Local self-government. Problems and challenges in the light of new regional development instruments. An outline of issues

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Abstract:

Aim: The aim of the work is to identify the problems and challenges of local self-government in the application of new instruments of regional development.

Design / Research methods: In conducting the analysis of the extent and rules governing the autonomy of local self-government units, the author drew on a variety of studies illustrating not infrequently extremely different views on the institution of self-government and the functioning of the units themselves. The research process was based on an analysis of the content of materials constituting the topic scrutinized here.

Conclusions / findings: The challenges which Polish local self-government is facing have been the subject of numerous reports, analyses and political and academic debates. The discussion on cohesion policy is becoming increasingly heated mainly on account of the concerns about the two-speed Europe and radically different views on the forms of aid for local governments. The paper presents current problems and dysfunctions of the local government in Poland and the main challenges and opportunities faced by local governments when implementing new instruments designed to support regional development such as smart specialization, community-led development and integrated territorial investments.

Implications of the research (if applicable): These solutions require that the previous practice of using financial support be changed and adapted to the conditions with a view to improve the integrated management of development.

Keywords: local self-government, region, investments, union funds, integrated management.
JEL: H70, O1

Many factors are attributable to the present situation of the local government. On the one hand, local governments are facing the lack of capabilities and insufficient possibilities to adapt to the new conditions because of the actions of the central administration, which does not view the local government sufficiently seriously. On the other hand, considering the new global challenges,
what is becoming ever more pronounced compared to the last decade is “the failure of institutional governance which needs a fundamental reconstruction” (Kołodko 2002: 21). Stimulating growth and employment require “a sophisticated approach to regional development and pursuit of a policy which would allow for departing from the traditional sectoral approach to the benefit of that which focuses on local determinants” (Buzek 2007: 18). Contrary to what might be expected, in the conditions of globalization the role of the local context grows, including “resources that are characteristic, remarkable, deeply rooted in the local space” (Nowakowska 2008: 47). This, in turn, entails the need to make governance systems more efficient, to search for new solutions and channels of cooperation between various entities within local communities (authorities, residents, entrepreneurs, non-governmental organizations), as well as winning new entities, e.g. from the scientific community. All this with a view to “support selected local industries providing opportunities to gain competitive advantage, and to find niches in which regions might become leaders” (Słodowa-Hełpa 2012: 292). Local governments, which also manage technical and innovative infrastructure, can also influence the competitiveness development through regulating local laws and promoting local economy. “Considering that it is at the local level of spatial organization that the vast majority of basic public services is rendered, social expectations of local authorities are becoming greater in terms of their actions and responsibility for the local development” (Słodowa-Hełpa 2012: 292). Of no little importance for the situation of, in particular, Polish communes and districts is the crises of global economies, failures of the euro zone and other global economic determinants. There is also the risk that obtaining European funds by local governments may be less effective due to the problem of having to ensure an adequate own contribution, a change of priorities and of the stream of fund allocation. These are conditions in which questions begin to emerge as to the functioning of the local self-government faced with new global challenges and structural changes on social and economic levels. Thus, what is indisputably necessary is the need to strengthen actions taken at the local and regional level which would allow for “not only meeting the demands in terms of obtaining new financial transfers and using them effectively but also, first and foremost, to overcome the barriers to regional development” (Słodowa-Hełpa 2010: 292) Achieving and sustaining added value as a result of cooperation is an optimal and desirable situation. In the conditions when regional competitive advantages are being created, local governments encounter an array of challenges.
The Polish local government reform is certainly one of the manifestations of the great transformation of the political system. However, one of its creators, M. Kulesza says that “today this success is breathing its last, for time is marching on, while local governments have been left to their own devices by politicians and subsequent governments” (Kulesza 2012: 4). It is clear that “the present dysfunctions have been growing for a long time and mounting gradually” (Bober 2013: 14). The reform of 1998 did not “weaken” a considerable centralism of the Polish administration nor did it coordinate substantially the governmental work towards development policy. Although voivodship government was authorized and obligated under statute to draw up by itself development strategies, its budget has not been provided with adequate resources to implement tasks it has been entrusted with. The real situation of local governments was (and for some voivodships still is) far from what the European Charter of Local Self-Government (Articles 9 (3)) recommended as well as from the finance system of many regions of the European Union and the possibilities which they enjoy. The insufficient sources of funding districts and voivodships were strictly controlled by the government, which was “unlawful in the light of the legal position and status of the local self-government, and in conflict with the scope of responsibilities conferred on it.” (Słodowa-Hełpa 2012: 294). Moreover, the continuous postponement of the public finance reform led, already in the mid of the years 2000-2010, to a thesis on “the twilight of decentralization” (Grosse 2003) The growing number of tasks to be performed by local governments did not correspond to the funds provided for them. The statutory changes implemented over the years 2005-2011 led to a visible decrease in local government units’ own revenues, which, coupled with the new tasks, brought about a disruption of their financial balance. The implementation of the premises of the National Cohesion Strategy (NCS) and the tasks which the government assigned to local governments within the scope of economic growth support became a mission that is virtually impossible to accomplish. Polish communes, districts and voivodships lose annually about PLN eight billion because of ill-considered statutory changes implemented by the central authorities. In 2013, 135 communes were above the statutory debt threshold set at 60%. In order to save their budgets, the local authorities also now are being forced to continue borrowing. “The estimates speak about the underestimation of local spending at approximately PLN 10 billion annually” (Słodowa-Hełpa 2012: 300). This situation poses a threat not only to investments but also to the basic responsibilities to be carried out by the local self-government units. The Ministry of the Interior and Administration published a document
Assessment of the local governments’ situation\(^1\) in which the ministry maintains that it is in particular the communes that are unable to bear the ever more expensive public duties, especially in a situation of unfavorable demographic developments and the problems of an aging society. On top of that, owing to “the reduced human resources and thus related lower institutional potential” (Słodowa-Helpa 2013: 123) the smallest commune governments, despite their highest spending per capita, are lacking development capacity. In one of his analyses, professor Jerzy Hausner argues that the chief worries of the local government are as follows: progressing state control over the local government, gradually watering down self-government democracy, bureaucracy, a limited financial autonomy, using EU funds to finance ill-considered, and even random projects, spatial management that is neither structured nor supervised, insufficient capacity on the part of most local government units to boost development across their own areas, with unsustainable development being the outcome. What is also being emphasized is autonomation and fragmentation of the local governments’ policies, which has the effect that there is no consensus as to joint conduct within the framework of the state’s or region’s strategy and no “clear long-term strategies in local government units themselves, which makes subsequent teams do what at a given moment is easy to implement, often under pressure from the official lobby” (Słodowa-Helpa 2010: 134). This is aptly manifested by “the dysfunctional spatial development or ineffectiveness of some infrastructural investments both on the national as well as regional and local scale” (Słodowa-Helpa 2012: 138). Nor are other negative phenomena of little importance such as for instance those found by Regional Chambers of Audit and the Supreme Audit Office (NIK) including employing workers in local government units without open and competitive recruitment – a NIK report dated 27 July 2013 based on the audit conducted in 45 of local self-government offices.

The European cohesion policy is a source of proposals for integrated governance which involves combining interventions not only across different sectors but also across different administration levels. This approach is certainly conducive to a stronger coordination of actions taken by entities at different levels of governance. Here it is not only the government and voivodship self-government that are partners, but all the levels of administration are included frequently enjoying support of associations, organizations and entrepreneurs. Thanks to this kind of partnership, the regional development policy has the advantage over the centrally formatted sectoral policy in that it can create development processes. Grosse and Hardt (2014) argue that in

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the case of the sectoral approach, temporal and spatial coordination as well as connecting other development measures unfolding across the immediate area is very limited or downright impossible. There exists no single universal recipe for an integrated development of all areas mainly because of their such different development potential and differentiated problems, with all this requiring that suitable forms of support and development policy instruments be chosen. The coordination of the cohesion policy was recognized as needing total improvement, not unlike the policy for development of rural areas and fisheries (EC 2011: 1). It would be hard to overestimate the role of the local self-government in an effective cooperation between the administration, non-governmental organizations, business and science. “Local self-government wins members of academic and business communities for the purpose of supporting selected industries which might bring competitive advantage” (Słodowa-Helpa 2012: 296). A cohesive approach engaging all entities should include especially environmental as well as social elements. The implementation of projects enhancing local identity should focus on the development of regional and local products, on joining sectors which were separated before, e.g. agriculture and tourism, on dissemination of cultural and natural resources, on a new application of information and communication technologies.

Undoubtedly, what is supposed to foster the integrated development are certain instruments and the terms of acquiring funds from the financial program for 2014-2020. From the perspective of the local government particularly noteworthy are the following instruments: smart specialization, integrated territorial investments (ITI) and community-led development (CLD). The European Union recommends that regions use smart specialization, that is, defining the field in which a particular region specializes and including this fact in its development strategy.

Specialization denotes drawing on the regions’ natural resources and traditional industries which attest to a specific character and uniqueness of the region. Moreover, what is also required is for “an assessment of the effects of smart specialization to be based on measurable criteria that would allow for comparing the rate and level of development across regions and thus seek to eliminate the disparities that are to the disadvantage of the regions’ inhabitants” (Kaczorowska 2012). Within the framework of the Innovation Union project, the Member States were “called upon” to restructure their national and regional systems of research, development and innovation, and, in addition, to verify the already implemented regional strategies for innovation, especially with the focus on the so called smart specialization. In pursuing smart specialization strategies,
local self-governments should follow the following guidelines: choices, competitive advantage, so-called critical mass and collaborative leadership. Among other things, they refer to the concept of the basic product (the way towards development is to produce products which are the most competitive on external markets), flexible production (the ability to change production easily so as to adjust it to market conditions), A. Marshall’s “industry district” (an area where there is a concentration of specialized industry plants), M.E. Porter’s cluster concept (a geographic concentration of interconnected businesses, specialized suppliers, service providers, firms from related industries and associated institutions which compete and collaborate with one another; Porter 2009: 213-214), as well as growth poles and economic base. What makes the development strategies particularly up-to-date are the following new theories: the theory of growth, of institutional economics and of economic geography. Directorate General for Science Research and Development appointed Synergies Expert Group (ec.europa.eu/programmes/horizon2020/sites/horizon2020/files/synergies_study_final_report_6oct2017.pdf), which advocates smart specialization, being followed by the Committee of the Regions\(^2\), the World Bank and OECD. These organization together with the EC developed a Regions and Innovation Policy program; in Poland smart specialization has been placed and regulated in long and mid-term strategic documents: Poland 2030 (Kancelaria Prezesa Rady Ministrów 2009), National Development Strategy 2020 (Ministerstwo Rozwoju Regionalnego 2012), Strategy for Innovation and Effectiveness of Economy (Ministry of Economy 2013), the Dynamic Poland 2020. The national strategic framework has also been outlined in “Financial Perspective Programming 2014-2020” (funduszeeuropejskie.gov.pl).

One of the greatest challenges of smart specialization is to define the socio-economic identity of the region and to identify its most promising areas. In this respect what stands out are the resources which are specific, unique and characteristic for a particular region and are not easy for competition to copy and move around. They need not necessarily be material resources, as currently the role played by tradition, culture, “intellectual capital” (Słodowa-Hełpa 2013: 94) and identity has been growing considerably. Possessing those elements is what sets the uniqueness of regional space and should be seen as the “basis for endogenous development” (Słodowa-Hełpa 2013: 94), while at the same time should be recognized as a natural competitive advantage. It ought to be

\(^2\) See: europa.eu/european-union/about-eu/institutions-bodies/european-committee-regions_pl#czym_zajmuje_sie_komitet_regionow? [05.10.2018].
stressed that smart specialization cannot be associated exclusively with technological innovations (although their role is indeed substantial), but also with social innovations, including among others: services, processes, branding, marketing and promoting unique handcrafted products (a considerable portion of artisan products). With respect to the Innovation Union project, the European Parliament makes it very clear that local and regional authorities are the main partners while implementing the project in practice as they are capable of selecting or devising an optimal set of instruments considering their proximity to citizens, scientific institutions and business communities (www.pi.gov.pl/PARP, 2018). The view suggesting that “an average city president, mayor, head of the commune can exert only a slight impact on competitiveness and innovation” (Slodowa-Helpra 2013: 30) is increasingly less valid. Until recently, this view was rooted in the belief that “abundant sources of innovation are far away while the instruments to promote development come from the top” (Slodowa-Helpra 2013: 30) What is becoming quite visible is the trend to initiate new solutions by local governments using the, after all, available instruments which allow for influencing how the level of competitiveness is being shaped; from technical infrastructure management, regulations laid down in local laws, to promoting local economy. At the moment the state of progress of the work on the smart specialization program varies across individual voivodships. In many of them, the works on up-dating strategic documents until 2020 intensified in the second half of 2013. The state of their progress is first and foremost affected by the methods employed, as well as “the nature and the level of detail of the specialization areas that have been identified” (Slodowa-Helpra 2013: 99). For some voivodships, e.g. Podkarpackie, the choice of the development path was obvious3, yet there are others which found the task of identifying their specialization rather difficult, e.g. Kujawsko-Pomorskie voivodship (eventually, the focus was on the following areas: healthy foods, health and health tourism, advanced materials and tools, transport and mobility, cultural heritage, creative industries, eco-innovations, ICT services4), Zachodnio-Pomorskie (the following specializations were identified: large-size land and water structures, advanced metal products, wood and furniture products, environmentally friendly packaging, chemical and materials engineering, high-tech agro-industrial processing, multimodal

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transport and logistics, products based on information technologies\textsuperscript{5}), or Opolskie voivodship (the following areas of specialization were distinguished: chemical and construction industry together with mineral industry and construction services, as well as machinery and electromechanical industry, fuel and power, agri-food, wood and paper, metal and metallurgical industry, and other \textsuperscript{6}). A number of choices was verified by the Ministry for Regional Development which recommended their correction. It appears extremely difficult to resist the temptation of “copying other regions and fostering the already identified areas” (Kaczorowska 2012). What is emphasized is that specialization should imply a prohibition of copying, which some authors define as “strategic blindness” (Domański 2012). However, it is not infrequent that the EU regions take up practices which proved to be successful for other units, thus failing to notice and use their local potential. In order to steer away from this course of action, it is vital to take into account opinions voiced by the demand-side, that is, innovators, users and consumer interest groups, as well as other entities with relevant knowledge and market-orientation. It became obvious that the traditional model of governance had to be enhanced by yet another element – a group of stakeholders representing a wide circle of users of innovations. Concerns are being raised, especially among authorities in towns with low development potential, that becoming dependent on a single industry must be particularly risky. On the other hand, “what also seems worrying is remaining on the previous development path, which means that local authorities, economic entities, scientific institutions and business communities retain their focus on the industries which in the past played the crucial role in regional or local development” (Słodowa-Helpa 2014: 36).

In the course of the regional debates the needs have been revealed as to transferring the voivodship strategies into the context of some communes and to reaching a compromise if there are no plans of spatial development and there are more duties coupled with dwindling financial resources. There can be no doubt that a considerable asset is here the fact that local government units instead of competing are beginning the appreciate the importance and the role of collaboration (Woźniak 2012).

A new tool designed to increase the involvement of towns and cities in the management of the EU structural funds is integrated territorial investments (ITI) (www.funduszeeuropejskie.gov.pl, 2018). Their purpose is to foster the development of an urban

\textsuperscript{5} Resolution o 13 June 2016 of the Board of Zachodniopomorskie Voivodship, no 933/16.
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functional area through the promotion of cooperation between administrative units of this area and to implement common integrated projects. The integrated territorial investments help “unlock the unused potential” (Słodowa-Helpa 2014: 31) at a local, urban and regional level and allow for a joint participation of the most important local entities in solving problems. The measures implemented through the ITI may be financed by the European Regional Development Fund, the European Social Fund and the Cohesion Fund⁷, yet it is not required to combine all the funds within one ITI. This instrument also makes it possible to delegate some tasks related to implementation of certain programs to a sub-regional or local level, especially for local governments ensuring their engagement in the preparation and implementation of the program. The integrated territorial investments can cover any area displaying specific territorial characteristics, from specific city districts with various problems, urban-rural, metropolitan to subregional and interregional areas, as well as they can combine integrated actions in separate geographic units showing similar features within a given region. In the case of cooperation with border towns, Article 10 of the Regulation on Regional Cooperation requires that “every intermediary institution appointed to implement ITI be established by the public authorities of at least two participating countries” (Słodowa-Helpa 2014: 32). An efficient implementation of ITI and effective use of resources raised through it are still a considerable challenge for the local government. What is necessary is a detailed analysis of all aspects, especially in terms of their potential possibilities and risks. The ITI strategy, referred to in Article 7 of the ERDF Resolution, should be “consistent with domestic and the Union strategic and planning documents” and it should contain, inter alia, a synthetic diagnosis of the area to be supported, territorial dimension of support, financial plan, as well as a list covering strategic undertakings of a complementary nature that can be implemented within a non-ITI formula, and it should describe the implementation system (www.funduszeeuropejskie.gov.pl, 2018). The practices developed to date referring to the local government cooperation using the new forms of collaboration are certainly helpful; however, it is important for the local government to define the rules of this cooperation and organization of the ITI internal structure.

A relatively new instrument and one which responds to local needs and uses local participatory potential is the community-led local development (CLLD). It addresses a specific territory of 10,000-150,000 population, which is managed by local action groups comprised of local community, and members of public and private institutions” (Słodowa-Helpa 2012: 309).

What provides basis for this instrument is integrated development strategies, drawn up and implemented by “multi-sectoral partnerships which organize both local government and the social and business sector”\(^8\). However, none of these groups may represent more than 49% of votes at a decision-making level. The participatory methods of dealing with the broad range of challenges have proven themselves in cities and agglomerations, hence the European Commission’s proposal to separate from the structural funds special resources aimed at sustainable development of urban areas. Greater possibilities of operating, also including raising funds, have partnerships with legal personality. Engaging the funds of the cohesion policy (the European Social Fund and the European Regional Development Fund) with a view to pursue an integrated development policy by local communities across a specific area and the comprehensive support through the EU funds as well as striving for harmonization of ESF, ERDF, European Agricultural Fund for Rural Development (EAFRD)\(^9\) and the European Maritime and Fisheries Fund (EMFF)\(^10\) represent a significant change in relation to the previous local action groups (LAG).

While striving for a fully integrated development strategy of an area, one should bear in mind characteristic features of specific sectors, e.g. fisheries. One should allow the many types of “horizontal” and “vertical” partnerships which stem from the diverse local needs to function concurrently.

Financing the integrating activities certainly help promote local products, capabilities and innovations, with the purpose being an enhanced cooperation at the level of local government units and between sectors while allowing for development of investment activity. However, what ultimately determines success is good sense, well-planned strategy, harmonious cooperation and good will.

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