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New Modes of Governance

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Priority 7 – Citizens and Governance in the Knowledge-based Society

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Summary

**PART I: Poland – The Development of Subnational Governments 1990-1998, written by Paweł Swianiewicz**

The most natural periodization of Polish decentralization reforms allows to distinguish between the period in which elected local self-government was limited to municipal (gmina) tier (1990-1998) and following period in which two new tiers (county – powiat and region – województwo) were created (1999 onwards). The aim of this paper is to present first of these two stages. However at the end of each section we briefly sketch the further development of analysed processes (i.e. after 1998). It gives an opportunity to show the amount of changes which have been observed during last six years and gives a very rudimentary picture of the present stage.

**Part II: Partnership-based development institutions supporting regional development: Developments in the 1990s, written by Richard Woodward, Wojciech Dziemianowicz, Magdalena Kaniewska, Wojciech Pander, Katarzyna Szmigiel**

In the first part of this paper we will examine the development of the central government’s regional development policy and the actors responsible for it during the 1990s. This provides the context for a discussion of institutions which developed at both the regional and central level for dealing with problems related to regional development on the basis of partnership between the public, private, and non-profit sectors. This discussion is found in the second part of the paper. In the third part we discuss the role of foreign assistance programs in the regional policy area in the 1990s. In the fourth part we conclude with some reflections on the subject of differentiation not only between regions but within them.
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PART I:
Poland – The Development of Subnational Governments 1990-1998
Paweł Swianiewicz
1. Origins of the local government reform

Before 1990 the highly centralist doctrine of real-socialism was leaving no space for local self-government. Local administration was hierarchically dependent on upper tiers and branch ministries of the central government and the local discretion to decide upon any financial issues or forms of services’ delivery was next to none. The constitutionally dominant position of the communist party limited any reforms aimed at real democratisation of local political process. Nevertheless the inefficiency of the centralist system had been commonly seen for many years. The Polish Communist Party tried to introduce some forms of decentralisation and local government (see Acts of 1983 and 1988). But those limited reforms did not change the doctrinal base of the centralist state, so they could hardly result in more democratic or effective local government.

The turning point was the round-table negotiation (between the “Solidarity” opposition and the ruling communist party) in 1989. The local government reform was one of topics of discussion. It is worth stressing that it was the only topic in which the final agreement was not reached and the “statement of disagreement” was signed. Nevertheless, the main directions of the future reform had been already drawn by the “Solidarity” opposition (see: Regulski 2000).

The present local government structure in Poland is a result of two waves of decentralisation reform. The first wave took a place in 1990, when local government system was introduced on a municipal (gmina) level. Local government reform has been one of the main priorities for the first post-communist government which was formed in September 1989. Quick but intensive preparations allowed for passing the new Local Government Act in March 1990, which was followed by local elections in May 1990 and a radical decentralisation of financial regulations in January 1991. The 1990 reform introduced elected local government on the municipal (gmina) level only, while upper tiers of territorial divisions remained managed by the state administration. A chief of regional administration - wojewoda (governor) remained to be appointed by the Prime Minister. At the beginning of 1990s there was a tendency to treat a governor as a politically uninvolved civil servant, but the option of political nominations by a party winning in parliamentary election has soon prevailed and became commonly accepted.

This territorial structure was treated as provisional one. It was argued that the division on 49 small regions (województwa) introduced by the communist administration in the mid-seventies was dysfunctional and required modifications. It was assumed that new, elected regional government should be introduced together with the reform of the territorial division. Also, idea of the county government was very much alive at the beginning of 1990s (see declarations of J. Stepień and M. Kulesza quoted in Emilewicz & Wolek 2002). However, for the number of reasons which are not discussed in this paper in depth, the introduction of upper tiers of local governments had been postponed for several years.

The second stage of the reform was introducing two new tiers of elected sub-national governments in 1999: powiat (county) and województwo (region).

As a result of this process currently there are three tiers of territorial governments: almost 2500 municipalities (gmina), 315 counties (powiat) (plus 65 cities of a county status) and 16 regions (województwo) which replaced earlier 49 smaller units. Both on a municipal and county level, self-government is the only form of public administration. On a regional level there is a dual structure – on the one hand elected self-government, and on the other – governor (wojewoda) nominated by the Prime Minister with his/her own administrative apparatus. However, functions of regional appointed and elected administrations are clearly separated and there is no hierarchical subordination between them.
The goal of the reform was to clearly separate functions and policy areas between tiers of government and to eliminate vertical (hierarchical) dependency of the lower tier upon the higher. It has been achieved as regards to three levels of sub-national self-governments. Obviously municipal, county and regional levels co-operate, for example in economic development policies, but in terms of specific service delivery the separation is close to perfect. The situation is much more complicated as regards to relationship between central and local government level. In some cases (such as education or some of social welfare benefits) nationwide regulations are so strict that local government’s role is to a huge extent reduced to the agent of central government and implementation of central policies.

2. Territorial organization

Poland’s territorial division hasn't been stable throughout history, and it should be hardly surprising that is became an object of debates in 1990s as well. If we take a look at a relatively short period of time, beginning after the 2nd World War, we will see how frequent the changes of territorial organization were in certain periods of Polish history. The organization of the territorial division of the country in this period can be divided into four basic phases. From 1945 to 1974 Poland had a three-tier system with 14 to 17 regions, nearly 300 counties (powiaty) and a changing number of small communes (gminy). All of these units were strictly vertically subordinated to central government and none of them could have self-government status.

During the second phase, from 1974 to 1990, the centralistic doctrine remained unchanged, but a new, two-tier system with 49 relatively small regions and 2400 larger municipalities was introduced. The same system lasted throughout the third phase (1990-1998) which is in the main focus of this paper. What had changed during that phase were the political system and the doctrine of the state, which allowed for introduction of the self government on a municipal level.

This temporary phase came to an end in 1998, when a three-tier system with self government institutions on each tier, 16 regions, 380 counties and over 2400 municipalities, was introduced. Its introduction marks the beginning of the fourth, present phase. This development is briefly summarized in the table 1.

The system introduced in 1990, as it has already been mentioned in section 1, was treated as provisional. Discussions about the proper territorial organization of the country started soon after its introduction and in 1991 Prime Minister Bielecki officially announced that the government was working on a new administrative reform which would, among other important changes, include the replacement of the 49 regions by 10 to 12 larger ones. Government experts and academics came up with over 20 versions of the new territorial and administrative division, and the proposed number of regions varied from 6 to 40. But the number of regions was only one of many important issues connected with the reform. One of the most important issues, not as prominent in popular discussions as the issue of the number of future regions, was the issue of their future function. The government took three basic options into account, the most controversial of them being that of an autonomous region. Some politicians argued that it could lead to the disintegration of Poland. Others, the opponents of the whole idea of a regional reform, argued that the reform itself, in any shape, could have the same effect. Another option, of a functional region, was limiting the powers or regions to narrowly defined service delivery functions and preserving the domination of state administration over the elected representation. The third option was that of self-governed regions within a unitary state system.
Table 1. Development of the territorial organization in Poland after 1945

<table>
<thead>
<tr>
<th>Year</th>
<th>Upper (regional) tier</th>
<th>Intermediate (county) tier</th>
<th>Municipal tier (gmina, gromada)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-1974</td>
<td>14-17</td>
<td>Over 300</td>
<td>Changing number (2-8 thousand)</td>
<td>No democratic local government possible, vertical structures of state administration</td>
</tr>
<tr>
<td>1974-1990</td>
<td>49</td>
<td>-</td>
<td>Below 2500</td>
<td>No democratic local government possible, vertical structures of state administration</td>
</tr>
<tr>
<td>1990-1998</td>
<td>49</td>
<td>-</td>
<td>Below 2500</td>
<td>Local self-government system on a municipal level. Deconcentrated state administration on the regional level.</td>
</tr>
<tr>
<td>1999 - present</td>
<td>16</td>
<td>315 + 65 cities of county status</td>
<td>Below 2500</td>
<td>Elected local self-governments on all three tiers. Parallel state administration structures in regions</td>
</tr>
</tbody>
</table>

Two very important issues were connected with the subject of regional reform: future integration with the European Union and the decentralisation of the country. The issue of future integration with the UE was often used by the proponents of the reform, who argued that only large regions could be economically competitive on the future European market and could become stronger partners for West European counterparts, especially for the German Länder. Some of the proponents claimed that the regional reform was one of the conditions of access to EU structural funds, but this claim was not entirely justified. And, as Hughes et al. (2003) notice, “the final shape of the reform should be seen as inherently endogenous development.” The regional reform was certainly an important component of the country's endogenous development, as it was one of the most important factors of its decentralisation. The reform supporters realised the importance of a quick implementation of powiat (county), and in 1993 a proposal of the reform, introducing over 300 self-governed powiats, was ready. Its main author, Michal Kulesza, was nominated the government plenipotary for implementation of the reform and in 1994 a “pilot programme” designed to test new powiat functions solutions on 46 largest Polish cities (with a population of over 100,000 inhabitants) was started. The weakest point of this programme was the new functions' financing mechanism. The full reform was supposed to be implemented after one year of running the pilot programme.

Yet, in the meantime, before the programme was actually implemented, the new government, formed by the September 1993 elections winner the post-communist party (SLD) in coalition with the peasants' party (PSL), separated the reform from the pilot programme and suspended the implementation of the reform for an undefined period of time. As it later turned out, all the important regional reforms which were not implemented before 1993 had to wait for the next elections with their implementation. The PSL party was the biggest opponent of the powiat (county) reform. The members of this party argued that an additional tier of administration is not necessary, since all the functions which are too complicated to be performed by a single gmina can be easily performed by voluntary cooperating local governments of neighbouring gminas. Unfortunately, it did not turn out so in practice. The gminas were not able to cooperate with each other in order to solve different problems, not only because of the lack of experience in such initiatives, but also because of the lack of financial incentives for such a solution.
A breakthrough in the preparation and implementation of the full local government and regional division reforms came together with the new Parliamentary elections in the autumn of 1997. The winning party, AWS, a coalition of several small right-wing parties and the “Solidarity” trade union, formed a governing coalition with the liberal UW (Freedom Union). Although this coalition’s attitude towards both reforms was as complex as the coalition itself, with some of its politicians very much afraid of radical decentralization, regarding it as a threat to the integrity of the state, and most supporting the idea of the powiat reform, the new government decided to start a serious discussion on the implementation of both reforms in 1998. This discussion, just as it had been in the case of the 1993 debate, had two major dimensions, territorial and functional. The territorial dimension was, not surprisingly, a more popular subject of discussions among politicians as well as an issue regarded as the most important by the public opinion. The number of powiats was theoretically supposed to be limited, up to about 250, just like the number of regions, initially 12. But when it came to selecting the cities which were going to receive the status of powiat's or region's capital, the cities which were not to receive powiat status organised very active and usually effective lobbying in order to defend their interest. The final result of their lobbying was that the number of powiats is over 360.

The functions of administrative units were a more important, yet less frequently mentioned in public debates, aspect of the reform. Several possibilities were taken under consideration and, just like in the case of the number of powiats and regions, the final result was at least partly an effect of different battles. The mixed status of new regions was supposed to enable the government to avoid the accusations of allowing for the disintegration of the country. State administration, which includes a governor, nominated by the Prime Minister, and elected regional government share the control over different regional functions. These functions were themselves an object of many battles between the authors of the reform, proponents of radical decentralisation, and the bureaucracy of particular central ministries. The lobbying of central bureaucrats who, in order to defend their positions, argued that strict control of state administration over different institutions is essential for the proper functioning of many services, was often very effective. It was so in case of many cultural institutions, which, due to effective lobbying of central bureaucracy, remained under the control of the Ministry of Culture. Sometimes, as for instance in the case of Labour Offices, when central bureaucrats were not strong enough to stop the decentralisation of a given institution, they would delay it. These offices, responsible for registering and helping the unemployed, were taken over by powiat administration a year later than they were supposed to.

Such disagreements and discussions as these briefly described in the previous paragraph lasted throughout the whole reform implementation process, and many important regulations were approved at the last moment, or even later. While specific provisions of the government proposal were formulated at the beginning of 1998, the elections were held in October and new tiers of government started operation on the 1st of January 1999, such important matters as precise regulations on the division of competencies between tiers of government and between local government and state administration were still being discussed by the Parliament after the elections. This was also the case of, for instance, The Act on Revenues of Territorial Self-Government, which not only was passed after the October 1998 elections to county and regional councils, but also was approved as provisional only: both Government and Parliament agreed that substantial revisions would be implemented after the new system had been operating for two years. Nevertheless, the reform has finally been fully implemented, consti-

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1 However, as we should mention, this provisional system survived (in basically unchanged form) for next five years (till the end of 2003).
tuting the present shape of local government and territorial division of Poland. And so, currently, Poland has 3 tiers of local government: municipal, county and regional.

### Table 2. Size distribution of territorial units in 1998

<table>
<thead>
<tr>
<th>Municipalities (gmina) – local self-government</th>
<th>Województwa (regions) – appointed state administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of residents</td>
<td>Number of units</td>
</tr>
<tr>
<td>Below 2,500</td>
<td>28</td>
</tr>
<tr>
<td>2,500-5,000</td>
<td>550</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>1071</td>
</tr>
<tr>
<td>10,000-20,000</td>
<td>503</td>
</tr>
<tr>
<td>20,000-40,000</td>
<td>198</td>
</tr>
<tr>
<td>40,000-100,000</td>
<td>93</td>
</tr>
<tr>
<td>100,000-200,000</td>
<td>26</td>
</tr>
<tr>
<td>Over 200,000</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: own calculations based on GUS data (BDR)

The municipal level (gmina) consists of 2500 relatively large units (although they are much smaller than British districts, they are similar to Scandinavian kommun and much larger than Czech or Slovak obec or respective equivalent in Hungary, France or any other country in Southern Europe). The average population size of gmina is almost 16,000, and even in rural areas the mean size is around 7,500 (typical rural gmina consists of several villages, or includes a small town and surrounding villages). There is no single gmina with less than 1,000 residents and only 7 with less than 2,000 citizens. More precise information on size distribution of territorial units in 1998 is presented in table 2.

### 3. Allocation of functions

The position of local government in Poland is protected and guaranteed by two important documents: the constitution, passed on the 2nd of April 1997 and the European Charter of Local Governments, ratified by the Polish Parliament. Although the Polish constitution does not clearly determine the complete model of local self-government, as the only self governed unit specified in it is a municipality (art. 164 par.1), while the existence of other tiers of local government depends on laws adopted by the Parliament, it does have a record concerning the devolution of public power and performing public tasks by the local government (art. 15 and art. 163), and three basic principles referring to local governments may be formulated on the base of the constitution. Firstly, there is the subsidiarity principle on which the whole Polish political system is nominally based (the Preamble). Besides that there is the independence principle, which is protected by Law (art.165) and states that the tiers of local governments are not hierarchically subordinated among themselves and are independent from central state administration. According to the third principle, municipal governments are granted the general competence clause, which states that municipalities are responsible for all local policies, which are not explicitly reserved for other tiers of government. The Constitution also specifies that the procedures, which change municipal boundaries or liquidate a municipality, have to be publicly consulted, although the results of these consultations are not binding for central government. The basic rules of local governments’ autonomy are guaranteed by the Constitution as well. It limits state supervision over local governments to checking the legality of de-
cisions made by local councils and local administration and entitles local governments to set rates of local fees and taxes, within limits established by the Laws. It also states that local governments have to have revenues adequate to their functional responsibilities and passing new responsibilities has to be accompanied by new sources of revenues. In practice the meaning of this statement is limited, since it is very difficult to find a set of objective criteria, which would allow agreeing which resources are really sufficient to deliver a given service.

The functions of local government and administration can be divided into two sections: own functions and functions delegated by the state. The latter ones include mostly administrative tasks such as birth and deaths registration, issuing driving licenses and cars registration and are financed through separate specific grants. Although these grants are supposed to be sufficient to cover all the expenses connected with these tasks, the local governments often complain that they are forced to subsidise their delivery from their own revenue sources.

Polish municipalities are responsible for relatively wide and stable set of own functions. (It goes beyond scope of detail analysis in this paper, but presently aggregate municipal budgets are more than twice as big as accumulated county and regional government budgets, i.e. it is still the municipal level which is responsible for provision of the most of decentralized services). Services provided by Polish gmina include:
- water supply and sewage treatment,
- street cleaning, refuse collection and waste disposal,
- local public transportation,
- street lighting,
- district central heating,
- maintenance and construction of streets and local roads,
- maintenance of green areas,
- municipal housing,
- provision of education services$^2$,
- culture$^3$,
- numerous services within social welfare sector$^4$,
- physical planning and granting of building permits.

Such a wide range of functions and responsibilities as that enjoyed by the Polish gmina is mainly an effect of its relatively large size. On the other hand, there are certain services, which, in the opinion of most experts, could be better transferred to powiat (county). The explanation of the fact that responsibility for provision of such services (solid waste disposal is perhaps a typical example) belongs to municipalities is political. Central government needed the political support of gmina governments and associations while promoting 1998/99 local government reform. In order to obtain such a support, it promised gmina governments that none of gmina functions and none of gmina revenue sources would be transferred to powiat governments.

Another example of the political influence on the list of municipal functions is the case of primary schools, which were supposed to be managed by municipalities from the very beginning. However, in 1990 several factors, such as the lobbying of teachers’ trade unions, caused

$^2$ The gmina is responsible for the education of children up to 15 years of age, for kindergarten and primary school education.

$^3$ Local libraries and leisure centres.

$^4$ That includes services for the elderly, handicapped and homeless people, as well as housing benefits.
a delay in transferring schools to local governments. This delay was supposed to last until 1994, but in the end primary schools were not fully transferred to local governments until 1996. This transfer was not the only change in the scope of functions provided by municipal governments.

Since 1994, in case of the largest cities (those with over 100,000 residents) the list of functions presented above has been supplemented by additional responsibilities granted to them as a part of the so-called “pilot programme”. Additional functions included:
- secondary education
- a bulk of health care system, including most of hospitals located in these cities;
- major streets;
- additional responsibilities in culture and social services.

These granted functions were basically the same as those, which are now provided by county governments, and the 65 cities taking part in the pilot programme were from now on responsible for both municipal and county obligations. The only significant difference between “pilot programme” and current county functions is in health care, which is now provided by a separate health insurance system, not by local governments.

At the beginning of 1990s municipal governments were spending over 5% of GDP, later this share has been systematically growing (first of all due to primary schools transfer) and in 1998 it reached over 8.5% (currently – in 2003 – the share of GDP spent by all sub-national governments is over 11%). Municipal governments have also gradually taken place of the major public investor – starting from 1994 their capital spending have been higher than those financed by the state administration. More precise figures are provided in the table 3.

<table>
<thead>
<tr>
<th>Table 3. The role of municipal expenditures in national economy</th>
</tr>
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<tbody>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Municipal expenditure as % of total public budget expenditure</td>
</tr>
<tr>
<td>Municipal investments as % of total investments</td>
</tr>
<tr>
<td>Municipal investments as % of total public investments</td>
</tr>
<tr>
<td>Municipal investments as % of total public budget investments</td>
</tr>
</tbody>
</table>


4. Method of local election/appointment and internal power structures

The elections system on a municipal level has undergone only minor changes in 1990-1998 period. Since 1990 there have been two electoral systems for municipal councils – one for small local and another for big local governments. The only change concerned the “border line” between small and big local governments – in 1990 it was set at the level of 40,000 residents, while starting from 1994 it has been on 20,000 residents. In small municipalities there is a majority system, in which 1 to 5 councillors are elected in each ward, although usually in practice in most small local governments there is a one councillor - one ward system. Larger
jurisdictions use a proportional representation system in which 8 to 10 councillors are elected in each ward and seats are distributed among political organisations’ lists proportionally to the number of votes gained in the ward. The minimal size of local council is 15 (in units with up to 5,000 residents) and it grows with the increase of population size.

The council was appointing Executive Board consisting of 4-7 members, whose head was a mayor (called in Polish wójt, burmistrz or prezydent depending on a size and status of local government). The council could remove the Executive Board before the end of the term, but such a decision required unanimous voting of the vast majority of councillors. Mayor and his/her deputies could be appointed from among local councillors or from outside of the council, while other members of the Board were always councillors.

The system described above has been dramatically changed in 2002 together with introduction of the direct election of mayor, who can be re-called by popular referendum only and who him/her-self nominates his/her deputies. The short summary of present structures is presented in the table 4 below.

Until recently (2001) accumulation of mandates (similar to French practice) was possible and actually considerable number of councillors and (especially) mayors had a parallel position in national parliament. However, such a practice has been recently (in 2001) banned.

However, even before this radical change the position of mayor has been gradually strengthening thanks to changes in legislation which were making his/her removal more difficult (increasing majority of votes required to vote removal of mayor and restrictions on the frequency of non-confidence voting).

<table>
<thead>
<tr>
<th>Statutory/Decision/Legislative bodies</th>
<th>Municipalities (gminy) – including cities of county status</th>
<th>County level (powiat)</th>
<th>Regional level (województwo)</th>
<th>Representation of central government in the region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Municipal council (rada miasta, rada gminy) (from 15 to 45 councillors)</td>
<td>County council (rada powiatu) (from 15 to 39 councillors)</td>
<td>Regional council (sejmik województwa) (from 30 councillors)</td>
<td>Governor (wojewoda) appointed by the Prime Minister</td>
</tr>
</tbody>
</table>

The first democratic local elections in 1990 attracted many candidates, most of them with no previous experience in official politics. Almost 80 percent of the elected representatives had
no prior council experience and in cities with over 40,000 inhabitants even over 90 percent of the councillors were new to their job, while in the major cities, virtually all of the mayors were novices (Baldersheim et al. 1996). In smaller municipalities cases of continuity were more common. Not only were the politicians mostly new, they were also mostly independent candidates or the very politically diversified candidates of the so-called “civic committees” organised by the Solidarity movement from which several new parties emerged in subsequent years. Just a few months after the fall of the communist regime, there was simply not enough time for new parties to organise themselves, while the “old” parties established during the communist era were compromised and had very little electoral support. Thus, seven percent of all mandates were won by party candidates while as little as 0.2 percent were won by the post-communist party (“Statystyka wyborow...”, 1990). In the small municipalities with a majority electoral system, the most votes were given for independent candidates and in the big cities with proportional representation systems, the Solidarity civic committees were victorious. It was obvious that this non-partisan period, with thousands of councillors who were essentially on their own without the institutional and political support of a party organisation, was bound to be transitional.

Each of the three subsequent municipal elections was a new step towards the development of local party systems. Gradual increase in the role of parties in local politics may be explained through the short history of the party system in Poland, which has started to form around 15 years ago. During first years of 1990s even major parties were in their infancy and their territorial structures were very weak. But later, together with their strengthening local governments were natural focus of their expansion. However, it should be mentioned that in spite of the general trend, the impact of parties on local politics in Poland is still among the lowest if we compare with other European countries (Swianiewicz & Mielczarek 2005). Data of the “Political Leader in Europe” international research project show that the party membership level of Polish mayors is significantly lower than in any other country in Europe. An explanation might be still early stage of party system’s development, but also very widespread distrust of public opinion towards political parties. In 1991 and 1997 surveys conducted in Poland, “not being a party member” was quoted by respondents among the most important qualification “to be a good councillor” (Baldersheim et al. 1996).

In the 1994 local elections, small rural municipalities remained to a large extent the hunting grounds of independent candidates, although the role of the Peasants’ Party (PSL) increased considerably, while urban areas local councils were gradually becoming arenas of parties’ competition. But general disillusionment with party politics led the parties to use their official names rarely in the 1994 election campaign. Their candidates were hidden behind unrevealing names of electoral committees such as for instance in the case of Kraków: ‘Your City’, ‘Alliance for Kraków’ and ‘Self-Governing Kraków’. One of the anecdotes from that period is about a group of candidates from a medium sized city who, when interviewed in connection with an academic research project, unwillingly admitted they were members of one of the political parties, but immediately added that their membership had nothing to do with their electoral programme and would have nothing to do with their post-election activities in the council (Swianiewicz 1996). The turnover, although there are no precise data, was probably much lower than in 1990 as well as in 1998. In 800 urban municipalities slightly over half of the mayors kept their office after the elections, and the return rate among councillors was even higher.

The 1998 elections marked a further step in the advance of political parties in municipal politics. Although almost 60 percent of the mandates to municipal councils were still won by independent or local coalitions (Kowalczuk 2000), in urban local governments the 1998 elections were definitely dominated by political parties, which now openly used their official
names. In cities with over 50,000 inhabitants, as well as in counties and regions, independent candidates and local coalitions had almost no chance against party candidates, although they were still victorious in small rural communities and relatively small towns (below 20,000 inhabitants). Moreover, in most of the big cities, the elections were dominated by two major political blocks, the right wing Electoral Action Solidarity, which gained over 16 percent of mandates, and the left wing Alliance of Democratic Left, which obtained 14 percent of all mandates. Since the share of council seats won by these two blocks was much higher in large municipalities, they won over 80 percent of mayoral positions in cities, frequently replacing the incumbent non-partisan or centrist mayors. Even locally popular urban mayors had poor prospects for re-election, unless they were supported by one of two major parties. In municipalities with over 10,000 inhabitants the majority of mayors were replaced, in cities with a population of over 40,000 over two-thirds of the incumbents were not re-elected and in the largest cities with over 300,000 residents only one mayor ‘survived’ the 1998 elections. The 1998 elections seemed to be the peak of relative consolidation of the party system. However, a surprising decomposition of the centre and the right wing of the political scene combined with a significant increase of support for the extreme parties caused a drastic discrepancy between the political makeup of the councils elected in 1998 and the one observed at the beginning of the next term in 2002.

In practice, the social structure of councillors is very far from the structure of their electorate. They are usually male – in 1995 only between 17% of all councillors in cities and 12% in rural areas were female (in 2002 the proportion of female councillors slightly increased to between 21% of all councillors in big cities, 17% in rural local governments and 14% in regions). The average age of the councillor (in 2002) is between 47 years in big cities and 49 in county governments. And the representation of young people in the council is marginal. In 1995 the proportion of councillors below 30 years old was just below 3%. (In 2002 it slightly increased to 4.5%, but it varied from 1.8% in county councils to more than 11% in the biggest cities).

Internal power structure in Polish local governments of 1990s should be first of all characterized in terms of the relationship between executive board and local council. As mentioned at the beginning of this section, executive board was appointed by the council at the beginning of its four-year term, but could be removed in any moment. On the other hand its executive character is embodied in the responsibility of the mayor (who was chairing the board) for initiating new policies and preparing most of drafts of local council’s resolutions.

How we may describe the outcome of this situation? Figure 1 illustrates the balance of community power structures as seen by local councillors. At the beginning of 1990s it was the council who was a real sovereign in forming local policies. But gradually, along with the formal strengthening of the position of the executive board and of the mayor, the power allocation became more balanced. But the real turning point was introduction of the direct election of mayors and liquidation of the collective executive board – after this change the mayor has clearly dominated local political arena.
Another approach to the description of community power structure may be done by analysis of the role in budget preparation and implementation. Since the beginning of 1990s it was a role of executive board (and presently the mayor) to prepare a draft budget resolution and submit it for the council consideration. Also it was executive board who was allowed to propose any changes in the budget during the year. But council role has been always much larger than agreeing or refusing submitted proposal. Once the draft budget was submitted, the council could propose and vote any changes (for example in allocation of spending between sectors). Also in this case the role of executive has been strengthened in 1990s. Since 1998 the new limitation of the role of the council has decided that councillors could not introduce changes which would result in increase of the budget deficit (in practice it means that executive board became sovereign in its decisions on how much can be borrowed from banks or in form of bond issues). But the role of the council is still very considerable. Moreover, it is the council who approves candidates for city treasurer (who plays a role of the director of local government finance, and who in practice plays a major role in budgeting process). It is also the council who has to agree for treasurer’s dismissal.

Summing up, the role of executive in Polish local governments has been gradually increasing, but the control of the council has remained very tight. Using the Mouritzen & Svara (2002) classification the Polish model of executive was close to “collective model”. After 2002 it turned to a “strong mayor” form (but only on a municipal level), however the present situation it might be described as a “strong mayor with relatively weak role in decision making”.

A full argumentation supporting this claim is beyond the scope of this report, but apart from the strong role of the council in budgeting process, one should mention that the directly elected mayor does not always have a clear majority of councillors from his political group. Just opposite, it happens that he/she has to face opposition of the majority in the council of a different political colour.

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5 A full argumentation supporting this claim is beyond the scope of this report, but apart from the strong role of the council in budgeting process, one should mention that the directly elected mayor does not always have a clear majority of councillors from his political group. Just opposite, it happens that he/she has to face opposition of the majority in the council of a different political colour.
5. Financial arrangements

As mentioned in section 1, 1990 local government reform was introduced after very short preparations. First elections were conducted in May 1990, in the middle of the fiscal year (which in Poland coincides with the calendar year). As a result, for the first half year, newly elected councillors and mayors had to function within confines of the old, communist and extremely centralised financial system. The new regulations on local finance were adopted at the end of 1990 and became operational in the beginning of 1991. But even this regulation was prepared in a big hurry and was treated as provisional, for one year only. However, this temporary solution survived two years more (with only relatively minor modifications), and a new permanent Law on financing municipal government (approved at the end of 1993) was not very different from original, provisional regulations. The Law of 1993 was modified several times, mostly due to changes in local government functional responsibilities, but its main framework survived till 1998 reform.

Interestingly enough, the same scheme was repeated after 1998 when new tiers of elected subnational government were introduced. The first Law on Revenues of Local Self-Governments was adopted at the end of November of 1998 (i.e. after local government election, which took place a few weeks earlier) and was treated as provisional only. Even the full title of the Law referred to limitation of its validity to 1999-2000 only. However, with some minor modifications, validity of this temporary law was subsequently extended for 2001, 2002 and 2003. The new (more or less permanent, as regards intentions of the Parliament) law has came into force at the beginning of 2004 only.

5.1. Revenue structure

Since 1991 local government functions have been financed through the mixture of:
- revenues from own sources
- shares of local governments in collected on their territory revenues from central taxes
- general purpose (non-earmarked) grants
- specific (conditional) transfers.

5.1.1. Revenues from own sources

There are following local taxes which are revenues of the municipal tier:
- property tax;
- tax on agriculture;
- tax on vehicles;
- forest tax;
- tax on dog owners;
- tax on legacies and donations, and
- tax on small businesses.

With an exception for last three taxes in the list above (which are collected by the state tax administration), local taxes are administered and collected by the municipal administration.

It should also be mentioned, that in Poland there are some local fees which have also the nature of taxes and which are revenues of local government budgets. Such a case occurs when the fee-payer receives no (direct) return from the local government. A good example is provided by the exploitation (mining) fee, 60% of which goes to the gmina(s) and 40% – to the National Fund for the Environment Protection and Water Economy. Another example is the local fee paid by (some) visitors to the health-resorts or the market place fee, especially when...
collected from people selling goods on the streets. Maximum rates of these fees are fixed by the Parliament but local council can always reduce them, with some limitations in case of the exploitation fee.

The general rule says, that maximum rates of local taxes are decided in the central legislation, while local governments may set their own rates which are equal to or lower than the “ceiling level”. Local governments can use also other instruments of their own tax policies, such as granting exemptions or reductions in collected tax yields.

There is no doubt that the property tax is by far the most important source of own local revenues, as it provides around half of all own revenues. It is paid both by physical persons and by legal entities. The list of subjects of taxation includes both built and un-built properties (however, except of agriculture land and forests, which are taxed separately).

For most of categories the tax is paid “per square meter”. Presently, there are small exceptions to this rule, but they were introduced after 1999 and will not be discussed in this report.

Altogether, property tax in Poland brings annual revenues close to 1% of GDP, and this figure belongs to the highest among European countries (for example it is several times bigger than in the Czech Republic and Hungary).

About ¾ of revenues from this tax is brought from commercial properties, for which maximum rates are several times higher than for residential properties.

Until 1998 another important source of local revenues was tax on vehicles, which was levied on every motor vehicle. But since 1998 the tax base has bee limited. Presently, the tax is levied only on owners of: lorries with a load capacity over 2 tons, tractors, buses and trailers with a load capacity over 5 tons.

5.1.2. Shares in revenues from central taxes.

Since 1992, municipal governments have been receiving shares in personal and corporate taxes collected (PIT and CIT).

Revenues from CIT (2% and – since 1994 - 5% of the total tax yield) were always allocated to those local governments in which they were collected. But as public finance theory suggests, the CIT tax is a poor candidate for local government revenue, since it is often difficult to determine which authority is entitled to the yield exacted from each taxpayer. It is so, because many companies have their branches in various regions or the headquarters is located in another local government than actual production of goods or services. Polish local financial system tries to cope with that problem in such a way that in case of the enterprise has activity located in many localities, the income form CIT is shared among them proportionally to the number of employed in each local government. But this system does not work perfectly, and in practice Warsaw is receiving dis-proportionally high share of these revenues.

Since its introduction in 1992 local governments have had more substantial share in revenues from personal income tax. At the beginning of 1990s it was 15%, and the share has been gradually increased to 18% in 1998. During first few years there was an element of horizontal redistribution of PIT shares. 15% of the collected tax yield was calculated for each of 49 re-

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6 It is worth to notice that from the point of view of this criterion the VAT is even worse candidate for a local revenue source. For technical reasons VAT cannot be shared on an origin basis. The only possibility is to define a share on a national level and then redistribute it among local governments on some other basis than origin. But in such a situation the revenue would be much closer to the general grant than to shared tax, or even more, to own revenue of local government. Nevertheless, imposing the local share in VAT revenues is one of the most frequent demands of local governments.
regions. Allocation among individual municipalities within a region was made on per capita base. Since Polish farmers are exempted from PIT, this method of allocation worked strongly in favour of rural local governments. At the beginning such a solution was introduced due to technical difficulties in determining precise tax yields collected from citizens of every municipality. But once the system has been established, it has gained political support of strong lobby interested in no change of allocation method. Not surprisingly, the PSL party representing Polish farmers and having the strongest support in rural areas was the main engine of this lobby in the Parliament. And since PSL was a member of governing coalition in 1993-1997 period (in 1993-1995 PSL hold even Prime Minister position), the change of the system was very difficult. The transition to the system in which local governments receive share of PIT collected within their territories was not completed until 1998.

5.1.3. General purpose grant

The system of general purpose grant for local governments has been evolving, but it has always played double function:

- vertical equity, i.e. securing transfer of funds from the centre to local governments, which would be sufficient for funding obligatory functions of local governments
- horizontal equity, i.e. providing support for the least affluent local governments, whose tax base is insufficient to provide public functions effectively.

After transfer of responsibility for primary schools to local governments (see section 6 of this report) the former function has became clearly dominant. It has been so, because financing schools has been based on a separate part of the general purpose grant called an “education grant”. (Formally an “education grant” is a part of non-earmarked transfer, so local government is free to re-allocate its part to other functions. In practice, most local authorities consider the transferred amount insufficient and they spend on education not only the whole “education grant” but also part of their general own revenues).

The precise equalization formula has been changing, but the main idea may be summarized to partial compensation transferred to those local governments in which local tax base expressed in per capita terms has been lower than national average. There has always been an element of horizontal equalization through “Robin Hood” tax, i.e. local governments with the highest local tax base have been paying a tax on part of their “surplus” and collected amount was feeding the fund allocated among the least affluent jurisdictions.

The equalization grant system in Poland has always been based on per capita calculations, with a very minor role played by other factors reflecting variation of spending needs.

The current system of general purpose grant is built upon three parts:

- equalizing part – providing vertical equalization (transfers from the state budget for local governments with local tax base below national average);
- education part - calculated first of all on the basis of number of pupils in local government schools with different weighting factors such as rural schools, national minorities, handicapped pupils, types of vocational schools etc. This part of the grant is by far the most important, providing over 70% of the total transfer value;
- balancing part – providing horizontal equalization (transfers from the most to the least affluent local governments). In theory criteria of allocation for this part of the transfer take into account local tax base and the variation of spending needs in the most important sectors of local government services, but in practice these criteria to a large extent reflect (and repeat) the historical pattern of spending.
5.1.4. Specific grants

To talk about special purpose grants we need to distinguish between three basic types of them:

*Grants for current spending on tasks delegated to local government administration* (for the brief characteristic of delegated tasks see section 6).

The only relevant regulation in the Law on Local Government Revenues is that the amount of these grants should be calculated in the same way as similar expenditure of the central government administration. Not surprisingly, this very imprecise regulation was not sufficient to avoid several bargains and quarrels between central and local governments. Local governments frequently complain that many functions which are delegated to them are under funded and received grants are hardly enough to cover at least salary costs of required personnel. As a consequence, it is quite common that local governments “subsidise” delegated functions using their own revenues or resources from general purpose grants which are supposed to support provision of own municipal functions. A good example is provided by data referring to the “pilot programme” (mentioned in the section 2), which in 1994 passed additional functions to over 40 largest cities. For first two years these functions were treated as delegated to local governments and they were officially funded by a relevant specific grant. However in 1994 cities spent on these functions 13% more than received in grants (data of Supreme Chamber of Control, quoted after Czekaj, 1999). Taking into account that these new functions consumed almost 20% of total cities’ budgets, the change in scope of their activity led to quite considerable fiscal stress.

*Grants related to current expenditures on own functions of local governments.*

This category is probably the most difficult for description, since regulations are extremely fragmented and the least clear. Grants related to various functions are regulated by several sectoral acts (such as related to education, social protection, housing etc.). Only in minority of cases regulations clearly define what should be the amount of the grant and how it should be allocated among individual local governments. However, at the beginning of decentralisation reform there was an assumption that specific grants for own functions should be exception rather than a rule and that local governments should be financed mostly by their own revenues and general subsidy based on clear, transparent criteria. This assumption was fulfilled during first few years of the last decade. In 1991 this category of grants provided just 0.3% of total revenues and the share in 1994 was still very similar. But in the second half of the decade, the system of financing has been gradually spoiled, and by the end of 1990s the share of specific grants for current spending is in municipal governments over 3% of total revenues. It is characteristic that the change was not due to the change in official policy. It was rather a result of incremental changes, series of small victories of central sector bureaucracy which would like to exert more strict control on local government spending structure.

*Specific grants for local government investments*

This part of grants is the most highly regulated in local government legislation, although its allocation criteria are still far from being transparent. Until 2000, grants for investments were distributed by wojewoda (regional governor) after consultation with the elected regional council (sejmik wojewodzki). Allocation between regions and among wide sectors of budget classification was decided in the annual state budget. The criteria for allocation of this type of grant were neither stable nor clear. Normally, investment grant cannot exceed 50% of the total investment cost, however there are some exceptions to this rule (if municipal revenues are lower than 60% of national average or if municipality is located in the region on a government list of regions affected by structural unemployment or if municipality inherited land used before by the Soviet army – in all of these cases investment grant may be up to 75% of
total investment cost). In spite of some efforts to standardise and to clarify criteria of allocation, much still depended on the individual decision of individual governor. There was even no consensus as to the main criterion which should be used. To what extent of capital grants should allocation be based on historical and predicted effectiveness of individual local government investments? Should it be allocated first and foremost to localities with the poorest infrastructure, though the highest investment needs? In such circumstances, as one might suspect, it was very difficult to find any clear pattern in the actual allocation. There was no significant correlation between received capital grants and the affluence of local communities and local governments, so the distribution had no equalisation effect. There was also a lack of clear regional pattern - i.e. it was not that poor regions were getting more or less (per capita) capital grants. On the other hand the regional distribution was not even either, but it looked rather chaotic and was a subject of fluctuations over time which were difficult to follow.

The main change came in 2001, starting from which investment grant can be allocated only to the investment which has been specified in the regional development strategy and which is related to goals formulated in the regional contract (signed between regional self-government and central government).

At the beginning of the last decade capital grants were much more important than grants for current expenditure and authors of the reform assumed it would be the main (and with some limited exceptions - the only) type of specific grants. In 1991 capital grants constituted over 1% of total municipal revenues in 1991 and in 1994 it was even over 3%. However, the recent development challenged this assumption. During last few years, capital grants to municipal governments decreased both in absolute and relative terms, and in 2000 they were less than half of grants for current spending on own functions.

Last but not least, it should be added that investment grants from the state budget is not the only form of state support for local government capital spending. Another, perhaps even more important, form is being provided through national level special-purpose funds. The most significant among such funds is a National Fund for Environment Protection (as well as Regional (Wojewódzkie) Funds for Environmental Protection). Environment Funds provide support for local governments both in form of grants and in form of preferential (subsidised) loans.

5.1.5. Local revenue structure – trends in an overall picture

In spite of important new functions transferred to local governments, the list of local taxes and other revenues from own sources were not extended accordingly. Rather opposite was true. In 1998 municipalities lost most of revenues from the tax on vehicle owners. This tax was included in the price of petrol and became a revenue of central budget. Local governments were compensated through the increase in general purpose grants. Several times throughout the decade the Parliament was also granting exemptions from local taxes (especially the property tax, which is the most important local own revenue). Again, the compensation for local governments was offered in the form of general grant. Some new regulations limited also the discretion of local authorities to set rates of local taxes.

New functions transferred to local governments were usually financed through new streams of central grants or – in the best case – by the increased share of local budgets in central income taxes\(^7\). It was so both in case of primary schools transfers – financed by general purpose grant, and new functions for big cities – initially financed through additional shares in central grants. Since 1999 the official classification used by the Ministry of Finance has been treating shares in central taxes as part of local own revenues. Since local governments have no discretion to influence revenues from these sources, such a classification must be rejected.
income taxes and later (since 1999) through central grants. All of these changes led to the gradual worsening of the structure of local government revenues. It had also devastating effect for building local democracy – decreasing significance of locally raised revenues contributed to development of complaining (instead of entrepreneurial) attitude of local politicians and to undermining of democratic accountability of local policies.

Described changes are briefly illustrated in the figure 3. Between 1992 and 2000 the share of municipal revenues from own source dropped from almost half to about one third of total budgets. On the other hand the overall share of central grants increased from 30% in 1992 to about 50% in 2000.

**Fig. 3. Evolution of municipal government revenue structure**

Source: own calculations based on local government financial reports.
As we may see on the figure 4, the structure of county and regional revenues was even much worse – with a vast domination of central grants, many of them being specific purpose grants. (Recent change in the Law on Local Government Revenues, introduced at the beginning of 2004, has increased local shares in central taxes, but has not changed the overall picture dramatically).

Interestingly enough, local governments – although very much unsatisfied with present regulations – are not very active in lobbying for more fiscal autonomy and more extensive local tax raising powers. Very often they are more interested in receiving more shares in central taxes, which would give them financial security without political risks related to autonomous local tax policies.

5.2 Local government borrowing

Legal regulations do not specify a purpose of borrowing. Consequently, local governments can borrow both for capital and for operational expenses, i.e. Polish regulations do not respect the “golden rule of the balanced budget”. Potential execution of the “golden rule” would be very difficult anyhow, since Poland does not have a clear separation of operating and capital budgets. Nevertheless, in practice local governments take credits or issue bonds first of all to cover costs of capital investments. Events of borrowing to cover current expenses are relatively rare and on a massive scale happened only once, when several local governments had severe problems with financing compulsory teachers’ salaries increase in 2000 (the central government failed to secure extra funds for local governments to finance this increase introduced by the central level legislation).

According to Polish regulations, the size of local government debt (other than short-term – which needs to be re-paid within the same budget year) is limited in following ways:
Polish constitution states that the overall public debt cannot be higher than 60% of the Gross Domestic Product. If debt is larger than 50% of GDP (which may have been the case in 2003), special limitations apply which make new borrowing very difficult.

The overall limit of individual local government debt cannot be higher than 60% of annual revenues,

The debt service in a given year must not exceed 15% of total budget revenues.

These regulations are among the most rigid in Central and Eastern Europe (for details see: Swianiewicz 2004).

In the first half of 1990s local governments where very reluctant to borrow money but later many municipalities developed their activity on the capital market. One may enumerate several reasons for this change of attitude, and advice (or sometimes even pressure) of international financial institutions and donor organisations (World Bank, USAID and others) was not the least important among them.

It should be noted that until recently the dominant share of local government loans was in form of preferential loans (with the interest lower than commercial) offered by state funds, especially by National and Regional Funds for Environment Protection. Procedures used by Environment Funds played significant educational role, preparing local governments to operate on a commercial market as well. Activity of local governments on commercial borrowing markets started really in the second half of 1990s. The first issue of municipal bonds took place in 1996.

However, most local governments are still very prudent and the level of debt is usually well within legal limits, although its growth is rather fast. In macro-economic terms, Polish local government debt is still very low (around 2% of GDP). The growth of the local government debt is illustrated on the figure 2.

**Fig. 2. Local government indebtedness by the end of the year (in ,000 of Polish zloty)**

One of the most important barriers for local borrowing at the moment is the level of public debt. Although Polish local debt is very low, the overall debt of the public sector exceeds 50% of GDP (in spite the fact that local governments finance well over 50% of total public investments). It initiated special restrictions on borrowing, as described in the Law on Public Fi-
inance. In simple terms – local governments (usually) borrow to finance investments, while central government issues bonds or takes credits to finance social spending. It may happen that ability to use credit instruments of local governments will be limited, in spite of their generally prudent policies, just because of central government policies which consume the dominant share of public debt limit set in the Polish constitution. This may be especially dangerous in next few years, when local governments may dramatically need borrowed resources in order to utilize European Union pre-accession and structural funds. The short-term solution might be in the change of the definition of the public debt (Polish definition is presently more rigorous than the one applied in official European Union statistics and the convergence in this respect would lower the size of Polish public debt by around 4 per cent points), but in the long term perspective what is required is a deep reform of the whole public finance system. Amazingly this major problem is often overlooked, while central government attention concentrates on “standard” borrowing limits established for local governments in Public Finance Law. Central government has adopted regulation which lifts borrowing limits in case of lending money order to co-finance projects sponsored by EU funds. But this regulation does not address the much more dangerous issue of the overall public debt level, which quickly approaches the constitutional limit.

5.3. Expenditure assignments

The 1990 reform granted to local governments quite a wide set of functions listed in section 3. This list was subsequently enlarged by transferring additional functions in following years. The most important changes included:

- transfer of responsibility for primary schools. At the beginning of 1990s a strong resistance of central level bureaucracy and of teachers’ trade unions caused a delay in decentralization of schools’ management. The official argument was that many of small municipalities were unready to take over responsibility for such an important function, so passing schools to local government was delayed to 1994. In 1993 Prime Minister Pawlak from PSL (Peasants’ Party), who was opposing further decentralization of education, delayed transfer of schools till 1996. Before this date, local governments could take over responsibility for schools on voluntary basis, and in such a situation central government was passing additional special grant to cover basic running costs. Although, there were some local governments who signed relevant agreements and took over schools as early as in 1991, but in more than 2/3 of them the actual transfer took a place in 1996;

- “pilot programme” (mentioned already in section 2) started in 1994 and involving 46 largest Polish cities. The main idea of the programme was to transfer to big cities several additional functions (including secondary education, roads, health care facilities, several responsibilities in social services and culture), which – in the long term – were planned to be assigned to the upper (county) tier of local government;

- “housing benefits” – 1998 sectoral reform of housing management transferred to municipal governments responsibility for paying benefits to tenants who could not afford rents for their apartments. Part of the amount necessary for benefit payments has been refunded by the specific grant from the central budget.

As a result of these changes the scope of functional responsibilities has been gradually widening. As shown on a figure 5, this resulted in the increase of municipal budget spending from just over 5% of GDP in 1991 to over 8.5% at the end of the decade.

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8 However this issue goes well beyond the scope of the present paper and is not discussed in further detail.
In functional terms, municipalities remained the most important sub-national government after the introduction of county and regional governments in 1998. The aggregate county or regional budget is only a small fraction of aggregate municipal budgets. This is illustrated by the figure 6.

**Fig. 5. Municipal total spending and capital spending as % of**

![Graph showing municipal total spending and capital spending as % of total spending, budget spending, GDP, and total investments.](image)


**Fig. 6. Budget expenditure (2002, mln zloty)**

![Bar chart showing budget expenditure by different levels of government.](image)

One of reasons for which such a division of functions was possible was the relatively large size of municipal units in Poland\(^9\). As we could see in the previous section, contrary to many other countries in Central and Eastern Europe (such as the Czech Republic, Hungary or Slovakia) at the beginning of the 1990’s, Poland avoided radical territorial fragmentation. As a consequence the average gmina has about 16,000 inhabitants and 125 square kilometres. Even if we focus on rural areas only, the average rural gmina government has over 7,500 residents and consists of several villages. Only few Polish municipalities are smaller than 2,000 and none of them have less than 1,000 inhabitants.

County governments are responsible for:

- secondary education,
- health care (county manages only hospital and policlinic buildings; the health care reform implemented parallel with 1998 local government reform has created independent health authorities which are responsible for most of current medical operations);
- county roads,
- several social services,
- labour offices (coping with unemployment problem),
- natural disaster protection,
- consumer protection,
- land surveying,
- various inspections such as sanitary, building etc.

The role of regional self-government in direct delivery of services is very limited (although there are also some examples of such a role i.e. higher education, maintenance and construction of main roads, organisation of regional railway services) but they are mostly focused on strategic planning and regional development programmes.

All functions enumerated above are treated as “own functions” of subnational governments. In addition to these, subnational administration performs also functions which are delegated by the state – mostly administrative tasks such as birth and deaths registration, issuing driving licenses and cars registration. Delegated tasks are financed through separate specific grants, which in theory are sufficient to perform these tasks, although in practice local governments often complain they need to subsidise delivery of them from their own revenue sources. Delegated tasks play a moderate role in municipal budgets (around 10-12% of total municipal spending) but are much more important in counties.

Changes in the scope of local functions, described above, are reflected in the evolution of the importance of various sectors in structure of expenditures. This evolution is briefly reflected in the table 5. As we may see – since 1996 - education has been by far the most significant category of current expenditure on a municipal level. Municipal infrastructure and services (water and sewage systems, green areas, street cleaning, waste disposal, central heating etc.) and later transport (local roads construction, buses/trams purchase) have been the most important among local capital expenditures. It is interesting to note that capital expenditures on transport have been steadily rising over last few years, in spite of decreasing size of total local government investments. Relatively low importance of municipal services in operational spending requires additional explanation. Large proportion of current expenditures on these

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\(^9\) Similar observation in a wider European perspective was made by Page and Goldsmith (1987) who noticed that territorial organisation is very much related to the allocation of functions. Small (fragmented) local governments are usually unable to take over responsibility for many services, which needs to be delivered by upper tiers of governments.
services is financed by user charges which are collected by municipal companies or in-house departments providing services. These revenues are not reflected in local budgets. But in case of capital expenditures, subsidies from municipal budgets are much more common.

Table 5. Structure of municipal expenditures

<table>
<thead>
<tr>
<th></th>
<th>Cities of county status</th>
<th>Urban local governments</th>
<th>Rural local governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>34.8%</td>
<td>22.6%</td>
<td>54.1%</td>
</tr>
<tr>
<td>Social care</td>
<td>13.7%</td>
<td>13.6%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Culture</td>
<td>3.2%</td>
<td>4.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Physical culture</td>
<td>1.2%</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health</td>
<td>1.4%</td>
<td>10.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Municipal infrastructure and services</td>
<td>3.7%</td>
<td>20.7%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Transport</td>
<td>13.2%</td>
<td>1.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Housing</td>
<td>3.8%</td>
<td>8.4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Administration</td>
<td>8.7%</td>
<td>11.3%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

(*) in 1992 and 1998 part of expenditures on roads construction and maintenance was classified under “municipal infrastructure and services”

b. Capital spending

<table>
<thead>
<tr>
<th></th>
<th>Cities of county status</th>
<th>Urban local governments</th>
<th>Rural local governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>7.1%</td>
<td>6.6%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Social care</td>
<td>1.2%</td>
<td>0.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Culture</td>
<td>1.6%</td>
<td>0.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Physical culture</td>
<td>5.2%</td>
<td>0.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Health</td>
<td>3.1%</td>
<td>2.2%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Municipal infrastructure and services</td>
<td>17.1%</td>
<td>71.0%</td>
<td>64.3%</td>
</tr>
<tr>
<td>Transport</td>
<td>48.5%</td>
<td>0.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Housing</td>
<td>9.9%</td>
<td>11.5%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Administration</td>
<td>2.2%</td>
<td>3.3%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

(*) in 1992 and 1998 part of expenditures on roads construction and maintenance was classified under “municipal infrastructure and services”

Source: own calculations based on local government financial reports.

<table>
<thead>
<tr>
<th></th>
<th>Counties</th>
<th>Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current spending</td>
<td>Capital spending</td>
</tr>
<tr>
<td>Education</td>
<td>47.3%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Social care</td>
<td>21.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Culture</td>
<td>0.5%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Physical culture</td>
<td>0.1%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Health</td>
<td>3.2%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Public safety</td>
<td>6.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Transport</td>
<td>6.1%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Administration</td>
<td>12.4%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

Source: own calculations based on local government financial reports

Figure 7 illustrates evolution of local government investment expenditures. It is worth stressing that municipal governments – in spite of the drop in their investments during last few years – remain the most significant public investor (their investments are considerably higher than the central budget’s). Investment programmes reflected in the figure have brought concrete results in development of local physical infrastructure. Although there is still much to be done to reach European Union standards, the progress made by local governments over the last decade has been tremendous. During the first term of democratic local governments (1990-1994) only, the length of water provision networks increased by 58%, and the capacity of communal sewage treatment plants increased by 73%. Between 1990 and 1999 the number of rural households connected to water, sewage or gas network roughly tripled.
6. Access of sub-national governments to national policymaking

To describe if and how local governments influence national policymaking, it is useful to follow the distinction of Page and Goldsmith (1987) between two modes of access of local governments to formulation of central level policies. It refers to the nature of contacts between tiers of government. In some countries, contacts are frequently conducted on the basis of face-to-face meetings between individual members of local authorities and politicians and officials at the central level. This form is often supported by the *cumul des mandates*, the accumulation of offices by persons who hold important positions on various tiers at the same time. This type of contact contrasts with the situation in which dominant method is an indirect contact – with the national associations of local governments being the major channel through which local actors try to influence (through lobbying, negotiations) policies of the central level.

It seems that both of methods described above have been valid for the description of situation in Poland in 1990s, although their relative importance might be changing in time. First of all, until recently *cumul des mandates* has been legally possible (it was finally liquidated in 2002 local elections). In the 1997 Parliamentary election about 100 mayors and councillors were elected to the Parliament accounting for almost 25% of all MPs elected that year. Most kept their positions in local governments in parallel with their new functions in the central legislature. But even without the *cumul des mandates* the practice of MPs lobbying for individual decisions concerning their home districts was almost the rule in 1990s (and is still a widespread practice). At the beginning of 1990s forming coalitions of “regional MPs” to support allocation of central budget resources for investments in their home cities was quite a common practice. Although the direct financing of local investments from the state budget has
been gradually decreasing, such situations still happen during discussions on the central budget preparation.

This does not mean that a formal negotiation as a style of access to central policy making is totally absent. Its form and style was evolving throughout 1990s. At the beginning of 1990s there was a discussion about forming an obligatory association of local governments. Such a proposal was formulated by the Senate (upper chamber of the Polish Parliament) draft law, but this proposal was finally rejected by the Sejm (lower chamber of the Parliament) as too much intervening with local autonomy principle. As a result, separate associations have been created for cities, rural communes, small towns and metropolitan cities in a bottom-up manner (after 1998 similar associations have been created for county and regional governments). Their membership rate is relatively low – for example only around 20% of all rural local governments are united in their association (Związek Gmin Wiejskich). Similarly, no more than 40% of cities belong to the Association of Polish Cities (Związek Miast Polskich).

But although Association of Polish Cities was registered in 1991 already, and others followed not much later (Association of Rural Local Governments created in 1992 was the last one among major associations), it was not associations which played the most important role in contacts with central governments at the beginning of 1990s. The 1990 reform created only one-tier (municipal) local governments but it also created Regional Assemblies of Local Governments (Sejmik Wojewódzki), which consisted of delegates of each local government in each of the 49 regions. In fact their role was extremely limited; one could even call it mostly symbolic. Regional Assemblies were mostly forums for exchange of experiences between local government representatives; they could also mediate in case of conflicts among cities, and they played some minor advisory role for regional governor (appointed by the Prime Minister). But they voluntarily initiated the National Assembly of Local Governments (Krajowy Sejmik Samorządu Terytorialnego – KSST), in which each of regional assemblies had its representatives. 48 out of 49 regional assemblies joined KSST. In the 1990-1994 term, KSST became an important body initiating discussions and analysis of decentralization policies and soon became an important partner in negotiations with central government. As early as in December 1990, Parliament agreed (in a Law on Local Government Finance) that KSST would play an official role of the representative of local government interests in central-local negotiations and debates.

Political significance of voluntary associations of local governments was growing and in July 1993 the decision of the central government created a new institution: The Joint Committee for Central and Local Government. The Joint Committee was created as a forum for discussion of national policies concerning local governments. One side of the table gathers representatives of the central government (usually chaired by deputy prime minister) while the other side is representation of local governments. In 1993 it was agreed that local governments will be represented by: 4 representatives of the National Assembly of Local Governments (KSST), 3 representatives of the Association of Polish Cities (ZMP), 2 representatives of the Union of Metropolitan Cities (UMP), 1 representative of the Union of Small Towns (UMP) and 1 representative of the Association of Rural Local Governments (ZGW). (Present composition of the Committee is more balanced in representing individual associations).

In the 1994-1998 period, the political role of KSST has been gradually decreasing, in contrast to the role of other local government associations. In 1998 after the county and regional reform the KSST has been dissolved, while associations of new tiers of local governments joined the Joint Committee.

Formal position of the Joint Committee was a subject of changes, but its role has been gradually strengthening. Since 1996 it has had an official role in agreeing criteria for education
grant allocation. Present regulations say that draft laws which affect local governments cannot be sent to the Parliament before being discussed by the Joint Committee. The opinion of local government organizations is not binding (needless to say in some issues various associations cannot reach a consensus, for example Association of Rural Local Governments and Association of Polish Cities have often conflicting views on criteria for education grant allocation), but at least it is obligatory for the central government to listen to it.

The “official ideology” promoted by local government associations avoids the term “lobbying” in describing the role of the Joint Committee. Instead they speak about “cohabitation.” As argued by H. Izdebski (see: http/samorząd.pap.com.pl) – one of the most prominent experts working often for local government associations - lobbying assumes lack of equality, cooperation and dialogue. Lobbying is based on decision maker – client relationship. Client applying for more positive decision is using various techniques to influence the decision-maker.... Cohabitation is about co-operation undertaken for public interest.

The system of negotiations/debate in the Joint Committee does not always work smoothly and without conflict, but in general it is increasingly significant part of the decentralization arena.

Summing up, in Poland we observe both forms of access of local governments to national policymaking. It is difficult to say which of them plays more important role, although the balance seems to slowly change in favour of formal negotiations, lobbying (or cohabitation) performed by national associations of local governments.

7. Role of sub-national governments in selected policy areas

7.1. Economic development

It is necessary to start with an observation that local economic development is not an obligatory function of municipal or county governments in Poland. However, it does not mean they are not interested in, and not trying to deal with, economic growth issues.

Not surprisingly, after a long period of an authoritarian regime, the decentralisation reform attached a great deal of importance to democratisation and autonomy of local communities, essential to make important decisions concerning important matters. Polish Local Government Law defines local government (gmina) as a self-governing community constituted by all citizens living within a defined territory.

It is also quite understandable that after a long period of inefficient, centrally-planned, non-market economy, a lot of hope was placed on the local government reform’s leading to increased efficiency in local services provision. Decentralisation coincided with a difficult period of economic transformation. It is no wonder that, in practice, values related to the effectiveness in service delivery attracted most of the new local governments’ attention. It is worth noticing that amongst the values customarily linked with self-government, Polish town mayors pay more attention to economic efficiency in local service provision than to the values related to democracy and autonomy. It should not come as a surprise, then, that a typical Polish mayor is first of all concerned for the quality of local services, while giving less attention to broader programmes related to local economic development.

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10 According to 1997 survey conducted within Local Democracy and Innovation Project efficiency in service delivery was most often stressed by Polish mayors, while in some of the other “new democracies”, such as the Czech Republic or Slovakia, local leaders placed more focus on democratic values of local governments (see: Swianiewicz 2003).
However, it would be an oversimplification to claim that the relatively small scale of more comprehensive development programmes is a straightforward consequence of the value choices made by an overwhelming majority of Polish town mayors. Numerous surveys conducted after 1990 indicate that local politicians are indeed interested in and feel responsible for the general well-being of their communities. As early as 1991 in a survey conducted by the Local Democracy and Innovation (LDI) Project, local mayors and councilors in Poland\textsuperscript{11} scored economic development issues high among their priorities (see Baldersheim et al., p. 168-170). These hierarchies of priorities have been confirmed by subsequent surveys of candidates in 1994 local elections (Swianiewicz 1994). Similar results were repeated in 1997 survey of LDI project, and – more recently – in 2003 survey of Polish mayors\textsuperscript{12}. In 1997 over 70% of interviewed agreed that “attracting new investments” has been among the most important tasks of local government. But it is important to remember that, in a European comparative perspective, Poland is a relatively less developed country which is reflected in a limited level of local government budgets. Moreover, after a period of dynamic economic growth in 1992-1997, local government revenues have been stagnating, and real investment spending has been decreasing since 1998. As a result, both financial limitations stemming from necessary current expenditure and the pressure of demands from under-invested local infrastructure services make it impossible to spend enough time and resources on broader, comprehensive programmes, such as those concerned with enhancing economic competitiveness.

At the same time, however, the general competence clause for municipal governments leaves them a considerable degree of discretion to undertake such initiatives. And there is no doubt that local governments place increasing attention on long-term strategic approach to local economic development. At the beginning of the nineties to prepare a development strategy was an exotic idea, but in 1999 about one third of all local governments had such a document (among cities over 100,000 inhabitants a written strategy was approved by 80% of city councils) (Swianiewicz 2001b). It is another question what percentage of strategies is really being implemented. In some cases strategy is treated as a formal document, which is needed only for presentations to potential donors (both domestic and international) who may offer grants for local investments. But although such an instrumental approach is widespread enough, the general awareness of the importance and readiness to implement the strategic approach has increased dramatically over the last decade.

As regards the policies connected with economic development, local governments typically use various instruments, such as:

- Creation of favourable conditions for economic activity through infrastructure development programmes;
- Promotion of investment opportunities;
- Co-operation with local businesses in facilitating contacts with potential partners outside the area;
- Cost-reduction through local tax incentives, operation of business incubators etc.

However, broader initiatives, such as large-scale complex revitalisation of city areas, although often discussed, are rarely implemented.

Despite developments described in paragraphs above, average skills of local officials to work with local business are far from being sufficient. As recent surveys suggest (Bluszkowski, Garlicki 1995, Swianiewicz 2001b) there is a huge gap between local officials’ and local officials in the Czech Republic, Hungary and Slovakia.

\textsuperscript{11} Similar to their colleagues in the Czech Republic, Hungary and Slovakia.

\textsuperscript{12} 2003 data refer to “Political leaders in European Local Governments” Project coordinated by Annick Magnier from the University of Florence.
businessmen’s perception of the impact which local authorities have on economic development. The former group usually sees their role as much larger than it is perceived by local entrepreneurs. Only 4% of local businessmen see positive results of local economic policies, 13% see efforts but without clear results, while 61% do not see any activities of local governments aimed at stimulation of local economic development (Swianiewicz 2001b).

The only clear role in promoting economic development by decentralised public administration that is imposed by the law is related to regional governments, who are obliged to prepare a regional development strategy. This strategy is a base for negotiation of “regional contracts” through which regional programmes are supported by grants from the central government. Municipal governments can receive capital grants supporting their investments, but only for projects that are clearly related to the regional strategy and which have been included in the regional contract. This regulation makes a demand for inter-tier co-operation of local and regional governments in regional economic planning. However, the regulation described in this paragraph applies to situation after 1998, which is not in the main focus of this report.

7.2. The role of local government in privatization policies

The role of local governments in “big privatization decisions” was usually negligible. There have been cases in which local authorities lobbied to support a particular path of transformation for the enterprise which had a dominant position on the local labour market, but even in such cases local impact was rather limited and indirect, smaller than – for example – trade unions in this enterprise could have.

But there were two areas of a vital importance for national economy on which policies of local governments had a very strong impact:
- “small privatization” – of small enterprises which in 1990 were transferred to local governments as part of municipal property. Ownership of properties used by retail trade was of a special importance;
- Transformation of entities responsible for delivery of local public services, such as water provision, waste collection, local public transportation, central heating etc.

The role of local governments in privatization of retail trade was extremely important. Although local governments were not directly involved in delivery of the service, in 1990 they became owners of most properties used for retail shops. Through extensive tender procedures monopoly of state retail trade companies was usually broken, and space was open for competition of private entrepreneurs. At the same time it should be stressed that most of local governments decided to rent, not to sell their commercial properties. The main argument was that income from rents collected from shop-owners could systematically be used as a subsidy for the maintenance of communal housing. Indeed, such subsidies provide more than 25% in 1994 and in 1998 still 15% of the total spending for communal housing maintenance (Wielgo 2002). Some proponents of radical privatisation criticised such an approach. Savas (1992, p. 580) was asking:

If the city government changes from being an owner and operator of a shoe store into an owner who rents out the property as s shoe store, is this really a transformation to a market economy? Does this half-way step achieve the desired objective? Are not “the means of production” still essentially in hands of the state to a significant degree, with all the attendant ills of socialist economy? The government remains engaged, albeit indirectly instead of directly, in a commercial business that the market can handle in its entirety, and the bulk of the assets remain in the hands of the state.
While one may share several concerns of Savas, a more pragmatic approach indicates that the “small privatisation”, in spite of the lack of “ideological purity”, resulted in the dramatic increase in the efficiency of retail trade. Introduction of market competition was a fact, even if full property rights were not transferred to private owners of businesses.

Transformation of public service delivery units rarely led to the pure privatisation either. In 1990, local governments inherited over 800 old, and usually inefficient, state-owned enterprises delivering local services. Central government did not produce any policy guidelines on the way these companies should be transformed, but local governments were to a large extent free to adopt their own policies. The variation of reform strategies adopted to improve quality and economic effectiveness of service delivery was enormous. Several cities were very cautious and conservative and they decided to transfer old enterprises into budgetary units. But there were also several examples of the radical attempts at introducing market solutions to communal services, either through privatisation or through the transformation of old enterprises into commercial companies, in which part of shares was hold by local governments (Aziewicz 1998). Radical reforms were far less frequent in branches which were natural monopolies (such as water and waste-water management) or which were bound by strict regulations imposed by the central level (such as communal housing maintenance). But in services which are more susceptible to market competition (such as public transport, street cleaning, road maintenance, conservation of green areas, funeral services, distribution of bottled gas), privatisation solutions were more frequent.

We should also not forget about numerous new entities (both public and private) which entered the market of municipal services after 1990. The survey conducted by Aziewicz (1994) in 1994 suggested that almost half of entities active on municipal services market could be classified as private enterprises. Only one fifth of these private firms were created as a result of privatisation processes, while the remaining group was created by private businessmen as new entities. Another 30% of all entities delivering municipal services could be classified as municipal (owned by local governments) and remaining 20% as others (state-owned, church owned, NGOs). However the role of private entities should not be overestimated. 70% of them are very small firms (employing less than 20 people) while municipal enterprises are usually much larger (more than half of them employ between 50 and 500 people).

There is no doubt that the pan-European wind of privatisation, or at least of marketization, of local services traditionally delivered by public organisations, has been blowing in Poland in the 1990s as well. The wind felt in Poland has been pan-European in two senses. First, because it has not been limited to a small group of countries. Second, because some Polish cities have experimented with inviting foreign capital to invest in local services. The city of Gdańsk contracted water and waste-water management to Saur-Neptun – a company based in France, Szczecin and some other cities contracted street cleaning and solid waste disposal to German company (Rethman), in the medium-size city of Kalisz local buses are run by a company with a dominant share of British capital – these are just few examples of the trend mentioned above.

At the same time some local companies have been transformed considerably. Cities of Krakow and Ostrow Wielkopolski decided to create complicated holding-structures. Shares of “Holdikom” created in Ostrow Wielkopolski are quoted on the Warsaw stock exchange. “Holdikom” strategy includes offering its services (for example in street maintenance) to local

13 First few years of transition are described for example in Aziewicz (1998) and Swianiewicz (1997). More recent development is covered by Peteri and Horvath (2001).
governments in the whole region – another example of something which was impossible to imagine under the old management system.

But perhaps even more striking is observation how models of service delivery are diversified from one local government to another. It is not difficult to indicate both examples of cities with very traditional approach based on public owned entities strictly controlled from the city hall as well as cities that went very far in the direction of privatisation and contracting-out, leaving for themselves only role of regulating, procuring and controlling provision of services on behalf of local community.

7.3. Labour market

As stated in section 7.1, local governments have always been interested in playing role in economic development policies. Influencing the labour market has been part of this desire – “attracting new jobs” or “coping with unemployment problems” was mentioned among the most important tasks of local governments in early 1990s surveys quoted above. But this willingness has had little to do with the role provided for them by the decentralization reform.

At the beginning of 1990s there was not much in the way of pro-active labour policies, and policies could be (with a small amount of simplification) summarized as paying unemployment benefits to people who lost their jobs and benefits (paid by the social care system) to those who were not eligible to receive unemployment benefits. (The role of local government was probably limited to the latter function, as local governments took over responsibility for local social assistance centres, and allocated one-shot welfare benefit payments through those centres).

This low profile of labour policies should be considered in the context of regional policies during the period of concern. At the beginning of 1990s regional policy remained a central government domain, but it did not play an important role in overall economic policies, which were dominated by macroeconomic reforms. Regional policies where practically reduced to regions hard hit by unemployment problems. In these regions the government introduced more extensive social care programs and more favourable regulations on unemployment benefits. Unemployment benefits were distributed through over 250 Regional Labour Offices (Rejonowe Urzędy Pracy), which were part of the central government administration, and which – as mentioned above – at the beginning played no pro-active role in coping with labour market problems. The amount allocated for state programmes for unemployed varied from 0.17% of state budget in 1991 to 0.1% in 1993 (Gorzelak 1998). Gorzelak (1998) describes this situation as follows:

Problems of regional development have been completely absent from mainstream economic policy in Poland, which has been primarily focused on the struggle for maintaining social stability, regaining economic balance and re-shaping economic structures. Regional aspects of economic transformation have occurred only in superficial official declarations and have not influenced the real activities of governmental agencies at the national level.

The left-wing governing coalition in 1993-1997 adopted a more interventionist mode of overall economic policy. One dimension of this change was related to the development of new instruments of regional and labour policies to be implemented by the central government. Applied instruments included tax incentives for investors in regions with the highest unemployment (introduced in 1995). But the only role for local governments was that of lobbying for inclusion on this list of special concern areas.
In 1997 the government also prepared and signed a programme called “Contract for Upper Silesia”, providing a basis for governmental support for regional restructuring projects, including interventions on the regional labour market. However, the role of local governments in this contract preparation and implementation was negligible. It was signed by the Deputy Prime Minister, the governor of Katowice region and by the representatives of local associations, trade unions etc. Despite widespread criticism of detailed provisions of the “Contract for Silesia”, the idea of the regional contracts (to some extent copied from the French experience) has dominated discussions on instruments of regional policies. (Details of the institutions created as a result of this “contract” are discussed in the section on partnership-based institutions.)

The break-down was possible as a result of 1998 second stage of decentralization reform. The intention of reformers was to pass responsibility for Labour Offices to newly created counties. It occurred very difficult however, and labour policies were a field of one of the most spectacular battles over the scope of decentralization reform. The lobbying of central bureaucrats was often effective, and they were able to stop (or at least to delay) the decentralization of many institutions. Sometimes battles lasted till the final vote in Parliament in November and December of 1998. Labour offices were among victims, their transfer was delayed for one year. Another issue is the way in which county governments were financed – a strong domination of specific grants effectively limited their discretion in formulating own policies. However, this issue goes beyond the scope of this report, which concentrates first of all on 1990-1998 period.

8. Evolution of distribution of roles between tiers of government – main actors

How may we describe forces influencing evolution of distribution of roles between tiers of government in Poland of 1990s? It seems useful to analyse this issue through roles played by various policy actors.

Central government

It is not easy to generalize the role of this actor, since we had 7 prime ministers in the discussed period and attitudes of their governments were not identical. The first post-communist government of Tadeusz Mazowiecki (1989-1990) saw decentralization as an instrument to “complete the revolution”, i.e. to remove old nomenclature from its strong role in local level administration. Therefore it supported political change on a local level, but also a wide functional decentralization and considerable amount of discretion for newly elected local governments.

The next government of Jan Bielecki (1990-1991) seemed to continue similar approach. It also started preparation to fundamental reform on a regional level, however it was able to complete no more than a loose set of concepts. The third government of Jan Olszewski (1992) lasted too short to leave any memories of decentralization policies.


Next three governments (in 1993-1997 period) represented left-wing coalition and in spite of various intentions, they effectively blocked any further decentralization reforms. At the end of 1993 one of the first decisions of the new government was to stop the transfer of responsibility for primary schools to municipal government. The county reform was blocked as well, and it was very clear that at least one party (the PSL – Peasant Party) in the new government was very sceptical about further decentralization. The question of whether the other government
partner (post-communist SLD) felt really blocked by PSL, or treated PSL’s attitude as a very convenient excuse for doing nothing, remains unanswered. But regardless of which interpretation is correct, the facts were damaging for the progress of the decentralization reform. In 1995 Marek Borowski – at the time minister responsible for the Office of Council of Ministers – initiated simulation of county (powiat) finances (Mościcki 1995, Regulski 2000). The exercise covered four out of 49 regions of Poland. Conclusions might be summarized in following points: (i) contrary to wide-spread fears, introduction of the new tier of self-government would not be expensive, (2) planned competencies and financial base for powiats were very slim. Therefore Borowski suggested considering enlarging territory of powiats (i.e. creating smaller number of units) and passing to them responsibility for additional functions. However no more specific proposals were formulated and Borowski suggested delaying county reform till 1997 or even till 1998. This was the most advanced of the many exercises undertaken in 1994-1997 period in order to demonstrate readiness of government to progress discussion on territorial reform. But despite the large number of government-organised seminars, discussions and published papers, no important decisions on the future of decentralization were made between 1994 and 1997.

The autumn 1997 parliamentary elections brought another transformation of the political scene. The new government was a coalition between AWS (which itself was a coalition made up of several small right-wing parties and the “Solidarity” trade union) and UW (Freedom Union, liberal movement rooted in democratic opposition of 1970s and 1980s). It seemed very probable that the new government would go back to the idea of county reform, but prospects for regional reform were much more uncertain. This was mostly due to very strong divisions over the role of future regions within the AWS. Some right-wing politicians were very much afraid of radical decentralization which – in their opinion – could be dangerous for the integrity of the unitary state. It was therefore rather surprising to observe rather vigorous preparations for the complex regional and county reform which was eventually implemented at the end of 1998. This reform will be discussed in greater detail in Work Package 2.

Above paragraphs describe evolution of policies formulated by top politicians of governing coalitions. But we should not forget that central government means also a very powerful bureaucratic apparatus of the sector ministries. And its attitude was usually very conservative and anti-decentralization. As public choice theorists expect, central level bureaucracy was usually jealous about losing its power of control over various functions and institutions, and was often strong enough to stop or to limit changes planned by reformist politicians.

Michał Kulesza, who in December 1997 became the Plenipotentiary of the Government for the Reform of the State System, claims that the problem has a permanent character and he describes a space for implementation of any decentralization reforms in following words (Kulesza 2002, p. 204-205):

The favourable moment during which the central bureaucracy (who is usually defending its position) is weak enough to allow any substantial changes, is usually very short. Question of time is crucial. If the reformers are not ready to present their concepts and specifics exactly when needed and possible (from the viewpoint of the political situation), then the proper time is probably over... young democracies do not like big structural reforms, which hit economic and political interests of many parties and groupings by destroying their positions and mechanisms present in the functioning of the state, economy and politics... In 1998 the reformers had only six months to implement the reform... The main factor to guarantee the success was to maintain the high pace of work... my aim was to implement the reform even if quality would suffer... In my opinion we managed to achieve as much as
80 per cent of the target, which is a lot. As for the rest, it must be done by local governments in their constant struggle with state centralism, still very much alive in Poland.

National experts
Changes were not implemented by politicians themselves, and they were not the main engine for decentralization. One must not forget about the role of national level experts, who sometimes were appointed to government positions, and who were able to steer the shape of some changes.

In 1990 such a role was played by Jerzy Regulski, professor of economics, who was working on the concept of local government reform already in 1980s. At the end of 1989 he was appointed as “special purpose minister” to introduce municipal reform. And the shape of changes implemented in 1990 was to a large extent result of his concepts.

A similar role was played by Michał Kulesza, a professor of administrative law. He was appointed the Plenipotentiary of the Government for the Reform of the State System twice – first in 1993 (where he did not manage to complete his job before the collapse of the government) and than in December 1997, when he was able to push through the Parliament legislation necessary for county and regional reform.

One should not forget about other experts who temporarily played important political roles allowing for preparation and implementation of the reforms (such as Walerian Pańko and Jerzy Stępień in 1990).

Another category of influential, although often invisible, experts has been a group which developed along with the development of national associations of local governments. They have had a strong influence on the position adopted by associations in their negotiations with the central government.

Foreign experts
Since the beginning of 1990s Poland was an area of lively activity of foreign technical assistance programmes financed by the European Union, World Bank, UNDP, USAID, British Know How Fund and other (smaller) bilateral donors. A considerable part of this assistance was targeted at issues related to decentralization. Foreign experts had an enormous influence on shaping innovative management practices in local governments. However their impact on systemic changes was rather limited to issues of secondary importance. (A detailed discussion of foreign aid programs is found in the section on foreign assistance programs.)

Local governments
It might be surprising that the attitude of local governments themselves towards further functional decentralization was not always straightforward. In general they supported policies aimed at passing more functions to local level and more discretion in managing these functions.

However, the detailed picture was more complicated. First, some local governments – especially those located in less affluent regions - were sometimes afraid of taking over responsibility for new functions. Second, support for financial decentralization was not always an obvious thing. In spite of official “own revenues” ideology, local governments and their national associations have usually not protested against limiting local taxes, if only the grant compensation was sufficient to cover financial loss of own revenue power. From a political point of view, the highest dependence on inter-governmental transfers may be some times more convenient for local politicians. It allows avoiding unpopular decisions (such as increase of local tax) and possible reductions in local services may be easier blamed to central government.
Third, an attitude to introduction upper tiers of local government was not very clear either. On the one hand, some of municipal level politicians had ambitions of further development of their political carriers, so creation of counties or regions might be a good opportunity for them. But on the other hand, they were often afraid that upper tiers may try to take a position which would be superior to municipalities, and which would allow for elements of hierarchical inter-dependencies between tiers of sub-national governments. Protagonists of the reform had to spent a lot of effort on convincing municipal politicians that the upper tier reform would not be implemented at their expense.

Public opinion – sympathetic disengagement

Results of public opinion surveys suggest that in 1990s most people thought that decentralization was good for the country and should proceed further. In 1994 only 5% claimed that local government powers were too large while almost half of respondents (49%) were of opposite opinion. But most of citizens did not pay too much attention to the problem of decentralization, and their attitude could be perhaps described as “sympathetic disengagement”. As a result public opinion on related issues was not very stable, and could be easily influenced by the tune of political debates. For example, popular support for school decentralization was widespread before political discussions on that issue begun, and decreased significantly when opponents of the reform presented their arguments. (In March 1994, support for local management of schools was at 48%, while in March 1996 it decreased to 36%). But during the same time, the number of respondents opposing decentralization did not increase (36% both in March 1994 and in March 1998). It seems that vigorous discussions among politicians did not help the average citizen to formulate his or her own opinion. On the contrary, people exposed to conflicting messages had difficulties in taking personal positions on this issue. As a consequence “don’t know” or “doesn’t matter” answers became more frequent.

The case of popular support for powiats and regional reform is very interesting. It has been a central political issue since 1993, when the first proposal of the county reform was presented by the national government. Public opinion towards county reforms has fluctuated and – as shown in data presented below – has not always been coherent. As figure 8 indicates, support was quite high at the beginning of 1990s. This decreased in 1993, increased again in 1996-97, than decreased again just before the introduction of the “real” reform in 1998. It is characteristic that the number of those who were against reform was lowest when the possibility of an immediate introduction of reform was low (i.e. in 1991, 1996-97), but increased during periods when change seemed to be possible and when the overall political debate was the hottest (i.e. 1993 and 1998). Possibly this fluctuation may be explained by two parallel factors: (i) in a transition period most people prefer stability rather than rapid changes, and they might be afraid of almost any reform when it becomes law; (ii) the confusion over contradictory arguments raised by opponents and proponents of the reform was especially large during the periods of the hottest political discussions (i.e. when reform was closest to implementation).

Public opinion has never had a major impact on the main milestones of decentralization reforms in Poland. They (reforms) only were introduced once consensus among the “political elite” was reached, or when some group of political proponents was strong enough to push the proposal through the legislation. The lack of public opinion impact is well illustrated by the fact that both taking over responsibility for school administration and the introduction of county governments took place when public support for these reforms was decreasing. This does not mean that we cannot indicate examples of aspects of reforms where public opinion can be shown to have made a difference, but this regarded usually very minor changes in legislation. The number of counties introduced by the 1998 reforms provides a very good case. Most economic analysts suggested that relatively large units be established, and many argued that the total number of counties should not exceed 175-200. Michal Kulesza, one of the main
architects of the reform – stated very clearly that he was against such a reduction in a number of units because he expected public opinion to be against it (see Emilewicz & Wolek 2000). In fact, even introducing a much larger number of counties (308 plus 65 cities of county status) did not prevent bitter protests by citizens of another dozen cities with county-capital ambitions. Similarly, the initial proposal by the national government to create 12 large regions was replaced by 16 slightly smaller units. Technically speaking, this change was due to complicated political struggles within the national parliament, and between the legislature and the president. But that battle centred on regional forces fighting for regional capital status for their cities (Jalowiecki 1999). Those regional activities included active lobbying, street demonstrations etc.

**Fig. 8. Is the County reform important? (Citizens' opinions)**

![Graph showing citizens' opinions on the County reform](image)


**European Union – the big missing element**

The European Union was frequently referred to in the discussions on decentralization reforms by Polish actors. But this reference was usually mostly instrumental – this argument was used by actors to support their own concepts. In fact EU requirements were so broad, and there were so many different ways to meet them (extremely different national arrangements within member states) that the EU could not really be used as an argument for any specific solution. The European Union itself did not play really important role in decentralization (except in funding technical assistance programmes mentioned above). The role of the European Charter of Local Self-Government adopted by the Council of Europe and ratified by Poland was only marginally more important. The reference to the Charter was not unique in the discussions on the details of Polish reforms, but it would be difficult to find a case in which reference to the Charter was a decisive argument in the debate.

The role of EU became more substantial in post-1998 phase of the reform, when reformers were asking which regional structures would best maximize EU structural and cohesion funds
absorption capacity. There was also a debate over the extent to which Poland should decen-
tralize decisions over priorities in utilization of EU funds. The battle over the shape of NUTS
2 units was of a particular importance. These issues will be covered more broadly in work
package 2.
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Part II:
Partnership-based development institutions supporting regional development: Developments in the 1990s

Richard Woodward, Wojciech Dziemianowicz, Magdalena Kaniewska, Wojciech Pander, Katarzyna Szmigiel
1. Development of the central government’s regional policy

There was no regional policy per se in Poland prior to 1998. The only thing that was sometimes masked as regional policy was in fact a kind of structural policy for rust-belt regions particularly hard hit by the industrial recession of the early transformation period. The classical example of this is the case of the mining region of Upper Silesia, which will be dealt with in detail. This was largely due to the fact that under central planning spatial aspects of development were almost completely ignored in favour of a sectoral approach, and there was not only little intellectual preparation for a spatial approach, but also very little in the way of interest groups of a regional (as opposed to purely local) nature as Poland entered the transition from plan to market.

The Central Planning Office – CPO (Centralny Urząd Planowania) initiated regional operations and created a general framework for widely defined priorities supporting regional development. The directions in the country’s spatial planning were determined by the CPO in both yearly propositions (which constituted the short-term planning documents) and medium-term programmes. The role of the CPO was reinforced in 1994 when the law on spatial planning was implemented (the law was rescinded in July 2003). According to the law, the director of the CPO (a cabinet member) was obliged to develop spatial planning policies within the framework of the national development strategy. The main aim of the law was to re-organize the legal and institutional framework of spatial planning, with regional policy aspects being touched on almost as a side effect.

In 1990 the government accepted the document prepared by the CPO entitled Long-term Concept for National Spatial Planning. This document stressed the necessity of updating the national policy on regional and spatial planning. Then, the CPO published the Report on regional policy – a diagnosis (which emphasized short- and medium-term planning), followed by the Preliminary outline of a long-term spatial planning concept. The work undertaken by the CPO’s Department of Spatial and Regional Policy targeted two closely linked issues:

- first, providing decision-makers with the evidence concerning regional differences which could be taken into consideration in short- and medium-term socio-economic planning;
- second, providing decision-makers with the theoretical and empirical reasoning on some of the important aspects such as ecological issues, macro-scale spatial problems, and regional development issues which should be included in a new concept for a National Spatial Plan.

The priorities for regional development policy were set for the first stage of the transformation period. Some reforms on the macroeconomic level appeared to deepen the existing regional economic differences, and consequently constrained the sphere of policy design to a focus on crisis management in particularly hard-hit areas (e.g., Wałbrzych). Thus, there were neither the sectoral nor the horizontal actions which usually dominate regional policy. In November 1990, the document entitled Principles of regional restructuring programmes prepared by the CPO was accepted by the government. In the following years, 1991-1992, the aims and tools of regional policy focused on restructuring programmes for the regions where the over-all economic situation deteriorated dramatically as the consequence of fall in employment, liquidation of enterprises, infrastructure under-investments, and agrarian crisis. In 1993, some new targets were set, such as economic and cultural cross-border co-operation, and institutional building on the local and regional levels.

As a result of the regional initiatives experience in the early 1990s a consensus among Polish regionalists was reached concerning:
1. the necessity of regional restructuring, both the restructuring of regions with industry in decline and regions with agricultural sector in decline (however, the latter was, as the effect of strong industrial syndicate lobbies, neglected);

2. the necessity of decentralization of regional policy in order to increase its efficiency;

3. the need for institutional building to accompany the restructuring process and regional development.

Public subsidies from the central budget to local government budgets accounted for the primary source of financial tools for regional policies at that time. There was no typical centre-region relation, as the region was not legally constituted as an autonomous unit.

The changes in public administration which started with the establishment of local governments (gminy) in 1990 clearly defined the jurisdiction of those units on one hand and of central government administration on the other. Further progress was delayed, however, as a consequence of the dominant vertical linkages in the economy and inadequate institutional structure, which lacked a specialized central institution responsible for regional policy. In the early 1990s the CPO was under the obligation to plan the regional policy, and after its documents were accepted by the government, parliament accepted them or not. When all stages of planning were completed, regional policy was implemented by various ministries. Financial aspects of regional policy managed within the Ministry of Finance were not sufficiently linked to analytical and program base within the CPO structure. There was no institution responsible for coordinating these two stages of regional policy – coordination functions were imposed only on the committees organized ad hoc. Thus, when Poland started to receive pre-accession aid under the PHARE framework, the coordination failures reduced the over-all efficiency of the program, leading to the establishment of the Polish Agency for Regional Development (Polish acronym PARR, about which more in section 2.1).

In July 1994 the government discussed two studies submitted by the CPO entitled Principles of national regional policy and Report on regional policy – a diagnosis, which constituted the analytical background for the former. The government finally accepted the Principles as the guiding document for government administration actions in regional policy field, and in particular the government obliged:

- the head of the CPO to prepare a Report on regional policy in 1994 by the end of June 1995 (the deadline was met);
- the CPO head, voivodes, and other bodies of government administration to prepare and present to the CPO information/data on the structure of spending (direct and indirect) on programmes of regional development and restructuring in the voivodships.

When both the Principles and the Report were delivered to the Parliament, a special committee was appointed within the Sejm to consider the governmental report on regional policy and to proceed to the drafting of a regional policy bill. During the negotiation process on Poland’s accession conditions, the government was obliged to continue the efforts on harmonization of the law with European Union regulations in the regional policy field. The decision to move forward on legislative work is thus the result rather of external forces than of domestic perception of the need for this. The initially formulated priorities of regional development and policy encountered critical opinions as being too broadly defined and vague; such opinions being expressed particularly by academics (see, for example, Gorzelak, 1999). On the other

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14 The legal framework on regional policy in Poland was recommended by the EU, and developed further by the Task Force for Regional Policy. The task force began its work in 1995 and submitted its final report in June 1996.
hand, the former government representative on state reform argued against such critics that this legislation was intended as a public administration reform and not a regional development framework (Kulesza, 1999).

Regional policy continued to be formulated as in the early 1990s, with CPO assuming responsibility for this, the government (and sometimes, but not always, the parliament) accepting the CPO’s policy documents, and various ministries responsible for implementation. Through the end of 1994 no government agency on national level was entitled to coordinate regional initiatives, and attempts to do so on the voivodships level resulted in special solutions, with voivodes acting as special representatives of the government. The Interministerial Committee on State Border Re-cultivation appointed within the Cabinet in 1991 had some direct impact on regional planning (the committee was transformed into the Department on Cross-Border Co-operation on 1 January, 1995). The same year, the Sub-Committee on Regional Policy and Rural Development within the Economic Committee of the Cabinet was established. These institutions were to coordinate regional policy initiatives, and showed that high-level policy makers were beginning to take the subject of regional policy seriously. Thus, through 1995, any activities in the regional policy field were chaotically implemented by some institutions established ad hoc, and the coordination links among them were almost non-existent.

Pietrzyk (1995) listed the important failures of regional policy, accounting for its instability in the mid-1990s, as:

- the lack of cohesion in priorities and stop-gap solutions taken in regional development field;
- the ineffective use of dispersed financial resources on regional policy;
- the lack of an adequate institutional structure on the regional level;
- the lack of a single governmental representative responsible for contacts with EU institutions;
- the lack of adequate propositions in a bill on the Reform of the Center concerning regional policy institutions.

In the area of policy relevant for regional development, the central achievement of the centre-left coalition governing Poland from 1993 to 1997 was the “Reform of the Center”. The reform of the governmental administration centre began in 1995, when the Office on the Reform of the Economic Center was established. The document entitled Propositiions on the reform of the Government Economic Center was elaborated and then accepted by the government on the 20th of June 1995 as the general framework for the reform. The goal was to reform the central administration so as to maximise its effectiveness in creation of long-term development goals and increasing national competitiveness. The tools by which this was to be accomplished included – among other things – ownership changes and measures of a redistributive nature (including, e.g., a shift of responsibility for all but the most strategic state-owned enterprises from ministries to voivodes). Emphasis was put on disestablishing the sectoral system of administration which dominated under the central planning regime.

The reform bill package which was submitted and then adopted included the law on the Governmental Center for Strategic Studies – GCSS (Rządowe Centrum Studiów Strategicznych – RCSS). This reform resulted in the re-organization of the governmental administration in the late 1990s in the field relevant for strategic planning. In particular, the reform resulted in shifting some of the planning competencies and sectoral policy implementation competencies and modification of the mechanism for coordination of these activities. The Reform of the Centre removed some of the factors behind the permanent failure in state management and made further decentralization of public administration on the principle of subsidiarity possi-
ble. However, the outcomes were limited precisely because public administration decentralization was delayed.

In accordance with the Reform of the Centre, the CPO (converted into the GCSS after 1 January 1997) assumed exclusive responsibility for regional policy issues, as was the case before the reform. It must however be stated that the GCSS was endowed with differently defined competencies than was the CPO. For example, the GCSS was focusing not on “the drafting of planning documents”, but on “providing the Cabinet with the background for strategic programming”, which means that the latter is left to politicians; moreover, the GCSS was responsible for providing the government with “strategic forecasting” of a character and in a manner which was left undefined. Thus, the GCSS acts as a governmental “think tank” with its analytical, prognosis, and programming functions. It was given the formal status of a central state office, its president is a cabinet member, and its documents are to be used by the entire Cabinet in its work. The GCSS has gained great autonomy, as it has operated independently of the political situation of the hour and been able to work with other governmental institutions as well as research institutions (for example, the Polish Academy of Science and universities) as a partner on equal terms. The CPO, unlike the GCSS, concentrated its activities on economic issues, ignoring other aspects of social problems. Apart from its limited interests, the CPO’s position was legally constrained – its competencies made medium- and long-term programming of economic strategies impossible in practice.

In September 1996 Deputy Prime Minister and Minister of Finance Grzegorz Kołodko initiated the creation of a joint task force of the Polish government and the European Commission on structural policy. The task force was divided into a number of working groups focusing on specific thematic areas. The regional policy working group was led by Marek Kozak, president of the Polish Agency for Regional Development (see section 2). Building on the July 1996 report of the regional policy task force, the structural policy task force called attention to the necessity of an adequate regional policy as a *conditio sine qua non* for effective absorption of structural assistance from the EU, and made a number of recommendations in the area of regional policy in its report, submitted in July 1997. These included the following:

- the creation of a central organ responsible for regional policy; this was to be initially the Ministry of Economy and later an independent committee analogous to the Committee for European Integration;
- the creation of an integrated multi-annual regional development plan;
- the creation of regional investment funds;
- adoption of NUTS statistical categories;
- integration of Polish public sector financing of regional development projects with Phare financing, with Polish sources covering at least 25% of the costs of those projects;
- creation of offices representing Polish regions in Brussels;
- an important role for Euroregions on Poland’s eastern and southern borders (see section 2), and
- a number of recommendations intended to facilitate and extend the international cooperation initiatives of voivodes (Zespół Zadaniowy, 1997).

2. Regional development institutions

One of the main barriers to the creation of an integrated approach to regional development in Poland in the 1990s was the institutional weakness of the main regional actor in the country’s public administration, the *województwo*, which was – almost – completely dependent on the central government, of which it was technically considered to be a part. As discussed in the
Swianiewicz paper, the head of the *województwo* – the *wojewoda* – was designated by the prime minister rather than by the popular vote. Moreover, there was no independent budget or revenue source for the *województwo*. However, as we shall see in section 2.2, this did not prevent at least some *województwa* from using such organizational capacities as they did dispose of to pursue strategic goals in the area of regional development (and doing so, moreover, with some degree of success, though this occurred in ways which diverged greatly from the original intentions of the relevant actors).

### 2.1. National institutions

The Industrial Development Agency, whose primary purpose has been to turn around large, financially distressed state-owned enterprises, could be said to have played an important role in regional development per se during the 1990s due to its role as a significant minority shareholder in some two dozen of the country’s local and regional development agencies (which will be discussed in section 2.2). One of the main policy instruments of a spatial nature developed in this period was that of the special economic zones, areas of high unemployment in which tax incentives were given to investors. The first of these was created in Mielec in 1995. These later became the centre of many disputes between Poland and the European Commission, which sees them as a form of state aid violating EU competition policy. It is also clear that the large majority of such institutions have not served their goal of attracting significant investment and creating significant new employment opportunities in their host regions (Cieslik). By the end of the 1990s 17 such zones had been created, and on the average each attracted ten investors. The Mielec zone has been the most successful in terms of the percentage of available space actually occupied by investors (Swianiewicz, Dziemianowicz, 1999; Jensen, Winiarczyk, 2004). Dziemianowicz, Hausner, Szlachta on Mielec)

The Polish Foreign Investment Agency (PAIZ) was established in 1991 to promote Poland as a profitable place to run a business. Its target was to attract foreign capital to invest in Poland in general and not only in particular regions. So again we are dealing with an institution whose activity’s regional effects are secondary to work targeted on particular foreign investors’ objects of interest.

However, during its history (in 2000 PAIZ was merged with the Polish Information Agency to form the Polish Information and Foreign Investment Agency) the agency has gained a good deal of experience in cooperation with the regions. Nevertheless, this cooperation has been an effect of some regions’ active and fast reaction to the opportunity for cooperation with a government agency rather than the effect of a well-thought-out regional policy. It is worth underlining that between 1995 and 1997 PAIZ had at its disposal funds from the PHARE “Invest-prom” programme aimed at economic promotion of Poland. During this period, from a budget of 10 million ECU, 1.9 million was spent on regional projects, that is to say located in some particular place in Poland (Kolas, 2000). However, this was not a sign of a regional policy either. Initiatives of this type between 1991 and 1998 included:

- participation of PAIZ in financing the promotional materials of voivodships and municipalities;
- creating (in cooperation with the voivodships offices or local development agencies) of investor service centres. PAIZ supplied partial funding of these centres activity in their primary phase. However, a considerable majority of these institutions had difficulties when PAIZ ceased supplying partial funding. Altogether PAIZ supplied partial funding for ten centres for the total amount of around 200 thousand ecu. This partial funding was mainly intended for purchase of necessary computer and office equipment. Along with the financial support, the centres received practical help from the PAIZ personnel that in-
cluded elaboration of investment offers, creating data bases, creating a network of contacts with potential investors etc. Centres funded by PAIZ were located in large and medium cities (7) and also mainly in western Poland (6);

- cooperation with the management boards of special economic zones (difficult due to the fact that they often considered PAIZ to be a promotional institution and not a partner in relations with potential direct investors).

As we wrote in section 1, in the mid-1990s the issue of regional policy, and particularly of the regional actors who might devise and implement such policy, began to receive more serious attention among academics, policy makers and the media. This was due in large measure to growing awareness of the issues associated with Poland’s accession to the EU and the associated prospect of receiving Structural Fund assistance. However, in relation to the discussion about the structure of public administration and its decentralization (see the paper by Paweł Swianiewicz for more details about the structure of Polish administration and the reforms which created new levels of elected subnational government – the county, or powiat, and region, or województwo, in 1999), appreciation of the need for autonomous regional administration was very slow to grow.

The first national institution created in Poland with an explicitly regional approach was the Polish Agency for Regional Development (PARR), founded in 1993. PARR’s activity consisted for the most part in the administration of a number of EU PHARE projects, the purpose of which was to prepare regional authorities for Structural Fund programming, by supporting projects in such areas as infrastructure development and Small and Medium-sized Enterprise (SME) support. Regional officials and development agency employees were trained as part of these projects, and pilot projects were also conducted in the area of development of financial instruments (such as loan guarantee facilities) for the support of SME development. These programs will be discussed in section 3.

The extreme modesty of funding of regional policy instruments in this period is illustrated in the following table, which shows funding from the state budget in the years 1990-1999.

Table 1: Funding for regional policy goals from the state budget, 1990-1999

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending on regional development as % of total budget expenditures</th>
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<tbody>
<tr>
<td>1999</td>
<td>0.35</td>
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<tr>
<td>1998</td>
<td>0.22</td>
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<td>1997</td>
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<td>1995</td>
<td>0.27</td>
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<tr>
<td>1994</td>
<td>0.30</td>
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<tr>
<td>1993</td>
<td>0.35</td>
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<tr>
<td>1992</td>
<td>0.50</td>
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<td>1991</td>
<td>0.17</td>
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<td>1990</td>
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</tbody>
</table>

Source: own estimates based on state budgets from successive years
Much of this spending was devoted to municipalities with high unemployment, road construction (including construction work at border crossings), co-financing of PHARE programs, management of former Soviet military installations, and the upper Silesian województwo of Katowice.

Much of the regional spending in the 1990s financed investment projects directly. During the first years of the transformation period, the reserve for co-financing central investments accounted for main item of the total spending. These investments, in particular the continuation of construction started in the 1970s as a result the socialist enthusiasm for mega-construction sites, posed grave doubts about its efficiency from the point of view of regional development.

Government authorities on the central level, rather than government representatives on the regional level (voivodes), determined in most cases which investment projects and local programmes were eligible for central budget financing. The centralization of the decision making process relevant for regional policy arose from an institutional failure, as adequate regional institutions did not exist – the gmina was a subject in local policy, not regional policy. And, as mentioned before, there was no institution on the central level which coordinated the dispersed activities in the regional policy field. This resulted in many problems in the assignment of some expenditures spent in different government agencies.

2.2. Local and regional institutions

Regional and local development agencies. All this having been said, it must be emphasized that the greatest activity in the sphere of regional development was found at the grassroots level – generally concentrated in the communities of the cities serving as seats of the 49 small województwa which existed prior to the reform of 1999. Already as early as 1993 there was approximately one regional development agency for each województwo, and 48 regional agencies joined the National Association of Regional Development Agencies founded that year. By 1996, there were 66 such agencies in Poland, most of which were for-profit companies (only a few were foundations), (Gorzelak, 1998). There appears to be a consensus among experts that there was a high degree of differentiation in the effectiveness of these agencies in serving their stated missions, and in further research we will try to identify some successes and failures and factors behind them.

Some of the large group of development agencies achieved great success in obtaining PHARE funds and supporting local and regional development. Of the more than 60 local and regional development agencies, from 10 to 12 can be numbered among the most active ones that have impact beyond a merely local level. These agencies are located mainly in large cities (NARDA, 2003). The success of the best agencies is the resultant of many factors: activity in gaining further exterior funds, the extent to which a unit can fund itself from its own funds (the more affluent agencies gained more funds and as a consequence they could credit more activities), ability to carry into effect programmes and projects (lack of ability to complete programmes was often the reason why agencies collapsed). Development agencies originated from voivodships (with voivodes acting as central government representatives) or local government initiatives, and quickly began to participate in the creation of regional projects financed by PHARE. It should be noted that the agencies succeeded in generating some income from own activities, such as leasing of their real estate, provision of consulting services, interest on loans, and subsidies for administering foreign assistance programmes.

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15 According to this reasoning on the gmina legal status, the authors of the report entitled *Poland’s Regional Development in 1990-1995* argued that neither general subsidies for the gminas’ budgets nor budget grants for the voivodes’ budgets should be accounted as expenditures for regional goals. The voivode’s budget established a list of current spending and did not express the autonomous policy of a self-governing authority.
Enterprise incubators. At the very beginning of the transformation period, the United Nations Development Program created a fashion in Poland for the creation of enterprise incubators, and technology parks were soon to follow. Altogether between 1990 and 1998 in Poland more than 200 different types of enterprise support centres, enterprise incubators and technological centres were created. Projects for science and technology parks in Bielsko Biała, Bydgoszcz, Częstochowa, Gliwice, Koszalin, Lublin, Łódź, Płock, Stalowa Wola, Szczecin, Toruń, Tychy, and Warszawa were in the initial phase. In the years 1998 and 1999 there were in Poland 45 enterprise incubators, 23 technology transfer centres, 57 loan guarantee funds, 28 venture capital funds, 148 centres for enterprise support and 6 technological parks. Additionally, the PHARE Programme supported 37 centres for business support and information centres, 5 agencies for the local initiatives / foundations for social-economic initiatives and 5 schools of business (Matusiak 2001). One can say that an incredibly rapid development of this type of institutions was taking place in Poland.

Advisory services rendered to the SME sector were the main effect of the institutions’ activity. 25 companies, which employed altogether 1618 employees, participated in technology parks as of the end of 2000 (Matusiak 2001). It is an open question, however, to what extent the so-called technology parks were actually involved in creating spatial concentrations of high-technology development and to what extent they were simply managing real estate by renting out to the highest bidders regardless of technology issues. Similarly, it is questionable whether incubators have made a significant contribution to local economic development by “graduating” significant numbers of firms which have grown to the point at which they no longer require incubation. We will attempt to address these questions in further work.

A case study of one incubator operating in one of Poland’s largest cities and engaged in technology transfer as one of its areas of focus found that it worked with a number of institutions including the city’s regional development agency, its university, and its chamber of commerce, as well as foreign partners. While the incubator made great efforts to stimulate cooperation among the entrepreneurs whose firms were being incubated, this proved to be a very difficult task. At the time the case study was carried out in the late 1990s, roughly seven years after the incubator’s being founded, it had succeeded in “graduating” 25% of the firms it had incubated, but had not yet obtained a scale which would allow for financial independence. Indeed, its dependency on foreign aid programs seemed to undermine its organizational coherence to some extent, due to the need to tailor its activity more to the funding criteria of donors than its own strategic goals (Woodward, 2001).

Business support organizations. A study of business support organizations of various sorts in the Kraków region, most of which had been established with the assistance of local and/or regional officials, found them offering a wide array of business services to enterprises in the region. These ranged from preparation of documents such as business plans to dissemination of information about trade fairs to provision of training and consulting services. The study found regional and municipal institutions to be playing a significant role not only in the founding but in the continuing support of many of these organizations. On the other hand,

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16 Apart from the regional initiatives there were also central institutions engaged in issues of enterprise development in Poland, such as the Technology Agency established in 1996 (it existed until 2002, when it merged with the Polish Agency for Enterprise Development), whose responsibility was to promote and support the introduction of innovative technologies mainly in small and medium companies, and the Foundation for Polish Science, which carries out, among other things, the PHARE INCOME Programme (1995-1999), aimed at stimulating transfer and commercialization of modern technologies for companies employing up to 50 employees.

17 These included both membership-based organizations such as chambers of commerce and non-membership-based ones such as development agencies.
even membership-based organizations were forced to rely for about 70% of their budgets on commercial activities rather than their members’ dues, and in general the organizations – like the incubator discussed above – were found to be highly dependent on funding from donors (domestic and foreign), possibly undermining their propensity to search for a better fit between the services they offered and their clients’ (or members’) real needs (Klich, Poznańska, 1999).

The list of incubators, technology parks, regional development agencies and other business support organizations created in the 1990s is provided separately. While the names and addresses of the institutions may be of little intrinsic value to this study, the numbers of institutions in each category may have some value for cross-country comparisons. Additionally, there may be conclusions to be drawn in a cross-country comparison concerning the regional dispersion/concentration of such institutions.

Development projects and strategies. Perhaps a more useful unit of analysis than institutions can be found in projects. Dornisch (1997, 2002, 2003) has developed a project-based approach to the analysis of Polish regional development initiatives, and we will discuss his work at some length here.

Using the example of Łódź, a region dominated under Communism by the textile industry and which was particularly hard-hit by that industry’s decline following the beginning of the post-Communist transformation, Dornisch shows how broad, comprehensive regional restructuring and development projects failed in the 1990s, but led to spin-offs with more modest goals which were realized successfully. Contrasting the Łódź case with those of more stable and unequivocally successful cases of regional development based on networks and/or cooperative approaches such as Silicon Valley, the “Third Italy” or Baden-Württemberg (where institutional development and evolution is typically portrayed as continuous and modifications as incremental), he develops the concept of “transitional capacity” to refer to an actor’s ability to recognize when it is time to abandon a project and switch to or create a new one. Dornisch sees this ability to withdraw from a project, redefine one’s goals and recommit one’s resources accordingly to a new “spin-off” project as a crucial capability in the management of the post-Communist transformation. (One might speculate, moreover, that such capabilities may become increasingly useful even in the traditionally more stable environments referred to above, as global competition becomes fiercer and the pace of change more rapid, and that more open organizational forms allowing network participants to move in and out flexibly may, to some extent, supplant the more stable forms that have been so well researched to date. For example, Borrus [1995] discusses the evolution of international production networks of Japanese and US electronics companies in East Asia, arguing that the openness of the US networks constituted a competitive advantage vis-à-vis the more closed Japanese networks. Similarly, Herrigel [2002] finds that the competitiveness of some production networks in the industrial districts of Baden-Württemberg – based on stable production relationships among regionally concentrated partners – has been challenged in recent years by large multinational enterprises, in whose global networks relationships are much less stable and the roles of partners not fixed.)

Dornisch characterizes the initial conditions in Łódź (which simultaneously constituted some of the reasons for the failures of the early Łódź projects) as highly conflicted. Widespread inter-enterprise conflicts in the textile industry had developed as a result of a recent history of broken agreements and unpaid for deliveries leading – via ripple effects – to the accumulation of arrears not only to other enterprises but also to banks and the tax authorities. All this gave rise to an erosion of trust among enterprise directors. On the public sector side, Dornisch also cites Jewtuchowicz (1993), who points to the poor coordination and planning skills of regional actors in public administration as a negative factor at the outset of the process.
Against this backdrop Dornisch describes the evolution and fate of three regional development and restructuring projects, two led by textile industry actors and one by the regional public administration. The first two constituted attempts by industry leaders to deal with the crisis of their enterprises, while the third was an attempt to construct a broad, comprehensive regional development policy. In the textile projects the main actors included enterprise directors, industrial associations, regional and national governmental officials, and industry-affiliated consulting firms. In the regional policy project, the main actors had emerged from Solidarity opposition circles and installed themselves in the województwo administration, the city council, various public agencies, business support associations, NGOs, and trade unions. The event which provided the momentum for this initiative was a strike in early 1993 in which the województwo administration, formally a representative of the central government, sided with regional labour groups demanding that the central government commit resources to a regional restructuring program. The government promised to do so, and the Łódź Regional Council was set up, with representatives of 26 local public and private agencies and associations. Based on council recommendations and other data, a team of experts produced a regional restructuring program in July 1993.

Dornisch characterizes these three projects in themselves as failures:

> In two of the projects [...] deliberations and operations were abandoned after about six months, with no attempt at implementation. In [the third], a limited, partial restructuring of a subset of cotton textile enterprises occurred which ultimately proved to have negligible effects on financial bottom lines (Dornisch, 2002).

Within relatively short time spans, the relevant actors, who had begun the projects with a great deal of enthusiasm, had withdrawn their support and the initiatives had crumbled. Certainly one of the factors in the failure was the fact that the central government did not follow up on its promise to provide resources for the regional restructuring effort. However, this was certainly not the only factor. Dornisch (2003) suggests that:

> it was a lack of regional social resources – or rather, the lack of ability to effectively mobilize in practice and through deliberation the available regional resources – which was the downfall of the project. While the regional actors had a preliminary idea for moving the project forward (the “Regional Council”) they did not have and never developed a clear conception for the operation of the Council, how its proposals were to be put into action, and how it would be embedded in the larger regional economic community.

Nevertheless, the failed projects generated a legacy – a second generation of projects with much more modest and narrow goals. The one of particular interest to us is the project in which the województwo administration, narrowing its focus from the creation of a general regional development strategy, developed a strategy of management of the state-owned assets for which it was nominally responsible as a so-called “founding organ” in accordance with the law on state-owned enterprises. In doing so, it withdrew from efforts to create a broad-based regional partnership and instead focused on development of its own internal resources, setting up the Enterprise Supervision and Property Transformation Department. The department’s staff “was drawn from the population of regional party-based administrative bureaucrats, many of whom had been put out of work in the early years of the transformation or relegated to peripheral roles in collapsing enterprises” (Dornisch, 2002) and was engaged in “data collection and monitoring of enterprises, enterprise management consulting, appointing of liquidators and enterprise commissars (zarządy komisaryczne), searching for and [negotiating] with strategic investors in regional industry, [and] mergers and splits of enterprises” (Dor-
nisch, 2003). The approach of the department evolved over time, shifting from an initial attempt to directly monitor enterprises with its own staff members to one based on the employment of external consultants installed in enterprises as managers and subsequently, after its reconstitution as the Economic Policy Department in 1995, back to a policy of direct monitoring by own staff members, who in some cases took positions in the enterprises as managers or liquidators. The central task, however, remained the challenge of dealing with the aforementioned enterprise debt crisis and its consequences.

A similar strategic approach to management of state-owned assets was found in the Lower Silesian województwo in a study by Kamiński (1999). This study found that the appropriate department of the województwo administration actively participated in the process of restructuring its portfolio of over 170 enterprises, only 40% of which were profitable, using a mix of privatisation, liquidation and bankruptcy procedures. Kamiński found that this involved frequent discussions with enterprise employees intended to convince them of the necessity of privatisation and restructuring. There were also learning effects in dealing with enterprise liquidators and bankruptcy judges, which improved the efficiency of those processes over time.

Turning to other cases of strategy development and local or regional development projects, we first note a late 1990s study of three small Polish municipalities (two towns and one rural borough) which had been successful in stimulating local economic development provided a comparative picture of the effects of differing local government strategies. One town’s policy was based on tax holidays for investors and the creation of business support organizations such as a regional development agency housing a loan guarantee fund, in which the major shareholders were the municipality and one of the major local businesses (this agency was a very rare case of a regional development agency not located in a voivodships capital, but its success convinced the voivod to become a shareholder two years after its foundation). However, it is questionable whether this town’s success was not due in much greater measure to the private social networks of its entrepreneurs, creating multiplier effects for investments (as, for example, when one successful entrepreneur convinced a foreign company with which he was cooperating to open operations in the town by being able to offer the prospect of another large local company’s becoming a customer as well). Another town had pursued a strategy of public infrastructure investment, increasing the investment attractiveness of the town without offering tax holidays. Most impressive was the case of the rural borough, which had obtained over 300 million USD in foreign investment by 1998. One of the crucial factors behind this success was spatial planning, something generally neglected by Polish municipal authorities in the 1990s. This allowed local authorities to be very forthcoming with very complete information about potential sites for visitors interested in possibly investing in the area. The authorities also gave investors tax breaks, but were careful to ensure that investors paid for those privileges by, for example, constructing local infrastructure (Gorzelań et al., 1999).

In the rest of this section we will look at a number of different development projects.

Euroregions. Another of the most important grassroots initiatives consisted in the creation of Euroregions, a form of cross-border regional cooperation. The earliest, genuinely grassroots initiatives in this area were efforts of municipalities in the western regions bordering on Germany and what was at that time Czechoslovakia, as well as of counterpart municipalities in the neighbouring countries. The first Euroregion was created in 1991 (in the Polish-German-Czech border region) and the next three in 1993. Of the latter three, one – the Carpathian Euroregion – included areas on the southeast border of Poland as well as partners from Slovakia, Hungary, Ukraine and Romania. This last one had less of a grassroots nature, and the central government was involved. This was the case for all Euroregion initiatives on Poland’s eastern border. The latter are often considered to have been less successful than the initiatives on the western border. In some cases this is considered to be due to the absence of a sufficient level
of autonomy at the local and regional level in Belarus and Ukraine and the weaker financial standing of partners on the eastern border relative to that of those on the western border. (While hundreds of projects were realized by each of the four western border Euroregions, at best two to three dozen were realized by the eastern and southern Euroregions.) It is also worth emphasizing that in many cases on the eastern border the goal was less to serve broad cross-border cooperation than to improve border security in view of Poland’s accession to the EU.18

The PHARE CROSS-BORDER program, which began in 1994, provided a great deal of assistance to these initiatives.

**Local Initiatives Program.** Another PHARE program that deserves special mention is the Local Initiatives Program (referred to by its Polish acronym PIL). The program was implemented in the years 1993-1996 and provided funding to a number of relatively small municipalities, selected on the basis of a competition, for local economic development programs. It served both as a catalyst for disseminating various approaches to local development among Polish municipalities and as a start for a number of small municipalities who became widely recognized in Poland for their innovative and energetic approach to many aspects of local development and municipal service management.

Fifteen municipalities particularly hard-hit by unemployment submitted local development strategies developed cooperatively by representatives of a wide range of local institutions (including business associations, local authorities, and trade union representatives), thus implementing the principle of *partnership* which constitutes one of the core principles of the operation of the EU Structural Funds. Nine of them were selected for funding under the PIL program. Development agencies were created in each of these municipalities, and a number of them also created loan guarantee funds. Typically these institutions represented partnerships of local and regional (voivodships) authorities and the private sector. (For example, a small number of banks would participate in the activities of a loan guarantee fund by negotiating a multiplier with the fund allowing guarantees to be granted totalling a sum which exceeded the amount of money in the fund. Also, private businesses or businessmen might become shareholders in local development agencies; for example, the company Stalexport and the investment fund PBK Inwestycje, a subsidiary of the bank PBK, are shareholders in the Upper Silesian Regional Development Agency.) While funding was very modest for the implementation of the local development plans (about 840,000 ECU per participating municipality), there is a broad consensus that they contributed to the mobilization of social groups and the creation of social capital which later proved to be valuable to these municipalities in spurring their development, as well as helping to disseminate ideas about various forms of public-private partnership for local and regional economic development. Interestingly, the advisors involved in implementation of the program found that actors in most of the participating localities had initiated projects of economic reinvigoration prior to their participation in PIL. Thus, in these localities, the program served as a catalyst to focus efforts which had already begun independently.19

Case studies of two mutual loan guarantee funds, one of which was created on the basis of a guarantee fund founded under PIL auspices, show that they have been successful in negotiating multipliers, as well as lower interest rates on loans guaranteed by the funds, with banks. They have also had very low rates of non-performing loans. On the negative side, guarantee

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18 For information on Euroregions on Poland’s borders, see CSO (1999), Ministry of Interior (1999), and www.wwwpwp.it.pl

funds – even mutual ones, which are supposed to rely on the resources of participants – were too dependent on foreign assistance for their capitalization, and failed to utilize the leverage given them by the multipliers negotiated with banks, due to low demand for loans (Woodward, 2001).

Contract for Silesia. The last topic in this section is the so-called “Contract for Silesia,” a social pact between the government and regional actors in the Katowice województwo, which faced the task of industrial restructuring necessitated by the worsening condition of the hard coal mining industry. The problems of that industry elicited a response from the “parliament” (sejmik) of the Katowice Voivodeship, which initiated the process leading up to the signing of the Contract. Regional participants in the agreement included municipalities, trade unions, and business associations, among others. The contract was signed by the centre-left government (represented by the voivode) in October 1995. The strategic aim of the agreement was to contribute to improving the social and economic conditions in the Katowice Voivodeship through diversifying the region’s economy, increasing its competitiveness and accelerating the process of creating new jobs. Voices of the workers on one hand, and awareness of the necessity to take preventive measures and of the experience of western European countries (particularly France, where contracts had been signed before) on the other, helped in deciding about the direction and aims of the signed arrangement. The Contract created or mobilized a number of institutions, including the following:

- the Upper Silesian Regional Development Agency (created in 1992 as the Upper Silesian Development and Promotion Agency),
- the Upper Silesian Agency for Enterprise Transformation,
- the Upper Silesian Agency for Energy Conservation,
- the Upper Silesian Construction Agency, and
- the Upper Silesian Fund

as well as a number of others. Something called the “Local Segment” of the Contract was also created. This consisted of a number of local-level agreements, each involving a handful of municipalities. Instrumental in this segment were local institutions, such as development agencies, incubators, etc., created or utilized in order to facilitate restructuring and job creation. In other words, the “local segments” were a conscious attempt to initiate a partnership-based approach to solving local problems, involving the public, private and NGO sectors. The general assessment of the “Local Segment”, however, is that it was unsuccessful. The institutions implementing the “local segments” have confronted the same problems that the other local development agencies had faced. However, low staff skills and legal problems regarding titles to property rendered these institutions unable to deliver what was expected from them. In many cases the (negative) deciding factor for the institutions’ continued existence was the cessation of financing of the contract from the national budget. Another factor was, in some cases, weak cooperation with local governments and a tendency to focus on a narrower range of tasks than was necessary for successful implementation (i.e., a broad scope of action related to restructuring and regional development). As a result, the institutions generally remained inactive and lost their raison d’être.

The Upper Silesian Development and Promotion Agency was formed by the decision of the Katowice Voivode in November 1992 as the leading implementing institution of the “Upper Silesian Regional Economic Policy Programme”. Shareholders include the voivodeship, several municipalities, several private companies (including Stalexport and an investment bank) and the regional chamber of commerce. The agency has specialized in administration of European Union assistance programmes aimed at local governments and the business community. The agency undertook, among other things, such PARR-administered programmes as
PHARE Struder, Rapid, and Odbudowa, as well as Initiative Phare, which was strictly associated with the restructuring of heavy industry.

The Upper Silesian Fund is of particular interest. This was Poland’s first major regional investment fund, in which the state invested capital by acquiring shares worth 40 million zlotys in 1996, 30 million zlotys in 1997 and 30 million zlotys in 1998. The purpose of the fund was to serve as a sort of venture capital fund, investing in the development of new enterprises in the upper Silesian region, as well as to provide funding for the restructuring of older enterprises. It is, however, questionable to what extent the Fund has realized its mission, and this is also a matter we hope to deal with in further work.  

3. Other foreign assistance programs

PHARE was, in terms of the amount of money spent, by far the most important assistance program in the area of regional development during the time period covered by this report. In addition to the aforementioned PIL and Cross-Border Cooperation programs, the most important programs in this area, administered by PARR, were:

**STRUDER.** The “Structural Development in Regions” program was implemented in six voivodships characterized by various kinds of development problems (e.g., one was the Katowice voivodships, two were underdeveloped eastern border regions). The program, administered by PARR, lasted from 1994 to 1996 and had a budget of 78 million ECU. Among the activities supported were small infrastructural projects, loan guarantees for SMEs, and the creation of regional investment funds. Beneficiaries who implemented projects funded by the program included local and regional development agencies, business incubators, business associations, and various training and consulting organizations and firms (PARR, 1999).

**RAPID.** Another PARR-administered program, the “Rural Areas Programme for Infrastructure and Development,” implemented in the years 1996-1998 with a budget of almost 15 million ECU, was intended to support infrastructure development in rural areas in ten voivodships, including all of those which had been included in the STRUDER program as well as four additional ones (PARR, 2000).

In addition, there was a program called **Odbudowa** (“Reconstruction”) which was devoted to assistance in the southern Polish areas most heavily affected by the catastrophic flooding of the summer of 1997 (with a budget of 64.6 million ECU), and a series of two programs called **TOURIN**, devoted to the development of tourism (total budget 26.5 million ECU).

Other important sources of funding in relevant areas were the British Know-How Fund, the US Agency for International Development (USAID), the World Bank, and the EBRD.

The British Know-How Fund’s noteworthy programs in this area are the Local Government Assistance Programme, which began running in 1991 and spent a total of 5.6 million pounds, and the Polish-British Enterprise Development Program, implemented in the years 1994-1999 with a budget of 12.7 million pounds, which was particularly noteworthy for the creation of the country’s two largest loan guarantee funds (in Lublin and Bialystok).

USAID supported a number of local government development programs which were designed to develop a market for consulting services which would advise municipalities in various areas of municipal service provision, local democracy and local economic development. Both the USAID and Know-How Fund programs played a significant role in developing and disseminating ideas about partnership and its role in development in Poland.

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20 On the Contract for Silesia, see Barański (1999).

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The World Bank is notable for its coal industry restructuring program, which affected the upper Silesian region, and its rural development program. The EBRD has invested in numerous local infrastructure projects in areas such as public transportation and heating, as well as in environmental protection projects. It has also been active in such areas as rural restructuring, enterprise privatisation, health care, education, social assistance, and attraction of foreign investment.

4. Concluding remarks on inter- and intra-regional differentiation

In a study of eight old województwa in south-eastern Poland, Hausner et al. (1997) developed a typology of cooperation among local governments, województwo officials, business associations, development agencies, financial institutions, and large companies. They found four types of regional network patterns, which they characterized as follows:

- **Atomistic**: Organizations maintain strictly formal and statutory links, without engaging in real cooperation
- **Bipolar**: Restructuring is organized around two centres, or poles, which have emerged within an atomized organizational environment
- **Hierarchical**: The capital of the województwo dominates, cooperating with a couple (or more) smaller, regional centres
- **Network**: Many different organizations are present, with tight network links between them

This framework represents the extent of differentiation among regions with respect to the types of constellations of actors engaged (at least potentially) in the task of regional development.

Equally importantly, each region is itself differentiated. The cases described in section 2.2 refer not to regions as a whole but rather to localities, sectors, and networks within them. To some extent this results from the lack of a strong regional actor in Polish public administration during the period discussed, but regardless of the administrative set-up, it is unlikely that any region can be accurately characterized as a coherent or monolithic entity. Dornisch (2003) suggests looking at the region as an “ecology of projects”. “Regions contain many different projects,” he writes, “each of which is at a different stage of development and each of which is only limitedly related to the others, some in tension, some mutually supportive, and some disconnected.” We believe this is an accurate characterization of the regional development constellations observed in Poland during the 1990s.
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