

Wioletta Wereda, M.A. *in Economics*
University of Podlasie, Poland
Paweł Wereda, M. A. *in Management & Marketing*
City of Siedlce, Poland

FINANCING AND CHARACTERISTIC OF LOCAL DEVELOPMENT – SITUATION IN POLAND

1. Introduction. Poland has undergone a successful economic transformation since the beginning of the 1990s with economic growth of about 5 percent per annum over the past decade. At this point Poland was among the leading candidates for accession to the European Union in 2004. Nevertheless, despite these considerable achievements, Poland now faces a number of considerable economic challenges, with economic growth having slowed to less than 1 percent per annum over the past two years, and unemployment having risen rapidly to almost 18 percent.

During 2002 the Government adopted a program to restore fiscal equilibrium and rebalance macroeconomic policies: in recent years Poland has had a sub-optimal macroeconomic policy mix, with tight monetary policy compensating for expansionary fiscal policy. The Government also plans to promote a number of structural reforms including: restructuring public expenditures by increasing spending money on development and infrastructure while lowering social transfers; strengthening public administration including at sub-national levels; creating a favorable business environment for enterprise entry and job creation through more flexible labor market policies; developing agriculture and the rural economy; and completing the far-reaching public sector decentralization begun 3–4 years ago. The Government's goals are to move Poland once again to a rapid growth path thereby ensuring that Poland's good record of reducing poverty during the 1990s is not reversed.

In my opinion Poland has made many changes since 1989 when started to be a democratic country. The main aim of this publication is to show the main financial sources and characteristic of local development in Polish country, which have taken place in the last fifteen years, following democratic change.

In Poland, works on reform of country's political

system and public administration were going on with changeable intensity since 1989. The first substantial step to building civil society was passing of bill on municipal self-government in 1990. The rule of local self-government and decentralization of public government has received a rank of major policy rule thanks to the Constitution from 2nd of April 1997. New territorial division establishing territorial self-government has been regulated with the law from 24th of July 1998 on introduction of three-step territorial division of the country. This law has established territorial division of the country into: municipalities, districts (poviats) and regions (voivodeship). System of representation of territorial self-government has been passed to proper authorities: in rural municipalities to municipal administrator; in city municipality to mayor; in district to district prefect; in cities over 100 K inhabitants to president and in region (voivodeship) to voivode¹.

Nowadays, in Poland there are **16** voivodeships (regions), **379** districts (**314** districts and **65** cities with district status), **2478** municipalities and **40057** village administrator's offices. Altogether there are **884** towns and **56769** villages².

Local development in Poland is dependent on three major levels of development:

- National,
- Regional,
- Local.

The main aim of this article is to show the changes and the situation of national, regional and mostly local economic development in Poland in brief view. The major plot of the thesis is to define the characteristic and financial instruments of present Polish development in three levels.

2. Financing sources of local development in Poland. The growing participation of Poland in global development co-operation will enhance the international

¹ Nowadays there are four bills, which are obligatory:

- Ustawa z dnia 24 lipca 1998 roku o wprowadzeniu zasadniczego trójstopniowego podziału terytorialnego państwa,
- Ustawa z dnia 5 czerwca 1998 roku o samorządzie powiatowym,
- Ustawa z dnia 5 czerwca 1998 roku o samorządzie województwa,
- Ustawa z dnia 5 czerwca 1998 roku o administracji rządowej w województwie,
- Ustawa z dnia 11 kwietnia 2001 r. o zmianie ustaw: o samorządzie gminnym, o samorządzie powiatowym, o samorządzie województwa, o administracji rządowej w województwie oraz o zmianie niektórych innych ustaw.

² Information from GUS, 2004.

FINANCING AND CHARACTERISTIC OF LOCAL DEVELOPMENT – SITUATION IN POLAND

influence of the country. It will also raise the world prestige of Poland as a country that – upon entering the European Union – has not forgotten the problems of other regions of the world.

After Poland's accession to the European Union, the country was expected to become a larger aid donor. We have to bear a greater financial burden by co-financing European Union development programs. Poland, similarly to the states of the European Union, should have an institutionalised system of providing foreign aid, based on proven world standards and procedures. This will permit to take best advantage of the possibilities offered by EU membership, creating development opportunities for Polish enterprises, non-governmental organisations and other institutions of the non-public sector³.

The local governments' financial mechanisms (as local financing, fiscal framework, public debt at local level), the implementation of private-public partnerships (notably in terms of financing for public goods and services) are the most common financial sources.

These days Polish units can not count only for state aid from public budget, but also try to find different ways of borrowing money as banks (credits or loans), people (bonds or shares of municipal companies) and so on. The most important financial sources for many units now are structural funds, which are the best way to get an easy, cheap credit, in some parts reduced at all.

3. Characteristic of Polish economic situation according to local development. Government pays particular attention to appropriate use of union pre-accession aid and after-accession aid and also preparing national and local administration to efficiently managing union funds in order to use them in maximal level to accelerate economic development of Poland. Those means will be directed to economic infrastructure building, national environment protection, rural areas development, education and innovation, creating new job positions and strengthening competitiveness of Polish economy. It will require also engaging state budget – despite of present public finance crisis Government will economize means necessary for co-financing communities programmes⁴. Economic policy of Polish government is presented in “*Entrepreneurship – Development – Work A strategy for the Economic Development of Poland*”. In the document strategic goals of economic policy were indicated and they comprise:

- A return to 5 percent of annual GDP over the next two years,
- The invigoration of the labour market and raising of

the level of employment,

- Efficient absorption of European funds and their use for national development.

The reconstruction of economic condition of Polish enterprises was recognized as fundamental condition of realization above strategic goals, as enterprises influence economic movement, provide employment and will use from European funds. At the same time attention is paid to the fact that permanent economic growth may be achieved only in the terms of macroeconomic balance.

Among important elements of the program is *infrastructure development*. Planned investments in the communications system and road, rail and air networks are designed to improve conditions of enterprise operating and create new jobs. While investments in residential building are to help in stimulation of trade and service sector and also raise quality of life for Polish society. Another important element is *restructuring* of many industry spheres. Among them following are indicated: coal mining industry, the power industry, the oil and natural gas industry, the steel industry, the chemical engineering industries, the defence industry, and the rail transport industry. The main goal of restructuring process is to make these industries and businesses profitable thus easing pressure on the national economy. Year 2005 is indicated as the moment of accomplishing the process of reshaping the ownership structure of the Polish economy.

Strategy of *rural areas and agriculture development* included in governmental program comprises not only current situation of this sector but also issues connected with European integration and general state of Polish economy and public finances. According to program agriculture policy should be based on four pillars:

- Improving profitability in the agricultural sector,
- Strengthening competitiveness in the agriculture-food producing sector,
- Supporting economic activity in rural areas,
- Adapting legal provisions and institutions for EU accession.

While within *regional policy* program assumes continuation of reform of administration and with realization of idea of unitary and decentralized state. Tasks, responsibilities and means are to be transferred to disposal of territorial self-government and at the same time role of targeting agencies and governmental agencies.

The parliament and government are the most important state institutions, which create the way of putting Poland in the developing era. The second group state small and medium enterprises. These companies

³ STRATEGY FOR POLAND'S DEVELOPMENT CO-OPERATION, Adopted by the Council of Ministers on 21st October 2003, Warsaw 2003.

⁴ Based on: European Strategy of Government of RP (approved by Council of the Ministers on November, 15th 2001 (<http://www1.ukie.gov.pl/uk.nsf/dokumenty>)).

FINANCING AND CHARACTERISTIC OF LOCAL DEVELOPMENT – SITUATION IN POLAND

are the impulsive power for the economy as those quicker and easier react for changes, generate jobs, use various market niches and also those are innovative and equalize regional differences in economical development.

In connection with economic changes in Poland also small and medium enterprises sector started to develop dynamically. It was a result of releasing private initiative and also engaging own sources by citizens into developing business activity. In 1997 small and medium enterprises were 99,76 percent of all registered enterprises in Poland. While in 2000 this sector produced 49 percent of GDP.

Help and support for small and medium enterprises offers Polish Agency for Enterprise Development (PARP). Tasks of PARP comprise development of small and medium enterprises, export and regional development and also creating new job positions and combating unemployment.

Government's actions which aim is to improve conditions for function of small and medium enterprises (SME) are implemented with legislative package "Business First". It includes proposal of legal instruments which aim is to simplify tax system, reduce labor costs and make more flexible work relations and also liquidation of bureaucratic barriers. Actions supporting small and medium enterprises are also comprised in National Preparation Programme for EU Membership. Financial support is anticipated there for small and medium enterprises, which is designed to increase their competitiveness and rise of export in this sector. Proposals connected with SME sector are also presented in governmental document "Trends of government's actions for small and medium enterprises till 2002" (approved by Council of Ministers on May 11th, 1999) and "Trends of government's actions for small and medium enterprises from 2003 to 2006" (approved by Council of Ministers on February 4th, 2003).

3. The role of special economic zones in Poland.

Special Economic Zones were established on the base of the act of October 20th 1994 (Dz. U. Nr 123 poz. 600, Dz. U. from 1996, Nr 106 poz. 496 and Dz. U. from 1997 Nr 121, poz. 770). However it was not adhere to the rules of providing public support for enterprises, as there was lack of designated limits on the extent of support for companies. While since January 1st 2001 these regulations have been in full agreement with those obligatory in the European Union.

At present there are 14 Special Economic Zones in Poland including Euro-Park Mielec and Krakow Technology Park. All Special Economic Zones will be active till 2017 except Katowicka SEZ, which will be

active till 2016, and Euro-Park Mielec active till 2015. Gradually SEZ will be transforming into business zones where conditions for new jobs will be created and monitored for the enterprises.

Many years' surveys concerning Special Economic Zones, which were established already many years ago in the countries of the European Union proved that SEZ positively influence economy of the country, which receives investments. Main reason for establishing SEZ was the fact that Poland as a developing country needs capital, technology and infrastructure in order to reduce difference in economic development in relation to developed countries. The purpose of the Special Economic Zones is to activate the region, reduce unemployment and quicken social and economic development in the part of the region.

Special Economic Zones are administrated by specially established joint stock company or limited liability company where State Treasury or self-government of the voivodeship has majority of votes on the general assembly of the stakeholders or partners. These companies issue permits for business activity in the Special Economic Zones. In order to obtain permits for the investment in the zone and use of entitled exemptions for companies it is necessary to meet requirements concerning scale of the investment or number of created new jobs. Each zone defines these requirements on its own. There are openings defined by legislation on principles for public support for commercial activity for enterprises operating within Special Economic Zones. They are eligible for grants and exemptions from tax. Moreover within SEZ they have in their disposal property prepared for investment, with full infrastructure and in some cases even with industrial buildings and installations for adaptation. SEZ ensure also project services including obtaining most of the essential documents and permits⁵.

Among main purposes of establishing SEZ following may be mentioned:

- Development of particular business activity (especially small and medium-sized enterprises),
- Development of new technical and technological practices and using them in national economy,
- Development of export,
- Increase of competitiveness of produced goods and provided services,
- Managing of existing industrial properties and economic infrastructure,
- Creation of new jobs,
- Managing of not used natural resources according to the rules of ecological balance⁶.

By the end of 2000 almost 600 companies had taken advantage of the SEZ's offer (among others Isuzu, Delphi, Volkswagen, Toyota, Opel, Motorola, Flextronics, Viessman, Atlas, Agora). They have declared total

⁵ Source: www.pldg.pl/p/en/TarJ/3/3/.

⁶ Source: Ukraińsko-Polskie Centrum Współpracy.

FINANCING AND CHARACTERISTIC OF LOCAL DEVELOPMENT – SITUATION IN POLAND

investments amounted 3,9 billions PLN (over 1 billion euro) and employment for over 12 thousand people. According to assumptions of the experts enterprises operating in the zones and around them will create in total new jobs for over 60 thousands people. So far almost 60 percent of the land at disposal of zone's management is already developed⁷. In 2004 decisions about investing in Poland in SEZ were made by Whirpool, Bosh, Gilette and Electrolux. In these areas in 2004 ran business 429 employers, which invested almost 20 billion PLN and employed 77,6 thousand people.

4. Conclusions. In the duration of transformation process began in 1989 Poland adapted its economy to the free market rules and world competition. That process required not only ownership changes based on privatisation both central and grass-roots levels, but also developing small and medium enterprises sector and those economy branches which promise the fastest development. Process of privatisation and restructuring is as a rule difficult, time-consuming and expensive. Despite of considerable progresses still in Polish economy remain group of large enterprises in metallurgy, chemical and machine industry. Also some of basic domains of economic infrastructure require privatisation, as the power industry (privatisation process lasts), the gas industry and transport (especially PKP – Polish State Railways) and mining industry.

However during decade participation of private sector in Polish economy has increased and by 2000 it already accounted for almost 75% of GDP. In 2001 almost 3,4 millions economy subjects functioned in Poland where 96,7 percent were enterprises of private sector.

Since the mid of 1990s Polish economy has been developed quite rapid. The average growth rate in the last ten years amounted to 4,4 percent. However in 2001 there had been a development slowdown similarly as in the whole world. Economic growth was estimated to 1,3 percent in 2002 while in fourth quarter it reached 2,1 percent. Ministry of Finance estimates that Poland will reach 3,5 percentage economic growth in near future⁸.

Within entering European Union Poland got the privilege to use the structural funds to help the poorest regions and create gradually local development in the future.

The key challenge for Poland is successful integration into the European Union marked by a steady process of real convergence. The major economic objective in the near term is to regain stronger economic growth through:

- Restoring the fiscal deficit, facilitating a decline in real interest rates which will give the private sector greater access to investment financing;

- restructuring the composition of public expenditures, increasing development expenditures, especially infrastructure investments while reducing social transfers;

- developing agriculture and promoting opportunities in the rural economy;

- strengthening the environment for encouraging enterprise entry and job creation; and

- improving government services such as education and health which have positive social and economic impact.

Therefore, local development is a complex issue. Effective local development strategies pursue long-term objectives.

They are integrated, encompassing objectives ranging from economic development to social development and environmental protection. They feature innovative institutional mechanisms that ensure that the main stakeholders take an active part in both their design and implementation. They build on synergy between the initiatives led by the various actors. And they influence the implementation of national and regional policy, contributing to their co-ordination and adaptation to local needs.

5. Literature.

1. *Ustawa z dnia 24 lipca 1998 roku o wprowadzeniu zasadniczego tryjstopniowego podziału terytorialnego państwa.*

2. *Ustawa z dnia 5 czerwca 1998 roku o samorządzie powiatowym.*

3. *Ustawa z dnia 5 czerwca 1998 roku o samorządzie województwa.*

4. *Ustawa z dnia 5 czerwca 1998 roku o administracji rządowej województwie.*

5. *Ustawa z dnia 11 kwietnia 2001 r. o zmianie ustaw: o samorządzie gminnym, o samorządzie powiatowym, o samorządzie województwa, o administracji rządowej województwie oraz o zmianie niektórych innych ustaw.*

6. *Information from GUS, 2003.*

7. *Information from GUS, 2004.*

8. *European Strategy of Government of RP (approved by Council of the Ministers on November, 15th 2001 (<http://www1.ukie.gov.pl/uk.nsf/dokumenty>)).*

9. *Ministry of Foreign Affairs <http://www.poland.gov.pl/?page=1051203000#3>.*

10. *www.pld.gov.pl/en/TarJ/3/3/.*

11. *Ukrainsko-Polskie Centrum Współpracy.*

⁷ Source: Ministry of Foreign Affairs <http://www.poland.gov.pl/?page=1051203000#3>.

⁸ Information from GUS, 2003.

**ВИМОГИ ДО ЗМІСТУ ТА ОФОРМЛЕННЯ СТАТЕЙ У НАУКОВО-ЕКОНОМІЧНИЙ
ПЕДАГОГІЧНИЙ ЖУРНАЛ “МОЛОДЬ І РИНОК”**

1. Приймаються одноосібні статті (с півавтори). Текст обсягом 8-10 друкарських аркушів із двома-трьома ілюстраціями (рисунок, фотографія). У статтях повинно бути чітко і стисло, без зайвих математичних формул, викладено те нове та оригінальне, що досягнуто авторами в їх практичній діяльності. Потрібно уникати повторів, зайвих подробиць та загальновідомих положень, на які можна посилатися, вказуючи відповідний номер у списку літератури, що додається.

2. Рукопис статті надсилається у двох примірниках (обов'язково перший), надрукованих через півтора інтервали на одній сторінці стандартного аркуша паперу, з пронумерованими сторінками.

ДО РУКОПІСУ ДОДАЮТЬСЯ:

- реферат статті на окремому аркуші паперу у двох примірниках українською та англійською мовами;
- рисунки, фотографії з підписаними підписами;
- список літератури, оформлений у відповідності з діючим ДСТ-ом (за абеткою; у тексті в дужках позначається позиція та сторінка [3,47]);
- відомості про автора (авторська карточка: прізвище, ім'я та по-батькові, посада, місце праці, вчений ступінь, наукове звання, адреса (службова, домашня), телефони).

3. До статей додається рекомендація кафедри (відділу) установи, де автор працює, і рецензія доктора чи кандидата наук; для статей докторів та кандидатів наук рецензій не потрібно.

4. Таблиці повинні мати назви та порядковий номер. Одночасне використання таблиць та графіків для пояснення одних і тих же положень не рекомендується.

5. Статті підписуються всіма авторами із зазначенням домашньої адреси, номерів домашнього та службового телефонів автора, який буде листуватися з редакцією з приводу цієї статті.

Редколегія відхиляє статті з порушенням цих вимог:

Відповідно вимог ВАК України Постанова №7-06. 1 від 15 січня 2003 року. Необхідно дотримуватися таких елементів написання статей: постановка проблеми у загальному вигляді та її зв'язок із важливими науковими чи практичними завданнями, аналіз основних досліджень і публікацій, в яких започатковано розв'язання даної проблеми і на які спирається автор, виділення невирішених раніше частин загальної проблеми, яким присвячується дана стаття; формування цілей статті (постановка завдання); виклад основного матеріалу дослідження з повним обґрунтуванням отриманих наукових результатів; висновки з даного дослідження і перспективи подальших розвідок у даному напрямку.

Головний редактор Мирон Вачевський

**Комп'ютерний набір Іван Василиків
Технічний редактор Наталя Примаченко**

Підписано до друку 20.09.2005 р.
Формат 60 x 84 1/8. Папір XEROX. Гарнітура TimesNew Roman.
Наклад 100 прим.

Віддруковано у поліграфічній фірмі “КОЛО”
вул. БОРИСЛАВСЬКА, 8,

м. ДРОГОБИЧ,
тел.: (08244) 2-90-60; Молодь і ринок №4 (14), 2005
e-mail: kolo@dr.lv.ukrtel.net