POLAND

UNITARY COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **Zloty (PLN)**

POPULATION AND GEOGRAPHY

AREA: **312 679** km²

POPULATION: **38.484** million inhabitants (2014), a decrease of 0.0% per year (2010-14)

DENSITY: **123** inhabitants/km²

URBAN POPULATION: **60.6%** of national population

CAPITAL CITY: **Warsaw** (4.5% of national population)

ECONOMIC DATA

GDP: **960.2** billion (current PPP international dollars) i.e. 24 952 dollars per inhabitant (2014)

REAL GDP GROWTH: **3.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **9%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **17 275** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.843** (very high), **rank 36**

Sources: OECD, Eurostat, World Bank, UNDP, ILO

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
2 478	380	16	2 874
MUNICIPALITIES (GMINA)	COUNTIES (POWIAT)	REGIONS (WOJEWÓDZTWO)	
AVERAGE MUNICIPAL SIZE: 15 530 INHABITANTS			

MAIN FEATURES OF TERRITORIAL ORGANISATION. Poland has a three-tier system of subnational government, enshrined in the Constitution ratified in 1997. The regional level (*voivodeships*) was created by the 1999 Local Government Organisation Act. The intermediate level is made up of counties which were abolished in 1975 and re-established in 1999. Among the counties, 314 are "rural counties" and 66 are urban municipalities with county status. Having more than 100 000 inhabitants, they exercise both municipal and county responsibilities. Municipalities, re-established in 1990, are divided into three categories: urban municipalities, rural municipalities and mixed municipalities. Municipalities may create sub-municipal units with a subordinate administrative role, whose statutes and tasks are defined by each municipality (*osiedle* or *dzielnica* in urban municipalities and *sołectwo* in rural areas). Poland also has a State territorial administration based on 16 prefectures managed by a prefect, appointed by the Prime Minister in charge of supervising local governments.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 1990 Act on Municipalities gave large responsibilities in terms of spatial planning, infrastructure development including local roads, bridges and public transport, utilities (water supply and sewerage, waste management since 2013, energy), municipal housing, social services (including family benefits since 2004), pre and primary education, environmental protection, basic healthcare, recreation and culture. Counties are responsible for local issues not ascribed to municipalities and have a more limited role and influence. Their responsibilities include secondary education, public health services (general hospitals), social welfare (beyond municipal territorial boundaries), economic activity and job creation (employment offices). Regions are responsible for issues of regional importance (determined by law), playing a relatively limited role in providing public services. Their main responsibilities are regional economic development, regional roads and public transport (including railways since 2009), higher education, health (regional hospitals), social welfare, labour market, environmental protection (since 2009), etc.

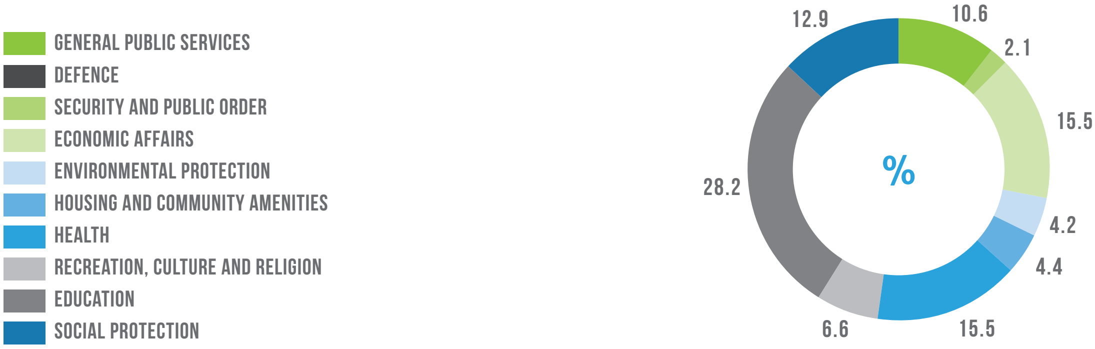
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	**13.1%**	**31.1%**	**100%**
CURRENT EXPENDITURE	11.0%	-	83.9%
STAFF EXPENDITURE	5.5%	53.2%	41.7%
INVESTMENT	1.9%	50.9%	14.5%

With the decentralisation process, the share of SNG expenditure in total public expenditure increased by 8 percentage points, going from 23% in 1995 to 31% in 2013. Today, Polish SNGs are key economic and social actors with spending ratios below the OECD average but in line with those of OECD unitary countries only (which accounted for 13.4% of GDP and 29.0% of public expenditure in 2013). SNGs are also key public employers, in particular in the education sector. SNG role as public investor is lower than in the OECD on average (50.9% vs 58.5%), although the share of SNG investment in GDP is in line with OECD average (1.9%). Municipalities are by far the most important component of SNG expenditure (around 80%), followed by counties and then regions.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



SNG's primary area of spending is education, as SNGs are responsible for both capital and current expenditure including teachers and staff remuneration. Education is followed by healthcare and economic affairs/transport (weighing similarly in SNG expenditure) and then by social protection. In addition, SNGs are responsible for the large majority of overall public spending in the areas of environmental protection, housing and community amenities and recreation and culture (over 75% of public spending).

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	**13.0%**	**34.0%**	**100%**
TAX REVENUE	4.1%	21.1%	31.8%
GRANTS AND SUBSIDIES	7.5%	-	57.9%
OTHER REVENUES	1.3%	-	10.3%

Financial provisions are laid down in the 1998 Act on Local Government revenue, further reformed in 2003 and 2004. The 2004 reform profoundly modified the financial relationship between the central government and SNGs, giving more fiscal autonomy to them. SNGs remain however dependent from central government grants. Regions and counties are essentially funded by the central government relying mostly on grants while municipalities have a more diversified structure of revenue.

TAX REVENUE. The SNG tax system is based on both shared taxes (for all three levels) and own-source taxes (for the municipal level only). Shared tax revenue come from the share of the PIT (48% of SNG tax revenue) and the CIT (9% of SNG tax revenue), which are redistributed to SNGs according to a fixed percentage of the total proceeds collected in their respective area. For the PIT, the share of municipalities, counties and regions are respectively 37.42%, 10,25% and 14.75% and for the CIT, 6.71%, 1.4% and 1.6%. Municipal own-source taxes include a property tax on land and buildings, an agriculture land tax and a forest tax. These three tax on immovable property accounted for 31% of SNG tax revenue in 2013 i.e. 1.2% of GDP. Municipalities are free to set tax rates within limits set out in law and to allow certain exemptions. Other municipal taxes includes a transportation tax, a tax on vehicle registration, pollution, etc.

GRANTS AND SUBSIDIES. The general grant (non-earmarked) constitutes the most important grant. It is made up of several shares, including the education share, the equalisation share, the balancing share and the regional share. The education share is by far the largest, accounting for over 20% of SNG revenues. It aims at covering educational expenses, including teacher's salaries, but it is not earmarked. The equalisation share (5% of SNG revenue) is allocated to all SNGs with below-average tax capacities. The balancing share (only for municipalities and counties) aims at financing social expenditure while the regional share is a general grant calculated for each region based on several criteria (demography, unemployment, GDP per capital, roads, etc.). Earmarked transfers include specific transfers for central government delegated tasks (e.g. social spending), capital expenditure, etc. Overall, capital grants represented 11% of total grants. A reform of the equalisation system is currently being explored.

OTHER REVENUES. The share of other revenues in total SNG revenue is lower than in the OECD on average. They include administrative fees and charges (market place selling fees, visitor fees, exploitation fees, etc. i.e. 9% of SNG revenue) and revenue from property, leasing and sales, including income from municipal companies and public utilities.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	5.6%	9.0%

The 2011 Public Finance Act already stipulated to balance local current budgets and strengthened debt limitations requiring that the sum of loan instalments and interest payments must not exceed 15% of total debt. From 2014 onwards, the mode of calculation for debt ratios is changed in order to reduce SNG debt: the debt limit – outstanding and debt service – which will no longer be set based on revenue but rather on gross savings calculated over a three-year period. Moreover, SNG debt should not exceed 60% of GDP. The level of SNG outstanding debt as a share of GDP and public debt is moderate compared to OECD average, even when considering unitary countries only for which SNG debt represented 15.1% of GDP and 12.0% of public debt in 2013. It is made up loans (69%); bonds (6%) and other accounts payable (25%).

A joint- study of:

UCLG United Cities and Local Governments

OECD

Sources: OECD National Accounts Statistics Sources • OECD (2015 and 2016) Subnational Governments in OECD Countries: Key data • Council of Europe (2015) Local and regional democracy in Poland, CG/2015(28)12FINAL • OECD (2015) The state of public finance 2015 • Committee of the regions (2014) https://portal.cor.europa.eu/divisionpowers/countries/MembersNLP/Poland/Pages/default.aspx • Sauer A. (2013) The System of the Local Self-Governments in Poland, Association for International Affairs Research Paper • OECD (2011) Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis • OECD (2011), OECD Urban Policy Reviews: Poland 2011.

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