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Level and significance of European Union means in the budgets of non-urban poviats (districts) of Pomeranian voivodeship (province)

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Abstract: One of the conditions for regional development is the existence of financial means that allow execution of tasks which determine regional development. Financial funds come from many different sources. Among them are means from the European Community budget, which are granted for a specific period, called programming period. Poland benefits from that support for the second time. The aim of the article is to analyse the scale and significance of financial funds granted to Polish self-government units in the previous programming period. The research was conducted in poviats (districts) and covered the area of Pomorskie voivodship (province).

Introduction

Local governments are responsible for providing services that satisfy the needs of local communities. If the needs are of beyond-local character, the responsibility for their satisfaction lies with poviats. To be able to satisfy those needs local governments have been assigned some sources from which they can draw their funds. The funds obtained in this way are used for providing services, improving the quality of lifestyle and maintaining local development. The Revenues of Local Governments Act (of 13 November 2003, Art. 3), in force since 2004, with regard to the mandatory sources of revenues of local self-government units, including poviats, repeats the solutions adopted in the Constitution, where the revenues are defined as consisting of units own revenues, general subsidies and specific grants from the State Budget. In the Act, the list encompasses also a catalogue of optional sources, including EU budget means, which are the subject of the analysis in this article. The aim of this article is to assess how the EU budget means were used by the poviats in Pomorskie voivodship in their investment activity in the years 2006-2008.

1. EU means dedicated for local self-government units

The year 2004, that is the time when Poland joined the European Union, brought the local self-governments the possibility to use the funds assigned for EU members. From that moment they gained a new source of revenue, *i.e.* EU budget means. The source is of optional character as it may but does not have to be included in the budgets of local self-government units. The statutory regulations related to those budgets are provided in the already mentioned Revenues of Local Governments Act and in the Public Funds Act. In compliance with its regulations, the means from the European Union budget are public funds, which come from structural funds and the Cohesion Fund, have been included in the state budget and have been provided to local self-governments in the form of development grant (Miemiec, 2008, pp. 256-257).

The date when Poland joined the European Union and was able to use the structural funds did not imply that from that moment the budgets of local self-governments became immediately dominated by support for EU members. According to the conducted researches, in 2004 pre-accession means were still of primary importance for the budgets of local self-governments, however, a year later structural funds and the Cohesion Fund accounted for 2/3 of all the foreign means. The rapidly decreasing tendency prevailed in the years to follow (Kern, Pelczar 2008, p. 339). Nevertheless, the end of 2006 did not imply that all the means allocated in the programming period finishing that year had been accounted for. In compliance with the regulations regarding the date of eligibility for expenditure, *i.e.* $n+2$, projects from a programming period finishing in 2006 could be implemented until the end of 2008, although in some cases the consent of the European Commission was required to prolong the final date of eligibility for expenditure even until mid-2009. Moreover, due to other reasons, it can be assumed that the data for the year 2008 do not show means from the current programming period or that their presence is negligible. For example, the completion of the works on the final version of the document, that is adoption of the *Regional Operating Programme* by the board of Pomorskie voivodship, took place in October 2007 and the first calls for tenders were opened in mid-2008. That is why it should be assumed that in the years 2006-2008 the budgets of poviats were dominated by the means from the first programming period for Poland.

2. Review of poviats in Pomorskie voivodship

The self-government reform in Poland involved numerous decisions taken at various authority levels. One of the significant stages of systemic changes in Poland was the so-called second stage of the reform, conducted in late 1998, which involved, among other things, the establishment of poviats. In Pomorskie voivodship there were

initially 19 poviats established, four of which were the so-called urban poviats, that is towns with poviat rights. As a result of the changes introduced in the two-year period following the beginning of the reform, in 2002 Sztumski poviat was separated out of Malborski poviat. Consequently, there are nowadays 20 poviats in Pomorskie voivodship. Subject of analysis in this article were the current 16 rural districts of the Pomorskie voivodship. Among them, only one rural poviat, *i.e.* Słupski poviat, has its administrative office outside its own territory and is located in the town of Słupsk, which has poviat rights. In terms of surface, it is also the largest district in the Pomeranian voivodship with 2,3 thousands km², which makes it 50 times larger than for instance the town of Słupsk and more the 4,5 larger than the smallest district (*i.e.* the Malborski poviat) with its surface of about 500 km².

Poviat surface does not always correspond with and is reflected in the numbers of its inhabitants. Most populated district of its total of 190 thousands is the Wejherowski poviat. This relatively high number as compared with other districts in the region does not result from its surface but rather from the vicinity of this district to the Tri-City region as well as its closeness to other communes that together with the town of Wejherowo create the so-called small Tri-City. The smallest district in the Pomerania region, the Nowodworski poviat, totals only 36 inhabitants. From the point of view of administrative structure, a district has statistically been created out of seven communes with five rural and respectively one urban and one urban-rural commune. Differences in the administrative structure are in reality rather significant and result from the location of respective districts within a given voivodship as well as from specificities of terrains that make it up. Just to give one example, from seven communes that create the Pucki poviat, four are of urban character whereas among the ten communes in the Bytowski poviat none has that quality.

Rural districts, as all in the Pomorskie voivodship, usually are not well developed economically. One of often used indexes to measure the economic development is BNP, which however due to its calculation is seldom applied in relation to sub-national smaller regions. With average monthly income as index used, it can be revealed that the economic situation is best in the Gdański poviat (around PLN 2,8 thousands), whereas it is worst in the Chojnicki poviat (PLN 2,35 thousands). It needs to be mentioned that offered salaries are usually higher in the largest urban agglomerations and they only surpasses the national average in rural regions in specific situations, *e.g.* work in big companies. The conditions are similar in the analysed Pomorskie voivodship, in which the average salary in all 16 examined districts represents 80% of the national average. According to the unemployment index, the economic situation is also best in the Gdański poviat, *i.e.* 3.5%. Worth mentioning is here the fact that it insignificantly surpasses the unemployment rate of the neighbouring town of Gdańsk. Unlike the latter, the unemployment index is much higher, *i.e.* 20%, in the poviats of Nowy Dwór, Człuchów and Bytów (Figures from Regional data Bank 2008).

3. European Union means in the revenues of poviats

As it has already been mentioned, means from EU budget as well as other non-repayable funds of foreign origin belong to the group of optional sources of revenue of local self-government units. This means that there may exist self-governments which receive no revenue from such a source, as the presence of such a source in the budget is not obligatory. In the case of Pomorskie poviats such a situation occurred only in 2006 and only with regard to five units (Table 1) – that is in the case of slightly over 30% of poviat self-governments in the voivodship. In the following years all poviats used EU means, though to a different extent. The magnitudes of subsidies varied – from PLN 50 thousand a year, which could be considered a symbolic amount, up to over PLN 5 million. Taking an overall look, we can see that in the years 2006-2008 the value of subsidies for particular poviats differed almost 30-fold. The lowest subsidy (slightly less than PLN 250,000) was received by Nowodworski poviat, whereas

Table 1

EU means in the budgets of poviats in Pomorskie voivodship in the years 2006-2008

Poviat	2006			2007*	2008		
	Total (PLN thous.)	Investment (PLN thous.)	Rate (%)	Total (PLN thous.)	Total (PLN thous.)	Investment (PLN thous.)	Rate (%)
Bytowski	1,947.6	1,923.1	98.7	566.1	520.7	2.4	0.5
Chojnicki	86.0	0.0	0.0	1,650.6	255.1	0.0	0.0
Człuchowski	101.8	0.0	0.0	1,624.8	53.7	53.7	100.0
Gdański	0.0	0.0	--	501.4	129.2	129.2	100.0
Kartuski	1,384.7	1,167.3	84.3	2,476.5	213.9	91.3	42.7
Kościerski	0.0	0.0	--	521.4	197.4	0.0	0.0
Kwidzyński	3578.7	3,578.7	100.0	1,643.0	763.0	0.0	0.0
Lęborski	0.0	0.0	--	475.5	831.4	665.9	80.1
Malborski	866.7	835.5	96.4	4,195.9	2,690.1	2,102.7	78.2
Nowodworski	0.0	0.0	--	207.6	40.9	0.0	0.0
Pucki	0.0	0.0	--	419.2	627.0	115.7	18.5
Słupski	2,966.7	2,733.6	92.1	2,898.2	304.1	0.0	0.0
Starogardzki	290.1	279.1	96.2	579.3	140.8	0.0	0.0
Sztumski	1,532.1	1,521.6	99.3	2,224.9	181.8	0.0	0.0
Tczewski	796.5	796.5	100.0	439.8	88.7	0.0	0.0
Wejherowski	5,026.1	5,026.1	100.0	1,243.8	1,644.5	1,561.4	94.9
Average	1,161.1	1,116.3	96.1	1,354.3	542.6	295.1	54.4

*Data for investment means in 2007 not available

Source: Own research based on Regional Data Bank, www.stat.gov.pl, 10 Nov. 2009 (Tables 1-4)

Wejherowski powiat got the most (almost PLN 8 million). No relationship between the revenues of a powiat and the means obtained from the EU can be spotted. Hence it could be concluded that the financial standing of a powiat does not determine the magnitude of EU means it can receive. Moreover, the related requirement of own contribution is not an absolute obstacle to various possibilities of obtaining external return financing (Kozuń-Cieślak 2008, pp. 47-54).

While analysing alterations in the forms of financial assistance through time, we will notice its great variety, which results from the specificity of this form of subsidising. The support takes the form of a subsidy and is related to implementation of a specific development, mainly a specific investment, in a set period of time. The EU provided means are not assigned for maintaining continuity of the execution of current public tasks by local self-governments. The fact is reflected by their structure – the major part of the means, especially in the case of subsidies exceeding millions zlotys, were means for investments – quite often they constituted 100% of the EU support. Such was the character of the financial assistance provided in 2006 to Kwidzyński or Wejherowski powiats. On the other hand, support provided for Chojnicki, Kościerski or Nowodworski powiats in 2006 and 2008 was in no way of investment character.

While analysing transfers from any source, including EU budget, we need to bear in mind that their influence is determined not only by their absolute value, but also their significance in the budget. Self-government units differ in their size, location and population. They are characterised by different distribution of possible source of revenue and different standing of local economy. All this affects the economic situation, which is reflected, for example, by the income level. Table 2 depicts the significance of EU means in the revenue budgets. In four powiats – Starogardzki, Nowodworski, Kościerski and Tczewski – their rate did not exceed 1% in any of the years under analysis, and in three others - Gdański, Lęborski and Pucki - the average rate was lower than 1%. This proves that the significance of EU funds in the overall means at the disposal of powiat authorities is rather low. The average maximum values in the studied period did not exceed 5%, and in some years they sporadically reached 7%. On comparing the results of the analyses presented in Tables 1 and 2, we can notice quite significant concurrence between the magnitude of EU support and the significance of those funds in the budgets of the researched units. The greatest support and the most important significance of those funds in the budgets can be seen in the case of the same group of 6 powiats, *i.e.* Kartuski, Kwidzyński, Malborski, Słupski, Sztumski and Wejherowski, however, it should be pointed out that the orders in which the units are categorised based on those criteria differ. Hence, a conclusion may be drawn that although in the year 2006-2008 EU means were of little importance in most powiats, their magnitude was directly reflected by their share in the revenue, as although the magnitude of the funds from EU budget received by powiats in Pomorskie voivodship differed 30-fold, the differences in their revenues were only three-fold. There were even smaller than the rate of population difference, which in the case of powiats in Pomorskie voivodship is 1:5.3. The cause of such flattening of

Table 2

European Union means in the revenue of poviats in Pomorskie voivodship

	2006		2007		2008		2006-2008
	Total Revenue (thous. zł)	EU support rate (%)	Total Revenue (thous. zł)	EU support rate (%)	Total Revenue (thous. PLN)	EU support rate (%)	Average rate (%)
Bytowski	52,757.7	3.7	55,416.9	1.0	60,506.8	0.9	1.8
Chojnicki	57,784.3	0.1	63,935.2	2.6	71,460.3	0.4	1.0
Człuchowski	54,796.9	0.2	53,812.9	3.0	59,047.1	0.1	1.1
Gdański	31,332.4	0.0	37,340.5	1.3	41,240.1	0.3	0.6
Kartuski	56,292.9	2.5	67,012.5	3.7	71,495.7	0.3	2.1
Kościerski	45,849.7	0.0	50,502.2	1.0	53,986.3	0.4	0.5
Kwidzyński	57,392.7	6.2	58,414.7	2.8	62,270.6	1.2	3.4
Lęborski	45,040.5	0.0	49,376.6	1.0	54,775.6	1.5	0.9
Malborski	47,400.4	1.8	54,650.1	7.7	59,506.8	4.5	4.8
Nowodworski	26,865.0	0.0	26,330.4	0.8	31,422.2	0.1	0.3
Pucki	40,878.4	0.0	44,685.3	0.9	49,681.1	1.3	0.8
Słupski	54,129.9	5.5	60,874.7	4.8	62,561.7	0.5	3.5
Starogardzki	70,320.3	0.4	77,443.6	0.7	86,848.3	0.2	0.4
Sztumski	29,670.7	5.2	29,888.1	7.4	31,120.2	0.6	4.3
Tczewski	80,508.9	1.0	84,258.5	0.5	105,539.4	0.1	0.5
Wejherowski	89,179.6	5.6	94,529.3	1.3	108,282.5	1.5	2.7

the budgets, that is their lower differentiation, is quite a stiff system of constructing the revenue side of the budgets. Poviats are not vested with the power of taxation nor can they impose the so-called own taxes. The revenue from fees constitutes a marginal part of the budget. Among own sources of revenue, only revenues from personal income tax and corporate income tax, that is the so-called share in PIT and CIT, are of some importance. Nevertheless, the system of subsidising those units, especially with regard of balancing support (Sekuła 2009, p. 109) is more rigorous than in the case of communes (gminas). It was constructed in such a way that it can level out differences in revenue resulting from higher or lower own income. Such a situation is criticised in trade literature. There even appear accusations that powiat authorities administer rather than manage their areas.

4. European Union means and powiat expenditures

According to the previous analyses, when large amounts are transferred from the EU budget they are of investment character. Hence it was decided to examine their

significance in relation to the overall investment level. Initially the ratio of investment and current expenditures to total expenditures was calculated (Table 3). It turns out that poviats are reluctant to invest. Only every PLN 8 is spent on investments. In some cases, *e.g.* in Lęborski or Starogardzki poviats the investment level was so low (in the range of 3-4%) that it could be claimed that in some years there were practically no investments at all.

The average values are slightly higher. At the break of the analysed years they fluctuate between 11-13% of the total expenditures, thank to, among others, Człuchowski powiat, where in 2006 every three out of five zlotys that were spent investments and the averaged values for the years 2006-2008 reached almost 30%. In no other case did the mean value of investment expenditures exceed 20% of total expenditures. The level is much higher – minimum 10 percentage points – in communes (gminas) and voivodships. According to other research in the field (Patrzalek 2008, p. 327, Rzemyskowski 2008, p. 394, Maciejuk, 2008, p. 473) the resultant data do not

Table 3

Ratio of investment expenditures to overall expenditures of the poviats in Pomorskie voivodship

	2006			2007			2008			2006-2008
	Total (PLN mln)	Invest. (PLN mln)	Ratio (%)	Total (PLN mln)	Invest. (PLN mln)	Ratio (%)	Total (PLN mln)	Invest. (PLN mln)	Ratio (%)	Average ratio
Bytowski	52.41	6.23	11.9	50.84	3.00	5.9	55.85	3.01	5.4	7.7
Chojnicki	57.95	4.14	7.1	63.70	4.90	7.7	72.25	6.48	9.0	8.0
Człuchowski	67.41	28.06	41.6	53.04	12.02	22.7	58.72	11.20	19.1	28.6
Gdański	31.56	5.23	16.6	36.11	6.48	17.9	39.78	5.49	13.8	16.0
Kartuski	61.30	8.80	14.4	73.26	14.10	19.2	76.10	8.30	10.9	14.8
Kościerski	47.51	5.06	10.6	53.26	6.99	13.1	59.03	7.67	11.1	12.3
Kwidzyński	53.49	3.64	6.8	56.45	3.99	7.1	68.83	13.05	19.0	11.6
Lęborski	46.07	1.43	3.1	47.99	2.10	4.4	58.75	4.42	7.5	5.2
Malborski	53.86	10.31	19.1	54.96	7.17	13.0	59.88	10.91	13.0	16.8
Nowodworski	22.29	1.24	5.6	26.39	4.47	17.0	32.18	5.68	17.7	14.1
Pucki	43.37	6.79	15.6	44.14	4.40	10.0	50.11	3.79	7.6	10.9
Słupski	57.01	9.44	16.6	57.64	5.79	10.0	65.64	9.90	16.8	13.9
Starogardzki	69.98	1.39	2.0	76.19	2.55	3.3	83.68	3.21	3.8	3.1
Sztumski	30.57	5.85	19.1	29.78	3.92	13.1	30.51	2.73	9.0	13.7
Tczewski	78.16	6.72	8.6	81.67	6.42	7.9	102.37	17.27	16.9	11.6
Wejherowski	92.25	10.52	11.4	94.83	10.88	11.5	106.32	11.59	20.7	11.2
Average	54.07	7.18	13.3	56.27	6.20	11.0	63.75	7.79	12.2	12.2

differ significantly from the mean values for non-urban poviats in other voivodships or on the national scale. Low level of investments is another argument that substantiates the need for intensification of the activity of non-urban poviats in seeking funds from the European Union budget, although, from the nation-wide perspective the level of usage of the EU money for the programming period 2004-2006, which due to currency differences exceeded 100%, should be highly esteemed.

Based on the data in the previously discussed table 1, it was concluded that the means from the EU budget were primarily of investment character. As those transfers are regarded as subsidies, they have to be used in accordance with their purpose specified in the agreement, that is as investment expenditures. Because of this, it was decided to analyse the relation between the EU investment means and the investment expenditures in the two of the three studied years, that is in 2006 and 2008 (Table 4). We can see high fluctuations in those relations, what – as has been established – results from the fact that the fluctuations occur mainly in the period when the investments are being carried out. As far as the relation is concern, three groups of poviats may be distinguished. The first is made up of the units in which EU means for investments either did not occur at all or were of marginal importance, *e.g.* Chojnicki, Człuchowski, Kościerski and other poviats. It may be concluded that those means did not have any

Table 4

Relation between means for investments from European Union budget and investment expenditures in Pomorskie poviats

	2006 Ratio [%]	2008 Ratio [%]
Bytowski	30.9	0.1
Chojnicki	0.0	0.0
Człuchowski	0.0	0.5
Gdański	0.0	2.4
Kartuski	13.3	1.1
Kościerski	0.0	0.0
Kwidzyński	98.2	0.0
Lęborski	0.0	15.1
Malborski	8.1	19.3
Nowodworski	0.0	0.0
Pucki	0.0	3.1
Słupski	29.0	0.0
Starogardzki	20.1	0.0
Sztumski	26.0	0.0
Tczewski	11.8	0.0
Wejherowski	47.8	13.5

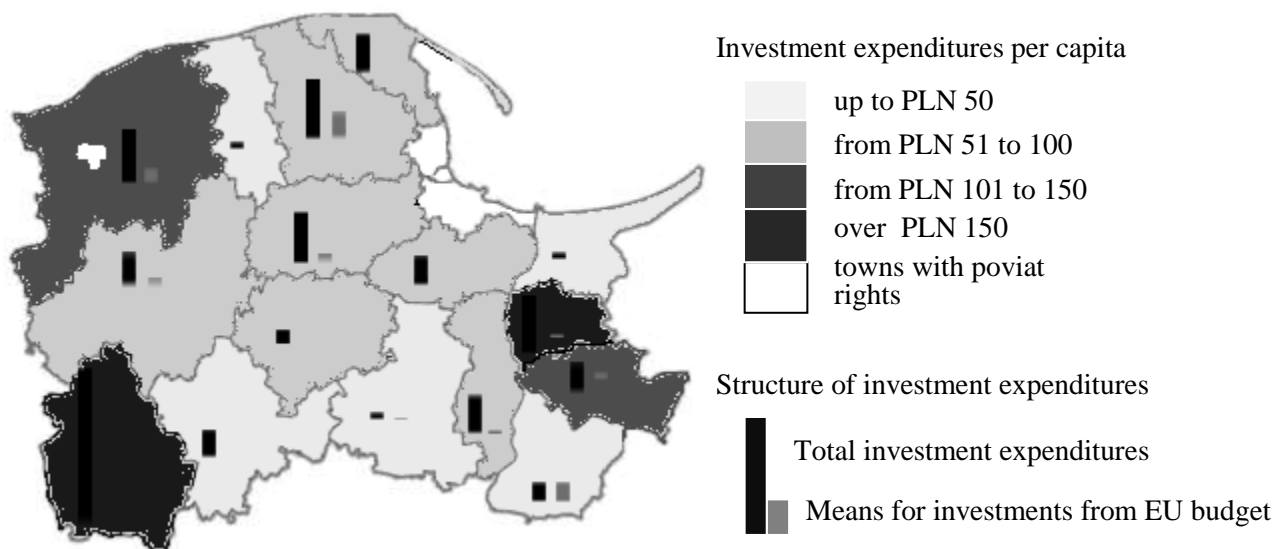


Figure 1. The level and structure of investment expenditures of poviats in Pomorskie voivodship in the year 2006

Source: Own research (Fig. 1, 2).

impact on the investment activity of those poviats. The second group is characterised by significant impact of EU means on the size of investments and investment activity of the poviats. In the others case it may be claimed that without EU provided means no investments would be implemented in a given year. In Pomorskie voivodship in the studied years there occurred only one such situation and it concerned Kościerski powiat. In all other cases, the EU means had a considerable yet not dominant influence. From the point of view of additionality principle, such proportions seem to be the most profitable and are most desired. Transfers from the EU budget should add to national public means. They do not serve the purpose of improving all aspects of the local development, but are to be used for implementing the aims of cohesion policy, which

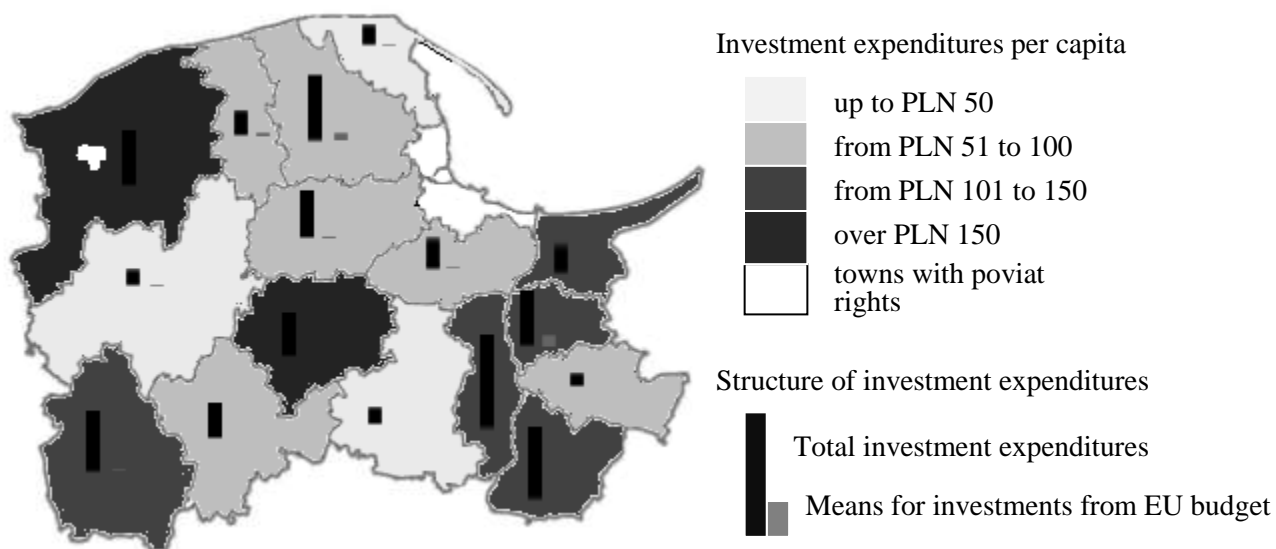


Figure 2. Level and structure of investment expenditures in the poviats of Pomorskie voivodship in 2008

focuses on inciting and supporting factors that promote development, thanks to which the disproportions between regions in Europe become smaller.

The overall presentation of the analysed data is shown by Figures 1 and 2, which represent not only total investment expenditures and means of investment character from the EU budget but also investment expenditures *per capita*. Although the relationship between total investment expenditures and amount *per capita* is discernible, there is practically no such correlation if instead of investment expenditures we compare only means obtained from the EU budget. Those amounts are not large enough, which is shown also in Table 4, among others, to affect the level of expenditures calculated *per capita*, hence it makes it possible to compare the administrative units while the effect of the number of population is eliminated. Their low values result also from the fact that over 80% of the means assigned to Polish self-governments in the programming period 2004-2006 were used by communes (gminas) (Markowska-Bzducha 2007, p. 579).

Summary

Based on the conducted research it may be concluded that apart from the year 2006 all poviats in Pomorskie voivodship used their means from the European Union budget. Most of the revenue obtained in this way was of investment character. The size of financial support obtained by them from this source differed. Regardless of the existence of such differences, the significance of those means in the poviat budgets was not great: the total amount of those means sporadically exceeded 5% of the total revenue. Much greater diversification can be observed on the expenditure side, especially with regard to investment expenditures. It is due to the fact that poviats generally invest little, and not from the fact that the support provided to them is high, as the majority of the EU means from the programming period 2004-2006, which domineered, from the financial point of view, in the budgets in the years 2006-2008, were used by communes (gminas).

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