

Local economic development policy in Poland: Determinants and outcomes*

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Abstract

The purpose of this article is to define nature, basis, and the effects of the economic development policy conducted by local governments in Poland. The analyses carried out are designed to define the role of local authorities in the management of economic development in the area. Furthermore, the purpose of this article is to analyse instruments for supporting economic development, which can be potentially used by local governments in Poland. The realization of this objective is possible by using descriptive methods based on a review of literature and the various types of documents and analysis on the policy of both the economic development and activities of local government, which implement this policy. The method of system analysis is also partially used in the article, and some results of surveys conducted among Polish and foreign investors and entrepreneurs in 2011 are presented. The article assumes that in spite of having a number of instruments, both formal and material, for encouraging economic development and business development, most local governments narrowly assess the current state of entrepreneurship and development trends, and perform an insufficient analysis of the potential of their area. Secondly, the formulated goals of economic development are not very innovative, ambitious or concrete. Furthermore, they do not arise directly from the analysis of the micro and macro-environment that affects the position and development of local government.

Key words: local development, public policy, strategic planning

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1. Introduction

Economic development depends not only on the activity of the business sector, but also on economic development policy carried out at the central, regional and local levels by public authorities. Generally speaking, economic policy (Economic Policy, 2011) can be defined as a set of the state's actions affecting the economic situation and development of a given country. Depending on the time frame which it relates to, economic policy can have two main goals at the national level. In the long term, the primary goal of economic policy is to secure the highest level of economic development, i.e. to achieve a high rate of long-term economic growth. On the other hand, in the short and medium term the most important goal is the elimination of excessive fluctuation in economic growth, caused e.g. by effects of the business cycle, economic instability or other shocks connected with sudden fluctuations in demand or supply. Such an understanding of economic policy refers primarily to the activities of central administration and concerns the objectives of a nationwide, social and economic character.

The modernization of public administration in Poland after 1989 contributed to an increased ability to influence economic processes by public authorities. The process of globalization, as well as Polish membership in the European Union, determined the importance of the public sector in creating conditions for economic development, including the development of entrepreneurship. At the same time, the role of local governments in stimulating the development processes at the local level significantly increased. This happened especially after the entry of the public administration reform in 1999 and the subsequent creation of local government tiers (of the district and the region) in Poland. Therefore, there was further decentralization of public administration, including its tasks and public finances. Local authority, in particular at the level of municipalities, received new instruments for exerting impact on local development. These instruments have been identified in both public law (the Constitution and local government acts), as well as standards of public management implemented by local government, whose basic tool-of many, is a local development strategy.

Out of the three tiers of local government in Poland, the municipality has the largest capacity and competency in the field of development activities. These opportunities arise in part from constitutional grounds and in part from the detailed legislation and specific functioning practices.

Local government administration, whose main subject is local government, operates on the basis of certain principles, which result both from the Constitution and specific legislation (Wojnicki, 2003). These principles and specific rules contained in the so-called local laws create a legal and organizational framework and provide specific opportunities and development activities for local government units (Cieślak, 2000). The principles of local self-government, defined in the Constitution

of 1997, include: the principle of decentralization of public administration, the principle of autonomy of local government, and the principle of the presumption of competence.

Decentralization of administration is a guiding principle for the organization of public administration. It should be noted that decentralization was one of the essential conditions for the reforms of public administration in 1990 and 1998. Decentralization involves a transfer of decision-making powers from a higher to a lower level. This leads to organizational changes in relations between authorities and organizational units (Péteri, Zentai, 2002). The principle of decentralization is expressed in legal separation of a unit from a larger structure, the granting of independence to it in terms of making decisions (realizing tasks), transfer of appropriate funds for the implementation of these tasks, as well as the granting of legal personality (Brunka, Kumorek, 2003; Bigo, 1990; Dolnicki, 2003; Pickvance, 1996; Illner, 1997). This situation is reflected by the provision of Article 16 of the Basic Law: "Inhabitants of basic territorial division units constitute a self-governing community under law. Local government participates in exercising public power. Local government performs a substantial part of public tasks it is entitled to by law in its own name and to its own responsibility." (Constitution of the Republic of Poland, 1997).

The constitutional principle of decentralization of public administration is important for the essence of self-government's functioning, because law gives local government the right to use legal personality, powers, tasks and manages public funds for its development.

Another important principle, as far as opportunities for creating development policies by local government are concerned, is the constitutional principle of the presumption of competence. It follows from Article 163 of the Basic Law: "if a provision of an act or the Constitution does not expressly reserve competence to carry out tasks for other public authorities, mainly central government administration, performance of these tasks belongs to the competence of local government bodies" (Korzeniewska, 2004; Domagała 1996). The legislature clearly establishes, above all, a presumption of competence, to the municipality: "the municipality performs all the tasks of local government not reserved to other units of local government" (Kisiel, 2003). This principle is essential for Polish municipalities' ability to create local economic development. The problem, however, often lies in a lack of understanding of this principle for example, by various types of professionals exercising control and supervision over local government.

Next supreme principle of local self-government is the principle of self-reliance. Self-reliance is a constitutive element of decentralization. It means lack of hierarchical subordination in relations with higher authorities (Boć, 1997). The

principle of the autonomy of local government, particularly at the municipal level, was guaranteed in the Constitution. According to the provisions of Article 16 Paragraph 2 of the Constitution, “local government participates in exercising public authority, whereas it performs a substantial part of the public tasks it is entitled to, by law, in its own name and on its own responsibility” (Constitution, 1997).

Jacek Wojnicki (2003) identifies four aspects of local government autonomy.

The First aspect is legal separation. Units of local government were granted legal personality, ownership rights and other property rights. In the act on local self-government, the legislator guarantees the municipality the status of legal personality (Article 2 Paragraph 2) and the judicial protection of its independence (Article 2 Paragraph 3) (Local Self-government Act, Journal of Laws 2001, No. 142, item 1592).

Secondly, the granting of independence for exercising tasks was statutorily defined. In accordance with Article 2 Paragraph 1 of the Local Government Act, the municipality performs public tasks on its own behalf and on its own responsibility (Local Government Act, Journal of Laws 2001, No. 142, item 1592).

Thirdly, financial independence, guaranteed by Article 167 Paragraph 1 and 168 of the Constitution, as well as Article 51 Paragraph 1 of the Act on Municipal Management, provides for independence of financial management conducted by the municipality, including in particular the independence in setting the budget (Local Government Act, Journal of Laws 2001, No. 142, item 1592).

Finally, the possibility for creating an internal organizational system of local government, reflected in the right to decide by communities in the municipality. The municipal community has a direct impact on the organization of municipal authorities through a local referendum, and it indirectly participates in the exercise of power in the community through the election of basic authorities by voting (Wojnicki, 2003). Independence in shaping the municipal system is also achieved thanks to the ability to create local law, including in particular the determination of the internal organisational system adapted by the municipal council in the statutes (Zieliński, 2004).

These manifestations of the principle of independence emphasize the fact that local government in Poland has an important possibility of formulating development activities. They relate to both the planning and implementation of financial policies, as well as social and economic policies of local authorities.

The rules presented above define the essence of local government activities in Poland. Above all, they allow the fulfilment of social and economic function of local government, as stipulated in detailed law. Not always are local authorities aware of their existence and applicability. Local authorities often directly apply only statutory

provisions, forgetting about e.g. the presumption of competence of the municipality. This limits the creativity of action and formulation of development objectives, which is often reflected in the policies and strategies of local development.

Further legal grounds for conducting economic development policy by local governments in Poland are regulated by the so-called self-government laws. A particular piece of legislation, on the basis of which local governments may formulate and pursue a policy of economic development, is the Local Government Act. In general this act provides for the possibility of long-term planning and programming development. Article 18 Paragraph 2, point 6 of the Local Government Act describes the competences of the municipal council to enact economic programs. The ability to develop and implement a development strategy in the municipality has been legally recognized in Articles 3 and 4 of the Act on the Principles of Development Policy of December 6th, 2006 (Journal of Laws 2006. No. 227, item 1658). In accordance with these provisions, local government may formulate policy papers, on the basis of which it runs local development policy.

What is then the policy of economic development at the local level? Economic development policy at the local level is mainly connected with the activities of local authorities within the scope of their tasks and responsibilities. It also means creating specific opportunities for economic development and conditions for the development of business entities operating there.

According to Magdalena Kogut-Jaworska (2008), it should be noted that, on one hand, local economic development is a process of quantitative, qualitative and structural transformations of business entities operating in the area, and on the other hand, it means development of individual and collective entrepreneurship, mainly through the creation of complex conditions for its functioning and the use of local natural resources, labour, capital and institutional structures. An important determinant of thus understood local economic development is the involvement and cooperation of entities, institutions and organizations of the business environment, as well as local communities and, above all, local authorities.

Despite the fact that the municipality does not have economic development among its tasks, it is worth agreeing with Antoni Kożuch (2011) who shows several groups of instruments for stimulating economic development by municipalities. According to Kożuch, in respect of their form and scope, the instruments used for fostering economic development by local governments can be divided into the following groups: legal and administrative, institutional, organizational, economic, financial, planning and infrastructural.

The main objective of this paper is to determine the importance of local development strategies for formulating and implementing local economic development policies by local authorities. In particular, an attempt is made to answer the question whether

local authorities properly and effectively use such public management tools as a development strategy, to support economic development in their area. Furthermore, the purpose of this article is to analyse instruments for supporting economic development, which can be potentially used by local governments in Poland. The article also presents some results of surveys conducted among Polish and foreign investors and entrepreneurs in 2011. Studies refer to the policies and activities of the local authorities in the area of creating appealing investment plans and good business climate.

The legal basis for economic development policy, which largely results from the Constitution of the Republic of Poland (1997), has been determined in the present paper. An analysis of the instruments available to municipal governments in Poland for creating conditions for economic development, especially entrepreneurship, has been performed. Legal, administrative, economic and financial instruments for supporting local economic development have also been discussed. Special attention is devoted to the importance of local development strategies as a key instrument of planning and a basic tool to frame policies of local economic development. The results of the conducted research, on documents of local development strategies of randomly selected cities have been referred to. Their aim was to determine whether and to what extent local authorities formulate their policies for local economic development.

The main scope of the work performed and described in the present research paper embraces an analysis and evaluation of the development and content of local development strategies. The subject of the analysis is the assessment of the policy adapted by local authorities in regard to economic and business development. Research was conducted on current local development strategies of randomly selected local government units of the Lublin Region. The analysis focuses, among others, on the assessment of: a diagnostic part, mission and vision of development and formulation of objectives and priorities in strategy documents in the area of development activities for the benefit of local businesses and economy.

The article assumes that in spite of having a number of instruments, both formal and material, for encouraging economic development and business development, most local governments assess the current state of entrepreneurship and development trends too narrowly and perform an insufficient analysis of the potential of their area. Secondly, the formulated goals of economic development are not very innovative, ambitious or concrete. In many cases they are not consistent with the earlier studies included in strategies of economic potentials. Furthermore, they do not arise directly from the analysis of the micro and macro-environment that affects the position and development of local government.

The thesis of this article is that in the majority of local governments, there is an unfriendly climate for entrepreneurship development. The cooperation of local

authorities with local business is low. However, there are initiatives such as the program “Investor-Friendly Municipality”, which are intended to promote the local government’s activities for economic development.

2. Literature review

The issue of local economic development is analyzed by M. Kogut-Jaworska (2008). She analyzes among others the factors determining the essential characteristics of local economic development. Kogut-Jaworska specifies that: 1) Local economic development is an example of an autonomous model of development; 2) Empowerment is a feature of local economic development; 3) Local economic development is an open process in an endogenous and exogenous dimension; 4) Local economic development is a process extended in time; 5) Local economic development is a process characterized by a certain degree of flexibility; 6) Local economic development is a process dependent on the degree of the local community’s awareness of its situation in various respects.

In showing the essence of local economic development policy, it is worth quoting the definition of local entrepreneurship (Krajewski, 2013). Local entrepreneurship is defined as the entirety of social and economic projects based mainly on the use of local resources and aimed at satisfying the needs of a local community.

Research on local economic development, is also conducted by the National Chamber of Commerce. Every year the NCC carried out research related to the condition of the Polish economy. This research also applies to the functioning of local economies (Examination of the conditions for the functioning of SMEs, www.kig.pl, 2014).

The analyses of local economic development, providing in Antoni Kozuch’s studies (2011), are also worth emphasizing. Based on the studies of local governments in Poland, he pointed a number of the popular instruments to stimulate local economic development.

Similar analyzes were carried out also by other authors (Zawicki, Mazur, Bober, 2004). The conclusions of these studies refer to the factors stimulating the local development, including economic development. The authors suggest the important role of public authorities in local economic development. They state that the policy of local economic development (its scope, the process of formulating and effects) is of great importance for the functioning of the economic sector.

One of the most important instruments for creating local economic development and the formulation of policy in this respect is the local development strategy. Gawroński (2010) refers to this issue. He points out the problems of strategic

management in local government. He also makes the analysis of strategic management instruments, and describes in detail the process of creating a local development strategy. Similar analyses can be found in Skotarczyka and Nowak (2010) and Zalewski's (2007) publications.

3. Research methodology

The main purpose of this article is to define the nature, basis, and the effects of economic development policy conducted by local governments in Poland. The objective is also to determine the importance of local development strategies in the formulation and implementation of local economic development policies by local authorities. In this regard, attempts are made to answer the question whether local authorities properly and effectively use a public management tool, i.e. a development strategy, to promote economic development in their area. Apart from the above, the purpose of this article is to analyse the instruments for supporting economic development, which local governments in Poland can potentially use. It is possible to achieve this objective by applying descriptive methods based on a review of literature and various types of documents and analyses, regarding both the policy of economic development and activities of local government, which implement this policy. The use of system analysis in the present paper is also worth mentioning. This was performed in the analysis of systemic conditions associated with the operation of the legal system, which underlies the action of the local governments in Poland. Moreover, the article uses the method of analysing documents, in particular those concerning the local development strategies of selected local government units. The collected data and information were used to draw conclusions about the role played by the development strategy for local authorities in the management of economic development.

The article also presents the partial results of surveys conducted among Polish and foreign investors and entrepreneurs in 2011. Studies refer to the policies and activities of the local authorities in the area of creating appealing investment plans and good business climate.

Furthermore, a comparative method was applied in order to achieve the objective of developing and verifying the hypothesis. It was used in the analysis of strategic documents in various local government units and the comparison of local authorities' attitudes towards the issues of economy and local entrepreneurship. Moreover, the paper draws on the elements of the method of statistical analysis when seven cities in the province of Lublin are randomly selected for the study of their strategic documents.

4. Empirical data and analysis

4.1. Factors of stimulating local economic development

Local socio-economic development is a long, deliberate process of changes aimed towards improving the status quo. These changes are both quantitative and qualitative. Quantitative changes include: an increase in self-government budget revenues from local taxes, increase in the number of jobs, increase in revenue of enterprises, increase in the Gross Domestic Product (GDP), growth in investments, capital, production, consumption, and so on. Qualitative changes, being a reflection of this process, relate to e.g. the competitiveness of economy and modernization of its structure, increase in the participation of small and medium-sized enterprises in GDP, effective privatization, technical and technological progress (innovation) or improvement in the skills of workforce.

The stimulation of economic development means undertaking public administration activities, which influence the growth in economic activity and employment. The effectiveness of measures to promote economic development is very strongly correlated with an overall level of management performance in other areas of local government activity. What is more, quality of management in other areas often has a greater impact on economic growth than direct actions (e.g. well-developed municipal services can stimulate local economy more effectively than the activities of promotion by the municipality) (Zawicki, Mazur, Bober, 2004).

Activity of local government units is determined by statutory requirements. Any activity not prohibited by law or not clarified by laws of jurisdiction is treated as an additional burden for local government officials and activists. Economic policy is sometimes the result of a snap decision or reaction to the possibility of obtaining external funds.

Knowledge of stimulating economic development is too often lost upon a change of local authorities. In local government units a hierarchical management structure dominates, typical for conservative forms of administration. This reduces the possibility of performing functions typical for economic development. Not only lack of theoretical knowledge can be observed, but also insufficient practical knowledge in the field of fostering economic development and cooperation between local government units. A number of failures result from the dominant administrative culture and the treatment of office customers like objects.

4.2. Instruments for creating local economic development

Modern local government in Poland and in the world plays an important role in stimulating entrepreneurship and economic development in its territory. Economic development, among other things, increases employment and generally improves

social and economic life of local communities and contributes to the development of the country as a whole.

The above-mentioned system-founding rules of self-government in Poland, as well as a number of internal and external conditions, pose an excellent opportunity for local authorities to ensure that the idea of self-government and the benefits of its implementation are used as efficiently as possible, accomplishing the pursued aim for development. On the basis of an analysis of practical and available sources, specific tools and instruments can be distinguished among many, for creating effective economic development.

The first basic group consists of plans and programs, which are run within the local area. The implementation of a strategic planning process of an appropriate quality in a given area is essential for encouraging local development. Research conducted in Poland on the investment appeal of Polish local governments shows that the second place, in terms of indicators of the appeal of the a municipality, is occupied by strategic and planning documents of a sufficient quality and content. Local authorities should therefore present the so-called strategic approach, namely, they should have a vision of development based on a specific potential for development of a territorial unit. This vision, of course, should reflect the potential and actual needs of a local community and potential investors.

The strategic planning process begins with a proper assessment of the area of research, analysis of its problems and formulation of development objectives. All the above should be included in a strategy document, that is a local development strategy. The remaining trade plans and strategies, such as land-use planning, environmental program, waste management plan, entrepreneurship development program and so on, arise from this basic study.

Another group of instruments affecting the economic development of a municipality are activities connected with infrastructural projects. These actions should result from the development strategy and should be correlated with the investment plans of the municipality. For native entrepreneurs, especially for investors, the quality and level of infrastructural development is a key prerequisite to investing and creating new jobs. Not always, are local authorities aware of this fact. Unfortunately, it is often conditioned by the lack of funds for capital expenditure, which is partly due to the inadequate planning of local government finances over the period of many years. EU funds are an important aid in implementing investment projects by municipalities in Poland however their amount is limited.

The so-called instruments of regulatory powers, i.e. orders, prohibitions, permits or decisions, constitute an important group of tools at the disposal of the Polish municipality. Of course, local administration bodies are obliged to act in compliance with applicable regulations, but practice shows that officials often use the so-called

broad interpretation in the assessment of certain facts and law to the detriment of customers. This creates a hostile image of local public administration in the consciousness of not only the local community but also business investors. Therefore, local governments that support and implement certain customer service standards are more and more often promoted nowadays.

The competition “Fair Play Municipality” – Certified Investment Location, affiliated with the National Chamber of Commerce and organized by the Research Institute for Private Enterprise and Democracy, is worth presenting and promoting. A “fair play municipality” is, according to the guidelines of the contest, characterized by: an active involvement in organizational, promotional and financial activities organized to attract investors to the municipality; attempts to solve emerging problems by mutual agreement; fulfilment of commitments; continuous improvement of municipal infrastructure; promotion of pro-ecological investments and facilities adapted to the needs of people with disabilities; the rule of law and a high ethical level of municipality employees; consultation with residents and care for their needs; and finally, cooperation with local businesses.

The objectives of the competition, defined by its initiators and included in the rules of the contest are: recognition and promotion of ‘investor-friendly’ municipalities; increased interest in the municipality showed by investors and the media; promotion of transparent relationships with businesses and the local community; promotion of cooperation between business and investor-friendly municipalities; encouragement of municipalities to develop appropriate standards of service for businesses by introducing appropriate changes in internal organization of work; support for the efforts made to attract new investors; promotion of an investment-friendly environment and people with disabilities; help in exchange for information on effective methods of promotion of investment between municipalities; encouragement of all municipalities in Poland to be integral and honest in relationships with entrepreneurs.

There are many benefits for municipalities participating in the program. They can be seen in hundreds of municipalities, which have participated in various editions of the competition so far. The benefits primarily relate to networking opportunities with reliable businesses, as well as increased chances of attracting new investors. Thanks to their participation in the competition, municipalities receive objective verification that they fulfil requirements for certification, as well as obtain an independent assessment of investors who fill out research questionnaires given in the second stage of the program in all municipalities participating. Based on their ratings, the municipality obtains a benchmarking report - a unique tool to improve the quality of services for investors and improve work organization of the office (Fair Play, 2013).

Other important benefits acquired by municipalities from participation in the program are:

- obtaining the arguments of the last row in negotiations with investors (eg. Municipality is best assessed in terms of the speed of service investors in the group of municipalities);
- construction of the image of the municipality friendly for investors;
- recommendation from business – give credibility to the community;
- knowledge of an independent external evaluation, other than the local evaluation;
- declaration of the application of ethical standards, which is particularly important for entrepreneurs;

extensive promotion and the opportunity to present achievements and plans of the municipality. Several times during the year, informing the nationwide media, regional and local authorities and industry (press, radio, TV and Internet portals) about the contest and its participants, and later the winners (Fair Play, 2013).

Analysing the instruments at the disposal of the municipality and of relevance to the development of entrepreneurship and employment, we should distinguish some of them. The first are the so-called incentive-economic instruments. They relate to the policy of formulation and enforcement of taxes, fees, prices for services and communal property. Very often the amount of taxes or charges and the preferences adapted in this respect by the municipality are important for investors while selecting municipalities for investments. What appears similar is the issue of public property management, which is based on a proper price formation for sharing property, organization of tenders for the sale of property, and finally multiplication of property by the municipal government and not a mindless selling-off of existing assets.

Institutional instruments, consisting primarily of supporting institutions that foster business, the so-called business environment institutions, are the next group of instruments for supporting development of entrepreneurship in the municipality. Even the smallest municipalities should have: a bank, a post office, an NGO or a consulting firm which provides advisory and training services for businesses, organizations or companies. Municipalities may, to a large extent, initiate the formation of such institutions. They can also initiate cooperation between entrepreneurs, business institutions and other entities.

Instruments of information are a very important group of measures relevant to the economic development. They operate within the framework of the so-called local government information policy. In practice, economic information is for entrepreneurs and investors an important element for the development of these entities. The municipality can create and share databases with interested firms, including not only individual sectors of economic activity operating within its

territory, but also potential business partners, information about investment areas (detailed in the form of an investment offer), stocks of raw materials, and so on. Instruments of information, which are part of information policy, also include promotion and territorial marketing which constitute an important area of activity in the conditions of the so-called self-government territorial competitiveness.

The above elements are the most important instruments and tools available today in municipal self-government in Poland. As already indicated, they often do not arise directly from the existing legislation but from the standards adapted by the municipality, Western patterns, or the so-called new model of public management in public administration.

5. Results and discussion

5.1. Local development strategy as an essential tool to create conditions for economic development

Meeting the needs of local communities and creating conditions for increasing competitiveness of local government and entities which operate there, is associated with the development of local government.

Marek Ziółkowski's (2007) considerations (Kozuch, 2011) appear relevant here since he defines the essence of local development, indicating that this is a process of positive changes in the form of quantitative and qualitative changes in a given territorial unit and it takes into account the needs, priorities, preferences and value systems of residents. A harmonized and systematic action of public authorities, communities and other entities operating in the area to create new, and improve existing values of a territorial unit, create favourable conditions for the economy and ensure the spatial and ecological order. This is an essential feature of local development. Local development consists mainly of the actions undertaken upon the will of the so-called local actors of social and economic life (Sikora, 2004).

The optimal development of the proportion between the following elements: needs, preferences and recognized systems of values of inhabitants; functions (activities); land development; natural environment and cultural heritage, is crucial in the process of local development. These proportions, certain relationships and ability to influence local socio-economic development, also in relation to a set of external factors, should be determined by a basic management tool for self-organization, which is the strategic planning and local development strategy.

An efficient local development management process takes into account specific characteristics of the municipality as an organization. Operationalization of the objectives of municipality development shall be made through the development and

regular updating of program documents. Local policy planning documents prepared in the municipalities reflect local policy, i.e.: Local Development Strategy, Local Regeneration Programme, Multiannual Investment Plan, Environment Programme and Local Regeneration Programme. The hypotheses put forward in program documents are feasible only if the local community joins the process of preparing and implementing the program at its various stages. It is also necessary to link documents with plans created on the regional and district levels of self-government.

Provisions of municipal councils regarding the adoption of programming documents, which regulate development, provide the legal basis for drawing up a strategy of development. Apart from the obvious positive aspect that they arrange and identify directions of the municipality, development and adoption of planning documents build foundations for their actions and have educational value for residents and potential investors (Krajewski, 2012).

Strategic planning and the very strategy are key elements of strategic management. Strategic management is a process of defining and redefining strategies in response to changes in the environment, or with the intention to be ahead of changes or even initiate them. It is coupled with the implementation process, in which the resources and organization skills are used to achieve long-term development goals and secure survival of an organization in the so-called conditions of uncertainty. Strategic management is also based on strategic thinking and approach, characterized by originality, creativity and power of imagination, the desire to create something new and the ability to realize it in a way which enhances efficiency and ensures competitiveness of the organization (Gawroński, 2010). Of course, strategic thinking in the case of local governments is primarily a domain of local authorities.

Law in Poland does not impose an obligation on local authorities to formulate a development strategy. An exception is the act on regional governments, which contains an instruction on working out a strategy for the development of the region. In the case of municipalities and districts, numerous social and economic advantages as well as benefits resulting directly from using funds from the EU budget, as part of our membership in this organization, are motivating factors for the development, adoption and implementation of strategic plans (Pajak, 2011).

Strategic management in the conditions of a public organization, particularly at the local government level, is characterized by certain specificity. It results mainly from the status of the local government, which is determined by legal, financial, organizational or territorial restrictions, as well as a specific circle of addressees of public services. For Henryk Gawroński (2010) strategic management in local government can be described as future-oriented planning and selection of development goals and tasks to be carried out, implementation of these decisions, as well as the monitoring and controlling of implementation of the adapted decisions. The essential features of management embrace in particular:

- comprehensive approach to the problems of development, involving recognition of interdependent spheres of economic, social, spatial, ecological and cultural diversity;
- efficiency of using endogenous growth factors;
- treatment of local government as part of the environment;
- orientation for the future;
- compliance with the principle of economic rationality;
- gradual implementation of the principles of sustainable development.

Strategic planning (Pytlak, 2011) is long-term planning aimed at defining and implementing specific objectives of local organizations. Strategic planning is closely connected with the function of the decision-making process of management, increasing adaptive capacity by being able to reduce significantly the uncertainty of functioning and development in a changing environment. Strategic planning is based on forecasting and developing the concept of action and different variants of the plan. It takes in account the potential restrictions that the organization may encounter on the way of development. These include not only the internal conditions in the form of financial barriers or constraints on resources (including lack of competence), but also an insufficient level of the organization's information on the changes occurring in the environment as well as the actions of the competitors. For the local government units, the latter are mainly local authorities from the neighboring areas.

The main tool for setting goals, directions and methods of operating the strategic planning process is the strategy of local development. It is characterized primarily by (Wysocka, Koziński, 2000):

- focus on sustainable development values and stable elements of the potential, the resources and the environment of the local government;
- Subordination to the current long-term actions to strategic goals;
- Holistic approach to development issues through the systemic approach;
- Active participation of local authorities and communities throughout the formulation and implementation of the strategy.

The process of strategic management in local government units is complex. It includes in particular the development of the organization's strategy, its implementation, control and management of strategic change. The responsibility for all activities in this area, rest on local authorities, however, one of their objectives is to involve as many representatives of the local community as possible.

The stages of the strategic management process are complex and include a variety of activities that should be performed in a specific order. These stages include:

- Initiate and agree on the strategic planning process (Brook, Jachowicz, 2005). This step is often referred to as “plan for planning”. It consists, among other things, of the decision to initiate the process, to determine the scope and schedule of material and financial activities and to identify stakeholders i.e. the entities influencing the strategic planning process (Gawroński, 2010).
- Conducting strategic analysis, which assesses the local government against the background of its environment (Gawroński, 2010).
- Diagnosis of the local government, which is a starting material to work on the development strategy.
- Conducting a SWOT analysis, which is a technique of qualitative research. The result is a list of such factors as the strengths and weaknesses inside the local government unit and the opportunities and threats that exist in its external environment (Gawroński, 2010).
- Conducting the analysis of the problems in the various fields of social and economic unit of local government.
- Identify and formulate objectives (mainly on a strategic and operational level), activities and specific projects.
- Developing a set of measures of objectives and actions.
- Final collection of all the data and finalization of the development strategy document and its approval by an authorized entity (e.g. a municipal council).
- Implementation of the strategy, promotion, information, and monitoring and evaluation.

Polish local government units most commonly follow the outline of the process of strategic planning presented above. On one hand, it requires a lot of logistical and organizational effort of local authorities. On the other hand, it encourages the participation and inclusion of representatives of the local community, including business community and business environment institutions.

5.2. Local policy of economic development in selected cities based on the analysis of local development strategies

The development strategy of the municipality is mentioned at the outset of the planning instruments aimed at, inter alia, the formulation and implementation of the policy of local economic development. Currently, the development objectives of local government units in the large majority are set out in local development strategies developed in the years 2007, 2008 or 2012, to about 2015 or in some cases to 2020. Adapting this time frame in the strategies has often been conditioned by the EU programming period 2007–2013.

To achieve the objective and to examine the thesis of this article, we have conducted an analysis of the development strategy of randomly selected district towns of the Lublin Region. The analysis covers the economic sphere and the development of entrepreneurship. The selection of the cities is based on the two factors: the status of the district town and its location. The analysis involved the diagnosis of the economic sphere and business, formulation of the mission and the vision of the development, as well as strategic goals.

Regarding the diagnostic part, the general municipal governments describe the situation in terms of economy and business. The range of this information is rather similar. Out of the 20 district towns in the Lublin province seven examples were randomly selected and described, since the analysis of the development strategy of the other cities shows that the range of information and value for municipal authorities is similar.

In each case, a quantitative analysis was performed regarding the companies operating in the city. However, this was often done without the analysis of the so-called historical data, i.e. without any indication of the trend of development, or downward trends in this area. The main remark that should be addressed to the authors of the strategy is that the information about the economy was rather cliché. Very often the strategy does not apply to specific conditions relating to the economic potential of the cities. The investment potential of a city was described only in very few cases, although it is the basis for the investment promotion and encourages potential external and indigenous investors. Even in these cases the experience of effective cooperation with investors was not described, even if it took place. The diagnosis does not contain the information about the economic development policy pursued by local authorities and other institutions. What is more, no instruments to support businesses, such as exemptions or tax incentives, information policy, consulting or training, were presented. Admittedly, the so-called business environment institutions were mentioned, but no broader characteristics or offer was presented.

The shape of the vision and the mission in the formulation of the city development indicates specific directions of development and the way that local governments should follow these assumptions in order to achieve their objectives. Only in some cases does the formula of the mission, which is the general goal of the development strategy, refer to the potential and development conditions of the local government. Although local governments typically include management issues in the mission and sometimes also in the vision of development, the basic problem at this stage of strategic planning is that no indication of the real strategic advantage is offered. For example, such a strategic advantage should be defined on the basis of a professionally prepared SWOT analysis. One of the consequences of such errors is an incorrect formula of the strategic objectives, which should actually follow from the strategy mission and be consistent with it.

Finally, we have analyzed the detailed directions of the development of a self-government unit as specified in the strategic goals. In virtually all the cases analyzed the issues of economic development and business development for the city are important. The formula of the strategic goals (often nothing more than a terse statement), their justification and elaboration indicate that local governments do not have a real and effective concept of supporting entrepreneurship and creating the conditions for its development. It should be emphasized that the strategies fail to indicate the so-called competitive advantages and the key sectors of the economy. Moreover, any viable concepts of attracting investors are also missing. Local governments too often wait with their arms folded for foreign investors with large cash resources, while little effort is made to strengthen the position of the businesses already operating in a given area. Local authorities should support strong native companies that demonstrate creativity and innovation.

It is worth noting that alongside the strong competition and globalization, local governments and local communities also have a chance to create conditions for innovative development by using local diversity, diverse potential and good business concepts in the first place.

5.3. The results of research of municipality's investment friendliness

In 2011, the Foundation "Institute for the Study of Private Enterprise and Democracy" conducted a survey of investment-friendliness of municipalities. The studies took into account all the investors who have completed any type of investment. Secondly, entrepreneurs who operate in the municipality using the data of enterprises from two independent databases were included in the study. Municipalities thus have had no influence on the selection of the sample.

During the execution of studies, it was observed that small, local companies were more willing to provide information than large enterprises, whose frequent concern was to find a person who could carry out the assessment. Replies were received from 959 respondents (380 women and 579 men) of the companies operating in the municipalities. Among the respondents 50% were service companies, 27% commercial, 13% manufacturing, 6% equipment, and 2% for agriculture and transport. The surveyed companies had a range of local (36%), regional (24%), domestic (25%) and international (15%).

In this study, the entrepreneurs were asked a set of questions covering among others: assessment of the investment climate in the municipality, the municipal efficiency in handling business and investors, municipality support for business development.

Studies have shown that the investment climate assessments made by entrepreneurs is inversely proportional to their size: the smaller the municipality, the higher the

rating of the investment climate. This result can be combined with much greater accessibility to local government officials and the municipal authorities for potential investors. Despite this, in all evaluated categories of municipality's investment climate was evaluated positively, most in small rural communities with agriculture specifics.

This study examined also the issue of "municipal office". This category consisted of three sub-categories: 1) The efficiencies with which the municipality solves business issues and problems associated with running a business; 2) The possibility to undertake new business ventures in the local community; 3) Qualifications and approach the municipal office workers have to the investor and business. The data obtained confirmed the previously observed relationship that the smaller the municipality, the greater the efficiency of the municipal office.

Another issue was "Promoting investment and development in the municipality." This category was associated with: 1) Promoting investment and development carried out by the municipality; 2) The Rationality of the promotion of investment and development from the point of view of the interests of residents and businesses; 3) timeliness and speed of administrative decision-making; 4) Advice and information for investors and business; 5) Access to the officials and the municipal authorities by entrepreneurs and investors. Just as in the previous question, the study confirmed the negative relationship between the municipality and the extent of support (www.gmina.fairplay.pl, 2011).

6. Conclusion

The findings of the study allow us to confirm the thesis of the article. The analysis of the instruments of creating and implementing local economic development policies that have been presented above indicate the important role of local authorities as entities responsible for this development. The development strategy, as one of the instruments of local development planning, should be a key platform within which local authorities should implement local development, cooperation, integration and promotion of the area. However, the analysis of district town development strategies indicate that local authorities are still not aware of the importance of this management tool for the local economic development. The development strategy is very often treated as a 'necessary evil', needed only for the use of external financing of the budget.

Another problem is the low involvement of the business community in the process of creating strategic documents. Practice shows that among the participants of the workshops and public consultation on the strategy development, entrepreneurs' amount is no more than 5-10%. This is due to several facts. First of all, the level

of cooperation between the local government and entrepreneurs is still very low. Secondly, the representatives of the two sectors are not fully aware of the importance of this cooperation and its possible effects. Thirdly, as it is shown by the above analysis of the strategy, too little space is devoted to the formulation of economic and development goals. This problem is magnified by the fact that local governments do not develop detailed plans or programs of economic development or business development.

Numerous studies on the behaviour of local governments and economic entities in Poland prove that both groups exhibit a tendency towards over-competing, in consequence of their failure to discern the need to cooperate in the face of external competitive pressure. This is a result of, inter alia, long-term isolation of Polish economy from influences of external competition, low mobility of people and the whole store of post-Communist heritage “deciding on a specific system of values”.

Municipal self-government in Poland has legal, organizational and institutional capabilities for creating economic development. Efficiency of activities depends to a large extent on the attitude of local authorities, their awareness, knowledge and skills. There are also external factors that often hinder the development of the investment (location, limited resource, property). The local government, however, has a number of external funding instruments supporting economic development. In order to achieve the desired effects and use the above-mentioned possibilities to create local development, local authorities should ‘be open’, acquire knowledge, skills, information, and implement modern management systems in administration.

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Politika lokalnog ekonomskog razvoja u Poljskoj: Odrednice i rezultati

Mariusz Wiktor Sienkiewicz¹

Sažetak

Svrha ovog članka je definirati prirodu, temelj i posljedice politike ekonomskog razvoja koju provode jedinice lokalne samouprave u Poljskoj. Provedene analize dizajnirane su za definiranje uloge lokalnih vlasti u upravljanju gospodarskim razvojem u tom području. Nadalje, svrha ovog članka je analizirati instrumente za podupiranje ekonomskog razvoja, a potencijalno ih mogu koristiti jedinice lokalne samouprave u Poljskoj. Ovaj cilj moguće je ostvariti pomoću deskriptivnih metoda temeljenih na pregledu literature i različitih vrsta dokumenata i analizi kako politike gospodarskog razvoja tako i djelovanja lokalne vlasti, koje provode takvu politiku. U radu se djelomično koristi i metoda analize sustava. Prezentirani su i rezultati istraživanja provedenih među poljskim i stranim investitorima i poduzetnicima u 2011. godini. U članku se polazi od pretpostavke da unatoč tome što ima niz i formalnih i materijalnih instrumenata za poticanje gospodarskog razvoja i razvoja poslovanja, većina jedinica lokalne samouprave usko procjenjuje trenutno stanje poduzetništva i razvoj trendova, te provode nedovoljnu analizu potencijala svojeg područja. Drugo, postavljeni ciljevi gospodarskog razvoja nisu inovativni, ambiciozni i konkretni. Nadalje, oni ne nastaju izravno iz analize mikro i makro-okruženja koji utječu na položaj i razvoj lokalne vlasti.

Ključne riječi: lokalni razvoj, javna politika, strateški razvoj

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