

SUPPORT FOR THE DEVELOPMENT OF MEMBER MUNICIPALITIES METROPOLIS GZM WITH APPLICATION OF THE METROPOLITAN SOLIDARITY FUND

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Abstract: In order to reduce the differences in the level of socio-economic development of municipalities, Metropolis GZM, which is an association of 41 member municipalities, has put in place the "Metropolitan Solidarity Fund" Program. The purpose of this Program is to provide financial support in the form of a targeted subsidy for weaker member municipalities to implement their own tasks of great importance for the development of the metropolitan area. The article analyzes and evaluates the amount of support in the form of targeted subsidies for individual member municipalities from the Metropolitan Solidarity Fund Program.

Keywords: local, regional development, metropolis.

1. Introduction

Metropolis GZM was created by the ordinance of the Council of Ministers of June 26, 2017 and it is an association of 41 municipalities. The main goal of GZM is to make use of the potential of member municipalities, stimulate the creativity of residents and inspire changes that will accelerate social and economic processes. This goal will be achieved, among others, through the implementation of projects and tasks with particular emphasis on the needs and problems of member municipalities with regard to rational spatial planning and comprehensive management of sustainable development¹.

¹ Statute of the Metropolitan Association "Metropolis GZM". Annex to Resolution No. V/1/2018 of the Assembly of Metropolis GZM of February 16, 2018.

Poland's economic development features a strong regional and urban-rural diversity. Its interregional diversity is a derivative of historical factors (Hryniewicz 2000, p. 55), but one of the reasons for the diversification of the development level of spatial units is also the different possibilities of financing that results from differences in the level of income of units on a given level (Kańduła, 2017, p. 104).

In the theory of public finances, it is assumed that excessive differences in the income of local government units of a given level are not acceptable and in order to protect financially weaker communities, it is recommended to establish "financial unification procedures or balancing measures aimed at correcting the effects of the unequal distribution of potential funding sources, as well as the charges they incur" (European Local Government Charter, Article 9, sec. 5).

Between GZM member municipalities, significant differences exist both in income and in the level of development. The Metropolitan Union is an association of municipalities, which consists of 26 urban municipalities, 13 rural municipalities and 2 urban-rural municipalities. The lowest income per capita is PLN 3355 and it is present in the commune of Wojkowice, and the highest one is present in Gliwice, where it amounts to being above PLN 6300.

Pursuant to these assumptions, the "Metropolitan Solidarity Fund" Program (MFS) was created as an initiative to provide financial support to member municipalities in order to eliminate differences in the level of socio-economic development of municipalities. For the activation of this Program an amount of PLN 100 million was allocated and distributed among member municipalities.

The article analyzes and assesses the amount of support in the form of designated subsidies for individual member municipalities from the MFS Program. The aim of the article is an attempt to answer the following research questions:

1. On the basis of what criteria were the municipalities assessed in terms of their socio-economic development?
2. Did the socio-economic level of individual member municipalities affect the level of designated subsidy obtained?
3. What are the differences in the own revenues of GZM member municipalities?
4. Was the differentiation of the subsidy amount for individual member communes dependent on the amount of own revenues of the communes?

As a research method, the article uses a critical analysis of the literature on the subject, normative acts in the field of public finances and an analysis of data on municipal incomes from the Central Statistical Office, the Ministry of Finance, as well as information from the database made available by GZM (MFS resolutions and documentation). The study uses empirical cognition methods, in particular observation, comparison and measurement, which were carried out in 2017 and 2018.

2. Sources of financing for the development of member communes

Due to the increased interest in development processes taking place in the environment of local communities, an important goal of local government units is to create conditions for community development, in particular for newly created units such as GZM. Development is defined as all structural and qualitative changes taking place in the society and the economy, which enable further improvement of the residents' standard of living and the enhancement and modernization of the economy (Secomski, 1987, pp. 9-10).

Regardless of the scale of actions taken, the goal of public authorities should be to strive for *sustainable development*, which has been defined as development that meets the needs of the modern generation without compromising the ability of future generations to meet their own needs (Brundtland Report, 1987). Both the definition quoted and the entire report show that sustainable development is based on several basic pillars, i.e. needs and the necessity to satisfy them, social justice as seen both within and between generations, and restrictions imposed on the economy by the natural environment. The strategic tasks of GZM include shaping spatial order and the social and economic development of the metropolitan area. Therefore, the main purpose of public expenditures made by municipalities is to meet social needs, including those arising from local or regional development (Piszczek, 2018, p. 114). In the literature on the subject, it is difficult to find an unambiguous definition of local (Klasik, Parysek, Brol) or regional (Klasik, Szlachta, and Kudłacz) development.

Local development is associated with a specific place and territory, and where space and geographical location affect the scale and dynamics of development processes taking place in a given unit (Dynowska, 2007). Local development is often interpreted as a special process that relates to significant changes occurring in the micro-region (commune, powiat), i.e. the local socio-territorial system. Local development should be based on endogenous factors, and the basic criterion for development is the satisfaction of residents, satisfaction of aspirations and a sense of improvement in living conditions. It can therefore be assumed that local development means carrying out activities for the social and economic development of a given territorial unit, using its resources and taking into account the needs of residents and with their participation (Kozuch, 2011).

Hence, the concept of "social and economic development" means beneficial quantitative, qualitative and structural changes taking place in the economy and society of a given country. Thus, social development is defined as the expansion of freedoms and opportunities for people to lead lives that they value and have reason to value. It means expanding the possibilities of choice (UNDP, 2012, p. 19). The aim of social and economic activities undertaken at the local level is primarily to increase prosperity and improve the level and quality of life of the inhabitants.

Rational management of public funds, in order to meet the needs of the local community to the maximum, and at the same time affect local or regional development in the most optimal way, requires not only ongoing effective management of available resources, but also effective (i.e. the least expensive) acquisition of external financing.

Financing of development should be understood as expenses incurred by local government units in order to achieve the desired changes in social and economic life, including primarily investment expenditures. Each local government has its own development policy, the implementation of which requires securing adequate financial resources.

The main revenues of local government units include own revenues, i.e. shares in revenues from personal income tax and corporate income tax, general subsidy and designated subsidies from the state budget. In addition, the source of revenue of local government units may be non-returnable funds from foreign sources, funds from the European Union budget and other funds specified in separate regulations (Journal of Laws of 2003, No. 203, item 1966). Own income constitutes a special type of income for local government units. They determine the degree and scope of financial independence of local government bodies, as they are treated as an indicator of the level of this independence (Kotlińska, 2009). Insufficient own revenues of the local government may be an obstacle to both financing of current activities and investments and applying for external (returnable and non-returnable) sources of income.

3. The Metropolitan Solidarity Fund Program

In order to establish on the ground the principle of sustainable development of the Metropolis GZM area, a decision was made to establish the "Metropolitan Solidarity Fund" Program. It is an initiative aimed at providing financial support to weaker member municipalities. GZM member communes may receive financial support in the form of designated subsidies for the implementation of their own tasks of great importance for the development of the Metropolitan Union area, which will contribute to leveling the differences in the level of social and economic development of member communes².

In order to properly distribute the financial resources allocated for enacting the Program, in 2018, the area of the Metropolis GZM was divided into five sub-regions:

1. Bytom sub-region with Bytom as a leader, and including Ożarówice, Piekary Śląskie, Radzionków, Świerklaniec, Tarnowski Góry, Zbrostawice.
2. Gliwice sub-region with Gliwice as a leader, and including Gierałtówice, Knurów, Pilchowice, Pyskowice, Rudziniec, Sośnicowice, Zabrze.

² RESOLUTION No. 4/2018 OF THE BOARD of METROPOLIS GZM of January 9, 2018. On the adoption of Regulations on granting financial assistance in the form of designated subsidies to local government units under the Metropolitan Solidarity Fund Program.

3. Katowice sub-region with Katowice as a leader, and including Chorzów, Mysłowice, Ruda Śląska, Siemianowice Śląskie, Świętochłowice.
4. Sosnowiec sub-region with Sosnowiec as a leader, and including Będzin, Bobrowniki, Czeladź, Dąbrowa Górnicza, Mierzęcice, Psary, Siewierz, Sławków, Wojkowice.
5. Tychy sub-region with Tychy as a leader, and including Bieruń, Bojszowy, Chełm Śląski, Imielin, Kobiór, Lędziny, Łaziska Górne, Mikołów, and Wry.

It could be assumed that sub-regions with weaker levels of economic development will receive more support. The most common and most commonly used indicators of economic development are Gross Domestic Product (GDP), Gross Domestic Product per capita. Based on the available data and studies of the Central Statistical Office, it can be seen that³:

- GDP for the Katowice sub-region is PLN 47 200 million, and GDP per capita is PLN 63 660.
- GDP for the Sosnowiec sub-region is PLN 31 815 million, and GDP per capita is PLN 46 009.
- GDP for the Gliwice sub-region is PLN 28 195 million, and GDP per capita is PLN 59 469.
- GDP for the Tychy sub-region is PLN 24 164 million, and GDP per capita is PLN 61 308.
- GDP for the Bytom sub-region is PLN 15 412 million, and GDP per capita is PLN 34 865.

There are large differences in the level of GDP and GDP per capita between particular sub-regions. It should be noted, however, that these data cannot constitute a basis for the distribution of funds between individual sub-regions, because the sub-regions of the Silesian Voivodship indicated in the study (Silesian Voivodship, Katowice 2018) are not the same as the sub-regions of the Metropolis GZM.

Therefore, the question arises what indicator/indicators were taken into account when allocating funds from the MFS Program? Considering the willingness to provide financial support to weaker member municipalities, one wonders how were weaker member municipalities identified and selected? And did it affect the amount of subsidies received? In accordance with the assumptions of the MFS Program, the amount of PLN 100 million was evenly divided into 5 sub-regions. This approach indicates that no attempt has been made to indicate the criteria according to which member municipalities could be differentiated in terms of their social and economic development. Thus, the level of social and economic development of individual member municipalities did not affect the amount of the designated subsidy obtained. Adoption of the principle according to which funds were evenly divided into sub-regions resulted in the fact that the resignation of one or several communes from subsidies within a given sub-region affects the possibility of using these funds by other member

³ Silesian Voivodship Subregions, poviats, communes. Statistical Office in Katowice, Katowice 2018.

municipalities of this sub-region. Therefore, priority is not given to weaker communes or communes with lower own incomes.

4. The amount of support for the implementation of projects in individual sub-regions of the Metropolis

The principle of an even distribution of PLN 100 million into 5 GZM sub-regions means that each sub-region received about PLN 20 million. However, taking into account the number of inhabitants in individual sub-regions, the distribution of funds is not as even.

There are 335 891 inhabitants in the Bytom sub-region that received PLN 19 999 169. There are 455 992 inhabitants in the Gliwice sub-region that received PLN 19 962 407. There are 736 416 inhabitants in the Katowice sub-region that received PLN 19 794 806. There are 474 450 inhabitants in the Sosnowiec sub-region that received PLN 19 335 156. Whereas in the Tychy sub-region that received PLN 22 012 033 there are 263 559 inhabitants. Such disproportions between the number of inhabitants in individual sub-regions contribute to large discrepancies in the scope of subsidies per one inhabitant (Fig. 1)

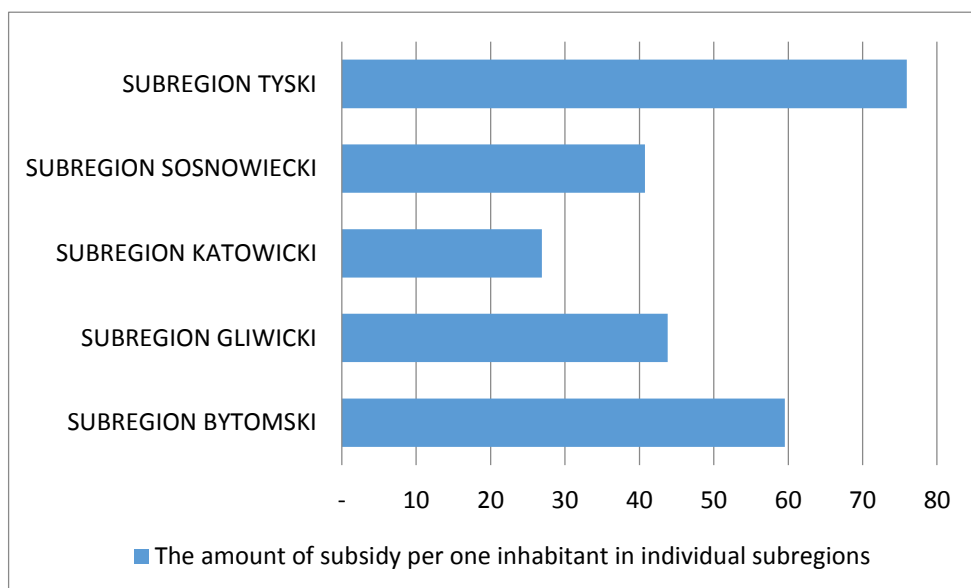


Figure 1. The amount of subsidy per one inhabitant in individual sub-regions. Source: own study.

In this approach, the amount of subsidy per one inhabitant of the Tychy region is definitely higher than the amounts of subsidies per one inhabitant in other sub-regions. The largest disproportion between sub-regions in terms of subsidies per one inhabitant is seen in the Katowice sub-region, where the amount of such subsidy is PLN 26,88. When compared to the Tychy sub-region it is almost three times lower (in the Tyskie sub-region the subsidy per one inhabitant is PLN 75,93).

As a part of the first edition of the MFS, some member municipalities voluntarily gave up applying for support. These municipalities include: Gliwice, Katowice, Zabrze, Tychy and Radzionków. Counting out the number of inhabitants of these five communes from individual sub-regions, it can be seen that the disparities between individual sub-regions in terms of the amounts of subsidy per one inhabitant in individual sub-regions are even greater (Fig. 2).

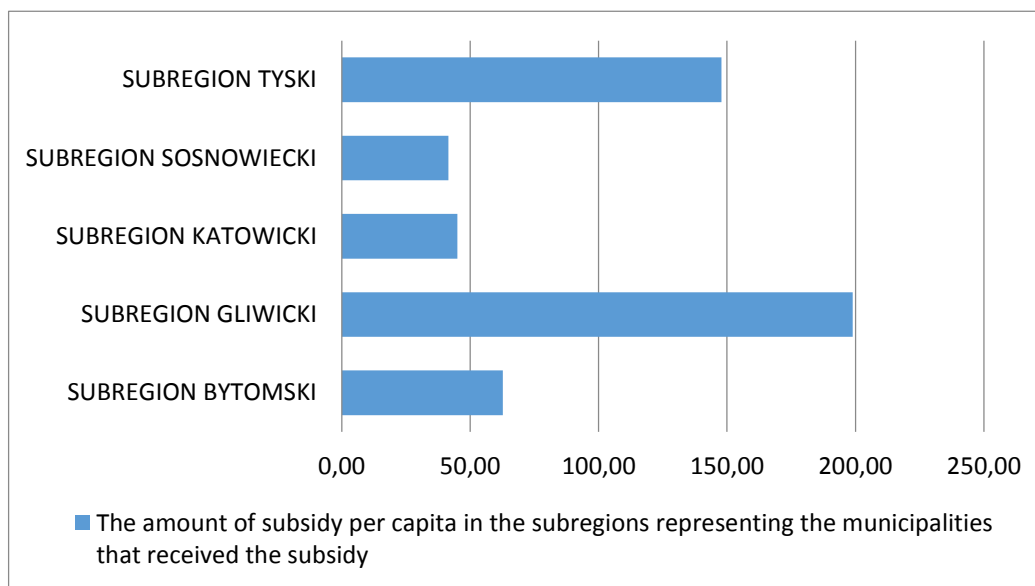


Figure 2. The amount of subsidy per capita in the sub-regions in which the municipalities were subsidized. Source: own study.

Zabrze and Gliwice are municipalities with a total of over 350 thousand inhabitants. The self-resignation of these communes from subsidy application resulted in the communes belonging to this sub-region receiving an average of PLN 3,3 million in subsidies. Calculated per inhabitant of these municipalities, it gives a subsidy of almost PLN 200. Tychy sub-region, which, considering the number of inhabitants in the sub-region, was the obvious leader, after self exclusion of Tychy city, is in the second position. The value of subsidies with regard to these two specifications is the same only in Sosnowiec sub-region, because all municipalities from this sub-region received a subsidy.

5. The amount of support for the enactment projects in individual metropolitan member municipalities.

5.1. Own income of individual GZM member communes

Own income, a special type of income of local government units, largely determines the financial independence of local government bodies, and, therefore, allows financing of, among others, also investment activities, or applying for external, both returnable and non-returnable sources of income. In this context, they will affect the direction and degree of development of

the commune. According to the data on the own income of individual member municipalities, undoubtedly, Katowice is the obvious leader with own revenues at the level of PLN 1 210 374 666,61. Gliwice comes second in this ranking (PLN 670 169 142,16). Both of these cities resigned from applying for a designated subsidy from the MFS program, recognizing that such support is more needed by the other member cities of these two sub-regions. This decision enabled the other cities of Katowice and Gliwice sub-regions to apply for a higher amount of subsidy. The same decision was made by the cities of Zabrze and Tychy, despite the fact that the level of their own income allows them to take the fifth and sixth place respectively. In Figure 3, one can notice a large disproportion in the own incomes of member municipalities. Even between the leaders of this ranking (Katowice and Gliwice) the difference is almost twofold, not to mention Kobiór, where the level of own income in 2017 was only PLN 10 927 857,7 and is over 113 times lower than Katowice's own income.

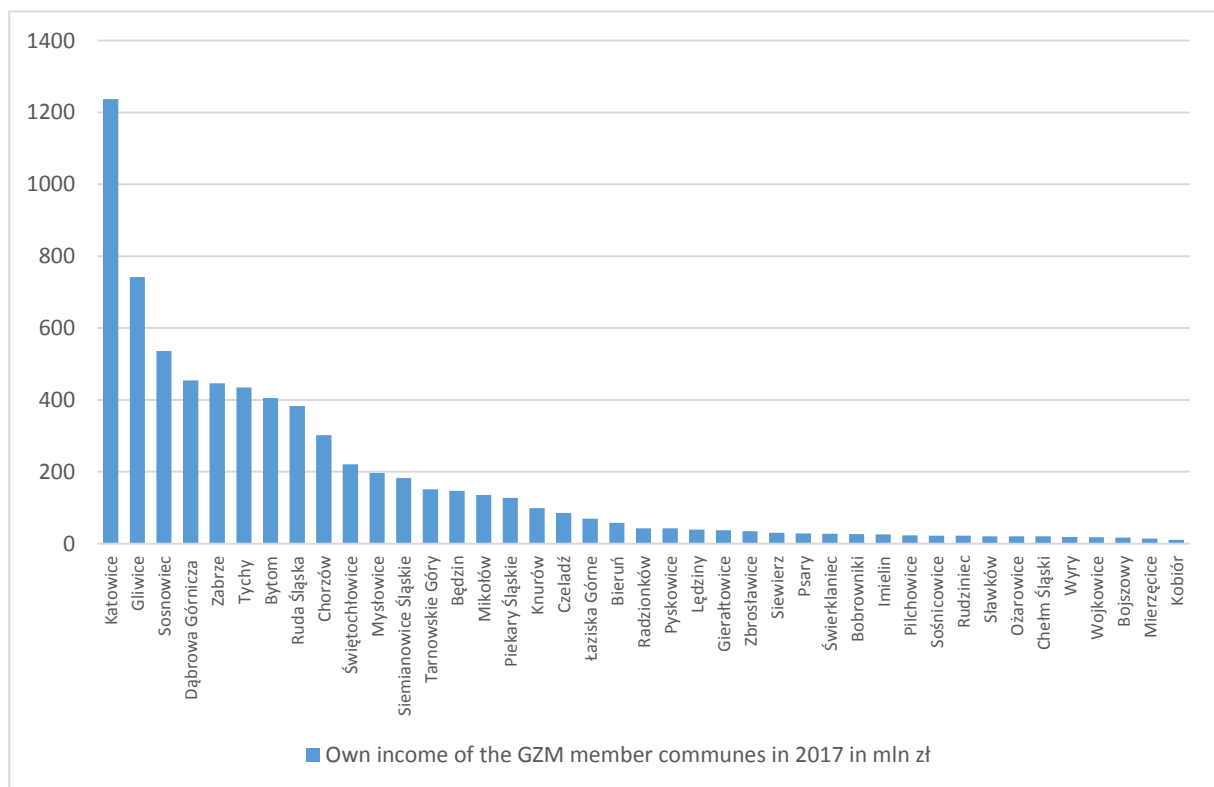


Figure 3. Own income of the GZM member communes. Source: own study.

Considering the number of inhabitants in individual member municipalities, it can be seen that such significant disparities do not appear anymore (Fig. 4). Own income per capita is again the highest in Katowice and amounts to PLN 4 162,15, while the lowest own income per capita is in Mierzęcice and amounts to PLN 1 894,91, which is over 2 times lower.

There are also significant differences between the cities that have decided not to apply for a subsidy. The income per capita in Gliwice is not much lower than the own income per capita in Katowice and amounts to PLN 4 083,8, while in Tychy, it amounts already to PLN 3 391.32, and in Zabrze, to PLN 2.550.58 only. Own income per capita in Zabrze is slightly below the

average, which for these 41 member cities is PLN 2 664,76, and is exactly the same as the median for these cities - PLN 2 550,58.

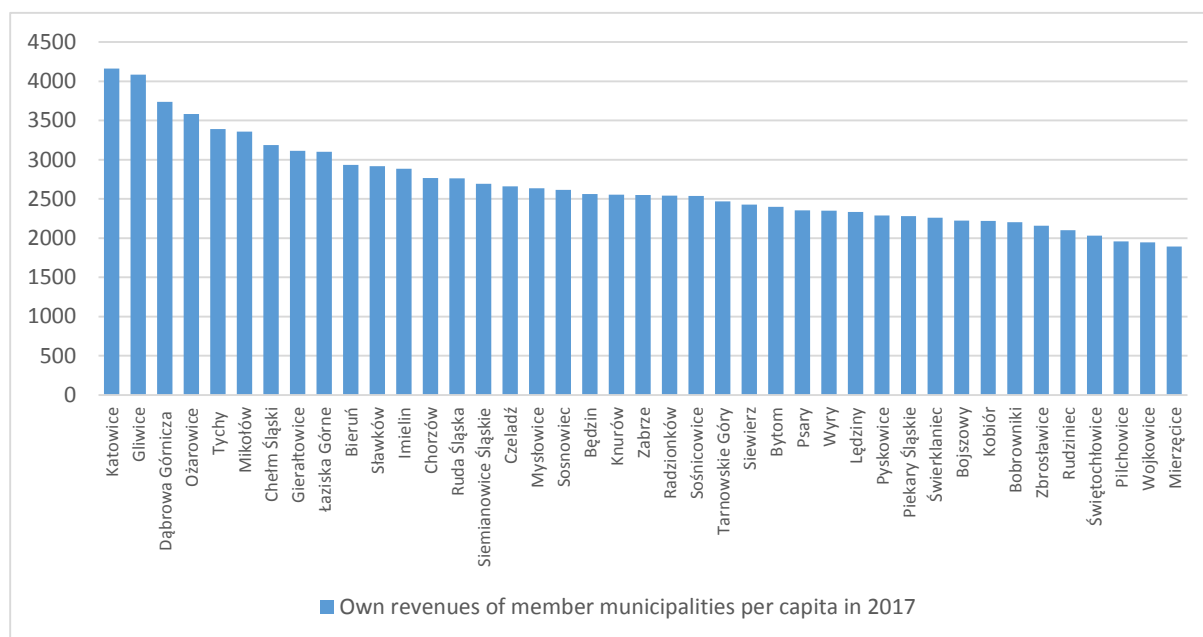


Figure 4. Own revenues of member municipalities per capita. Source: own study.

5.2. Amount of support in individual communes

In analyzing the amount of support falling on the individual member municipalities, Bytom, which has received over PLN 10 million is the obvious leader. This amount is twice as high as the subsidy granted to Siemianowice Śląskie and Świętochłowice, the cities occupying respectively the second and third position in the list of GZM member municipalities, taking into account the total value of the subsidy (Fig. 5). The least support was received by the commune of Ożarówice – PLN 399 415, followed by the commune of Świerklaniec – PLN 713 393 and Zbrosławice – PLN 887 134. The monetary value of support in these three communes did not exceed the amount of 1 million.

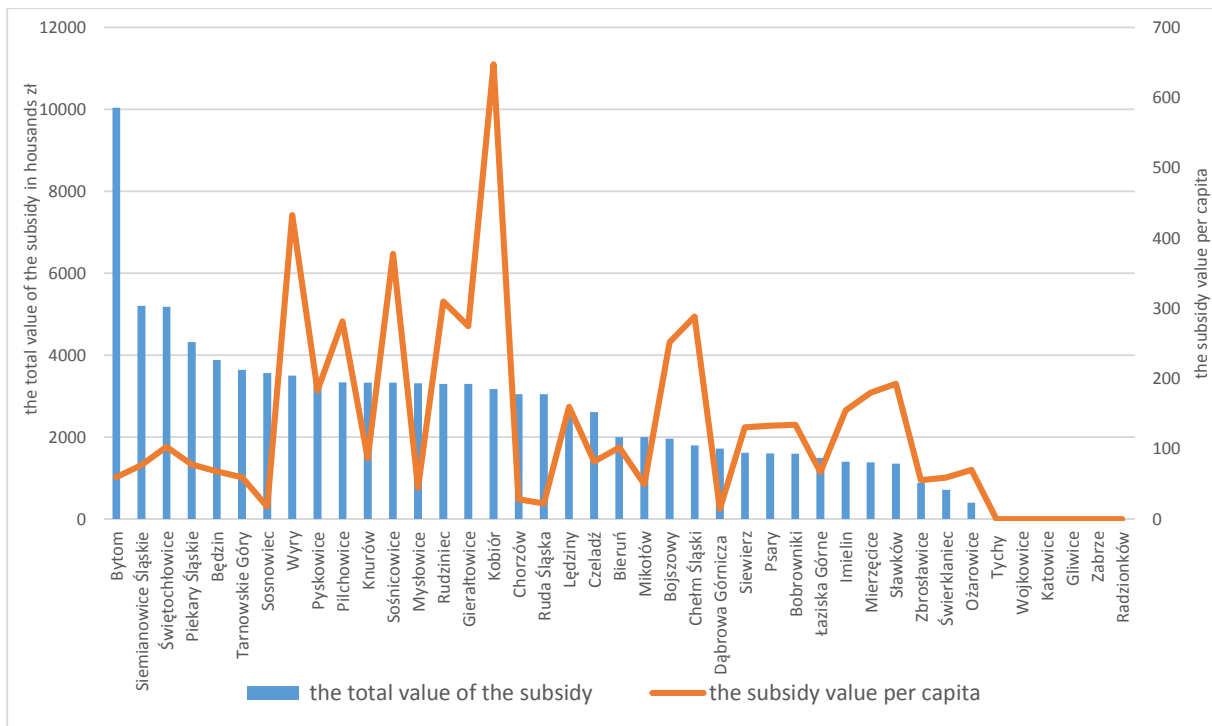


Figure 5. Amount of subsidy from the MFS Program and per one inhabitant of the commune. Source: own study.

Taking into account the number of inhabitants in individual GZM member communes, it turns out that in this ranking, Bytom is no longer a leader, rather it is only in the 26th position – having a subsidy value per capita in the amount of PLN 60 (Fig. 5). Calculated per capita, the highest subsidy was received by the city of Kobiór – PLN 647. Wyry takes the second position with a subsidy amount of PLN 433 per capita, and Sośnicowice – PLN 377. The lowest subsidy (taking into account all communes that received the subsidy) per one inhabitant was received by Dąbrowa Górnicza – PLN 14 and Sosnowiec – PLN 17.

5.3. The value of subsidies in municipal incomes and own incomes

Pursuant to the assumptions of the MFS Program, the amount of PLN 100 million was to be allocated to provide financial support to member communes in order to eliminate differences in the level of social and economic development. Therefore, in such a format for distribution of funds it could be expected that municipalities with smaller potential in this respect would be receiving a larger subsidy.

Comparing own income per capita with the value of subsidies per capita (Fig. 6), it can be seen, however, that there is no such ratio. Communes with comparable own incomes per capita, e.g. Bojszowy, Kobiór and Bobrowniki, have received various subsidy values per capita. Herein, the value of subsidies per one inhabitant in the Bojszowy commune is PLN 252, in the Bobrowniki commune – PLN 134 and in the Kobiór commune as much as PLN 647.

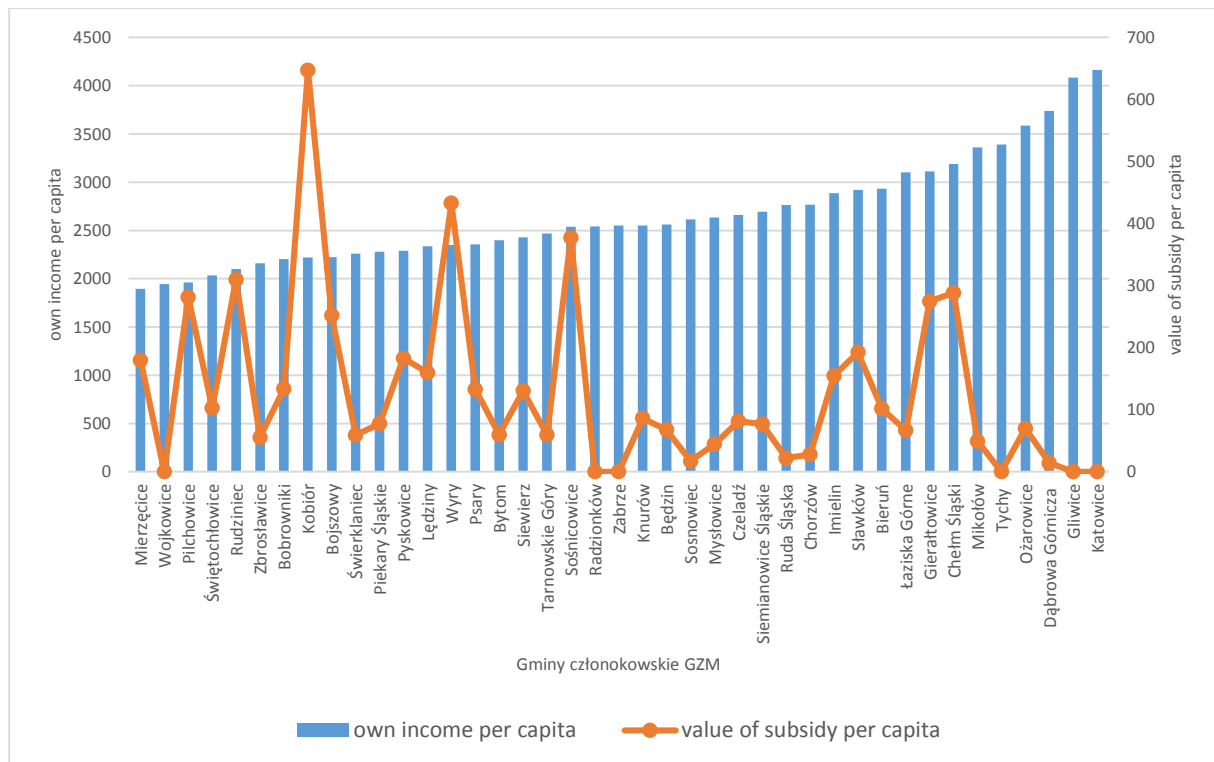


Figure 6. Own revenues of member municipalities and the value of subsidies from the MFS Program. Source: own study.

For most GZM member municipalities, the subsidy received did not constitute more than 2% of the commune's income. For some municipalities, however, this was significant support. In Kobiór commune, the subsidy in the commune's income accounted for as much as 15% (Fig. 7). An obtained subsidy in the amount of PLN 3 million 170 thousand would be difficult to get from the usual communal budget. With this support, the municipality of Kobiór can implement projects such as "Construction of a metropolitan interchange at the intersection of Kobiórska Street With Centralna Street" "Reconstruction of municipal roads" or "Construction of energy-saving lighting of municipal roads ". Furthermore, a subsidy for road investments in the amount of 3.5 million was received by the Wry commune, for which the subsidy amounts as much as to 10% in the commune's income. In contrast, the amount of subsidies in such communes as Dąbrowa Górnicza, Sosnowiec, Ruda Śląska did not constitute a significant share in their revenues and was below 0.5%.

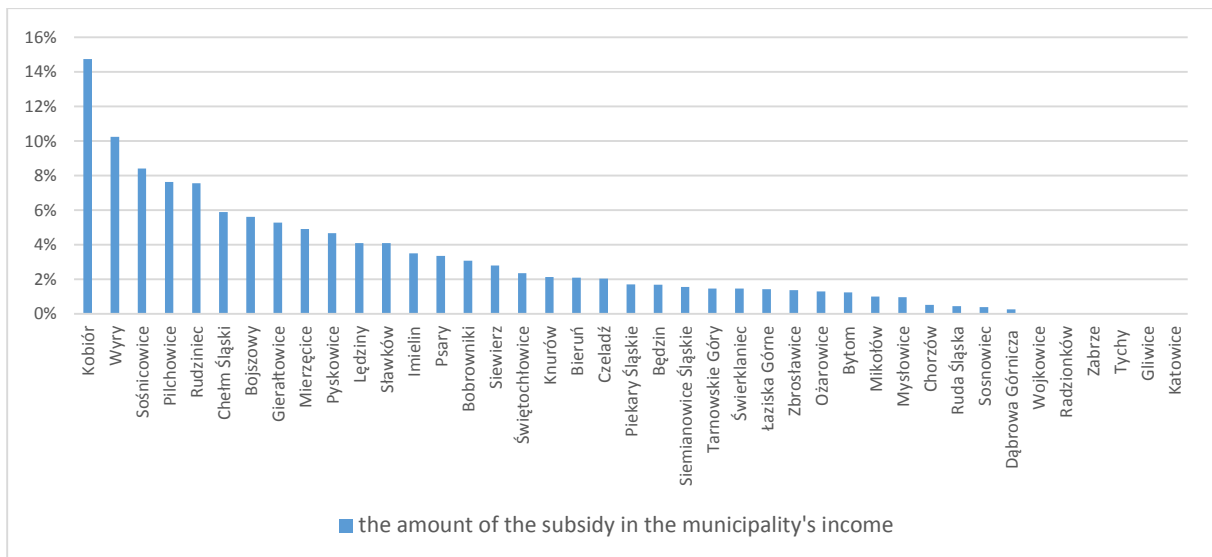


Figure 7. Share of subsidies from the MFS Program in the revenues of member municipalities. Source: own study.

Considering the own revenues of member municipalities, which largely determine the degree and scope of financial independence of local government bodies, it can be seen that the amount of subsidies in the municipal's own revenues constitutes an important part, especially if we look at Kobiór – 29%, Wryy – 19%, Sośnicowice – 15%, Rudziniec – 15%, or Pilchowice – 14% (Fig. 8).

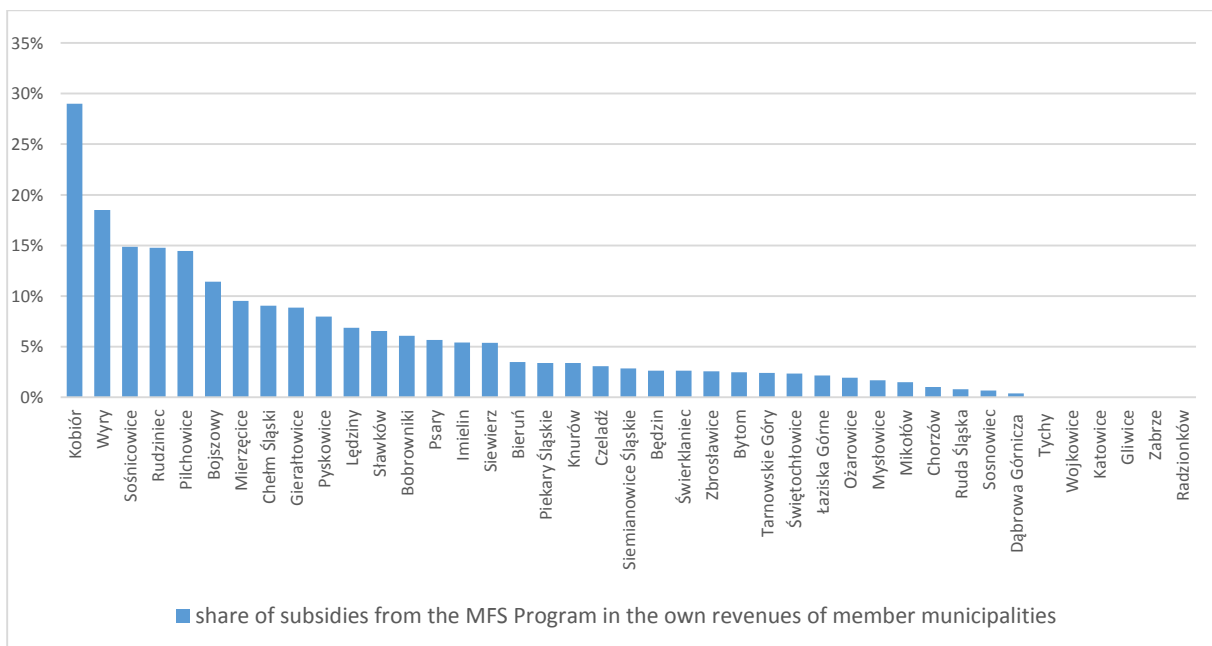


Figure 8. Share of subsidies from the MFS Program in the own revenues of member municipalities. Source: own study.

6. Summary

In accordance with the assumption of the "Metropolitan Solidarity Fund" Program the amount of the subsidy – PLN 100 million, was divided five ways to be given over to five sub-regions: the Bytom sub-region, the Gliwice sub-region, the Katowice sub-region, the Sosnowiec sub-region and the Tychy sub-region. The presented analyzes clearly showed that the only criterion for the division of funds into individual sub-regions is their even distribution. Therefore, priority is not given to weaker communes or communes with lower own incomes. So, it is not possible to indicate the criteria for differentiating member municipalities in terms of their social and economic development. Thus, the level of social and economic development of individual member municipalities did not affect the amount of the designated subsidy obtained.

There exists a significant differentiation in own revenues between GZM member municipalities. The difference between the municipality with the highest own income (Katowice) and the municipality with the lowest own income (Kobiór) is PLN 1 226 049 408.

The assumption of the MFS Program was to support weaker member municipalities, so it could have been assumed that municipalities with lower potential (with lower overall income and own revenues) will receive a higher value of subsidies. However, the analysis shows that there is no such translation. Communes with comparable own incomes per capita, e.g. Bojszowy, Kobiór and Bobrowniki, have received various subsidy values per capita. The value of subsidies per one inhabitant in the Bojszowy commune is PLN 252, in the Bobrowniki commune - PLN 134 and in the Kobiór commune as much as PLN 647.

The analyzes carried out in the article show that for some GZM member municipalities, the amount of subsidies obtained from the MFS Program constituted a significant share in income and allowed the implementation of projects supporting social and economic development that such communes were not able realize from their own revenues.

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