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## **A Polish Case Study: Participatory Budgeting in the City of Płock**

Dorota Dakowska

This chapter focuses on a local case of participatory budgeting in the Polish city of Płock.<sup>1</sup> However, it is of more general interest for two main reasons. First, participatory experiences are rare in Poland. As a pioneer in this field, Płock is often cited as an example or model, not just nationally, but also in Central and Eastern Europe. Second, this case sheds new light on the changing relationship between the public, the private and the non-profit sectors, in a context of systemic transformations marked by neoliberal policies and the retreat of the state.

### **1. Context**

#### **1.1 General Political Context**

In Poland, local government autonomy is a fairly recent phenomenon. It was made possible owing to the peaceful transition which took place more than 20 years ago. Previously, the People's Republic of Poland was a centrally planned economy, a Soviet satellite with a single-party regime and no electoral competition. This changed radically in 1989. The first semi-free legislative elections, on 4 June 1989, paved the way for the progressive development of democratic institutions and pluralist government, together with a liberalised market economy. This process also had a huge impact at the municipal level. As early as 1990, the Polish Parliament adopted a new law, which introduced the principle of local self-management. Since then, town councils have been elected. Under the centralised communist system, there had been no room for local autonomy.

#### **1.2 General Legal Context**

The transformations at the local and regional levels occurred progressively. As in other transition countries, there were many uncertainties, conflicts and setbacks. Today, although autonomous, many local municipalities are poorly funded. There are

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<sup>1</sup> I would like to thank all the interviewees in Płock and Warsaw who had accepted to share their experience with me. I am grateful to Jean-Yves Bart, Rudolf Traub-Merz and Yves Sintomer for their comments on the text.

many differences between rich and poor municipalities. Analysts have described the process of the central state's disengagement as a »decentralisation of budgetary difficulties« (Gilejko 2006). In 1998, the centre-right government of Jerzy Buzek launched an important territorial reform. The 49 departments were grouped and replaced by 16 regions called *voivodships*. As a result, today there is a three-tier system with a national, a regional and a local level. Each has an executive body and a democratically elected assembly. The central government is also represented at the regional level and shares its powers with the regional self-governing bodies.

There are 2,489 municipalities in Poland, in 16 regions. Between the local authority (*gmina*) and the regional provinces (*voivodship*), there is an intermediate administrative level, the *powiat* (district).<sup>2</sup> In accordance with the principle of subsidiarity, the *gmina* is in charge of public matters of local significance such as education, social assistance, regional policy, the environment and unemployment. The district is in charge of school infrastructure, family policy, tourism and employment, unless provided for at the local level. However, the political and financial resources of districts remain limited.

A law passed on 20 June 2002 modified the system of local council elections, introducing the direct election of mayors. Previously, only the town councils were elected, which then nominated the mayor. This new situation gives mayors more electoral legitimacy in exercising their considerable administrative powers. However, it has also created room for conflict, as it can happen that the mayor and the town council majority are on different sides of the political fence.

### **1.3 Local Urban Context**

Płock is a medium-sized city (by Polish standards). It has 130,000 inhabitants. Its population is ethnically homogenous, with just a few dozen Roma families.<sup>3</sup> It is a historical old city situated in the centre of Poland, in a region under the economic influence of Warsaw. A major factor in the city's importance and revenues is the location there of the largest petro-chemical factory in the country. This is also the main reason why the pioneering participatory budget was implemented here. PKN Orlen, the Polish largest oil company, is the biggest employer in town, the largest taxpayer and also the main contributor to the participatory budget analysed in this chapter. Despite the presence of this economic giant, however, the city has suffered – like many others since the beginning of the transition – from high unemployment, which reached 20 per cent in 2002–2003, falling to 15.6 per cent in 2006 and 13.1 per

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<sup>2</sup> Currently, there are 379 *powiats* in Poland: 314 rural *powiats* and 65 towns with *powiat* rights (PAIZ – Polish Information and Foreign Investment Agency: <http://www.paiz.gov.pl>).

<sup>3</sup> Before the Second World War, however, a quarter of the town's population was Jewish, the great majority of whom perished in Nazi concentration camps.

cent in 2007 (Miejski zeszyt 2007).<sup>4</sup> Half of the city's population is active in the labour market. As far as education levels are concerned, in 2007 around 18 per cent of the population had a university degree, 42 per cent had a secondary education diploma, 18 per cent an occupational/vocational education and 20.6 per cent had completed primary education.

## **2. The Origins and Functioning of the »Small Grants Fund«**

### **2.1 Origins: A UNDP Initiative, Supported by the Public and Private Sectors**

Two preliminary statements can be made about the origins of the participatory budget in Płock. First, the roots of this initiative lie outside Poland. Second, in this instance of transnational transfer the main ideological reference is not the experience of Porto Alegre's alternative project of local democracy.

The project's direct initiator was the Warsaw UNDP (United Nations Development Programme) office. Among its urban development programmes UNDP has promoted so-called »cross-sector partnerships«. The idea was to take the principle of public-private partnership (PPP) as a basis, but adding a »social component« to it. This social element takes the form of the stronger inclusion of the third sector (non-profit) organisations in the process.

More generally, several international developments inspired this model. First, the UN Millennium Development Goals, announced in 2000, which set extremely ambitious objectives for eradicating poverty and promoting development. A little earlier, in 1999, then UN Secretary-General Kofi Annan had called on firms all over the world to support the *Global Compact* programme. This programme encourages the private sector to engage in activities favouring human rights and sustainable development. It promotes the idea of Corporate Social Responsibility (CSR), which has been widely diffused in Central and Eastern Europe in recent years. The presence of firms with foreign capital in the region has contributed to the success of this new concept (Kuraszko 2008).

In Poland, CSR was promoted by UNDP and the World Bank on the eve of EU accession. However, business leaders and economic experts were initially indifferent – even opposed – to this concept, »overwhelmed by the idea of the ›invisible hand of the market‹ as a cure-all therapy« (UNDP 2007: 22). It was only from 2003 that companies present in Poland began to develop CSR projects and to include ethical and social commitments in their public relations strategies.

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<sup>4</sup> It is hard to say to what extent the fall in the unemployment rate is due to the favourable economic situation or to employment migration to Western European countries, which peaked at the time of Poland's EU accession in 2004.

The central government administration also got on the CSR bandwagon, especially after Poland's accession to the EU, as it had to delegate experts to European Commission working groups, such as »Mainstreaming CSR among SMEs« (UNDP 2007). The European Commission has been engaged in the promotion of CSR among its member states for some years now. EU accession, with the implementation of the structural funds, has accelerated the dissemination of forms of cooperation between the public and the third sector, especially at the regional level (Herbst 2005).

All in all, the strategy promoted by UNDP fit fairly well with the political context in Poland, which has been characterised, since the beginning of the transformation process, by neoliberal economic policies and a tendency for the central state to disengage, in particular from the social and cultural fields. Consequently, throughout the 1990s there was a marked tendency in public discourse to praise individual entrepreneurship and mobilisation of the resources of an autonomously organised civil society. Thus, the idea of strengthening cooperation between the three sectors – private, public and non-profit – gained wide support in the case of Płock.

In these circumstances, successful implementation of the participatory budget was made possible by the engagement of different parties. Formally initiated by UNDP, the idea was strongly pushed by a PR specialist representing PKN Orlen. This large company, created under the communist regime in the 1960s, wished to improve both its public image and its relations with the municipal authorities. Another reason was the Orlen management's desire to rationalise the firm's philanthropic activities. Indeed, Orlen has traditionally financed many local initiatives and institutions, such as hospitals or sports clubs, but without having a global philanthropic strategy.

The Płock local authorities welcomed the idea of creating a fund, which would be financed in large part by private monies. Particularly helpful in the relatively smooth launch of the project was UNDP's authority as a well-known international organisation. Also, the fact that both in Orlen and in the town administration, young managers, familiar with UNDP working methods, supported the idea of an innovative participatory experience, seems to have encouraged cooperation between these institutions.

While it would be wrong to declare that some stakeholders were directly opposed to the participatory budget, its implementation was not free of difficulties. For example, at the beginning, the local political context proved to be fairly tense. As soon as the partnership cooperation agreement was signed between the representatives of different sectors (UNDP, Płock authorities and Orlen) in 2002, the elected mayor (from a post-communist left list) had to resign his position, after being indicted for electoral fraud. His former rival, and now successor, from a right-wing party, M. Milewski, had first to be convinced, together with his team, that the participatory

project was not an initiative intended solely to promote the political opposition. Once this was done, the project could be implemented by the parties concerned, under close UNDP supervision. During the first years, the UNDP was formally responsible for implementation of the project, before it was granted autonomy. This initial context, as well as the fact that there was no clear majority in the town council might, paradoxically, have helped to legitimise the project politically. Indeed, it can scarcely be said that the participatory budget was pushed by one political side in particular.

In the absence of distinct opposition, the reasons which make the establishment of cross-sector partnerships an unusual and challenging initiative are mainly structural. Notwithstanding the calls to strengthen the links between the private and the non-profit sectors, a wide gap still separates them (in 2006, 40 per cent of Polish NGOs claimed that they had no relations of any kind with firms) (Kuraszko 2008). At the same time, mutual mistrust characterises relations between NGOs and the public administration, although this seems to be changing (Gliński, Lewenstein and Siciński 2002; Rymsza 2005).<sup>5</sup>

## **2.2 Declared and Undeclared Aims of Consultation and Public Budgeting**

The first declared aim of the project was to renovate and strengthen the local development strategy. First, an audit was organised to revise the existing urban development plan. Second, an organised consultation was set up in order to work out a new sustainable development strategy. The aim of this consultation was to gather representatives of the three sectors to consider the priorities of town development and to propose solutions to implement them. It was assumed that otherwise these representatives may not have interacted with one another and, even if they had, not on an equal footing. There were also other, undeclared aims, linked mainly to benefits in terms of image expected by the main players. I will return to this question in the last part of this chapter.

## **2.3 Functioning of the Participatory Budget**

Before getting into the functional details of participatory budgeting, it is important to mention an event which made the whole initiative possible. The organised consultation launched in October 2002, set up under UNDP auspices, must be considered the first stage of the participatory process. Hosted by UNDP experts, these consultations – the »Forum for Płock« – gathered representatives of the town council, local business and the third sector, as well as a few journalists (80 people altogether). The invitation of journalists to the debate was intended to bring the local media into the process and to make sure that the Forum would receive enough publicity. The

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<sup>5</sup> A 2003 law on public interest activity and volunteering compels public authorities to cooperate with NGOs (Rymsza 2005).

meetings, which went on for six months, were aimed at working out a more detailed sustainable development strategy for the town, which would contain general priorities, as well as more precise deadlines and indicators.

The main priorities of the new strategy were focused on developing business and technical infrastructure, the cultural heritage, environmental protection and, finally, improving the inhabitants' living conditions and reinforcing NGOs. During the debates, it was clearly suggested that this strategy should have a strong »civil society component«, which meant in practice closer cooperation with local NGOs. One of the aims was »to have local leaders emerge, who would cooperate with each other, as well as with the local authorities«. The Forum's deliberations were considered a success by most participants. This was due to the innovative form of the debates. During interactive workshops participants were asked to play the role of representatives of a different sector than the one they came from. This role-play was meant to contribute to a better understanding of the priorities and limits of different stakeholders. It allowed the participants to exchange views freely and to reach agreement on common priorities.

This is how the participatory budget was institutionalised in 2003, with the launch of the Small Grants Fund. The latter was administered in the first stage by UNDP and financed by both the city of Płock and private companies, mainly PKN Orlen, Basel Orlen Polyolefins and Levi Strauss. The Grants Fund functioned along the same lines in three subsequent annual incarnations. The fund financed NGO projects mainly in the social, educational and cultural fields (up to 300,000 euros a year were distributed in this way).

The participatory component concerned how the projects were selected. Significant responsibility was devolved to the steering committee of the Fund. This committee was made up of personalities from local society and local associations. They were nominated from among distinguished local citizens, who had, for example, won local contests such as »Płock's citizen of the year«. There was also a »teacher of the year« and a doctor who had been nominated by his patients in a similar poll launched by the local media, as well as sportsmen and young volunteers who had distinguished themselves by their social activities. The recommendations of the steering committee had to be confirmed by the Grants Fund board, but they seem to have been followed in the majority of cases.

The situation has changed slightly with the institutionalisation of the Grants Fund. After the first three years, during which the fund was managed by UNDP, the decision was taken in 2005 to create an autonomous and legally independent foundation. Although the principle of grant distribution remains the same, this new entity, called Grants Fund for Płock, requires more administrative infrastructure and, above all,

there seems to be less emphasis on citizen participation than during the first stage. The public and private stakeholders (town council and company representatives) occupy central positions in the foundation councils. A small board composed of three members ensures the link between the donors and the new steering committee. However, the role of this committee seems to have been reduced, as it is only consultative in nature and may be modified by the foundation council.

All in all, when one looks at the results of the grant distribution process, the beneficiaries and the financed projects have not changed radically. Grants have financed performances by the Płock Boy's Choir and local dance groups; several groups of disabled people have also benefitted, with funding for events or equipment; and clubs for the elderly and cultural associations are always among the beneficiaries.

#### **2.4 What Kinds of Participation?**

Before evaluating the nature of participation, it should be recalled that a participatory method of grant distribution was not the main objective of the project. The Grants Fund initiative was aimed at ensuring closer cooperation between the public, private and non-profit sectors. Participatory grant distribution is therefore merely a by-product. The members of the steering committee were ordinary citizens, but were not randomly selected: each had distinguished him- or herself in some way. In the first stage, they were coached by UNDP experts. In this way, the »everyday knowledge« of local NGO activists was complemented by the expert knowledge focused on more formal aspects, such as the submission of applications and their feasibility. This method proved satisfactory, even if some criticisms were voiced.

The most serious criticism was that of possible conflicts of interest. This was linked to the fact that members of the steering committee sometimes had to take decisions on projects in which they had a stake. These criticisms, revealed by the press, sometimes led to heated debate. On the other hand, they also resulted in the implementation of a number of mechanisms designed to prevent abuse. Another criticism was related to the risk that organisations which were already well known and involved in the process could more easily obtain access to funding than smaller, new or innovative projects. However, the UNDP experts as the funding managers tried to deal with these issues in as transparent a manner as possible. An audit – paving the way for an independent report – was conducted after the first year of the Grants Fund's activities, leading to a number of recommendations and subsequent adjustments (Kuczmierowska 2004).

#### **2.5 Feedback**

As the Płock Grants Fund does not make recommendations about local public policies, but directly finances projects submitted by NGOs, the main way of providing feedback



to the population is to make the list of beneficiaries public. This is done in several ways. Every year, an official public ceremony is organised, at which the donors – the mayor and representatives of the business sector – officially offer symbolic cheques to the beneficiaries. The latter present their achievements and projects.

Another way of making the results of the selection process public is the local press, which regularly covers the programme. Moreover, several attempts have been made to find out the opinions of NGO representatives. A written consultation was organised in 2008, but the return rate of the questionnaires was very low (14 per cent). Training seminars take place periodically to explain legal or technical aspects of fundraising and management to NGO representatives. Most of these contacts are based on one-way communication. They aim at either informing or consulting the NGOs, without putting much stress on public deliberation.

### **3. Results of the Grants Fund Initiative**

#### **3.1 Results on the Administrative Level and Social Impact**

Although it would be too early to declare that implementation of the Grants Fund has improved the functioning of the local administration, a number of more modest results can be noted. First of all, there is stronger official recognition of local NGOs as operators – and in some cases as partners – of local community services. Second, the creation of the Grants Fund has led to material and human investment. In the building in which Fund coordination takes place, a Centre for volunteering and cooperation with NGOs has been opened by the city authorities, offering a meeting room and training to third-sector activists. At least three publicly financed jobs have been created to facilitate cooperation with NGOs. Owing to these new structures communication between the city's administration and the third sector has improved.

However, it would be exaggerating somewhat to assert that these changes have brought more social justice or empowered any minority groups. The allocation of public and private resources has experienced some – although not revolutionary – changes. For most NGOs, the Grants Fund remains one of many different sources of revenue. The existence of the Grants Fund, however, enables both the town authorities and the private firms which contribute to it to redirect third-sector requests for funding more easily.

As far as the NGOs are concerned, the Grants Fund initiative has opened up new possibilities for them in terms of increasing professionalism. Both the formal application process and the offered training have encouraged motivated NGOs to reinforce their know-how in terms of fund-raising, public relations, project writing and so on. The task may be easier for strong and dynamic NGOs, which were already

well-known and who are able to gather funds for their projects in this way. However, the process is formally open to all kinds of associations.

### **3.2 More General Political and Strategic Results**

The cross-sector partnership has given rise to a number of tangible results for the principal donors. Although part of the private sector, Orlen is also a political actor due to its economic strength and its close links with the state. Adversely affected by a public corruption scandal on a national scale during the first stage of the Grants Fund's existence and considered locally as a major polluter, the company has been able to improve its image in Płock as a major philanthropic actor.<sup>6</sup> Moreover, the formalised cooperation with the town council authorities, made necessary by the cross-sector partnership, has presumably helped to improve relations between them.

As far as the Płock authorities are concerned, several direct and indirect benefits may be mentioned. Consultation with NGOs and transparent financing procedures seem to have had a positive impact on perceptions of the town council among local residents and voters. Local social activists cannot claim that nothing is being done to help them realise their needs. The city authorities appear to be concerned about the citizens' priorities.

But there have also been a number of indirect effects of the town council's engagement in this pioneering initiative. Owing, among other things, to the publicity provided by UNDP networks, foreign delegations (from Switzerland, Georgia, Bulgaria, Ukraine and Belarus) have come to Płock to study the cross-sector partnership. In June 2004, Płock was chosen by the United Nations Institute for Training and Research (UNITAR) for the opening of an International Training Centre for Local Authorities and Local Actors (CIFAL).<sup>7</sup>

## **4. Conclusion: General Results and Limits of the Płock Experience**

As a pioneering initiative, helped by international expertise, the Grants Fund has benefited not only local NGOs but also – and above all – the local authorities and companies, helping to enhance their visibility and legitimacy. However, it is difficult to predict whether and how far the participatory element will be preserved in the future, as the nature of the project is changing. A recent Polish law on public finance forbids city authorities to give money to foundations. This is why the last generous donation

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<sup>6</sup> However, it must be noted that not all managers of the company consider the Grants Fund to be of similar interest. For some managers, the PR impact of the Fund is limited and could be replaced by other philanthropic activities.

<sup>7</sup> Only 12 centres of this kind existed in the world in 2009, six of them in Europe.

of the town council to the Grants Fund dates back to 2005. Although the city still finances material costs (room, webpage and so on), its contribution has been questioned. If the Foundation had to rely more exclusively on private funds, the cross-sector partnership would be called into question, as well as its already weakened participatory component.

Several attempts to reproduce the Płock experience show that it has triggered some interest. Three Polish cities have adopted similar Grants Funds, helped by UNDP.<sup>8</sup> However, the viability of these initiatives depends on the presence of a strategic private investor willing to be financially involved in the budget. Some participatory budgets have also been launched in neighbouring Ukraine.

All in all, the Płock »participatory budget« did not aim at putting the citizen at the heart of the decision-making process. Instead, one might speak of a convergence between the public and private sectors, leading to the inclusion of the third sector. A cross-sector Grants Fund does not embody the »participatory democracy« ideal. It instead resembles the managerial model, as well as »participatory modernisation« (Bacqué and Sintomer, 2005). Some have described the Płock case as an example of »participatory neoliberalism«, as citizens' participation has been subordinated to economic interests and linked to the disengagement of the central state (Sintomer, Herzberg and Röcke 2008).

In Płock, the will to bring public policy-making to the citizens was undoubtedly there. However, the aim was not so much to include them in decision-making as to consult organised citizens' representatives. It is expected that a positive attitude towards grassroots initiatives will lead to better acceptance of public decisions, a more efficient distribution of private funds and the transfer of know-how to the non-profit sector.

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<sup>8</sup> Ostrów Wielkopolski, Wałbrzych and Tarnów.

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