



Michał Myck, Centre for Economic Analysis
Mateusz Najsttub, Centre for Economic Analysis
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The Polish 1999 Administrative Reform and Its Implications for Inclusive Regional Development

On 1 January 1999, four major reforms took effect in Poland in the areas of health, education, pensions and local administration. After 20 years, only in the last case does the original structural design remain essentially unchanged. We examine the implications of this reform from the perspective of the distance of municipalities from their regional administrative capitals. We show that despite fears of negative consequences for municipalities which ended up on the periphery with respect to their post-reform administrative centres, the reform did not result in slower socio-economic development in these regions. We argue that regional inclusiveness in the process of development is likely to be an important factor behind the stability of Poland's administrative design.

Introduction

Four major reforms took effect on 1 January 1999 in Poland, substantially changing the structure of healthcare, education, the pension system and local government administration. The extent of the changes and the fact that all four reforms were implemented on the same day could in fact be considered as representing a symbolic final step of the Polish socio-economic transition which had started nearly ten years earlier. However, in 2019, twenty years after the reforms took effect, the originally introduced structural design remains unchanged in only one of the four areas – local government.

In a recent paper (Myck and Najsztub, 2019) we take a close look at the implications of the 1999 administrative reform treating it as a form of a “natural experiment” and analysing its consequences for socio-economic development dynamics in municipalities, which ended up on the periphery with respect to their post-reform administrative capitals. Using a broad set of indicators we find that the reform did not have significant negative consequences for these municipalities and ensured inclusive development at the regional level. This might be an important factor which has determined the longevity of the administrative design implemented in 1999.

The local administrative design in Poland before and after 1999

Major administrative reforms are relatively infrequent, which makes the scope and scale of the one implemented in Poland on 1 January 1999 a rather unique point of reference for analysis of potential implications of administrative restructuring. The reform went far beyond the administrative rearrangement of local government, as it was the culmination of a process

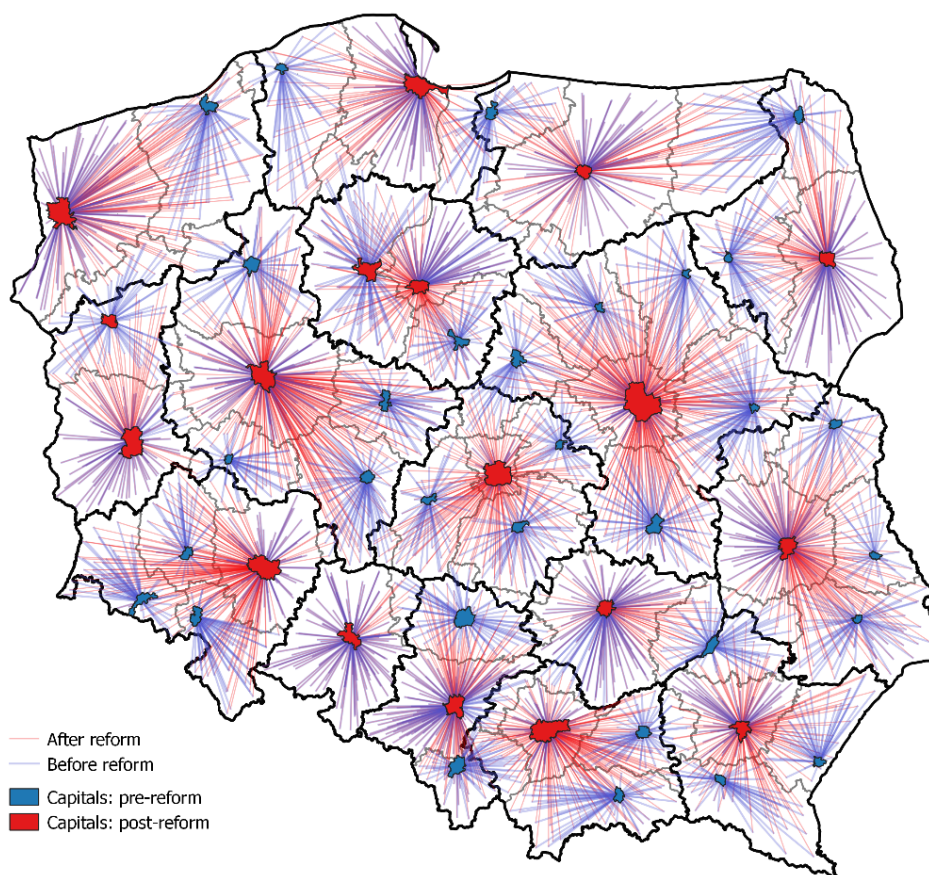
that reintroduced local autonomy to the Polish political system.

The goal of the reform was to further decentralise political power and increase public finance transparency. The middle tier of local government – the counties (powiats) – was reintroduced as a body responsible for the administration of institutions beyond the scope of a single municipality (e.g. hospitals, secondary schools, public roads, unemployment). At the same time the number of top tier administrative regions – the voivodeships – was reduced from 49 to 16, and their responsibilities were focused on overall regional development, higher education, regional infrastructure and the prospective management of EU funds. In the end, the reform resulted in the formation of 16 voivodeships, 308 counties, 66 towns with county status and 2478 municipalities. This administrative division of Poland has been in place, with minor modifications, since 1 January 1999 (for details and comments, see Blazyca et al. (2002), Regulski (2003) and Swianiewicz (2010)).

The reform implied the loss of regional administrative capital status for 31 cities (administration in two voivodeships, Lubuskie and Kujawsko-Pomorskie, is split between two capitals), and for nearly 60% of municipalities it resulted in an increase in the distance to their regional administrative centre compared with the pre-reform arrangement. These features of the reform are illustrated in Figure 1. Cities marked in blue used to be administrative capitals before 1999, while those marked in red maintained their status after the reform. The blue rays show the distance of municipalities from their respective administrative capitals before 1999, with the post-1999 distances marked in red. In the case of the two new voivodeships where two cities received capital status (Lubuskie and Kujawsko-Pomorskie), we measure the distance to the city that became the site of the regional government (*sejmik wojewódzki*), which is the key institution responsible for regional development.



Figure 1. Administrative arrangements in Poland before and after the 1999 administrative reform: voivodeships, capitals and distance from municipalities to regional administrative centres.



Notes: Blue rays show the distance of municipalities to their respective administrative capitals before 1999; the post-1999 distances to regional administrative centres is marked in red. Distances (in straight lines) between centroids of municipalities. Source: BDL, own calculations.

Identifying implications of the reform for regional capitals and peripheral municipalities

An important concern related to the introduction of the reform was first, its consequences for the voivodeship capitals which lost this status due to the reduced number of top-tier regions. Secondly, at the level of municipalities, the question was whether the redesign of the administrative network would result in any negative changes of development dynamics in municipalities, which as a result of the reform landed on the periphery with respect to the new voivodeship capitals. In Myck and Najsztub (2019) we consider both of these concerns looking at a number of indicators of socio-economic developments, including

population dynamics, local government finances as well as the intensity of nighttime lights measured by satellites, which has recently been treated in the literature as an overall proxy for economic development (Henderson et al., 2012; Pinkovski and Sala-i-Martin, 2016). We look at each of these problems using the difference-in-differences approach. In the first instance we compare the developments before and after the reform for voivodeship capitals, which maintained the status and those which did not, and in the latter we look at municipalities for which the distance to their administrative capital increased relative to those for which it remained unchanged or fell.

In the case of voivodeship capitals, due to the obvious differences between the two groups of pre-1999 capitals which in the end determined



their post-reform status, our estimates can only be treated as descriptive. In the second case though, since municipalities had little choice with regard to their assignment to the new voivodeships, the results can safely be interpreted as causal. To address the differences between the two groups of municipalities, we apply the entropy balancing method of matching to ensure pre-reform uniformity in the distribution of the analysed municipality characteristics (Hainmueller, 2012; Adda et al., 2014). A summary of the results of both sets of estimations is presented in Table 1 where we show the difference-in-differences coefficients for six socio-demographic outcomes. The estimation period covers the years 1995-2012.

As we can see in Table 1 the only consistently negative and significant coefficient which we find

in the two main specifications concerns net migration. Other than that, the results seem to go against the initial concerns with positive coefficients on own revenues, which are statistically significant in the case of the voivodeship capitals, though not in the case of peripheral municipalities. Results for the intensity of nighttime lights are negative in both cases but are not statistically significant. Particularly in the case of peripheral municipalities – where as we argued we can treat the results as causal – we find no evidence of major negative implications of the reform for socio-economic dynamics. This result, as we show in Myck and Najsztub (2019) is confirmed in a number of robustness tests.

Table 1. Diff-in-diff regression estimates for voivodeship capitals and municipalities

Outcome	Voivodeship capitals: effect of loss of regional capital status			Municipalities: increased distance to administrative capitals		
	Coeff.	t-stat.	Signif.	Coeff.	t-stat.	Signif.
Population						
Births, log	-0.139	(-5.718)	***	-0.000	(-0.027)	
Deaths, log	0.020	(1.339)		0.002	(0.160)	
Net migration, pers.	-1.902	(-2.906)	**	-12.579	(-2.372)	*
Finances						
Own revenues, p.c. log	0.076	(1.872)	+	0.024	(1.028)	
Own non-capital revenues, p.c. log	0.136	(2.307)	*	0.033	(1.246)	
Economic indicators						
Total lights, p.c. log	-0.028	(-1.396)		-0.002	(-0.049)	
Number of observations:	882			43218		

Note: + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; standard errors clustered at the municipality level. Monetary values in real 2005 PLN terms. Values in log in cases where the dependent variable is log-normally distributed. Per capita estimations (p.c.) weighted by population size. All estimations include capital/municipality and time fixed effects.

Source: Authors' calculations using data from the Local Data Bank (Bank Danych Lokalnych, BDL; data on population and finances) provided by the Polish Central Statistical Office (GUS) and nighttime lights data provided by the National Oceanic and Atmospheric Administration (NOAA) (Elvidge et al., 2009; National Geophysical Data Center (NGDC), 2010). Data for years 1995-2012.

The socio-economic development in central and peripheral municipalities with respect to the new voivodeship capitals seems therefore to be unaffected by the reform. Importantly also, despite concerns about the marginalization of the cities which lost the voivodeship capital status in 1999, their socio-economic performance has not been much worse compared to those which remained capitals and received greater

administrative responsibilities and budgets to manage. From this point of view, the stability of the structure of Poland's local government and the longevity of the administrative design implemented in 1999 should not be surprising. The claims of the need to change the Polish administrative design and promises of changes resurface at each parliamentary election. These promises have so far been left unmet and



inclusivity of socio-economic development at the regional level that followed the reform is likely to be an important factor behind this.

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Michał Myck

Centre for Economic Analysis (CenEA)
mmyck@cenea.org.pl
www.cenea.org.pl

Michał Myck is the director of CenEA. He previously worked at the Institute for Fiscal Studies in London and at the DIW-Berlin.

He received his B.A. and M.Phil. degrees at the University of Oxford (PPE – 1997, Economics – 1999), Ph.D. degree at the University of Warsaw (2006) and Habilitation at the Free University Berlin (2015). His work focuses on labour and health economics and applied micro-econometrics.



Mateusz Najsttub

Centre for Economic Analysis (CenEA)
mnajsttub@cenea.org.pl
www.cenea.org.pl

Mateusz Najsttub has been working at CenEA since 2013. Although graduating with an MA degree in Chemistry at the Adam Mickiewicz University in Poznań in 2011, he is also interested in European and social politics. Previously enrolled in a Ph.D. programme in Economics at the University of Economics in Poznań.

Currently working with taxes and benefits microsimulation modelling. On top of that interested in regional data analysis using satellite imagery.

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