

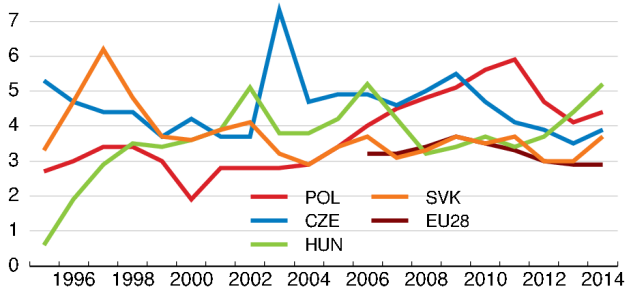
Improving local infrastructure investments in Poland

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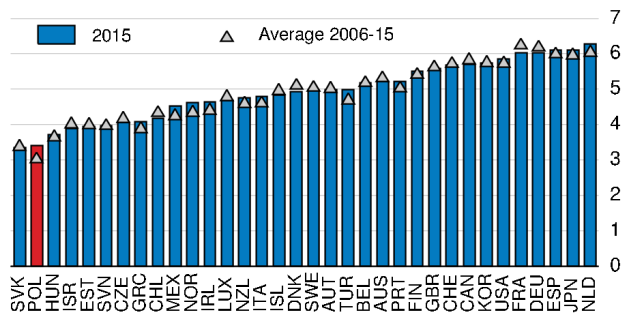
Over the last decade, Poland has significantly upgraded its infrastructure network, and public investment has risen rapidly (Panel A). However, bottlenecks still weigh on productivity growth and environmental and health outcomes, and the perceived quality of transport and energy infrastructure remains lower than in most OECD countries (Panels B and C). The EU 2014-20 programming period is an opportunity to improve the management of investment, as structural and cohesion funds that assist in the financing of numerous infrastructure projects are set to reach nearly 3% of 2013 GDP per year (Panel D).

Public investment and EU funds

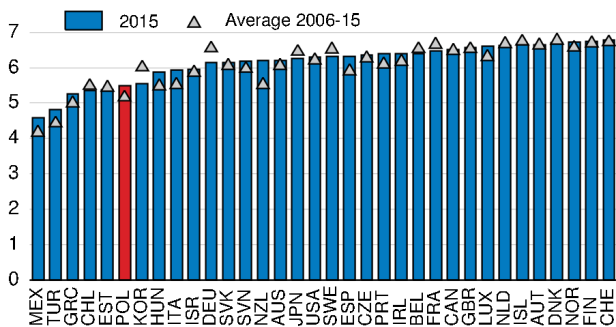
A. Public investment¹ has increased since 2004
Per cent of GDP



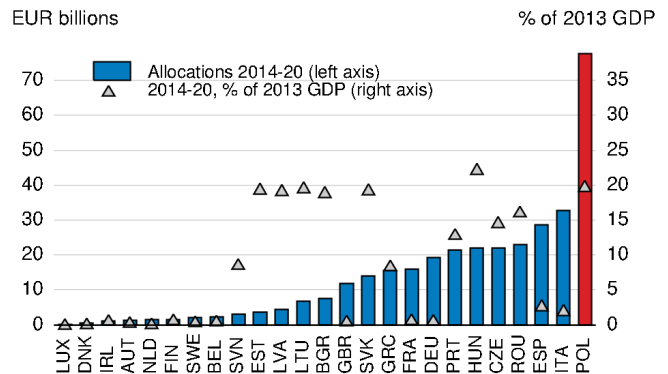
B. Perception of transport infrastructure quality
Index²



C. Perception of the quality of electricity supply
Index²



D. EU funds, 2014-2020



1. Gross general government fixed capital formation.
2. Index from the lowest perceived quality (0) to the highest (7).

Source: OECD (2015), National Accounts Database; World Economic Forum (2015), The Global Competitiveness Report 2014-15; European Commission (2014), Summary of the Partnership Agreement for Poland, 2014-20.

Sub-central governments were responsible for about half of total public investment in 2014, above the OECD average and most other Central and Eastern European countries. As in other OECD countries, municipalities design legally binding local land-use plans. However, the quality of land administration appears relatively low (World Bank, 2015), and around 70% of the municipal territory lacks local spatial plans. Local governments have far-reaching responsibilities in transport and energy policies, but the quality of investment outcomes still needs to improve (OECD, 2015 and 2016).

The decentralisation of the allocation of EU funds over 2014-20 will give an even more prominent role to local

governments, and there is a need to increase their administrative capacity, accountability and resources. The OECD (2016) analysis highlights three main areas of reforms:

1. Strengthening national and local planning.

The authorities have done much to adopt general investment strategies across all levels of governments. However, they are relatively recent and will need regular updates. At the metropolitan level, administrative fragmentation has partly obstructed effective land use planning and transport investments, thereby increasing urban-sprawl and congestion, and reducing a city's attractiveness for individuals and businesses. A welcome recent law foresees the creation of metropolitan governance associations in 2016, notably for transport and spatial planning, but these will remain voluntary. New mechanisms under the 2014-20 EU perspective would also strengthen coordination in infrastructure delivery. In addition, before the recent elections, a draft law was intended to reduce barriers for municipalities to develop local land use plans, and this reform needs to be resumed swiftly.

2. Developing effective collaboration across levels of governments and improving public procurement practices.

As many local governments lack in-house capacity, and sometimes the financial resources, to conduct procedures and hire external advisors, relying more on central government assistance for project management would improve infrastructure delivery. Creating a central public-private partnership (PPP) agency, as currently discussed, and developing joint purchasing offices and integrated e-procurement procedures would also be good moves, as local governments have been responsible for most PPP projects and procurement procedures combining several public buyers have been relatively infrequent.

3. Ensuring long-term infrastructure financing.

Funding of local infrastructure management agencies is provided through central-government transfers fixed annually in the budget process, without reliable long-term commitments. The authorities should pursue reforms of public infrastructure pricing to ensure that long-term costs, including environmental and health externalities, are fully recovered. Road pricing could be expanded to ensure effective competition between transport modes and encourage green investments. In particular, the current legislative framework prevents local authorities from setting congestion fees or urban tolls, while such measures may be especially suitable for addressing congestion and local environmental impacts.

Find out more:

OECD (2015), *OECD Environmental Performance Reviews: Poland 2015*, OECD Publishing.

OECD (2016), *OECD Economic Surveys: Poland 2016*, OECD Publishing, Paris.

World Bank (2015), *Doing Business 2016: Measuring Regulatory Quality and Efficiency*, The World Bank.