IS THERE A ROOM FOR LOCAL AND REGIONAL SELF-GOVERNMENT IN THE ILLIBERAL DEMOCRACY? STRUGGLE OVER RECENTRALIZATION ATTEMPTS IN POLAND

1. INTRODUCTION

Theoretical discourse, but also reform practice with regard to the local government, seem to be currently dominated by tension between two contrary trends – emergence of the new localism and rise of recentralization tendencies. New localism – as defined by Katz and Nowak\(^1\) – reflects the idea that local governments (primarily big cities) are gradually surpassing the national governments in addressing the key policy problems, including climate change, social inclusion or managing social diversity. It inherently assumes expansion of local autonomy and further, massive decentralization of powers and resources in favor of the local communities. On the other hand, the fiscal pressures, rise of illiberal democracy and growing public support for consolidation of power in unstable times are fueling recentralization tendencies. Extensive local autonomy is perceived by advocates of recentralization as a source of inefficiencies or unnecessary limitation of the central government powers.

Tension between both trends is also marked in the evolution of the Polish local government system, where the gradually increasing role and capacities of municipalities are now being confronted with centralistic backlash. This paper analyses the legislative changes adopted in Poland in recent years that affected the degree of local and regional autonomy. It also explores the background of recentralization by putting it into a broader context of shift towards illiberal democracy observed in Poland since 2015. The paper is structured as follows. In the first part, the recentralization tendencies in Europe are briefly presented with special focus

on recentralization as a part of illiberal democracy agenda. Subsequently, the key features of the Polish model of local and regional self-government are described. The key part of the paper is the review of the laws adopted since the parliamentary elections in 2015, in terms of their impact on local and regional autonomy. In the final section of the paper, the outcomes of recentralization process are discussed and some remarks about future developments are presented.

2. RECENTRALIZATION AS AN EMERGING TREND IN EUROPEAN LOCAL GOVERNMENT SYSTEMS

Recentralization implies curbing local autonomy and shifting more capacities, resources and control powers to bodies hierarchically subordinated to the central government. Recentralization as a policy strategy has not attracted so much attention in the theoretical discourse. Its significance stems from the observation of the policy practice of recent years in Europe. Recentralization tendencies are manifested both at sectoral level with special focus on healthcare systems and as horizontal, cross-sectoral trend. The political and ideological backgrounds of recentralization tendencies vary considerably. Reclaiming previously devolved powers by central governments in Spain or Italy was linked with the dramatic economic crisis in both countries. Recentralization was applied as a strategy for eliminating inefficiencies, reducing public expenditure and tightening fiscal control mechanisms. We may describe this approach as a pragmatic recentralization strategy, reflecting the natural predilection of administrative systems to consolidation in the era of austerity. In a broader sense, pragmatic recentralization may also include territorial consolidation leading to significant reduction of the number of self-government units. This trend was strongly represented in the late 1990s and at the turn of the 21st century, and then intensified again since the economic crisis in the context of austerity policies. While this process does not usually change the balance of powers between the central and the local government, the effect from the citizen’s perspective is similar – the distance between citizens and their elected representatives increases.


Pragmatic recentralization is accompanied with more ideological or doctrinal recentralization strategy that emerges as part of shift towards illiberal democracy. This strategy has been represented primarily by Hungary since 2010 and – to a lesser extent – by Poland since 2015. Illiberal democracies, as defined by Zakaria (1997), retain some elements of democratic governance, especially free elections, but aim at curbing civil liberties and – what is crucial in the context of local government – eliminating restrictions and limitations of the central governments. Illiberal democracy undermines the value of institutional pluralism, where the local government – together with private and voluntary sector, judiciary and independent oversight bodies – curb the power of the central government and prevent consolidation of public power. Illiberal democracy does not imply the local authorities to be appointed by the central government, but it may lead to a situation where locally elected representatives act primarily or solely as central government agents, enjoying strictly limited policy autonomy and are deprived of institutional safeguards of this autonomy.

Research on illiberal democracy is at early stage of development and the practice of governments representing this model might provide more insightful understanding of illiberal democracy’s attitude towards local autonomy. In Hungary, illiberal democracy became an official state doctrine, when in his most famous speech, the Prime Minister Viktor Orban declared that: “We need to state that a democracy is not necessarily liberal. Just because something is not liberal, it still can be a democracy. Moreover, it could be and needs to be expressed, that probably societies founded upon the principle of the liberal way to organize a state will not be able to sustain their world-competitiveness in the following years and more likely they will suffer a setback, unless they are able to substantially reform themselves.” However, the recentralization process had started already a few years before this statement. In a nutshell, the reforms implemented since 2011 involved weakening the constitutional protection of the local autonomy, transferring a large amount of tasks from self-government units to central government administration (depriving county governments of public service delivery functions), restoration of central government territorial bodies at the county level and strengthening legal supervision over local self-government units.

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3. LOCAL AND REGIONAL SELF-GOVERNMENT IN POLAND. BRIEF OVERVIEW

The reinstatement of territorial self-government in Poland since 1990 is undoubtedly one of the major achievements of the Polish transition from autocratic socialist regime towards democracy. It is also a unique example of an incremental, carefully designed institutional reform, where the final outcomes largely reflected the vision established at the starting point of the process. The creation of the local and regional self-government equipped with extensive autonomy and capacities required two waves of reforms introduced between 1990 and 1998.

In March 1990, the Territorial Self-Government Act led to restoration of the self-governance at the level of nearly 2,500 municipalities. This act was followed by elections to the municipal councils held in May 1990. The second stage of decentralization reforms occurred in 1998-1999. The legislative package passed in June 1998 and enacted on 1 January 1999 consisted of two core elements: 1) Restoration of the powiat (county) as a second, supramunicipal tier of local government, which was traditional for Poland. Pursuant to this legislation, 314 counties have been established since 1 January 1999; and 2) creation of self-government at the regional level with 16 voivodeships (regions, provinces) that replaced 49 former small voivodeships managed by the central administration. As a result, a three-tier self-government system was created, where municipalities and counties perform the functions of the local government, and voivodeships operate at the regional level. At the regional level, the self-government administration coexists with offices of central government (voivodeships’ offices). The voivodes, as general representatives of the central government perform supervision over the local and regional self-government authorities and perform tasks related to general security and order, crisis management, natural disaster prevention, etc. There are also other specialized agendas of central government operating at both the regional and local levels, including tax administration, police or fire services, as well as some inspections.

In 1997, the new Constitution significantly strengthened the standing of the local and regional self-government. Among the fundamental rules of the State and its political system, the Constitution mentions decentralization (Article 15) and envisages that local and regional communities (represented by self-governing institutions) shall perform «a substantial part of public tasks on their own behalf and under their own responsibility» (Article 16). More specific guarantees of local and regional autonomy are provided in a separate chapter of the Constitution and include:

1) Separate legal personality of self-government units combined with rights of ownership and other property rights;
2) Supervision over self-government units performed by the central government bodies is limited to legality of self-government units’ actions;

3) Rights and powers of self-government units are subject to independent judicial protection;

4) To the extent established by a statute, units of local government have the right to set the level of local taxes and charges;

5) Units of local government shall be assured public funds adequate for the performance of the duties assigned to them.

The scope of tasks entrusted to local and regional self-governments is extensive, especially in case of municipalities. Vast majority of public services are currently delivered by local and regional governments. Among major exceptions we may consider services relating to protection of public safety (police, fire services, inspections) and healthcare. In the latter case, local and regional governments are the operators of the majority of public hospitals, but public resources and policy-making powers in this area remain under control of the central government.

Taking this into account, Poland could be categorized among ‘champions of decentralization’ in Central and Eastern Europe, that developed a system demonstrating several similarities to the model of extensive decentralization characteristic to Northern Europe countries. Analysis of local autonomy in 39 countries conducted by Ladner, Keuffer and Baldersheim provides additional support to this claim. This study provides a relatively comprehensive framework to describe the powers and capacities of local authorities. It includes institutional depth (“extent to which local government is formally autonomous and has a choice regarding which tasks to perform”), policy scope (“range of functions (tasks) where local government is effectively involved in the delivery of the service”), effective political discretion (decision-making powers with regard to entrusted functions), financial transfer system (share of unconditional financial transfers in total amount of transfers received), financial self-reliance (share of own revenues in total budget), borrowing capacity, organizational autonomy (covering both internal organization and electoral matters), legal protection (constitutional and judicial), administrative supervision (scope of supervision) and central or regional access (“extent to which local authorities are consulted to influence higher-level governments’ policy-making”). Poland was classified in the multi-country review based on this methodology among the countries with the highest degree of local autonomy, comparable with Norway, Denmark or Germany.

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4. CENTRALISTIC SHIFT. REVIEW OF LEGISLATION (2015-2018)

The parliamentary elections of 2015 resulted in formation of a single-party government of the Law and Justice Party (PiS). PiS is a member of the Alliance of Conservatives and Reformists in Europe and represents a right-wing, populist political agenda. The practice of over two years in power demonstrates proximity to the Hungarian model of illiberal democracy, also reflected in a close cooperation of both governments. The institutional vision of the state represented by PiS is characterized by a strong tendency towards consolidation of power and dismantling the checks and balances mechanisms. While the judicial system seems to be the main target, undermining the local and regional autonomy is also in line with this agenda. In this section, I focus on the main legislative changes adopted since November 2015 that affected the status of local and regional self-governments.

4.1. CONTROL OF THE REGIONAL SUPERINTENDENTS OVER REORGANIZATION OF LOCAL SCHOOLS

Providing education at the level of primary and high schools is the major task of local governments in Poland and the Polish education system is highly decentralized. Since 2009, self-governments running vast majority of primary and high schools were empowered to decide independently on the network of schools in their area (setting up schools, abolishment, mergers). The legislation required only to ensure education to all children from the territory of respective municipality or county. As a result of amendments adopted in December 2015, the autonomy of local governments in this matter was abolished and currently any changes in network of local schools require a positive opinion of the regional superintendent of education (central government administration body).

The explanatory memorandum accompanying this legislative proposal raised that in recent years, changes in the network of schools led to a reduction of the number of public schools and increased the role of private schools in the education system. However, the authors of the proposal did not refer to the actual background of this process, which was clearly linked with demographic issues (decreasing number of children in school age). Furthermore, they ignored the fact that the abolishment of schools resulted from centrally established funding mechanism that made keeping schools with low number of students particularly burdensome for local governments.

The draft amendment to the Act on the education system was submitted to the Parliament on 9 December 9 2015. Due to the fact that the proposal was a parliamentary submission, the Central Government and Territorial Self-Government Commission had no chance to comment on it. Local government organizations – according to the opinion of the Association of the Polish Counties
(ZPP) – received a draft for approval only on 14 December (the day when the projects were sent to the first reading in parliamentary committees). In its opinion, the ZPP strongly criticized the proposed solutions to strengthen the competence of education superintendents.

Under the new law, opinions of education superintendents regarding the changes in the network of local government schools are subject to complaint to the Minister of National Education. If they are upheld by the Minister, the complaint may be lodged to the administrative court. The case law of administrative courts in this matter is emerging. In one of the cases, the court pointed out that the opinions of education superintendents cannot be arbitrary. It is necessary to justify the negative opinion in a way that responds to all circumstances raised by the local government and specifies the reasons for which the education superintendents issued such a negative opinion. However, the opinion of education superintendents remains largely discretionary, because this body has the power to assess independently whether the proposed network of schools ensures adequate standard of access to education. The law does not provide any clear-cut criteria for formulation of the opinions.

4.2. REDESIGN OF THE SCHOOL SYSTEM

The above-described amendment was only a prelude to a radical redesign of the school system in 2016. The system introduced in 1998-1999 consisted of primary schools (6 years), junior high schools (3 years) and high schools (3 years). PiS decided to reintroduce the model that existed already until 1998-1999, based on 8-years primary school and 4-years high school. The main objective for withdrawing from this system in 1998-1999 was to reduce inequalities in access to good quality education. Long period of education in primary schools in rural areas was a factor contributing to inequalities that were difficult to eliminate at later stages of education process. The decision to return to this system was heavily criticized by the majority of education experts, but enjoyed a relatively strong public support.

The reform itself does not imply recentralization of the education system. The local governments retained their leading role in the system. However, the process of designing and implementing the reform clearly represented a centralistic approach. Critical opinions of all local government associations were not taken into account. The representatives of local governments were not involved in designing the reform. The documents attached to the governmental bill submitted to the Parliament did not refer to these critical remarks. Local governments

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9 Judgment of the Regional Administrative Court in Warsaw, II SA / Wa 1229/16.
10 Judgments of the Regional Administrative Court in Warsaw: II SA / Wa 2090/16; II SA / Wa 1721/16.
along with non-governmental organizations tried to convince parliamentarians to organize a public hearing, but also this request was rejected by the parliamentary committees working on the project.

Once the reform was adopted, the key challenge for local governments was to prepare a new network of schools in their area within just a few months and carry out all technical and organizational changes to ensure that from 1 September 2017 the schools will function smoothly. This triggered new problems. The Association of Polish Cities, based on data obtained from local governments, calculated that the additional costs of introducing a new educational system, which fell on local governments, exceed PLN 1 billion in 2017. This amount was several times higher than the allocations guaranteed for this purpose in the state budget. It involves primarily the costs associated with the adaptation of schoolrooms and the payment of severance pay for dismissed teachers.

### 4.3. TRANSFERRING CONTROL OVER REGIONAL ENVIRONMENTAL FUNDS TO THE MINISTRY OF ENVIRONMENT

The regional environmental protection funds operating under the Environmental Protection Act are self-government legal entities responsible for collecting and distributing funds for various purposes related to environmental protection. In the period of 2007-2015, regional environmental protection funds distributed over PLN 19 billion for implementation of projects in the field of wastewater management, water protection, air and climate protection, and waste management. Thanks to the subordination of provincial funds to regional self-governments, regional authorities could provide support for pro-ecological investments contributing to the implementation of objectives included in regional development strategies.

On 7 December 2016 a draft amendment to the Environmental Protection Law, which introduced a fundamental change in fund management, was submitted to the Parliament. The project, issued as a submission of group of MPs, was not subject to the opinion of the Joint Commission of the Central Government and the Self-government that provides opinions on governmental proposals. Local government organizations expressed their definitely negative position at the stage of parliamentary works, but no important remarks of self-government representatives were taken into account.

While maintaining the status of regional funds as nominally self-government legal persons, the role of regional government in management of the funds was marginalized. In the five-member supervisory board of each fund, the regional self-government indicates only one member (previously majority of them). The others are appointed by voivodes and the Minister of the Environment. Regional funds, as a result of this change, have in fact become a part of the central government administration.
4.4. DEPRIVING THE LOCAL COUNCILS OF REGULATORY FUNCTIONS ON LOCAL WATER AND SEWAGE MARKET

The government bill on collective water supply and collective sewage disposal adopted by the Parliament at the end of October 2017 deprives municipal councils of the competence to approve tariffs for water and sewage disposal. The role of the regulator on these markets is taken over by the directors of regional water management boards of the newly created state-owned “Polish Waters” company. Companies operating on these markets (mostly communal entities) are now required to apply for approval of tariffs to this agenda of central government.

In the explanatory memorandum accompanying the project it was argued that since the majority of water and sewage companies are entities controlled by municipalities, simultaneous allocation of the role of a regulator to municipalities may lead to excessive water pricing and sewage disposal. Unfortunately, the project lacked any data and calculations that would prove the existence of such a problem in local practice. Moreover, the authors of the proposal ignored the fact that the Office of Competition and Consumer Protection – as a central government body – already has numerous effective instruments to protect the interests of the customers.

It is worth noting that this government proposal was referred to the parliament without consulting the Joint Government and Local Government Commission. In the course of parliamentary works, local government organizations expressed opposition to the proposed solutions. However, the project was finally adopted without any significant modifications.

4.5. FAILED ATTEMPT TO EXTEND FINANCIAL SUPERVISION OVER LOCAL AND REGIONAL SELF-GOVERNMENTS

The Regional Audit Chamber (RIO) is a central government body (though enjoying extensive operational independence) indicated in the Constitution as an institution performing financial supervision over self-government units. In 2016 the Ministry of Interior and Public Administration published a draft amendment to the Act on RIO. It was explained that it is necessary to broaden the competences of the chambers so that they can effectively counter excessive indebtedness by local government units. The governmental project assumed clarifying the provisions on the supervision of chambers over companies run by local government units, as well as changes in the internal organization of the chambers. The governmental project did not arouse enthusiasm on the self-government side, but ultimately gained a positive opinion of one of the sub-committees of the Joint Government and Territorial Self Government Committee.

In the course of the parliamentary works, the draft agreed in the Joint Commission, however, was substantially changed. Firstly, the control competences of the chambers with respect to self-governments were expanded by adding new
criteria of control. In addition to the legality criterion, reliability and cost-effectiveness was included in the case when the subject of control are loans, credits and municipal bonds. Although new control competences do not imply itself that the chambers may interfere in the local governments’ actions, this change would undoubtedly increase the influence of RIO on the financial policy of local governments. RIOs carry out inspections in order to perform supervision, i.e. to issue binding supervisory decisions ordering specific actions. If the scope of control goes beyond legality, there might be a tendency to interpret the legality criterion extensively, as capturing also cost-effectiveness and reliability.

It should be also noted that the amendments to Act on RIO undermined the guarantees of RIOs independence from direct political influence. The competitive procedure for appointing RIOs presidents has been abolished. According to the new procedure, the president shall be appointed by a discretionary decision of the Prime Minister upon proposal of the Minister of Interior and Public Administration. The presidents of RIOs were also deprived of competences to conduct competition for the appointment of members of the Chambers. This power was also transferred to the Prime Minister acting upon a proposal of the Minister of Interior and Public Administration.

The draft in the version adopted by the parliament was the most serious, systemic change in the relations between the government and the local government, with potentially the greatest consequences for the independence of local governments. It was not – as in the case of other changes discussed here – sectoral strengthening of government administration, but a change of a horizontal and comprehensive nature. The key sphere of municipal independence, namely financial and budget issues, was to be re-organized in a way that evidently tightened the government supervision. The practical effects of this change would depend on the practice of applying the new regulations. The question of whether such a solution was necessary, lacked convincing answer from the government. If the project was aimed at reacting to the alleged problems in maintaining financial discipline by local governments, it is difficult to find evidence for such a radical intervention. According to the data of the Ministry of Finance, local governments – in contrast to the central government – do not face serious problems with keeping the level of indebtedness under control. Over the last five years, the level of indebtedness of local governments has remained stable, while central government sector debt increased by over 16%.

The amendment to the Act on RIO, adopted on 8 June 2017, became the first act in the current parliamentary term, which was vetoed by the President Andrzej Duda. He motivated his decision with arguments referring to constitutional guarantees of self-government. The President questioned all important elements of the regulation adopted by the Sejm (lower chamber of the Polish Parliament), including the extension of the control competences of the chambers, as well as changes in the internal organization of the chambers.
5. CONCLUSIONS

The trajectory of legislative changes adopted in Poland since 2015 demonstrates proximity to the Hungarian story. However, some significant differences should not be ignored. Instead of fundamental, horizontal redistribution of powers and undermining the key safeguards of local autonomy, the Polish case is characterized by a “creeping”, sectoral recentralization. The most meaningful changes included introducing central government control over the changes in the network of schools run by self-government units, transferring control over regional environmental protection funds from regional self-governments to the Ministry of Environment or depriving local councils of the regulatory powers (approving tariffs) in local water and sewage system. In addition to this, the radical reform of the school system was designed and implemented without extensive consultation and seeking consensus with local governments for whom the education remains the most important task (measured with the share in total expenditure). The reform extending the financial control powers of the regional audit offices was adopted by the Parliament, but vetoed by the President. It should be noted that most of the initiatives curbing local autonomy were submitted to the Parliament as proposals of a group of the members of the Parliament, not as government submissions. As a result, they were not subject to consultation with the local and regional government associations, represented in the Joint Committee of the Central Government and the Self-Government.

With regard to the major aspects of local autonomy, as defined by Ladner, Keuffer and Baldersheim, we can conclude that the Polish local government retained the key attributes of an extensively decentralized system. Recentralization attempts did not lead to dismantling local autonomy. Local and regional self-government went through the “stress test” of illiberal democracy weakened, but not demolished. Compared to other institutions of liberal democracy in Poland (in particular, the Constitutional Tribunal, judicial system, public media), it demonstrated stronger resilience. There are couple of possible explanations for this relative success. Firstly, the public support for local government and recentralization of public power is high and has increased for past years to a record level. The local and regional self-government bodies are trusted by 3/4 of the population. Almost 60 per cent of citizens support delegating more functions to the self-governments. Also 60 per cent of respondents in the most recent survey declared that they have impact on decisions of local authorities.

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11 A. Ladner, N. Keuffer, H. Baldersheim, *Measuring local autonomy*...
13 Ibidem.
(compared to 40 per cent impact rate with regard to central authorities)\textsuperscript{14}. Furthermore, the design of the self-government in Poland prevented some structural problems that undermined capacity and legitimacy of local governments in Hungary, e.g. fragmentation of territorial structure and dramatic financial situation. However, the plans of the parliamentary majority with regard to local and regional autonomy in Poland remain unclear. The local and regional election to be held in autumn this year might have a critical influence on political strategies.

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Summary

Since the parliamentary elections in 2015, Poland shifted towards an illiberal model of democracy, largely inspired by the Hungarian experience. One of the first and key signs of the shift towards illiberal democracy in Hungary in the era of FIDESZ was undermining the capacities and autonomy of local governments. Taking into account the ideological proximity of the Hungarian and the Polish ruling parties, there were strong grounds to expect similar tendencies in Poland. This paper reviews the legislation adopted since 2015 in order to explore whether the supposed shift towards recentralization occurred. It proves that while a “creeping centralization” is a fact, the foundations of local and regional self-government have not been dismantled. The nature of this “creeping centralization” is sectoral rather than horizontal, i.e. it focuses on limiting the capacities and powers of local and regional governments in selected areas (particularly education and environmental protection) rather than dismantling the fundamental institutional guarantees of local and regional autonomy or enhancing central supervision over them. This may lead to a conclusion that the foundations of local and regional self-government in Poland are not at risk, yet the scope of decentralization is being gradually rolled out. This paper also demonstrates potential explanations for lack of radical shift towards recentralization. The major hypothesis analyzed in this context relates to the massive public support for local governments and decentralization, manifested in the opinion polls showing the highest trust rate to local governments in their history.

KEYWORDS
recentralization, illiberal democracy, Poland, Hungary

Streszczenie

Od czasu wyborów parlamentarnych w 2015 r. Polska przesunęła się w stronę nieliberalnego modelu demokracji, w dużej mierze inspirowanego doświadczeniami węgierskimi. Jednym z pierwszych i najważniejszych przejawów zmiany w kierunku demokracji nieliberalnej na Węgrzech w epoce FIDESZ było osłabienie autonomii samorządów lokalnych. Biorąc pod uwagę ideologiczną bliskość węgierskich i polskich partii rządzących, można było się spodziewać podobnych działań w Polsce. W niniejszym artykule dokonano przeglądu prawodawstwa przyjętego od 2015 r. w celu zbadania, czy miał miejsce domniemany zwrot centralistyczny. Artykuł dowodzi, że podczas gdy „pełzająca centralizacja” jest faktem, fundamenty samorządu lokalnego i regionalnego nie zostały zdemontowane. Charakter tej „pełzającej centralizacji” jest sektorowy, a nie ho-
ryzontalny, tzn. koncentruje się na ograniczaniu zdolności i uprawnień władz lokalnych i regionalnych w wybranych obszarach (w szczególności edukacji i ochrony środowiska), zamiast demontować podstawowe instytucjonalne gwarancje autonomii lokalnej i regionalnej. Może to prowadzić do wniosku, że fundamenty samorządu lokalnego i regionalnego w Polsce nie są zagrożone. Artykuł ten pokazuje również potencjalne wyjaśnienia braku radykalnych zmian w kierunku recentralizacji. Główna hipoteza analizowana w tym kontekście odnosi się do masowego poparcia społecznego dla samorządów lokalnych i decentralizacji, przejawiającego się w badaniach opinii publicznej pokazujących najwyższy poziom zaufania do samorządów w całej jego historii.

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recentralizacja, demokracja nieliberalna, Polska, Węgry