



COMPENSATORY GRANT IN POLISH RURAL COMMUNES – MODIFICATION CONCEPT AND ITS IMPACT ON FINANCES OF COMMUNES

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Aim of presented research:

to present the results of research on the scale of the compensatory mechanism in Polish rural communes in the context of their differentiation by the development level described by means of the taxonomic measure of development by Hellwig..

Aim of presented research:

The following research questions were formulated:

- how significant is compensatory grant for rural communes from the viewpoint of their income and current expenses,
- should its present beneficiaries receive funds from the viewpoint of their development level as a criterion for awarding grants,
- what financial effects might the modification of the list of beneficiaries cause.

Method

- The results of earlier research, conducted by the author, on diversity of the development level of rural communes in Poland against their basic taxable income were used in the analysis
- Analysis of the variables from the years 2009- 2011 and that were accessible in the Local Data Bank of the CSO which reflect the development level of communes;
- elimination of the variables that are characterised by a high degree of correlation;
- standardisation of the features of the variables;

Method (continued)

- determination and classification of development measures for individual municipalities in compliance with the Hellwig's method (taxonomic development measure),
- by the above means synthetic indicators in the years 2009, 2010 and 2011 for each of the rural municipalities were determined,
- the municipalities were divided into four groups.

Method (continued)

- the municipalities of a high development level (type A) included the entities with the development index higher than the mean plus the standard deviation.
- the municipalities of a higher than medium development level (type B1) included the entities with the index falling within the range of mean to mean plus standard deviation.
- the third group municipalities of a lower than medium development level (type B2) included the entities with the index falling within the range of mean to mean minus standard deviation. The last group comprised the municipalities of a low development level (type C), where the index achieved was lower than the mean minus the standard deviation.

The next stage of the study involved the analysis of the income

Method (continued)

The next stage of the study involved the analysis of the:

- grant amount per resident in the examined communes,
- relation of compensatory grant to the operating result and the self-financing ratio from years 2009, 2010, 2011.
- impact of the current income decrease by the grant amount on the operating result and the commune self-financing ratio - it will enable the assessment of this grant's significance for the current sustainability of communes.
- comparison of the development level of communes with the obtained ratios – it will enable the adoption of another perspective when assessing the reasonability of applying compensatory grant.

Results of study

Source: Own work based on the results of the study and LDB CSO data

Number of municipalities in the individual categories BTI per capita in the years 09-11

	G > 150% G _g			92% G _g < G ≤ 150% G _g			75% G _g < G ≤ 92% G _g			40% G _g < G ≤ 75% G _g			G ≤ 40% G _g		
	'09	'10	'11	'09	'10	'11	'09	'10	'11	'09	'10	'11	'09	'10	'11
Voivodeship															
Lower Silesian	7	6	6	20	19	22	19	16	14	32	37	36	0	0	0
Kuyavian-Pomeranian	3	3	3	8	8	7	12	10	8	66	65	69	3	6	5
Lublin	1	1	1	3	3	4	5	6	6	123	91	99	39	70	61
Lubusz	1	1	1	11	8	11	5	7	9	24	25	20	0	0	0
Łódź	5	5	5	8	9	12	16	15	16	82	79	81	22	25	19
Lesser Poland	0	0	0	6	6	6	3	3	4	69	69	74	43	43	37
Msovian	13	14	14	16	14	13	20	20	21	139	136	140	41	45	41
Opolskie	1	1	2	5	5	4	9	9	13	20	20	16	1	1	1
Podkarpackie	1	1	1	2	2	5	4	3	6	63	66	78	39	37	19
Podlaskie	2	2	1	7	9	8	6	3	7	59	56	56	4	8	6
Pomeranian	5	6	5	11	9	10	11	7	10	53	59	55	1	0	1
Silesian	8	8	7	19	23	24	20	18	20	48	45	44	1	2	1
Świętokrzyskie	1	1	1	2	2	2	2	3	3	45	40	47	21	25	18
Warmian-Masurian	0	0	0	9	9	9	12	9	7	44	43	47	2	6	4
Greater Poland	6	6	5	17	17	18	15	12	16	72	72	71	7	10	7
West Pomeranian	7	8	7	6	6	8	10	6	8	27	30	27	0	0	0

Source: Own work based on the results of the study and LDB CSO data

OPERATING RESULT

- The operating result is the difference between current income and current expenses of a commune.
- Its positive value reflects the commune's capacity to engage in additional projects.
- Its negative value indicates a shortage of funds relative to objectives and incapacity to take investment actions.

Number of municipalities in the years 2009, 2010 and 2011 by voivodeships – with surplus or deficit in budget balance with and without equalization grant

	Number of communes with surplus						Number of communes with deficit					
	with grant			without grant			with grant			without grant		
	'09	'10	'11	'09	'10	'11	'09	'10	'11	'09	'10	'11
Lower Silesian	63	57	68	29	23	36	15	21	10	49	55	42
Kuyavian-Pomeranian	91	84	90	24	24	20	1	8	2	68	68	72
Lublin	170	147	162	12	11	12	1	24	9	159	160	159
Lubusz	37	35	40	18	10	11	4	6	1	23	31	30
Łódź	131	123	128	32	29	25	2	10	5	101	104	108
Lesser Poland	115	115	113	20	16	17	6	6	8	101	105	104
Msovian	225	218	223	65	50	50	4	11	6	164	179	179
Opolskie	33	27	34	7	7	11	3	9	2	29	29	25
Podkarpackie	101	89	105	19	12	11	8	21	5	90	98	99
Podlaskie	78	64	69	11	14	11	0	14	9	67	64	67
Pomeranian	77	72	75	29	27	25	4	9	6	52	54	56
Silesian	90	85	90	48	46	48	6	11	6	48	50	48
Świętokrzyskie	69	61	67	10	9	7	2	10	4	61	62	64
Warmian-Masurian	60	49	54	9	9	8	7	18	13	58	58	59
Greater Poland	114	106	113	35	33	35	3	11	4	82	84	82
West Pomeranian	46	34	41	18	13	18	4	16	9	32	37	32

Source: Own work based on the results of the study and LDB CSO data

Number of municipalities in the years 2009, 2010 and 2011 by voivodeships – with surplus with equalization grant by development category

	Total	Type A			Type B1			Type B2			Type C		
		'09	'10	'11	'09	'10	'11	'09	'10	'11	'09	'10	'11
Lower Silesian	78	7	9	5	30	34	23	12	12	14	0	0	0
Kuyavian-Pomeranian	92	4	3	3	21	17	18	37	38	46	6	10	5
Lublin	171	1	1	3	25	28	26	99	108	107	34	23	23
Lubusz	41	1	4	3	10	9	12	12	18	15	0	0	0
Łódź	133	2	4	1	31	35	41	61	59	62	7	6	4
Lesser Poland	121	7	2	8	38	38	33	47	52	50	9	13	13
Msovian	229	1	3	1	24	37	32	113	112	111	26	27	35
Opolskie	36	3	6	3	12	13	10	13	10	11	1	0	1
Podkarpackie	109	1	1	1	21	17	20	58	70	69	10	9	8
Podlaskie	78	2	1	2	6	8	9	38	38	34	21	17	22
Pomeranian	81	3	0	1	28	23	26	20	29	26	1	2	3
Silesian	96	6	8	6	34	32	34	8	10	8	0	0	0
Świętokrzyskie	71	1	1	0	10	8	14	43	48	43	7	5	7
Warmian-Masurian	67	1	1	2	8	9	7	33	33	32	16	15	18
Greater Poland	117	14	14	15	15	14	12	6	5	8	0	0	0
West Pomeranian	50	10	8	11	7	3	6	1	2	1	0	0	0

Conclusions:

The results of the analysis prove that the positive “adjusted” self-financing ratios are achieved mainly by communes characterised by a high development level.

The number of these communes was not affected by the financial effects of the 2008-2010 crisis since their number in individual voivodeships did not change significantly over the examined period.

What can be observed, however, is analogies in the distribution of communes with respect to the previous ratio.

Normally, communes from western Polish voivodeships are more developed, have better income ratios per resident and much more frequently achieve positive self-financing ratios.

This means that it could prove reasonable in practice to include the development level ratio as the criterion for obtaining compensatory grant

Estimated number of municipalities in the year 2011 by voivodeships after proposed change in grant system

Equalization	Lower Silesian	Kuyavian-Pomeranian	Lublin	Lubusz	Łódź	Lesser Poland	Msovian	Opolskie	Podkarpackie	Podlaskie	Pomeranian	Silesian	Świętokrzyskie	Warmian-Masurian	Greater Poland	West Pomeranian	Liczba gmin łącznie:	amount mln PLN:	share:
No	35	12	7	14	18	15	28	10	6	8	16	40	2	9	24	17	261	210,4	0,05
Part-ly	43	71	95	27	95	71	141	24	79	45	62	55	48	38	87	33	1014	2636,4	0,68
Full	0	9	69	0	20	35	60	2	24	25	3	1	21	20	6	0	295	103,5	0,27

It should be emphasised that:

When taking into consideration only the abandoning of financing the best communes (the first two categories) with grant, it would have been possible to obtain as much as PLN 210,394,000 in 2011, which constituted circa 5.5% of the overall compensatory grant for rural communes.

At the same time, it needs to be noticed that this would mean disturbing the financial sustainability of certain communes from the viewpoint of the analysed ratios.

The consequences of such a solution would be diverse in individual voivodeships.

The greatest decrease in income per resident would be experienced by the Lower Silesian, Masovian, Greater Poland and Silesian voivodeships.

It should be observed that the change in the redistribution scope would also enable shifting some funds from the pool currently transferred to communes with an average development and income level, which receive merely 26.7% of grant at present.

Thank You for attention.

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