sector reforms and improved public service delivery (Annex A). In Poland,

realising this potential seems to be encountering a number of challenges. In many instances, these do not necessarily reflect e-government implementation issues but illustrate broader challenges faced by the central government and the country's public sector; notably the capacity to engage in evidence-based decision making and link programming decisions (in this case regarding e-government implementation) to the achievement of integrated strategic policy outcomes – a capacity that is limited at present and the subject of the next chapter.

OECD countries are increasingly using ICTs to lever government effectiveness and efficiency. E-government development is at its core a proposal to rethink fundamentally the policy making and the public service delivery architecture of government, exploiting the potential of new technologies (OECD, 2009). Rethinking service delivery architecture also implies new ways of defining political purpose across levels of government. The 2012 E-Leader's Meeting in Mexico highlighted that OECD countries currently are considering how to "de-fragment" government to restructure organisations and information flows, to improve government agility to meet ever-changing (and increasing) user needs, and to open up government administration to achieve greater accountability and transparency by putting public sector data at the disposal of the public for their own uses (OECD, 2012c).

In Poland, the overall strategic framework for e-government is articulated in the government's "Poland 2030" long-term strategic vision for the country, and is further outlined in its "Effective State Strategy 2011-2020". Poland is currently revising its specific national e-government strategic plan. The government's previous e-government plan, "The Strategy for the Development of the Information Society in Poland until 2013", was approved in 2008. This strategic plan focused on achieving "a society where citizens and enterprises consciously use the potential of information as economic, social and cultural value, with effective support from a modern and friendly public administration" (Ministry of Interior and Administration, 2008). The strategic plan aimed to "increase the accessibility and effectiveness of public administration services with the use of ICT solutions to reconstruct internal processes in the administration and the delivery of services" (Ministry of the Interior and Administration, 2008).

The Ministry of Administration and Digitisation (MoAD) has revised and expanded this strategic plan, particularly with respect to the public sector's use of ICTs. In April 2012, it launched "State 2.0 – A New Beginning for E-administration". This new policy document includes a critical analysis of the state of e-government in Poland and proposes ongoing revisions to the government's e-government strategy (Ministry of Administration and Digitisation, 2012). In reorienting its policy approach, MoAD examined a large number of key e-government projects and identified a set of cross-cutting challenges affecting the implementation of e-government. These include:

1. "There is no comprehensive, multi-dimensional and long-term approach to digitalization tasks".
2. "The preparation and implementation of IT projects is not fully co-ordinated or institutionally organised at the governmental level".
3. "The current approach has no comprehensive vision of a system user that encompasses all projects".
4. "Project preparation is dominated by a technical and hardware-oriented approach".

5. "The development and implementation of projects is not organised in logical sequences".
6. "Project planning and implementation is not divided into physical and financial stages".
7. "The results achieved by a project, such as the quality of delivered products, may be unsatisfactory if too many projects are scheduled for closure and settlement during the final phase of the current EU budgeting period".
8. "Various institutions develop parallel systems with no regard to compatibility or communication".
9. "There is a lack of solutions that meet the actual needs of users, which change over time".
10. "There are no maintenance cost analyses for implemented projects, networks and systems".
11. "Project stakeholders do not work together closely enough".
12. "The implementation schedules and budgets of many projects fail to allow time for testing, drawing conclusions and making improvements to systems prior to delivery".
13. "Some of the financial decisions related to certain tasks in 2007-2010 were not as transparent as they should have been".

Hence, the assessment highlighted a lack of co-ordination within a coherent strategic framework, an insufficient focus on the real costs and benefits of e-government, and a lack of key implementation standards and skills. State 2.0 proposes a "turn-around" based on four principles: a user-centred plan based on a freer flow of information; the plan's point of departure being the needs of citizens and business, that is, e-government to achieve service delivery objectives rather than as a means to buy and use technology for its own sake; transparent and effective investments; and technology neutrality, enabling sustainable competition and agile procurement in public markets. The MoAD has conceived an approach on three levels (MoAD, 2012):

- the programme and project level: ensuring a higher level of interoperability and coherence in the development of e-government projects in the short term;
- the government policy level: preparing before the end of 2012 a new "state informatization plan" based on the integrated use of ICTs to support government policy setting and implementation and service delivery, rather than simply to apply technical solutions to specific problems;
- the mid-term strategic level: conceiving an e-government strategic framework along with a new operating programme to implement it over the period 2014-2020.

Coherence in co-ordinating e-government implementation

Poland's central government needs to establish more coherent horizontal and vertical e-government implementation mechanisms, encouraging a whole-of-government e-government implementation and uptake of services. A silo-based tradition, in combination with a pronounced hierarchical culture, is affecting e-government development and implementation. Although some mechanisms have been established

already, there seems to be little communication and co-ordination between ministries, particularly at the more operational levels, since co-ordination on this issue mainly takes place formally at the political level. While important co-ordination measures have been identified, they have yet to come into force. This creates rigidity in e-government implementation that translates into limited inclusion of relevant stakeholders in the efficient and effective implementation of otherwise worthy projects, for example in the justice area. The central-local governance relations also appear inadequate, with key issues and responsibilities not fully corresponding to the challenges of e-government development and implementation in the *voivodships* and local administrations.

Limited sharing of data and information affects not only the government's capacity to develop and implement policies, it also strongly affects the quality of service delivery to citizens and business. For instance, such basic information as the phone numbers of individual public servants is not available internally across ministries, constraining government-wide co-ordination. In order to support more coherent governance and a focus on the full implementation at all levels of government, the central government could consider:

- Building on State 2.0 by further clarifying the e-government agenda, defining the government's vision, rationale and priorities for ICT use, establishing clear mandates and responsibilities across the government and improving the mechanisms of political accountability for e-government progress. Having recently established an e-government project review board through the Standing Committee for the Council of Ministers for Digitalization Issues, its mandate should be clearly defined so that a proper, functional forum for effective co-ordination is operationally in place, and that a proper division of roles across the government as a whole is codified and understood clearly by each committee member. A common basis and direction will facilitate better communication across ministries and enable operational collaborations, which will lead to more efficient and coherent implementation of e-government projects.
- Clarifying the boundaries between central and local service delivery responsibilities and establishing mechanisms to ensure adequate use and re-use of infrastructure components, service solutions and data across the different levels of government. Decentralisation in Poland is still only recent. Although e-government can enable centralisation as well as decentralisation processes, the government needs to distinguish between responsibility for the infrastructure of service delivery, and for the actual delivery of services. Poland needs to clarify the decentralisation of e-government; in other words, the government needs to define what tasks create an added value as a responsibility of the local levels as opposed to the central level. As e-government is concerned, it is not clear if the current legislative framework and the regional contracts are sufficiently effective as central-local policy and co-ordination instruments.
- Ensuring the existence and full implementation of a legal and regulatory framework enabling e-government, both across government and within specific service delivery areas in each ministry. Operational attention to alignment between enabling legislation on e-government, technical solutions in place or to be developed, and administrative processes in government would improve coherence and reap the synergies (and benefit end-users) across service delivery areas of isolated efforts.

The relevance of online service provision and delivery

Reliable service delivery is important to enhance trust in public institutions. However, the Polish central government has yet to establish a mature user focus for delivering services to the public. The existing service delivery channels do not seem to have been coherently developed from the user's point of view: for example the ePUAP (Electronic Platform for Public Services), a government of Poland joint public service delivery platform, does not seem to have caught on with citizens. The sophistication of Polish online services is below the OECD and EU averages. There is only limited integration between the various online service portals and the websites of the associated public authorities, fragmenting the user's experience, although progress is being made. Levels of user uptake similarly fall below EU and OECD averages. This covers not only e-government services but a wider range of information society services such as electronic payments or e-commerce that are still not widely deployed in Poland. On the other hand, the use of online services for business seems widespread – hence good practices in this area might be shared across the government (Annex A).

E-government investment decisions seem biased in favour of purchasing infrastructure and hardware. The significant use of EU Structural Funds for e-government roll-out does not seem to have translated into investments that have effectively and systematically supported its development in Poland. Moreover, although the establishment of a sound communication infrastructure is of the utmost importance, ensuring demand for and use of this infrastructure for the Internet economy or government service delivery using ICTs, for instance, is equally important. Since a higher level of quality and maturity in terms of activities implies greater pressure on the operational expenditures, a stronger focus on value for money is required. In order to nurture more reliable, effective and efficient service provision and service delivery, the government of Poland should therefore consider:

- Providing a connected and coherent e-government service delivery framework. Establishing a prioritised, sequenced approach to defining service delivery channels (and the services to be delivered) may be pivotal to achieve better quality in (and support for) e-government implementation. For instance, increasing confidence in ePUAP – the government's multi-service electronic delivery portal – is necessary to enhance its use; one way forward might be through integrating existing highly transactional services and focusing their delivery on large groups of ICT-skilled users. Progress in enhancing the use of internal information (the e-government's "back-office") should be demonstrated as a concrete benefit to external users (the e-government's "front office") – the more systematic use of basic registers enabling re-use of data by the public is one important example.
- Matching supply and demand, particularly regarding ICT communication infrastructure. For example, it seems networks exist – both internally for the public administration and for citizens and businesses – although they are not always used. Ensuring greater coherence between pricing, service levels and service providers, through a well-conceived market design, for example, and matching communication infrastructure more clearly with the government's service delivery needs and its administrative procedures could contribute to more effective investments and better outcomes for taxpayers and end-users.

- Moving from digitising administration toward a broader government use of ICTs, thus integrating the use of ICTs in all policy areas. A broader use of ICTs by the government in all policy areas should build on consolidating e-government responsibilities as well as on enhancing coherence in service delivery. Some cross-cutting priority areas might, for example, be improving the business environment, and increasing local participation in policy making and service delivery processes. The MoE's consultation portal currently being built should not constitute a one-off initiative but should be watched closely and, if successful, replicated across all government activity based on interaction with citizens and businesses. Closer e-dialogue with constituents and users might lead to more effective policies and reduce administrative red tape and regulatory complexity.

Basing implementation decisions on the value of e-government

Poland has made impressive e-government progress within the last few years. But projects are not always fully implemented; the potential benefits of using ICTs are not clearly identified and accordingly not reaped. The value of projects does not seem to be assessed systematically, neither *ex ante* nor *ex post*. Nor does a clear outcome-based assessment capacity seem to be in place – either to measure the impact of policy making, project implementation or service delivery. This results in a tendency to implement projects without having clearly identified intended outcomes; a reflection of an apparent disconnect between the implementation of ICT projects and the change in administrative processes and public sector reforms pursued by the government. Hence, since the value of the ICT projects seems disconnected from their implementation, specific public authorities – a unit in a local city administration for example – might experience e-government as an additional cost with limited added value for the users, rather than as a clear benefit.

The MoAD recognises these challenges by having presented a sound diagnostic in State 2.0. The report assesses current key projects and indicates a coherent way forward; it highlights the necessity to ensure that the benefits of investments to be made with EU funding over the period 2014-2020 will be fully reaped. Defining an ambitious yet pragmatic action plan and implementing it now seems to be the real challenge ahead. In order to strengthen the realisation of the value of e-government, the government should consider:

- Using ICTs to increase efficiency through the establishment of mechanisms and tools for ensuring more profitable investments in ICTs and the reaping of qualitative and financial benefits. The use of business cases measuring the value and benefits of e-government is essential, but requires building skills and capacity in-house. This implies, for example, ensuring clear responsibilities not only for project implementation, but for establishing an accountability system for the realisation of the benefits of the projects. The role of the State 2.0 Standing Committee as a monitoring group to oversee the implementation of projects based on sound business cases should be defined and exploited.
- Generating better data that can support future work on implementation, for example developed through and supported by a more comprehensive e-government review. It is important that e-government policies, programmes and projects are supported by solid data on key measures such as service delivery maturity, quality, use of services, costs and particularly social and financial benefits, to mention a few. Such data are important at the national level as well as

for the *voivodships* and the *gminas*; good data might further support central-local governance arrangements for e-government implementation. Making such data transparent and available to all relevant stakeholders might further help improve the strategic plan's performance.

- Increasing a focus on the end-user helps design and implement better e-government services and helps improve uptake of online services. Engagement of users might also enhance trust in government institutions through an improved understanding of working conditions and needs. Clear and transparent conditions for engagement would be a prerequisite for genuine public involvement. Increasing user-centrism and simplifying online service delivery might be key elements to improve e-government uptake by citizens.

Note

1. Primary legislation/laws refer to those laws adapted by Parliament; subordinate regulation refers to lower level regulation/legislation issued by the government, by individual ministers or by the Cabinet, i.e. regulations whose definition and application is delegated by law to an executive authority.

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Chapter 4

Effective multi-level governance to achieve strategic regional and national development objectives

This chapter highlights the importance of effective and efficient multi-level governance to enhance development policy outcomes for citizens and businesses. This chapter first highlights the role of local and regional government in advancing national strategic objectives and the key role played by the Ministry of Regional Development as the key Centre of Government co-ordinating institution that manages multi-level governance in Poland. The chapter then examines the need for enhanced vertical and horizontal co-ordination at the EU, national and sub-national levels; the main challenges that Poland is facing with respect to disparities in fiscal, policy and administrative capacity; and how effective multi-level governance arrangements can help Poland address these challenges. Finally, the chapter focuses on the initiatives taken by the government such as the National Regional Development Strategy 2010-2020, which are in the early stages of implementation, and offers advice on how to proceed in this regard based on practices in this area that have worked in other countries in the OECD.

Introduction

Effective multi-level governance (MLG) is essential to enhance economic and societal outcomes for citizens and businesses. In unitary states they result from the waves of decentralisation that have characterised governance reform across the OECD over the past three decades, driven by the principles of subsidiarity and of moving decision making closer to citizens. In federal as well as unitary states, the effectiveness of MLG arrangements is currently being reinvigorated to address the growing complexities of managing integrated, multi-sector policy challenges in a tight fiscal environment, driven in part by the need to find fiscal room to meet emerging priorities in a rapidly changing world.

Effective MLG arrangements can enhance the ability of a national government to implement and monitor progress in implementing its vision by working with sub-national governments to identify correctly a given region's endogenous strengths and assets and harness them to achieve commonly defined national and regional development outcomes more efficiently. Effective and efficient MLG institutional arrangements can also lead to better service delivery through more efficient and effective programme design, co-ordination and implementation, particularly in policy areas under the responsibility of more than one level of government in a given region; for example, better healthcare and education for citizens, more efficient use of public investments in infrastructure, productivity enhancements for business.

Public investments represent a critical tool to drive regional and national growth. Yet public investment in hard infrastructure will not necessarily by itself generate growth – its impact can be sub-optimal (if not counter-productive) unless it is implemented in conjunction with public investments in human capital and innovation policies (OECD, 2011a). This suggests that a coherent, co-ordinated multi-sector approach combining investments that aim to develop human capital, hard infrastructure, innovation and agglomeration in services produces the best growth performance.

Sub-national governments play a crucial role in investing for development: in 2010, they contributed on average 54% of general government contribution to gross capital formation across OECD countries. Polish sub-national governments contributed almost 60% of the country's general government contribution to gross capital formation in 2010, representing about 3% of GDP – among the highest across OECD countries.[1] Therefore, effective multi-sector approaches to achieve development objectives effectively cannot be pursued properly, in Poland or elsewhere, without effective MLG arrangements. Implementing a national vision based on harnessing specific regional strengths and assets to enhance regional socio-economic performance, thus driving national growth, can best be achieved through effective and efficient MLG arrangements. This challenge is common to most, if not all, OECD countries.

In assessing MLG arrangements in Poland, this chapter will make frequent reference to a case study conducted by the OECD in Wielkopolska in early 2012 (Annex B) as part of a review of multi-level governance arrangements across a number of OECD regions for managing public investments since the economic crisis. It will also make reference to interviews conducted for this Review by the OECD in Lubelskie *Voivodship*. In so doing, this chapter focuses on:

- what has been accomplished in the area of MLG arrangements generally in Poland since the end of communism and EU accession, frequently referring to Wielkopolska as an illustration;

- the Wielkopolska example as a means to demonstrate how MLG arrangements can serve to advance regional and national development objectives in Poland;
- an assessment of the central government's capacity to enhance programme and service delivery regionally using the inter-governmental contractual arrangements it has implemented since 2000 that integrate EU Cohesion and Regional Development Funds into national and *voivodship* regional development strategies;
- recommendations on how the central government might use the upcoming EU 2014-2020 programming period to demonstrate improved national and regional development results using these formal contractual arrangements.

From centralised control to local and regional self-government

The current system of territorial administration in Poland was established following two waves of reforms; the first in 1990, the second in 1999. The first set of reforms resulted in the creation of 2 478 local self-government authorities (*gminas*). The second was introduced in anticipation of Poland's accession to the EU and, to a large extent, driven by the need for Poland to adjust to the EU Cohesion Policy framework's requirement that regional authorities be capable of managing NUTS 2-level Structural Funds (OECD, 2012a). This second set of reforms introduced elected self-government at the county level (379 *powiats*) and regional/sub-national level (16 *voivodships*), replacing the previous regime's 49 regional authorities representing the central government. The existence of these self-government structures is guaranteed by the Polish Constitution.

There are two sets of region-wide administrative structures in a *voivodship*. The first is the set of regional offices of the central administration, headed by a *voivode* (equivalent to, for example, a French or Japanese prefect), supported by the *voivode* offices. The second is the regional government structure itself. The elected regional assembly, the *Sejmik*, designates the regional executive body, the Board of the *Voivodship*; the board is chaired by a marshal and supported by a Marshal's Office (MO).

The *voivode* heads up the regional offices of the state – s/he represents the central government in the *voivodship*. The institutional relationship between the central government and its regional offices is defined under the Voivodship Act (2009). The *voivode* oversees the marshal's actions from the point of view of the Polish Constitution and national law, and in relation to central government responsibilities delegated to the regional self-government. S/he also supervises local government units and their associations in the region/*voivodship*. The *voivode* is responsible for matters of defence and safety in the region/*voivodship*. Activities of the *voivode* are overseen by the Prime Minister who issues guidelines and instructions, approves the periodic *voivode* reports and evaluates her/his work with respect to its general conformity with government policy. The *voivode*'s activities are also supervised by the Minister of Administration and Digitisation with respect to their conformity to regulations, administrative diligence and quality of management.

The regional self-government (i.e. the board and the marshal/MO) is responsible for the region's development. To that end, it designs and adopts development strategies for the region and delivers programmes to implement them. The *voivodship*'s development policy constitutes the basis for vertical co-operation between a regional self-government and the central government. The self-government is *inter alia* responsible for spatial planning, higher education, healthcare, transport and communications infrastructure, and the protection of the region's heritage. In recent years, the range of responsibilities of the

regional authorities has been expanded to include regional rail transport, waste and water management, and environmental protection.

The *gmina* self-government carries out numerous programming and service delivery responsibilities including for land management, real property management, environmental protection, roads, public utilities, health protection, social welfare, education, culture, and promotion and co-operation with non-government organisations. *Gminas* bear the main responsibility for local development.

The *powiat* self-government is responsible for the execution of programme and service delivery responsibilities that cannot be carried out by *gminas*. These mandates include education, health promotion and healthcare, social welfare, collective transport and public roads, culture, architectural and construction administration, water supply, environmental protection, law, order and public safety, combating unemployment and stimulating the local labour market as well as co-operation with non-government organisations. Owing to modest financial resources, the role of *powiats* in the implementation of social and economic development policy is limited.

The division of tasks between the *gminas*, *powiats* and *voivodships* is in theory clear: in the case of education, for instance, *gminas* are responsible for kindergartens, elementary schools and gymnasiums; *powiats* are responsible for high schools; while higher education establishments and special-care schools are the responsibility of the *voivodship*. Disputes concerning the range of responsibilities between local and regional authorities and the central government are settled by administrative courts.

In practice, however, co-ordination of those tasks across the three levels is sometimes challenging, which reduces policy coherence (OECD, 2012a). For instance:

- The management of roads in Poland requires close multi-level co-operation to ensure that the national, regional and local road networks are integrated coherently and unnecessary investments are avoided. The central government invests in projects related to national roads, airports and country-wide railway connections to achieve goals defined under its National Transport Strategy. Under Polish law, however, regional authorities cannot participate in these projects, and access to basic information on their nature, scope and roll-out is sometimes difficult. They nonetheless attempt to co-ordinate their investments in regional transport infrastructure with the central authorities since a regional self-government will have to take into account the central government's plans for the national motorway network in its region as regional roads have to serve and connect with the national road network. Co-ordination of road investment activities, such as it is, is done through consultations between the central government, the marshal offices and the local authorities. A second co-ordination forum is the Joint Commission of the Government and Territorial Self-government, which brings relevant central ministries together with associations representing the regional and local authorities (the Association of Regions, the Association of Polish Cities and the Association of Rural *Gminas*); the Joint Commission offers a forum in which the Ministry of Transport's strategic and planning documents can be consulted.

- Vertical co-ordination in the delivery of e-government services is also unclear (Annex A). Poland has a multiple service delivery approach, still largely requiring the physical presence of an individual in a store-front office, to which is being added online services as well as such other service delivery channels as call centres. Many basic services are available online, such as income-tax filing and applying for unemployment benefits. Others are more limited – including automobile registration or applications for building permits (Capgemini et al., 2010). Digital kiosks have also been installed at the local level to support access to information – for example with respect to policing. Additional service and information kiosks are being installed by the Ministry of Justice to promote such services as digital registries. The country's integrated national online portal, ePUAP, touted as the main Polish service delivery channel, is still in need of improvements: "...there is still only a small number of electronic services available through the portal for citizens and businesses ... and these are only being used to a limited extent..." (MoAD, 2012a).

And while regional authorities have wide-ranging competences, regionalisation has not been followed by fiscal decentralisation on a comparable scale (Gorazlek and Kozak, 2008 in OECD, 2012a), generating dependency on the part of the regions on central government subsidies to implement programming not supported by EU funding. Regional and local government revenues from national sources include general revenues from their property and taxes, general transfers and subsidies from the central government budget and special-purpose grants from the central government budget. Regional and local government units also have a limited right to set taxes and levies. These matters are regulated by the Local Government Units Revenue Act (2003).

In the initial period after Poland's accession to the EU, management of EU Structural Funds remained centralised. Regional self-governments were consulted in the formulation of the Integrated Regional Operational Programme (IROP 2004-2006) and played a role in project assessment. However, priority setting under the IROP remained in the hands of the central government, and it was the central government that was ultimately responsible for the programme's implementation. Thus, while regional self-governments were accorded responsibility for assessing projects, they were not implicated in formulating the IROP's priorities. In addition, unclear division of responsibilities between the marshal and the *voivode* resulted in tensions and delays in the implementation of the programme, especially in cases where each player belonged to opposing political camps.

This situation has changed with the partial regionalisation of the management of the Structural Funds and the introduction of 16 regional operational programmes (ROPs), one for each of the *voivodships*. European Regional Development Funds (ERDFs) are managed under the ROPs. As of the current programming period (2007-2014), the marshals have taken over as the managing authority for the ROPs through which flows roughly one-quarter of the total allocation of EU funds for Poland for this period. This is supposed to enable better tailoring of interventions to meet regional needs and ensure a better fit with the strategic development plans of each *voivodship*.

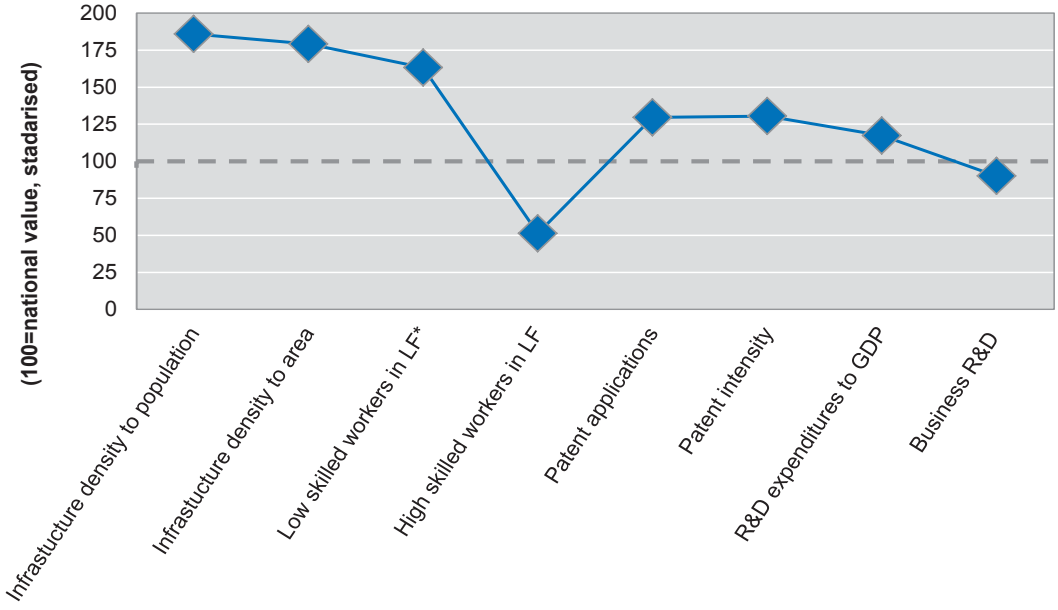
The regional self-governments are now responsible for the development and implementation of ROPs, including the evaluation and selection of projects to be co-financed under the programme, making payments for beneficiaries, project control and programme evaluation and monitoring. This evolution has signalled the end of the conflict-prone relationship between the marshals and the *voivodes* and has further increased the profile of the regional authorities *vis-à-vis* the central government and

within the region itself. Having now become responsible for public investments at the regional level, the regional self-governments typically spread management responsibility across different departments within a MO including, for example, the Departments of Infrastructure, the Economy, Culture, Transport, Sport and Tourism, and Development and Support for Rural Areas. These investment responsibilities are typically co-ordinated by a single authority within the MO.

Self-governments advancing national strategic objectives: The case of Wielkopolska

Wielkopolska is one of the fastest growing regions in the OECD. It is the second biggest Polish region in terms of surface and population size (roughly 3.4 million inhabitants). It is one of the regional drivers of national economic performance, ranking fourth in terms of GDP per capita and third in foreign direct investment by volume. Following Poland's accession to the EU in 2004, the region enjoyed a rapid increase in GDP, mirroring the economic boom nationally. Between 1995 and 2007, productivity in Wielkopolska more than doubled the national OECD productivity growth average. The regional economy is diversified and benefits from easy access to Western European markets. Key sectors for economic activity include trade, services, construction, industry as well as scientific and technical activities. The region also boasts a high number of small and medium enterprises (SMEs). The registered unemployment rate in the region in December 2010 was 9.2%, below the national average. Unemployment in Poznań (the capital of the *voivodship*) remains remarkably low at about 3%.

Figure 4.1. **Structure of the growth drivers in Wielkopolska**



Note: * Higher value means the region has less low-skilled workers in its labour force.

Source: Based on *OECD Regional Database* (2011) in OECD (2012), *Promoting Growth in All Regions*, OECD Publishing, doi: *10.1787/9789264174634-en*.

The region's economy remains traditionally structured[2] even though it has experienced profound changes brought about by the transition to an open-market

economy and Poland's accession to the EU. The key strengths of Wielkopolska's economy include the bustling metropolitan region of Poznań (the capital of the *voivodship*), the large and increasing number of firms locating in Poznań and elsewhere in the region, in particular in the automobile sector, and a relatively high attractiveness for foreign investors due to the region's favourable location in relation to Western Europe. The predominant field of industrial activity is food production, drawing on its thriving agricultural activity in the region. The region is an important exporter of food products. The other fast-growing industries are automobile and wood (including furniture manufacturing), machinery manufacturing, pharmaceuticals, white goods, lighting and textiles. The regional economy is export-oriented and has proven highly resilient to external shocks, even the most recent downturn, reflecting the resistance of the Polish economy as a whole to the ongoing global crisis. Wielkopolska's economy fared relatively well through the crisis thanks in part to the resilience of its SMEs: corporate income tax revenues not only did not decline since 2009, they marginally grew.

Among the non-economic assets that the region boasts is its relatively strong regional public administration capacity compared to other Polish regions and the commitment by the regional self-government to strategic development based on pro-innovation activities. This is as much evidenced by the proactive political drive displayed by the self-government leadership as it is by initiatives such as the recent strategic foresight exercise that led to the articulation of scenarios for the region's future development (IBC, 2012) and the highly ambitious Regional Innovation Strategy for 2010-2020, discussed below. The Wielkopolska self-government also benefits from a relatively low turnover of high-level officials within the Marshal Office, allowing for the accumulation of experience (Dabrowski and Allain-Dupré, 2012). In addition, the region is characterised by a relatively high degree of public trust in the self-government institutions as measured by the turnout in elections which tends to be higher than in other Polish regions (Matusiak, 2011).

The main weakness of Wielkopolska's economy is the low level of innovation capacity (Matusiak, 2011). According to the 2009 synthetic Regional Innovation Scoreboard Index, Wielkopolska was defined as a low-innovation region (Hollanders et al., 2009), reflecting the overall poor innovation performance of the Polish economy as compared to the EU average. Firms operating in Wielkopolska so far have been applying technologies developed elsewhere – they have a poor record of generating new technologies – and remain reluctant to co-operate in research and development. The biggest economic challenge facing Wielkopolska is therefore the need to shift toward a knowledge-based, value-added economy. This will require a range of ambitious initiatives including not only the establishment of policy instruments tailored to the specificities of the sub-regional economies to encourage innovation, but wider reforms relating to the education system to ensure a supply of labour with skills matching the needs of innovation-driven firms, and to the modernisation of the public administration to promote a culture of innovation.

The key capacity-related institutional weakness hampering effective public investment in the region is the lack of well-established mechanisms for co-ordination vertically and horizontally between the levels of sub-national government, and low levels of earned revenues at the regional, county and local levels, limiting the region's capacity to implement an autonomous investment policy. Moreover, social capital in Wielkopolska, as in other regions in Poland, remains relatively low.

Wielkopolska's regional priorities contribute to pursuing national development objectives

Since the creation of the regions in 1999, the budget of the Wielkopolska MO has grown substantially. This budget is complemented by unprecedented amounts of ERDF funding under the EU Structural Funds. Thanks to the taxes collected from the relatively high number of SMEs and multi-national companies operating in Wielkopolska, the fiscal capacity of the region is particularly good, despite the difficult global economic context. In 2010, 49.5% of the budget was derived from the regional self-government's own revenue, 41.2% came from various grants and transfers and 9.3% flowed from the general subsidy from the central state budget.

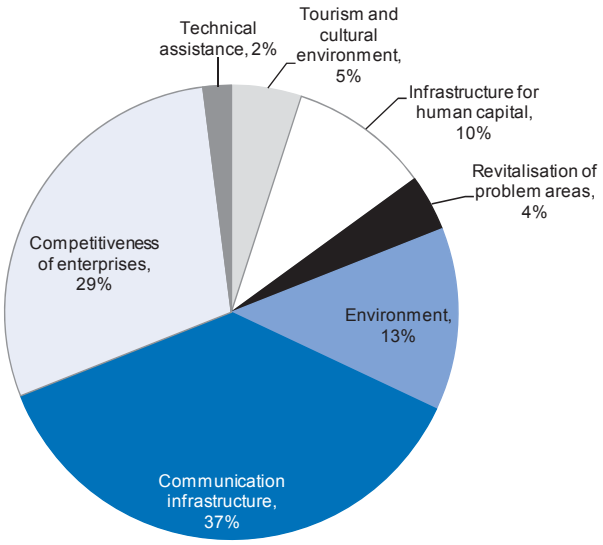
The region's weaknesses described above define the self-government's strategic development priorities. Wielkopolska's 2007-2013 Regional Operating Programme (ROP), funded chiefly through the ERDF, is the region's first large-scale pluri-annual development programme and the primary operational document guiding public investment to advance the region's strategic development objectives. The MO's Department of Regional Policy co-ordinates public investments in the region as the authority responsible for strategic planning and for managing the region's ROP. The strategic policy goals for public investment in Wielkopolska are set out in the Wielkopolska Regional Development Strategy 2020 (RDS); these strategic goals are implemented via the ROP and national operational programming that supports development activities carried out by local authorities and other public actors that would otherwise remain unfunded.

The goal of the ROP is to improve the region's competitiveness, social cohesion and accessibility, and optimise its economic and cultural potential while ensuring the sustainable use of its environmental resources. The overall budget of the ROP for 2007-2013 is over EUR 1.6 billion, which includes both EU and national contributions. The ERDF resources allocated to the programme amount to almost EUR 1.3 billion, which corresponds to approximately 1.8% of the total EU money transferred to Poland under its Cohesion Policy in 2007-2013. The national contribution to the programme amounts to less than EUR 400 million. The majority of the funds made available as part of the ROP has been allocated to investment in innovation and transport infrastructure. The region also implements the regional component of the central government's Operational Programme for Human Resources Development.

Innovation

As outlined in Chapter 2, one of "Poland 2030"'s main long-term strategic pillars is to enhance Poland's innovation capacity. The Wielkopolska self-government believes that to remain competitive – and to contribute effectively to national economic performance – the region needs to build a knowledge-based economy and stop relying on its relatively cheap labour as a comparative advantage to attract foreign direct investment (FDI). It considers investment in the innovation capacity of local SMEs as critical to the region's development. The self-government supports the establishment of a regional innovation system based on close co-operation between enterprises, knowledge providers, research institutions and local authorities to support the commercialisation of new technologies and enhance the business environment. It supports the creative sector, which it views as an important driver of regional competitiveness.

Figure 4.2. **Regional Operational Programme for Wielkopolska for 2007-2013: Financial breakdown of priority axis**



Note: Total: EUR 1 639 800 809 (EU contribution and national contribution).

Source: DG Regio (2011), "Operational programme 'Greater Poland'", European Commission, Brussels, *http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?LAN=7&gv_PAY=PL&gv_reg=1519&gv_PGM=1200&gv_defL=16*.

Wielkopolska's long-term strategic objectives for investment in innovation and competitiveness are defined in the self-government's Regional Innovation Strategy 2010-2020. The strategy was formulated in close co-operation with key regional actors involved in innovative activity – higher education and research institutions, enterprises and business environment institutions – and presents an ambitious vision based on a multi-sectoral, place-based development model:

- The strategy reflects the MO's integrated approach to regional development by focusing on a range of cross-cutting policy issues while proposing wide-ranging reforms.
- Emphasis is placed establishing an "enabling" institutional environment as an important factor in strengthening the region's competitiveness. Thus, the Regional Innovation Strategy encourages close co-operation between the public sector, regional knowledge providers and SMEs.
- The strategy highlights the need to improve administrative capacity, stimulate pro-innovation attitudes among regional and local officials, and improve co-operation between line departments in the MO:
  - The strategy puts forward special programming for promoting pro-innovation attitudes, building capacity and enhancing co-ordination of actions both within the MO ("Innovative Office") and the local self-governments ("Pro-innovative local self-government") to enhance innovation activity in the region.

- Specific measures include creating the position of co-ordinator of pro-innovative activities within the MO and establishing an agency responsible for the implementation of innovation policy and co-ordination between key actors in the region's innovation system.
- This agency is expected to develop a Regional Observatory of Innovation and Regional Development which will establish a system of monitoring progress in enhancing capacity on the part of the public actors involved in the system, which is to include, for example, indicators on service quality based on assessments by the end users.

This regional innovation strategy reflects the priorities set out in Poland's Innovation Strategy, the first of the central government's nine integrated strategic plans that have been designed to give effect to the National Development Strategy. There is therefore considerable room to ensure that the central government and the region broaden and deepen co-operation in defining common, coherent innovation policy objectives and the associated programming to achieve them effectively.

Transport infrastructure

Transport infrastructure is the other investment priority for the region – and it corresponds to another of the nine national strategies to implement the central government's National Development Strategy. Expenditures for transport by the region increased by 33.3% in 2011, reflecting the ambitious plans of the self-government for organising and modernising regional railway and bus transport infrastructure. Even though the density and overall condition of the transport infrastructure in Wielkopolska is relatively good compared to other Polish regions (particularly in Lubelskie and the other eastern regions), it requires major investment after decades of neglect. In Wielkopolska, the quality of roads, railways, air transport, communication and IT infrastructure remains low by EU standards. In the current programming period, roads constitute a key investment area.

That said, an added level of complexity in co-ordinating the design and implementation of common national and regional policies and programmes in this area is the relationship between transport and land-use planning, and the degree to which the results of consultations between the *voivodship* and local authorities are factored into transport and land-use planning in the region. The Wielkopolska MO has delegated responsibility for spatial planning and land-use to the Wielkopolska Bureau of Spatial Planning in Poznań (WBPP), supervised by the MO's Department of Infrastructure. The WBPP is responsible for preparing and updating the Spatial Development Plan for the Wielkopolska *Voivodship* – the key planning document for the region. The plan is the subject of consultations with all of the *gminas* in the region – a major challenge for the WBPP since it has to reconcile conflicting local interests while advancing region-wide spatial priorities, themselves having to be coherent with national spatial development objectives.

The Wielkopolska MO's Department of Infrastructure then assesses local spatial development plans submitted by the *gminas* for their compliance with the priorities outlined in the region's Spatial Development Plan and approves those local plans that are coherent with the regional plan. It also co-ordinates decision making concerning construction plans and project location for investments in infrastructure facilities

providing services to the public (Polish legislation requires that investment projects of regional importance carried out by local authorities have to be approved by the MO).

The Ministry of Regional Development as a key Centre of Government co-ordinating institution

As presented in Chapter 2, the Ministry of Regional Development (MRD) plays a key role in ensuring that the priorities of each regional self-government's ROP match the strategic development objectives defined at the EU, national and regional levels, while reflecting challenges and opportunities that are specific to each region. Each region's ROP is approved by the MRD (and the European Commission). This calls for robust vertical and horizontal co-ordination to ensure consistency and access to local knowledge necessary for tailoring national and region-wide interventions and investments to respond to local needs. The ROP is designed by the MO in close collaboration with key regional stakeholders, including those sitting on external monitoring committees established to set the eligibility criteria for projects. In Wielkopolska, for example, this horizontal co-ordination with business stakeholders takes on added importance in light of the fact that about 40% of the allocation for Wielkopolska's ROP has been earmarked for SME and start-up projects under the EU's Lisbon Strategy objectives.

The transfer of responsibility for managing the EU Structural Funds to the regions required new arrangements for co-ordination between the 16 ROPs and the central government's sector-specific operational programmes. This task was also entrusted to the MRD, which co-ordinates the formulation and implementation of regional programmes, and manages horizontal issues essential to the effective implementation of these programmes. This requires sustained relations with the central government's line ministries responsible for sector-specific operational programming as well as close co-operation with the MOs. In the regions, the MOs co-operate with the *voivode* offices, responsible for the certification of the expenses incurred as the ROP is being implemented, a task delegated by the MRD. The MRD certifies the expenses as part of EU-funded programmes on behalf of the European Commission.

The MRD's vertical co-ordination tools: Contractual arrangements

Formal, legally binding contractual arrangements between the central government and regional authorities have been piloted in Poland by the MRD since 2000. As mentioned in Chapter 2, this tool is referenced in the central government's National Development Strategy and its Efficient State Strategy as the key mechanism to co-ordinate development programming in each region. The current generation of these arrangements – called regional contracts – are inspired by the French *contrats de projets État-région* and are the primary tool for co-ordinating public investments vertically. Public investments by regional self-governments that are supported by EU funding can only be made under the terms of such a contract. In addition, since 2008, regional contracts have defined the terms and conditions for use of central government development funds by the regional self-governments to implement their ROPs. These contracts also include provisions on the MRD's oversight powers respecting these funds and on co-ordination between ROPs, in addition to setting out ERDF fund-management requirements.

Some have argued that due to insufficient fiscal decentralisation the regions remain financially dependent on the central government. Critics suggest that these regional contracts constitute a tool to implement national programmes locally rather than a tool to

pursue regional development policy objectives, thus undermining the tool's purpose (Ferry, 2003). Despite the critics – ERDF funding dwarfs central government transfers as a percentage of total ROP budgets – experience with the regional contracts to date has been positive, even though central government funds allocated to the regions have been affected by the central government's fiscal consolidation efforts. The contracts have provided a stable, pluri-annual framework for multi-level co-ordination making it possible for regional authorities to pursue long-term investment plans.

A further reform of the system of territorial administration and, in particular, of the contractual relationships between the regions and the central government, is being proposed under the recently approved National Regional Development Strategy 2010-2020 (NDRS), one of the nine integrated strategies supporting Poland's National Development Strategy (NDS) (see Chapter 2). The NDRS proposes the development and application of a more comprehensive, all-encompassing contractual arrangement, the "territorial contract", that would replace the regional contract and aims to create synergies between all policy instruments having a territorial dimension. This new instrument would be supported by co-ordinating structures, strategic monitoring and policy conditionality (Polish Ministry of Regional Development, 2010). This integrated, coherent approach is intended to cover:

- the central government's regional development strategic priorities for each of the 16 regions;
- the relevant strategic objectives in the remaining integrated national strategies having an incidence on territorial growth and development;
- the EU's Cohesion Policy strategic objectives;
- the regional self-government's own regional development policy priorities as defined in their own development strategies (which are developed in consultation with local governments and non-governmental and civil society stakeholders in each *voivodship*).

The National Development Strategy specifies that these territorial contracts aim to improve co-ordination between central and regional governments to optimise the effectiveness of interventions at the regional level. They will be signed between the self-governments' MOs and the central government, and are supposed to guarantee the execution and financing of investment projects negotiated beforehand between the two levels of government. Thus, the aim is to ensure that these contracts co-ordinate both those initiatives implemented by the regional self-governments and related initiatives being implemented by the relevant ministries of the national government in the region.

The NRDS reaffirms the objective of these contracts highlighted in the Development Strategy: the purpose of the territorial contracts is to generate complementarities and synergies between national and sub-national interventions to enhance the effectiveness of regional policy by co-ordinating initiatives from the two levels of government to meet regional/local needs more effectively. Territorial contracts are to be negotiated and signed by the central and regional governments following self-government-led consultations at the regional level with local, county and external stakeholders, and central consultations with relevant line ministries led by the MRD. In other words, these contracts aim to enhance co-ordination horizontally within each of the sub-national and central levels, and vertically between the sub-national and central levels. These contracts are to be signed for a minimum of three years to heighten flexibility. In addition, provision is being made for

special contractual arrangements targeting functional regions below the *voivodship* level that cross local administrative boundaries – for example functional metropolitan areas.

However, the process of reform remains at an early stage – the legal framework for the territorial contracts has yet to be defined – and regional actors remain cautious, particularly with respect to the impact of planned increased co-ordination between line central ministries on decision-making timelines and the impact on the autonomy of the regions in managing funds allocated under the new contracts.

And ex ante *policy conditionality*

Policy conditionality is also an important tool to maximise the effective vertical co-ordination of public investments. In Poland, conditionality is applied mainly as part of EU-funded public investment programming. The rationale for conditonality in EU Cohesion Policy is to favour the use of funds to achieve EU objectives while respecting the principle of subsidiarity by allowing a degree of freedom to national and sub-national authorities in deciding the type of projects to be funded. Conditionality addresses a number of different principles and standards aimed at maximising the effectiveness of investment in regional development:

- Conditionality can serve to advance strategic aims: for example by ensuring that to be funded, a local authority's investment project must help advance the implementation of a pluri-annual development strategy.
- Conditionality can also aim to ensure that projects advance EU management and implementation systems: by assessing project compliance with EU regulations for instance, or the "n+2 rule" according to which the contracted funds have to be spent within two years of the grant contract being signed.
- Allocation of EU funding is conditional upon compliance with EU environmental legislation. In some cases, conditionality is set by domestic managing authorities and can include positive incentives: project assessment criteria under Wielkopolska's ROP, for instance, are designed to encourage joint inter-municipal investment projects in such infrastructure as water-filtration or waste-management facilities.

In Wielkopolska, beneficiaries of EU funding have not generally encountered major difficulties in complying with EU Cohesion Policy conditionality, since many of the EU requirements correspond to domestic rules and legislation. For instance, local authorities are obliged by Polish law to prepare local development strategies in consultation with local stakeholders. As well, Polish legislation on noise and air pollution imposes more stringent standards than does the corresponding EU legislation. Even though some adjustment and learning have been necessary, EU requirements have not generally been perceived as more stringent than the domestic ones.[3]

EU conditionality is generally perceived by the Wielkopolska self-government as a positive stimulus to enhancing project design and implementation rather than as an obstacle to obtaining investment funding. That said, the questionnaire conducted as part of the Wielkopolska case study reveals a nuanced picture: while many respondents agreed that conditionality was helpful in improving the quality of investment projects, the vast majority stressed that it generates additional administrative burden for the applicant. Most sub-national actors, however, tend to blame the central government with regard to the imposition of additional administrative burden instead of the European Commission.[4] Some respondents also indicated that conditionality could limit the autonomy of regional

authorities in managing their public investments and could slow the implementation of projects.

Valuable lessons were learnt as a result of the conditionality attached to the EU Structural Funds that required enhanced use on the part of the recipients of strategic planning as well as greater multi-level and inter-municipal co-ordination to achieve the objectives identified in the strategic plans. Nonetheless, these new practices have not yet been fully internalised in Poland. Paradoxically, while the capacity for strategic multi-annual planning exists as a result of EU funding requirements, the strategy implementation remains problematic and the government's grand strategic visions have so far seldom been realised in practice (OECD, 2011b). In many cases, the application of such relatively new practices as strategic multi-annual development planning tends to remain "shallow" and, particularly at the local level, driven mainly by the desire to obtain external funds. It also remains unclear whether the MRD intends to apply through the territorial contracts its own conditionality for state-financed programming or whether it will simply transpose the EU's – and in the case of two sets, how rules and conditions will be reconciled and harmonised.

The need for enhanced vertical and horizontal co-ordination

In Poland, maximising coherence between the priorities and initiatives contained in the self-governments' development strategies and their implementation instrument – their ROPs – and those in the central line ministries' operational programmes, has been found to be the "main co-ordination challenge", according to the Wielkopolska case study. This is explained by the fact that the institutionalisation of a multi-level system for strategic management is still in progress. Indeed, the forthcoming National Regional Development Strategy and its territorial contract tool is designed to ensure further progress on the road to institutionalising such a multi-level strategic management system.

Co-ordination of EU, national and voivodship *strategies*

Instead of a single, multi-level strategic management system, a series of co-ordinating bodies has evolved over the current EU funding period. Since 2007 the forum for multi-level co-ordination of strategic programming is the Co-ordinating Committee for the National Development Strategy and the National Strategic Reference Framework (see Chapter 2). This committee is chaired by the MRD and includes representatives of various ministries, sub-national authorities and external economic and social partners. Its mission is to monitor the implementation of the NDS and NSRF and ensure complementarity between sector-specific operational programmes.

Notwithstanding this arrangement, the relationship between central government and regional oversight or co-ordinating committees overseeing the implementation of regional operating programmes and national integrated strategies remains unclear: the central government intends to "regionalise" the implementation of these nine national integrated strategies by having their roll-out managed under each of the MRD's 16 territorial contracts. However:

- Distinct co-ordinating arrangements at the regional level, called "monitoring committees" (MCs), are also simultaneously being established by the central government to bring together representatives of the central government, self-governments and key non-governmental stakeholders that interact both with

regional and central government actors to oversee the implementation of the integrated strategies in each region.

- These MCs play an important vertical and horizontal co-ordinating role – one of their key tasks is to assess the implementation of operational programmes under the national integrated strategies and notify the MO managing authority in case of overlaps or irregularities.
- These MCs also focus on establishing eligibility criteria for the ROPs, requiring cross-checking against the EU and national eligibility criteria for the operational programmes in order to prevent overlap and duplication, and thus the inefficient use of programme funds.

Co-ordination between regional and local governments and with non-governmental actors

In designing its development strategy and corresponding ROP for the region, a regional self-government needs to engage in extensive inter-governmental and stakeholder co-ordination due to the operational nature of the ROP and its critical importance to determining how unprecedented amounts of EU funding are invested in a region. Both the strategic framework and the implementation programming are therefore the subject of extensive consultations led by the regional self-government with *powiat* and *gmina* self-governments and with a plethora of non-governmental and civil society experts and stakeholders using a variety of hearings, conferences and workshops as well as through informal channels. Consultations are organised by priority investment areas for which ERDF funding has been identified.

Consultations that aim to co-ordinate investment activities are a relatively new phenomenon in Poland. This requirement was introduced in the wake of EU accession as part of the terms and conditions governing EU funding. Sustaining co-ordination of development strategies and implementation plans at the regional and local levels has therefore implied a learning curve, as different levels of government tended to follow different strategic approaches to regional development and different development priorities that reflect specific circumstances that vary within and between regions. Over time, however, thanks to a range of "soft" co-ordination mechanisms, strategic objectives are tending to converge along with greater co-ordination and improvement in the overall quality of strategic planning, reflecting a more in-depth, strategic focus on development challenges and opportunities in each region.

In Wielkopolska, organising consultations initially proved challenging. The self-government faced little in the way of a tradition in engaging in such co-operation. It also had to contend with persistent mistrust between regional actors and difficulties in reconciling the sometimes divergent interests of local authorities within the region's functional economic areas. Local leaders in Wielkopolska (as in the other regions) face considerable media and electoral pressure to acquire as much external funding for investment as possible, which rendered difficult the discussion about the most sensible use of EU funds and the breakdown of resources across ROP investment categories.

As trust was built over time, however, relations improved between regional actors and constructive compromises were reached:

- The region's monitoring committees played an important co-ordination role in orchestrating these stakeholder consultations since representatives of the regional

and local self-governments discuss ROP-related multi-level strategic and operational co-ordination issues with the committee members who represent the region's economic and social partners (10 out of 24 committee members), including representatives of business institutions, trade unions, NGOs and higher education institutions.

- In addition to the monitoring committees, the Wielkopolska Marshal established the "Council of Thirty", a special advisory body mandated to focus on regional development and innovation issues. The council was established as part of the project "Building Regional Innovation Systems in Wielkopolska" co-financed by the ERDF's Operational Programme for Human Capital. The council comprises the mayors of major urban municipalities in the region, representatives of higher education institutions and executives of the most prominent endogenous firms. It assesses the regional programming and strategic documents and is consulted on major projects supporting innovation capacity in the region. It also provides a platform for the exchange of good practices to generate synergies and enhance the delivery of innovation policy.

However, notwithstanding the existence of these consultative bodies, or perhaps because there are so many whose focus is so broad, the flow of information between the various government and non-government stakeholders is still neither sufficient nor relevant to achieving regional development objectives effectively in Wielkopolska. The case study suggests that there is substantial scope for enhancing co-operation between the public, private and non-government sectors by streamlining MLG arrangements to achieve a sharper focus that can serve to target investments more clearly at enhancing the region's competitiveness and innovation potential.

Inter-municipal co-operation to pursue strategic development

Inter-municipal co-operation is important for planning and delivering investments in infrastructure and services effectively and efficiently to citizens living in a functional metropolitan area. Modern, effective, efficient and affordable urban infrastructure – and key municipal services from basic education, fire protection and policing to garbage collection, lighting, heating and potable water – are essential contributors to urban competitiveness and critical for attracting and retaining talent and investment. They enhance a metropolitan region's capacity to contribute meaningfully to strategic regional and national development objectives. This governance tool is therefore of significant importance to metropolitan, regional and national governments.

There is no comprehensive legal framework in Poland encouraging (and regulating) horizontal inter-municipal co-operation in functional metropolitan regions – inter-municipal co-ordination therefore remains a challenge, often illustrated by limited trust between municipal institutions in a functional metropolitan area. Nonetheless, in a growing number of cases these barriers are being overcome. Polish law now provides for agreements between county and local governments for joint investments in, for instance, public transport and water/waste infrastructure, leading to greater co-operation in providing infrastructure for basic public services:

- One factor spurring inter-municipal co-operation has been the decentralisation of responsibility for waste management.

- Increased co-operation can also be explained by increasing fiscal consolidation-related budgetary pressures that are pushing local authorities to pool scarce resources.
- Most importantly, however, it is occurring as a result of EU conditionality in multi-level funding arrangements.
- In Wielkopolska, it is encouraged by the region's MO, both through persuasion and incentives in the project assessment criteria in the ROP 2007-2013, which favour joint projects between *gminas* or *gminas* and *powiats*. According to the MO, such projects are valuable because they can achieve broader and more sustainable impacts, while creating scope for further co-operation.

Inter-municipal co-operation is also encouraged by the central government. For example, the National Programme for the Extension of Local Roads 2008-2011, co-ordinated by the Ministry of the Interior, promoted collaboration between neighbouring local governments as part of partnership-based road investment projects. The programme's purpose was to improve traffic conditions and safety while enhancing the connectedness of local and *powiat* roads with the national road network, thus enhancing the competitive position of local economic centres by improving their accessibility to regional, national and foreign markets.

In transport, arguably the single most important urban development issue requiring horizontal inter-municipal co-operation and vertical co-ordination with regional and national governments is public transit. In Wielkopolska, this remains a challenge, best illustrated by the case of Poznań:

- There is a clear need for co-operation between neighbouring municipalities to deliver effective public transport within the Poznań functional metropolitan area, yet in practice reaching agreement has proven difficult due to contradictory interests and a lack of institutionalised mechanisms for inter-municipal co-operation.
- To overcome these barriers, local authorities have to engage in unofficial, *ad hoc* consultations to avoid conflict: only after lengthy, painstaking negotiations did the municipalities in the Poznań metropolitan area introduce a joint ticketing scheme for public transport services.

The need for vertical and horizontal co-ordination extends to the provision of public services using electronic delivery channels (Annex A). The uptake of online portals for public service delivery highlights the need for horizontal and vertical co-ordination: although a plan exists for developing ePUAP, the national citizens' portal, its implementation seems to have encountered significant roadblocks – particularly due to a lack of vertical mechanisms for accountability and service ownership identification purposes, and to a lack of horizontal co-operation mechanisms to establish a critical mass of competencies to deliver these services effectively.

These transport and e-government examples highlight three issues that the central government needs to address as it broadens and deepens its efforts in strategic vertical and horizontal co-ordination:

- First, for want of a legal framework that encourages and regulates inter-municipal co-operation in a functional metropolitan region and a standard template for partnership agreements that clearly specifies the roles and responsibilities of the

partners and sets out the nature and scope of co-ordination mechanisms, some of these partnerships proved problematic, particularly in terms of reporting and information flow between the partners. It will be important to codify and standardise this codification over time so that all partners have a clear understanding of who does what, why and how in the partnership so that the project is delivered on time and on budget to meet the correctly-identified needs of citizens in the region or metropolitan area.

- Second, fiscal consolidation efforts being pursued at the national and self-government levels – which will only increase over time – are highlighting a further obstacle for inter-municipal investment projects: the limited capacity of some *gminas* to secure their own share of match-funding requirements. This challenge is becoming more acute as municipalities begin to manage a decline in their revenues as national fiscal consolidation efforts take hold and trickle downward.
- Third, these disparities in fiscal capacity across *gminas* and *powiats* are replicated across the *voivodships* themselves. Indeed, the crisis in the euro zone – Poland's main foreign market – is laying bare, if not exacerbating, pre-existing regional disparities. Clearly the Lubelskie *Voivodship* cannot rely on nearly the same depth and breadth of earned revenues as Wielkopolska. The central government, therefore, will need to keep this issue in mind as the MRD negotiates its territorial contracts to achieve national strategic development objectives in regions with significantly different strengths, assets and fiscal circumstances.

These are not reasons to slow the process of greater vertical and horizontal co-ordination. On the contrary, a worsening fiscal environment highlights the importance to hasten this process: the need to pool increasingly scarce public resources vertically and horizontally, to generate greater efficiencies in programme and service design and delivery and, perhaps most importantly, to embed specific projects within medium- to long-term integrated strategic planning that links investment decisions to achieving strategic objectives becomes more important, not less, as the fiscal situation becomes more challenging.

New funding sources for development: Leveraging the private sector

In Poland generally, support for projects to be implemented under a public-private partnership (PPP) remains rare (see next section). In fact, co-operation to undertake PPPs remains a challenge nationally due to a lack of an adequate legal framework and a lack of trust between actors. The regional self-government in Wielkopolska, however, is dedicated to enhancing collaboration with the private sector not only for advice on strategic matters through the aforementioned regional advisory bodies, but as a partner in public investments. Yet many of the respondents to the questionnaire conducted as part of the Wielkopolska case study identified legal and trust issues as obstacles to more systematic co-operation between the regional self-government and the private sector.

That said, Wielkopolska has been relatively successful in engaging with private actors, particularly as part of the EU's JEREMIE and JESSICA support instruments. In fact, Wielkopolska was the first region in Poland to launch an SME loan programme under the JEREMIE initiative. JESSICA examples include:

- The "Galeria Goplana" project that is redeveloping a municipally owned brownfield site. The private and public partners wish to convert a decaying industrial area in the centre of Leszno into a vibrant commercial district. As part

of the partnership, the private investor will renovate one of the buildings on the site and make it available to the municipality free of charge for the establishment of a public multimedia library or tourist information centre.

- The conversion of a disused industrial building into office space in Poznań (Office Centre "Podwale"). The investment is expected to contribute to revitalisation efforts in a stressed neighbourhood in Poznań. The private investor will offer the local community free venues for training courses and workshops.

As the MRD sets about negotiating its territorial contracts, it could consider including mechanisms in the contracts to incite self-governments to identify additional funding sources for public infrastructure, including private investment capacity in support of public investment objectives – for example by harnessing the EU's JESSICA and JERMIE mechanisms to pursue metropolitan sustainability initiatives and innovation-driven SME development based on each region's specific strengths and assets. Expanding the range of investment sources takes on added importance as fiscal consolidation efforts take hold, especially in disadvantaged regions.

Sub-national administrative capacity to implement and monitor programmes

Research to date has shown that the establishment of management systems to implement the ROPs has resulted in a significant enhancement of the human resources capacity in the regional self-governments. Moreover, changes made to adjust to EU Cohesion Policy standards spurred the modernisation of administrative practices, project management and greater effectiveness at both the regional and local self-government levels.

In Wielkopolska, the case study points to the regional self-government as having successfully built substantial administrative capacity and ably designed and delivered an ambitious regional development policy. At the level of strategy, the case study found that engagement with the EU hastened the diffusion of an integrated approach to development along with awareness of the need to promote development on a sustainable basis, which has now become an integral part of the region's investment policy.

On an operational level, the implementation of the EU funds has had an important catalytic effect on enhancing regional administrative capacity, particularly over the 2007-2013 funding period during which the MO became the managing authority for the ROP and took responsibility for a number of new tasks including programme design and project financial management and evaluation. Over this period, the Wielkopolska MO has accumulated substantial experience and greatly enhanced its administrative skill set, to a large extent thanks to substantial EU funding for training courses under its Technical Assistance programming component.

Indeed, the Wielkopolska MO is prioritising investment in building social capital and improvements to its administrative capacity as a means to favour long-term sustainable economic development (IBC, 2012). Among the MO's priority areas identified in the region's Development Strategy over the coming decades are:

- improvements in the effectiveness of public service design and delivery through adoption of management and organisational practices inspired by those observed in the private sector (New Public Management);
- improvements to the educational system;

- fostering inter-municipal co-operation and more participative governance and inclusion of a variety of actors in decision-making processes to better address local needs and long-term development challenges;
- promoting PPPs and the involvement of private actors in governance and public investment to foster multi-sector learning and knowledge-exchange.

However, the case study also indicated that there is currently still substantial scope for improvement in administrative capacity, with key challenges being the frequent turnover of staff and difficulties in attracting and retaining the best talent due to low salaries relative to the private sector.

And at the local level, capacity building has proven even more problematic. Some *gminas* and *powiats* have doubtlessly improved their capacity for strategic planning and for the effective design and management of their investment projects. These improvements were stimulated by the need to acquire EU funds, which requires project management skills, good knowledge of the rules and regulations framing the management of funds and a capacity to design sound development strategies with viable projects to implement them. However, administrative capacity of many local authorities in this area is limited:

- Many of the local authorities in Wielkopolska, including some of the more advantaged urban municipalities, opted to outsource tasks related to preparing funding applications for investment projects to private consultancies.
- Many municipalities cannot afford to hire new staff in sufficient numbers to carry out these tasks themselves, especially in an ever-tightening fiscal environment.
- Local authorities also suffer from a high turnover of staff as they struggle with low salaries to attract and retain the highly skilled.
- Training courses offered to local self-governments by firms and NGOs that are partners in projects funded with European Social Fund are reported to be of poor quality. While training support is substantial, the courses offered seldom match the training needs of the relevant officials.
- These challenges were also highlighted during discussions with regional and local self-government officials from the Lubelskie *Voivodship*. For example, the relative lack of job opportunities in Lubelskie means that, despite the presence of three universities in Lublin, qualified young people move to Warsaw when they graduate, affecting the self-government's ability to attract talent. Regional authorities also noted that talented young staff often see government employment as a "waiting room" until they are able to find better-paying jobs in the private sector.

Capacity to assess programme performance

Beyond staffing issues to optimise policy design and programme delivery at the sub-national and local levels, capacity to monitor programme performance is also central to ensuring that strategy is being implemented efficiently and effectively. The practice of performance monitoring, evaluation and assessment regarding the implementation of strategy is relatively new in Poland (see Chapter 2). However, a "culture of evaluation" has been developing, mainly driven by the need to comply with the EU Cohesion Policy framework and by funding for evaluation studies that has been made available as part of

the EU's Technical Assistance support for this purpose. Until recently, most evaluations conducted in Poland have focused on assessing implementation bottlenecks along with programme outputs, while only a few have investigated the impact of implementation initiatives on the achievement of strategic outcomes (EGO and CASE-Doradcy, 2008).

Monitoring the implementation of the Regional Development Strategy for the Wielkopolska Region is based on bi-annual analyses of progress in achieving the strategy's objectives. Progress reports are then approved by the *Sejmik*; in so doing, the regional assembly may also propose amendments and updates when necessary. Assessment of progress is based on a set of output indicators identified under each of the strategy's priorities and measures.

The ROP for 2007-2013, the key operational document for implementing the regional development strategy, is monitored on an ongoing basis by the Regional Monitoring Committee, established by the MO pursuant to EU requirements concerning horizontal partnerships (as mentioned above). This ROP evaluation system, based on ERDF regulations, includes:

- an *ex ante* assessment of the programme prior to its launch (assessment of the programme's priorities and measures and their fit with the regional, national and EU strategic priorities);
- a mid-term evaluation of the implementation of the programme;
- ongoing thematic evaluations (complementing other evaluation studies);
- an *ex post* evaluation after the completion of the implementation process (focus on outputs and outcomes).

The design of the system of indicators for the Wielkopolska ROP, crucial for decision making on allocating funding to those projects that can best achieve the goals outlined in the programme, has been positively evaluated (Euro Invest, 2008; IBS and Reytech, 2010). The indicators at all levels (project, measure, priority and programme) were considered measurable and designed to ensure consistency, while the target values of indicators were judged to be realistic and achievable.

However, one challenge stems from the fact that the system of indicators has not always been well understood by some of the project beneficiaries. That said, the Wielkopolska case study highlights a growing emphasis on impact evaluation that assesses project implementation against the achievement of strategic outcomes. In addition, while findings from evaluations have not influenced the preparation of the operational programmes for 2007-2013 to any significant degree, evidence from the case study suggests that these assessments are being used extensively as a source of information for designing programming for the post-2013 period (Gorzelak and Kozak, 2010).

A second, more important challenge relates to the fact that significant resources under the ROP are being invested outside normal decision-making procedures (and thus are not assessable under the evaluation system). This is not a minor issue, and mirrors current practice in the central government (see Chapter 2):

- In Wielkopolska, ROP financial support was allocated to 38 "key projects" identified by the MO in consultation with the regional stakeholders that were implemented outside the regular ROP project-appraisal procedure.

- In Lubelskie *Voivodship*, 40 such "special projects" were funded outside decision-making procedures using ROP funding – specifically for roads. Yet they did not correspond to the region's own strategic priorities. Project selection was not co-ordinated with the region and these projects did not necessarily address the transport needs of the region's *gminas*.
- Discussions in Lublin also highlighted the disconnect between decisions taken on projects listed in the ROP – decisions that were evidence based, with a full needs-based rationale – and these special projects that might or might not represent local needs but reflect the lobbying efforts of local interest groups in Warsaw.

The territorial contracts could address this by enhancing the flexibility of decision-making procedures in the ROPs so as to minimise the need to eschew them. Ideally, decision-making rules should be flexible enough to ensure that outside of extraordinary circumstances or emergencies, only commonly defined priority projects reflecting a local and regional needs-based consensus that advance national and regional strategic objectives should be funded using the ROP.

Developing and sustaining administrative capacity despite a tight fiscal environment and low salaries relative to the private sector, and ensuring a reasonably equitable distribution of administrative capacity across regions, *powiats* and *gminas* regardless of size and economic circumstances, are critical to the successful implementation of national and regional development strategies. This is particularly the case in disadvantaged regions needing that much more capacity to plan, invest and monitor performance of a more ambitious suite of development strategies than do their more advantaged counterparts.

As the MRD negotiates its territorial contracts, care could be taken to carve out adequate resources to address these issues and ensure that resources for this purpose are distributed in a way that will ensure equitable outcomes in administrative capacity at the sub-national level across the country. Particular care should be taken to ensure that training services truly reflect regional and local administrative needs – and the central government should make all reasonable efforts to harness its own training capacity, including in the National School of Public Administration and in the universities around the country, to partner with private sector training service providers to improve the quality of courses on offer. The central government should also consider supporting the creation and/or expansion of networks in this area between universities, the National School of Public Administration and the private sector, whether these networks be physical or virtual through the use of ICTs, for this purpose.

The 2014-2020 EU programming period: An opportunity to demonstrate results

The 2008 crisis brought to the fore a series of challenges relating to the inadequacy of existing multi-level governance arrangements in contributing to development outcomes in a tight fiscal environment – many OECD countries faced significant challenges in implementing public investment strategies to spur development, including difficulties in exploiting synergies across levels of government due to internal administrative disconnects within each level of government and fragmentation of investments at the local level. As a result, the OECD has been assessing country responses to the crisis, notably in terms of multi-level governance reforms, so as to identify good practices that could be useful to member countries as they design and implement the next generation of

policy instruments to sustain economic development regionally and nationally (OECD, 2011a).

The territorial contract: A tool to pursue co-ordinated, integrated strategic outcomes

Poland is precisely at this point. The central government's territorial contracts aim to integrate those medium- and long-term policy, programme and service delivery objectives from the EU, Poland's nine integrated national strategies having a territorial impact, and the *voivodship*'s own development strategies and provide financial, training and performance measurement tools to implement them effectively over the next decade. This instrument needs to be designed in a way that addresses the core challenges highlighted both in the Wielkopolska case study and in the 2011 OECD study on multi-level governance lessons from the crisis. These challenges can be summarised as follows:

- the fiscal challenge, and the difficulty of co-financing investment;
- the policy challenge, and the difficulty of exploiting synergies across different sectors and policy fields;
- the capacity challenge, linked to inadequate resources, staffing or processes for rapid, efficient and transparent implementation of investment funding; and
- the administrative challenge and the fragmentation of investment projects at the local/municipal level.

If unchecked, these challenges can make the implementation of Poland's integrated development strategies (and their EU and national operating programmes) difficult or lead to unintended consequences that could potentially undermine the impact of the strategies on Poland's regional and national development.

Of course, the degree to which different countries face these challenges varies. The administrative challenge tends to be higher in countries with municipal fragmentation, such as France or Spain. There are also significant variations within countries on the degree of the different challenges. For example, metropolitan areas are likely to have fewer challenges in terms of local capacities than other areas. Table 4.1 summarises these issues.

The remaining sections in this chapter therefore present highlights from the 2011 study as a means to assist the MRD as it finalises the legal and administrative framework for its territorial contracts. The 2011 study identified certain good practices that were adopted by OECD member countries to address them – they could be instructive here.

The fiscal challenge

During the crisis, some national governments focused on stimulus spending while sub-national governments (SNGs) having to comply with balanced-budget requirements were trying to reduce expenditures. These SNGs were therefore forced to react pro-cyclically by cutting spending and raising taxes, even though such policies could undermine the counter-cyclical fiscal policy of the national government (OECD, 2011a). National governments recognised this risk by disbursing additional grants, lifting borrowing constraints or earmarking grants. Central governments were typically using earmarked grants to induce sub-national investment in soft and hard infrastructure that would otherwise not have been undertaken, so as to provide the needed boost to the

economy. However, in many cases, these measures simply ended up inciting sub-national governments to reduce their own investment spending on the assumption that the central government would step in.

Table 4.1. **Mutual dependence across levels of government: Multi-level governance challenges/gaps in OECD member countries**

Types of challenges/gaps	Co-ordination challenges/gaps
Funding	Unstable or insufficient revenues undermining effective implementation of responsibilities at sub-national level or for shared competencies **=> Need for shared financing mechanisms**.
Administrative	Occurs when the administrative scale for investment is not in line with functional relevance as in the case of municipal fragmentation **=> Need for instruments for reaching "effective size" (co-ordination tools among sub-national units; mergers).**
Policy	Results when line ministries take purely vertical approaches to cross-sector policies, to be territorially implemented **=> Need for mechanisms to create multi-dimensional/systemic approaches and to exercise political leadership and commitment.**
Information	Asymmetries of information (quantity, quality, type) between different stakeholders, either voluntary or not **=> Need for instruments for revealing and sharing information.**
Capacity	Arises when there is a lack of human, knowledge or infrastructural resources available to carry out tasks **=> Need for instruments to build local capacity**.
Objective	Exists when different rationales among national and sub-national policy makers create obstacles for adopting convergent targets. Can lead to policy coherence problems and contradictory objectives across investment strategies **=> Need for instruments to align objectives**.
Accountability	Reflects difficulties in ensuring the transparency of practices across different constituencies and levels of government. Also concerns possible integrity challenges for policy makers involved in the management of investment **=> Need for institutional quality instruments => Need for instruments to strengthen the integrity framework at the local level (focus on public procurement) => Need for instruments to enhance citizen's involvement.**

Source: Charbit, C. and M. Michalun (2009), "Mind the Gaps: Managing Mutual Dependence in Relations Among Levels of Government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, doi: *10.1787/*221253707200; and Charbit, C. (2011), "Governance of Public Policies in Decentralised Contexts: The Multi-Level Approach", *Regional Development Working Paper*, OECD Publishing, doi: *10.1787/5kg883pkxkhc-en*.

Given disparities in fiscal capacity across Polish regional self-governments, experience in other OECD countries in addressing the fiscal challenge might prove helpful to the MRD as it prepares the 16 territorial contracts. To ensure that central government funding would not crowd out sub-national investment funding, many recovery packages in OECD countries included complementary measures such as conditionality clauses and monitoring mechanisms:

- The Australian stimulus package, for example, included a mechanism for assessing whether Australian states and territories maintained pre-stimulus expenditure levels during the period of increased federal government expenditure. If a state's or territory's expenditure did not meet a pre-defined benchmark, the federal government reserved the right to require the state to return the shortfall in expenditure to the federal government.
- Co-funding or matching-funding arrangements are also used to ensure that sub-national governments do not substitute central government funding for their own investment spending. Matching-funding requirements were an important element of investment strategies in Canada, Germany, Switzerland and the United States. In fact, Canada and Germany applied both conditionality clauses

and co-funding arrangements. Recovery packages in Australia, France, Spain and the United States included some sort of conditionality clause. The exact specification of conditionality clauses varied but all ensured that central government funding was directed at sub-national investments that otherwise would not have been undertaken:

- In Canada, provinces and territories provided matching funding amounting to at least CAD 14 billion in addition to the federal stimulus plan of almost CAD 47 billion. Federal funding for infrastructure investments never exceeded 50% of project costs and most municipal projects were cost-shared at 33% of the total eligible cost. Provincial, territorial and municipal authorities needed to provide the remaining funding.
- In Germany and Spain, conditionality clauses exempted from financial support all sub-national investment projects for which funding had already been secured in the 2009 budget.
- In Australia and France, conditionality clauses required sub-national governments to maintain pre-stimulus investment spending levels.

However, during the crisis, sub-national governments of structurally weak regions struggled to gather sufficient funding. For example, sub-national governments in Germany found it difficult to provide matching funding. Under such circumstances, matching funds called for complementary measures so as not to disadvantage structurally weak regions and exacerbate territorial imbalances. To avoid a bias against financially weak sub-national governments, OECD member countries developed a number of compensating mechanisms:

- In Canada, the existing Gas Tax Fund programme provides predictable and long-term funding of CAD 2 billion annually, for environmentally sustainable municipal infrastructure projects. Canadian municipalities can freely put this money towards construction, or pool, bank and borrow against this funding, providing significant additional financial flexibility. If they wish, municipalities can use their amounts under the Gas Tax Fund to finance part of their matching funding under certain stimulus programmes, as long as they respect the overall maximum (e.g. 50%) percentage of project funding that comes from federal sources.
- In Germany, some of the *Länder* disbursed parts of the funds for municipal infrastructure according to population and area size whereas other parts were distributed according to a special mechanism favouring financially weak municipalities. *Bundesländer* such as North Rhine-Westphalia set up special funds to help municipalities finance their matching funding contribution.

Some OECD countries also mobilised e-government tools to increase co-ordination between levels of government. In Spain, for example, municipalities used an online procedure to apply for funding from the state fund for local investment. It seems to have been very successful in reducing bureaucratic burden and facilitating rapid absorption of funding.

In a number of OECD countries, counter-cyclical investment measures included facilitating public-private partnerships (PPPs) more systematically as a way to finance public investment projects using additional funding sources. As highlighted in the previous section, Poland is no stranger to PPPs. However, their use is not generalised,

notwithstanding that a legal framework regulating their use can be particularly important for sub-national governments (notably municipalities), which are responsible for the provision of infrastructure, the type of projects for which most PPPs are used.

The crisis had an immediate negative impact on the volume of PPP projects (OECD, 2011a). As credit markets dried up, it was next to impossible to finance debt capital, and projects that had not already been completed largely came to a standstill. In response, a number of countries attempted to unclog the PPP pipeline by making financing available in various forms. In particular, France, Korea, Portugal and the United Kingdom made PPPs more appealing to the private sector by guaranteeing debt and/or supplying capital:

- Since PPPs were first introduced in Korea in 1994, they have been used in projects managed both by the central and local governments. Major projects include the Seoul Beltway Northern Section, the Incheon International Express Highway and the Busan New Port Phase 1. A first round of measures to revitalise PPPs was taken in February 2009 to ease the credit crunch (the introduction of the Korean Development Bank's Special Loan Programme and the Infrastructure Credit Guarantee Fund), followed by a second round in August 2009 (strengthened tax incentives and the development of a new risk-sharing scheme in October).

- The Canadian government has encouraged public-private co-operation in implementing infrastructure investments. Federal funds cover 25% of the cost of projects undertaken by the private sector and 33% of the cost of those undertaken by non-profit partners. The Canadian government had already started to set a track record of good public-private co-operation in the context of its "Building Canada" infrastructure plan. In particular, it set up a CAD 1.25 billion Public-Private Partnerships Fund and a federal office (a Crown corporation called PPP Canada) aimed at facilitating co-operation.

- The crisis led to new financial mechanisms in France, in particular a guarantee scheme to facilitate the use of PPPs, notably by local governments.

When engaging in PPPs, public actors need to assess their advantages carefully compared to traditional procurement. The underlying rationale for choosing PPPs is improved value for money. In addition, PPPs are long-term commitments that encourage a longer term view on capital spending, may support private-sector recovery and build local capacities. However, the challenges of using PPPs may be greater for sub-national governments given the potential lack of skills in the regional public sector to set up and manage PPPs. To limit government's exposure to risk while preserving the private partner's efficiency incentives, intervention should be contingent on specific circumstances and be adequately budgeted (Burger et al., 2009). The introduction of PPPs for sub-national governments should be prudent, as they entail more risks for government than do traditional projects, and PPP activity should be controlled through rules on PPP stocks and flows. The OECD has developed best practice principles on the use of PPPs that the central government might find useful here (Box 4.1).

Box 4.1. OECD Principles for Public-Private Partnerships

The OECD Principles for Public Governance of Public-Private Partnerships provide concrete guidance to policy makers on how to make sure that public-private partnerships (PPP) represent value for money for the public sector. In concrete terms, the principles will help ensure new projects add value and stop bad projects going forward. They provide guidance on when a PPP is relevant – e.g. not for projects with rapidly changing technology such as IT, but possibly for well-known generic technology such as roads. They focus on how you need to get public sector areas aligned for this to work: institutional design, regulation, competition, budgetary transparency, fiscal policy and integrity at all levels of government.

The 12 principles are focused around 3 objectives:

- establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities;
- ground the selection of PPPs in value for money;
- use the budgetary process transparently to minimise fiscal risks and ensure the integrity of the procurement process.

The principles are:

1. Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities.
2. Key institutional roles and responsibilities should be maintained. This requires that procuring authorities, Public-Private Partnerships Units, the central budget authority, the Supreme Audit Institution and sector regulators are entrusted with clear mandates and sufficient resources to ensure a prudent procurement process and clear lines of accountability.
3. Ensure that all significant regulation affecting the operation of PPPs is clear, transparent and enforced. Red tape should be minimised and new and existing regulations should be carefully evaluated.
4. Ground the selection of PPPs in value for money.
5. Carefully investigate which investment method is likely to yield most value for money. Key risk factors and characteristics of specific projects should be evaluated by conducting a procurement option pre-test. A procurement option pre-test should enable the government to decide on whether it is prudent to investigate a PPPs option further.
6. Transfer the risks to those that manage them best. Risk should be defined, identified and measured and carried by the party for whom it costs the least to prevent the risk from realising or for whom realised risk costs the least.
7. The procuring authorities should be prepared for the operational phase of the PPPs. Securing value for money requires vigilance and effort of the same intensity as that necessary during the pre-operational phase. Particular care should be taken when switching to the operational phase of the PPPs, as the actors on the public side are liable to change.
8. Value for money should be maintained when renegotiating. Only if conditions change due to discretionary public policy actions should the government consider compensating the private sector. Any re-negotiation should be made transparently and subject to the ordinary procedures of PPP approval. Clear, predictable and transparent rules for dispute resolution should be in place.

Box 4.1. **OECD Principles for Public-Private Partnerships** (*cont.*)

9. Government should ensure there is sufficient competition in the market by a competitive tender process and by possibly structuring the PPP programme so that there is an ongoing functional market. Where market operators are few, governments should ensure a level playing field in the tendering process so that non-incumbent operators can enter the market.
10. In line with the government's fiscal policy, the central budget authority should ensure that the project is affordable and the overall investment envelope is sustainable.
11. The project should be treated transparently in the budget process. The budget documentation should disclose all costs and contingent liabilities. Special care should be taken to ensure that budget transparency of PPPs covers the whole public sector.
12. Government should guard against waste and corruption by ensuring the integrity of the procurement process. The necessary procurement skills and powers should be made available to the relevant authorities.

Source: OECD (2012), *Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships*, OECD, Paris, see *www.oecd.org/gov/budgeting/PPPnoSG.pdf.*

Beyond conditionality and PPPs, governments experimented with a range of financial instruments during the crisis to stimulate investment for development, leverage private investment and diversify sources of funding for local governments:

- Specific investment funds. Some countries created state-owned investment funds. For example, France created a *Fonds stratégique d'investissement* (FSI) in November 2008 to support enterprises looking for capital funding. By the end of 2009, the fund had been allocated EUR 20 billion by the state and the *Caisse des dépôts et consignations*, in part through their participation in strategic companies. The purpose of the fund is to support SMEs that have difficulty obtaining financing and to secure the capital investment of strategic companies. The fund acts in conjunction with private partners to support long-term investment projects and companies that generate revenue.
- New European Union investments funds. The European Investment Bank (EIB) launched Marguerite 2020 to finance investments in new greenfield infrastructure projects in transport (Ten-T), energy (TEN-E) and renewables. The fund is financed in partnership with various national banks.
- Investment funds set up by regions. In France, the Pays de la Loire region adopted a EUR 629 million investment plan at the end of 2009 and raised a loan of EUR 80 million. These funds increased the rate of regional investment and allowed the establishment of a regional loan scheme for industrial redeployment to provide backing for the most competitive firms.
- Reliance on bonds. The forms of local government borrowing have been transformed as well. Former bank loans have been gradually supplemented by a new wave of bond issues. Large cities in the Czech Republic, Hungary and Poland issue bonds more actively (Council of Europe, 2010). In the United States, Build America Bonds are a taxable municipal bond created under the American Recovery and Reinvestment Act (ARRA 2009) and carry special tax credits and federal subsidies for either the bond holder or the bond issuer. Many issuers have

taken advantage of the Build America Bond provision to secure financing at lower cost than the issuance of traditional tax-exempt bonds.

The policy challenge: Linking short-term imperatives to long-term development objectives

Reconciling short-term, often politically driven investment imperatives with longer term strategic development objectives is a key issue in many countries – and an important one in Poland as it sets about negotiating its territorial contracts for the next programming period. Across the OECD, crisis-driven investment strategies focused almost exclusively on micro-scale, short-term infrastructure projects. The emphasis on speed in getting funds committed, although understandable, probably overshadowed their economic impact. These sector-specific investments represent a "missed opportunity" to integrate short-term recovery objectives within broader long-term multi-sector development strategies, taking into account specific territorial strengths and assets across countries.

Nationally launched strategies mainly took a vertical and segmented approach to investment. Priorities were therefore established in pre-existing sectors and programmes. Although this provides some advantages for rapid implementation, it provides few incentives to enhance co-ordination. And while complementarities among investment priorities are usually better found at the regional/local level, regional actors had little time to try to identify possible complementarities and synergies, unless existing regional development strategies could be mobilised.

The crisis also revealed overly complex administrative rules and regulatory obstacles. For example, in some cases the lengthy procedures for public procurement sometimes did not fit the timeline for the use of investment funds. At the local level, procedures related to land-use planning and local permit and approval processes can significantly delay or even interrupt investment projects. Projects were often selected on the basis of their degree of complexity and readiness, and small-scale projects, easier to manage and implement, were generally favoured.

The tension between the short- and long-term in investment plans can be mitigated if these rely on pre-existing, well-defined strategies that are flexible enough to be adjusted in response to a crisis. Priorities may have to be adjusted if a crisis reveals imbalances in certain sectors, but the ability to rely on an existing framework allows for a significant gain of time. The financial crisis highlighted the fact that, in many cases, countries and regions lacked appropriate strategies for prioritising investment, either because no strategies were in place or because many projects were ready to be launched but there was no clear sense of their relative priority. In such cases, regional policy and related governance instruments would have been valuable for prioritising investment.

In some OECD countries, regional development strategies were mobilised during the crisis as a way to implement national packages with greater coherence and to advance long-term strategic development objectives with immediate-term investments. Poland's nine integrated development strategies have already been designed and regional operating programming that aims to implement them already exists. Therefore, Poland will be in a position to rely on these strategies and their implementation programming to target investment priorities using a cross-sector, multi-year perspective that connects immediate-term spending decisions with the achievement of medium-term policy objectives.

Pre-existing regional partnerships and long-term strategies were also crucial for speeding up decision making for the allocation of investment:

- In Sweden for instance, existing regional development programmes and regional growth programmes proved to be highly useful for prioritising investment. They target priorities to reflect local needs and balance short-term and long-term concerns using in a multi-sector perspective. Sweden, which was able to draw some lessons from the crisis of the 1990s, highlighted the need to maintain flexibility in order to adjust to new challenges arising from crisis.
- Pre-existing contractual tools between different levels of government also proved useful in channelling national stimulus funding. In Canada, the funding amounts under the Building Canada Fund's two-year stimulus investments were flowed using the existing federal-provincial-territorial framework agreements.
- In France, existing state and regional investment plans for 2007-2013 (CPER) were mobilised to accelerate certain projects, in particular for universities and high-speed rail. Although these investments did not necessarily start in early 2009, they constitute plans for firms and help to clarify medium-term prospects. The contractual approach provides several advantages, as the investment mix is designed through a cross-sector approach and the responsibilities of the national and local governments are clearly defined.

However, regional policy tools tended not to be used during the crisis. In unitary countries, the key actors at the local level have been municipalities rather than regional/sub-national governments. In Spain, for instance, the regional level was not involved in the management of the recovery. Political obstacles are part of the explanation, but the traditional reliance on sector-specific approaches to investment policy, within macroeconomic national packages, were also the norm during the crisis. To a certain extent, countries such as Brazil and Canada, which had launched large-scale national investment strategies before the crisis, have had a comparative advantage, as they were able to accelerate already planned investments and mobilise existing co-ordination instruments already in place across levels of government. Poland is in a similar position to Brazil and Canada in this regard.

The administrative challenge: The economic functionality of place

Cross-jurisdictional co-operation is essential to target effectively the relevant scale for investment, to overcome administrative boundaries so as to focus more clearly on functional area as the unit for intervention for achieving strategic development objectives – as in Poznań in Wielkopolska. Mechanisms to increase municipal co-operation for public investment are increasingly being developed in order to better exploit economies of scale and reduce jurisdictional overlaps in investment priorities for public goods with high externalities, such as public transport, water, environmental goods or higher education.

In unitary states, municipalities, rather than higher tiers of government, have been the main implementers of investment funding. Yet, national governments (e.g. France, Korea, Spain or Sweden) rarely encouraged municipalities to co-operate on the implementation of investment measures. Moreover, municipalities had little time to mobilise inter-municipal co-operation, as projects that involve different stakeholders are by nature longer to design and implement. The lack of co-operation on investment priorities at the local level is more problematic in countries with high levels of administrative

fragmentation and affects the type of investments that are prioritised, which tend to be smaller-scale projects, with a lower return on investment.

- France for example, has over 36 000 municipalities. Although instruments for co-operation among municipalities exist, they have not been greatly mobilised. For example, very few *inter-communalités* subscribed to the national measure to encourage local investment through the reimbursement of the VAT one year in advance.
- In Spain, although the State Fund for Local Investment allowed for joint applications, most municipalities did not avail themselves of this possibility. Only 6 out of 1 022 municipality associations applied for project funding, and the 6 projects proposed were negligible compared to the total of 30 699. Neither the regional nor the provincial level[4] was actively involved in the investment planning stage.

That said, in a few cases, investment funding for the recovery has helped foster co-ordination between municipalities. For example:

- In the United States, elected officials from Birmingham, Bessemer, Hoover, Lipscomb, Graysville and Fultondale, Alabama formed the Alabama Green Initiative (AGI) in an effort to obtain a portion of the grant money available for green development in the stimulus bill. In Massachusetts, a new framework for co-operation across municipalities was developed. In greater Washington, DC, six municipalities elected to submit a joint application for ARRA funding to deal with housing issues (OECD, 2011a).
- In Germany, implementation of the sub-national investment package was entirely decentralised and there were some good practices of inter-municipal co-operation, for example in North Rhine-Westphalia where an agreement was reached across municipalities for the allocation of funds.
- In Australia, the government encouraged local governments to contribute funds or secure partnership funds for projects, in particular through the mobilisation of the Australian government's Local Government Reform Fund.

The capacity challenge

The crisis has exacerbated gaps in administrative capacity (in competencies, know-how, organisational resources) at both the national level (where insufficient local knowledge constrains its capacity to select relevant investment projects) and at the local level (where weaknesses in terms of strategy and implementation result in inadequate design, implementation and monitoring of projects). Given the stringent requirements for the use of funding and for reporting, sub-national governments with efficient administrations which were able to take immediate action were likely to be the most successful in securing investment funding. Smaller municipalities and distressed areas therefore risked missing out on investment funding opportunities, unless they were clearly integrated into a regional strategy (as explained above). In the United States, for example, in a survey carried out in 2009 in Michigan[5] in more than 1 300 municipalities, 89% of small municipalities reported not having received funding, whereas two-thirds of large municipalities had received funding.

Capacity challenges were exacerbated by the fiscal consolidation policies of some sub-national governments, which led to staff reductions. Capacity gaps are often greater among secondary recipients in charge of implementation. In the United States, projects funded through "sub-allocated funds" (a compulsory requirement) could be awarded and administered through local transport agencies, which are often city or county agencies. These agencies experienced difficulties in complying with the federal processes, requirements and time frame. According to Arizona Department of Transportation officials, some local agencies lacked the staff and experience to meet various federal requirements, such as obtaining right-of-way and environmental clearances.

Some instruments created in the wake of the crisis have helped build local capacity for the longer term:

- In Greece, a special non-profit organisation was set up to assist small municipalities that lacked the necessary skills for preparing projects for EU structural funds (Council of Europe, 2010). The purpose was to help prepare four-year action plans for municipalities with a population of less than 10 000.
- E-government tools also have the potential to enhance capacity building in sub-national governments. A United States federal government website helps recipients of recovery funds to meet quarterly reporting requirements by providing them with the means to submit project updates online. The strong guidance put in place by the government has helped states and municipalities allocate funding within the set timeframe (OECD, 2011a).

And the information and accountability challenge

Managing development investments in response to the crisis has led to accountability challenges, since the shortened decision-making process and the huge amounts of public spending created risks for transparency and integrity. Risks of capture and corruption are particularly high in such an environment, for example in local governments with insufficient capacity to monitor investments.

Asymmetries of information have also hindered the implementation of the development strategies themselves. In general, small municipalities tend to have more difficulty gaining access to information. This also reflects municipalities' lack of an integrated strategy at the local level. Indeed the crisis has shown that prioritisation of investment is not always based on strong evidence related to return-on-investment and cost-benefit analyses (as was mentioned above in terms of the "special projects" funded outside the ROP management frameworks in both the Wielkopolska and Lubelskie *Voivodships*). Indeed the US General Accounting Office and the French *Cour des Comptes* each warned in 2010 that more analysis was needed on whether the investments produce long-term benefits.

The information gap is not only bottom-up but top-down too, because of a lack of information and data on local needs. For example, economically distressed areas targeted by ARRA were defined by the Public Works and Economic Development Act of 1965, and may not necessarily have identified the areas most affected by the 2008 crisis. And the information challenge is not simply due to the need to address crisis-driven urgencies – an attempt to collect public investment data at the regional level in the OECD in 2009 found that few countries track this information and know precisely what is going on in each region (OECD, 2011a). Also, few countries are known to publish regional breakdowns of public expenditure data nationally, and in many cases this information is

difficult to compare with National Accounts and across countries (OECD, 2011a). Overall, the crisis has revealed a number of issues in terms of the capacity of the statistical system to monitor public investment, and more broadly to monitor economic conditions in a timely and accurate manner.

The allocation of investment funding gave rise to considerable lobbying, and to minimise the risks of corruption in a context of high demand for public action, governments set up new instruments to monitor the use of funding. In that sense, the crisis provided an opportunity to develop new governance approaches across levels of government to monitor the use of growth funding more effectively:

- E-government tools have been used in an unprecedented manner and have played a major role in ensuring the transparency of crisis response measures, conveying relevant information and support to citizens and businesses, and encouraging feedback from citizens on alternatives for addressing the effects of the economic downturn (UNPAN, 2010). Best practices include:
  - The US ARRA website, which allows tracking recovery funding per state and programme in an accessible, developer-friendly format. It is one of the most substantial steps taken so far to provide such a platform for third parties (UNPAN, 2010).
  - In Australia, the government released a web portal that provides key information on the economic stimulus package and showcases developments in the implementation process. An interactive mapping tool called My Community allows citizens to track approved projects across the country. It also enables interactivity as citizens can ask questions. It provides links to sub-national websites of similar scope.
- The use of e-government tools to monitor funding has also significantly increased at the sub-national level (UNPAN, 2010). For instance:
  - In the United States, all states currently run stimulus websites, which provide detailed information on the allocation per county and municipality. Maryland's website is considered the best for monitoring stimulus funds (Mattera et al., 2009).
  - German *Länder* have also developed websites to monitor the use of funding, as have Canadian provinces and Australian states, as well as many French regions. Although the general purpose of these government websites is to enhance public scrutiny, some sub-national governments have also used them to foster participation on economic crisis issues. In the UNPAN survey, 27% explored the prospects of ICT for promoting some kind of citizen feedback or participation. For example, in the district of Heathcote in Australia, citizens were invited to give their views through the Internet on the allocation of stimulus funds.
- The strategic collection and systematic use of digital data from all levels of the public sector, part of what is termed "big data", enables governments to gain new insight into improving policy making and enhancing efficiencies in service delivery through extensive data analysis. This points to the need to ensure the digital availability and good quality of relevant public data in order to improve public performance through evidence for better policies.

- Most countries established strict monitoring frameworks across levels of government. Performance measures and indicators go well beyond the need to monitor the use of funds, as they help to bridge the information, capacity and objective gaps. They are in themselves tools for capacity building (OECD, 2008). To develop effective monitoring arrangements that also take into account the concerns and dispositions of sub-national governments, some OECD countries used existing multi-level governance institutions:
  - In Australia, the Council of Australian Governments (COAG) provided the framework for streamlined and simplified monitoring arrangements. Its Ministerial Council for Federal Financial Relations implemented specific expenditure and output benchmarks for the Australian states.
  - In overseeing the implementation of funds more generally, Korea set up a special reward mechanism. The Korean Ministry of Public Administration and Security (MOPAS), which carried out mid-term comparative evaluations of local fiscal performance between January and March 2010, rewarded the best-performing local government with a special shared tax of KRW 10 billion.

Monitoring the use of funds speaks to a central objective in most countries – that of providing citizens and business with as much transparency as possible:

- Governments in France, Spain and the United States organised weekly or monthly press conferences to present progress made in implementing stimulus funding.
- Some countries issued regular reports on the implementation of their economic stimulus plan. Canada, for example, issued monthly reports during 2010 and 2011 tracking progress in implementation and describing challenges met.
- In Australia, the COAG established an oversight group chaired by a co-ordinator general. Its responsibilities include reporting to the COAG on the progress of implementing the Nation Building and Jobs Plan.

Given the traditional difficulty of tracking investment funding at the local level, this constitutes a significant shift towards better practices. The extent to which these efforts will be sustained after the crisis remains an issue. For Poland, the next EU programming period offers an opportunity for the central government to implement with the self-governments robust outcome-driven performance evaluation and monitoring protocols under the territorial contracts. These protocols could focus on assessing the impact of investments in specific projects and entire priority areas on the achievement of the strategic outcomes identified in each of the integrated strategies covered by the territorial contracts and build on existing outcomes-based evaluation successes. The resulting narrative and quantitative assessments could prove critical for planning and implementing strategy and operating programmes for future programming periods as well as constitute a significant "good practice" that could be shared with the other OECD countries.

Effective multi-level governance: A good-practice toolkit

The purpose of describing the various approaches from across the OECD to maximise coherence in multi-level governance arrangements is to provide benchmarking advice to the government of Poland as it engages in finalising its territorial contracts with each of the 16 *voivodships*. Since these contractual arrangements constitute a key tool to

implement national development strategies in the regions, while at the same time partnering to advance commonly defined regional development objectives that will advance national performance objectives, good practices in this area from across the OECD can be of significant importance to the Polish government.

Based on the assessment of the way in which OECD national and sub-national governments addressed the various challenges described above, the OECD has identified a set of evidence-based guidelines for the design and implementation of effective multi-level governance arrangements to implement development strategies and their related public investments (OECD, 2011a). These guidelines reflect practices adopted in OECD member countries that produced the best strategy implementation results. These ten good-practice guidelines include:

- Combining investments in physical infrastructure with investments in soft infrastructure, including human capital and other innovation-related assets, to maximise the impact on long-term productivity growth. Infrastructure policy needs to be closely integrated with other sector-based policies such as human capital and innovation as part of a coherent development strategy. Investments are likely to work best as part of an integrated policy package.
- Exploiting the value-added of place-based investment policies by prioritising investments to address the specific potential and impediments to growth in each region. Regional and local actors have a critical role to play in identifying policy complementarity and trade-offs in investment priorities. Indeed, flexibility in implementing national programming must allow for situations in which local decisions taken in response to local preferences in some policy areas may not always comply perfectly with national strategic objectives. This contractual flexibility is crucial to achieving national development objectives based on the specific strengths and assets of each region.
- Improving co-ordination mechanisms for the design and implementation of investment strategies vertically across levels of government. Co-ordination is critical for designing well-informed growth strategies, better targeting them and ensuring policy and fiscal coherence across levels of government. Since the relationship between levels of government is based on mutual dependence, countries need to develop effective co-ordination mechanisms to reduce gaps and contradictions between policy objectives, fiscal arrangements and regulations across levels of government which can undermine the capacity to achieve national strategic growth objectives.
- Building transparent management/oversight/audit processes to improve investment project selection and implementation at all levels of government. Prevent waste and corruption in investments from project tendering and selection through implementation. Maximise transparency at all stages of the procurement cycle, and establish clear accountability and control mechanisms.
- Enhancing horizontal co-ordination across local jurisdictions in functional economic areas (for example in metropolitan regions), either with incentives or regulations (or both). Fragmented or poorly integrated investments may fail to capture full benefits. Avoid the proliferation of small-scale projects with low economic returns.

- Addressing risks associated with long-term investment commitments through robust budget procedures, including rigourous cost-benefit and strategic environmental analyses *ex ante* the decision.
- Diversifying financing sources for infrastructure investments by making better use of user fees, charges and partnerships with the private sector. Carefully assess the benefits of PPPs as compared to traditional procurement. Consider joint investment pools and other innovative financing mechanisms to expand the range of funding sources available to all levels of government.
- Conducting regular reviews of regulations affecting public investment decision making and strengthen regulatory coherence across levels of government. Enhancing coherence across sectors in regulation targeting cross-sector outcomes such as green growth and innovation. Ensuring the independence of regulators.
- Encouraging capacity building at all levels of government. Paying attention to disparities in capacity, especially in terms of human resources, skills and experience, and ICT up-take, and focusing on sustaining capacity over time in addition to building it.
- Bridging information gaps across levels of government. Enhance the use of e-government tools to improve transparency, performance tracking and accountability to citizens and business.

Clearly, no single OECD country is applying all these practices at once. Yet those countries that made the most of public investments in the context of increasingly severe constraints on fiscal room-to-manoeuvre had adopted many, if not most, of these multi-level governance practices. These guidelines also speak to the issues faced by Polish self-governments mentioned above, from information-sharing to strategic planning to vertical and horizontal co-ordination.

Conclusion

Poland now has a once-in-a-generation opportunity to implement national strategies at the regional level successfully by building on the initial co-ordination momentum first generated by its regional contracts, then by its having applied the EU Cohesion Policy strategic management framework via these contracts, and now by successfully integrating the nine national integrated strategies into a single national regional development strategic framework in the territorial contract. Coupled with a robust performance monitoring and assessment protocol that will measure results against strategic outcomes region by region, the government of Poland will be in a position to "tell Poland's national development story" clearly and coherently to its citizens and the world. The government could thus consider the following recommendations:

- Use the territorial contracts to target investment priorities using a cross-sector multi-year perspective that connects immediate-term spending decisions with the achievement of medium-term integrated strategic objectives.
- Ensure that the contracts are flexible enough to allow for situations where local decisions in some policy areas will be taken in response to local preferences – and that these decisions may not always comply perfectly with national strategic

objectives. This contractual flexibility is crucial to achieving national development objectives based on the specific strengths and assets of each region.

- Use the territorial contracts to facilitate, where possible, cross-jurisdictional co-operation in functional economic regions – in particular metropolitan regions having multiple municipal authorities operating within the functional unit – as a means to target effectively the relevant scale for investment and overcome administrative boundaries to achieve strategic development objectives more effectively.
- Use the territorial contracts, where possible, to address significant sub-national disparities in administrative capacity through adequate operational funding.
- In designing, negotiating and implementing the contracts, consider the above-listed ten evidence-based guidelines for effective multi-level governance arrangements, derived from extensive OECD analysis of how OECD national and sub-national governments best addressed the fiscal, policy and administrative challenges they face in implementing effective multi-level governance arrangements.

Notes

1. OECD Secretariat calculations based on data presented in the *OECD National Accounts Statistics database*.
2. The region's largest sector is services employing around half of the workforce (adding 60% of GVA), followed by industry with 27% (27% of GVA), agriculture with 6% (16% of GVA) and finally construction with 6% (7% of GVA).
3. An exception is the special rules for infrastructure projects in areas covered under the NATURA 2000 network, creating a serious challenge for the applicant. As a result, most investors have tended to avoid investing in those areas.
4. Spain is divided into 17 constitute autonomous communities which represent Spain"s regional level. There are also 50 provinces which are part of the autonomous communities.
5. The MPPS is a biannual survey of each of Michigan's 1 856 units of general purpose local government. A total of 1 204 jurisdictions in spring 2009 and 1 303 in autumn 2009 returned valid surveys, *http://closup.umich.edu/publications/mpps/mpps-fiscal-stimulus.pdf.*

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Chapter 5

Improving trust in government: Citizen and business buy-in to strategy implementation

This chapter examines the issue of trust in government and citizen and business buy-in to national strategy implementation. This chapter first presents Polish data that shows low trust in government and explains the challenges the government faces in this regard. The chapter then highlights the need to enhance consultation capability to improve trust and mobilise citizens and businesses effectively in policy and service design and delivery. Poland's strategy to engage citizens in meaningful consultations has been set, but it has yet to be fully implemented.

Introduction

Citizens' trust in government as an institution is fundamental in a democracy because it is on the basis of trust that government decisions are perceived as legitimate. Building trust in the institutions of government is therefore central to ensuring that strategic decisions aimed at implementing government-wide strategy in pursuit of a national vision for the country receive broad public support, and that the public institutions making those decisions are perceived as legitimate and worthy of support over time; that the government is perceived as deciding in favour of – and defending – the general, public, interest.

History and culture have, of course, greatly influenced the nature of citizens' trust in the Polish central government as an institution and the evolution of this trust over time. The ebb and flow of levels of trust have been influenced by historical events – for instance the trauma related to the loss of statehood in 1939 and the ensuing cataclysmic devastation, or the impact of initiatives taken by liberal-democratic institutions on the quality of life and collective consciousness of Poles since the fall of communism.

Of course, the day-to-day experience of citizens interacting with government, or how they are affected by the decisions of government, also influence their perceptions of, and trust in, public institutions. A leading Polish academic has suggested that in Poland:

> "…it appears at present that the key axis along which the citizens' trust in the state is being shaped is the absence of public consensus as to whether the state should be 'a night watchman' in accordance with the old conceptions of liberal proponents of *laissez-faire* or, quite the opposite, an active organiser of public life, a redistributor of national income and an organisation working in the interest of citizens. Should it establish legal frameworks for different public initiatives and activities of independent foundations and associations or should it supervise and even replace bottom-up activities, especially where they are non-existent?" (Friszke, 2001, in Zawicki et al., 2012)

Trust in government is low

Research on citizens' attitudes toward the state conducted in 2008 shows that "(...) positive effects prevail: a significant majority of respondents feels respect toward (63%) and likes (58%) the state; for almost one-half the population surveyed (48%) the state is a source of peace and security, and inspires trust. For 12% of respondents, the Polish state is a source of anxiety, while a further 10% dislike it." (Wnuk-Lipiński and Bukowska, 2008, in Zawicki et al., 2012) This strong attachment to the state was, however, accompanied by an equally strong criticism of its operations, particularly relating to how it delivers its welfare services and the unequal treatment of formally equal citizens (Wnuk-Lipiński and Bukowska, 2008, in Zawicki et al., 2012).

Since then, despite the high levels of trust of Poles in the state and in the private sphere (including business, family, friends and neighbours), trust in the public sphere seems to be declining – a situation similar to countries across the OECD and beyond. When compared with the results of the 2008 Polish survey, most institutions have suffered significant losses in levels of trust, including the government (by about 25%), television (20%), Parliament (about 18%), the press (about 17%), courts of law (about 15%), political parties (about 14%) and also the European Union, local governments and organised labour (13% each) (Zaufanie społeczne, 2010, in Zawicki et al., 2012):

- Trust in Poland's political parties was at 14% in a 2010 survey (versus 76% of respondents who distrust parties).
- Those Poles surveyed expressed the strongest levels of distrust toward the *Sejm* and the Senate (68% of respondents), the government (60%), the press (52%), public officials (47%), and courts of law (45%) (Zaufanie społeczne, 2010 in Zawicki et al., 2012).
- According to a 2012 study, the business sector is trusted by 46% of respondents, compared to 28% who trust government institutions, implying a drop of a further 12 percentage points over the 2010 survey (Zawicki et al., 2012).

In Poland today, key factors that tend to shape the nature and level of citizens' trust in their government, aside from the international environment, include (Zawicki et al., 2012):

- perceptions surrounding the strength – or lack thereof – of political leadership;
- the capacity of government, business and labour leaders to formulate development objectives and their determination to work toward their achievement;
- government responsiveness to evaluations of Poland's governance system and its system of managing public affairs;
- perceptions surrounding the quality of management of public affairs;
- the impact – or lack thereof – of government consultations with the public on significant policy issues (e.g. on the distribution of licences to media companies, amendments to the Access to Public Information Act); and
- the way the government responds to citizens' protests.

These factors offer a useful context in which to assess the nature, scope and effectiveness of the government's legal framework and institutional mechanisms to engage the public and civil society groups in consultations.

An elaborate Polish legal and institutional framework governing consultations

The Constitution of the republic of Poland explicitly references the need for both social dialogue and civil dialogue. Social dialogue is defined as one of the fundamentals governing the political system of the republic. The Constitution identifies the most important parties to this dialogue: the state, organised labour and employers' organisations (Constitution 1997). The following legal and institutional framework flows from the Constitution (Męcina, 2009, in Zawicki et al., 2012):

- The legal framework for social dialogue is based on the Tripartite Commission for Social and Economic Affairs and *Voivodship* Social Dialogue Commissions Act (2001), the Labour Law (1974), the Trade Unions Act (1991), the Employers' Organisations Act (1991), the Collective Disputes Settlement Act (1991) and the Employee Information and Consultation Act (2006).
- Social dialogue is ensured by the following entities:
  - the Tripartite Commission for Social and Economic Affairs, which includes representatives of the government, employees and employers and constitutes the basic forum for the co-ordination of interests expressed by key public and private stakeholders on the social and economic life of the country;

- Tripartite Trade Teams, which address issues related to different sectors of the national economy and include sector-specific representatives of trade unions, employers and the government;
- the Chief Employment Council, an advisory body to the minister responsible for employment whose tasks include, *inter alia*, proposing initiatives to develop the country's human resources and achieve full employment and reviewing draft projects to advance the National Employment Action Plan; and
- the *Voivodship* social dialogue commissions, which focus on managing social dialogue at the regional level relating to regional issues and to pursuing socio-economic diversification in individual *voivodships*.

The legal framework provides a right for employers' organisations to review draft legislation affecting the business community. These associations are authorised to submit motions to pass or amend legislation or other regulatory provisions that fall within their remit. National employers' organisations also have the right to participate in industrial disputes and to sign collective agreements with labour unions.

Organised labour in Poland (the most famous trade union being *Solidarność*) operates on the strength of the Constitution of the republic of Poland and the Trade Unions Act (1991). Between 1991 and 2008, trade union membership fell from around 28% to 16% of the total labour force.

The Constitution defines consultations between government, business and labour (social dialogue) distinctly from consultations between the state, local authorities and non-governmental organisations. The latter is constitutionally defined as civil dialogue. Its legal framework is based on the Public Benefit and Volunteer Work Act (2003), relevant sub-national regulations (passed by *gmina*, *poviat* and *voivodship* self-governments) and regulations governing consultations related to the absorption of EU Structural Funds.

The most important civil dialogue institutions in Poland are the Public Benefit Works Councils, appointed by the minister responsible for social welfare. These councils, which operate nationally and in the regions, act as a consultative body and are comprised of representatives of the state, self-governments and non-governmental organisations. NGOs constitute the key parties in civil dialogue. In 2010, there were 12 000 registered foundations and 71 000 associations in Poland. The councils focus on:

- advising the minister on new legislative initiatives;
- monitoring the implementation of the Public Benefit and Volunteer Work Act; and
- arbitrating disputes over how a *voivodship*'s Regional Operational Programme (see Chapter 4) is managed, in particular over how EU Structural Funds are disbursed in the region.

In addition to formal institutional arrangements to pursue social and civil dialogue, the central government engages regularly with civil society organisations to produce and deliver services to the public using public-private partnerships (see Chapter 4), public-social partnerships, social-private partnerships and the social economy:

- Public-social partnerships constitute a novel formula of co-operation among local governments, central government administrative units and non-governmental

organisations pursuant to the Public Benefit and Volunteer Work Act. Its provisions make public authorities responsible for co-operation with entities that pursue public benefit activities. The inventory of tasks that can be executed by third-sector organisations covers social welfare, health protection and health promotion, assistance to the disabled, promotion of employment and vocational training for the unemployed and those threatened with lay-offs, and activities promoting economic development. The volume of funds earmarked for public-social partnerships is increasing. In 2003, 68% of *gminas* contributed funds to such organisations, increasing to 86% in 2009. Between 2003 and 2009, the total financial amount transferred to these organisations by *gminas* increased nearly twofold in real terms (Przewłocka, 2011).

- Poland has also witnesses the development of social-private partnerships, which finds expression through businesses playing the role of "good corporate citizen". Typically, companies involved in their community's development focus on financing civic organisations, sponsoring sports and/or cultural events and promoting local cultural expression. About half of total business support is focused on community social and economic development. Research findings show that only about one-quarter of companies operating nationwide support their local communities.
- The social economy in Poland is developing rapidly, perhaps because of the recent establishment of formal legal frameworks regulating activity in the sector. Usually, social-economy entities take the form of foundations, associations, social-co-operatives, workers' co-operatives, lawyers' co-operatives, social integration centres, vocational development centres, co-operative banks, mutual insurance and investment-guarantee funds. They are active in such areas as social welfare, social services, health services, banking, insurance, agricultural production, consumer affairs, assisted work, craftsmanship, the housing sector, deliveries, services for local residents, training and education, culture, sports and entertainment. Table 5.1 illustrates the structure and size of the social economy sector in Poland.

Table 5.1. **The structure and size of the social economy in Poland**

Type of institution	Approximate number of institutions	Employment (in full-time equivalents)	Membership
Associations and foundations	75 000	ca. 65 000	9-10 million
Business self-governing organisations	5 500	33 000	1.1 million
Co-operatives	12 800	469 000	ca. 10-11 million
including: co-operatives of the disabled	350	55 000	30 000
Mutual insurance societies	9	500	n.a.
Other mutual organisations	880	n.a.	n.a.
Social co-operatives	120	n.a.	400
Vocational development centres	48	1 700	n.a.
Social integration centres	55	ca. 500	n.a.
Social integration clubs	300	n.a.	n.a.
Total	94 000	ca. 600 000	ca.16-17 million

Source: Frączak, P. and J.J. Wygnański (red.) (2008), "Polski model ekonomii społecznej. Rekomendacje dla rozwoju. Zaproszenie do dyskusji", FISE, Warsaw, p. 21, in Zawicki et al. (2012).

The development of social capital across Polish society has been identified by the central government as being of key importance to the country's growth and development, because social capital affects the growth of trust and the level of participation in public life, and can strengthen partnerships between actors in society. The central government believes that the previous political system left Poland's citizens with an important deficit in social skills and trust in the basic public and private institutions of society. This limits substantially the country's ability to optimise its development potential by severely inhibiting geographic mobility and flexibility in mixing resources, competences and talents to stimulate innovation and creativity.

Hence, one of the nine integrated national development strategies, the Strategy of Social Capital Development (the draft of which was finalised in January 2012), developed by the Ministry of Culture and National Heritage, aims to enhance the potential of social capital in driving the socio-economic development of Poland. The strategy focuses on ways to shape citizens' attitudes in favour of co-operation, creativity and communication; improve social participation mechanisms and citizens' influence on public life; improve social communication processes and knowledge-sharing; and develop and use effectively the cultural and creative potential of individuals and businesses across the country.

Does not appear to be delivering effective consultation capacity

Clearly, since the fall of communism, the government of Poland has articulated extensive, detailed rules and processes to engage citizens and key public and private stakeholders in the public life of the country and in its long-term development. Yet despite these considerable efforts in codifying the need for, and ways to engage citizens, businesses and NGOs in, public consultations, trust in government continues to decline. Perhaps this can be explained by the apparent disconnect between rhetoric and reality in this area. Strategy to engage citizens in meaningful consultations and to improve citizens' social capital has been set. But it has yet to be fully implemented.

Consultations tend to be perceived as not influencing government decision making

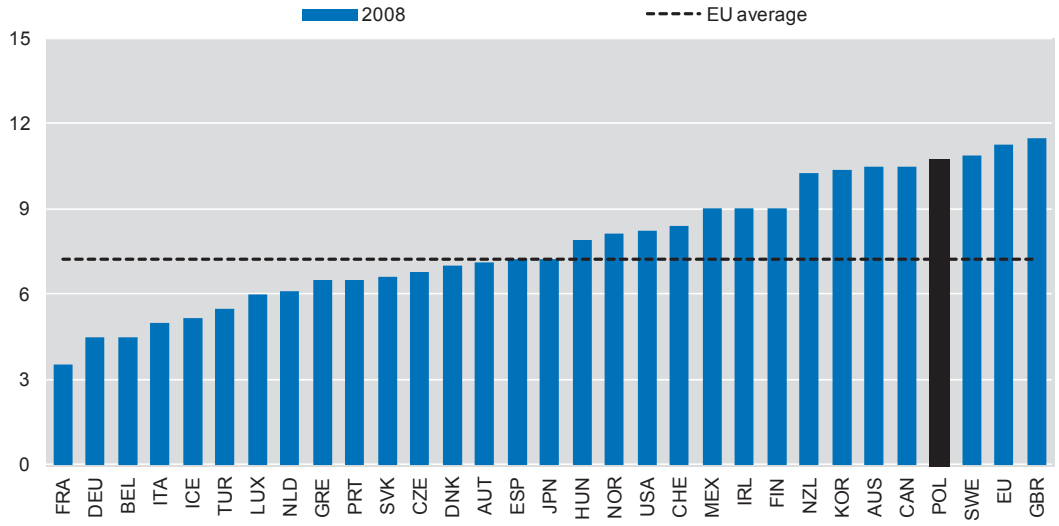
In Poland, the implementation gap between the formal requirements for consultation and the reality is particular large with respect to consultation: for instance, the legal framework requires public consultation on all regulations; detailed consultation guidelines have been developed by the Ministry of the Economy (Figure 5.1).

However, it appears that currently, external consultations are perceived as being *ad hoc*, with little time allocated for meaningful comments, results seldom incorporated into subsequent policy initiatives and their quality not systematically monitored and assessed. This in turn is undermining mutual trust between government and civil society.

Consultation with stakeholders seems to be perceived by ministries as a bureaucratic hurdle in Poland and not as a source of information about the potential impact of a law. This may explain why it is conducted late in the process when a decision has already been taken. Often stakeholders have only a few days to provide comments. Consultation guidelines are usually ignored and stakeholders are not consulted on regulatory impact assessments (see Chapter 3).

Most ministries consult only with specific groups and tend not to open the process to simple members of the public. A shared understanding of what "public consultation" means is missing. It appears that proposals are commonly posted on a ministry website without inviting any public comments. This cannot be considered public consultation.

Figure 5.1. **Formal and open consultation processes (2008)**



Source: OECD Regulatory Management Systems' Indicators Survey 2008, Question 9, *www.oecd.org/regreform/indicators.*

Public consultation implies explicitly inviting the general public to comment on draft regulatory proposals, providing sufficient time for submitting comments along with a clear indication of how comments can be submitted. Box 5.1 provides an example of good practice public consultation in Australia, involving stakeholders early in the process of reviewing quarantine and bio-security rules.

At the same time, quality of consultation varies across and within ministries, according to stakeholders who also report some positive experiences. For example, a move in the right direction is the pilot project on online consultations that will be conducted in the Ministry of the Economy at the beginning of 2013. It foresees waves of public consultations at the stage of "problem definition", at the stage of "regulatory test", at the stage of "draft law plus full RIA" and at the stage of "*ex post* evaluation". This is partly implementing the recommendation of the 2011 OECD review on administrative simplification which stated that "The plan for creating an electronic portal enabling online consultations should be put into action as soon as possible" (OECD, 2011a).

How to enhance consultation capability to improve trust in government

The OECD recommends member countries "adhere to principles of open government, including transparency and participation in the regulatory process to ensure that regulation serves the public interest and is informed by the legitimate needs of those interested in and affected by regulation. This includes providing meaningful opportunities (including online) for the public to contribute to the process of preparing draft regulatory proposals and to the quality of the supporting analysis" (OECD, 2012a, Principle 2).

The process of communication, consultation and engagement which allows for public participation of stakeholders in the regulation-making process as well as in the revision of regulations can help governments understand citizens' and other stakeholders' needs and improve trust in government. It can also help governments collect more information and resources, increase compliance and reduce uninformed opposition. It may enhance

transparency and accountability as interested parties gain access to detailed information on potential effects of regulation on them (OECD, 2012a)

Box 5.1. **The Quarantine and Bio-security Review: A model consultation arrangement**

In February 2008, Australia launched a major review of its quarantine and bio-security systems. An independent panel of experts, appointed by the Minister for Agriculture, Fisheries and Forestry, was asked to review the appropriateness, effectiveness and efficiency of current arrangements, including public communication processes and governance and institutional arrangements, and to produce a report ("One Bio-security: A Working Partnership", also known as the Beale Report, from the name of the panel's Chair), consulting in the process with relevant domestic and international stakeholders. The panel first prepared and released an issues paper in order to prompt discussion and attract submissions and comments from all interested stakeholders. It received around 220 written submissions from a wide range of interested parties, including overseas submissions, and organised over 170 meetings with domestic and international stakeholders, both individuals and representatives of organisations. The panel also sought information from Australia's trading partners on their arrangements for managing bio-security risks and held discussions with government officials and business representatives in New Zealand, North America, Europe, and representatives from other WTO members.

A dedicated website (*www.quarantinebiosecurityreview.gov.au*) offered online support to the process: reference documents used during the review were made available on the site, along with copies of all the submissions received. At the completion of the consultation process, the Beale Report, submitted to the Australian government, described the current situation, summarised comments received and presented specific recommendations. The Australian government released its preliminary response to the report in December 2008, agreeing in principle with all 84 recommendations and outlining the actions the government intends to take in order to put the recommendations into practice. The response is publicly available on the website of the Australian Department of Agriculture, Fisheries and Forestry along with updates of progress with reform.

Changes to Australia's quarantine and bio-security system based on the Beale Report have and will continue to be notified through the SPS notification system, whereby the normal comment and consideration process will occur.

Source: OECD (2010), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, doi: *10.1787/9789264067189-en*, p. 188.

Citizens and businesses can contribute to policy and decision making

As outlined in the 2012 *OECD Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a, Principle 2), open government enables public scrutiny, gathering facts from those affected by proposals, safeguards against corruption, and promotes citizens' trust in government, through increased transparency and public participation. It facilitates the goal of non-discrimination, by supporting equal access and treatment for all citizens under the law.

One possible way towards more citizen- and business-focused policy making in Poland is to establish a systematic and mandatory system throughout the government for public consultation on regulatory proposals at all key stages in the process, including at the beginning of the process when the issue needs to be identified properly, when the "regulatory test" is being prepared and when the "full RIA" is being developed. This system of consultations should take into account lessons learnt from the pilot of the

online consultation system in the MoE and establish a consultation system throughout the government, obligatory for the whole administration. Resources dedicated to consultation should be proportional to the expected impact of the proposal on business and the general public. Regular evaluations of the functioning of the consultation system involving the administration, citizens and business should be conducted, for example by the National Audit Office, to monitor progress over time and improve the system. This would be in line with the 2012 *OECD Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012a, Principles 2, 3 and 6).

Hence, the government could consider the following recommendations in this area:

- strengthen the application of *ex ante* and *ex post* consultation rules respecting the development and implementation of policy initiatives, regulations and services government-wide and monitor and report regularly on their efficiency and effectiveness;
- evaluate regularly the functioning of the consultation system for efficiency and effectiveness;
- consider mandating the Co-ordinating Committee, supported by the Chancellery and relying on data from *inter alia* such independent authorities as the National Audit Office, to prepare, approve and issue, in print and electronically, one or more whole-of-government annual "State of the Country" reports that:
  - present to Parliament and citizens what progress the government has made over the preceding year in achieving the strategic outcomes it has articulated for the country in its medium-term integrated strategies, based on sound evidence including quantitative, while highlighting government action to address emerging challenges proactively.
- consider using green and white papers regularly, starting with pilots, to consult on policy issues and options to address them (as recommended in Chapter 3).

Citizens' engagement can be harnessed through improved e-services

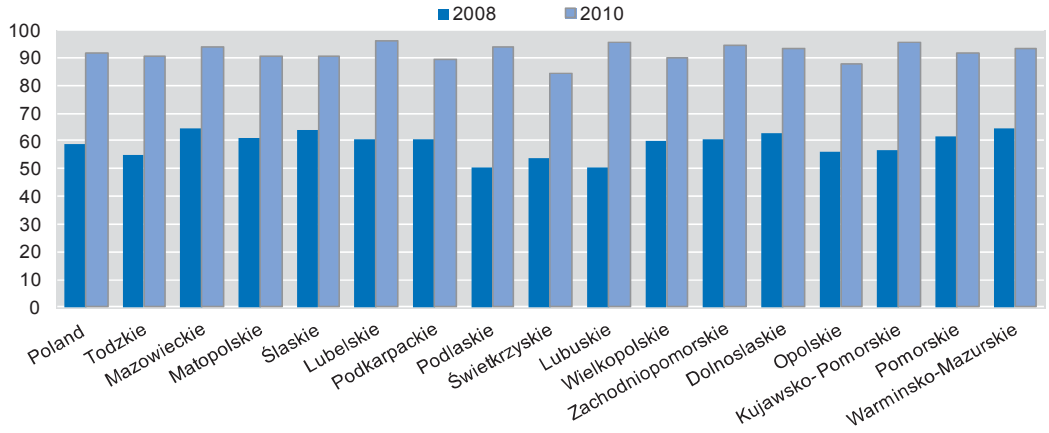
In this review (Annex A), e-government is not limited to electronic service delivery but includes the electronic tools to engage citizens and businesses meaningfully on public policy and service delivery issues. General citizen engagement, including through the use of e-government tools, is as important for policy making and policy evaluation as it is for improving services. Improving services through e-government might help increase trust in government. One tool to increase trust in government is the engagement on the part of citizens in policy making and service delivery design (OECD, 2011d). A key precondition for citizens' buy-in is that the different services and engagement options are actually used. E-government uptake is therefore a key measure of whether trust outcomes are being improved.

E-government uptake

The actual use of e-government services, or "e-government uptake", is an essential requirement for achieving value for money in implementing ICT investment plans (OECD, 2009). If the services or the equipment are not used, they do not add value for citizen-users. Hence, measuring e-government uptake is very important to identify key e-government challenges in order to optimise the gains from investments in ICTs.

As mentioned in Chapter 3, Poland seems to perform relatively well with respect to business-services uptake. General uptake by business was well above the OECD average in 2010 (OECD, 2011b). Furthermore, business use of e-government services seems to be consistently high across the different regions as illustrated in Figure 5.2.

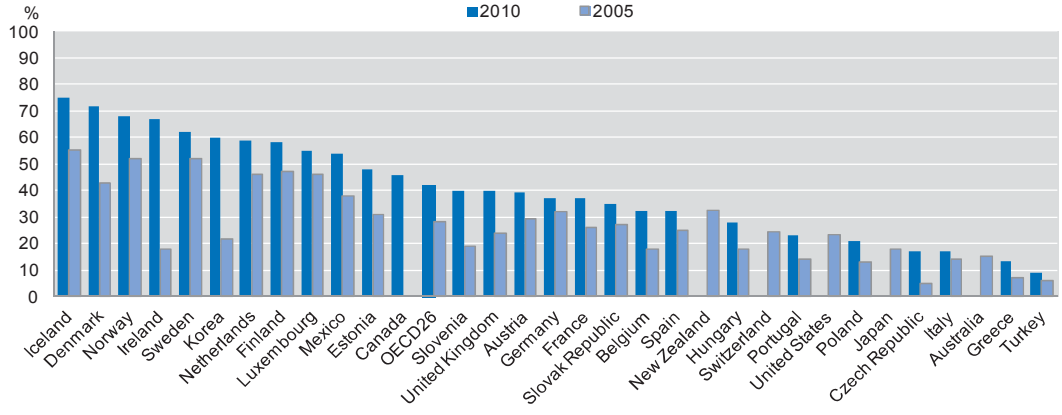
Figure 5.2. **Businesses use of Internet to communicate with the government administration, per region**



Source: Ministry of Regional Development (2012), *Internet in Poland*, Ministry of Regional Development, Warsaw.

However, the same is not the case with respect to individual citizens: numbers indicate a significant uptake challenge: in 2010 only 21% of Poles were using the Internet to interact with government authorities, compared to the OECD average of 42% (OECD, 2011b). The central government is grappling with certain internal administrative challenges in this regard. Electronic filing systems are not in place in most regional offices across the country. Uptake of basic ICTs, such as professional e-mail accounts, differs between regions. Staff in such regions as Lubelskie and Świętokrzyskie have more limited access to e-mail than in regions such as Dolnośląskie and Lubuskie (58% and 55% against 79% and 75%) (Ministry of Administration and Digitisation, 2012).

Figure 5.3. **Citizens using the Internet to interact with public authorities**



Source: Eurostat, *Information Society Statistics Database*; and OECD, *ICT Database* and Korean Survey by Ministry of Public Administration and Security on ICT Usage.

Reaping value from e-government requires that the services provided are actually used. In Poland – as in a number of other OECD and EU countries – there seems to be a significant gap between the supply of e-government citizens' demand as measured by uptake. The government of Poland realises this (Ministry of Administration and Digitalization, 2012). In this regard, the digital divide in Poland still remains a challenge: in 2011, 33% of Poles had never used the Internet, compared to the EU average of 24% (Eurostat, 2012). Some of the traditional first movers in the private sector do not seem to have promoted uptake of online services to the extent observed in other OECD countries; for example the use of Internet banking and e-commerce is considerably lower than the European Union average (Eurostat, 2012). However, the use of social online networks is around the EU-27 average which, given the low uptake of the Internet and e-government services, points to a potential for further development (Eurostat, 2012).

Improving trust through e-government capacity

"Poland 2030" notes that trust in the state is one of Poland's key development challenges (Board of Strategic Advisors to the Prime Minister, 2009). Trust can be considered through several different perspectives including political participation, trust in institutions and trust in the national media. Poles' trust in public institutions as measured through their political and civic participation falls considerably below the OECD average; moreover, Poland has one of the lowest voter turnouts in the OECD (OECD, 2011d). Levels of trust in the judicial system and the courts, the national government and the media hover around the OECD average (OECD, 2011d).

The nature and scope of formalised and open consultation processes put Poland near the top of the list of OECD countries in this area (OECD, 2011d). The discrepancy between this and the low scores in trust levels might indicate a lack of awareness that consultation processes exist, or perhaps that the consultation processes themselves are not effective and are discounted by citizens. The relatively good position of the Poles in terms of using social media and social networks, as mentioned above, might indicate a potential to be developed as a means of building trust in the institutions of government.

While transparency, access and openness may be prerequisites for trust, they are not sufficient in and of themselves to build trust. This also applies to e-government services: while an enhanced supply of e-government services might contribute to increasing trust in government, this supply will not by itself necessarily improve trust. Rather, it is the nature and scope of the demand and uptake for these electronically delivered services, and the degree to which citizens and businesses engage meaningfully using e-government tools in the development, implementation and improvement of government policy and service delivery, that will materially affect trust levels.

Public accountability and reporting can be improved

Citizens have the right to know how their taxes are spent, whether they are being spent efficiently and effectively, and whether they are achieving the results they are supposed to be achieving. Indeed, building trust in government also implies transparency and honesty – including admitting mistakes. Accountability and reporting tools have been identified in Chapters 2, 3 and 4 – these relate as much to the definition of robust performance assessment capacity and its associated indicators and targets that allow policy makers, their political leaders, Parliament and the public to assess spending against the outcomes the spending was supposed to achieve. These tools also include the production and distribution of performance-based budgets, annual reports, green and

white papers, etc., and the use of e-government tools to optimise their diffusion as well as integrating public feedback into successor versions of these tools.

Part of an effective whole-of-government accountability framework's strength is its machinery. The government of Poland might consider mandating the Development Policy Co-ordinating Committee of Ministers, supported by the Chancellery, to prepare, approve and issue, in print and electronically, one or more whole-of-government annual "State of the Country" reports that clearly presents to Parliament and citizens what progress the government has made over the preceding year in achieving the integrated strategic outcomes it has articulated for the country in its long-term strategic vision and its medium-term integrated implementation strategies. These reporting tools need not be technical or overly academic, but should be based on sound quantitative evidence presenting government activity to address emerging policy challenges while improving the country's development and quality of life.

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Chapter 6

Making governance reform happen in Poland

This chapter summarises the analysis provided in the Review, and offers advice to the government of Poland on sequencing, staging and communications issues that can affect the successful implementation of its governance reform agenda over time.

Introduction

Governance reform is not an end in itself; it is a means to achieve public policy results efficiently and effectively for citizens and businesses. At the end of the day, good governance is about building a better national and regional socio-economic environment in which people can live, learn and work; in which entrepreneurs can innovate and commercialise the results of their creativity; and in which businesses can invest. Good governance tends to translate into enhanced well-being, quality of life and standards of living for all.

Poland has made great strides since the fall of communism in modernising its governance structures and processes. The country entered the 21st century as a confidant, dynamic, forward-looking liberal democracy whose citizens share a broad and deep consensus around the importance of the rule of law and the role of markets in securing their own economic well-being and that of their children.

It is on the basis of this consensus that the government of Poland has made impressive efforts at articulating and setting a vision-driven strategy for the country's medium- and long-term development, particularly as it steers its course as a member of the European Union. Yet the government's ability to turn its vision into reality will depend on its capacity to implement the strategic plans it has so articulately developed to pursue this vision. And the government's objective of enhancing its governance capacity as a strategic state takes on added urgency given the substantial foreign and domestic social, demographic and economic challenges it is facing.

Poland faces emerging challenges and opportunities

Poland's economic well-being has caught up quickly with other EU countries, and Poland has weathered the "Great Recession" of 2008-2009 well relative to its neighbours. However, growth in 2012 and 2013 is expected to slow given the deteriorating outlook for the euro area. In this evolving economic environment, Poland's fiscal space will be tighter, and the impact of EU Structural and Cohesion Funds, which have contributed to supporting growth and development, is likely to be more limited.

The government plans to continue down its path to lowering the deficit to below 3% of GDP by 2013 and meeting the EU medium-term objective of 1% of GDP by 2015. Consolidation measures include a nominal wage freeze and increased revenues from changes to the pension system. A new regime was put in place in 2012 to prevent the approval of laws that would increase spending on a wide range of social entitlements or reduce revenues. Public sector units have legally binding cash limits over a ten-year horizon on new legally mandated spending which aims to align government expenditure with the EU "Six Pack" and the Fiscal Stability Treaty.

This is placing additional demands on already strained public service resources. For instance, civil servants' salaries have been falling in real terms. This is, in turn, raising concerns about the capacity of the public administration to attract and retain talent. Overall government spending will need to account for future pressures more explicitly, given the demographics of a rapidly ageing population and population health outcomes that hint at escalating healthcare service delivery costs over the long term.

And trust in government is relatively low. While Poland can rely on a rich network of civil society organisations (there are approximately 12 000 registered foundations and 71 000 associations), with many institutional structures facilitating dialogue between

government and national stakeholders, public perception that knowledge and resources outside government are not leveraged enough to improve policy performance runs the risk of a loss of public and business credibility in the government's action.

This Review's key message: Move to strategy implementation

Significant progress has been made in strengthening the government's capacity to set strategy. The central government has articulated a single, vision-based strategic framework for the country's long-term development. There is renewed commitment to whole-of-government evidence-based decision making, along with emerging central co-ordination and leadership capacity, emerging centres of excellence across the civil service and a young, committed, dynamic civil service in key government units and line ministries.

But implementation remains the key challenge: asking today's leaders to meet tomorrow's challenges using yesterday's governance toolkit is like asking an engineer today to design tomorrow's faster trains using steam-engine technology. Central and line ministries still work in silos. Budget and strategy are not yet sufficiently connected. Performance information is still not sufficiently integrated into decision making and resource allocation. Decision making is still seen as rule making. Ministry and self-government mandates are not always supported by proper incentives. Human resources management is still fragmented within and between governments. There is room to improve co-ordination across levels of government. Consultations with non-government partners tend to be *ad hoc* and occur too late in the process to influence decision making.

Issues to overcome to make change happen

While there can be similarities in the types of "road-blocks" to reform experienced across the OECD, they are highly context-dependent. That said, OECD experience highlights three general challenges common to all reform processes (OECD, 2012):

- The scale, scope and complexity of public administration make it difficult to define what is strategically critical to success and what is transactional or tactical, related to something trivial, or irrelevant. Administrative complexity can often render opaque a seemingly clear, limpid path to reform.
- The pace, visibility and dynamics of reform make it difficult to define what exactly should be done first to start, steer and sustain reform: what should be done now and what later, while distinguishing between "nice-to-haves" and "need-to-haves" on the reform agenda and anticipating obstacles and opportunities correctly as this agenda is pursued.
- Acquiring the on-the-ground know-how of reform is a significant challenge because one size does not fit all: it is indeed inadvisable – and for all practical purposes impossible – simply to transpose a reform approach used elsewhere, no matter how successful it was. Notwithstanding many similarities, the circumstances and conditions of reform are never the same across jurisdictions. Indeed, the most important condition of success is ownership of the reform agenda by the reformer – the reformer's passion and commitment that comes from creativity and perseverance in driving reform is as essential as the duty to lead reform that comes with the position occupied by the reformer – and the nature of

this commitment will be influenced by specific national values, culture and mores in addition to administrative traditions that differ across jurisdictions.

As well, in undertaking public governance reforms, governments sometimes face additional challenges, such as a lack of societal demand for reform, perhaps even public resistance to it, or perceived issues related to "reforming the reformer", or dysfunctional political-administrative relations within the government (OECD, 2012).

While these challenges tend to be generic, as they are common across OECD countries, Poland faces specific issues related to its ability to move quickly from strategy setting to strategy implementation, including:

- Centre of Government (CoG) institutional capacity to co-ordinate effectively;
- sustaining evidence-based decision making across the entire government;
- implementing and monitoring the territorial contracts with the 16 *voivodships*;
- rolling out the government's HRM strategy;
- completing the development of – and implementing – the government's e-government strategy;
- enhancing meaningful *ex ante* and *ex post* consultations; and
- sequencing reform decisions to maximise results.

Improve Centre of Government institutional co-ordination

Progress in strengthening the government's capacity to set strategy has been significant

The government has consolidated over 400 sector-based strategies into 9 integrated strategies guided by a long-term whole-of-government vision for the country. The government has committed to implementing performance-based budgeting starting in 2013. It has recently adopted a regulatory test and traffic light system to vet proposals for the government's work programme.

Effective collaboration across government remains a challenge

However, capacity across CoG institutions to steer and implement strategy efficiently appears to be uneven. Some political-level inter-ministerial committees appear to be more effective than others at integrating policy initiatives coherently within a broader whole-of-government strategic framework, and there are limited incentives for ministers to co-operate and co-ordinate on a day-to-day basis. This limits the central government's capacity to implement integrated multi-sector strategies effectively.

Break down silos – name institutional champions to oversee reform

The institutional relationships between CoG institutions and line ministries and agencies, especially the co-ordination mandate of the CoG institutions, need to be clarified and codified. The whole-of-government co-ordination responsibilities of the Ministries of Finance, Economy, Foreign Affairs, Regional Development, and Administration and Digitization in addition to those of the Chancellery and the Government Legislative Centre, need to be articulated in legislation or regulation and

communicated broadly (including to the general public) so that they are clearly understood by line ministries and operating agencies.

The Prime Minister could identify an institutional champion to oversee CoG co-ordination reform (see Chapter 2). It is usually preferable to use an existing mechanism to play this role rather than to create new institutional arrangements to perform in a holistic manner functions, parts of which are already being carried out by existing institutions. Under the government's National Development Strategy and its medium-term implementation strategic plan, the Efficient State Strategy, a Co-ordinating Committee is being set up. The Prime Minister could confirm that this committee is being given the mandate to oversee whole-of-government reform implementation, with the Chancellery as its secretariat, working in close co-operation with the CoG institutions named above. Detailed implementation plans and timetables could be articulated and communicated across the government, with the *voivodships* and with the general public. The committee should be tasked with providing regular update reports on progress to the Council of Ministers, and through the Prime Minister to the *Sejm* and to the general public.

In overseeing reform implementation, the Co-ordinating Committee (and its sub-committees responsible for budget reform, co-ordination and evidence-based decision making) could be assisted by temporary/*ad hoc* task teams comprised of civil servants from the key relevant CoG and line ministries to drive key elements of reform through the decision-making process.

Strengthen the performance orientation of the budget

Performance-based budgeting has been piloted since 2006/07, running in parallel to traditional budgeting (see Chapter 2). In 2013, the performance budget will be attached to the traditional line item budget that is presented to Parliament. From 2013, Poland will *de facto* therefore have two budgets. However, the traditional line item budget will continue to determine resource allocation which might over the medium term drain energy and enthusiasm for the PBB from the public sector. There is little incentive to invest energy and career capital in a reform that ends up being perceived as a purely paper exercise.

There appears to be a need for high-level commitment to advance reform: within the government, it is currently hard to identify a high-level political champion for performance budgeting. Moreover, the multi-annual financial plan that is currently prepared for implementing EU-funded programming appears to be largely disconnected from the annual budget process.

Hence, the government needs to strengthen the performance orientation of the budget quickly as part of a thorough modernisation of budgeting practices and procedures to reap the benefits of fiscal reforms implemented so far. In particular, the Co-ordinating Committee recommended above could be assisted in this matter by a "Performance Budgeting Sub-Committee" that should be co-chaired by the Ministers of Finance and the Economy, and include ministers' representation from the Chancellery, the Ministry of Administration and Digitization, and key line ministries that have already successfully adopted PBB – notably the Ministry of Education.

Improve evidence-based decision making across government

Major policy decisions are regularly based on immediate-term political considerations

Despite elaborate systems that are progressively being implemented across CoG institutions to ensure enhanced coherence in decision making by the Council of Ministers, the fact remains that significant decisions are still being made outside these processes (see Chapter 3). This has policy as well as fiscal implications that, given the challenges Poland is – and will be – facing, should be addressed as quickly as possible.

In addition, the vast majority of policy decisions appear to be implemented using regulation. Analysis that supports decisions is too often limited and policy makers do not seem to make much use of regulatory impact assessments (RIA). There is not sufficient investment in the quality of RIAs and the quantification of costs and benefits in particular for high-impact proposals should be improved. Systematic *ex post* evaluation of major initiatives is still at the pilot stage.

Scale up evidence-based decision making

Clearly, the government needs to press ahead with broadening and deepening evidence-based decision making across all areas of government activity, in much the same way as it needs to extend PBB:

- The government could consider piloting the use of green papers for major policy initiatives as a consultation and planning tool to develop policy ideas and engage ministries, the *Sejm*, citizens, business and civil society organisations (CSOs) in the policy development process.
- The government could make its regulatory test mandatory for any new proposal prior to it being submitted to the Programming Team and for inter-ministerial consultation prior to a decision being taken by the Programming Team to give the proposal a green light for submission to the Council of Ministers. It could consider making it mandatory to publish regulatory tests online for public consultation.
- Full RIAs, including quantified costs and benefits, could be conducted for all high-impact proposals and be submitted to the Chancellery for a review of its quality and accuracy and be refined if necessary. They could be used for internal inter-ministerial and external online consultations with any member of the public early in the process – prior to the proposal being submitted to the Council of Ministers for decision.
- The government could ensure that line ministries create units to develop proper regulatory tests and RIAs for sector-specific regulatory proposals, and strengthen the relevant units in the Chancellery and the CoG ministries to undertake quality checks and to analyse them for content against the government's overall integrated strategy implementation plans. These analyses could be attached to all proposed legislative initiatives sent to Parliament by the government.
- In the context of a tightening fiscal environment, the government could extend the application of evidence-based analysis and evaluation tools across all programming sectors and launch a sequenced set of strategic and operational reviews of programmes to determine the degree to which existing programming

represents a priority to achieve the government's strategic objectives. This process will eventually generate fiscal room for the government as it implements its strategic priorities over the medium term.

- The Co-ordinating Committee recommended above could monitor the implementation of evidence-based decision-making reforms to ensure that these are implemented across the government coherently.

Strengthen multi-level governance co-ordination

The government is moving toward greater coherence in multi-level governance planning and programming implementation (see Chapter 4). The current generation of regional contracts helps integrate regional and national plans for development (see Chapter 4 and Annex B). However, the vertical co-ordination of spatial planning appears insufficient, while in metropolitan areas (and functional rural regions) inter-municipal co-operation is limited at best. EU programming has yet to be sufficiently integrated with, and coherence maximised between, national, regional and local programming.

The upcoming 2014-2020 EU programming period provides the government with an excellent opportunity to demonstrate results in terms of planning integration and coherence. The government could conclude the implementation process of its planned territorial contracts that aim to roll out the 9 integrated national strategies in each of the 16 *voivodships*. These territorial contracts also aim to integrate the EU programming (managed through the region's operating programme) into national strategic planning. In so doing, the government could:

- develop and include in the territorial contracts a robust performance assessment, accountability and reporting regime to measure the effectiveness of the contracts in implementing the integrated strategies over the medium term;
- include in the contracts clarification of local, regional and national responsibilities in contract implementation and management;
- include co-ordination mechanisms for spatial planning at the regional level in the contracts;
- ensure that proper/effective incentives are included in the contracts to roll out HR management and e-government strategies effectively in the *voivodships* and *gminas*/*poviats*;
- ensure that local authorities (*gminas*) can have their voices heard in all stages of public investment policy for a region's development;
- improve the flow of communications between regional and local authorities, academia and business, and report regularly to civil society on progress in achieving integrated strategic outcomes.

The Co-ordinating Committee recommended above could ensure that the Minister of Regional Development works closely with CoG partners as it develops and negotiates the territorial contracts, and could report regularly on progress to the Co-ordinating Committee. The committee itself, assisted by the Chancellery, could monitor progress in preparing the territorial contracts to ensure that they identify sufficient financial and human resources to support all relevant vertical and horizontal co-ordination, e-government and HRM mechanisms to implement strategic priorities effectively.

Facilitate local partnerships

Given the ever tightening fiscal environment faced by Poland's national, sub-national and local administrations, coupled with badly-needed investments in strategic transport, social, community and housing infrastructure, the national government needs to work with its public and private partners across the country to develop new, innovative sources of funding based on partnerships and more efficient use of existing public resources. The government could therefore:

- develop templates and provide incentives for the establishment of partnership contracts between municipalities to facilitate joint application for funding for metropolitan initiatives (infrastructure and other);
- encourage inter-municipal co-operation for sectors where co-operation is still limited, like education and housing;
- work with the private and third sectors to define templates for, and engage in, when appropriate, partnerships to fund and operate public infrastructure.

Strengthen strategic human resources management

The central government has made considerable efforts to professionalise the civil service (see Chapter 2 and Annex C). However, the government's ability to identify, attract and retain skills to address future socio-economic and demographic challenges is limited. Human resource management is fragmented among individual ministries and agencies; these lack an overarching framework to guide their HR policies. For example, recruitment and salary criteria are set within ranges that are too broadly defined, leading to wide discrepancies in pay and limited mobility across the central government.

The government therefore needs to implement its HRM strategy quickly. In particular, it needs to invest in strategic workforce planning to ensure that it can rely on a workforce that is available and able to deliver services to meet these challenges over the long term. It needs to develop and implement a stronger employment framework to facilitate mobility within and between ministries and agencies across the central government, and between levels of government. The government could ensure that:

- The Chancellery's Department of the Civil Service leads a whole-of-government process to implement these reforms by:
  - working closely with line ministry and agency HR units to ensure that on-the-ground workforce needs are taken into account in these reforms;
  - ensuring that line ministries and agencies acquire the necessary HRM tools and skills where these are lacking.
- The Chancellery's Department of the Civil Service works closely and on an ongoing basis with the CoG units responsible for co-ordinating the implementation of the Efficient State Strategy, performance-based budgeting and evidence-based decision making so as to ensure that the government's strategic HRM objectives cascade from the Centre of Government to ministries, offices and individuals.

- The Co-ordinating Committee is informed of progress in this area so that it can ensure that the appropriate linkages and cross-walks between HRM, strategy and budget are identified and taken into account as the Council of Ministers implements the government's nine integrated development strategies.

Focus attention on e-government value and benefits

The government has undertaken considerable ICT investments based on a sound diagnostic for future work on e-government (see Chapter 3 and Annex A). However, the government's incentives to get ministries to focus on the value of e-government are unclear. The delivery of online services based on a user focus remains elusive. There is little co-ordination and information sharing nor re-use of data across ministries. There is limited systematic management of e-government implementation based on the value of IT investments and the performance of projects in the achievement of outcomes for end-users.

As discussed in Chapter 3, the government could therefore clarify further the mandate and responsibilities for implementing its e-government agenda. It could focus on prioritising and implementing a coherent and user-oriented service-delivery model across different levels of government, based on value-for-money in managing ICT investments to achieve strategic policy outcomes, improve service delivery by focusing on addressing the needs of the end-user, and enhance the impact of consultations on policy design, delivery and improvements.

The Co-ordinating Committee recommended above could monitor progress in this area, with a particular focus on ensuring that the appropriate linkages between the nine integrated strategies, the territorial contracts, performance-based budgeting and State 2.0 are being taken into account as all of these strategies and their operational programming are being implemented. The Co-ordinating Committee could co-ordinate regularly with the government's Standing Committee on E-government (chaired by the Minister of Administration and Digitisation) to ensure that these linkages are made. The Chancellery could work with the Ministry of Administration and Digitisation (MoAD) where appropriate to support this ongoing co-ordination.

Enhance consultations

Effective consultations and citizens' participation in policy development and evaluation, and programme and service delivery and evaluation, builds and sustains trust in government as an institution working in the public interest (see Chapter 5). This trust is essential to sustaining the legitimacy of the state's activities – legislative, executive and judicial – in the eyes of citizens.

The government of Poland has gone to considerable lengths to recognise in both the Constitution and in its legal superstructure the importance of consulting the public. It has developed considerable formal and informal mechanisms to engage the public as a means to implement this recognition.

And yet, recent polling suggests that trust in the Polish state and its institutions continue to decline. The government could:

- broaden and deepen the use of consultation mechanisms to engage in meaningful dialogue with citizens and CSOs on major policy and programming issues – the previous section highlighted the recommendation to use green papers and to consult on regulatory tests and RIAs internally and with the general public;

- ensure through its CoG institutions that any and all major policy initiatives include the results of proper consultations with the general public and relevant stakeholders – and if not why not – as a necessary condition for the initiative to be considered for decision by the Council of Ministers;
- ensure that major initiatives contain a robust plan to engage the public in *ex post* evaluation and to report publicly on progress in implementing the initiative/reforming the programme over time.

Timelines and sequencing

One issue raised regularly in debate on public governance reform is the relative merit of quick "big bang" actions and more gradual, incremental progress. One argument in favour of big bang reforms is that resistance to further activity might be overcome by using windows of opportunity and packaging diverse changes in a single, politically attractive package. Arguments in favour of incremental reform suggest that dialogue and the development of competencies, while enabling feedback on previous measures, reduces the risk of failure.

The choice between these two approaches is a question of political judgement that is context dependent. That said, there are eight broad lessons that the OECD has identified from its work in this area that might serve the government of Poland as it sets its course to complete its governance reform implementation process (OECD, 2012):

- Set priorities. Reforms often have many dimensions, with differing degrees of priority. Choose wisely, based on evidence and how best to achieve policy objectives.
- Create a clear roadmap. The government needs to be clear about the path it will follow and about how best to sequence key steps along the way.
- Clearly identify "winners" and "losers" of a reform initiative. "Losers" need to be acknowledged and their losses taken into account.
- Follow up implementation. Capacity for reform implies the ability to sustain it over time while assessing progress regularly.
- Maintain flexibility in implementation. The system has to remain flexible and adjust reform paths to evolving conditions.
- Focus communication on the outcomes of reform. Citizens are generally not very interested in public governance reform – unless it affects such fundamental services as healthcare and education. Communication should therefore focus on improvements and positive, outcomes-related impacts.
- Exploit windows of opportunity. Crises offer opportunities to innovate and fix problems. Identify and seize opportunities to address deficiencies.
- Leadership. Virtually all assessments of public governance reform stress the importance of strong leadership. Many also point to the need for government cohesion in support of reform: if the government does not speak with a single voice around a reform proposal – and speak forcefully in its favour - it will send mixed messages about the government's commitment to it. Leadership is as collective as it is individual.

The government of Poland possesses all the technical, managerial and leadership capacity it needs to complete its governance reforms. Its imply needs to proceed. The government completed a significant round of public consultations on most of its nine medium-term integrated strategies to implement its National Development Strategy in 2011. It is critical that it now move to approve all remaining strategies, so that the implementation plans – in particular the HRM, State 2.0 (e-government) and strategic-state implementation planning under the ESS can be rolled out.

The government could consider sequencing reform implementation as follows:

- First, approve all remaining integrated, medium-term strategies.
- Then, proceed with implementing machinery changes to achieve strategic-state reforms, including:
  - approving and publishing all mandates for CoG ministries and standing co-ordinating committees;
  - ensuring that all RIA-related decision-making rules are in place, so that as a general rule Council of Ministers decisions are no longer made outside this decision-making process (except under extraordinary or emergency circumstances);
  - ensuring that all evidence-based and performance-budgeting decision-making mechanisms are in place so that internal evaluation can begin on the impact of these reforms.
- A robust communications plan could be prepared that presents to the *Sejm* and the public a detailed timeline for rolling out the implementation of the integrated strategies and the strategic-state reforms, including the signing of the territorial contracts with the *voivodships*.
  - The government could announce that over a multi-year cycle, it will report annually to the *Sejm* and the public on progress in implementing reform, based on the work of the Co-ordinating Committee with assistance from the Chancellery – and most importantly on the impact these reforms are having on the nature and scope of decision making.
  - The government could also commit to report at the end of the multi-year cycle on the impact these reforms are having on the well-being of Poland's citizens and businesses.

The final phase of the *Public Governance Review of Poland* is the development and roll-out of a reform implementation programme of work. The OECD will work with the government of Poland to develop this implementation framework and accompany the government as it rolls it out over the course of 2013.

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Annex A

The case of e-government in Poland: Connecting the dots

Introduction

E-government is the use of information and communication technologies (ICTs), particularly the Internet, to achieve better government. E-government offers great potential to lever policy making, public sector reforms and improve public service delivery. In Poland, realising this potential seems to be encountering a number of challenges. In many instances, these challenges do not stem directly from e-government issues but illustrate more general challenges facing the country and its public administration.

This annex presents the case of e-government in Poland. It will show how general governance challenges are mirrored in the use of ICTs and it will assess overall e-government achievements. It first presents the Polish strategic framework for e-government, followed by an analysis of current Polish organisation and implementation mechanisms. It will then examine e-government service provision and discuss the value of e-government in Poland. Although the assessment covers e-government broadly, the justice area will receive particular attention through selected examples. It concludes by summing up these assessments and proposes future actions for consideration by the Polish government.

The strategic framework: The rationale and purpose of e-government

OECD countries are increasingly using ICTs to lever government effectiveness and efficiency. E-government development is at its core a proposal to rethink fundamentally the policy making and the public service delivery architecture of government, exploiting the potentials of new technologies (OECD, 2009a). Rethinking service delivery architecture also implies new ways of defining political purpose across levels of government. The 2012 E-Leader's Meeting in Mexico highlighted that OECD countries currently are considering how to "de-fragment" government to restructure organisations and information flows, to improve government agility to meet ever-changing (and increasing) user needs, and to open up government administration to achieve greater accountability and transparency by putting public sector data at the disposal of the public for their own uses (OECD, 2012d).

Chapter 1 described the main economic and fiscal challenges facing Poland. Sustaining national growth is one of the government's key medium-term strategic objectives, along with ensuring harmonious regional development. These strategic objectives are being pursued in the context of the government's efforts at fiscal consolidation and finding efficiencies at all levels of the public administration,

particularly against the backdrop of the inflow of EU Cohesion Funds that will decline over time, particularly after 2020. An efficient public administration is a necessary condition to sustain economic growth over time. Poland has experienced considerable economic and social development over the last two decades, and continues to evolve politically and culturally. The need to prepare Poland and the Poles for tomorrow is high on the government's agenda, as is the recognition of strengthening the level of trust and confidence in government and its institutions. These economic and political challenges affect the context and the priorities for e-government implementation in Poland; the use of ICTs can be a key enabler to achieve these goals.

"Poland 2030" and "Effective State 2011-2020"

In Poland, the overall strategic framework for e-government is articulated in the government's "Poland 2030" long-term strategic vision for the country, and is further outlined in its "Effective State Strategy 2011-2020". "Poland 2030" sets out the government's overall direction for the development of Polish society. In so doing, it advocates the integrated adoption of ICTs in all parts of society. "Poland 2030" highlights ten major challenges for the country in the next two decades, among which are communications infrastructure, knowledge and skills, productivity in the Internet economy and the imperative of an effective state. The use of ICTs and e-government figures prominently not only in the description of the challenges facing the country but as an integral component in the government's strategic responses to them – that of pursuing a "Digital Poland" (Board of Strategic Advisors to the Prime Minister, 2009; Tusk, 2011).

One of the nine integrated strategic plans developed to implement this strategic framework, the "Effective State Strategy" outlines a mid-term plan for reforming governance in the central government. It highlights *inter alia* the importance of using ICTs to enhance effectiveness and efficiency in the public administration.

Poland is currently revising its specific national e-government strategic plan. The government's initial e-government plan, "The Strategy for the Development of the Information Society in Poland until 2013", was approved in 2008. This strategic plan focused on achieving "a society where citizens and enterprises consciously use the potential of information as economic, social and cultural value, with effective support from a modern and friendly public administration" (Ministry of Interior and Administration, 2008). The strategic plan aimed to "increase the accessibility and effectiveness of public administration services with the use of ICT solutions to reconstruct internal processes in the administration and the delivery of services" (Ministry of Interior and Administration, 2008).

"State 2.0" and the Polish e-government approach

In 2011 and 2012, the Ministry of Administration and Digitalization (MoAD) revised and expanded the strategic plan, particularly with respect to the public sector's use of ICTs. In April 2012, the Ministry launched "State 2.0 – A New Beginning for E-administration". This new strategic plan includes a critical analysis of the state of e-government in Poland and grounds revising the government's e-government strategy to direct future work (MoAD, 2012a). In preparing the assessment, the MoAD examined a large number of key e-government projects and identified a set of cross-cutting challenges affecting the implementation of e-government. These include:

1. "There is no comprehensive, multi-dimensional and long-term approach to digitalization tasks".

2. "The preparation and implementation of IT projects is not fully co-ordinated or institutionally organised at the governmental level".
3. "The current approach has no comprehensive vision of a system user that encompasses all projects".
4. "Project preparation is dominated by a technical and hardware-oriented approach".
5. "The development and implementation of projects is not organised in logical sequences".
6. "Project planning and implementation is not divided into physical and financial stages".
7. "The results achieved by a project, such as the quality of delivered products, may be unsatisfactory if too many projects are scheduled for closure and settlement during the final phase of the current EU budgeting period".
8. "Various institutions develop parallel systems with no regard to compatibility or communication".
9. "There is a lack of solutions that meet the actual needs of users, which change over time".
10. "There are no maintenance cost analyses for implemented projects, networks and systems".
11. "Project stakeholders do not work together closely enough".
12. "The implementation schedules and budgets of many projects fail to allow time for testing, drawing conclusions, and making improvements to systems prior to delivery".
13. "Some of the financial decisions related to certain tasks in 2007-2010 were not as transparent as they should have been".

Hence, the assessment has highlighted a lack of co-ordination within a coherent strategic framework, an insufficient focus on the real costs and benefits of e-government, and a lack of key implementation standards and skills. The report proposes a "turn-around" based on four principles: a user-centred plan based on a freer flow of information; the plan's point of departure being the needs of citizens and business, that is, e-government to achieve service delivery objectives rather than as a means to buy and use technology for its own sake; transparent and effective investments; and technology neutrality, enabling sustainable competition and agile procurement in public markets (Box A.1). The MoAD has conceived an approach on three levels (MoAD, 2012a):

- the programme and project level: ensuring a higher level of interoperability and coherence in the development of e-government projects in the short term;
- the government policy level: preparing before the end of 2012 a new "state informatisation plan" based on the integrated use of ICTs to support government policy setting and implementation and service delivery, rather than simply to apply technical solutions to specific problems;
- the mid-term strategic level: conceiving an e-government strategic framework along with a new operating programme to implement it over the period 2014-2020.

Box A.1. State 2.0: Four principles for integrated computerisation

"Integrated computerisation" is a vision of actions based on the following four basic principles:

- Logical and efficient flow of information that allows the administration to help citizens faster in the performance of their obligations towards the state and support them in the realisation of their aspirations. Computerisation must be sub-ordinate to the circulation of information, and not vice versa.
- A rational flow of information can be defined and supervised only by an entity that needs the information to service citizens. Therefore, we are talking about procedures in public administration and services provided by the administration, and not about IT projects. It should be pointed out that each procedure should be owned not by a computer engineer, but by the interested public officer or office that is, in fact, responsible for the state-citizen interface.
- Transparent and effective computerisation is a process where expenditure is very closely monitored. All solutions selected to be realised must guarantee the best possible ratio of results to allocated outlay.
- A technologically neutral nation that must guarantee that a citizen has unrestricted access to services, irrespective of the operating system or even hardware (computer, tablet, smartphone, or devices still to be invented) that s/he chooses to use. The selection of a solution must ensure the state can replace the provider of IT solutions if co-operation with a given provider does not guarantee the expected benefits for citizens. The state should implement such instruments that guarantee it does not become a hostage of a particular solution or the company that provides it.

Source: Ministry of Administration and Digitalization (2012), *State 2.0. A New Start for E-administration*, Ministry of Administration and Digitalization, Warsaw.

Focusing on achieving short- and mid-term goals seems particularly relevant. Ensuring effective and coherent cross-governmental co-ordination is a challenge in most OECD countries. Furthermore, as is the case in Poland, most OECD countries are still exploring different ways of how best to reap the considerable benefits from better and more integrated use of ICTs to support government policies and service delivery.

Ministries in Poland are investing a lot of time and resources into the use of ICTs within their specific policy domains in line with existing strategies and plans. However, without appropriate co-ordination mechanisms, these efforts might not lead to further momentum, greater synergies and increased interoperability – on the contrary, lack of co-ordination could make interoperability more cumbersome and expensive.

In the justice area, several initiatives have been implemented to address co-ordination. With its 2009-2014 Strategy for the Digitisation of Justice, the Ministry of Justice is trying to address this issue through committees for co-ordination across ministries (Box A.2). Such formal co-ordination measures attempt to balance the added costs of increased co-ordination and the obvious benefits of coherent and interoperable e-government services across the entire government. And while these formal co-ordination mechanisms testify to the recognition that inter-ministerial co-operation is important, the digitisation of justice area is apparently not linked closely to the general organisation and co-ordination of e-government in Poland.

Box A.2. **Strategy for Digitisation of Justice 2009-2014: Formal co-ordination measures**

"Poland 2030" sets out the goals of an efficient and fully digitalised judiciary in Poland. This would imply a computerisation of all interaction between the different parties, internally as well as externally. Furthermore, it would imply internet access to all available data and new options of self-servicing (Ministry of Justice, 2012).

The Strategy for Computerisation of Justice for 2009-2014 focuses on ensuring progress in the "common judiciary" (Ministry of Justice, 2012). Agencies of information management will be digitalising the real estate registers to provide online access to both currently valid and historical data. Furthermore, a central Centre of Information Management will be established in the Department of Computerization and Court Registers to support the digitalisation of processes, including for example the e-courts. Finally, the Ministry of Justice aims to ensure the integration of key digital registers, such as the new Real Estate Register, the National Court Register and the Economic Monitor as well as other process supportive systems.

Decisions on strategy and key projects are taken by the Minister of Justice supported by his administration and in co-operation with the Minister for Administration and Digitalization – the ministerial co-operation is formalised through a committee. Furthermore, a committee for the financing through European funds is engaged when relevant.

Source: Ministry of Justice (2009), *Strategia Informatyzacji Resortu Sprawiedliwosci na Lata 2009-2014*, Ministry of Justice, Warsaw; and Ministry of Justice (2012), "OECD odpowiedź", unpublished working document.

Organisation and implementation of e-government in Poland

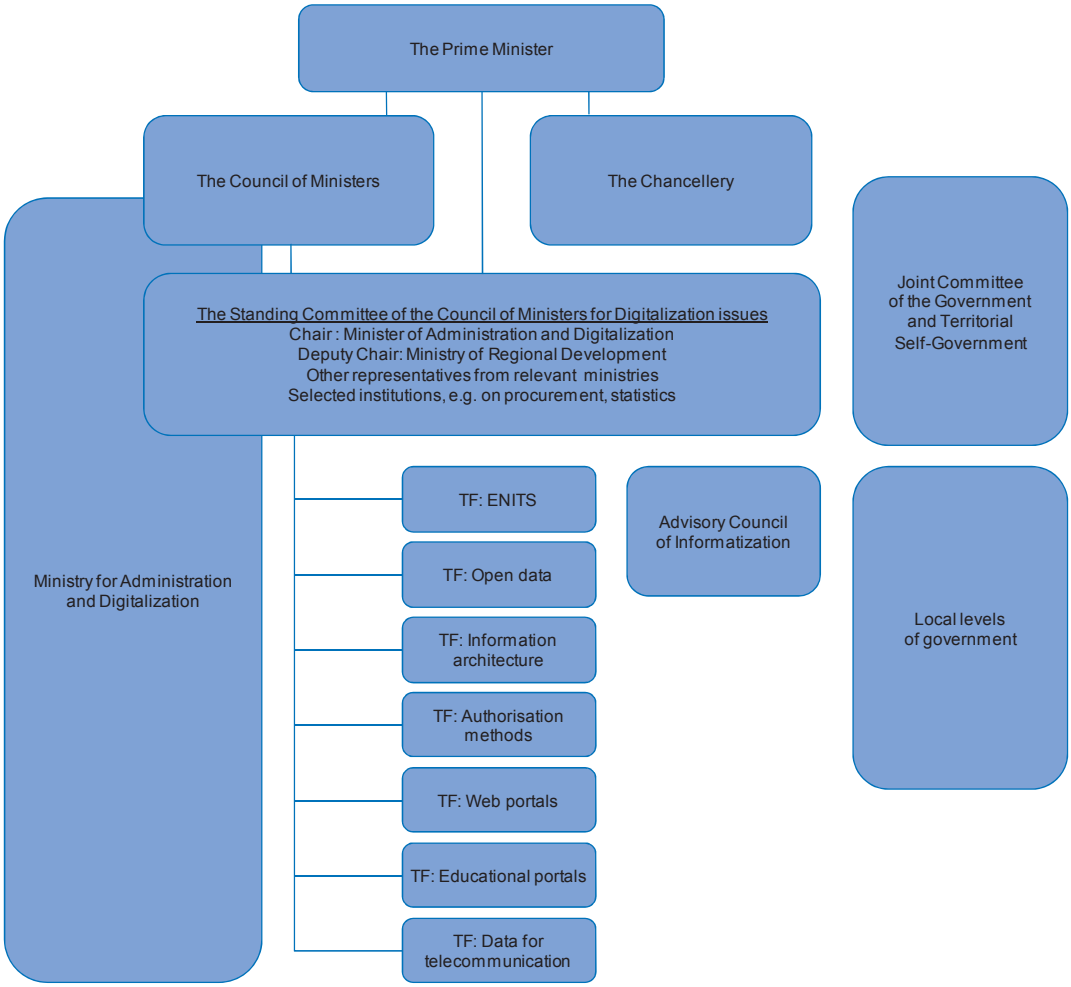
Good organisation and sound implementation mechanisms should serve to advance Polish efforts at digitisation. This section will analyse the current institutional structures and responsibilities of e-government in Poland. The financing of e-government will be presented in order to see how the funding of the projects is aligned with the objectives. Finally, implementation mechanisms will be assessed to determine the extent to which they are adequately designed and organised.

Institutional structures of e-government

The institutional structures for implementing e-government were recently modified to create a strong platform for e-government leadership and co-ordination. The MoAD was created in November 2011, consolidating the responsibilities of, *inter alia*, public administration, e-government and digital society within a single ministry. In January 2012, a standing Committee of the Council of Ministers for Digitalization Issues was created to improve cross-government co-ordination of e-government implementation. The committee is chaired by the Minister of Administration and Digitalization; its members are secretaries or under-secretaries of state. Ministers appoint the members to the committee. The Ministry of Regional Development is one of two deputy chairs of the committee ensuring alignment with regards to EU funds. Other representatives are the Public Procurement Office, the Office of Electronic Communications and the Central Statistical Office, as well as representatives of other institutions, including the Advisory Council on Informatization, which engages academia, civil society and other external stakeholders, and a board of directors, providing for a platform of co-ordination and knowledge exchange among senior public servants across the administration. Several

dedicated task forces have been created to support the committee. This structure is illustrated in Figure A.1.

Figure A.1. **Institutional structure of e-government co-ordination in Poland**



Note: ENITS: Inter-institutional Executive Team for the Project entitled "Emergency Notification IT System ENITS".

Source: OECD, based on *www.premier.gov.pl* and *www.mac.gov.pl*, accessed 2 June 2012.

Governance mechanisms were also strengthened to ensure closer co-ordination of e-government plans with specific projects. All new e-government projects above a threshold of PLN 5 million (i.e. approximately EUR 1.2 million) now need the approval of the Standing Committee for Digitalization Issues. This might enable a stronger and more effective co-ordination of e-government projects, although it seems that this does not cover revisions of existing larger projects. Furthermore, interviews with public officials indicate that another general challenge in the public administration is the flow of information both horizontally across the ministries and also vertically, between the CoG and the self-governments. If the right information does not flow adequately across all levels of policy making, there is a strong risk that establishing alignment and coherence will be difficult. This covers not only the political mandates or project approvals, but also

more operational co-operation and collaboration across the ministries and between levels of government.

The decentralisation reforms in the early 1990s changed the foundation of e-government development (Zawicki et al., 2012). Currently, e-government responsibility at the sub-national levels of government is not clearly defined, nor is the extent to which these governments are to be engaged in national policy making on e-government. As a general point, local government service delivery, including online service delivery, remains under the distinct jurisdiction of the sub-national levels of government (that is, at the regional, county and municipal levels). Vertical co-ordination and collaboration between levels of government therefore takes on added importance in the context of joint use of service delivery channels, such as the citizens portal, called ePUAP (Electronic Platform for Public Services); or of implementing joint enablers, such as a joint digital signature or common standards enabling interoperability, that is, the ability to share services and data. In order to support this, the application of general e-government enabling legislation extends to all levels of government.

Enhancing the capacity to increase engagement in policy making and service delivery is an important challenge in Poland, and critical to building trust in government. This is particularly important at the sub-national levels of government, given the extended service delivery role of regional and local self-governments to businesses and citizens. This strong sub-national role might present a challenge regarding e-government: when service delivery channels (such as joint government portals), functions or standardised processes are consolidated or merged across the country, local governments need to re-invent themselves and redefine the roles they play in service delivery. Experience across OECD countries suggests that this can imply that local governments might play a smaller role regarding the provision of "infrastructure-like" services and components; sometimes it might imply new opportunities for focusing on local policies and engagement, rather than on re-inventing basic online services across sub-national levels of government (see for example OECD, 2010).

Though a higher level of local engagement both from citizens and public servants seems desirable, it appears in Poland that there is still "space left" to define the value-added of a sub-national contribution to e-government policy making more clearly. Such stronger sub-national participation could happen in parallel with state enforcement of, for example, national governance and co-ordination of inter-governmental service channels, enablers or other joint components for online service delivery.

Financing e-government

It has proven difficult to identify clearly the total funding amounts that are being invested in the procurement of ICT goods and services in Poland. One EU estimate indicates 2.1% of GDP (regarding information society expenditures at large), somewhat lower than the EU average of 2.4% of GDP (European Commission, 2012a). OECD measures of ICT expenditures as a share of GDP point toward a somewhat lower proportion – between 0.1% and 0.8% of Polish GDP (OECD, 2011d).

The lion's share of investments in the Internet economy and e-government in Poland is funded by the EU. In particular, the EU Regional Development Fund includes two priority axes: Priority Axis 7, the Operational Programme for the Information Society, and Priority Axis 8, the Operational Programme for Innovative Economy, covering scheduled project budgets of approximately EUR 788 million and EUR 1 416 million respectively over the period 2007-2015. The managing authority is

either the Ministry of Administration and Digitalization or the Ministry of Regional Development. The more precise spending figures for communications infrastructure, the Internet economy and e-government services are not available. Of the total annual spending on e-government and ICT expenditures, the Polish government co-funds only a minor part.

Some government officials mentioned that the management of ICT project budgets focuses on meeting EU-funding requirements more than on managing the projects effectively in their own right. This seems to be reflected in the reporting on project implementation, whose budgets are typically supported using EU funds. Reporting therefore does not cover operations and maintenance, costs that are typically borne by the state. Reporting therefore does not account for future operational costs that will be borne by the owners of the systems and reduces the attention on benefits – particularly financial benefits. Although not generally indicative, Table A.1 illustrates this tendency of not quantifying benefits in project management reporting.

Table A.1. **Example on project status: The ZUS information system**

ZUS*: Development of the information system of ZUS giving access to e-services	Thanks to modernisation, ZUS can work more efficiently and quickly answer questions from individuals. Increased availability and security of digital services for payers and for purposes of services system of the ZUS control inspectors.	31 December 2013 (PLN 100 million)

Note: * *Zakład Ubezpieczeń Społecznych*: Poland's Social Insurance Office.

Source: Ministry of Administration and Digitalization (2012): *State 2.0. A New Start for E-administration*, Ministry of Administration and Digitalization, Warsaw.

Table A.1 illustrates the challenges of measuring the benefits of e-government. While the project input in terms of budget resources are quantified, the project outputs and outcomes are not quantified but only described in broad terms. A management reporting model on e-government projects focusing not only on the technical implementation of the projects, but on the degree of realisation of quantified benefits, might enhance the quality of the management of e-government projects. Such reporting based on results and performance would furthermore be in line with the Polish efforts to introduce and implement a performance-based budgeting system. The current absence of champions within this area might contribute to the explanation of difficulties experienced in defining and following up on performance.

OECD countries such as Australia, Denmark and the United Kingdom have begun work on maturing their approach to ICT project management through their work on ICT business case models, which include a systematic quantification of costs and benefits, including outcomes-based benefits. See Box A.3 on the Danish business case model and the governance methods applied to it.

E-government implementation mechanisms

The implementation of ICTs in the public administration has been encountering challenges in most OECD countries – and Poland faces considerable e-government implementation challenges. IT projects are generally faced with difficulties such as meeting ambitious deadlines, addressing changing business needs, handling technological details that change rapidly and affect the capacity to implement a project as initially planned.[1]

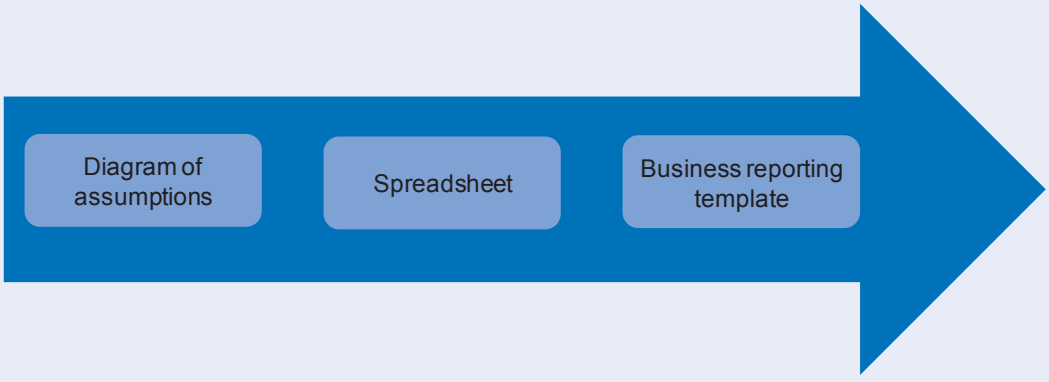
Box A.3. **The use of business cases: The Danish model**

The Danish government has introduced the use of one joint project model for ICT projects for all central government bodies, advisers and suppliers in order to improve the success rates of public sector ICT projects. Complementing the common project methodology, the mandatory use of a common business case model has been set up as a key requirement for all ICT projects exceeding DKK 10 million (approximately EUR 1.35 million).

The purpose of the business case model is to provide a framework for clarifying the value-added of the proposed project and providing grounded measures for how to manage the implementation of the projects and the realisation of the estimated gains. By doing so, the business case model aims to ensure better evidence-based decisions and a better management of resources in ICT projects. Standardised reporting across projects also enables comparisons and portfolio management across the state. The business case model covers analysis on a number of topics, including:

- project phases and cross-functional transfers;
- the provision of key financial figures on estimated costs and benefits (inputs and outputs), and furthermore a standardised view of the underlying assumptions, thus giving decision makers a more comprehensive background for taking decisions;
- realistic budgeting providing the foundation for improved project and risk management. The risk management element includes the use of risk adjustments in terms of to weighted averages, and for projects above DKK 60 million, also in terms of Monte Carlo simulations;[1]
- clarification of financial risks (along with the classic risk analysis) through the business model;
- benefit realisation and costs where the financial controllers are key players in design, follow-up and realisation of business cases. Who bears the costs and who owns the gains is key information.

The use of the business case model is organised around three steps, as illustrated below, covering breaking down the assumptions in a diagram, inserting the values in a spreadsheet template and applying the template for business and management reporting.



Box A.3. **The use of business cases: The Danish model** (*cont.*)

A strengthened governance setup was introduced with the business case model. It includes, among other key measures, better management of high-risk projects, and the establishment of the Government Project Council, which performs systematic quantitative risk assessment that takes into account funding, scope and consequences, resources and competencies, technology and ownership focusing on the realisation of the benefits. The systematic risk assessments are supplemented by external reviews carried out on the recommendations from the Government Project Council.

Note: 1. A Monte Carlo simulation is a way of estimating any likely variations, for example in outcomes of a given ICT project. This establishes a ground for better assessing and managing the risks of a project.

Source: Digitaliseringsstyrelsen (2012), "Statens business case-model", Copenhagen, *www.digst.dk/Styring/Statens-projektmodel/Statens-Business-Casemodel*, accessed 17 May 2012.

This increasingly calls for a clear vision and nimble approaches to e-government development and implementation (OECD, 2012d). On an organisational level, this implies that public sector organisations should be capable of bridging business and management visions and plans with the operational knowledge from the administration, regarding administrative processes and technical possibilities and constraints. While the MoAD is focusing on e-government skills development across the central government (Box A.4), this otherwise does not currently seem to be the case in Poland, where a gap seems to exist between political and business-driven approaches and more technical approaches to e-government (see the analysis put forward in "State 2.0").

Clearly communicating a coherent vision of e-government to all relevant stakeholders at all levels in Poland could be helpful in this regard. Ensuring that technical information from all relevant players is included in bottom-up decision making might be another helpful measure. Some OECD countries emphasise ongoing informal stakeholder co-ordination. The Polish public administration generally tends to emphasise e-government policy formulation, rather than implementation and monitoring (Zawicki et al., 2012), with an emphasis on passing legislation to implement e-government services. Several enabling e-government laws have been put in place, including the "Act on the Computerisation of the Operations of the Entities Performing Public Tasks", which grants citizens and businesses the right to contact public authorities electronically. It furthermore establishes a common interoperability system for the IT systems of the public sector (European Commission, 2012a). As such, the law is the main driver for a standardised approach to digitisation, although interviews with public servants indicate that several implementation issues remain unresolved.

Regulatory impact assessments (RIAs) are systematically carried out in the preparation of new legislation (see Chapter 3). Although many important elements seem to have been put in place, analysis suggests a gap in implementing RIAs (OECD, 2011f). The RIAs do not fully seem to be used proactively to guide policy decision making although recent reforms have been initiated. As such the policy improvement potential through better policy impact data is not fully reaped. This seems to be the case regarding e-government as well. Furthermore, it appears that although adequate methodology in principle seems to be in place regarding the use of ICTs in the RIA framework, the methodology is most often not fully applied since the skills required to assess the value (e.g. in terms of costs and benefits) of ICT projects still seem to need to be acquired. Building the necessary capacity to assess e-government policies, programmes and

projects properly will improve regulation implementing e-government across the government.

Though the legal and regulatory approach is given a lot of attention in Polish policy making and serves as a main tool for e-government implementation, other governance tools can also be considered. The use of incentives (for example internal competition, benchmarking, pricing, etc.) does not seem to be fully integrated or exploited in the area of e-government. Performance indicators tend to be general, not easily quantified, and difficult to use as an accountability tool. Some OECD countries do use e-government performance indicators for accountability and reporting purposes. France, for example, appointed an official responsible for performance programmes approved in the annual budget in order to ensure accountability in the execution of its performance-based budget. Another way of improving accountability for achieving e-government objectives might be to engage in internal benchmarking – a transparent follow-up on e-government, supporting incentives to increase performance, for example using the *voivodes*' periodic reports to show progress in e-government implementation.

Another central-local e-government management instrument put in place is the use of contracts. The territorial contracts (see Chapter 4) to be negotiated with the *voivodships* by the Ministry of Regional Development could be used to implement and monitor progress in implementing e-government strategy against policy outcomes for e-government as defined in the State 2.0 planning instrument. Since in all likelihood these contracts will remain general central-local management tools, it will be important to focus on supporting specific e-government implementation tasks by the sub-national governments through additional, dedicated funding. This suggests that central-local e-government implementation mechanisms could focus on positive incentives (aside from the relevant national legislation), such as making digital platforms and solutions available free of charge to sub-national governments.

Finally, a number of countries have made progress working on common approaches to project management models for e-government. With an increasing number of horizontal projects, the need for seamless co-ordination increases. This *inter alia* can be facilitated through a common language for management, processes and reporting practices on projects. The United Kingdom's development and use of the Prince2 IT Project Management model is one example. The integrated use of business cases in such IT Project Management models (see the Danish example above) is essential.[2]

Service provision and accessibility

Mature e-government requires access to an adequate communication infrastructure ensuring necessary e-government enablers while establishing and prioritising relevant service delivery channels, in order to provide its citizens and businesses with mature online service delivery. Communication infrastructure is a crucial enabler of economic growth as well as for the provision and use of e-government services.

Poland remains below the OECD average regarding the provision of communication infrastructure despite considerable investment, although the picture differs depending on the measure applied. Overall Internet access remains lower than the EU-27 as well as the OECD average.

Box A.4. **Future Project on Modern Personnel of the Polish Digital Public Administration**

The Project on Modern Personnel of the Polish Digital Public Administration is a competency building programme for exchanging experience targeting top- and mid-level personnel, responsible for managing and implementing ICT in the public administration. The project is designed as a coherent set of measures aiming at developing competencies and e-skills, building up co-operation and potential for joint actions involving different offices and ministries, exchanging best practices and integrating IT specialists in administration. The necessity to improve and the use of e-government is integrated in the project. The mission is to create an efficient administration able to wisely use possibilities offered by modern technology to the benefit of citizens.

The project will be composed of different activities aiming at creating horizontal relations between different institutions and employees responsible for digitisation and ICT development, enabling them to disseminate best practices and professional experience and furthermore engaging in joint IT projects. This will be facilitated through:

- postgraduate studies for IT directors in governmental administration;
- similar studies addressed to IT project leaders, system designers and architects;
- a set of seminars for IT specialists and experts from the administration;
- various papers and studies accompanying the seminars and helping to disseminate results and findings;
- a common virtual platform for exchanging views and experience;
- a think-tank gathering opinion leaders among IT professionals;
- a pilot project on implementing selected competence-based profiles into HR policies in two governmental institutions.

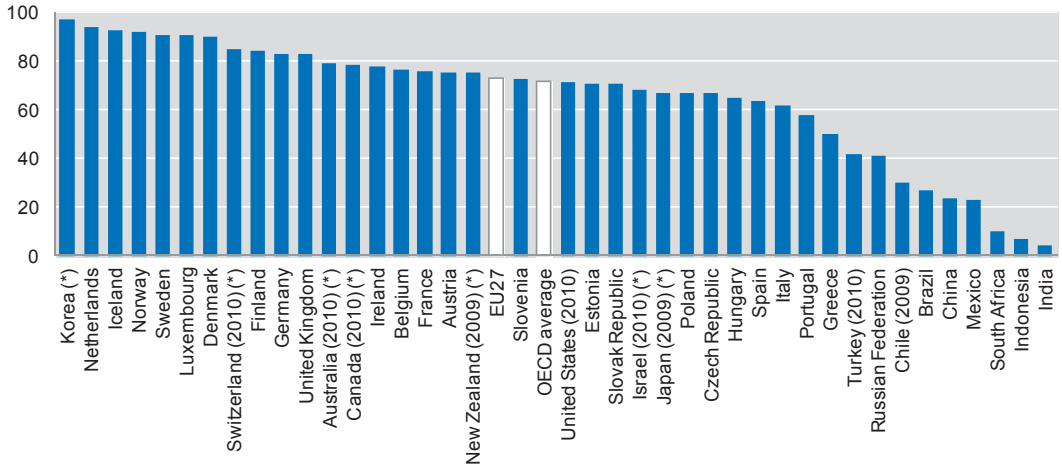
As such, the project might help enable a higher degree of cross-governmental co-ordination and collaboration. The project is scheduled to be implemented in the period 2012-2015. Although the challenge of ensuring the necessary skills to bridge policy, the administration and the use of technology appeared well understood in interviews with Polish public officials, it is not sure precisely how planned HR projects will cope with this challenge.

Source: Ministry of Administration and Digitalization (2012), "Request for Information, Public Governance Review of Poland", unpublished working document.

Poland has fallen behind the OECD average with respect to fixed broadband subscriptions (14.3% in Poland against the OECD average of 25.1%). The majority of the fixed broadband subscriptions are through DSL or cable (OECD, 2012c). However, the number of wireless broadband subscriptions is just above the OECD average (50.9% in Poland against a 47.9% average). Only a minor part covers dedicated data subscriptions; the large majority is standard mobile phone data subscriptions (OECD, 2012c). Broadband prices are relatively expensive, but hover around the OECD average (OECD, 2012c).

This situation reflects the efforts by the central government to ensure relative equity of access across the country's regions: the least-developed regions have reached a more mature level of Internet access by households. This is illustrated in Figure A.3, indicating regional differences as well as the different regional developments between 2006 and 2010 in household Internet access.

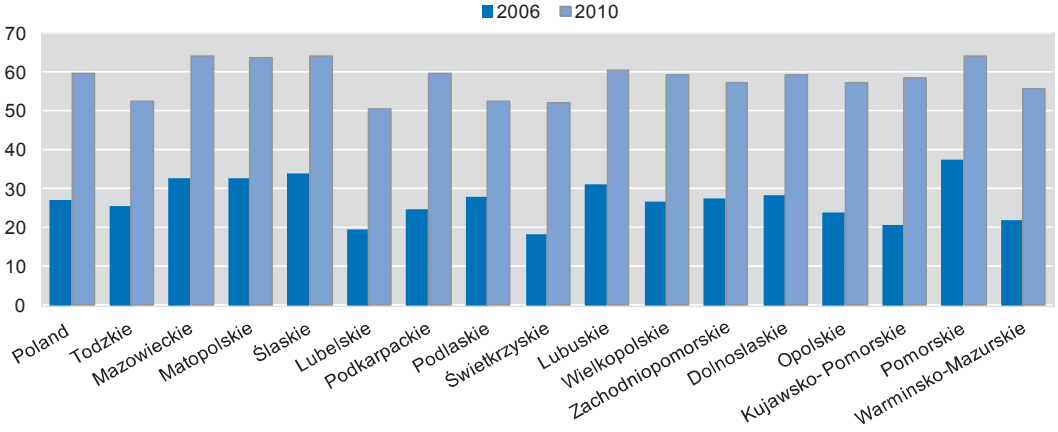
Figure A.2. **Households with access to the Internet (2010 or latest available year)**



Note: Internet access is via any device (desktop computer, portable computer, TV, mobile phone, etc.). For Australia: data was based on a multi-staged area sample of private and non-private dwellings. Households in remote and sparsely settled parts of Australia are excluded from the survey. Data for Australia include persons aged 15 years and over except members of the permanent defence forces, certain diplomatic personnel of overseas governments. For Canada: data include the ten provinces only (excluding the territories). For New Zealand: the information is based on households in private occupied dwellings. Visitor-only dwellings, such as hotels, are excluded. For Switzerland: data for 2010 includes all private households with at least one member aged 16 to 74 years old.

Source: OECD, *ICT Database*; and Eurostat (2012), "Community Survey on ICT Usage in Households and by Individuals", June; and for non-OECD countries: International Telecommunication Union (ITU), *World Telecommunication/ICT Indicators 2012 database*, June 2012.

Figure A.3. **Regional Internet access of households, per region (2006-2010)**



Source: Ministry of Regional Development (2012), *Internet in Poland*, Ministry of Regional Development, Warsaw.

Horizontal e-government enablers

Whereas the back office coins the internal operations of an organisation, the front office pictures the organisation as its constituents see it. An effective and efficient back office is a precondition for good front-office service delivery. The existence of horizontal

enablers can be powerful tools in order to facilitate back-office operations. Poland has some horizontal enablers put in place, while others seem still to be lacking.

Basic registries exist in Poland making verification of basic information on citizens and businesses available in public service delivery. However, the full integration and operational use of horizontal enablers in online service delivery is not perfect (Capgemini et al., 2011). For instance:

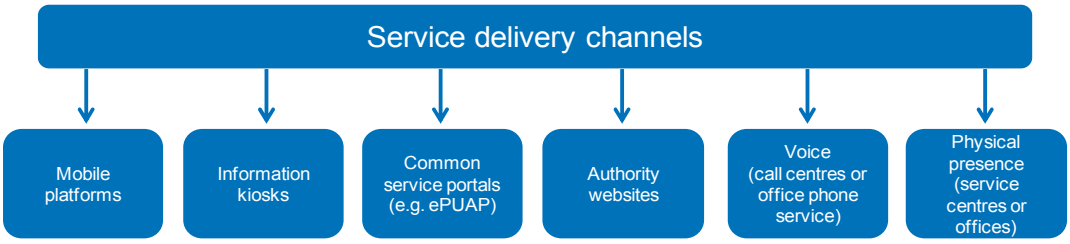
- A digital signature seems to be in place in parallel with so-called trusted profiles, which enables citizens and businesses to communicate securely. Single sign-on seems possible with authenticated identification (MoAD, 2012b).
- A Law on Digital Signature was approved in September 2001; however, it does not seem to have been fully implemented. For example, the administrative processes for electronically contacting authorities are not always in place across the country (MoAD, 2012c). The identification format seems to be undergoing a renewal process through the introduction of the electronic Polish ID cards (European Commission, 2012a).
- Electronic payments to the government are also possible through the Paybynet service established by the National Chamber of Settlements (European Commission, 2012a).
- Electronic payments are also enabled on the national portal ePUAP, although very few government entities have signed up for the provision of payments to support delivering their services (MoAD, 2012c). Furthermore, the service only seems to work with certain banks.

Fully implementing horizontal enablers and ensuring their cohesive and seamless use seems to be a challenge in Poland. The government has currently not established a comprehensive architecture defining how different enablers are linked. Although a Law on Informatisation and Interoperability has been passed, an open framework for interoperability has yet to be fully installed (Capgemini et al., 2011). This has strong implications for procurement flexibility: for example, looking across the different levels of government, an average of only 42% of these authorities assess that they are able to switch systems (MoAD, 2012c). Open framework standards for more coherent government collaboration are mentioned as important in "State 2.0" (MoAD, 2012a). Although achieving interoperability generally seems challenging from a technical viewpoint, ensuring inter-organisational interoperability appears equally, if not more, challenging; yet it must be achieved if full interoperability is to be implemented successfully.

Service delivery channels

Defining the right balance between different service delivery channels is a key issue in most OECD countries. Poland has a multiple service delivery approach, still largely based on the requirement for an individual to be present in store-front offices, to which has been added the online presence as well and such other service channels as call centres. Many basic services are available online, such as income tax filing and applying for unemployment benefits. Others are not yet fully available online – including automobile registration or applications for building permits (Capgemini et al., 2011).

Figure A.4. **Service delivery channels provided in Poland**



Source: epuap.pl; *mac.gov.pl*; European Commission (2012a), "E-Government in Poland", e-government Factsheets, Version 15.0, European Union, Brussels, *http://epractice.eu*; Ministry of Justice (2012), "OECD odpowiedź", unpublished working document; and public servant interviews.

Digital information kiosks have also been installed at the local levels to support service delivery, for example regarding the responsibilities of the police. Additional service and information kiosks are being set up by the Ministry of Justice to promote services such as digital registries. Some mobile services seem to exist, but their use is not widespread. And while an integrated national online portal – ePUAP (Box A.5) – has been touted as the main Polish service-delivery channel, "...there is still only a small number of electronic services available through the portal for citizens and businesses ... and these are being used only to a limited extent..." (MoAD, 2012a).

One particular challenge Poland seems to be facing is the lack of incentives for entities at all levels of government to put services online on the portal. This lack of incentives also seems to cover the authorities' service provision through their own online web pages or portals. The online services provided seem mainly to be delivered through the web pages of the individual authorities (European Commission, 2012a). Another example is the use of electronic mailboxes by different authorities; while 87% provide an electronic mailbox address on their own website, just 69% provide it through the ePUAP portal (MoAD, 2012c). Adding to this is a lack of trust in the portal, possibly due to the absence of a clear owner with the responsibility for the development and maintenance of the portal.

"State 2.0" suggests focusing improvements in service delivery on already identified key services, such as the 20 services measured by the European Commission (see the following section on online service delivery). Although this might be a feasible approach, it might benefit from being guided by measures on cost effectiveness of the online service implementation to establish the right prioritisation in the online service delivery. Data that compares the differences in costs of the available service delivery channels are not being collected.

The promotion of the ePUAP does not seem to have led to directing people toward the platform to use the services it provides. Although ePUAP promotion efforts might have been badly timed considering the limited availability of mature services through the portal, systematic promotion of online service delivery in general has not been carried out. However, Poland is making progress in the promotion of the ePUAP; for example the number of services integrated into the portal increased from 14% to 26% between 2010 and 2011 (MoAD, 2012c).

Box A.5. **ePUAP: The electronic platform for public services**

The ePUAP platform was launched as a major undertaking under the National Computerization Plan covering the period 2007-2010. The intention was to provide an integrated platform for interactive public service delivery, building on available public registries and all necessary joint enabling infrastructure components.

According to evaluations and government officials, the first version of the portal suffered from missing or varying service provision, particularly at the local levels, as well as lack of integrated key horizontal enablers. This, in turn, affected the uptake and the confidence in the portal as an efficient service delivery channel.

New versions of the portal were launched in 2010 and 2011. The latest version focuses on improving the user experience, and also includes government-to-government services. Furthermore, online services on relevant policy areas are currently being developed aiming for integration on the portal, for example emp@tia, the platform for the social security area.



The architecture of the portal requires individual departments and local authorities to install the relevant applications themselves in order to provide the online services. This has proved challenging. The portal currently provides direct or indirect access to approximately 600 services. Several transactional government services are in place. In 2012, only around 72 000 users had established a profile on the portal; as such, the main use of the portal currently remains limited.

Note: The portal, in Polish above, is organised around a directory of life events.

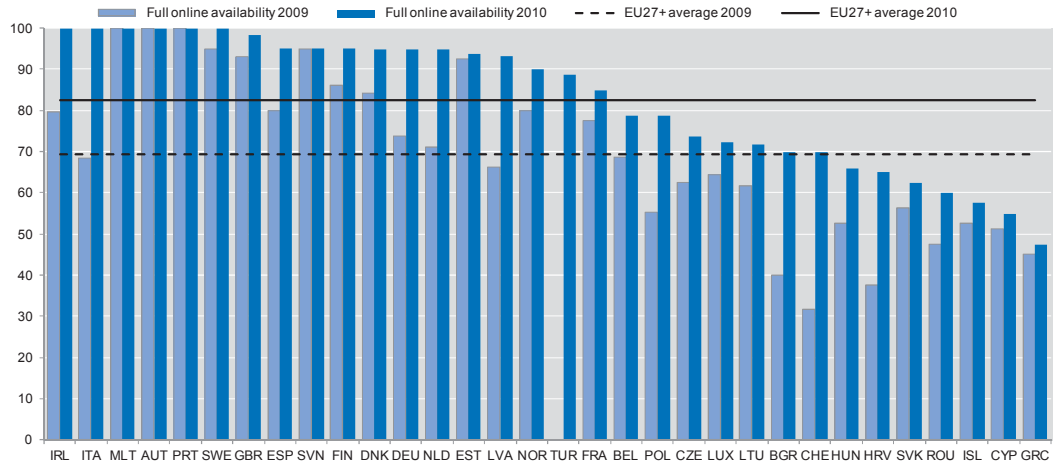
Source: Ministry of Administration and Digitization (n.d.), ePUAP portal, *http://epuap.gov.pl*; and European Commission (2012), "Interoperability", e-government Factsheet, European Union, Brussels, *http://epractice.eu*.

Online service delivery

Poland's level of online service delivery is somewhat below the EU-27 average. This is measured through a focus on 20 identified key public services and covers online availability as well as online sophistication.[3] Poland's online availability is 79% against an EU-27 average on 82%. However, Poland has demonstrated a considerable progress in online service provision within the last years, particularly enabled through the EU funds allocated to this area.

Figure A.5. **Full online availability of 20 basic services (2009-2010)**

In %



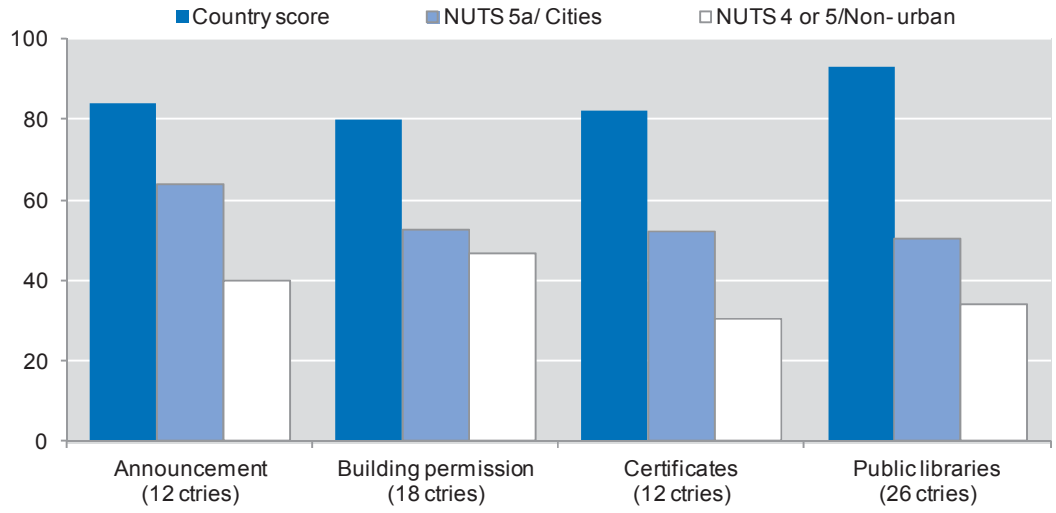
Note: * Survey not implemented in 2009. The score of 2007 is used in the figure.

Source: Prepared by Capgemini, IDC, Rand Europe, Sogeti and DTI for European Commission, Directorate General for Information Society and Media (2011), "Digitizing Public Services in Europe: Putting Ambition into Action", 9th Benchmark Measurement, December, written by Barbara Lörincz, Dinand Tinholt, Niels van der Linden, Graham Colclough (Capegemini), Jonathon Cave, Rebecca Schindler (RAND Europe), Gabriella Cattaneo, Rosanna Lifonti (IDC), Laurent Jacquet (Sogeti), Jeremy Millard (DTi).

Poland also remains below its peers regarding sophistication; the service sophistication for business is 90% (EU-27 average is 94%) and the service sophistication for citizens is 85% (EU-27 average is 87%) (Capgemini et al., 2011). Furthermore, national online service provision appears to be more sophisticated and mature than is the case at the sub-national levels. The regional, county and municipal levels seem less capable of or interested in providing e-government services (Capgemini et al., 2011). Looking at selected services, this challenge for local online service delivery seems to be confirmed (Figure A.6).

This seems to confirm the different challenges mentioned above regarding multi-level e-government governance. Possible factors to consider might be the existing incentives, the responsibilities and the need of the relevant skills at the sub-national levels. This observation seems to be particularly important given the fact that sub-national governments play a significant role in public service delivery in Poland.

Figure A.6. **Sophistication of online service provision at the local level in Europe**



Note: NUTS indicates the nomenclature for territorial units, that is, levels of local government.

Source: Prepared by Capgemini, IDC, Rand Europe, Sogeti and DTI for European Commission, Directorate General for Information Society and Media (2011), "Digitizing Public Services in Europe: Putting Ambition into Action", 9th Benchmark Measurement, December, written by Barbara Lörincz, Dinand Tinholt, Niels van der Linden, Graham Colclough (Capegemini), Jonathon Cave, Rebecca Schindler (RAND Europe), Gabriella Cattaneo, Rosanna Lifonti (IDC), Laurent Jacquet (Sogeti), Jeremy Millard (DTi).

Changing the ways of the public administration in order to increase the level of user-centrism also seems to be a government challenge. In Poland, ease of use of services is rated 56% against an EU average of 80% (Capgemini et al., 2011). Ease of use, service levels and political priorities are part of the business environment and an element in the private sector's competitiveness and administrative costs. E-government services can help reduce administrative burdens and strengthen the business environment. Several measures have been taken to reduce negative administrative impact on businesses; some measures address regulatory policy and regulatory impact assessments; others focus on enhancing the efficiency of use of ICT to provide online services to the businesses – notably for business registration (Box A.6).

The value of e-government

Reaping value from e-government does not happen through successful provision of online services or the acquisition of high-quality ICT goods alone – ICTs should be implemented based on their projected impact on policy outcomes and administrative simplification, efficiency gains and full uptake by end-users.

This section will address the issue of the value achieved through e-government in Poland. It will focus on the information economy and the overall enabling potential of ICTs. Then it will look at ICTs as tools for rationalisation, creating a more efficient public administration. It will examine one of the key preconditions to achieve such value, the extent to which online services are actually used (termed e-government uptake). Finally it will look into how the use of ICTs can support more effective policies and policy making by looking closer at the justice area. The digitisation of judicial processes

is one such interesting case that could have implications for the Polish business environment as well as for trust in the judiciary and the government.

Box A.6. **The business registration process in Poland**

Despite a number of improvements in the ease of registering a business, in 2012 Poland dropped relatively in the World Bank's Doing Business ranking down to the 126th country in the world. The average time to register a business is around 32 days with an OECD average of around 12 days.

	Procedure	Time to complete	Associated costs
1	Notarise company agreement	1 day	Notarial fee is (PLN 1 010 + 0.4% of the amount of share capital over PLN 60 000) + 23% VAT; additionally 0.5% civil law transactions tax is levied on the amount of share capital less the amount of notarial fees and court fees charged for registration of the company
2	Deposit paid-in capital at the bank	1 day	No charge
3	File at National Court Register for company registration, REGON, NIP, Statistical Office and ZUS	4 weeks	PLN 1 500
4	Register for VAT	1 day, (simultaneous with procedure 3)	PLN 170
5	Register the company at the National Sanitary Inspection	1 day	No charge
6	Register the company at the National Work Inspection	1 day	No charge

The process covers the process of registering incorporated businesses. The most time-consuming part of the process is the filing at the National Court registers. Although the overall direction of change with the improving digitalisation of the National Court registers seems right, the use of ICTs have not yet materialised into significantly improved and fastened processes regarding the business registrations described above.

This process above does not cover the more recently established opportunity of quickly registering a limited liability company. Although the main components of this process can be done within 24 hours, it also implies additional off-line contacts in order to complete the registration process.

Source: World Bank (2012), "Doing Business, Economic Profile of Poland", World Bank and the International Bank for Reconstruction, Washington, DC.

The information economy: ICTs as a growth and productivity enabler

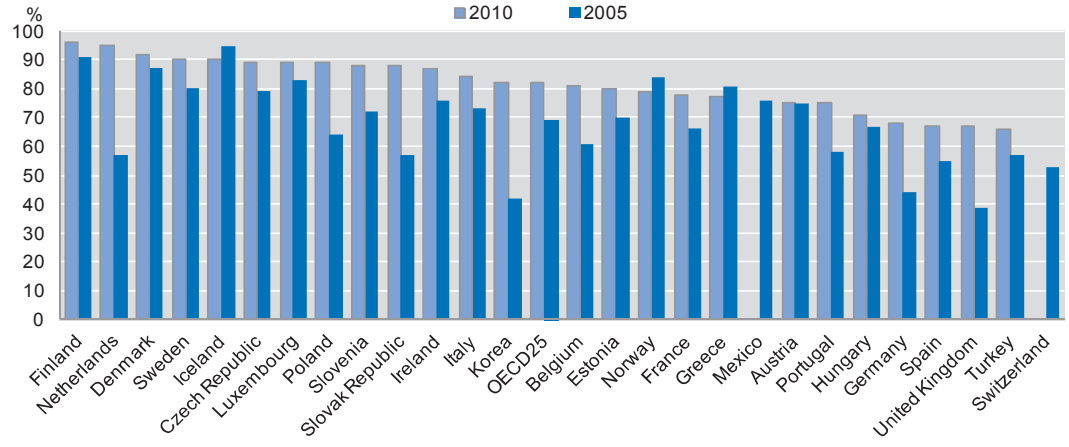
Poland has invested considerably in e-government in recent years, particularly in communications infrastructure. The gains are many, inside government and in society as a whole.

Establishing broadband can contribute to economic growth (OECD, 2008). Furthermore, in some OECD countries, evidence suggests that digitisation is associated with higher productivity and a higher added-value per employee. A recent Danish study found that "a 1 percentage point increase in the share of firms using ICTs leads to 0.72% higher aggregate productivity" (Jacobsen et al., 2011). Although the underlying data are

contextual and do not imply causality on a corporate level, this provides a strong argument for examining the benefits of encouraging the use of ICTs in the private sector.

Government policies aimed at, and service delivery to, business play an important role in enhancing growth and productivity. The use of ICTs can facilitate government interaction and reduce administrative burden for businesses (see also OECD, 2011f). This can in turn increase growth. Polish businesses have a higher level of online interaction with the Polish government than the OECD average, as is illustrated in Figure A.7. Figure A.7 also illustrates a great level of progress between 2005 and 2010 in terms of addressing business-oriented e-government service delivery.

Figure A.7. **Businesses using the Internet to interact with public authorities**



Source: Eurostat, *Information Society Statistics Database*; OECD, *ICT Database*; and Korean Survey by the Ministry of Public Administration and Security on ICT Usage.

Increasing efficiency: Transforming the administration through ICTs

Most OECD countries experience some difficulty measuring and achieving the benefits of increased internal efficiency through ICTs. As mentioned above, Poland seems overall to have made sound progress in the supply of e-government services in the front office as well as in the back office. Less attention seems to have been given to ensure reaping the benefits in terms of efficiencies of those investments.

E-government can be a strong instrument to achieve a more efficient public administration. OECD countries like Australia or Denmark have provided some examples in this regard (see for example the *OECD E-Government Review of Denmark* [OECD, 2010]). The public sector use of ICTs can help improve efficiency by eliminating processes for users as well as public servants, it can make existing service delivery channels obsolete, it can reduce the redundancy of data and information, and it can automate citizens' and businesses' interaction with the public sector. Hence, the use of ICTs can at a broader level enable new and more efficient ways of organising the public sector and the public sector's service delivery (see for example OECD, 2005; 2009a; 2012a).

Though efficiency does not seem to be the most important driver of Polish e-government strategy, the importance of efficiency is fully recognised and several important and innovative projects have been initiated to support this. One example is the

establishment of the Polish e-court (Box A.7), as illustrated in the following box. The e-court aims to digitise, to the extent possible, a standardised process in order to improve the efficiency of the courts.

Box A.7. **The e-court: Digital payments in the Polish justice system**

The 6th Civil Division District of the Lublin-West Court, also called the electronic court or the e-court, was inaugurated in January 2010. The e-court considers cases under electronic writ of payment proceedings and is competent to examine claims covering all of Poland. The e-court is a supplementary alternative to the traditional proceedings and does not affect citizens' rights to use the traditional channels to access the courts.

The claimant communicates with the court electronically. If the claim is approved by the court, it can proceed to a payment order – or forward the claim to another competent court. The defendant can choose to communicate with the court through paper-based means, but can also opt for fully digital communications.



The e-court has been implemented for around EUR 5.2 million in one-time investments of which the large majority covers housing expenditures. Any related efficiencies or the annual operational costs relative to the paper-based proceedings have not been estimated.

As of October 2011, 2 million lawsuits had been filed through the e-court and 1.6 million payment orders had been issued. Thus the uptake of the e-court seems relatively high, with an estimated potential use of 2 million annual payment proceedings.

Planned future improvements of the proceedings cover reductions in backlogs from 18-21 to 3 days through a more fully digitised process. However, first evaluations indicate that such improvements of the case-handling speed together with expected cost reductions still remain to be seen.

Source: Cellary, W. (2012), "Renaissance for eGovernance, Poland", presentation; Polish Ministry of Justice, *www.e-sad.gov.pl*, accessed 24 May 2012.

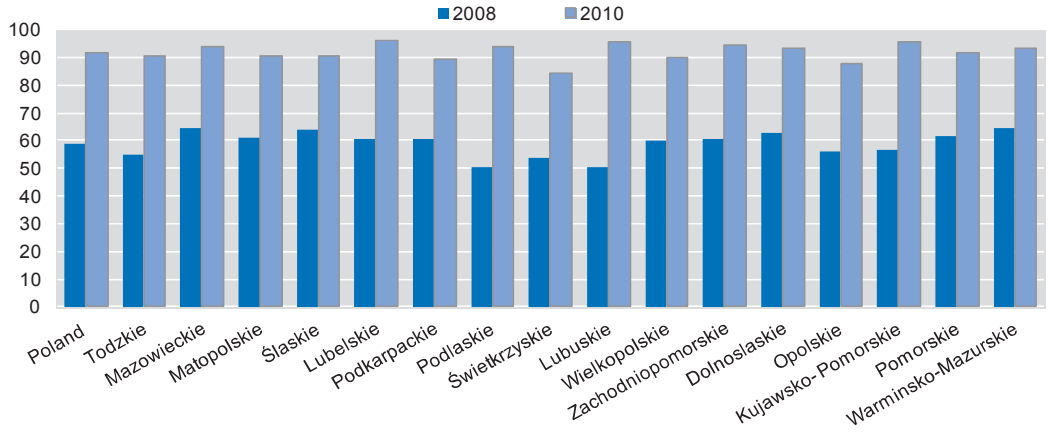
Despite the large number of important e-government projects, the benefits do not seem to be fully harvested. Although estimates on cost reductions are identified during project development, those estimates do not seem to be used as guidelines consistently throughout the implementation process. As mentioned in the section above on financing and implementation, the use of standardised project models and business cases could be one way of ensuring this; as well as ensuring a capacity to measure the potential and actual benefits of cost reductions.

E-government uptake

The actual use of e-government services, or "e-government uptake", is an essential requirement for achieving value-for-money in implementing ICT investment plans (OECD, 2009a). If the services or the equipment are not used, they do not add value for citizen-users. Hence, measuring e-government uptake is important in identifying key e-government challenges in order to optimise the gains from investments in ICTs.

As demonstrated above, Poland seems to perform relatively well with respect to business-services uptake. General uptake by business was well above the OECD average in 2010 (OECD, 2011b). Furthermore, business use of e-government services seems to be consistently high across the different regions as illustrated in Figure A.8.

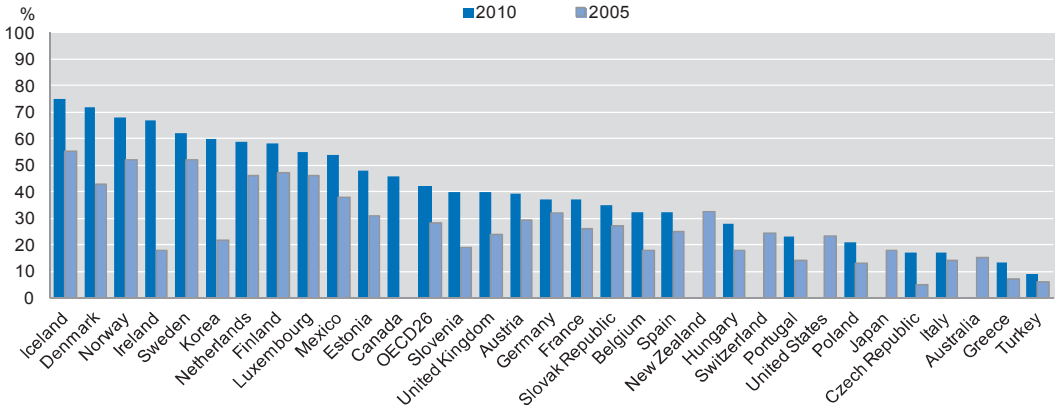
Figure A.8. **Business use of Internet to communicate with the government administration, per region**



Source: Ministry of Regional Development (2012), *Internet in Poland*, Ministry of Regional Development, Warsaw.

However, the same is not the case with respect to individual citizens: numbers indicate a significant uptake challenge: in 2010, only 21% of Poles were using the Internet to interact with government authorities, compared to the OECD average of 42% (OECD, 2011b). The central government is grappling with certain internal administrative challenges in this regard. Electronic filing systems are not in place in most regional offices across the country. Uptake of basic ICT, such as professional e-mail accounts, differs between regions. Staff in such regions as Lubelskie and Świętokrzyskie have more limited access to e-mail than in regions such as Dolnośląskie and Lubuskie (58% and 55% against 79% and 75%) (MoAD, 2012c).

Figure A.9. **Citizens using the Internet to interact with public authorities**



Source: Eurostat, *Information Society Statistics Database*; OECD, *ICT Database*; and Korean Survey by Ministry of Public Administration and Security on ICT Usage.

Reaping value from e-government requires that the services provided are actually used. In Poland – as in a number of other OECD and EU countries – there seems to be a significant gap between the supply of e-government citizens demand as measured by uptake. The government of Poland realises this (Ministry of Administration and Digitalization, 2012c). In this regard, the digital divide in Poland still remains a challenge: in 2011, 33% of the Poles had never used the Internet, compared to the EU average of 24% (Eurostat, 2012). Some of the traditional first movers in the private sector do not seem to have promoted uptake of online services to the extent observed in other OECD countries; for example the use of Internet banking and e-commerce is considerably lower than the European Union average (Eurostat, 2012). However, the use of social online networks is around the EU-27 average which, given the low uptake of the Internet and e-government services, points to a potential for further development (Eurostat, 2012).

Building on lessons from OECD countries, raising awareness, improving user skills and ensuring trust in online services are among the ways to build trust in e-government services (see for example OECD, 2005; 2009a). Furthermore, it is important to ensure that adequate data are available in order to increase the e-government uptake. Building online services suited for users is a key challenge across all industries. Box A.8 provides an example on how private IT companies are working to improve online service delivery and uptake – approaches that have also been adapted for presidential elections in the United States.

ICTs for effective policies: Trust and confidence in public service delivery

The public sector's use of ICTs is not a only a means to ensure efficiency; well-implemented use of ICTs can also contribute to better policies through better data and information, as well as to better service delivery. This, in turn, supports increased trust in government's capacity to deliver. One example of better services is through the provision of new and more customisable delivery channels; another example could be the use of ICTs to support policy objectives such as increased trust in public institutions as elaborated below.

Box A.8. **A/B testing**

A/B testing is a widely recognised method to improve online service delivery. The essence of the methodology is allowing the service provider to test a number of almost similar versions of the online services, in order to compare their relative success on specifically identified parameters.

Good evidence on how users perceive online services are most valuable to ensure the intended uptake of those services. A/B testing provides for a strong and well-tested way of collecting such evidence. This, in turn, enables services providers to adapt their solutions in order to maximise the outcomes through personalisation and a higher degree of well-grounded user orientation.

Even minor differences in visual appearance and design of forms have been recognised as important in order for the users to change their online behaviour. Private companies providing online services, like for example Google or Amazon, are using this to improve their products and user client interfaces significantly. Politicians, such as the at the time American presidential candidate Obama, have used this method to increase the number of supporters and online contributions. However, A/B testing still seems to be less widely used in the public sector's online service delivery.

The basic principle of the methodology is that online services are designed through a number of choices regarding how to interact with the users – and that data can be systematically collected to guide those decisions. The result is a higher level of user friendliness and ease of use. Although perhaps mainly confined to optimisation of already existing solutions, A/B testing seems to present one among a number of feasible tools to improve online service delivery.

> Today, A/B is ubiquitous, and one of the strange consequences of that ubiquity is that the way we think about the web has become increasingly outdated. We talk about the Google homepage or the Amazon checkout screen, but it's now more accurate to say that you visited a Google homepage, an Amazon checkout screen.

Source: Christian, B. (2012), "The A/B Test: Inside the Technology That's Changing the Rules of Business", Wired, 25 April, *www.wired.com/business/2012/04/ff_abtesting*, accessed 4 May 2012.

"Poland 2030" notes that trust in the state is one of Poland's key development challenges (Board of Strategic Advisors to the Prime Minister, 2009). Three perspectives where some measures exist are: political participation, trust in institutions and trust in the national media. Poles' trust in government institutions is below the OECD average (OECD, 2011e). Poland is considerably below the OECD average when measuring participation in a number of political activities and has one of the lowest voter turnouts among member countries (OECD, 2011e). However, perceived levels of trust in the judicial system and the courts, the national government and the media are almost at the OECD average (OECD, 2011e).

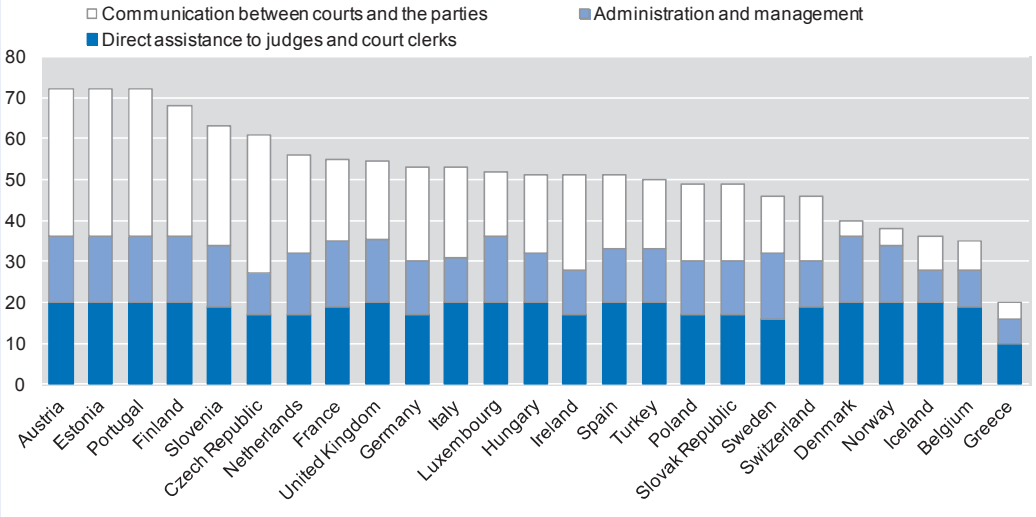
Generally, a strong correlation exists between perceived levels of trust and the perceived levels of corruption in government institutions. It is interesting to observe the level of formalised and open consultation processes (see Chapter 5), where Poland is near the top of the list of OECD countries (OECD, 2011e). The discrepancy between this and the low scores in trust levels might indicate a lack of awareness that consultation processes exist, or perhaps that the consultation processes themselves are not effective and are discounted by citizens. Several factors, such as age, education and income also "significantly affect the degree of people's trust in institutions" (OECD, 2011e). The relatively good position of the Poles in terms of using social media and social networks,

as mentioned above, might indicate a potential to be developed as a means of building trust in the institutions of government.

Box A.9. **Digitisation of the Polish justice system**

The justice area makes an interesting case for effective use of ICTs in Poland. A well-functioning judiciary can play a key institutional role in the development of the Polish economy, as highlighted in "Poland 2030" (Board of Strategic Advisors to the Prime Minister, 2009). The figure below shows the computerisation level of the courts across selected OECD countries, covering a number of different internal and external functions. It reveals a picture of Poland roughly placed in the middle of a number of selected OECD countries (CEPEJ, 2012).

Level of computerisation in the courts (selected OECD countries)



In Europe, many Central and Eastern European transition countries have tended to invest heavily in building capacity in their justice systems, though this generally seems to have slowed down. Poland seems to be an exception here, with a continuous increase (approximately 28% from 2008 to 2010) in the salaries share of court expenditures (CEPEJ, 2012). This does not reflect an ambitious digitisation of the Polish courts in terms of expenditures, since the relative share of computerisation cost in the courts has decreased considerably over the same period. The numbers cannot stand alone without further elaboration and might reflect earlier investments, although the general point appears valid (CEPEJ, 2012).

Source: Based on data from the European Commission for the Efficiency of Justice (CEPEJ) (2012), "European Judicial Systems – Edition 2012 (2010 Data): Efficiency and Quality of Justice", *CEPEJ Studies No. 13*, Council of Europe Publishing, Strasbourg.

While transparency, access and openness may be prerequisites for trust, they are not sufficient in and of themselves to build trust. This also applies to e-government services: while improved e-government availability might contribute to increasing trust in government, e-government capacity by itself will not necessarily improve trust. Rather, high-quality services delivered through this e-government capacity, and coherent and meaningful engagement of citizens and businesses in the development, implementation and improvement of policies and services from different parts of government using e-government tools, will affect trust levels positively (Box A.10).

Box A.10. **Inclusive service delivery to increase trust**

An inclusive government is widely believed to increase trust in government institutions. Citizens are judging their governments on their policy performance, that is, their capacity to deliver quality public services, and on their democratic performance, for example through open and inclusive policy making.

Greater openness and inclusion in policy making is widely believed to help achieve greater trust in government, better outcomes at less costs, higher compliance, equity of access to public policy making and services, leveraging knowledge and resources, and more innovative solutions.

Ten overall guiding principles have been identified by the OECD in order to improve government's open and inclusive policy making:

1. Strong commitment is needed at all levels – politicians, senior officials and public servants.
2. Citizens' rights to engagement must be firmly grounded in law or policy.
3. Clarity in objectives and roles and responsibilities.
4. Timing, the public engagement should be undertaken as early as possible in the policy process.
5. Inclusion and equal opportunities to access engagement options.
6. Adequate resources are needed to manage inclusive policy making and service delivery.
7. Co-ordination with civil society across all levels of government should be ensured.
8. Accountability through information of participants on how their input will be used.
9. Evaluation by governments of their own performance.
10. Active citizenship.

Source: OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD Publishing, doi: *10.1787/9789264048874-en*.

Conclusion

The case of e-government can be used to illustrate a range of broader public governance challenges facing Poland. E-government can be a strong lever for public sector reform. Hence, challenges to successful development and implementation of e-government cannot be dealt with in isolation, but should be considered as part of a broader public sector transformation process. This conclusion summarises the main assessments and proposes future actions under three themes: coherent governance mechanisms, reliable service provision, and focus on the value of e-government.

By the end of 2012 Poland was planning to implement measures to improve the coherence of existing initiatives, and was conceiving a specific government plan for informatisation of the state administration; hence, this review aims to provide timely advice and input for the government's consideration. The Ministry of Administration and Digitalization has defined an ambitious agenda and seems to be on track pursuing it. A list of short- and medium-term challenges and initiatives has been identified by the ministry. However, dealing adequately with those challenges will be difficult – and establishing the right approach will be demanding.

Coherent governance mechanisms and full implementation

Poland's central government could consider establishing more coherent horizontal and vertical e-government implementation mechanisms, encouraging a whole-of-government e-government implementation and uptake of services. A silo-based tradition, in combination with a pronounced hierarchical culture is affecting e-government development and implementation. Although some mechanisms have been established, there seems to be little communication and co-ordination between ministries, particularly at the more operational levels, since co-ordination on this issue mainly takes place formally at the political level. This creates rigidity in e-government implementation that translates into limited inclusion of relevant stakeholders in the efficient and effective implementation of specific projects, such as the digital registries in the justice area. Central sub-national governance also appears limited, with key issues and responsibilities not fully corresponding to the challenges of e-government development and implementation in the *voivodships* and local administrations.

Limited sharing of data and information affects not only the government's capacity to develop and implement policies, it also strongly affects the quality of service delivery to citizens and business. For instance, such basic information as the phone numbers of public servants is not available internally across ministries, constraining government-wide co-ordination. In order to support more coherent governance and a focus on the full implementation at all levels of government, the central government could consider:

- Building on State 2.0 by further clarifying the e-government agenda, defining the government's vision, rationale and priorities for ICT use, establishing clear mandates and responsibilities across the government and improving the mechanisms of political accountability for e-government progress. Having recently established an e-government oversight group of ministers with the Standing Committee on Digitalization Issues, its mandate could be clearly defined so that a proper, functional forum for effective co-ordination is operationally in place, and that a proper division of roles across the government as a whole is codified and understood clearly by each committee member. A common basis and direction will facilitate better communication across ministries and enable operational collaborations, which will lead to more efficient and coherent implementation of e-government projects.
- Clarifying the boundaries between central and sub-national service delivery responsibilities and establishing mechanisms to ensure adequate use and re-use of infrastructure components, service solutions and data across the different levels of government. The decentralisation of Poland is still only recent. Although e-government can enable centralisation as well as decentralisation processes, the government needs to distinguish between responsibility for the infrastructure of service delivery and for the actual delivery of services. Poland needs to clarify the decentralisation of e-government; in other words, the government needs to define the tasks creating added value that are the responsibility of the sub-national levels and those that fall to the central level. As e-government is concerned, it is not clear if the current legislative framework and the territorial contracts will be sufficiently effective as multi-level policy and co-ordination instruments.

- Ensuring the existence and full implementation of a legal and regulatory framework enabling e-government, both across government and within the specific service delivery areas of each of the ministries. Operational attention to alignment between enabling legislation on e-government, technical solutions in place or to be developed, and administrative processes in government would improve coherence and reap the synergies (and benefit end-users) across stand-alone service delivery areas.

Reliable online service provision and delivery

Reliable service delivery is important to enhance trust in public institutions. However, the Polish central government has yet to establish a mature user focus for delivering services to the public. The existing service delivery channels do not seem to have been coherently developed from the user's point of view: for example, ePUAP, Poland's joint public service delivery platform, does not seem to have caught on with citizens. The availability and sophistication of Polish online services is somewhat below the OECD and EU averages (79% vs. 82% regarding availability; 85% vs. 87% regarding the sophistication of online citizens services in 2010). There is only limited integration between the various online service portals and the websites of the associated public authorities, fragmenting the user's experience, even though progress is being made. Levels of user-uptake similarly fall below EU and OECD averages, at 21% against an OECD average of 42% in 2010. This covers not only e-government services but a wider range of information society services such as electronic payments or e-commerce that are still not widely deployed in Poland. On the other hand, the use of online services for business seems widespread – hence good practices in this area might be shared across the government.

E-government investment decisions seem biased in favour of purchasing infrastructure and hardware. The significant use of EU Structural Funds for e-government roll-out does not seem to have translated into investments that have effectively and systematically supported its development in Poland. Moreover, although the establishment of a sound communication infrastructure is of the utmost importance, ensuring demand for and use of this infrastructure for the Internet economy or government service delivery using ICTs, for instance, is equally important. Since a higher level of quality and maturity in terms of activities implies greater pressure on the operational expenditures, a stronger focus on value for money is required. In order to nurture more reliable, effective and efficient service provision and service delivery, the government of Poland could therefore consider:

- Providing a connected and coherent e-government service delivery framework. Establishing a prioritised, sequenced approach to defining service delivery channels (and the services to be delivered) may be pivotal to achieve better quality in (and support for) e-government implementation. For instance, increasing confidence in ePUAP is necessary to enhance its use; one way forward might be through integrating existing highly transactional services and focusing their delivery on large groups of ICT-skilled users. Progress in enhancing the use of internal information (the e-government's "back office") should be demonstrated as a concrete benefit to external users (the e-government's "front office") – the more systematic use of basic registers enabling re-use of data by the public is one important example.

- Matching supply and demand, particularly regarding ICT communication infrastructure. For example, it seems networks exist – both internally for the public administration and for citizens and businesses – although they are not always used. Ensuring greater coherence between pricing, service levels and service providers, through a well-conceived market design, for example, and matching communication infrastructure more clearly with the government's service delivery needs and its administrative procedures could contribute to more effective investments and better outcomes for taxpayers and end-users.
- Moving from digitising administration toward a broader government use of ICTs, thus integrating the use of ICTs in all policy areas. A broader use of ICTs by the government in all policy areas should build on consolidating e-government responsibilities as well as on enhancing coherence in service delivery. Some cross-cutting priority areas might, for example, be improving the business environment, and increasing local participation in policy-making and service delivery processes. The MoE's consultation portal currently being built should not constitute a one-off initiative but should be watched closely and, if successful, replicated across all government activity based on interaction with citizens and businesses. Closer e-dialogue with constituents and users might lead to more effective policies and reduce administrative red tape and regulatory complexity.

Decision making based on the value of e-government

Poland has made impressive e-government progress within the last few years. But projects are not always fully implemented; the potential benefits of using ICTs are not clearly identified and accordingly not reaped. The value of projects does not seem to be assessed systematically, neither *ex ante* nor *ex post*. Nor does a clear outcome-based assessment capacity seem to be in place – neither to measure the impact of policy making, project implementation or service delivery. This results in a tendency to implement projects without having clearly identified intended outcomes – a reflection of an apparent disconnect between the implementation of ICT projects and the change in administrative processes and public sector reforms pursued by the government. Hence, since the value of the ICT projects seems disconnected from their implementation, specific public authorities, for example a unit in a local city administration, might experience e-government as an additional cost with limited added value for the users, rather than as a clear benefit.

The MoAD recognises these challenges by having presented a sound diagnostic in State 2.0. The report assesses current key projects and indicates a coherent way forward; it highlights the necessity to ensure that the benefits of investments to be made with EU funding over the period 2014-2020 will be fully reaped. Defining an ambitious, yet pragmatic, action plan and implementing it now seems to be the real challenge ahead. In order to strengthen the realisation of the value of e-government, the government should consider:

- Using ICTs to increase efficiency through the establishment of mechanisms and tools for ensuring more profitable investments in ICTs and the reaping of qualitative and financial benefits. The use of business cases measuring the value and benefits of e-government is essential, but requires building skills and capacity in-house. This implies, for example, ensuring clear responsibilities not only for project implementation, but for establishing an accountability system for the realisation of the benefits of the projects. The role of the State 2.0 Standing

Committee as a monitoring group to oversee implementation of projects based on sound business cases should be defined and exploited.

- Generating better data that can support future work on implementation, for example developed through and supported by a more comprehensive e-government review. It is important that e-government policies, programmes and projects are supported by solid data on key measures such as service delivery maturity, quality, use of services, costs and particularly social and financial benefits, to mention a few. Such data are important at the national level as well as for the *voivodships* and the *gminas*; good data might further support central-local governance arrangements for e-government implementation. Making such data transparent and available to all relevant stakeholders might further help improve the strategic plan's performance.
- Increasing a focus on end-users helps to design and implement better e-government services and helps improve uptake of online services. Engagement of users might also enhance trust in government institutions through an improved understanding of working conditions and needs. Clear and transparent conditions for engagement would be a prerequisite for genuine public involvement. Increasing user-centrism and simplifying online service delivery might be key elements to improve e-government uptake by citizens.

Notes

1. See, for example, reviews as Sir Peter Gershon's of the Australian government's use of ICTs (Gershon, 2008).
2. See ww*w.prince2.com* for a detailed description.
3. This framework has been developed for the European Commission. For the latest reference, see Capgemini et al. (2011).

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Annex B

Public investment across levels of government: The case of Wielkopolska, Poland[1]

Key messages

- The sustained commitment to decentralisation reforms coupled with the significant support of and adjustment to EU Structural Funding, has built substantial regional development capacity in the region of Wielkopolska. To ensure the long-term sustainability of decentralised structures, sub-national financial capacities need to be strengthened.
- Poland has put a number of central-level institutions in place, such as the Committee for Co-ordination of the National Development Strategy and the National Strategic Reference Framework (NSRF), led by the Ministry of Regional Development, who is in charge of ensuring the co-ordination between levels of government and between sectors at the sub-national level for regional development. These institutions can play a key role in the future in enhancing the effectiveness of the much-needed co-ordination mechanisms, not only vertically, but horizontally as well.
- The existing challenges of co-ordination across levels of government are apparent in Wielkoposkia's spatial planning, a task shared with higher and lower levels of government. The asymmetries in information that currently exist need to be addressed, otherwise significant risks and planning conflicts may arise, impeding the region's future development.

Regional overview

Political and historical background

Wielkopolska is located in Western Poland, which historically has been the more prosperous part of the country. It is characterised by a strong regional identity as well as entrepreneurial spirit and traditions of civic involvement dating back to the 18th century. Traditionally, the region has had strong commercial and economic links with Germany. In the past two decades, Wielkopolska has attracted substantial volumes of foreign direct investment (FDI) from Germany, and it benefits from good transport links with Berlin, in particular. Indeed, Berlin is easier to reach from Poznań than Warsaw is.

Institutional background

Like those of other Central and Eastern European countries, the Polish administrative system has been shaped by strong centralisation. In the run-up to its accession to the European Union, Poland embarked on far-reaching decentralisation and regionalisation

reforms,[2] which resulted in the establishment of one of the the most decentralised territorial systems among the "new" EU member countries (Box 2.2). The Wielkopolska region (also called *voivodship*) was established in 1999[3] as part of the decentralisation reform. The regional government is presided by the Marshal, who is the president of the region, elected by the regional assembly. In Wielkopolska, there are 35 *powiats* (district governments) and 226 *gminas* (local commune governments), out of a total of 379 *powiats* and 16 *voivodships* in Poland. Alongside the elected regional authorities, there are also deconcentrated bodies representing the central government in the regions – the *voivods*, assisted in their tasks by the *voivod* Offices. The role of the *voivod* is to oversee the actions of the marshal, who heads the executive board of the region's elected assembly from the legal point of view and in relation to the tasks delegated to the region by the central government. The *voivod* is also responsible for matters of defence and safety.

The elected regional assembly (*Sejmik*) designates the regional executive body, the Board of the *voivodship*, chaired by the marshal and assisted in its tasks by the Marshal Office (MO). The regional government (i.e. the Board) has the responsibility for regional development policy, among other tasks, including spatial planning, higher education, healthcare, transport and the protection of the region's heritage. In recent years, the competences of the regional authorities have been extended to regional rail transport, waste and water management, and environmental protection. While the regional authorities have wide-ranging competences, regionalisation has not been followed by fiscal decentralisation on a comparable scale (Gorzelak and Kozak, 2008). This results in the regions being dependant on central government subsidies allocated as part of the regional contracts.

A further reform of the system of territorial administration and, in particular, of the relationships between the regions and the central government is in preparation. One major item that will be subject to reform is the system of regional contracts, which is to be replaced by a different kind of contractual agreements, the territorial contracts (see Ministry of Regional Development, 2010). The details of the reform, however, have yet to be defined.

Socio-economic background

Wielkopolska is one of the fastest growing regions in the OECD. It is the second-largest Polish region in terms of area and population (roughly 3.4 million inhabitants). It ranks third in Poland in terms of GDP per capita and in the volume of FDI. Since 2004, the region has enjoyed rapid GDP growth, mirroring the economic boom across the country. GDP per capita grew from USD 12 500 in 2000 to USD 17 700 in 2009 (constant PPP 2005, *OECD Regional Database*). Over the period 1995-2007, productivity growth in Wielkopolska was twice as high as the national average. The regional economy is diversified and benefits from easy access to western markets. The registered unemployment rate in the region in December 2010 was 9.2%, which was below the national average. The regional economy is export-oriented and has proven resilient to external shocks, such as the recent financial and economic crisis. EU funds have somewhat acted as a budget stabiliser during recent years.

That said, the regional economy of Wielkopolska is traditionally structured,[4] as illustrated by the prominent role the farming sector plays. The region is an important exporter of food products. Moreover, according to the Regional Innovation Scoreboard from 2009, Wielkopolska is a low-innovation region (Hollanders et al., 2009), reflecting

the overall poor innovation performance of the Polish economy compared to the EU average. Like most Polish regions, Wielkopolska has experienced profound structural change since 1990, with the transition to an open-market economy and accession to the EU. The region has been quite successful during the transition in modernising its agricultural sector and experiencing the greatest productivity gains in industry among Polish regions.

Future challenges include fostering innovative activity tailored to the specificities of the sub-regional economies as well as wider reforms such as adjusting the education system to ensure that the supply of skills matches the demands of firms or the modernisation of the public administration to promote a culture of co-operation. While the regional authorities clearly demonstrate commitment to creating a sound regional innovation system through an integrated and place-based approach, the results of these activities will only be visible once concrete measures, outlined in the Regional Innovation Strategy 2010-2020, are implemented.

Main strengths and challenges for Wielkopolska

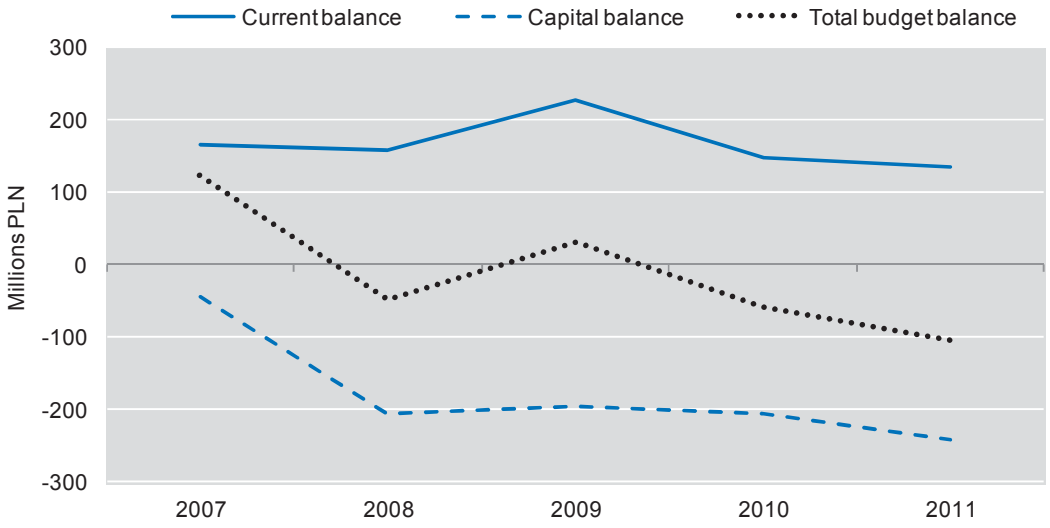
The regional authorities are committed to strategic development planning and innovation, as evidenced by initiatives such as the foresight exercise establishing the scenarios for the region's future development (IBC, 2012), the strategy for the development of the *voivodship* involving all regional authorities, or the Regional Innovation Strategy for 2010-2020. The region benefits from the administration's proactive approach and a relatively low turnover of high-level officials within the Marshal Office, allowing an accumulation of experience. In addition, the region is characterised by a relatively high degree of public trust in government institutions as measured by election turnout, which tends to be higher than in other Polish regions (Matusiak, 2011). The key institutional weakness hampering effective public investment in the region is the limited financial capacity of sub-national governments, which makes it harder for them to carry out their assigned tasks effectively. Another challenge is the lack of co-ordination mechanisms between the levels of sub-national government. Addressing these two problems requires wider changes in the territorial administration system in Poland.

Public investment in the region

Evolution of the financial capacity of Wielkopolska

The current budget of the Wielkopolska regional government has exhibited a strong anti-cyclical character during the last few years, especially the year of the crisis (2009). This was expressed in a sharp increase in the operating balance despite declining tax revenue. This results from the central government's policies to protect lower tiers of government against adverse fiscal shocks, but also from deliberate actions by the government of Wielkopolska to cope with the crisis, for instance the postponement of maintenance expenditures and of the purchase of new equipment. Figure B.1 shows the development of the current budget[5] (current revenue minus current spending), the capital budget (capital revenue minus capital spending) and the total budget. The current budget increased during the first phase of the financial and economic crisis, but tended to fall thereafter. This tendency is also reflected in the total budget. However, the capital balance, after an initial decline in 2008, was unaffected by the crisis and remained more or less constant.

Figure B.1. **Development of the budget balance, current balance and capital balance of Wielkopolska before and after the crisis**



Source: FITCH Ratings (2011), *Poland, Full Rating Report*, 13 July.

Revenues

The revenue side of Wielkopolska's budget consists of shares of the personal and corporate income taxes collected in the region,[6] current transfers and other current revenue, including EU funds. In addition, there are capital grants and income from investments as well as from the sale of public assets. The regional government has no power over tax legislation, which is determined by the national Parliament, including the fixing of tax rates, bases and shares. The crisis has particularly affected personal income tax revenue; the level of corporate tax receipts was more or less maintained. Fortunately, personal income tax only represents a small portion of the region's budget. Moreover, the region's tax revenue recovered quickly after its decline in 2008-2009. In 2010, both personal income tax and corporate income taxes exceeded their pre-crisis levels, by 3.4% and 2.3% respectively, although this was partly attributable to increased tax shares.

The impact of the crisis on local government finances came less from the local economy than from a reduction in personal income taxes, whose local share is about one-quarter of collections and hence considerably larger than for the province. But the revenue loss of local governments was cushioned by ongoing EU projects, whose funding is channeled through the regional government. These had a stabilising role on local finances. Local governments, in particular the cities, do not appear to have capacity constraints in running EU-funded projects, but acknowledge difficulties with excessive conditioning and reporting, with often unclear specifications of the objectives of EU-funded programmes.

Apart from taxes, Wielkopolska benefits from central government transfers and grants. These are either specific (education, regional policy) or for general purpose, including the equalisation grant. Special budget support was granted from the central budget in 2009 to cushion the impact of tax losses on the region's budget. Given Wielkopolska's relative economic performance, the equalisation grant is of minor importance for its budget, amounting to only 0.5% of the region's current revenue.

Conditionalities with national grants

The specific grants are given with conditionalities set by national authorities. These grants are usually earmarked, limited to a spending period and provided with matching requirements. The regional authorities are involved in negotiating such grants to some extent, and the conditions imposed are said to be relevant and useful for implementation. They appear to have had a positive impact on programme effectiveness and the sustainability of project financing. During the crisis, however, the transfers could not outweigh the loss in own revenue, so current revenues declined. The fact that the operating surplus increased is thus explained by spending decisions.

Borrowing capacity

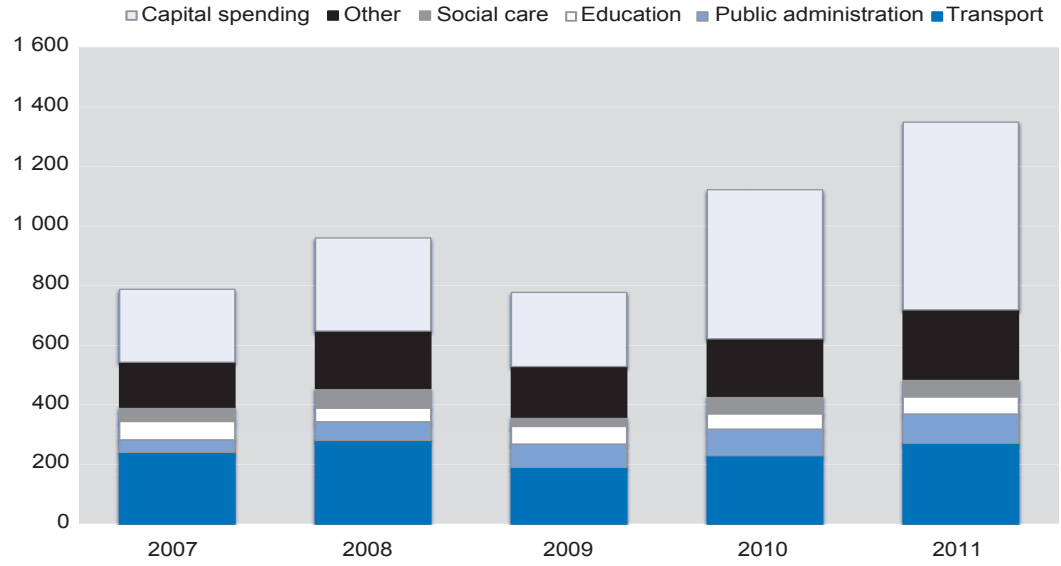
Wielkopolska has made prudent use of its borrowing capacity from the outset of Poland's decentralisation in 1999. Wielkopolska is among the least-indebted regions in Poland, despite its comparatively large budget. Debt finance has mainly been used for transport and communications: the government issued bonds for road construction in 2001. Following a period of significant increases in tax revenue, the government did not depend on further borrowing. On the contrary, from 2005 until the crisis, the Wielkopolska government continuously reduced its debt and did not supply new bonds.[7] This changed in 2010, when the government decided to issue new bonds (for the purchase of new trains and buses, the modernisation of the rail network and the rollout of broadband Internet access). For 2012, the government concluded a new framework agreement with local banks on bond issues for a total of PLN 185.5 million – PLN 65 million in 2010, PLN 100 million in 2011, PLN 20 million in 2012[8] – of which only PLN 60 million have been disbursed to date. Disbursement is rapid, based on the presentation of authorised invoices, and there are no payment arrears. A revision of the planned payment schedule in May of a fiscal year requires any unused funds to be used for debt repayments. A second revision of the framework agreement in October 2012 decided to issue another PLN 146 million in bonds. Of course, these provisions are provided with exceptions to render the payment schedule more flexible. Overall, Fitch Ratings (2011) expects "the region's debt service and debt coverage ratios to remain healthy, despite the projected debt growth".

Expenditures

The expenditure structure of Wielkopolska's budget reflects its main policy responsibilities. In 2011, by far the largest spending block (37.6% of operating expenses) was assigned to transport and roads, not only for maintenance and repairs but also for the operation of the region's rail and bus services for 28 million passengers per year. The next most important budget categories are culture (14.3%), public administration (13.7%), education (8%) and social care (8.3%) (Figure B.2).

The crisis affected all spending categories except education and public administration. Expenditures for public administration continued their expansionary path, increasing by 25.3%[9] in 2009 while total current expenditures took a hit of -18.4% during that year.[10] The main adjustment came from expenditures for transport, where postponing maintenance can act as a buffer, and also from social care. However, current spending quickly recovered, increasing on average by 16.7% p.a. during 2010-2011.

Figure B.2. **Development of current spending of Wielkopolska's regional government and its components**



Source: FITCH Ratings (2011), *Poland, Full Rating Report*, 13 July.

Key priorities for public investment in the region

Since the establishment of the region in 1999, the budget of the Wielkopolska's Marshal Office has grown substantially. In 2000, it amounted to about PLN 274.2 million, while in 2012 it reached PLN 1.2 billion.[11] This is complemented by the unprecedented volume of external investment funding offered as part of the EU Structural Funds. Thanks to the taxes collected from the relatively high number of SMEs and multinational companies operating in Wielkopolska, the budgetary situation of the region is particularly good, despite the difficult global economic context. In 2010, 49.5% of the budget corresponded to the regional authority's own revenue (compared to 40.4% on average in Polish *vovoidships*), 41.2% to various allocations and 9.3% to the general subsidy from the state budget (compared to 20.9% on average in Polish *vovoidships*). Combined, these developments allowed for a considerable increase in public investment in Wielkopolska.

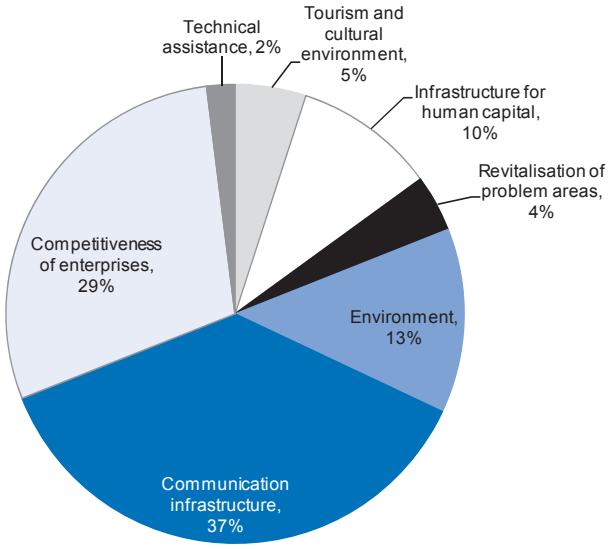
Investment projects co-funded with EU funds

For spending activities that attract EU funding, the regional government engages in contracts with the central government, which implies accepting not only EU standards, but conditions imposed by the government also. Regional officials regard the latter as more constraining than the former, particularly national regulations governing public tenders, spatial planning and construction.[12] In the short run, central transfers and EU funds were able to cushion adverse shocks on local budgets. But over time, local governments in Wielkopolska exhibited remarkable creativity in accommodating with the crisis by revising their spending priorities and reducing costs through inter-municipal co-operation.

The Regional Operation Programme (ROP) for Wielkopolska 2007-2013, funded chiefly from the European Regional Development Fund (ERDF), has an overall budget of EUR 1.76 billion, which includes both EU and national contributions (Figure B.3). The ERDF resources allocated to the programme amount to EUR 1.33 billion, which corresponds to approximately 1.8% of the total EU money to be spent in Poland under Cohesion Policy in 2007-2013. The national contribution to the programme amounts to EUR 433 million, while the estimated amount of private funds as match-funding is EUR 184 million. The majority of the funds made available as part of the ROP have been allocated to Priorities 1 and 2, illustrating the region's commitment to investment in innovation and transport infrastructure. Finally, it should be added that Wielkopolska also implements the regional component of the Operational Programme for Human Resources (OP HM) with EUR 606 million to be spent on educational and social projects (Fitch Ratings, 2011). Furthermore, at the level of self-government, a regional component of the Rural Development Programme is implemented.

Figure B.3. **Regional operational programme for Wielkopolska for 2007-2013: Financial breakdown of priority axis**

As a % of total budget of the programme



Note: Total: EUR 1 639 800 809 (EU and national contribution).

Source: DG Regio (2011), "Operational programme 'Greater Poland'", European Commission, Brussels, *http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?LAN=7&gv_PAY=PL&gv_reg=1519&gv_PGM=1200&gv_defL=16*.

Innovation

The Wielkopolska regional authority considers investment in the innovation capacity of local SMEs as critical for the region's development. The Board of the *Voivodship* is fully aware that in order to remain competitive, the region needs to stop relying on its relatively cheap labour as a comparative advantage and factor for attracting FDI. The emphasis is put on "smart specialisation" to exploit the local assets in the sub-regions (e.g. investment in the energy sector in Koniński sub-region, the motor industry in Kaliski), establishing a regional innovation system based on close co-operation between

enterprises, knowledge providers and the territorial administration to nurture innovation, and on supporting the creative sector, seen as an important driver of regional competitiveness (Box B.1).[13] The main investment tool used for this purpose is funding as part of the ROP's Priority 1, made available for projects focusing on strengthening SMEs' potential for innovation, nurturing links between businesses and research institutions to support the commercialisation of new technologies and enhancement of the business environment institutions (e.g. start-up incubators). Similar goals are also pursued via the JEREMIE initiative, which has been pioneered in Wielkopolska.

Box B.1. **Fostering Innovation in Wielkopolska: Exploiting regional assets**

One example of "good practice" in exploiting local assets is the establishment of the Wielkopolska Centre for Design in Poznań ("Concordia Design"), funded as part of the ROP, which taps into the potential of the thriving design industry. Concordia Design will offer incubation for innovative start-ups in this sector. The total value of the project is PLN 32.63 million, out of which PLN 15.84 million has been co-funded from the ERDF. Another example is the construction of the technology park "Centre for Advanced Technology" in Poznań, which exploits the regional strengths in research in biotech, medicine and informatics by supporting innovative SMEs operating in these sectors and supporting their co-operation with the relevant research institutions. The project is co-financed as part of the ROP. The funding offered amounts to PLN 23.99 million, while the total value of the project is PLN 50.39 million.

Long-term strategic objectives for investment in innovation and competitiveness have been defined in the Regional Innovation Strategy 2010-2020. The strategy was formulated in close co-operation with all of the actors involved in innovative activities – higher education and research institutions, enterprises and business environment institutions – and presents an ambitious vision based on an integrated and place-based approach. The document reflects the MO's integrated approach to regional development by focusing on a range of cross-cutting policy sectors and proposing wide-ranging reforms. The emphasis is on the need to establish an "enabling" institutional environment as an important factor for the region's competitiveness. Thus, the Regional Innovation Strategy encourages close co-operation between the public sector, regional knowledge providers and SMEs. It also highlights the need to improve administrative capacity, stimulate pro-innovation attitudes among regional and local officials and to favour co-operation between the sectoral departments within the MO (see Section 4).

Transport infrastructure

Transport infrastructure is one of the region's investment priorities. Expenditures for transport increased by 33.3% in 2011, which reflects the government's ambitious plans for organising and modernising regional railways and bus transport. Even though the density and condition of the transport infrastructure in Wielkopolska is relatively good compared to that of other Polish regions, it requires major investment after decades of neglect. By EU standards, the quality of roads, railways, air transport, communication and IT infrastructure in Wielkopolska remains low. Road infrastructure is the key investment area. The regional authorities are in charge of about 2 700 kilometres of regional roads, complementing the national road grid. The region's budget for modernisation and extension of its network of roads grew from PLN 60 million per annum in 1999 to nearly PLN 300 million[14] at present, resulting in a "boom" in road construction.

After the transfer of the responsibility for regional railways to the marshals in 2008, investment in railway infrastructure has become a major item for Wielkopolska's budget. This has been partly compensated by the increase of the share in the corporate tax that was allocated to the regions. In 2011, the region invested in 22 new trains for its regional railway service. This project was realised as part of the ROP 2007-2013 and co-funded (50%) from the ERDF and state budget. The external funding amounted to PLN 198.1 million, 85% of which was covered by an ERDF grant and 15% by a state subsidy. The region provided PLN 198.1 million in matching funds, which was a major strain on its budget. In 2012, the MO planned to spend PLN 120 million for further modernisation and extension of the railway network.

Box B.2. **The "Orlik" Programme**

The "Orlik" Programme was initiated by the Polish government in 2008 and is being implemented by the Minister of Sport and Tourism in co-operation with regional marshals and governors of the *voivodships*. It involves the construction of public free-of-charge sports fields with changing rooms and sanitary facilities for every community across the country. The aim of the programme is to provide children and young people with a modern infrastructure for active sports. To finance Orlik the central government has created a budget title from which local governments may obtain matching grants to fund their local projects. In addition, the central government supports logistics through architectural templates and a standard schedule for implementing construction works. The central budget allocations were PLN 200 million for 2008 and PLN 250 million each for 2009 and 2010, for a total of PLN 700 million for the period 2008-2010. Costs are shared equally among the central, regional and local governments. This leveraged total investment amounted to PLN 2.1 billion for 2008-2010. Thanks to Orlik about 1 800 sporting facilities had been completed by the end of 2010. Each facility that is built becomes the property of the community. Related to Poland and Ukraine hosting EURO 2012 and the promotion of international events in the society, the Polish government has decided to intensify its efforts in fostering sports. This programme now continues under the name "My Sports Field: Orlik 2012" and represents a strategic vehicle for developing Poland's sports infrastructure until 2015. It also eases the sharing arrangements for municipalities that cannot afford to match one-third of the investment costs for building such infrastructure.

Co-ordination for public investment across levels of government

Since the 1999 reform of the territorial administration, MOs are the actors in charge of public investment policy at the regional level. In the Wielkopolska MO, the Department of Regional Policy plays a co-ordinating role for public investment, is responsible for strategic planning of the development of the *voivodship* and management of the ROP. The ROP is an instrument for implementing the *voivodship* development strategy.

The various public investment tasks are spread across different sectoral departments within the MO, which include, for example, the Department of Infrastructure, the Department of Economy, the Department of Culture, the Department of Transport, the Department of Sport and Tourism, and the Department of Development and Support for Rural Areas. The strategic goals for public investment policy in Wielkopolska are set by the Regional Development Strategy[15] which is implemented mainly via the ROP.

The ROP's priorities have to match the strategic objectives defined at regional, national and EU level, while considering specific regional challenges and opportunities. This calls for vertical and horizontal co-ordination to ensure consistency and access to the

local knowledge necessary for tailoring the interventions to the local needs. The programme has been designed by the MO in close collaboration with other regional stakeholders in consultations and in the Monitoring Committee that participates in setting the eligibility criteria for projects.

Vertical co-ordination between the region and other levels of government

The transfer of competences to the regions for the management of EU Structural Funds required new arrangements for co-ordination between the 16 ROPs and the national (former sectoral) operational programmes managed by the central government.

This task was entrusted to the Department for Co-ordination and Implementation of Regional Programmes within the Ministry of Regional Development (MRD), acting as the co-ordination authority. The department is responsible for the co-ordination of the formulation and implementation processes of regional programmes as well as of horizontal issues essential for the implementation of those programmes, and is thus required to co-operate closely with the MOs. In addition, the MOs co-operate with the *voivod* offices, which are responsible for certifying expenses as part of the ROPs, a task delegated by the certification authority. The latter is the Department of Certification of the MRD, which certifies the expenses as part of EU-funded programmes on behalf of the European Commission. Finally, the MOs have to liaise with the regional fiscal control offices that verify compliance of the ROP management systems with national and community law on behalf of the Ministry of Finance (audit authority).

Co-ordination between the priorities and measures of the ROPs and the operational programmes is managed by the central government. Complying with the European Commission's guidelines and national strategic documents has been described by the interviewees from the Wielkopolska MO as a challenge. Challenges arise in terms of the complementarity of the programmes, priorities, activities and projects, as well as the issue of competences. This seems to be due to the fact that this is a new process and the institutionalisation of the multi-level system for strategic management is still in progress.

Box B.3. **Towards regionalisation of the management of EU Structural Funds in Poland**

In the initial period after Poland's accession to the EU (2004-2006), the management of the structural funds remained centralised. Regional authorities were consulted in the formulation process of the Integrated Operational Programme for Regional Development and played an important role in project appraisal. However, the priorities for intervention were set centrally and it was the central government that was responsible for the programme's implementation. This situation has changed with the partial regionalisation of the management of the structural funds for 2007-2013 and the introduction of 16 ROPs for each of the *voivodships*. The regional authorities took over the role of managing authorities for the programmes, which was supposed to enable interventions to be more tailored to regional needs and ensure a better fit with the strategic development plans of each *voivodship*. They are responsible for the development and implementation of ROPs, including the evaluation and selection of projects to be co-financed by the programme, making payments for beneficiaries, project control and programme execution monitoring.

Since 2007, the Committee for Co-ordination of the National Development Strategy (NDS), has acted as a forum for vertical co-ordination of strategic programming. The Committee for Co-ordination of the National Strategic Reference Framework (NSRF) is

headed by the MRD and includes representatives of various ministries, sub-national authorities and economic and social partners. Its mission is to monitor the implementation of the NDS and NSRF and ensure complementarity between the operational programmes and sectoral policies. In addition, a so-called "demarcation line" has been used as a somewhat "soft" mechanism for co-ordination, demarcating the tasks of each level of government and the fields of intervention for each of the operational programmes in order to avoid duplication. In practice, Wielkpolskie MO designed the ROP bearing centrally managed programmes in mind and, in case of doubt, issues are clarified on an informal basis with the MRD.

The monitoring committees (MCs), partnership bodies bringing together representatives of the government, territorial administration and non-state stakeholders that operate both on the regional and central level, also play an important co-ordinating role. One of their key tasks is to monitor the implementation of operational programmes and notify the managing authority in case of overlaps or irregularities, so as to allow for *ad hoc* adjustments of the implementation procedures.

Responses to the questionnaire revealed several challenges regarding the collaboration between central and regional governments. Among them was the incorporation of the private sector in financing and managing public investments. Less pronounced challenges included the lack of incentives to engage in co-ordination, the central and regional governments' limited understanding of each other's priorities, and the difficulty in adhering to co-financing requirements. Overall, despite some deficiencies in the flow of information between the levels of government and differences in priorities for investment, the cross-level co-ordination of public investment was positively assessed by the regional counterparts within the MO.

Box B.4. **Vertical co-ordination in the field of transport infrastructure**

Management of the national roads system requires co-operation across levels of government to ensure complementarity between the national, regional and local road networks and avoid misguided investment. Nevertheless, in Poland such co-ordination is challenging due to the strict division of tasks. The central government implements investment projects on national roads, airports and country-wide railway connections to achieve the goals defined in the National Transport Strategy. Under Polish law, regional authorities cannot participate in these projects; however, they attempt to co-ordinate their investment in regional transport infrastructure through them. Thus, the regional authorities need to consider the government's plans for extension of the national motorway network in their transport infrastructure pans, as the regional road network has to serve and connect with the national roads. The co-ordination of investment is conducted by the Main Directorate for National Roads and Motorways (GDDiKA), the marshal offices and local authorities. A further forum for co-ordination is the Joint Commission of the Government and Territorial Self-government, which brings together associations of the sub-national authorities (Association of Regions, Association of the Polish Cities, Association of Rural Communes) and the relevant ministries, where the strategic and planning documents put forward by the Transport Ministry are consulted.

Spatial planning

Co-ordinating public investment requires taking into consideration spatial planning frameworks at different levels of government. Co-ordination of spatial planning in the Polish context presents a number of challenges, creating obstacles for the implementation

of public investment projects. According to the logic of the planning system in Poland, national spatial plans should be executed at the sub-national level. Spatial planning at the regional level should thus be in line with the planning priorities determined at the national level. The vertical co-ordination required to ensure this alignment, however, is hampered by two obstacles.

First, the flow of information on planning decisions between the government and the regional authorities remains deficient. Information on the government's decisions on investment in various sectors is dispersed across the sectoral ministries, which requires additional efforts from the regional actors to search for and collect the information necessary for co-ordination with the national plans. The regional authorities also need to liaise with each of the sectoral ministries when designing their spatial development plans. This situation is expected to improve as the tasks related to spatial planning were moved from the Ministry of Infrastructure to the MRD, which should enhance cross-sectoral co-ordination within the central government. This reform should also facilitate co-ordination across levels of government as the regional plans no longer have to be consulted with each of the sectoral ministries, but only need to be approved by the MRD.

Secondly, the tasks of the regional planners are complicated by the proliferation of so-called special laws (*specustawy*), which are increasingly used to remove legal bottlenecks and facilitate investment in priority areas, such as motorways or high-speed railways. As a result, some investment projects are taken out of the planning system and can be executed regardless of the planning priorities. This may accelerate the execution of some projects; however, it creates a major problem as there is no cross-level co-ordination mechanism for such special investment. Regional authorities are not always well informed about government decisions in such cases or receive only scant information about the projects in question, while they have to update the regional plan to accommodate them and co-ordinate the related adjustments in local plans.

The Wielkopolska MO delegated the responsibility for spatial planning and land use to the Wielkopolska Bureau of Spatial Planning in Poznań (WBPP), supervised by the MO's Department of Infrastructure. WBPP is in charge of preparing and updating the key planning document for the region – the Spatial Development Plan for Wielkopolska *Voivodship*.[16] The plan was prepared in consultation with all of the communes in the region at a variety of workshops and working group meetings. This presented a major challenge for the WBPP, which needed to reconcile conflicting local interests (by taking into account neighbouring self-governments' view on zoning plans) while putting forward the regional level spatial priorities. Subsequently, the Department of Infrastructure of the MO assesses and approves the local spatial development plans submitted by the local authorities for their compliance with the priorities outlined in the Spatial Development Plan for the region. It also co-ordinates decision making concerning construction plans and locations for investment in facilities for the provision of public services, in line with the Polish legislation that requires regionally important investment projects realised by the local authorities to be approved by the MO.

There are no institutionalised, non-judicial mechanisms for solving conflicts concerning spatial planning decisions. Local authorities may initiate legal action to appeal decisions taken by the MO concerning their investment. Likewise, if local plans or investment projects do not comply with the regional spatial planning goals, the MO can bring the case to court. In practice, conflicts are avoided through informal co-ordination mechanisms (organising meetings and debates on arising problems and conflicts in addition to the consultation process of neighbouring jurisdictions above), while at the

same time the provisions of the region's spatial development plan are kept sufficiently general to grant local authorities some flexibility.

Ex ante *conditionalities*

In the Polish context "conditionalities" are used mainly as part of the EU-funded programmes (as highlighted in the second section of this annex). There are, for instance, procedural conditionalities, such as approval of the management and implementation systems by the European Commission; assessing compliance with EU regulations; the partnership principle or the "n+2 rule", according to which the contracted funds have to be spent within two years after the grant contract is signed. Conditionalities also concern strategic issues. For example, EU funding may be granted for the local authorities' investment projects under the condition that it is part of the implementation of a multi-annual development strategy. In some cases, conditionalities are set by domestic managing authorities and can include positive incentives. For example, the project assessment criteria of Wielkopolska's ROP are designed so as to encourage joint inter-municipal investment projects.

Even though some adjustment and learning were necessary, the EU requirements have not generally been perceived as more stringent than the domestic ones. Beneficiaries of EU funding in Wielkopolska have not, for the most part, encountered major difficulties in complying with the conditionalities imposed as part of the EU Cohesion Policy framework, as many of the EU requirements correspond to domestic rules and legislation. For instance, local authorities are obliged by law to prepare local development strategies in consultation with local stakeholders. As some of the sub-national officials interviewed attested, the EU conditionalities are generally not perceived as an obstacle but rather as a positive stimulus to enhance the projects. Nonetheless, the questionnaire conducted as part of this case study reveals a more nuanced picture. Sub-national actors see the requirements (especially those imposed on top of EU requirements) as an administrative burden imposed by the central government. Some respondents also indicated that such requirements could limit regions' autonomy in managing its public investment policies and could slow down the implementation of investment projects.

Contractual arrangements

Contractual arrangements between the government and regional authorities have been used in Poland since 2000. The regional contracts, inspired by the French model of *Contrats de projets État-région*, are the primary tool for vertical co-ordination in public investment. Since 2008, regional contracts have determined the modalities for the use of state development funding offered to regions for the implementation of their ROPs. They have also included provisions on the MRD's supervision of the use of funds by the regional government and on co-ordination between the ROPs. Despite occasional cuts in the funds because of changes in the state's budget situation, the experience with regional contracts to date has been positive. The contracts have provided a stable and multi-annual framework for vertical co-ordination, making it possible for regional authorities to complete long-term investment plans.

Currently, a reform of these contractual arrangements is under discussion. The National Regional Development Strategy for 2010-2020 puts "territorial contracts" forward. These would aim to create synergies between all regional policy instruments having a territorial dimension. Additionally, they would be supported by co-ordinating

structures, strategic monitoring and conditionalities. However, the reform process is still at an early stage and the regional actors remain cautious, particularly with respect to the increased co-ordination between sectoral ministries that is envisaged and the increased autonomy of the regions in managing the funds allocated as part of the contracts.

Vertical co-ordination between the regions and local stakeholders

The design of the regional development strategy and of the regional operational programme is the responsibility of the regional authority. The contents of both documents are, however, the subject of consultation with the lower level governments and with a plethora of other stakeholders, experts and non-state actors. Such horizontal partnership to co-ordinate investment activities is a relatively new tool in Poland. It has been introduced in the wake of the accession to the EU and adjustment to the Cohesion Policy's partnership principle. According to representatives of both the MO and local authorities, organising consultations proved challenging due to the lack of tradition of such co-operation, mistrust between the actors and difficulties in reconciling the divergent interests of the local authorities. In fact, local leaders are under considerable media and electoral pressure to acquire as much external funding for investment as possible, which can turn discussion of the use of EU funds and the breakdown of resources across the ROP into a zero-sum game. Nevertheless compromises have evolved in the past.

A further instrument for co-ordination between regional and local governments is the monitoring committee (MC) for the ROP, where local authorities are represented and vertical co-ordination issues can be discussed. The MC also includes strong representation of economic and social partners (10 of 24 committee members), including representatives of business environment institutions, trade unions, NGOs and higher education institutions.

In addition, the Marshal established the "Wielkopolska Council of Thirty", a special advisory body dealing with regional development and innovation issues. The council was put in place as part of the project "Building Regional Innovation System in Wielkopolska" co-financed by the ERDF (Operational Programme Human Capital). The council comprises the mayors of major urban municipalities of the region, representatives of higher education institutions and executives from the most prominent firms in the region. The council assesses the regional programming and strategic documents and is consulted on major projects supporting the innovation capacity of the region. It also provides a platform for exchange of good practice, generating synergies and enhancing the delivery of innovation policy. According to actors from the business environment, despite the existence of the fora for co-operation and dialogue, the flow of information between the public administration, the higher education sector and enterprises is still insufficient and there is substantial scope for enhancing co-operation between the three sectors to deliver better targeted investment for the region's competitiveness and innovation potential.

Building sub-national capacities for effective public investment

Horizontal co-operation

Despite the lack of a tradition of inter-municipal co-operation and limited inter-institutional trust, Polish law provides for agreements between district and local governments for joint investment. In recent years, there has been substantial progress in

developing such co-operation to provide infrastructure for basic public services. A growing number of local authorities are engaged in such investment projects through special purpose associations or associations bringing together neighbouring municipalities (Box B.5 for an example). Typically, such associations are formed to reduce costs and pool resources in order to respond to common needs, for example the construction of water treatment plants or waste management facilities. In many cases, this involves joint applications for EU funds or other external finance.

Box B.5. **Co-ordinating horizontally through local "*gmina*" associations**

An example of such special purpose association is the union of 13 *gminas* around the city of Kalisz that has established a joint company for waste management. Another initiative, which also includes partnership with private sector actors, is the water and sewage system in the Poznań agglomeration. It is operated by a private company in which Poznań and nine neighbouring municipalities participate, while public-private partnerships are being used to expand the necessary infrastructure (OECD, 2011). One of the factors spurring inter-municipal co-operation in this area has been the decentralisation of the partially funded responsibilities for waste management. In some cases, however, it is the increasing budgetary pressure resulting from the crisis that pushes local authorities to co-operate. For instance, Piła has consolidated its payment system with neighbouring municipalities, and all have tried to reduce overhead costs of investments through organisational changes and co-operation.

Another example of local horizontal collaboration is the National Programme for Extension of Local Roads 2008-2011. Co-ordinated by the Ministry of Internal Affairs, this programme promotes collaboration between the neighbouring local governments as part of partnership-based road investment projects. The aim of the programme is to improve the traffic conditions and safety, while enhancing the connectedness of the local and *powiat* roads to the national roads network and, hence, improvement of accessibility of the local economic centres. The programme is widely regarded as a success and is popular among the *powiats* and *gminas*. It has therefore been extended for the 2012-2015 period. While the budget for the second edition of the programme remains roughly similar, funding is now offered to cover only up to 30% of the project costs – i.e. the co-financing requirements have been increased.

Inter-municipal co-operation is also encouraged through co-funding between the national, regional and local governments. For example, it is encouraged by Wielkopolska's MO, both through persuasion and incentives in the project assessment criteria in the ROP 2007-2013. In such partnership projects, one of the actors is typically the project leader, responsible for the management of the project and reporting to the MO. Some of these partnerships proved problematic, particularly in terms of reporting and flow of information. A further obstacle has been the limited capacity of some of the *gminas* to secure matching funds. This problem has become more acute as the municipalities have started to feel the negative consequences of austerity measures introduced by the government, resulting in a reduction of their revenues.

Involving private actors

The regional authority in Wielkopolska is dedicated to enhancing collaboration with private sector actors, not only as advisers on strategic matters, as happens in the aforementioned consultations and advisory bodies, but also as partners in public investment schemes and their beneficiaries. SMEs are major recipients of EU Structural

Funds, particularly as part of Priority 1 of Wielkopolska's ROP, and revolving funding via the JEREMIE initiative.[17] They are keen to take advantage of the funding offered as part of EU programmes (as of April 2012, 1 208 projects by SMEs were funded under ROP measures). However, in the vast majority of cases they acquire funds for projects they implement themselves. Projects implemented in PPPs remain rare. In fact, PPPs have been a challenge in Poland due to the lack of an adequate legal framework and low levels of trust between the public and private sectors. This was also highlighted as a shortcoming in the questionnaire carried out for this case study.

Box B.6. **Horizontal co-ordination of public transport services**

While being a critical area for co-operation between the levels of sub-national government and horizontally across municipalities, co-ordination in public transport policy in Wielkopolska remains challenging. The co-ordination problems are best illustrated with the case of the Poznań agglomeration. There is a clear need for co-operation between the neighbouring municipalities to deliver effective public transport within the functional urban area, yet in practice, reaching agreement has proven difficult due to contradictory interests and lack of institutionalised mechanisms for inter-municipal co-operation. To overcome such barriers, actors have to engage in *ad hoc* and unofficial consultations to avoid conflicts and overlaps. Thus, after negotiations, the municipalities of the Poznań agglomeration have introduced a joint ticketing scheme for transport services.

Wielkopolska was the first EU region to launch a loan-based support scheme for urban development as part of the JESSICA initiative.[18] In collaboration with the European Investment Bank, an Urban Development Fund (UDF) was set up with the state-owned bank BGK as the managing body. The scheme was at an early stage at the time of writing, with PLN 95 million being allocated as loans to support five projects implemented by both the public and private actors. One such example is the "Galeria Goplana" project, which is being funded as a PPP. It involves the revitalisation of a decaying post-industrial area in the centre of Leszno with the aim of converting it into a commercial centre. The private investor will make one of the revitalised buildings available to the municipality, free of charge, for the establishment of a public multimedia library or tourist information centre. The total value of the project is PLN 178 million, while the loan amounts to PLN 50 million. Another example is the support granted for a reconversion of a post-industrial building into office space (Office Centre "Podwale" in Poznań). The private investor will offer venues for free training courses and workshops for the local community. The value of the investment amounts to PLN 30 million, while the loan amounts to PLN 22.5 million.

Organisational and management capacities

The adjustment to the Cohesion Policy norms favoured the modernisation of organisational practices and project management approaches as well as greater effectiveness both at the regional and local levels in Poland.

Strategically, in its regional development policies Wielkopolska's MO emphasises the investment in social capital and improvement of the administrative capacity as a way to favour long-term sustainable economic development (IBC, 2012). The region fosters local administrative capacity through regular performance evaluation and the provision of regular training opportunities.

To a large extent, the study in Wielkopolska confirms these observations. The implementation of the EU funds has had an important catalytic effect on enhancing administrative capacity at the regional level, particularly in the 2007-2013 period, when the MO became the managing authority for the ROPs. Thus, the team of officials dealing with regional development policy at the MO initially included 12 people, while in 2007 it was expanded to 250 members of staff. Over time, this team has accumulated substantial experience and greatly enhanced its competency, thanks in part to the substantial EU funding for training courses made available as part of the technical assistance programme.

At the local level, capacity building has proven more problematic. Some municipalities have improved their capacity for strategic planning and effective design and management of investment projects. This was stimulated by no small measure by the desire to acquire EU funds, which requires project management skills, knowledge of the regulatory framework and a capacity to design strategies and projects to implement them. However, the financial capacities of many local authorities are limited. Many of them, including some of the better-resourced urban municipalities, opted to outsource tasks related to the preparation of investment projects and bids for funding to consultancies. In addition, local authorities suffer from a high staff turnover and struggle to attract skilled employees due to the low salaries on offer, as indicated both by the interviewees and questionnaire respondents. A further factor preventing effective capacity building at the local level is the low quality of the training courses offered by firms and NGOs as part of projects funded from the European Social Fund. While the training offer is substantial, the courses offered seldom match the training needs of officials.

Integrity and transparency

Public procurement

Public procurement is a major challenge in the implementation of the ROPs. The first problem identified is the instability of the legal framework for procurement, which has changed repeatedly in recent years. These frequent changes forced investors to adjust their ways of doing things and generated additional costs. The second problem concerns the assessing of procurement procedures by auditors. Officials in the region argue that the auditors, who tend to be meticulous, impose serious sanctions even for minor irregularities in tenders and that irregularities may be qualified as such, or not, depending on the interpretation of the individual auditor. This perceived inconsistency creates a climate of insecurity and mistrust, which forces the investors to more closely assess minor details of projects and hinders the smooth organisation of tenders. The interviewees also stressed that the control procedures implemented by the Polish auditors are stricter than those conducted at a later stage by EU auditors. Some respondents to the questionnaire cited further obstacles to effective public procurement procedures, namely red tape, restrictive tender specifications and limited know-how on the organisation of tenders.

Performance monitoring and learning

Monitoring of the implementation of the Regional Development Strategy for Wielkopolska is based on biennial analysis of progress towards achieving the strategy's objectives. The progress reports are then approved by the Regional Assembly, which may propose amendments and updates when deemed necessary. Assessment of progress is based on a set of indicators of outputs defined for each of the strategy's priorities and

measures. The ROP for 2007-2013, the key operational document for implementation of the regional development strategy, is monitored on an ongoing basis by the regional MC, set up in compliance with EU requirements concerning horizontal partnership.

The regional evaluation culture has been developing rapidly, mainly stimulated by compliance with the EU Cohesion Policy framework requiring programmes be evaluated and by the availability of funding for evaluation studies as part of technical assistance. The evaluation culture has also been developing as a result of the introduction of the ROP in 2007-2013. Nonetheless, there is a growing emphasis on impact evaluation, as illustrated by the case of Wielkopolska, and Polish evaluation studies are often presented as examples of "good practice" (such as an "Evaluation of the access to medical services through the implementation of Priority V projects of the ROP for Wielkopolska for 2007-2012" or an ongoing "Evaluation of the ROP for Wielkopolska for 2007-2013 on socio-economic outcomes").

Lessons learnt and good practices

Good practices

- Focus on strategic planning in co-operation with different regional actors and stakeholders:
  - Consultations on the ROP 2007-2013 and the Regional Innovation Strategy 2010-2020.
  - Establishment of the Council of Thirty, which brings together the regional government, higher education and research institutions as well as the major firms operating in the region.
- Pro-activeness in promoting the involvement of private actors in the design and financing of public investment projects:
  - Use of innovative tools, such as the revolving funding instruments as part of EU Cohesion Policy (JESSICA for urban development, JEREMIE for supporting SMEs).
  - Enhancing co-operation through the establishment of a dedicated regional agency for co-ordinating the actors of the regional innovation system.
- Stimulating horizontal co-ordination across municipalities:
  - Incentives for joint inter-municipal investment projects introduced into the ROP.
  - The regional authority's involvement in facilitating co-operation as part of the Poznań agglomeration.
  - Inter-municipal co-operation to mitigate the pressure on the municipal budget through joint provision of public services and investment in infrastructure.
- Focus on administrative capacity building:
  - Provision of training courses to the public officials involved in public investment activities.

  - Introduction of New Public Management methods for stimulating effectiveness and monitoring performance through indicators and end-user feedback.
  - Establishment of a co-ordinator for innovation-related activities across the departments of the Marshal Office.
- Establishment of multi-year budgeting and fiscal discipline.

Lessons learnt and key challenges for the region

- More can be done to address information asymmetries. The flow of information needs to be increased to improve co-operation between regional and local authorities, higher education institutions, business environment institutions and firms. The MO is well positioned to play this co-ordinating role. Better circulation of information is likewise needed to improve co-ordination in spatial planning, which should help ensure greater coherence and avoid conflicts.
- Inter-municipal co-operation on joint investment projects still faces important obstacles. Regional authorities should provide guidance in setting up partnerships and a template for partnership contracts between municipalities applying jointly for funding. This could ensure a clearer division of tasks and responsibilities and thus reduce the risks involved for the project leader. While inter-municipal co-operation appears to be increasingly popular in the fields of water and waste management or broadband and road infrastructure, it is still limited in sectors such as education and housing. Incentives should be put in place to encourage it.
- Authority is still poorly matched with financial capacity. The current system of territorial administration is balanced between decentralisation and deconcentration, preventing major co-ordination gaps that may hamper the effectiveness of public investment in a multi-level setting. However, the continuing decentralisation of public services should be accompanied by an adequate fiscal decentralisation.

Notes

1. Dabrowski, M. and Allain-Dupré, D. (2012), "Public Investment across Levels of Government: The Case of Wielkopolska, Poland", report presented to the OECD Territorial Development Policy Committee, 4-5 Dec 2012, OECD Conference Centre, online at *www.oecd.org/gov/regional-policy/publicationsdocuments/Wielkopolskie_edited%20(2).pdf* and in summary form in OECD (forthcoming), *Investing Together Across Levels of Government: Meeting the Co-ordination and Capacity Challenges*, OECD Publishing.

2. Law on Gmina Self-government from 8 March 1990 (Dz. U. z 1990 r. Nr 16, poz. 95), available at: *http://isap.sejm.gov.pl/DetailsServlet?id=WDU19900160095;* Law on Voivodship Self-government from 5 June 1998, (Dz. U. z 1998 r. Nr 91, poz. 576), available at: *http://isap.sejm.gov.pl/DetailsServlet?id=WDU19980910576*.

3. The new *voivodship* incorporates parts of the territories of several of the former smaller and non-decentralised *voivodshsips* (Poznańskie, Konińskie, Pilskie, Leszczyńskie, Kaliskie, Zielonogórskie, Gorzowskie, Bydgoskie).

4. The region's largest sector is services, which employs around half of the workforce (contributing 60% of GVA), followed by industry with 27% (27% of GVA), agriculture at 6% (16% of GVA) and finally construction with 6% (7% of GVA).

5. The difference between the current budget balance and the operating balance is net financial income (interest received minus interest paid), which is of minor importance in this context.

6. Personal income tax is allocated according to residence, while corporate tax is allocated according to a firm's headquarters. No attempt is made to assign corporate tax revenue according to regional economic activities, like in Germany or the United States, for instance.

7. Wielkopolska has made exclusive use of government bonds, which is preferred over bank loans for statutory reasons.

8. Budget authorisations are PLN 50 million higher.

9. In 2009, growth in employment was mainly due to a growth in actions related to the disbursement of the EU funds under the Regional Operation Programme (ROP) for Wielkopolska and the Operational Programme for Human Resources (OP HM). In 2007 and 2008, operational programmes were negotiated with the European Commission; no executive regulations of the Ministry of Regional Development, organisational structures or division of powers within the financial perspective of NSRF 2007-2013 were created. In fact, the actual disbursement of funds on a large scale only began in 2009, when it became necessary to employ staff for verifying applications, supervision, payments, etc. This concerned both the staff of the Marshal Office in the scope of handling projects from WROP, as well as the *Voivodeship* Labour Office as an intermediary institution for OP HC, whose payroll costs are included in the budget. Most resources did not come directly from the own funds of the *voivodship* budget, but from the technical assistance of WROP and OP HC, with the vast majority from EU funds. The technical assistance of WROP is financed 100% from the EU funds, while OP HC is financed mainly from the state budget. Moreover, the Marshal Office increased its workforce by ten in 2009 as a result of the takeover of the "Oskard" Mining Community Center (*Górniczy Dom Kultury "Oskard"*). The Department of Environment also increased its workforce to ensure the smooth

implementation of actions in terms of fees for using the environment by economic entities.

10. The share of spending on public administration of total current spending more than doubled from 2007 to 2011 (from 6% to 12.3% of current spending).

11. Figures are not adjusted for inflation.

12. However, there were complaints on the burden of the EU's reporting requirements.

13. Arena DESIGN fair, "Concordia Design" project, "Wola. Innowacje i Kreacje" project.

14. Nominal figures, not adjusted for inflation.

15. Available at: *www.umww.pl/pub/uploaddocs/development-strategy-of-the-wielkopolska-region-by-2020.1302609596.pdf*.

16. Available (in Polish) at: *http://wbpp.Poznań.pl/plan/plan/tekst.pdf*.

17. JEREMIE is part of the EU structural funds to provide SMEs with different financial instruments (such as guarantees, loans, etc.). See: *http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_en.cfm*.

18. JESSICA is also part of the EU structural funding instruments, providing financial engineering mechanisms for urban development and reengineering, *http://ec.europa.eu/regional_policy/thefunds/instruments/jessica_en.cfm*.

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Annex C

Human resources management in the government of Poland*

Introduction

The government of Poland's ability to implement and sustain strategic-state capacity depends on the ability of the public sector – in particular of its own workforce – to identify and address internal and external challenges correctly, strengthen efficiencies in policy design and service delivery to meet these challenges, and mobilise actors and leverage resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively as the government pursues its strategic vision for the country. Effective human resource management (HRM) practices are an important tool in developing this government-wide capacity, as they help align workforce skills with the needs of the government.

This annex outlines the current status of the Polish civil service and the challenges it faces in developing this capacity. Following a description of the general characteristics of the Polish civil service, it assesses the use of strategic workforce planning and the division of responsibility for human resource management in the central government, two issues that will affect the Polish government's capacity to operationalise strategies and deliver public services in a rapidly changing environment. It offers numerous examples of experiences from OECD member countries on human resource management practices and proposes several actions that the government of Poland may wish to consider as it continues to modernise its civil service.

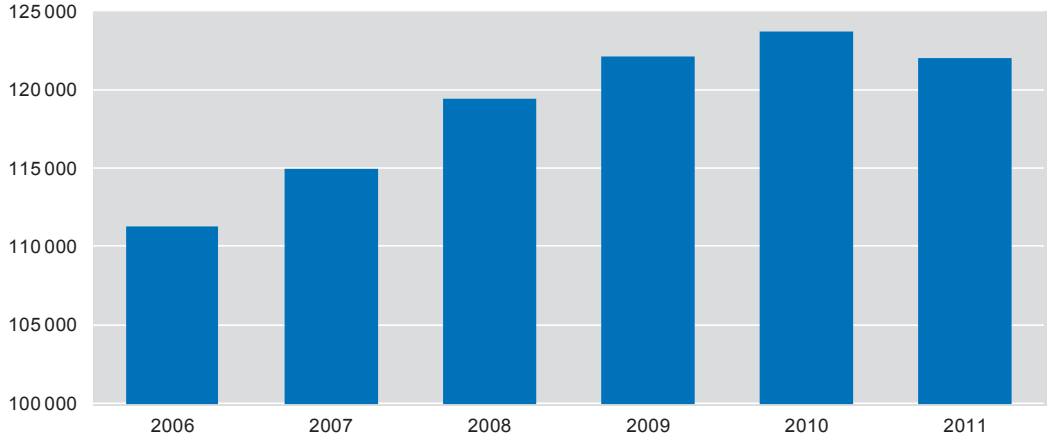
The size and composition of the Polish civil service

The Polish public administration employs approximately 643 000 staff, not including teachers, doctors, soldiers or officers.[1] Of this number, about 122 000 (about 19%) are members of the civil service corps (Figure C.1).[2] Employment in general government as a percentage of the total labour force in Poland was 9.7% (2008), well below the OECD average of 15.0%; compensation of government employees accounted for 10.2% of GDP (2009), 1 point below the OECD average of 11.2%. However, employee compensation in Poland (51.6%) accounts for a slightly larger share of total production costs in general government than the OECD average (48.7%), suggesting that Poland relies slightly more on government employees in the production process than the OECD average (see Figures 1.16 and 1.17).

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

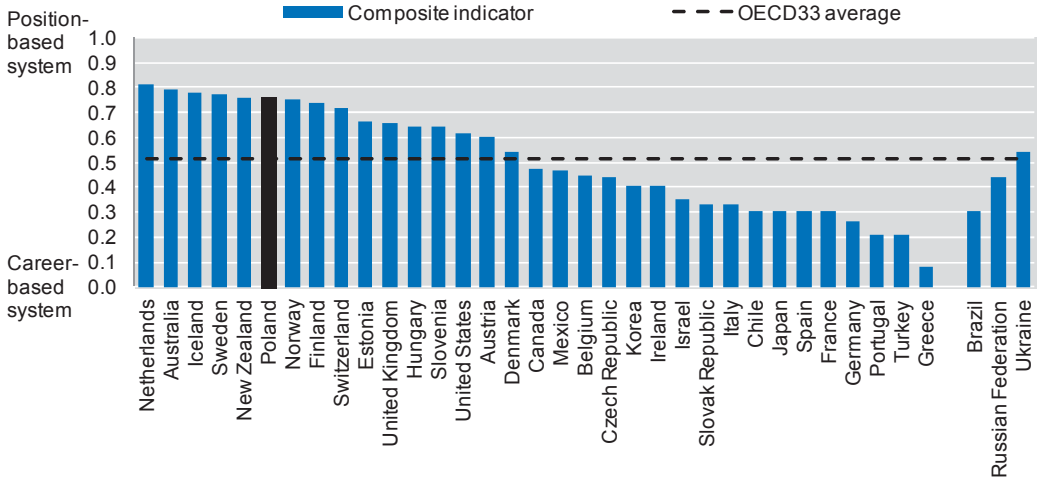
The government of Poland's civil service recruitment system is governed by the Civil Service Act (2008) and is generally competitive and open, according to the Supreme Audit Office — i.e. the process is universal, transparent and conducted in accordance with the principle of equality. The system is a hybrid, exhibiting elements of both a career-based and position-based model, with a tendency towards the position-based model (Figure C.2). A career-based system is characterised by competitive selection early on in a public servant's career with higher level posts open to public servants only. In contrast, in a position-based system, candidates apply directly to a specific post and most posts are open to both internal and external applicants.

Figure C.1. **Number of full-time equivalents in the Polish civil service (2006-2011)**



Source: Chancellery of the Prime Minister (2011), *Report of the Head of Civil Service on the Condition of the Civil Service and Accomplishment of Tasks of that Service in 2011*, Warsaw.

Figure C.2. **Type of recruitment system used in central government (2010)**



Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

Reflecting the hybrid nature of the recruitment system, the Polish civil service distinguishes between two categories of employees that constitute the civil service corps: civil servants (*urzędnik służby cywilnej*) and civil service employees (*pracownik służby*

cywilnej). Civil servants comprise 5.9% of the civil service corps and are nominated through a career-based system, either by passing an examination regarding the knowledge and skills necessary to execute civil service tasks or by graduating from the National School of Public Administration, which is part of the civil service system. Although civil servants occupy positions throughout the civil service, they occupy a higher proportion of management and foreign-service positions than non-management positions. Civil servants generally receive higher salaries and have greater job protection, but face more restrictions on the terms of their employment; for example, they cannot undertake additional income-generating activities without written permission, compensation for overtime is much less favourable and they are prohibited from establishing or participating in political parties. Civil service employees, who comprise the remainder of the civil service corps, are hired through a more position-based system on the basis of an employment contract directly into specific positions and tend to receive lower salaries. They can be hired for a definite or indefinite period and the terms of their employment are more flexible than those of civil servants.

The stability of nominated civil servants' employment status can be an important bulwark against political interference. For example, the Civil Service Act (2008) prohibits them from publicly expressing their political beliefs or establishing or participating in political parties. However, at less than 6% of the civil service, there are too few such employees, according to the Supreme Audit Office. The head of the civil service has proposed raising the proportion of civil servants to 10% by 2020, which he believes is a reasonable compromise between the professionalisation of the civil service – given the qualifications one must have to be appointed a civil servant – and the budgetary constraints the government is facing. However, the number of new civil servants does not appear to be based on any strategic needs assessment of the civil service, but is instead determined in the Budget Law. In order to achieve its goal of increasing the proportion of civil servants in the civil service, Poland will have to allocate sufficient funds to appoint new ones. Moreover, the head of the civil service has identified the diversity of employment statuses as a challenge to modernising the civil service, as it makes HRM more difficult and complex if, for example, an office has several groups of employees whose employment status is regulated by various acts. This diversity of statuses also potentially limits mobility across the civil service.

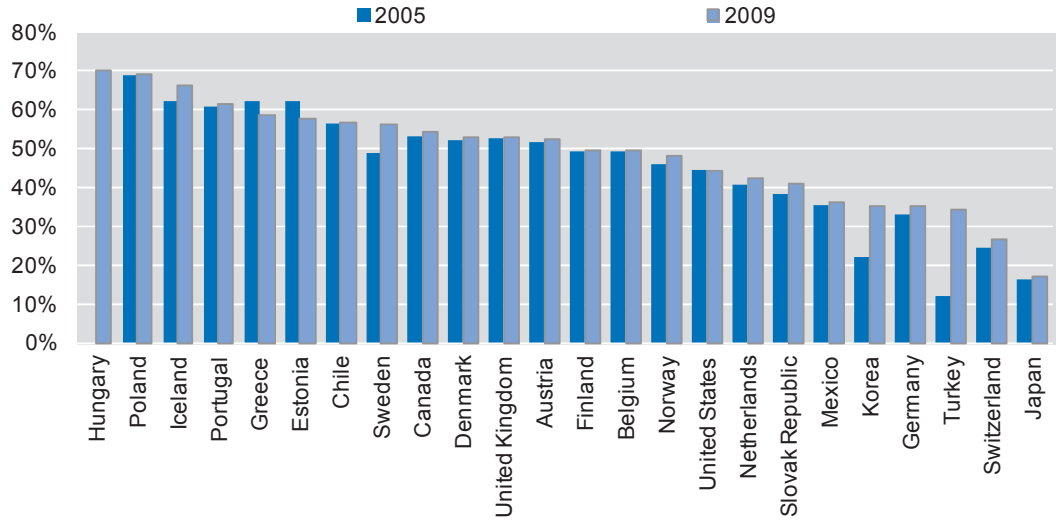
Gender in public employment

In recent years, ensuring gender diversity in the public service has become a priority throughout the OECD, and countries have developed strategies aimed at ensuring a representative percentage of women in the public workforce. The emphasis on diversity is not only an issue of equity but one of efficiency and effectiveness. Sound diversity policies recognise the value of diversity while continuing to uphold the principle of merit. Poland deserves significant credit for achieving gender balance in its civil service, including in senior positions, and for minimising the pay gap between men and women.

The Polish civil service employs a significantly higher proportion of women than most other OECD member countries. In 2009 and 2011, women comprised 69.2% of the civil service corps, compared to the OECD average of 48.6% (Figure C.3). Moreover, the percentage of women occupying senior management posts (46.2%) was significantly higher than the OECD average of 34.5% in 2009 (Figure C.4), and it increased in 2011 (49.0%). In many countries, male employees tend to earn more than their female counterparts, and this wage gap generally increases in higher level positions. However, in Poland, the gender wage gap in the civil service is small at all career levels, and,

significantly, salaries for women in the most senior positions in government are higher than those for men in similar positions. According to the 2011 *Diagnosis of Human Resource Management in the Civil Service*, the high percentage of women in the Polish civil service corps may be due to the common perception of the civil service as an employer that offers employment stability and facilitates work-life balance. For example, the head of the civil service and some directors-general promote initiatives such as offering flexible working hours or rooms where civil servants may work while attending to their children (Chancellery of the Prime Minister, 2011a).

Figure C.3. **Percentage of female employees in relation to total employment in central government**



Note: Data for Poland are from 2004 and 2009.

Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

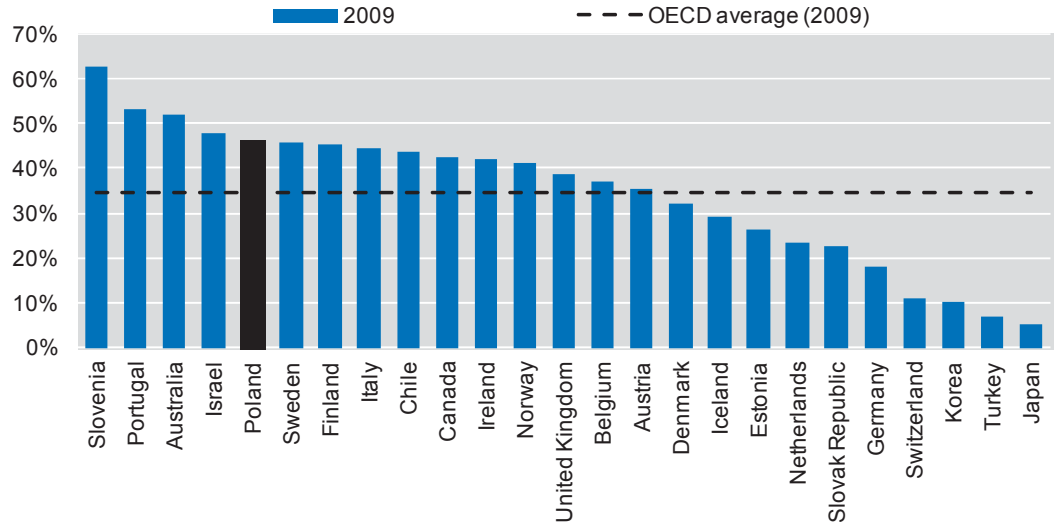
An ageing workforce

Although Poland is not ageing as quickly as many OECD countries, its central government workforce is, on average, older than the general labour force and ageing more rapidly. In 2009, 26.9% of the civil service corps was 50 years or older, compared to the OECD average of 33.5% in central governments and 23.5% in the total Polish labour force, and this figure rose to 29.7% in 2011 (see Figure 1.19). The government of Poland has acknowledged the risks of ageing in the civil service, such as the loss of specialised skills in certain areas, and has taken some preliminary steps to encourage older employees to stay in the workforce, such as supporting their professional development through IT training, language lessons and personal and interpersonal skills development training. However, unlike many OECD countries, such as Germany, Korea and Sweden, it does not explicitly consider demographics in its strategic human resource planning, potentially leading to greater challenges in the future. Poland can take advantage of the fact that its workforce is not as old as other OECD countries' and start developing succession plans to proactively manage the change in the age profile.

An ageing public service also represents an opportunity to restructure the workforce. Some OECD countries have undertaken workforce planning and competency management initiatives to change the composition of their workforce and make

reallocations across policy sectors, resulting in a better alignment of their public sector workforce to meet the future needs of society. Lessons from OECD countries show that human resource policies to address ageing should include an array of tools for retaining older workers beyond retirement age, such as removing legal obstacles to continued working, encouraging flexible working arrangements, deterring early retirement and delaying the retirement age, among others. In addition, such policies should include improving recruitment, especially in areas where there will be skills gaps; attracting good young graduates; developing fast-track careers to fill in gaps in management and senior management positions; and adapting the pension system to the challenges of an ageing workforce.

Figure C.4. **Percentage of top and middle management positions in the central government occupied by women (2009)**



Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

Professionalising the civil service and strengthening core values

In the two decades since the fall of communism, Poland has demonstrated the political will to professionalise its civil service through a variety of legislative reforms. The Constitution of the republic of Poland established a corps of civil servants "to ensure a professional, diligent, impartial and politically neutral discharge of the state's obligations." The Civil Service Act (2008) further defined the rules governing access to the Polish civil service along with the principles of its organisation, functioning and development. This act is the 5th such piece of legislation regulating the civil service in the last 15 years, however, suggesting a need for greater stability and continuity in the legal framework governing the civil service. Such stability will be critical to the success of HRM reforms, as these reforms require sustained commitment and often take a few years to produce results.

These laws seem to have improved professionalism in the civil service. In 2012, the Polish Supreme Audit Office positively assessed the functioning of the head of the civil service and its compliance with the Civil Service Act (2008), especially regarding the transparency and competitiveness of entry into the civil service and professional

development (Supreme Audit Office, 2011). These findings represent significant progress since 2004, when the Supreme Audit Office last reviewed the functioning of the civil service and found serious weaknesses.

Core values and management standards in OECD countries

Public service values – the values embedded in the public service culture which guide the behaviour of civil servants – are among the defining features of a democratic society. In OECD countries, these core values include the traditions of integrity, impartiality, legality, probity and merit along with newer values such as efficiency, transparency, diversity and user-orientation. Traditional core values usually revolve around three main principles: ensuring ethics and integrity in the public service, securing the continuity of the public service, and guaranteeing the legality of decisions and respect for the rule of law. Well-defined values that sustain consistency in government practices are essential to maintaining trust in government.

Many OECD countries are beginning to broaden the definition of public service core values as a way to further increase citizens' trust in government. Establishing codes of conduct that are fully implemented and followed is one way to promote values-based management in the public service. Most OECD member countries have introduced instruments such as integrity codes which state the core principles, values and standards of conduct expected from civil servants. A large majority of OECD countries, for example Austria and New Zealand, rely on handbooks, websites and other forms of internal communication to ensure that public servants are aware of values and codes of conduct. Box C.1 contains the *OECD Principles on Ethical Conduct in the Public Service*.

Poland's 2011 *Diagnosis of the Human Resources Management in the Civil Service* found that the work ethic and the sense of public service mission were eroding and that members of the civil service corps were unable to define unethical situations clearly. In response, the government is taking steps to solidify the core values of the civil service by promoting public service ethics and integrity. The draft Strategy for Human Resource Management in the Civil Service includes increasing ethical awareness as one of four key priorities (Chancellery of the Prime Minister, 2011b). In October 2011, the Prime Minister issued guidelines on complying with the principles of the civil service and the Code of Ethics, reinforcing principles of legality, the protection of human and civil rights, transparency and professionalism, among others. Mechanisms to ensure that public servants are familiar with and adhere to this code, such as the continued dissemination and monitoring of the guidelines, should be strengthened.

A renewed focus on improving public service values and ethics

In May 2012, the Chancellery of the Prime Minister issued a new set of human resource management (HRM) standards for the civil service, intended to strengthen civil service values and ethics further. These standards cover the organisation of HRM, recruitment, motivation, development and training, and dismissal. Although the standards are not legally binding, they make a variety of recommendations to ministries, including:

- defining and disseminating rules for implementing HR processes;
- developing a practical guide for senior managementfor implementing HR processes;
- disseminating information on changes in laws concerning employment;

- regularly collecting feedback from staff about HRM in their offices.

Box C.1. **OECD Principles on Ethical Conduct in the Public Service**

1. Ethical standards for the public service should be clear (civil servants and political officials should know where the boundaries of acceptable behaviour lie). Codes of conduct serve this purpose.
2. Ethical standards should be reflected in the legal framework (laws and regulations provide the framework for guidance, investigation, disciplinary action and prosecution).
3. Ethical guidance should be available (socialisation facilitates ethics awareness, but ongoing guidance and internal consultation mechanisms should be made available to help civil servants [and politicians] apply ethical standards).
4. Public servants should know their rights and obligations.
5. Political commitment should reinforce the ethical conduct of public servants.
6. The decision-making process should be transparent and open to scrutiny (this also points to the role of the legislature and the press).
7. There should be clear guidance for interaction between the public and the private sectors.
8. Managers should demonstrate and promote ethical conduct (by providing appropriate incentives, adequate working conditions and effective performance assessments).
9. Management policies, procedures and practices should promote ethical conduct.
10. Public service conditions and management of human resources should promote ethical conduct (this relates amongst others to recruitment processes, promotion and adequate remuneration).
11. Adequate accountability mechanisms should be in place within the public service (internal as well as outward accountability to the public).
12. Appropriate procedures and sanctions should exist to deal with misconduct.

Source: OECD (2000), *Trust in Government: Ethics Measures in OECD Countries*, OECD Publishing, doi: *10.1787/9789264187986-en*.

One of the goals of these standards was to improve the consistency of human resource activities in ministries, which to date have been fragmented and vary widely between offices (see below). However, because directors-general have one year to prepare their office's plan to comply with these standards, it is too soon to assess their effectiveness.

Many OECD countries have begun to broaden the scope of public service core values as a way of increasing citizens' confidence in government and improving public service responsiveness and flexibility. As traditional values such as legality, integrity and political neutrality have become ingrained in the public sector, countries are promoting additional values such as user-orientation, increased individual responsibility, and a focus on policy outcomes as well as administrative outputs.

Achieving strategic-state capacity and creating a more nimble civil service in Poland will require a change in the culture of the public workforce. As one official noted, 50 years of communism inhibited a generation's capacity for innovation. It has also been noted that the culture of the civil service is too risk-averse, decreasing its competitiveness and limiting its ability to attract talented employees from the private sector. However,

Poland's public sector is showing signs of a willingness to adapt; for example, as noted in Chapter 4, the Wielkopolska Regional Innovation Strategy prioritises administrative capacity building in support of innovation in order to promote pro-innovation attitudes both within the Wielkopolska Marshall's Office and in local self-governments.

As in many OECD countries, Poland's ageing public workforce provides an opportunity for renewal and change in the culture of the civil service. France and the United Kingdom have recently undertaken initiatives to change the culture of their civil service, encouraging staff to take risks and innovate (Box C.2). Although these countries acknowledge that achieving such change is especially difficult for public sector organisations, they show how governments can provide incentives to nurture innovation and creativity among their workforce.

Box C.2. **Values and culture in the civil service: The experience of France and the United Kingdom**

France

In France in 2008, a national debate lasting six months on the values, mission and functions of the public service accompanied deliberations on public service reforms. These discussions, which highlighted the centrality of core values through a public opinion survey on public service values, debates and roundtables, resulted in the publication of a white paper on the future of the public service in France. The reflection on values explicitly considered both the traditional core values that underpin the public service, such as neutrality, probity and legality and new values that should be emphasised, such as effectiveness, transparency and innovation. One of the six strategic orientations for the reform of the public service identified in the white paper was clarifying, diffusing and bringing to life the values of the public service. Three proposals were made to formalise and renew values:

1. Establish a charter of public service values.
2. Implement an action plan to ensure the effective application of values.
3. Establish a National Commission for Public Service Values.

The French public administration is also increasingly recognising the value of tapping into the large pool of knowledge and innovation of civil servants. In 2011, it inaugurated a web site, *adminnov.modernisation.gouv.fr,* to allow staff to propose and discuss government innovation measures with their peers. The General Directorate for Modernisation of the State, inspired by other organisations' establishment of awards for innovative ideas from civil servants, has publicised and promoted awards across wider parts of the public sector:

- IntériEurêka, an award launched by the Ministry of Interior in 2008, rewards innovative ideas in three categories: security, public service modernisation and user orientation. The general public votes via the Internet for the winner in the latter category.
- Challenge Administration 2020, launched in 2010 to solicit innovative ideas from future civil servants, i.e. public administration students in accredited French universities.
- *Prix Initiatives Justice* was launched by the Ministry of Justice in 2011. Innovations are rewarded in two categories: bringing the justice system closer to the citizen and improving internal processes and working conditions.

Box C.2. **Values and culture in the civil service: The experience of France and the United Kingdom** (*cont.*)

United Kingdom

In June 2012, the United Kingdom issued a Civil Service Reform Plan aimed at changing the way government works, in order to become more agile and more focused on delivery and on getting results. The plan acknowledges that the civil service culture can often be seen as cautious and slow-moving, focused on process not outcomes, bureaucratic and hierarchical, and that this culture can inhibit the government's ability to adapt to emerging challenges. The plan thus calls for the culture and behaviours of the civil service to become pacier, more flexible and focused on outcomes and results rather than process. It adds that the civil service must encourage innovation, challenge the *status quo* and reward those who identify and act to eradicate waste.

To effect this change, the plan proposes a new employment offer for staff that encourages and rewards a productive, professional and engaged workforce. Specifically, the plan includes:

- terms and conditions of employment that reflect good, modern practice in the wider public and private sector;
- for the senior civil service a proposal on reward to be submitted to Senior Salaries Review Board in the late 2012 for implementation in 2013 to include consideration of a voluntary "earn-back" scheme. The new offer was planned to be put in place by 2013;
- regular and rigorous performance appraisal for all staff, recognising good performance and taking action where performance is poor;
- at least five days a year investment in targeted learning and development; and
- creating a decent working environment for all staff, with modern workplaces enabling flexible working, substantially improving IT tools and streamlining security requirements to be less burdensome for staff.

Sources: OECD (2010), *OECD Reviews of Human Resource Management in Government: Brazil 2010: Federal Government*, OECD Publishing, doi: *10.1787/9789264082229-en*; OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Publishing, doi*: 10.1787/9789264167612-en*; and HM Government (2012), The Civil Service Reform Plan, London.

Building capacity and competencies in the Polish civil service

Focus on coherent, integrated strategic workforce planning

Strategic workforce planning is a core HRM tool that helps to identify, develop and sustain the necessary workforce skills. It is a process that ensures that the organisation has the right number of people with the right skills in the right place at the right time to deliver short- and long-term organisational objectives. For the public sector, it is a prerequisite for effective service delivery. Workforce planning not only identifies mission-critical occupations and the essential competencies to meet organisational goals, but also detects competency gaps. Establishing sustainable strategies for competency management and gap analysis to identify skills gaps between current and desired levels is a critical component of workforce planning. The results of the gap analysis provide the basis to build an explicit workforce planning strategy to ensure the most effective means of mission accomplishment through human resource management. Moreover, good workforce planning is indispensable if governments are to maintain a structured and

representative workforce able to meet the changing needs of government organisations in a cost-efficient manner.

The purpose of strategic workforce planning is to make deliberate, calculated decisions about future staff needs and sustain capacity in linking human resource management to the strategic management of the organisation – indeed of the government as a whole. It involves developing a long-term vision for the civil service in order to avoid making short-term, reactive organisational changes, and aligning this vision with the long-term policy and fiscal objectives of the government to ensure the sustainability of HRM reforms. Frameworks for workforce planning help increase managerial accountability for human resource management, allow the establishment of government-wide analysis and targets in terms of workforce size, competences and allocation across sectors. This is especially important in career-based systems, in which employees are usually employed for their entire working life in specific career groups. Good workforce planning, however, does not necessarily involve detailed long-term forecasts.

Workforce planning can provide several benefits to public organisations. It can create a more effective and efficient workforce; help ensure that replacements are available to fill important vacancies; provide realistic staffing projections for budgeting purposes; provide a clear rationale for linking expenditures for training, development and recruiting efforts; help maintain and improve a diverse workforce and help prepare for restructuring, reducing or expanding the workforce. Most OECD countries are already engaged in some form of strategic workforce management. However, the level of sophistication and scope and timing varies across countries.

Poland seems to have a mosaic of tools for modernising the management of the public workforce, such as the new job evaluation and remuneration systems described below, but these tools are not connected to one another within a coherent, integrated approach. This sends weak messages about the priorities in staff management. These tools and other proposed actions are outlined in Poland's draft Strategy for Human Resource Management in the Civil Service, which provides a basic vision for the civil service and outlines three broad strategic objectives: increasing its effectiveness and efficiency, strengthening its management, and increasing its professionalism. However, although the strategy was drafted in 2011, the government has yet to adopt and implement it, pending approval of the Efficient State strategy (see Chapter 2). This delay does not bode well for the implementation of the strategy and creates uncertainty regarding human resource reforms. Polish officials indicated that so long as this strategy remains to be approved, there is no formal document that gives them direction on HRM issues. While they continue to implement HRM tasks, they find it hard to plan and justify further reforms. As a result, Polish officials noted that individual ministries were developing human resource programmes from the bottom up without an overarching strategic direction.

In recent years, many OECD countries including Canada and France have strengthened their workforce planning in order to increase the efficiency of the public service. The rapid ageing of the public service – and the opportunities and challenges it creates – has also put pressure on countries to take a more strategic look at their workforce. These OECD countries have engaged in strategic workforce planning that considers the future and aligns the government's aims and operational strategies in a dynamic and integrated way to ensure that organisations have the right number of people with the right skills in the right place. This planning also ensures that governments can, for instance, determine staff numbers required at a new location, develop strategies to

retain highly skilled staff, manage an effective downsizing programme and identify the next generation of managers. For example, in France, the implementation of a workforce planning strategy has coincided with implementation of performance-based budgeting in the *Loi organique relative aux lois de finances*. This linkage helped strengthen coherence of the strategic management of organisations. In addition, France has used the *Gestion prévisionnelle des effectifs, des emplois et des compétences* to analyse the government's current staffing and future needs by function and category using a common cross-ministry methodology (OECD, 2012a). In addition, Canada has used strategic workforce planning as part of its Public Service Renewal initiative to help it attain its budget reduction targets (Box C.3).

Box C.3. **Strategic workforce planning: Public Service Renewal in Canada**

Canada has set a goal of balancing its budget by 2015/16. Efforts to cut spending have focused on finding savings in operations and enhancing productivity, as well as better aligning spending with the priorities of Canadians. These cuts in operational expenditures, including the modernisation and reduction of back-office operations, have resulted in the loss of 19 000 positions, highlighting the need for effective strategic workforce planning.

Canada's current planning effort builds on its experiences with workforce reductions in the 1990s. Then, the government lacked the tools to identify the skills it was losing as a result of across-the-board cuts. The current approach is more nuanced, aimed at achieving a leaner and more agile public workforce. While recruiting has slowed, it has not been frozen, allowing the civil service to continue to acquire specific skills for which it has identified a need.

In 2006, the government of Canada launched a Public Service Renewal initiative to improve and modernise the core functions of the public service. The government has recognised the need to continue implementing Public Service Renewal despite fiscal restraint, as it considers this initiative essential to ensuring service excellence. Budget cuts have presented the civil service with an opportunity to achieve Public Service Renewal through re-purposing employees and focusing recruitment of new talent to fill gaps and ensure demographic balance. The four pillars identified in 2006 remain the foundation of Public Service Renewal in the context of fiscal restraint:

- Integrated planning, to align goals, resources and results – is more important than ever. Organisations need access to comprehensive data to align limited resources accordingly.
- Recruitment, to targeted hiring based on integrated plans and areas of need, including at senior levels and at entry level – may slow down but cannot stop, as targeted recruitment to acquire key skills will be necessary.
- Employee development, to continue the pursuit of excellence – remains a priority despite fiscal restraint, albeit in an innovative, renewed way.
- Workplace renewal, to address how civil servants work – has highlighted the need to be more efficient on the back end to respond to Canadians.

Source: Van Amelsvoort-Thoms, M. (2012), "Canadian Public Service Renewal in the Context of Fiscal Restraint", presentation given at the Symposium on "The Government of the Future: Innovation in Strategic Workforce Planning in OECD Countries", OECD, Paris, 11 June 2012.

Poland's current workforce planning is not as advanced as in other OECD countries. Although Poland has mechanisms for forward-looking planning to ensure an adequate workforce available to deliver services, this planning does not incorporate civil service demographics, nor does it assess the skills that exist within the current workforce or the competency gaps that may exist. Currently, however, some offices have implemented pilot projects on competency management, and the head of the civil service plans to introduce measures on workload assessment, which are intended to increase the effectiveness of employment. Further, officials indicated that the number of openings for civil servants each year is determined by the annual budget, not by a strategic needs assessment. As Poland introduces a performance-based budgeting system (see Chapter 2), it will be important to link workforce planning to budget planning more closely, in order better to align resources – both human and financial – against results.

One step that shows promise is the implementation of a new job evaluation system in Poland, a process designed to determine the internal hierarchy of jobs (Box C.4). However, it remains to be seen whether this system will standardise job categories in the Polish civil service, as the responsibility for evaluating jobs was delegated to individual offices. Without standardisation, many job categories can be ministry specific, and work conditions can vary widely across different bodies, even for similar functions. Greater oversight by the Department of the Civil Service could help ensure the consistency of these job categories, creating a more unified civil service. France has recently developed an inter-ministerial job classification system to help standardise job profiles across the public administration and to enhance HRM capacity in individual ministries (Box C.5).

Box C.4. **The new job evaluation system in the Polish civil service**

In 2008, Poland developed and implemented a new job evaluation system in its civil service as part of a new salary programme.

The mandate was to develop one job evaluation system that covers all civil service positions and satisfies the needs of the civil service. The project was limited to six months for pilot projects and a further six months for implementation. It was to be developed without incurring the cost of external advisers and consultants. It was also not to trigger major changes in the budgets of the offices. Further, it had to support continued delegation of salary administration to line ministries. The project started in 2007.

The new system is custom-made, based on points assigned to evaluation factors. The factors are a combination of traditional criteria (e.g. complexity of tasks, planning horizon, influence on decisions) and competencies (e.g. requisite education, interpersonal skills). All factors were described so as to be understandable to all civil service corps members. The responsibility for evaluating jobs was delegated, with each office creating a job evaluation committee.

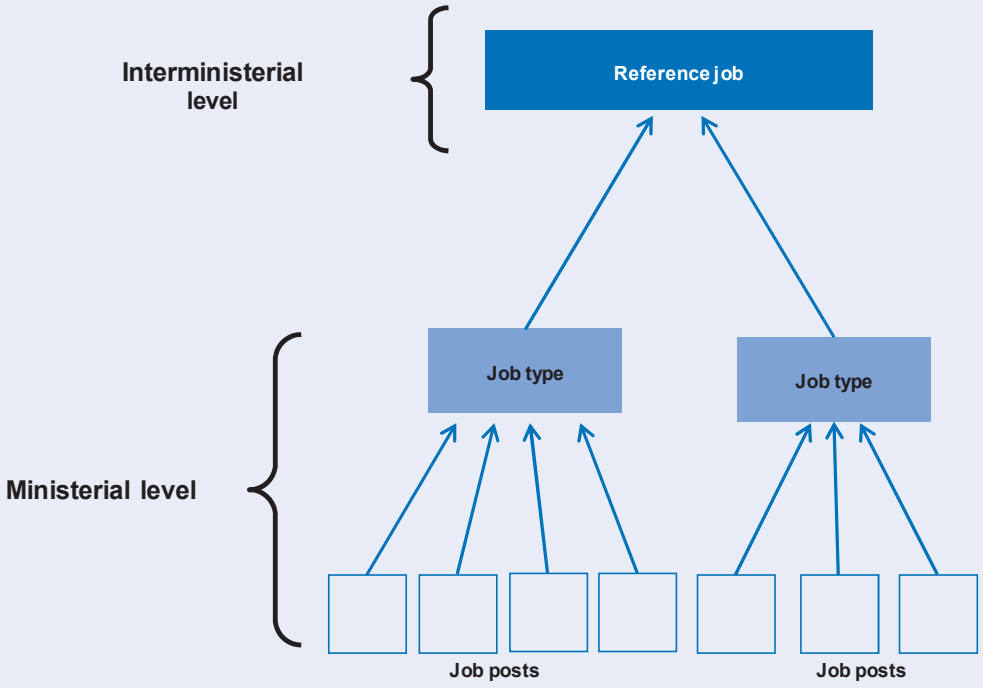
A 2008 law restored higher managerial positions to the civil service. A separate but similar job evaluation system was developed to cover these positions. It focuses on job factors important to senior managers (e.g. external representation, scope of decisions and responsibility for financial resources).

The re-classification of jobs in the new job evaluation system resulted in increased salaries, and more than PLN 250 million (approximately EUR 60 million) has been earmarked for this purpose.

Source: Information provided by Wojciech Zieliński, Deputy Director, Civil Service Department, Chancellery of the Prime Minister, Poland. Published in OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, doi: *10.1787/9789264177758-en*.

Box C.5. **The French job classification system**

France has adopted a job classification system known as *Répertoire interministériel des métiers de l'État* (RIME). This approach aims to: *i)* name and quantify as precisely as possible the necessary jobs within a service; *ii)* ensure the best possible match between the job profile and post; *iii)* supply a reference table of skills to accompany training and mobility; *iv)* develop training standards; *v)* guide competitions for open positions and organise common competitions for several ministries; and *vi)* contribute to the acquisition of professional experience. The RIME identifies and describes each "*métier*" within the French administration and is considered a key element to ensure coherence on employment policies. The RIME proposes a common language on "*métiers*" to develop the ministerial capacities in the area of human resource management.



RIME's primary tools are: *i)* the inter-ministerial dictionary of competencies, including social skills (*savoir-être*), know-how skills (*savoir-faire*) and knowledge; *ii)* inter-ministerial job exchanges – online databases of available positions using RIME's standard nomenclature; and *iii)* the mobility kit (Box C.11).

Source: Schuffenecker, D. (2011), "Public Employment and Human Resource Management Planning in France: Challenges and Prospects", presentation given at the Public Employment and Management Network Meeting, OECD, Paris, 7 November 2011.

And forward-looking strategic competency management …

Variations in job descriptions whose incumbents perform essentially the same functions make mobility across those job categories nearly impossible and workforce reallocation extremely difficult. Strategic competency management addresses this issue and represents an important part of strategic workforce planning. Indeed, one of the indicators of effective workforce planning is a better alignment of demand and supply requirements of competencies and skills. Competencies are used as a way of expressing the key behaviours, skills and experience deemed to be necessary to effective performance in a job or a set of jobs. They are commonly used as an aid to selection for

jobs, development of staff, performance assessment and assessment of potential for promotion. Most OECD countries, including Estonia, Finland and the United Kingdom, have made efforts in this field in order to better adapt their workforce to the needs of organisations. Good competency management has allowed for more subtle strategic workforce planning than simply numbers and costs.

Competencies can include:

- observable behaviours that are considered essential for the job;
- technical or professional competencies relating to the specific requirements of the job, i.e. skills and knowledge acquired through experience, training or formal education;
- a generic list of attributes that apply to a group of jobs. For example, several public services have sets of competencies that apply to the senior civil service. Other examples include competencies applying to job families, managerial competencies or competencies for customer-facing staff.

Competency management frameworks help identify the capabilities needed in the workforce and link together several HRM activities (recruitment, staff development, performance management) to enhance capacity. In addition, adequate workforce planning and talent development facilitate addressing evolving and future skills needs while helping public sector employers to deliver service improvements and create new ways of working in a rapidly changing environment.

Poland enjoys a relatively well-educated civil service corps compared to the country's overall labour force. Nearly 50% of members of the civil service corps have university degrees, compared to just over 25% of the national labour force. However, this level of education does not necessarily imply that the public sector workforce has the necessary skills to identify and meet the needs of citizens properly or deliver public services to them effectively and efficiently. For example, despite a move towards greater reliance on regulatory impact assessments (RIA) in policy making (see Chapter 3), the Chancellery does not seem to have sufficient staff with skills in cost-benefit analysis to review these RIAs. In addition, as it begins to implement performance-based budgeting government-wide (see Chapter 2), the civil service will also need to enhance its capacity for performance management.

Indeed, workforce planning in Poland – despite the introduction of pilot competency management projects in some offices – generally does not include a gaps analysis to determine existing competencies and identify those needed in the future. Although in theory individual ministries are developing competency management strategies, it is unclear whether this is actually happening. It appears that ministries do not actively review current skill-sets in their ministries, nor develop plans to identify and acquire those skills that their ministries will require in the future. As a result, Poland may lack the ability to ensure that it has the right number of people with the right skills in the right place at the right time. But education levels in the civil service do suggest, however, that a strong foundation exists to ensure that, with planning, the government can acquire the skills it will need to meet future challenges.

Poland's National School of Public Administration is a primary tool for developing competencies in the civil service. The school's establishment is an important achievement in professionalisation of the Polish civil service. Its primary functions include: *i)* preparing a new corps of neutral, merit-based civil servants each year; *ii)* providing

in-service training to members of the civil service; *iii)* strengthening international co-operation in training for public employees; and *iv)* developing new projects based on line ministry priorities.

To ensure that its courses are meeting the needs of the civil service, the school periodically queries ministries to determine current areas of interest and tailor their curriculum accordingly. The school is developing a variety of different HR tools and trainings on such topics as job descriptions and performance appraisals, representing a shift from academic classes to targeted skills training. The school also offers training on specific management issues such as strategic planning and performance measurement, but there seems to be little interest in these courses. Although the civil service recognises the importance of training in career advancement, civil service members are not required to take any specific courses for career advancement. The introduction of up to four months of mandatory initial training for new employees and individual professional development programmes for civil service members, which specify individual training plans, are steps in the right direction. The training system includes: central training, regarding priorities particular to members of the civil service; general training, regarding fundamental skills needed to perform civil service tasks; and specialist training, covering issues related to the employee's specific office. Strategic use of training could be an effective way to build competencies and fill competency gaps in the civil service.

Achieving Poland's strategic vision will require new skills to implement policies effectively. Specifically, using performance-based budgeting successfully will require staff able to manage performance-based budgets, develop indicators and other means of measuring the government's performance, among other skills (Chapter 2). Further, improving the capacity for evidence-based decision making among the civil service will require greater skills in cost-benefit analysis (Chapter 3). The National School of Public Administration is well positioned to develop these skills within the civil service, through targeted in-service trainings to existing staff in the Ministry of Finance and elsewhere, and through the integration of these concepts into the curriculum for its graduate students.

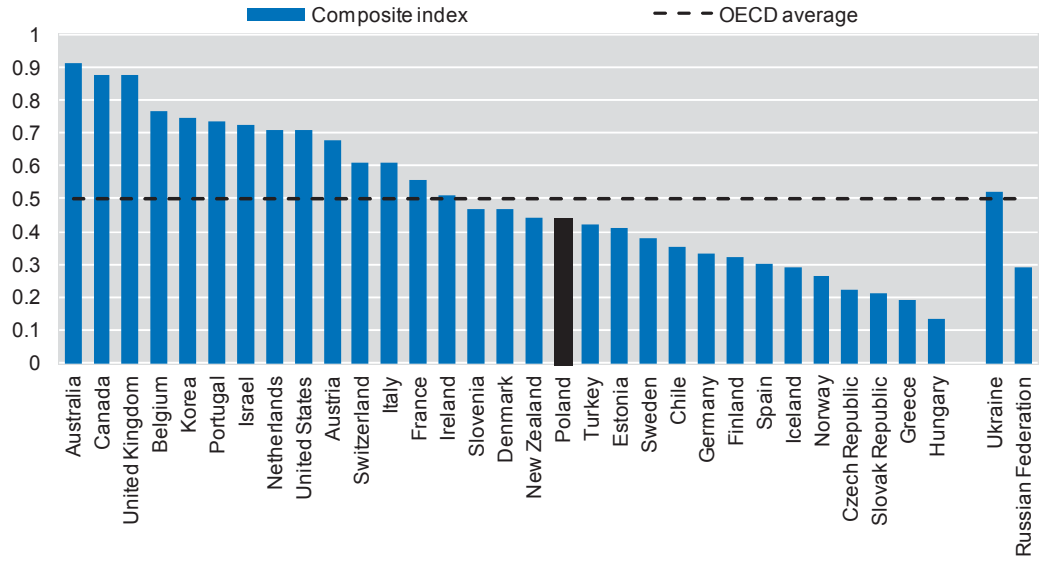
… that highlights managerial flexibility

The outcome of workforce planning also depends, to a certain extent, on the degree to which the government has flexibility in hiring new types of employees, downsizing the workforce and reallocating it across sectors. Tight *ex ante* controls on regulations governing the management of the workforce tend to inhibit workforce planning and lessen the role of HRM in government reform strategies. Dismissing staff on employment contracts in any country is not easy, even if it is legally possible. Moreover, the percentage of staff on short-term contracts or who are casual employees (i.e. outside the general employment framework) is limited in OECD countries.

Although hiring, dismissing and reallocating employees in position-based systems with common-law legislation for public employees is difficult, it is often easier than in career-based systems to which administrative law applies. Career-based systems tend to offer greater protection against dismissal, and employees tend to belong to occupational groups that make staff reallocation difficult. Consequently, over the years, several countries have moved toward more position-based systems. In recent years, for example, Italy has done so in order to increase flexibility. In addition, as part of Canada's Public Service Renewal initiative (Box C.3), the government is changing the composition of its workforce to include more temporary workers, giving the government the flexibility to hire individuals who have needed skills even when there is no specific job vacancy.

Poland has a significant opportunity to strengthen its use of strategic HRM practices, including strategic workforce planning, competency management and more effective managerial flexibility. Based on responses to the 2010 OECD Survey on Strategic HRM in Central/Federal Governments, Poland uses strategic HRM practices to a lesser extent than the OECD average (Figure C.5). For example, unlike the majority of OECD member countries, Poland does not consider several key aspects, such as possibilities for relocating staff or efficiency savings, in its forward-looking planning. While the Department of the Civil Service has begun to assess ministries' HRM capacity based on annual reports submitted by directors-general of offices, managers are not required to plan workforce strategies to close competency gaps.

Figure C.5. **Utilisation of strategic human resource management practices in central government (2010)**



Source: 2010 OECD Survey on Strategic Human Resources Management in Central/Federal Governments.

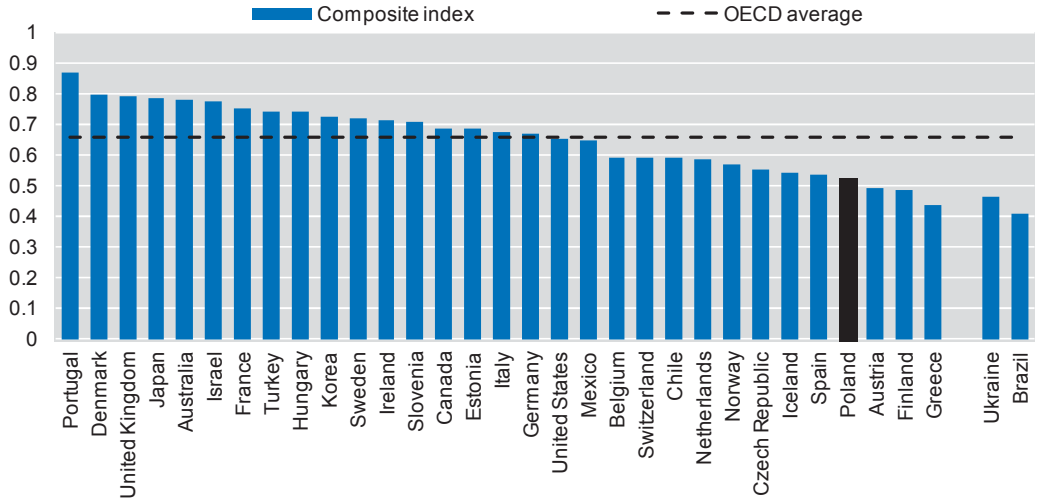
The importance of performance management

An effective and efficient public administration requires a performance management system that aligns organisational and individual performance goals. Such a system facilitates the attainment of whole-of-government objectives, which should cascade down to ministries, offices and, ultimately, individuals, so that all staff understand how their performance contributes to broader objectives. Strong linkages between strategic planning and budgeting frameworks, and between strategic planning and organisational and individual performance management (i.e. integrated strategic planning, budgeting and HR frameworks) helps ensure the achievement of these goals.

The issue of performance has been one of the main areas of focus in the management of staff across OECD countries in the past 20 years. Improving performance involves recruiting and developing staff, strengthening performance evaluation, and enhancing pay and career incentives. Many OECD countries, such as Denmark, Portugal and the United Kingdom, have also improved their use of performance assessment as a core tool to manage public employees.

Poland's performance management system appears to be relatively embryonic. The government's use of performance assessments in HR decisions is significantly below the OECD average, above only Austria, Finland and Greece (Figure C.6). Performance assessment does not lie at the core of decision-making processes regarding individual staff, working groups or organisations, blurring the link between individual performance and the achievement of organisational goals. As a result, staff may have an imperfect understanding of their role within the organisation.

Figure C.6. **Extent of the use of performance assessments in HR decisions in central government**



Source: 2010 OECD Survey on Strategic Human Resources Management in Central/Federal Governments.

The move toward performance-based budgeting in Poland means that performance management, from the individual to the organisational level, will become increasingly important. OECD countries' experiences with designing and implementing performance management systems in recent years have pointed to several lessons learnt (Box C.6).

And takes into account the demographics of the civil service

Currently, Poland does not explicitly consider demographics in its civil service workforce planning. An ageing workforce implies a loss of capacity and thus a loss of competencies, among other things, and workforce planning is one of the strategies to anticipate this potential loss. The demographic characteristics of the workforce are an important consideration when undertaking workforce planning. Achieving balanced staff deployment, especially in terms of age distribution, is important for developing and maintaining a workforce ready and able to deliver the government's agenda, both now and in the future, and for managing succession.

Box C.6. **Lessons from OECD countries' experiences with performance management**

- The cornerstones of any performance management are the strategic goals and the business plans of the organisation. Team and individual goals should be derived from these goals. Employees should know how their performance contributes to the overall performance of the organisation.
- Performance management should be based on the systematic assessment of employee performance. These should be transparent and easily understandable. Employees should have access to secondary reviews of less-favourable assessments. Assessments should include dialogue between each employee and his/her closest supervisor regarding the employee's performance, aimed at clarifying what is expected of the employee and how the organisation can help make these goals attainable.
- Good performance should be rewarded. It should be publicly commended as a normal occurrence in the everyday life in the organisation. Pay rewards, whether as bonuses or base pay increments, may be a complement but should not be over-emphasised. Other types of rewards can also be used, and employees should recognise a clear link between their careers, promotions and sustained performance.
- Unsatisfactory performance should also be addressed in an appropriate manner.
- Promotion processes should make use of the information generated by the performance management and assessment systems. Employers should take efforts to access similar assessments for external applicants while maintaining rights to privacy.
- Public sector managers should be trained in performance management and assessments. Their ability to manage and promote good performance should be an important element when recruiting managers and when assessing their performance.
- Governments should ensure that performance management does not undermine the core values and ethos of the public service. Quality, behaviour and propriety are important performance elements, alongside productivity and efficiency.

Source: OECD (2008), *The State of the Public Service*, OECD Publishing, doi: *10.1787/9789264047990-en.*

Strategic workforce planning can therefore help Poland confront the challenges of an ageing civil service (see Chapter 1 and the first section of this annex). For example, under an integrated plan, Poland could take advantage of departures to bring in new skills, decrease staff numbers in some areas and change the allocation of staff across sectors while maintaining institutional memory and replacing capacity when staff leave or retire.

The need to apply consolidation measures

Like most OECD countries, Poland is implementing fiscal consolidation measures that affect the civil service. In early 2011, the Prime Minister committed all members of the Council of Ministers to undertake actions to decrease the level of employment in their offices. As the Polish government employs only 9.7% of the total labour force – one of the lowest rates among OECD countries and well below the OECD average of 15% – these decreases would reduce an already small civil service (Figures 1.17 and C.1). In addition, public sector wages have been frozen since 2009 and are expected to stay frozen through 2015. According to the 2011 *Diagnosis of Human Resource Management in the Civil Service*, 43% of public administration offices indicated that in 2010 insufficient human and financial resources were an important obstacle in executing their tasks. Yet the government has not taken these decisions as part of an integrated strategic workforce

plan. Poland needs to target these reductions in a way that ensures that staff reductions come from inefficient programmes and that they do not exacerbate existing shortages of certain skills and competences in high-priority areas of government activity. OECD countries have taken several approaches to achieving such reductions effectively, including through automatic productivity cuts (Box C.7) and capability reviews (Box C.8).

Box C.7. **Targeting reductions through automatic productivity cuts**

Several countries, such as Denmark, Finland, New Zealand and Sweden, use automatic productivity cuts to reduce public expenditure and force organisations to think more strategically about their workforce allocation and to plan for the future. These productivity cuts function on the assumption that the public service can deliver the same output with fewer inputs – including staffing levels – each year.

Implementing a stable regime of automatic productivity cuts can lead to greater predictability of budgets and might reduce the need to resort to *ad hoc* budget cuts. When combined with other instruments such as performance management, flexible allocation of human resources and workforce planning, automatic productivity cuts may also lead to efficiencies in workforce size and allocation.

Source: OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, doi: *10.1787/9789264166707-en.*

Box C.8. **Capability Reviews in the United Kingdom**

The United Kingdom has developed, as part of its strategy for the 21st century civil service, a system of departmental Capability Reviews. These reviews aim to present an honest and robust assessment of future capabilities and to identify the specific measures that are needed if central government departments are to play their part in enabling the United Kingdom to meet the considerable challenges of the future. They focus on cross-cutting aspects such as service delivery, innovation, working across organisational boundaries, identifying weaknesses as well as strengths, and pointing to what needs to be done to strengthen capabilities. With regard to action that could be taken, the latest Capability Reviews suggested basing choices on evidence, setting direction and taking responsibility for leading delivery and change. Areas for development included building capability and developing clear roles, responsibilities and delivery models. The next phase of reviews will put more emphasis on innovation, collaboration and value for money.

Source: UK Cabinet Office (2009), *Capability Reviews: Refreshing the Model of Capability*, Cabinet Office, London.

Governments should make decisions on personnel cuts carefully, with an eye on strategic workforce management. Experience in Canada and France shows that other changes in personnel policy should accompany such cuts, such as a new mobility framework, new compensatory tools and reforms to improve job satisfaction and morale, in order to enhance the attractiveness of the public employer, improve skills and competencies, and facilitate mobility. In many instances, cutbacks in staff numbers based on *holus-bolus*, across-the-board targets, without accompanying policy reviews, have resulted in increases in the number of staff and productivity losses a few years later, due to the human costs of reforms and the loss of well-trained personnel, often in the most sensitive areas.

Experience in OECD countries suggests that ministry and agency heads should be held accountable for how they plan for workforce consolidation, including the design and implementation of strategies to fill competency gaps in line with changes in missions and targets; their process for deciding what should be implemented by public servants and what should be outsourced or covered by short-term employment; and for their analysis of the consequences of changes in the use of technology on human resources. The government might find the experience of other OECD countries in workforce planning instructive here. For example, the United States has made an effort to align workforce planning with the strategic management of organisations by integrating agencies' HRM strategies into their strategic plans, performance plans and budgets (Box 1.15). The United Kingdom has undertaken Capability Reviews to help assess current and future skills and competencies required for an effective civil service (Box C.8). These experiences emphasise the need for a forward-looking assessment of current and future capabilities and for aligning HRM with the overall mission and strategic objectives of government organisations.

While remaining mindful of remuneration issues

Pay is an important part of public sector workforce planning and cost-reduction strategies. A good pay-setting process should result in pay levels that reflect different levels of skills, competences and performance; make public service jobs attractive to well-trained and motivated staff; and are economically sustainable. Pay-setting processes in OECD countries vary greatly. In some countries it is decentralised to ministries and agencies, which decide pay scales for each position; in others it is centralised, at least for base pay. Decentralising base pay is often difficult to implement and requires that the gains from decentralisation exceed the increased transaction costs and the challenges resulting from differences in pay across ministries. Decentralising pay can also undermine mobility across government organisations.

Poland does not have a centralised salary policy for the civil service; rather, pay setting is decentralised, with each ministry responsible for establishing salaries for its employees. While minimum and maximum salary levels are established by law, the ranges tend to be wide. Individual ministries set their pay levels based on their own budgets, which has resulted in wide discrepancies for similar positions in different ministries. While decentralisation of pay setting has allowed some ministries to remain competitive in the labour market, other ministries have experienced difficulties in retaining specialised skills because of low pay. For example, in 2010, the average wage for middle management positions in the Ministry of Justice was 38% higher than their counterparts' in the Ministry of Education, and professionals in the Ministry of Finance were paid 18% more than their counterparts in the Ministry of Health. By standardising pay levels for similar jobs across different ministries, the Polish government could improve mobility within the civil service and enhance its ability to reallocate staffing levels as necessary to meet emerging priorities.

Governments compete in multiple labour markets to attract and retain skilled labour in their diverse occupational groups, and differential increases in pay levels for different public sector occupations mean that high-demand jobs command higher salary increases. OECD countries like Canada, Japan, New Zealand and the United States have policies to consider prevailing market pay levels in planning pay adjustments. In each country, the goal in making annual adjustments is to balance the internal hierarchy of jobs with external market pay rates. Pay differentials exist within countries as well, with compensation generally higher in major cities and lower in smaller cities and rural areas.

In the United States, the federal government has defined separate, locally adjusted, market-based salary schedules for 30 major metropolitan areas (OECD, 2012b). Adopting such differentiated pay scales could help Poland address recruitment and skills gaps in regional governments.

Remuneration strategies that incorporate labour market considerations can help to increase the supply of trained specialists, such as IT specialists and healthcare practitioners, which Poland will need as the proportion of elderly people in its population increases. For example, OECD work has shown that increases in pay (relative to other occupations) are associated with an increase in the supply of new nurses entering training programmes in four countries: the Czech Republic, Finland, New Zealand and the United Kingdom (Buchanan and Black, 2011).

In 2007, Poland's Human Capital Operational Programme described the existing compensation as "very complex and incoherent" and called for a new remuneration system to help modernise the management of public administration (Ministry of Regional Development, 2007). The 2011 draft Strategy for Human Resource Management in the Civil Service noted the need to implement more efficient remuneration systems to improve the quality and effectiveness of public administration, citing the absence of mechanisms to motivate employees to increase efficiency. The strategy also acknowledges that the objectives of a remuneration system in any organisation should include motivating employees to work efficiently, attracting the best candidates for work and retaining them in the organisation.

To address these issues, the draft strategy outlined four activities designed to reform the remuneration system in the civil service: *i)* monitoring the remuneration levels and employee turnover in the civil service; *ii)* motivating for work in the civil service; *iii)* evaluating jobs in the civil service; and *iv)* standardising variable remuneration components in the civil service. In addition, the recently issued standards for HRM in the civil service provide recommendations to ministries regarding the linkage of performance appraisals and staff rewards. Table C.1 outlines the current elements of the civil service pay system in Poland.

However, concerns regarding the effectiveness of the civil service remuneration system remain. For example, there still seems to be little relation between salaries and employee performance, and remuneration is not used as a tool to motivate employees to work efficiently. Poland is one of just six OECD member countries with no performance-related pay for central government employees.[3] Given countries' uneven experiences with performance-related pay – inadequate preparation and too hasty introduction have led to the failure of some performance-related pay schemes – and the lack of a mature performance assessment system in its civil service, Poland may wish not to establish a formal performance pay system now. However, there is still room to allocate some portion of pay based on individual or organisational achievement. The Department of the Civil Service has prepared an analysis of good practices in rewarding employees, which includes an assessment of the criteria for distributing awards and how rewards can be linked to individual offices' personnel policies. Several countries, for instance, link the pay of senior managers more closely to performance than that of other staff. As it moves toward performance-based budgeting and a stronger performance management framework, Poland could consider basing some portion of managers' pay on their organisations' results.

Table C.1. **Components of the pay system of the Polish civil service**

Component	Basis	Recipients	% of total wage bill
Basic salary	Job evaluation, employee appraisal, competencies, responsibility or automatic increase resulting from the change of base amount	All civil service corps members	66.0%
Bonus for long-term employment with the civil service	Seniority bonus for experience	All civil service corps members	9.8%
Additional annual remuneration		All civil service corps members	6.6%
Award	Special achievements in professional work	Optional component	8.4%
Civil service bonus	Compensation for extra duties and obligations of civil servants; reward for competencies	Civil servants	9.2%
Task bonus	Performing additional tasks	Optional component	
Anniversary award	Seniority bonus for loyalty	All civil service corps members	
Benefits and bonuses	Special nature of tasks performed and conditions in which they are performed	Some categories of the civil service corps	

Source: Zieliński, Wojciech, "Pay System in the Polish Civil Service: Latest Developments", presentation, Civil Service Department, Chancellery of the Prime Minister, Poland.

In addition, there are concerns that salary levels are insufficient to attract and retain talented employees. Although civil service pay has increased slightly in nominal terms over the last three years, this increase has been lower than inflation, resulting in a decrease in pay in real terms each year since 2009. The head of the civil service has expressed concern that this decrease, coinciding with increasing pay in the private sector, will have a negative impact on the recruitment and retention of talented staff. A recent report comparing public and private sector salaries in Poland found that, while salaries at lower levels tend to be similar, a large gap exists at the senior level, where private sector salaries were much higher. However, senior staff receive bonuses for longevity, regardless of performance; these bonuses account for nearly 10% of the total wage bill (not including the "anniversary award" for seniority and loyalty). These seniority bonuses can hinder ministries' ability to increase the salaries of younger staff, especially when budgets for remuneration are limited and allocation decisions are a zero-sum game, with potentially negative consequences for the recruitment and retention of new staff.

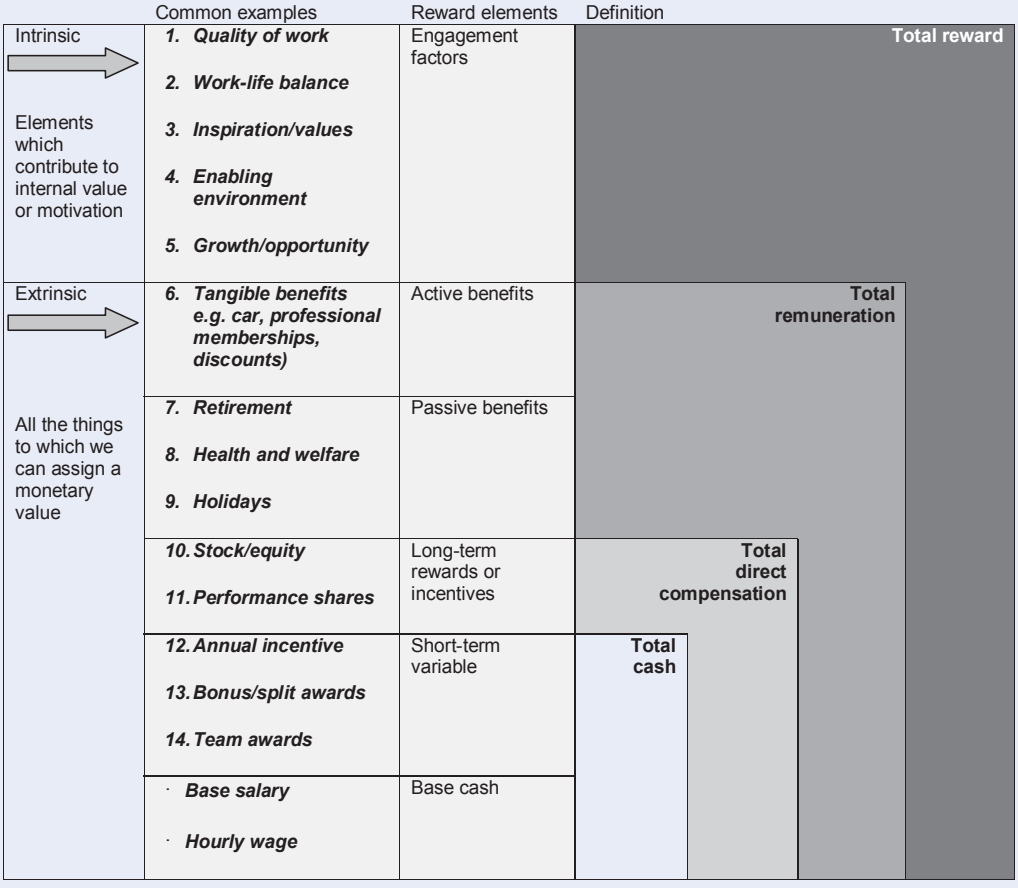
The draft Strategy for Human Resource Management notes the importance of slowing the real decrease in wages in order to improve the competitiveness of remuneration for highly qualified specialists and senior managers, whose current pay levels compared to the private sector may constitute a serious obstacle to attracting and retaining highly competent employees in the civil service. In addition, several officials noted that in their ministries, talented young staff often take positions in the private sector after acquiring a few years of experience in the civil service due to this effective pay freeze. This turnover results in increased costs to the government, as ministries are then constantly required to hire and train new staff.

Concerns about remuneration in the civil service can be mitigated by other, less tangible benefits of public sector employment. For example, public sector careers generally entail a higher level of job security compared to the private sector (in legal

terms or in reality), greater opportunities for training and competency development, a better work-life balance, and, for senior management, a gratifying sense of serving citizens and being close to the centre of power. Emphasising these advantages can help governments motivate public employees without substantially increasing payroll costs.

Poland is currently exploring ways of using non-financial incentives to motivate civil service corps members. Noting the constrained financial situation, the draft Strategy for Human Resource Management in the Civil Service directs the head of the civil service to develop strategies for motivating staff, such as policies promoting greater work-life balance and teleworking. As it develops and implements these strategies, Poland could benefit from the United Kingdom's efforts to develop a more structured approach to and understanding of "total rewards", which include base pay, bonuses, benefits, holidays and intangible rewards such as professional development and satisfaction, all of which motivate different employees in different ways (Box C.9). Combining financial and non-financial incentives shows the increasing willingness of government to underscore the package of advantages that employees receive and to try to cost these benefits.

Box C.9. **Total Rewards in the United Kingdom**



Source: McDonald, Paula (2009), presentation given at the 5th Regional Meeting of the Working Group on Civil Service and Integrity, OECD-MENA Initiative, 16 June 2009, Rabat, Morocco.

Poland could also benefit from the experience of Portugal, which recently reformed its pay system to increase transparency, decrease the number of pay levels and consolidate pay "supplements" granted in addition to basic remuneration (Box C.10). These reforms helped Portugal implement budget consolidation measures in 2011, including salary reductions, freezes on bonuses and promotions and increases in employee pension contributions (OECD, 2012b).

Box C.10. **Reforms to Portugal's remuneration system**

As part of broad reforms to its public administration, including efforts to restructure the central government administration, improve mobility and revise its performance management system, Portugal recently reformed its system of remunerating public employees. These reforms were intended to simplify and rationalise the remuneration system, which lacked transparency. Specifically, factors leading to the decision to reform the system included:

- the proliferation of pay scales (22) and pay steps (more than 500);
- the number of remuneration supplements, granted frequently with the exclusive objective of ensuring increases to basic remuneration;
- the automatic advancement in pay levels every three years; and
- the lack of remuneration mechanisms related to performance levels.

The reforms resulted in a single pay scale containing 115 steps. They eliminated automatic and permanent pay supplements, and placed specific criteria on who could receive such supplements and under what conditions. The reforms changed the system of performance bonuses, enabling workers and middle managers to receive such bonuses based on formal performance assessments by clearly defining the criteria for such bonuses. The reforms also increased the transparency of these bonuses by requiring decisions to be made public.

Source: Ganhão, Teresa (2010), presentation to the OECD Public Employment and Management Network, 9 December 2010, Paris.

Poland should continue to review its system for remunerating members of the civil service to ensure that it attracts and retains talented employees and motivates them to perform their tasks efficiently. Poland could consider:

- increasing the portion of pay that is linked to performance while decreasing the amount linked to longevity;
- further standardising pay levels for similar jobs across different ministries, to ensure that different ministries have equal access to qualified staff;
- determining pay levels for different job categories based on labour market trends, to improve its ability to retain talented staff in high-demand markets;
- developing a motivation strategy that includes "total rewards" – i.e. the various financial and non-financial incentives that civil service employees receive.

And maintaining the appropriate political-administrative interface

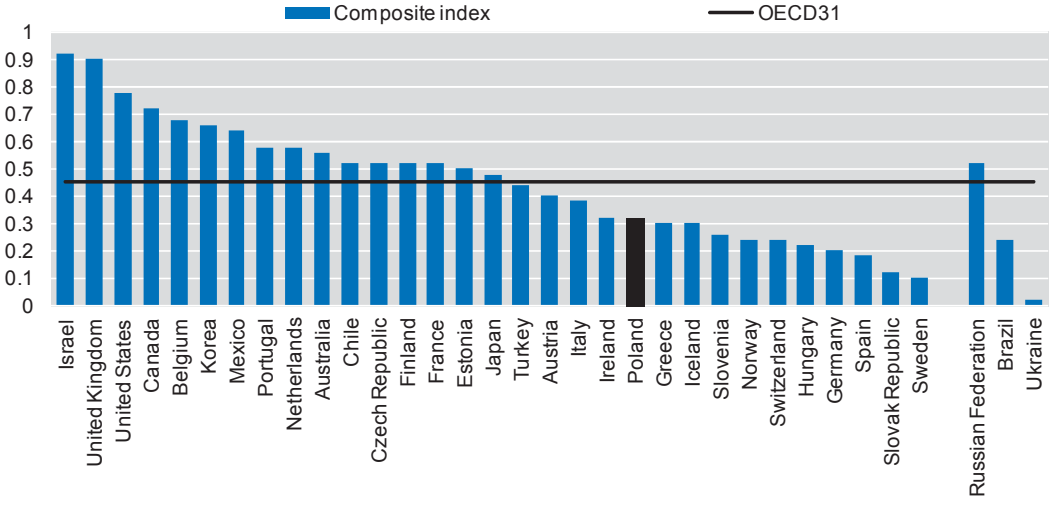
As Poland continues to work toward its goal of increasing the professionalism of civil service corps members, maintaining an appropriate interface between politicians and the administration will be critical. Achieving the right balance between responsiveness of public servants to current political imperatives and maintaining fair and impartial public

service delivery helps support the perception of legitimacy in the government and trust in the civil service. The role of senior civil servants is a key factor in these considerations.

In general, relationships between politicians and civil service corps members do not generate serious disputes or conflicts in Poland. Compared to other OECD countries, there is relatively little turnover of senior civil servants with a change of government, except among advisors to ministry leadership, suggesting little political influence in senior staffing (OECD, 2011a). Senior civil servants are involved in the preparation of strategic and operational documents and in their implementation. Senior officials tend to become increasingly involved in the development of policies and programming as their political superiors become less involved. In Poland's civil service, as in other countries, the relationship between political advisers and senior civil servants requires consideration. Under certain circumstances, these relations may generate tensions due to potential conflict between the actual impact of decisions and responsibility for the consequences of these decisions (Zawicki et al., 2012).

Across the OECD, senior civil servants lie at the juncture between strategy development and strategy execution. Hence, Poland will require a competent corps of senior managers to implement the Efficient State strategy successfully. The Civil Service Act of 2008 identifies specific posts as senior positions in the civil service, including for example directors general of offices and directors of departments or equivalent units in ministries, *voivodship* offices and in central offices. Despite the existence of this separate group of senior civil servants, Poland does not use separate HRM practices for these staff to the same extent as other OECD countries (Figure C.7). For example, although Poland places greater emphasis on managing the performance of this group than of other members of the civil service, it does not provide a higher portion of pay that is performance-related, unlike such countries as Canada, the United Kingdom and the United States.

Figure C.7. **Use of separate HRM practices for senior civil servants in central government (2010)**



Source: 2010 OECD Survey on Strategic Human Resources Management in Central/Federal Governments.

Senior managers in Poland are recruited through a more centralised process than other staff, with the National School of Public Administration playing a key role in identifying potential managers, who are often its own graduates, early in their careers. To strengthen the transparency of the selection process for senior managers, all openings are published and all candidates go through a panel recruitment process. To further delineate the line between political advisors and senior officials, Poland places more emphasis on avoiding conflicts of interest for senior managers than for other staff.

A stronger centre to harness the benefits of delegating HRM activities

The importance of a central HRM body

Strategic HRM requires not only implementing well-designed reforms such as the workforce planning systems described above, but managing staff collectively and individually in a strategic manner. The quality of management depends on many factors, but the balance of responsibilities between the central HRM body and individual ministries, as well as how well these organisations communicate with one another, contribute to the effectiveness of government-wide human resources strategic management.

A large majority of OECD countries have a central body that deals with HRM at the central government level.[4] It acts as the driver of civil service reforms using a whole-of-government approach. It may be responsible for developing HR strategy, monitoring progress towards goals, linking HR objectives to broader governmental goals or reporting on progress and reassessing strategies as progress is made. In OECD countries, central HRM responsibility centres have been instrumental in implementing reforms by promoting information sharing and good practices, taking steps to avoid duplication of activities, gaining acceptance of frameworks and standards, facilitating collaboration across government agencies and ministries, and fostering innovation and risk taking in HRM (Table C.2).

However, the organisation and structures of countries' central HRM bodies vary significantly. They are located in Prime Minister's offices and chancelleries, in Ministries of the Interior, Finance or Labour, and in special Ministries of Public Administration. When countries see HRM in a wider management context linked to public expenditure, they usually establish a central body within the Ministry of Finance. In contrast, if they emphasise policy co-ordination or departmental performance, they tend to place the central HRM body under the head of the executive or the Cabinet.

In Poland, the Department of the Civil Service in the Chancellery of the Prime Minister serves as the central HRM body for the civil service. The head of the civil service oversees the co-operation with directors general of offices, ensures observance of labour law with respect to directors general, supervises compliance with civil service guidelines and rules of ethical conduct of the civil service corps, develops proposals of strategies and standards for HRM, and designs and implements management tools. The department serves as a co-ordinator that advises ministries on implementing human resource policies.

Table C.2. **Reforms that have accompanied the establishment of a more strategic role of the central human resource body**

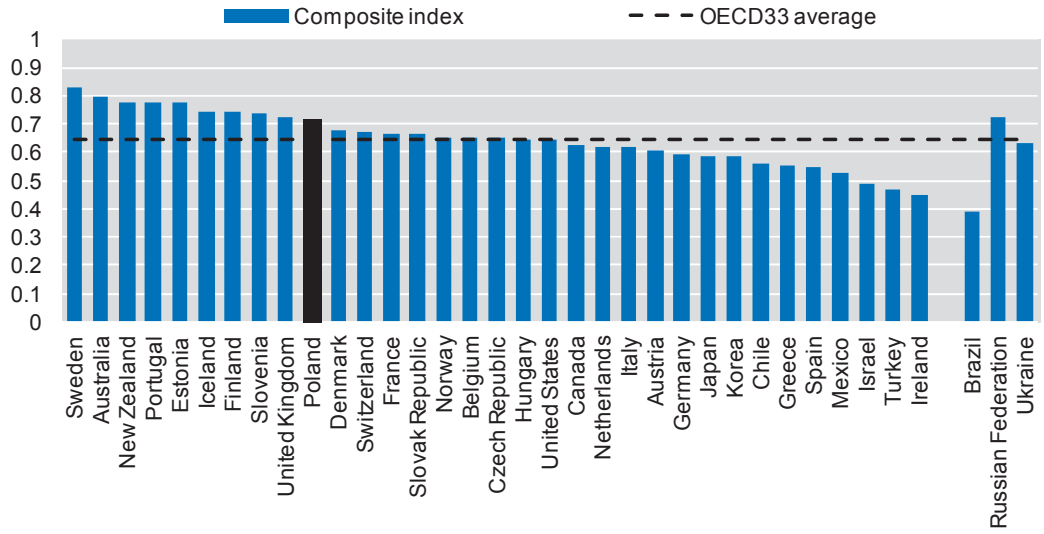
Austria	Following the Deregulation Act in 2002, the role of the HRM central body has been redefined and its participation in departments' decisions reduced.
Finland	The role and functions of the Office for the Government as an employer are being constantly developed in order to create a more strategic approach to government service and, on the other hand, to create more competencies to serve government agencies as key customers.
Ireland	Over the last decade, the central body has tried to devolve more to departments and offices, in particular in the non-pay area. In practice, the design of policies in the non-pay area is often determined centrally while the implementation is left to departments and offices. Career development is the responsibility of departments and offices.
Japan	From the perspective of the autonomous and strategic personnel management in each office and ministry, the National Personnel Authority changed many of its procedures from performing individual and detailed advance checks to setting clear standards regarding the personnel management system of the public service, as well as checking the adherence to those standards. As a result, about 4 400 cases of approval and consultation were eliminated in 2002.
Korea	The Civil Service Commission plans to provide government-wide workforce management strategy, offer guidelines and provide consulting services to ministries (agencies, administrations), getting out of regulation and control-based personnel management role in most HR areas including appointment, assignment, compensation, working conditions, etc.
Netherlands	The government has an ongoing reform of HRM at the central government level. The aim is to improve the quality of HRM. The government is implementing shared services of labour administration and payment administration and HRM services, putting also some emphasis on improving quality management of managers and improving the advisory capabilities of HRM professionals.
Norway	Over the last decades, there has been a trend towards more delegation and a more strategic and less detailed management role for the central HRM body. The reform of the pay system in 1991 was a milestone in this process.
Switzerland	Project entitled "Improving HRM, strategic and processes in personnel management" focusing on improving efficiency and professionalism in HRM, implementing a uniform approach, with a model process for the whole confederation and a clear formulation of tasks, competencies and responsibilities.
United Kingdom	The role of the central HRM body has been refocused on the following: leadership, talent, reward, coherence.
United States	Over the last several years, the Office of Personnel Management (OPM) has shifted from a rules-enforcing role to a facilitator of innovation and effective human resources management practices in federal agencies. In providing expert guidance to agencies, OPM tries to anticipate unintended consequences, act on lessons learnt, and articulate and share best practices. It provides a variety of technical services to agencies including practical tools on the use of flexible hiring authorities, the assessment of agency performance appraisal systems, the strategic management of human resources, and the development of agency accountability systems. The issues that this refocusing or role redefinition primarily covers are: pay, performance management, recruitment and hiring.

Source: OECD (2006), Survey on Strategic Human Resources Management in Government, published in OECD (2008), *The State of the Public Service*, OECD Publishing, doi: *10.1787/9789264047990-en.*

Delegation of HRM authority

Like other OECD countries, Poland faces the challenge of finding a balance between central control and co-ordination and the delegation of HRM decision-making authority to operational levels. The extent of delegated authority over HRM varies across OECD countries, and sometimes even across government bodies within the same country. There is thus no single model or common standard and the extent of delegation should vary depending on managerial capacity and existing trust. The 2010 OECD Survey on Strategic Human Resource Management found that Poland's HRM system is relatively decentralised compared to other OECD member countries (Figure C.8).

Figure C.8. **Extent of delegation of human resources management practices to line ministries in central government (2010)**



Source: 2010 OECD Survey on Strategic Human Resource Management in Central/Federal Governments.

Delegation of HRM authority

Indeed, a central HRM body does not typically centralise all decisions and processes. It usually operates within a framework of significant decentralised HRM responsibilities to managers across the administration, providing them with advice and support in their decisions, as well as enforcing shared systems. In fact, a strong central body enables more effective delegation to line ministries and others of certain aspects of HRM. The central body is expected to provide the mechanisms to ensure that ministries will follow civil service policy.

Delegation of HRM authority empowers public managers to make specific operational decisions to adapt centrally defined HRM practices to the business needs of their organisations. In general, OECD member countries rely on three methods of delegation: *i)* transferring responsibilities for HRM from central bodies to line ministries/departments/agencies; *ii)* simplifying rules and procedures related to the operational aspects of HRM, while maintaining responsibility for more general policy at the centre; and *iii)* developing more flexible HRM policies. The central government administration never totally delegates authority for HRM, as governments want to maintain a set of common values, structures and processes, which need to be managed from the centre.

Delegation of responsibility for HRM can have both positive and negative implications. In a delegated environment, public organisations can improve their performance if they are able to adapt HRM to their own needs. At the same time, delegation can lead to the fragmentation of structures in the overall civil service, which can limit flexibility in the workforce.

In Poland, the Department of the Civil Service does not establish requirements for HRM in the civil service, nor is it the employer of civil service corps members. It advises ministries on HRM guidelines but cannot compel them to comply. Rather, the Department of the Civil Service delegates this responsibility for HRM to individual ministries and agencies. As a result, each of the approximately 2 300 offices in the Polish

central government is a unique employer. Members of the civil service are hired directly by their office, whose director general has broad leeway in setting the conditions of employment. Polish officials noted that, given the large number of employers, the quality of HRM varies significantly among offices.

Although decentralisation can enable offices to tailor HRM practices to their specific business needs, in Poland this decentralisation has led to fragmentation in the centre of government. As a result, the civil service seems to lack a whole-of-government perspective, limiting the government's ability to reallocate resources as priorities change.

In addition, successfully decentralising HRM activities requires ministries to develop and maintain relevant managerial capacity and competence in the units mandated to handle their own human resources. The need for experienced HRM professionals is particularly important in sub-national organisations and levels of government, which generally lack their own HRM units. To prevent such islands of unmodernised management from existing, the centre should maintain capacity to monitor and if needed, manage delegated HRM systems, and hold operational managers accountable for HRM performance (OECD, 2008). Indeed, in Poland, the number of offices with HRM responsibilities and their capacity to implement these responsibilities, varies across ministries and agencies, and remain a concern (Chancellery of the Prime Minister, 2011b). Some offices with sufficient HR expertise have developed modern HR tools to suit their business needs, for example, the Ministry of Regional Development. However, this expertise is not consistent across all 2 300 offices in the Polish central government.

In the United Kingdom, the Cabinet Office developed an *HR Professional Standards Handbook* in 2009 to improve the performance of HR professionals throughout the civil service (Table C.3). In addition to specifying standards and performance outcomes, this handbook defines HR roles and careers in the civil service to help HR professionals plan their development, highlighting the unique competencies that are needed for effective HR management.

The multitude of employers in the Polish civil service and fragmentation of HRM responsibilities have resulted in wide variations in the conditions of employment in the central government. The Polish government has acknowledged this challenge, identifying the large number of entities responsible for human resources management as a weakness (Chancellery of the Prime Minister, 2011b). For example, unlike the majority of OECD countries, the general management of the civil service pay system, including salary levels, is delegated to line ministries in Poland, and an employee's ministry is of key importance in determining his or her base salary. As mentioned above, this decentralisation has led to significant discrepancies in pay between similar jobs in different ministries – for example, in 2010 average pay for middle-management posts in the Ministry of Justice was 38% higher than their counterparts' in the Ministry of Education. The new job evaluation system described above was intended, in part, to rationalise these variations, but to date it seems to have had little effect.

The decentralisation of HRM responsibilities has also contributed to limited mobility within the Polish civil service. This situation also limits the government's ability to transfer members of the civil service to ministries where their skills are needed. Allowing better mobility across ministries and departments, especially at top levels, can help the government overcome fragmentation and improve retention. Moreover, inter-ministry mobility is considered an important issue in almost all countries, because it fosters a more corporate ethos at the top (OECD, 2011b).

Table C.3. **HR Professional Standards in the UK Cabinet Office**

Key areas	Professional standards	Outcome of effective performance
Knowing the business	Understand the organisation and how HR can best contribute to its success.	– Understand and communicate the organisation's priorities and support line managers in working towards them. – Align HR policy and services to the organisation's business. – Use people information to assist decision making in the line. – Demonstrate how HR practices and effective people management help line managers achieve their goals.
Demonstrating HR expertise	Understand and deliver HR practices suitable for the organisation which lead to organisational success	– Deliver HR services in a professional, responsible, accessible and cost-effective way. – Use information to inform HR decisions and make improvements within HR. – Engage, enable and challenge line managers to manage their staff effectively. – Continuously update and develop professional knowledge. – Ensure confidentiality and practice HR to the highest ethical standards.
Act as a change agent	Make organisational change happen	– Communicate effectively to help make change happen. – Demonstrate a positive attitude to change. – Use change and project management techniques to develop and deliver HR plans.
Personal credibility	Personally demonstrate the organisation's values, build trust with partners in the organisation, and proactively contribute to organisational success	– Listen, question and communicate in an influential and engaging way. – Present clear and concise information in response to queries. Deliver outputs on time and to the agreed standard. – Reinforce the organisation's values and desired behaviours through example. – Demonstrate a proven track record for customer service, delivery and capability.

Source: United Kingdom Cabinet Office (2009), *Professional Skills for Government: HR Professional Standards Handbook*, Cabinet Office, London.

While flexibility is necessary, consistency of HRM practices, based on common concepts and approaches, is also important. Without a common framework, there is a danger that the different government organisations determine an unlimited number of different competencies that are inconsistent and undermine mobility. In France, recent reforms to increase the flexibility of the civil service have included the passage of legislation aimed at removing barriers to mobility (Box C.11).

The ability of different ministries and agencies to manage human resources appears weak due, in large part, to the absence of a strong accountability framework that ensures departmental accountability for managing resources, including human resources, and establishes the expectations for the good management of a ministry, department or agency. Several OECD countries, such as Australia, Denmark and Korea, have benefited from the development of such frameworks, which can help ensure the consistency of HRM practices in decentralised environments.

Sweden, which has perhaps the most decentralised civil service in the OECD (Figure C.8), has delegated HRM responsibility while maintaining a whole-of-government perspective through the use of such a framework. In this framework, each agency in the Swedish central government receives a lump-sum budget appropriation once a year, which agency heads may use at their discretion. Politicians normally do not interfere in these decisions, but agency heads and their ministries

communicate regularly about goals, results, new tasks and priorities, and methods for optimising the competence needed for given missions. There are also automatic yearly reductions in appropriations to increase productivity, based on measured productivity development in the private sector. When vacancies occur, agencies have discretion on how to use the newly available resources, and when staff are needed, managers focus on the types of competencies they should possess. Under this framework, agency heads have significant autonomy to adapt the size, structure, processes and staffing of their organisation in order to achieve the results needed (OECD, 2011c).

Box C.11. **Mobility reforms in France's RGPP**

In 2007, the government of France launched an unprecedented reform initiative known as the "General Review of Public Policies" (*Révision générale des politiques publiques*, RGPP). The RGPP has made the modernisation of human resource management one of its priorities, both as a way of supporting the optimisation reforms and as a means of reinforcing the structural conditions essential to government flexibility.

Among the reforms accompanying the RGPP was the Law on Mobility of 6 August 2009, which removed legal obstacles to secondment and integration into corps and job frameworks of the same category and the same level. It also instituted the right to integration after five years of secondment to another corps or framework, the possibility of direct integration into another corps or framework, and recognition of advantages acquired during a secondment. Lastly, this law offers new guarantees for employees assigned to a unit that is being reorganised, in support of the RGPP restructuring reforms.

This stress on mobility gives the French career system the means to function better. Continued efforts in this direction could bring the system closer to the degree of responsiveness and flexibility found in OECD civil services. An employee should be able to be much more mobile, and the pool of employees from which a position can be filled should be expanded, thus promoting a better allocation of positions and personnel. Today, although geographic mobility is fairly high in the central civil service (around 5%) and category mobility (among the three broad levels of the civil service, C, B or A)[1] is also high, mobility between ministries is very low, at 0.3% in 2007-2008.[2]

Mobility is also favoured by a new online tool introduced in France in 2008, the *Bourse interministérielle des emplois publics* ("Inter-ministerial Jobs Platform") which offers vacant positions for government units, with a counterpart at the regional level. Many OECD countries have had similar services for many years and they encourage not only mobility but also transparency in careers and transfers.

Lastly, the efforts made since 2006 to introduce an "Inter-ministerial Catalogue of Occupations" (*Répertoire interministériel des métiers*) is part of this new approach for improving mobility in the central government and encouraging a common human resources language among the different spheres of government.

Notes: 1. Category A civil servants are those performing functions corresponding to policy making, supervision and management; those in Category B have functions corresponding to policy application and drafting; and those of Category C have functions corresponding to execution (a higher education degree is not an entry requirement). 2. Figures obtained during interviews with *Direction générale de l'administration et de la fonction publique*.

Source: OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Public Governance Reviews, OECD Publishing, doi: *10.1787/9789264167612-en.*

Revising the employment framework for the civil service to standardise human resource tools, such as pay setting and job classification, could help facilitate greater mobility within the civil service and to improve the government's flexibility to deploy human resource where they are most needed. Such reforms would be in line with the draft Strategy for Human Resource Management in the Civil Service, which calls for greater co-operation between entities responsible for HRM and for the use of tools to ensure consistency in HRM activities across offices. As it prepares to implement the Strategy, Poland might benefit from the experience of other OECD member countries, such as Australia, Canada and France, in balancing the delegation HRM authority with the need to ensure consistency and accountability of HRM. This process need not entail the centralisation of human resource management, but it should ensure some level of consistency of similar jobs from one ministry to another.

Experience in countries such as Australia, the United Kingdom and the United States suggests that effectively delegating HRM authority to line ministries requires strong mechanisms to ensure accountability and transparency and internalised core values so as to protect against patronage and other forms of misuse of authority in human resources. For example, establishing reliable mechanisms for accountability and transparency for oversight is one way of strengthening the delegation of authority; in the United States, for example, the Office of Personnel Management holds agencies accountable by providing them with direction and consultative support; monitoring compliance with civil service laws and regulations and appropriate use of flexibility/authority; and providing them with tools, resources, guidance, education and evaluation to improve HR operations.

Experience in Australia and Canada may be useful as Poland continues to implement its HR strategy. Canada's Management Accountability Framework provides an example of an initiative to strengthen accountability while delegating HR authority (Box 2.15). It holds managers accountable for workforce planning in their organisation by setting clear performance indicators and outcomes for HRM that help managers assess progress and focus on results. Australia has recently revised its Bargaining Framework in an effort to better balance consistency or HRM in the Australian Public Service with flexibility for individual ministries (Box C.12). These examples demonstrate the importance of applying common measures across departments and agencies to develop a whole-of-government perspective, even in relatively decentralised environments.

Multi-level governance arrangements for human resource management

Implementing strategies to achieve strategic-state capacity will rely not only on central government employees, but also on the public workforce in sub-national levels of government. Therefore, the central and sub-national governments need to work together to ensure that sufficient staff with the requisite skills exist in regional and local governments. However, many of the challenges that the central government faces in terms of human resource management are exacerbated at the regional and local levels. These challenges include:

- A disparity in skills between different regions exists, and sub-national governments have differing levels of sophistication in their HRM systems. Some sub-national governments lack the capacity to identify the skills they will need in the future; others recognise that the skills it needs are going to change, but they do not have a plan how to acquire those skills.

Box C.12. **Towards a united bargaining framework in the Australian Public Service**

In September 2009, the Prime Minister of Australia established an Advisory Group to review government administration and develop a blueprint for reform. In March 2010, the Advisory Group released *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*, which made a series of recommendations aimed at ensuring that "the [Australian Public Service (APS)] is able to provide outcomes of the highest quality for the Australian public".

Ahead of the Game recommended that the Australian Public Service Commission take the lead in ensuring employment bargaining arrangements in support of "One APS". This included identifying areas where further streamlining of existing APS bargaining arrangements would better support One APS. Subsequently, the bargaining framework was revised to ensure that it supported a united APS and did not operate as an impediment to mobility across APS agencies. The 2011 bargaining framework includes a set of recommended common terms and conditions of employment, in a move towards achieving a level of consistency amongst the major conditions of employment available to employees such as personal/carer's leave and annual leave.

At the same time, agency level bargaining has allowed agencies to introduce more flexible ways of working, introduce new technology, achieve efficiency gains in administration, change workplace culture and cope with labour market pressures for key staff. It has also allowed a substantial degree of flexibility for agencies to meet their own specific operational needs and establish performance arrangements that best suit their performance and cultural goals.

Source: Australian Government, Advisory Group on Reform of Australian Government Administration (2010), *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*, Commonwealth of Australia, Canberra.

- Relatively low levels of remuneration in sub-national governments hurt their ability to recruit and retain talented staff. New staff often leave when they are offered positions in the private sector, creating a problem with turnover that increases the costs of hiring and training.
- Populations in some regions are ageing at a faster pace than the country as a whole, both reducing the supply of potential new employees and increasing the demand for public services such as healthcare. Officials in Lublin noted that, because of the lack of job opportunities, young people move away when the graduate from university, further diminishing the pool of talented job applicants.
- Opportunities for training vary by region, and the training offered does not always reflect regional and local needs. The Ministry of Administration and Digitisation supports capacity building in self-governments, such as through the recent development of an online "e-portal" for new civil servants in self-governments to access training. However, these efforts lack an overall strategy and goals, which hinders their ability to co-ordinate with self-governments. As mentioned above (see Chapter 4), the central government should make all reasonable efforts to harness its own training capacity, including in the National School of Public Administration and in the universities around the country, to partner with private sector training service providers to improve the quality of courses on offer.

One way of reducing regional disparities in HR capacity is through promoting mobility between regions and levels of government. Previous work has shown that mobility between different public administrations can strengthen cohesion, promote the

sharing of experiences and good practices, and facilitate co-ordination (Charbit and Michalun, 2009). Japan, for example, has undergone several periods of administrative mergers, decreasing the number of local entities to 1 820 in 2006, which was motivated in part by a desire to increase mobility within the civil service.

Co-ordinating tasks among the different levels of government can also be a challenge affecting policy coherence. The recently developed concept of territorial contracts between the central government and sub-national governments provides an opportunity for enhanced consultation and agreement between the different levels on resource considerations – especially human resources. OECD guidelines on effective multi-level governance arrangements recommend combining investments in physical infrastructure with investments in soft infrastructure, including human capital and other innovation-related assets. These guidelines also include encouraging capacity building, by identifying disparities in capacity among levels of government and investing in developing and sustaining needed capacity (see Chapter 4).

Better co-ordination could also help the government avoid creating "unfunded mandates" for regional and local governments that oblige local authorities to undertake a project without providing the resources – financial or human – to complete them. For example, a central government directive for local governments to digitise land records meant that municipalities such as Warsaw needed to hire new staff for this task. However, the central government did not provide the resources to do this, thus the city was forced to shift resources from other priorities to complete this project.

Previous OECD work has shown that decentralising responsibilities to sub-national levels of government relies on the sub-national governments having sufficient capacity for managing these responsibilities and for delivering the expected results. In France, for example, the national government is responsible for ensuring that local governments have adequate resources to provide the expected levels of services. Further, the French Constitution requires that each transfer of responsibility to sub-national governments be accompanied by equivalent resources. In addition, countries such as Iceland have mechanisms to equalise resource across localities with disparate levels of capacity (Charbit and Michalun, 2009).

Conclusion

The government of Poland has taken several steps to modernise its civil service since the fall of communism. Its Constitution and Civil Service Act enshrine the ideals of diligence, impartiality and political neutrality into law, demonstrating the political will to professionalise the Polish civil service. Entry into the civil service appears to be open and competitive, and selection of employees is based on merit, according to the Supreme Audit Office. In addition, the government has taken steps to strengthen core values and ethics in the civil service. On top of this, Poland has a relatively diverse and well-educated corps of civil servants and civil service employees, providing a strong foundation for acquiring the skills needed to meet future challenges.

However, establishing strategic-state capacity will require more than an impartial, educated workforce. It will require strategic management of this workforce, starting with a long-term vision for the civil service that aligns human resources with the strategic objectives of the government. It will also require greater use of strategic workforce planning to ensure that the government has the right number of people with the right skills in the right place at the right time. Workforce planning can also help Poland to

address future demographic challenges by helping to identify the competencies required to meet the needs of an ageing population and by devising a strategy to acquire and develop those competencies. Further, the move toward performance-based budgeting will require greater attention to performance management, from the individual to the organisational level. The draft Strategy for Human Resource Management in the Civil Service represents a start in this direction, but delays in its adoption by the Council of Ministers and implementation put its utility into question. In addition, the recently introduced HRM standards for the civil service demonstrate the government's recognition of the need for a more coherent approach to HRM in different offices, and activities to implement these standards are in line with the proposed actions below, but it is still too early to assess their effectiveness. Therefore, to strengthen its capacity to implement and sustain whole-of-government HR strategic management, the government of Poland should:

- Ensure that the Chancellery's Civil Service Department is mandated by the Council of Ministers to lead a whole-of-government process to achieve strategic HRM reform within an implementation timetable by working closely with line ministry and agency HR units to ensure that on-the-ground workforce needs are taken into account in these reforms, by:
  - ensuring that line ministries and agencies acquire the necessary HRM tools and skills;
  - reporting regularly to the Council of Ministers through the reform implementation committee recommended above and to the *Sejm* through the Prime Minister, on the government's strategic HRM issues and progress being made in addressing them.
- Ensure that the Chancellery's Civil Service Department is mandated to work closely on an ongoing basis with the other CoG units responsible for co-ordinating the implementation of the nine integrated medium-term strategies, performance-based budgeting and evidence-based decision making to ensure that the government's strategic HR issues are fully reflected in the roll-out of the nine medium-term integrated strategies, in the annual budget and multi-year financial plans and in any and all regulatory tests, impact assessments and policy rationales underpinning line ministry proposals being submitted to the Council of Ministers for decision.
- Ensure that this strategic HRM reform includes, at a minimum:
  - increasing the use of government-wide strategic workforce planning to ensure that the government can identify its competency gaps and develop strategies to address these gaps against its existing and emerging medium-term strategic priorities;
  - pursuing the review of the government's remuneration system to ensure that it attracts and retains talented employees, by standardising pay levels for similar jobs across different ministries and setting pay levels for different job categories based on labour market trends.
- Pursuing the reforms begun in 2012 aimed at standardising HR tools and modernising the employment framework for the public service, in order to facilitate greater mobility within the public service and improve the government's flexibility to redeploy human resources where they are most needed.

To strengthen its capacity to implement this planning, the government of Poland will also need to re-examine the role of the Department of the Civil Service and its relationship with line ministries. Like many countries, Poland has delegated significant HRM responsibilities to line ministries to allow greater flexibility for each ministry to meets its business needs. However, delegation without sufficient HR expertise in line ministries or an effective accountability framework that provides some consistency in HRM across the central government can lead to fragmentation. In Poland, these challenges have resulted in lack of mobility in the civil service and are limiting the government's ability to reallocate skills to meet shifting and emerging priorities.

Notes

1. Public administration as defined by the Central Statistical Office (GUS).
2. The civil service corps consists of employees working in officials' positions (i.e. higher – senior – positions in the civil service, middle management positions, co-ordination, independent, specialist and auxiliary), among others, at the Chancellery of the Prime Minister, offices of ministers (ministries) and chair persons of committees who are members of the Council of Ministers as well as central government administration offices, *voivodship* offices and other local government administration, headquarters, inspectorates and other organisational units supporting heads of unified *voivodship* services, inspections and guards as well as heads of *poviat* services, inspections and guards. Judges and prosecutors are not members of the civil service (Zawicki et al., 2012).
3. In 2010, the central governments of Belgium, Greece, Iceland, Mexico, Poland and Turkey reported not having performance-related pay for their employees, and those of Canada, France, Ireland, Italy, the Netherlands and Norway only having performance-related pay in place for senior management levels.
4. Exceptions include the Czech Republic and the Slovak Republic, where the Civil Service Office was eliminated in 2006 and the responsibility for human resource management was devolved to individual sectors and authorities. In Germany, there is no central body for HRM at central government level.

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