

DESCRIPTION FOR THE GENERAL PUBLIC

Local government is one of the most important providers of public services in democratic countries and after being created in Poland – as one of first civil society organizations – it is considered to be a vital and successful institution of public life. After more than 25 years of operation however, a public discourse is emerging that questions the political, managerial and functional effectiveness and efficiency of local government.. In other European countries the institution of local government has been a subject to frequent changes, so science developed the concept of territorial instability (Teles 2016). It says that local governments operate under constant pressure to change and to be able to survive as a key democratic organization they must be effective – otherwise under the influence of political and social pressures undergo deep transformations that pose a threat to the stability of the institution.

Why some local governments are more effective in providing local services than others? Is a choice between the provision of service by themselves or through co-operation important for efficiency? Why do some choose to appoint a municipal company, or choose to order the service to a private company? What makes yet another decide to provide local services in cooperation with other local governments? These are the main questions which we want to focus on. Particular attention will focus on costs, not forgetting the other conditions: political, formal and financial, in which local government operates; and the characteristics of particular markets of local services. The main emphasis will be to investigate the mechanisms leading to the decision on the selection of coordination model (governance model) of particular local services.

Our goal is to examine **the factors affecting the operation of local government as it enters into relationships with other organizations**. It might seem that this is a marginal element of the action of local governments, but it is not. Today, in the social sciences dominates the view according to which, organizations - whether public or private - must enter into relationships with other organizations to effectively perform its functions. Entering a relationship is a prerequisite for the survival of the organization, but it has its costs - these are called transaction costs. These costs result from: i) entering into relationships we do not have full knowledge of the circumstances; ii) the other party may want to use on relationships more than we do and disproportionate to its contribution to the relationship; iii) the relationship requires the creation of a kind of "infrastructure", which has its price. The estimation of effectiveness of local government needs the answer the question about a kind of transaction costs which local government pays while providing a service to residents by entering into relationships with other organizations. Thus, the main goal of our project is **to determine the types and significance of transaction costs in the activity of local governments**.

The answer to the question of the significance of transaction costs in the activity of local governments will supplement the general state of scientific knowledge on this concept. The concept of transaction costs is recognized in science as a breakthrough for economic research. Its source is the institutional economics, whose leading representatives of Elinor Ostrom and Oliver Williamson were in 2009 awarded the Bank of Sweden Prize Alfred Nobel in economics. The award was given primarily for the study of economic governance and for raising this issue to the level of the very important area of research in the social sciences. One of its underlying assumptions is the recognition that economic transactions take place not only in the market but also within the organization and within the hierarchy between organizations. This view is extended to political and administrative organizations as well as to the relationship between public and non-public organizations, which need not to be market relations, but can also have a form of hierarchical relationships or cooperation.

Research has shown that the phenomenon transaction costs recognizes that each of these forms – market, hierarchy, cooperation – causes other costs that must be incurred by the organizations involved in the collaborative relationship. Can these costs in general be avoided? Not if we enter into relationships. However, it can be minimized to obtain improved efficiency. The relations of Polish local governments have provided an extraordinary testing ground for research. Local governments enter into relationships with very different organizations, and we are going to examine all Polish municipalities, which provides a substantial and varied range of transactions, which change over time allowing for a dynamic multidirectional network of transactions to be explored. We are interested in those transactions that local governments establish for the provision of services for citizens. Examining them we want to learn more about the nature of transaction costs. Political organizations operate under certain conditions of the political system, which has an impact on the actions taken, but the feature of the self-government is to find exceptional solutions best suited to local opportunities. Such experiments - positive, but also negative experiences – are a chance to create new, innovative solutions for science and for the development of civilization. To explore them we planned an extensive quantitative research – statistical analysis of data collected by different organizations and data collected exclusively for this project – and qualitative research, which on selected examples will allow better look at the cases of different types of transaction costs and deal with them in the provision of services.