

POLAND

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: ZLOTY (PLN)

POPULATION AND GEOGRAPHY

Area: 306 194 km²**Population:** 38.422 million inhabitants (2017), i.e. 0.0% per year (2010-2015)**Density:** 123 inhabitants / km²**Urban population:** 60.1% of national population**Urban population growth:** -0.1% (2017 vs 2016)**Capital city:** Warsaw (4.6% of national population)

ECONOMIC DATA

GDP: 1 105.9 billion (current PPP international dollars), i.e. 28 784 dollars per inhabitant (2017)**Real GDP growth:** 4.8% (2017 vs 2016)**Unemployment rate:** 4.9% (2017)**Foreign direct investment, net inflows (FDI):** 10 673 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 17.7% of GDP (2017)**HDI:** 0.865 (very high), rank 33 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Republic of Poland is a unitary parliamentary democracy, with a President as Head of State elected directly by the people to serve for five years, a Prime Minister appointed by the President as Head of Government and a bicameral Parliament (Sejm). The upper house (Chambers of Envoys) has 460 members and the lower house, the Senate has 100 members, all elected by direct election for a four-year term. Neither the upper or lower house directly represent local and regional governments. However, the rules pertaining to the procedures of both assemblies oblige them to consult local and regional governments during the legislative process, in particular through the Association of Polish Counties and the Association of Polish Cities.

The principle of decentralisation is enshrined in Article 15 of the 1997 Constitution. Municipalities are considered the basic unit of local self-government and have legislative powers for areas of local interest (Art. 94). They were re-established in 1990 by the Act on Municipalities.

The decentralisation process in Poland has been growing ever since. The intermediate level represented by counties (abolished in 1975) were reintroduced in 1999 by the Local Government Organisation Act while a new regional level was created by the same act. The legal framework grants local self-government units with legal personality and property rights, and stipulates that they may associate themselves in order to fulfil tasks of common interest. In 2009, a law was passed to strengthen the responsibilities and devolve greater powers to Poland's regions. Since then, discussions are on-going regarding a reform of funding mechanisms, the introduction of financial incentives for mergers, the design of cost-cutting and efficiency programmes and the creation of metropolitan governance bodies.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	2 478 municipalities (<i>Gmina</i>)	380 counties (<i>Powiat</i>)	16 regions (<i>Województwo</i>)	2 874
	Average municipal size: 15 507 inhabitants			
	2 478	380	16	2 874

OVERALL DESCRIPTION. Poland has a three-tier system of subnational government, enshrined in the Constitution. In 2017-2018, there were 16 regions (*voivodeships*), 380 counties (*powiats*) and 2 478 municipalities (*gminas*). Regional and local elections take place every four years (last in October 2018).

REGIONS. Regions are led by a regional council composed of members elected by direct universal suffrage, together with a regional executive board, headed by a marshal (*marszałek*). The 16 regions established in 1999 replaced the 49 former *voivodeships* that had existed from 1 July 1975 (but without functioning regional government bodies). The new units range in area from 993 000 inhabitants (Opole) to over 5.3 million inhabitants (Mazowieckie), the average being around 2.4 million inhabitants (2017). Differences between Polish regions in terms of GDP per capita have increased over the last 16 years. Lubelskie, the poorest region in the country, has a GDP per capita level equivalent to 44% of the GDP per capita in Mazowieckie, the richest region. Poland has the fifth highest regional economic disparities among 30 OECD countries with comparable data.

INTERMEDIARY LEVEL. Counties are led by a county council with members elected by direct universal suffrage, and an executive board, headed by the head of the county, elected by the members of the county council (*starosta*). The 380 counties include 314 "land counties" whose jurisdiction expands over the territory of several municipalities and 66 cities with county status. These later are the 66 largest cities (including the 16 regional capitals) and have the same responsibilities as the counties. In city counties, deliberative and executive functions are performed by the city's own council and the directly elected mayor is called *prezydent*. The relevance of the county tier is regularly debated, as in several other European countries having an intermediate level.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. Municipalities are led by a municipal council and chaired by a mayor, which is elected by direct universal suffrage. Municipalities are divided into three categories: 302 urban municipalities (which include 66 cities with county status, out of which five have more than 500 000 inhabitants), 1 555 rural municipalities and 621 mixed municipalities (urban-rural). In 2018, the average municipal size is almost 16 000 inhabitants (vs 9 700 in the OECD and 59 00 in the EU28) and the median size is around 7 500 inhabitants. About 26% of municipalities have fewer than 5 000 inhabitants (vs 44% in the OECD) while 14% more than 20 000 inhabitants. There are five cities with more than 500 000 inhabitants in 2017:

Poznań, Wałbrzych, Łódź, Kraków and Warszawa, the capital city which counts more than 1.750 million inhabitants. Warsaw is divided into 18 districts, and has a special status, regulated in a specific act since 2002. Municipalities may create sub-municipal units with a subordinate administrative role, and may define their statutes and tasks (*osiedle* or *dzielnica* in urban municipalities and *sołectwo* in rural areas).

Poland has a number of mechanisms for inter-municipal coordination such as inter-municipal agreements and inter-municipal unions. Since 2016, local authorities can also create so-called shared service centres. The national government has also established a framework for inter-municipal collaboration through new Metropolitan Association Act in Śląskie voivodeship (2017). However, inter-municipal cooperation has been slow to catch on in Poland.

Poland also has a deconcentrated State territorial administration, based on 16 prefectures managed by a Governor, who is appointed by the Prime Minister, who is also in charge of supervising local governments. "Territorial contracts" were introduced in order to strengthen partnerships among SNGS and improve coordination among *voivodships* in areas that affect several territories at once.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The 1990 Act on Municipalities gave large responsibilities to municipalities in terms of spatial planning, infrastructure development, utilities, municipal housing, social services, education, environmental protection, basic healthcare, recreation and culture. Overall, the 1997 Constitution assigns to municipalities all government tasks that are not explicitly assigned to other government levels. Counties are responsible for local issues not ascribed to municipalities and have a more limited role and influence. Their main responsibilities include secondary education, health, social welfare, economic activity and job creation. Regions are responsible for issues of regional importance (determined by law), playing a relatively limited role in directly providing public services. Their responsibilities have been, however, progressively strengthened with the decentralisation of new tasks. Since 2007, regions are fully responsible for a big share of European cohesion funds (25%) and they received new tasks in 2009 in the areas of transport and environment.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONS	COUNTIES	MUNICIPAL LEVEL
1. General public services	Internal administration; Management of EU funds		Internal administration; Real estate management; Civil registration status
2. Public order and safety	Defence; Public order	Civil protection; Flood and fire protection	Public order and security; Emergency response
3. Economic affairs / transports	Regional economic development; Employment and labour market policy; Regional roads; Public transport including regional rail transport (since 2009); Consumer rights protection	Economic development; Job creation (employment offices); County roads (maintenance and construction)	Local roads (maintenance and construction); Local public transport; Telecommunications
4. Environmental protection	Environmental protection; Waste management (since 2009)	Environmental protection	Protection; Zoning and local environmental protection; Waste management (since 2013); Sewerage; Landfills
5. Housing and community amenities	Spatial development; Water management; Land improvement; Hydropower facilities; Modernisation of rural areas		Spatial planning; Water supply; Public areas (including cemeteries); Electricity; Gas and heat supply; Housing.
6. Health	Health promotion; Regional hospitals (specialised services, secondary referral level hospitals); Medical emergency and ambulance services	Health promotion; County hospitals (first referral level hospitals)	Health promotion; Primary healthcare services
7. Recreation, culture & religion	Regional cultural institutions	Sports and tourism; Support to cultural institutions	Marketplaces; Municipal libraries; Support to cultural institutions; Monument protection; Promotion of sports
8. Education	Some secondary schools and vocational schools; Post-secondary schools; Teacher training colleges.	Secondary education	Pre-primary and primary education
9. Social protection	Regional Social Policy Centres; Social welfare and family policy; Social exclusion; Disabled; Childcare; Elderly care	Social welfare (beyond municipal territorial boundaries); Support to the disabled through county family centres	Social services including family benefits (since 2004) through municipal social assistance centres

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities, counties and regions; associations of municipalities; schools, local institutions of culture; local health care institutions; special purpose funds (environment and water management, protection of agricultural land, etc.), road traffic centres, local public corporations and non-profit institutions.

SNA 2008

Availability of fiscal data:
High

Quality/reliability of fiscal data :
High

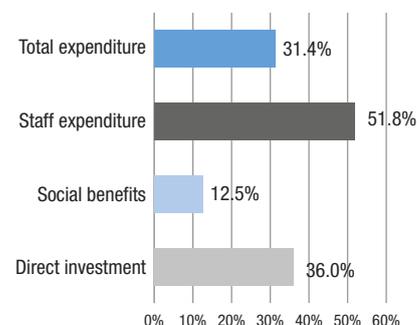
GENERAL INTRODUCTION. The main laws related to the fiscal framework of SNGs are the 1998 Act on Local Government Revenue (amended in 2004) and the 2009 Act on Public Finances. Reforms provided subnational governments with more fiscal autonomy, thanks to a decrease in the share of central transfers (and of earmarked grants), and an increase in shared tax revenues (higher proceeds from PIT and CIT). While the financial autonomy of Polish subnational authorities has been undermined in recent years as a result of the crisis and austerity measures, ongoing discussions tend towards a strengthening of their autonomy. Gaps in revenue collection between local governments across the country are filled through an equalisation system.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	3 530	12.9%	100%	
Incl. current expenditure	3 179	11.6%	90.0%	
Staff expenditure	1 454	5.3%	41.2%	
Intermediate consumption	931	3.4%	26.4%	
Social expenditure	588	2.1%	16.7%	
Subsidies and current transfers	168	0.6%	4.7%	
Financial charges	26	0.1%	0.7%	
Others	13	0.0%	0.4%	
Incl. capital expenditure	352	1.3%	10.0%	
Capital transfers	37	0.1%	1.0%	
Direct investment (or GFCF)	315	1.1%	8.9%	

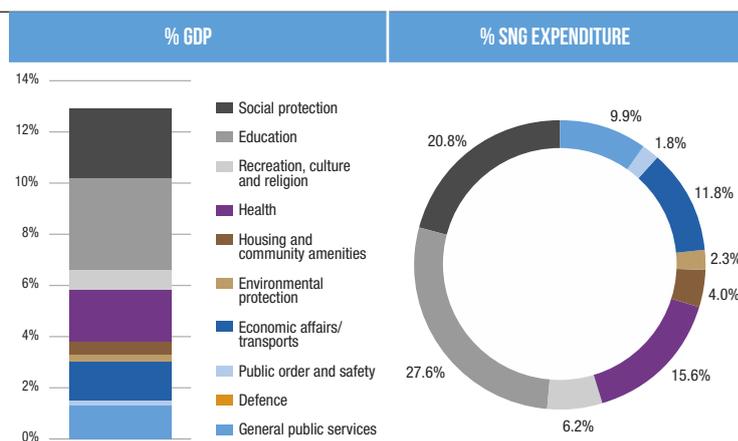


EXPENDITURE. The share of SNG expenditure in total public expenditure substantially increased with decentralisation reforms, going from 23% in 1995 to 31% in 2016 (representing an increase of 2 points as a share of GDP). Today, Polish SNGs are key economic and social actors, as well as key public employers (in particular in the education sector). Polish ratios are below the OECD average both as a share of public expenditure and GDP (respectively 40.4% and 16.2%) but above the OECD average for unitary countries (respectively 28.7% and 9.2%). Municipalities are by far the most important component (83% of SNG expenditure in 2016 i.e. 48% for the *gminas* and 35% for the cities with county status), followed by counties (11%) and then regions (6%).

INVESTMENT. Public investment accounted for 3.2% of GDP in 2016, which is slightly above the OECD average (3.0%) but has been in sharp decline since the crisis. The role of Polish SNGs as public investors has been plummeting as a result of austerity measures and borrowing restrictions. Subnational investment fell by 5% per year between 2008 and 2016 in real terms. The share of subnational investment in GDP decreased by 1.1 point while the share in public investment decreased by more than 10 points to reach 36% (i.e. 20 points below the OECD average of 57%). Within SNGs, *gminas* and cities with county status are the main investors, carrying out respectively 44% and 32% of subnational investment in 2016. Land counties and regions have an equivalent weight (respectively 12% and 13%). Investment represents a large share of regional expenditure (24%) while it amounted to 13% for counties and 11% in municipalities and cities with county status (11%).

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

The primary spending area of Polish SNGs is education, as SNGs are responsible for both capital and current expenditure including remuneration of teachers and staff. SNGs accounted for 48% of total public expenditure in the educational area. Social protection expenditure has substantially increased in recent years, becoming the second most important subnational budget item in 2016 (21% vs 13% in 2013) This was the case in 2016 especially when a social benefit was rolled out, called "The Family 500 plus", to support families bringing up children under 18 years of age. SNGs carried out 12% of total public social expenditure in 2016. Healthcare is the third most important SNG spending item accounting for 28% of total public health expenditure in 2016. Healthcare in particular is a prime responsibility for regions. In addition, SNGs are responsible for the large majority of overall public spending in the areas of housing and community amenities, recreation, culture and religion and environmental protection.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	3 598	13.1%	33.9%	
Tax revenue	1 175	4.3%	20.8%	32.7%
Grants and subsidies	2 072	7.6%		57.6%
Tariffs and fees	290	1.1%		8.0%
Property income	46	0.2%		1.3%
Other revenues	15	0.1%		0.4%

OVERALL DESCRIPTION. The Polish Constitution comprises two main provisions related to local finances (articles 167 and 168), establishing the “matching” principle (SNGs should be assured public funds adequate for the performance of the duties assigned to them) and specifying that subnational revenues should consist of own revenues as well as general subsidies and specific grants from the state budget. Article 168 provides that SNGs shall have the right to set the level of local taxes and charges. In addition to the Constitution, there are two main acts regulating local finance: the Local Government Revenues Act and the Act on Public Finance of 27 August 2009. The 2004 reform of the Act on Local Government revenue had a profound impact on the financial relationship between the central government and SNGs, granting them more fiscal autonomy. SNG revenues remain, however, highly dependent on central government grants and subsidies. Own revenues and a general subsidy (block grant) are aimed to finance the own tasks of SNGs, while specific grants are designed to fund allocated tasks. In 2016, grants and subsidies represented 65% of county revenues, 56% of *gmina* revenues and 47% of regional revenues. Cities with county status have a more diversified structure of revenue, grants and subsidies representing only 38% of their revenues.

TAX REVENUE. The SNG tax system is based on both shared taxes (for all three levels) and own-source taxes (only for the municipal level). Municipal own-source taxes include a property tax on land and buildings, an agricultural land tax and a forest tax. These three taxes on immovable property accounted for 28.5% of SNG tax revenue in 2016 and 9.3% of their total revenue i.e. 1.2% of GDP. The property tax levied on buildings and plots of land is levied on a square metre basis, with different rates set for commercial versus residential buildings. Other municipal taxes include a tax on civil law transactions, a tax on transport vehicles, a stamp duty, an inheritance and donation tax, etc. Municipalities are free to set tax rates within upper tax limits defined by law and to allow certain exemptions. Shared tax revenue come from the share of the PIT and the CIT which are redistributed to SNGs according to a fixed percentage of the total proceeds collected in their respective area. In 2016, the share of PIT allocated to municipalities, counties and regions is respectively 39.34%, 10.25% and 1.60% and while that of CIT is respectively 6.71%, 1.40% and 14.75%. In 2016, PIT represented 51.9% of SNG tax revenues and 17.0% of total SNG revenues (and 25% of revenues of cities with county status). The CIT accounted for 9.5% of SNG tax revenues and 3.1% of total SNG revenues (but 67% of regional revenues). Therefore, there is a fiscal incentive for municipalities to increase their populations and for regional governments to foster business growth. There is no horizontal equalisation mechanism.

GRANTS AND SUBSIDIES. The system of grants includes the general purpose grant and conditional (or earmarked) grants. Current grants accounted for the vast majority of grants in 2016 (96.7%) while capital grants represented 3.3% of total grants. The general purpose grant is made up of several shares, including the education share, the equalisation share, the balancing share and the regional share. Despite these delineations, SNGs can spend the general purpose grant at their own discretion – it is not earmarked for a particular purpose. The education share is by far the largest (78% of the general grant), accounting for 17% of SNG revenues in 2016. Defined at the national level, it aims at covering educational expenses, including teacher’s salaries. The equalisation share (17% of the general grant) is allocated to all SNGs with below-average tax capacities. The balancing share (3% of the general grant and only for municipalities and counties) aims at financing social expenditure; it takes into account such issues as GDP per capita, the surface area of public roads per capita and the unemployment rate. The regional share (1%) is a general grant calculated for each region based on different criteria. Some municipalities may also receive “compensating” grants, which are used to compensate municipalities for lost property tax revenues due to special economic zones. Conditional transfers include specific transfers to finance tasks that are delegated to them from the central government (88% of earmarked funds), in particular social assistance and to finance capital expenditure (12%). The latter includes grants provided under programmes financed with the participation of European funds, other non-refundable foreign funds and payments from European funds. The general grant acts as an equalisation mechanism that benefits all SNGs with below-average tax capacities (see above). A reform of the equalisation system is currently being explored: a first draft of the government bill is being discussed.

OTHER REVENUES. Administrative fees and charges include fees related to markets, visitor fees, exploitation fees, etc. while property income consists of property leasing and sales and income from municipal companies and public utilities.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	625	5.3%	7.4%	100%
Financial debt*	464	4.0%	7.0%	74.3%

* Currency and deposits, loans and bonds

FISCAL RULES. SNGs are governed by tight fiscal rules regarding the use of their resources and borrowing, under the supervision of Regional Audit Chambers. The 2011 Public Finance Act established budget balance rules for SNGs (income and current expenditure must be balanced).

DEBT. From 2014 onwards, new borrowing rules came into force to further reduce SNG debt. Local governments’ debt service should not exceed a three-year average sum of operating surpluses and proceeds from privatising public assets. Moreover, SNG debt must not exceed 60% of GDP. As a result, the level of SNG outstanding debt as a share of GDP and public debt has decreased over the last year. In 2016, it was moderate compared to the OECD average (24.5% of GDP and 20.7% of public debt), even when considering unitary countries only (14.5% of GDP and 11.8% of public debt). The great majority is composed of loans, bonds are limited. More than 80% of SNG debt is held by municipalities in particular by cities with county status (48% of total outstanding debt in 2016) and *gminas* (35%). Regions and *powiat* represented respectively 10% and 8% of SNG debt. In 2016, there were 48 SNGs that did not meet the individual debt-to-income ratio. In 2016, the Regional Audit Chambers called on 31 local government units to develop a remediation programme.



Lead responsible: OECD
Last update: 02/2019

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Socio-economic indicators: OECD // World Bank // UNDP // UN Desa // ILO // Central Statistical Office - Area and population in the territorial profile in 2017.
Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // Eurostat // Central Statistical Office (2017) Financial economy of local government units in 2016.
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