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THE ROLE OF THE VOIVODSHIP CONTRACT IN REGIONAL DEVELOPMENT WITHIN POLAND

1. Introduction

The reform of the territorial organisation of Poland, which resulted in the formation of 16 voivodship (provincial) self-governments, has opened new possibilities for promoting regional development. Until 1975 Poland was divided into voivodeships, districts and municipalities. In 1975 a two-grade division was introduced consisting of voivodeships (their number was increased to 49) and municipalities. On the grounds of constitution clauses and the act of March 8, 1990, municipal self-government has been brought back to life as a new element in the Polish political system. Next, in 1998 the second stage of the reform was prepared, *i.e.* districts were reintroduced and a new, voivodship level of self-government administration was created. Many hopes regarding the decentralisation of tasks are placed in the institutional development of territorial self-government, in particular concerning regional development and, consequently, the decentralisation of public finances.

The basic criteria in deciding the formation of the new division of the country into administration units at the voivodship level were geographic and economic. Therefore, the division of some areas of the country on the basis of appropriate criteria caused the formation of regions, now identified with the greatest division unit of the country – voivodship self-government. Voivodship self-government, according to Article 1 of the Voivodship Self-government Act of June 5, 1998 [Dziennik Ustaw, 2000b], is the basis of regional self-government, the

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greatest unit of local self-government in the country of an area naturally tied by social, economic and cultural links, and able to fulfil public tasks. The basic area of voivodeship self-government activity involves tasks connected with regional development in its broad sense. Another important area of voivodeship self-government activity is the delivery of public services which are not reserved to the competence of central government, municipal or district administration. According to the concept of self-government institutions, the organisation of local markets for social services belongs to the sphere of municipalities and districts, and voivodeship self-government sets regional development policies.

So, regional development remains in the sphere of both voivodeship self-government and state administration at its central level. It is expressed in its financial formulation by various instruments, one of which is the voivodeship contract. In general, these instruments were hoped to be created in such a way that all actions undertaken at central level and aimed at increased competitiveness of the country in the international politics arena would bring the expected results; that the relations between state and self-government administration would become transparent, integrated and based on efficient instruments, ensuring quick and effective regional development [Winiarski, 1992, 19–21].

Nowadays, such instruments consist of:

1. a national strategy of regional development,
2. a strategy of voivodeship development, linked to the voivodeship program of site planning,
3. a support program,
4. a voivodeship program,
5. executive acts with regard to the voivodeship contract.

According to Article 11 Par. 2 of the Act on Regional Development Support Policy [Dziennik Ustaw, 2000], the national strategy of regional development defines in detail the following:

1. directions and priorities of the regional development policy of the state, together with general rules for selecting the field to be supported,
2. the time duration of the strategy,
3. anticipated expenditure from public resources,
4. rules and criteria for financial support granted to voivodeship programs from state budget resources and expectations regarding minimum proportion of funding of particular tasks or voivodeship programs to come from the budget of territorial self-government, together with entities not included into the public finance sector.

2. A review of the instruments used in financing regional development policy in Poland

The national strategy of regional development is realised through the support program accepted by a state decree. The main goal of this support program is the social and economic development of the country and its regions aimed at increasing competitiveness, living standards, as well as social, economic and spatial integration, both internally and with countries and regions of the European Community [Dziennik Ustaw, 2000a]. This general goal is realised through activities resulting from voivodeship programs that have obtained support from the state. These activities should concentrate on achieving objectives which are in line with the priorities defined in the national strategy of regional development and listed in Section 4 of the decree.

These priorities include:

1. extension and modernisation of the infrastructure increasing the competitiveness of voivodeships by:
 - development of technical infrastructure of regional, national and international importance,
 - development of metropolitan functions of the largest agglomerations and towns,
 - development of infrastructure building a information technology society.
2. restructuring the economic base of voivodeships and creating conditions for their diversification through:
 - stimulation of investment and supporting the development of small and medium-sized enterprises,
 - supporting the creation and implementation of innovation, including technology transfer,
 - development of tourism, recreation and cultural heritage protection.
3. development of human resources, realised through increased employment, training and education.
4. support of areas requiring activation and threatened by marginalisation by supporting the activity of rural areas and revitalisation of the economic base of towns.
5. development of regional co-operation by developing of cross-border co-operation.

Particular priorities can be realised all over the country or in selected regions, which fulfil the criteria listed in the decree, for example: the gross domestic product *per capita* is lower than 80% of the average GDP *per capita* for the whole country, or the unemployment level in the dis-

tract exceeds 150% of the average national unemployment level over the last 3 years.

Section 5 of the decree specifies the following types of actions aimed at realising the general objective and eligible for financial aid under the support program:

1. development of entrepreneurship, in particular small and medium-scale entrepreneurs, economic innovations, technology transfer,
2. restructuring selected areas of public services, as well as the local and regional economy, based on the principle of sustainable development,
3. creation of new, permanent employment,
4. investments in technical and transport infrastructure that improve conditions for economic investments,
5. projects in the field of education, including the education of adults,
6. projects in the field of regional and local culture which are elements of national culture, and in the field of cultural heritage development,
7. investments improving the state of the environment,
8. other activities connected with the support of regional development.

Regional development should be based on the regional development strategy accepted, which in turn should result from the national strategy of regional development. This strategy should be formalised (in the form of an act of local government), enabling the rationalisation of future actions of self-government units.

The program to prepare this strategy therefore takes into account the way of achieving a goal, and hence includes some suggestions concerning the scope and sequence of actions undertaken by public authorities. Its final stage should be the preparation of a set of specific programs describing practical actions that have to be undertaken by appropriate institutions or organisations. Among others, appropriate institutions should be appointed, the sources of financing indicated, alternative solutions presented for cases where certain circumstances prevent the use of the solutions accepted.

In order to realise the voivodeship development strategy and programs, a voivodeship self-government enters into a voivodeship contract with the state government.

3. The nature and structure of the voivodeship contract agreement

According to Article 16 Par. 2 of the Regional Development Support Act of May 12, 2000 [Dziennik Ustaw, 2000], the voivodeship contract defines the scope, procedure and conditions for realising:

no- tasks resulting from voivodeship programs supported by a government grant,

- tasks which belong to spheres supervised by appropriate ministers and are financially supported by voivodeship self-government.

The financing of regional development from state budget resources can be done solely on the base of a signed voivodeship contract and must be destined either for tasks included in the voivodeship contract or for the following programs:

1. investments, undertaken and realised in the case of environmental disasters, sudden crisis situations, in particular in the labour market and economy,

2. pilot schemes, testing new solutions and instruments of regional development, and

3. consulting and information, increasing the efficiency of using budgetary support for voivodeship programs.

The parties to the contract are the government represented by the appropriate minister, and the self-government unit, represented by the voivodeship Marshal.

The clauses of the Regional Development Act indicate that the negotiations concerning the contract and its amendments must take into account the conclusions of the strategy, support program and financial limits defined in the state budget. After the contract is signed by the minister and voivodeship Marshal, the contract itself and its amendments need to be approved by the voivodeship regional council and the government.

The voivodeship contract is therefore an agreement concluded between the government and the voivodeship self-government. It is also a compromise between a government's resources and the demand for development submitted by voivodeships.

The introduction of the voivodeship contract in Poland has been forced by a lack of effective instruments of regional politics which fulfil the requirement of an integrated approach to development, in which the mechanism of state intervention is initiated based on objective and openly stated criteria. This is also the main goal underlying the introduction of voivodeship contracts: transparency of procedures and transparency of decisions concerning the allocation of resources for development.

Among other things, the principles of freedom of contract and their contents are binding here. This freedom is however limited; the entities representing the State Treasury do not have complete liberty of action during the negotiations. The formal and legal constraints of the government offer concern four elements: the state budget, support program, National Strategy of Regional Development, and international agree-

ments in which the donor can state his own conditions of the utilisation of funds.

In the voivodeship contract, as in a classic civil agreement, the subject of the agreement has to be defined in detail, as well as the character of mutual rights and obligations. Article 18 Par. 1 of the Regional Development Support Act includes broad ranging clauses concerning the obligations of the parties to the contract. In particular, the parties should fix:

- contract duration and tasks included,
- mode and schedule of task realisation and the principles governing its supervision,
- list of eligible entities,
- cumulated expenditure for the realisation of tasks included in the contract and the scope, means and sources of financing these tasks,
- means and deadlines of financial settlements,
- principles of evaluation and methods to control the realisation of tasks, including financial supervision,
- principles and modes of settling disputes and claims, including financial ones,
- principles of terminating and amending the contract,
- procedures in the case of irregularities being revealed in the execution and financing of the tasks.

Precise formulation of the subject of the contract is also essential on account of the interests of the voivodeship and the need to determine the responsibility of both parties. In particular, the voivodeship can take financial responsibility for failure in performing the contract. A consequence of this might be claims of the State Treasury on voivodeship property (in extreme cases leading to the insolvency of the voivodeship). The act also foresees some circumstances that even allow for changes in a contract.

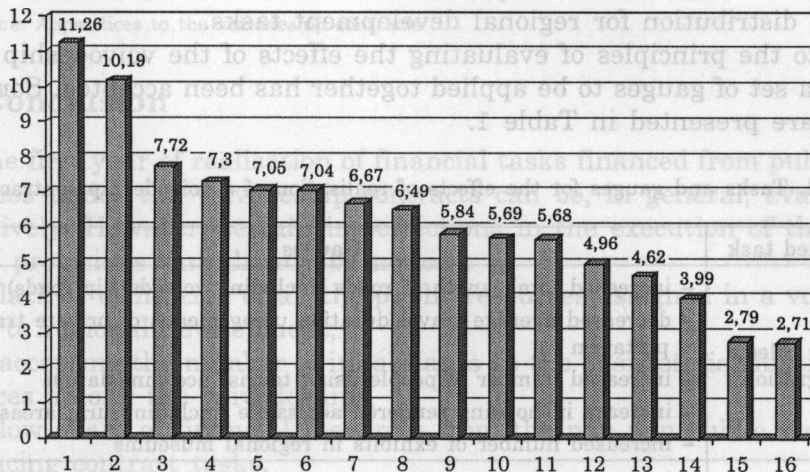
5. Principles of resource distribution and evaluating the results of the realisation of the voivodeship contract

The means of distributing resources among voivodeships for actions resulting from voivodeship programs is defined in Section 8 Par. 4 of the Regional Development Support Act:

- 80% of the resources are divided among the voivodeships, in proportion to the number of inhabitants,

- 10% of resources are divided among those voivodeships, where the gross domestic product (GDP) *per capita* is lower than 80% of the average GDP *per capita*, in proportion to the number of inhabitants,
- 10% of resources are divided among those voivodeships where the unemployment level has exceeded 150% of the average national unemployment level for the last 3 years, in proportion to the number of inhabitants.

Using the system of resource distribution given above, the share of the individual voivodeships is presented in Fig. 1.



Legend:

Ordinate axis percentage.

Abscissa axis voivodeships: 1 – Mazovia, 2 – Upper Silesia, 3 – Lower Silesia, 4 – Lublin, 5 – Great Poland, 6 – Subcarpathia, 7 – Little Poland, 8 – Mazuria, 9 – East Pomerania, 10 – Łódź, 11 – South-Pomerania, 12 – West Pomerania, 13 – Świętokrzyskie, 14 – Podlasie, 15 – Lubuskie, 16 – Opole.

Fig. 1. Share of self-government voivodeships in resources obtained from voivodeship contracts (in %)

Source: Analysis based on data included in Section 8 Par. 6. of the government decree of December 28, 2000 on acceptance of the support program for 2001/2002 [Dziennik Ustaw, 2000].

The accepted means of distribution of public resources devoted to regional development tasks does not however take into account local development potential. To perform such an evaluation, general economic development, indices should be taken into account, for example:

- inhabitants income,
- the number of private enterprises, in particular those with foreign capital (related to the number of inhabitants); pace of the growth of the number of foreign companies; state of local infrastructure; level of self-government investment,

and also demographic indices, *i.e.*:

- number of professionally active inhabitants,
- number of persons in- and out-flowing in the last 3 years,
- civil activity, measured *e.g.* by the number of non-profit organisations.

Since individual regions of Poland differ greatly in their wealth, the public resources assigned to the tasks included in regional development programs should enable the diminishing of the disproportion in social and economic development between particular regions. The number of inhabitants has therefore no justification as an essential criterion of resource distribution for regional development tasks.

As to the principles of evaluating the effects of the voivodeship contract, a set of gauges to be applied together has been accepted. Some of them are presented in Table 1.

Table 1. Tasks and gauges for the effects of realisation of a voivodeship contract

Detailed task	Gauges
Lower Silesia integration	<ul style="list-style-type: none"> - increased total length of roads (including voivodeship roads) - decreased average travel duration using means of private transportation - increased number of people using tourist accommodation - increase in housing rendered accessible (including rural areas) - increased number of exhibits in regional museums
Civilisation renaissance	<ul style="list-style-type: none"> - increased number of economic entities in the private sector - increased share of inhabitants utilising a water pipeline network - increased number of inhabitants utilising sewage systems - increased number of inhabitants served by sewage treatment plants - increased share of public roads with a hardened, improved surface - increase in the purity of rivers flowing in the region - increased in housing rendered accessible - increased number of high school students
Civil society	<ul style="list-style-type: none"> - increased number of rehabilitation clinics for disabled persons - increased number of places in institutions of social care - increased level of professional training among unemployed disabled persons - decreased number of crimes - increased attendance in parliament and self-government elections - increased number of candidates for councillors in self-government elections

Table 1. cont.

Detailed task	Gauges
Openness to the world	<ul style="list-style-type: none"> - increased number of entities with foreign capital participation - increased value of the initial capital of companies with foreign capital - increased number of foreigners using tourist accommodation - increased number of international flight connections - increased number of people crossing border stations in the region

Source: Appendices to the voivodeship contracts.

4. Conclusion

The first year of realisation of financial tasks financed from public resources under the voivodeship contracts can be, in general, evaluated positively. However, certain imperfections in the execution of the contract provisions can already be noticed:

- lack of utilisation of all the public resources assigned in a voivodeship to regional development,
- accepting the number of inhabitants as the basis of distributing resources among the voivodeships,
- low share of financial resources from the non non-public sector in financing contract tasks,
- lack of adherence to contract clauses on the part of the government as to the levels of financial resources and their transfer dates,
- financing of contract tasks from public resources has been made dependent on the participation of self-government entities,
- additional discipline placed on particular beneficiaries which are connected with more rational spending of public resources and not on the required effects.

Nevertheless, it is still believed that the realisation of these contracts will bring the expected effects, measured according to the principles presented. Practice will show if the voivodeship contract remains an efficient instrument of financing regional development in Poland, as in other countries - e.g. in France [Bachtler, 1992].

Literature

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<p>As to the principles of evaluating the effects of the contract, a set of criteria must be adopted which are most suitable in the context of the contract.</p>	<p>4. Conclusion</p> <p>The first year of realization of financial tasks financed from public resources under the voivodeship contract can be, in general, evaluated positively. However, certain imperfections in the execution of the contract provisions can already be noticed:</p> <ul style="list-style-type: none"> - lack of realization of all the public resources assigned in a voivodeship to regional development; - accepting the number of inhabitants as the basis of distributing resources among the voivodeships; - low share of financial resources from the non-public sector in financing contract tasks; - lack of adherence to contract clauses on the part of the government as to the levels of financial resources and their transfer dates; - financing of contract tasks from public resources has been dependent on the participation of self-government entities; - additional discipline placed on particular beneficiaries which are connected with more rational spending of public resources and not on the required effects in a given area in a given year. <p>Nevertheless, it is still believed that the realization of these contracts will bring the expected effects, provided according to the principles presented. Further will show if the voivodeship contract remains an efficient instrument of financing regional development in Poland, as in other countries - again France (Baskin, 1993).</p>
<p>Literature</p> <p>Factor, J. The reshaping of regional policy in Western Europe, in: Gortalski, G. (ed.) <i>Wpływ polityki regionalnej na rozwój gospodarki w Europie Zachodniej</i>, pp. 188-192, Warszawa, 1992.</p>	<p>Additional discipline placed on particular beneficiaries which are connected with more rational spending of public resources and not on the required effects in a given area in a given year.</p> <p>Nevertheless, it is still believed that the realization of these contracts will bring the expected effects, provided according to the principles presented. Further will show if the voivodeship contract remains an efficient instrument of financing regional development in Poland, as in other countries - again France (Baskin, 1993).</p>