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THE ENVIRONMENTAL PROTECTION FINANCING BY THE LOCAL GOVERNMENT UNITS

The article discusses the rules of financing environmental protection by local self-government units. The statutory tasks specified by local governments in this respect were indicated. Then possible forms of financing environmental protection are presented. Municipality, county or province can use different sources of funding. The next element of the article is to determine the amount of environmental spending at each level of local government in recent years.

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Introduction

Poland, with almost 40 million citizens, is a modern country in central Europe, a European Union member since 2004., successfully implementing a policy of sustainable development, in which natural resources are the pillars of sustainable development – economic and social. Rational use of resources and their protection, for the sake of present and future generations, are the backbone of the national environmental policy (System, 2013, p. 19). Poland on the issue of financing projects in the field of environmental protection bases on the created in the early nineties integrated system of financing. The institutional basis of this system are the funds for environmental protection and water management. An important role in this process also plays a Bank of Environmental Protection and foundations whose statutory

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purpose is to protect the environment. Due to the fact that environmental protection mainly in the context of the restoration of its elements to the previous state is an action very expensive and labor-intensive, creating by the state institutions co-financing a number of initiatives of environment-friendly will contribute to a reduction, or if it is feasible to eliminate the negative environmental impacts.

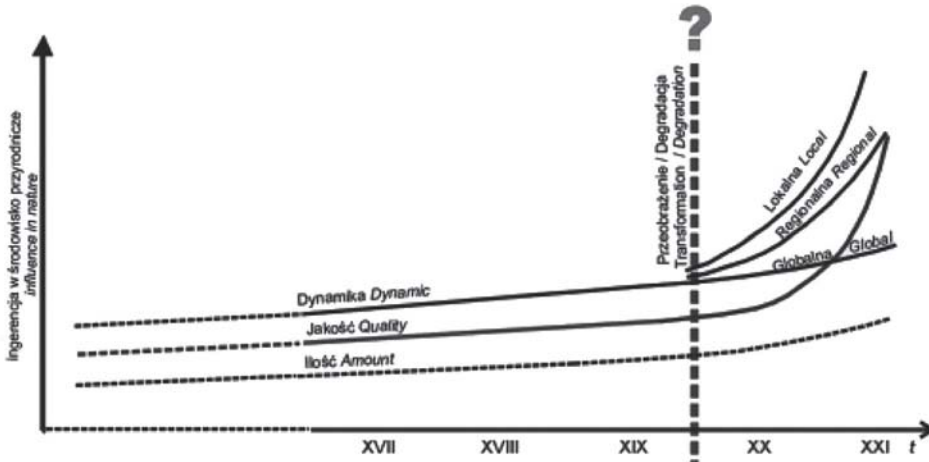


Figure 1. Changes in the severity of human interference in the natural environment

Source: J. Pociask-Karteczka, *Czy istnieją granice integracji człowieka w środowisko przyrodnicze?*, [in:] *Nauka a zarządzanie obszarem Tatr i ich otoczeniem*, tom III, Zakopane 2010.

It should also be noted that funds for environmental protection and water management are included in the so-called the statutory environmental institutions. It is also important the fact that the development of the investment environment depends greatly on the system of incentives included in the national environmental policy tools and they are: the legal and economic instruments and the organizational and institutional solutions. These instruments can be either direct or indirect regulation. The direct ones include laws setting out the management and use, development of environmental emission standards, standards for permissible concentrations of pollutants, the rules governing the use of natural resources, etc. This ensures the proper allocation of resources between users of natural environment. Intermediate, in turn, include economic instruments, such as: taxes, fees, subsidies, financial incentives, compensation, ecological insurance.

The tasks of local government units regarding environmental protection

According to the Polish Constitution local government shall perform public tasks not reserved by the Constitution or statutes to the organs of other public authorities and the basic unit of local government is the municipality which performs all tasks of local government not reserved to other units of local government (Constitution, 1997, art. 163). In the act on commune self-government states that the tasks of the municipality must satisfy the collective needs of the community, and in particular their own tasks include matters that will include issues related to environmental protection. The latter include actions belonging to:

- 1) spatial order, real estate management, environmental protection (in the strict sense) and wildlife and water management,
- 2) health care,
- 3) green municipal and tree planting,
- 4) municipal cemeteries,
- 5) maintenance of municipal buildings and public facilities and administrative buildings,
- 6) support and promotion of the idea of self-government, including the creation of conditions for the operation and development of auxiliary units and implementation of programs to stimulate active citizenship,
- 7) promotion of the municipality,
- 8) cooperation and the activities of non-governmental organizations,
- 9) cooperation with local and regional communities of other states (Act, 1990, local government, Art. 7).

These activities may be related to the protection of the environment directly or indirectly. It is important, however, aspects of financing pro-environmental actions. It should be noted that the municipal fund for environmental protection and water management cannot benefit from financial assistance from the budget of the local government, the act creating the fund does not provide such assistance. The source of income of the special fund may be among others: subsidies from the state budget or local government budgets, it requires confirmation by identifying the sources of revenue in the special act, which is in any case the law establishing the fund. However, in order to properly take care of the environment in the community, we should take care of the cleanliness and order, which is the responsibility of the municipality. In contrast, due to financial difficulties municipalities are trying to transfer this obligation to other entities. It should be noted that the municipality is guided by self-interest on the basis of their financial means and this applies to activ-

ities undertaken and adopted and implemented plans. In addition, municipal authorities guided by the principle interest of the entire community, and not the interests of the individual, especially if in the context of actions taken, they could undermine the environmental safety of the community (Jablonski, 2012, p. 77–79).

In the case of counties, their tasks related to the protection of the environment are:

- 1) public education,
- 2) health promotion and protection,
- 3) public transport and public roads,
- 4) geodesy, cartography and land registry,
- 5) real estate management,
- 6) architectural and building administration,
- 7) water management,
- 8) environmental protection and nature conservation (in the strict sense),
- 9) agriculture, forestry and inland fisheries,
- 10) flood protection, including equipment and maintenance of the district flood response magazine, fire prevention and other extraordinary threats to human life and health and the environment,
- 11) unemployment counteracting and activating the local labor market,
- 12) consumer protection,
- 13) the maintenance of county buildings and public facilities and administrative buildings,
- 14) the promotion of the county,
- 15) cooperation and activities dedicated non-governmental organizations (Act 1998, county government, Art. 4).

It may be noticed that the tasks of county environmental issues are much more complex than the tasks of the municipality. This is because the communities as opposed to the counties have the principle of the presumption of competence and counties can perform only those tasks that have been assigned to them. Practice, however, shows that the list of tasks make a *numerus clausus*, but comprehending it should be understood in a broad and consistent with the interests of county residents.

The provincial government determines the scope of his activities to the strategy development of the region, taking into account in particular:

- 1) cultivating, developing and shaping the national consciousness, civic and cultural of the inhabitants, as well as nurturing and developing local identity,

- 2) the stimulation of economic activity,
- 3) raising the level of competitiveness and innovativeness of the economy of the region,
- 4) preservation of cultural and natural environment, taking into account the needs of future generations,
- 5) formation and maintenance of spatial order (Act 1998, local governments, Art. 11).

It is noted that building development strategies of the region, a period is separated not extending beyond the period covered by the currently binding medium-term national development strategy, taking into account the principle of sustainable development.

Therefore, after the legislative changes took place ultimately it was determined that the strategy development of the region includes:

- 1) diagnosis of the socio-economic situation of the region,
- 2) the strategic objectives of the development policy of the region,
- 3) determine the courses of action taken by the provincial government to achieve the strategic objectives of the development policy of the region.

In addition, the scope of activities of local government and its strategy remains strictly correlated to the policy of the regional authorities, which consists of, inter alia: rational use of natural resources and shaping the environment, in accordance with the principle of sustainable development. As a result, the provincial government performs the tasks of a specific regional law in the environmental field, mainly in the modernization of rural areas, zoning, environmental protection, water management, including flood protection, and in particular the equipment and maintenance of provincial flood control storage (Jablonski, 2012, p. 80–81).

Sources of financing environmental protection

The National Fund for Environmental Protection and Water Management was established in 1989 during the turbulent political and economic transformation in Poland in the situation of the general lack of funds not only for the environment, but also for social, cultural and scientific development. The main idea of accompanying the creation of this institution was to find the proper way of enabling suppression of progressive degradation of the environment. The National Fund is an important tool for the implementation of environmental policy in Poland. The stable revenues, experienced staff and developed forms of cooperation with the beneficiaries serve this

purpose. The National Fund offers loans, grants and other forms of funding projects, among others, by governments, businesses, public bodies, social organizations and individuals. In the public finance sector, the National Fund is also Poland's largest partner of the international financial institutions to use foreign funds earmarked for environmental protection. Together with provincial funds for environmental protection and water management the NFEPWM creates a system of environmental funds, which are based on the Common Strategy of activity of the National Fund and provincial funds for environmental protection and water management for the years 2013–2016 with the prospect of 2020 (Wierzbowski, Rakoczy, 2005, p. 113). It should be noted that the National Fund manages its own finances, acting under the Environmental Protection Act and in accordance with the EU principle of „the polluter pays”. Derives revenues primarily from fees and penalties for use of the environment, maintenance fees and concession fees in the energy sector, the charges associated with the act of recycling end of life vehicles and the sale of assigned amount units of greenhouse gases. It also offers the use of foreign funds earmarked for environmental protection, among others, from the Cohesion Fund, the European Regional Development Fund, LIFE + Programme, the Norwegian Financial Mechanism and the Financial Mechanism of the European Economic Area. Proceeds received by Poland in international sales transactions rights to carbon dioxide emissions under the Kyoto Protocol, supply system of green investments (GIS – Green Investment Scheme), which supports investments in the field of climate protection and the reduction of greenhouse gas emissions (nfosigw.gov.pl).

The structure consists of funds for environmental protection and water management in the current legal status:

1. The National Fund for Environmental Protection and Water Management.
2. Provincial Funds for Environmental Protection and Water Management.
3. District Funds for Environmental Protection and Water Management.
4. Municipal Funds for Environmental Protection and Water Management.

According to the Act of 27 April 2001 on environmental law funds granted specific legal status of one of several statutory environmental institutions, because the essence of the institution as opposed to being a public authority is the function of an advisory, which is not associated with a typical for the body element of administrative governance. The legal status of provincial funds for environmental protection and water management is identical with the National Fund. It should also be noted that the county and municipal funds operate in the activities of local governments and their functioning is based

primarily on the award of grants. In contrast to the funding of provincial funds the county and municipal funds, despite the fact that there are special purpose funds, they do not have legal personality, so that the executive bodies of counties and municipalities are obliged to provide the authorities constituting the approval of projects revenues and expenses for a specific year in the framework of these funds. It should also be noted that in the case of county and municipal funds environmental expenditures are non-refundable forms of financing environmental protection (Paczuski, 2000, p. 157).

The tasks of the funds at all levels include:

- 1) environmental education linked to the promotion of ecology and sustainable development principles,
- 2) support for national environmental monitoring,
- 3) undertake the tasks of modernization and investment in environmental protection and water management,
- 4) projects related to nature conservation in the design and maintenance of green areas, forestation and parks,
- 5) implementation of projects related to waste management,
- 6) preventive health care of children from areas where there are exceeded environmental quality standards,
- 7) supporting the use of local renewable energy sources.

Also relevant is the fact that in the first place in the selection of projects for funding, resources of the National Fund are to be spent on funding projects with the participation of non-reimbursable EU funds and other non-refundable foreign funds. The main goal of this type of support is for Poland to achieve ecological effects set out in the Accession Treaty. On the basis of resolutions of the Supervisory Board of the National Fund for Environmental Protection adopted on 11 September 2007 has been defined list of priority projects for financing the fund in 2008. The main areas funded by the National Fund include:

1. Water protection and water and sewage management, as part of which it is intended construction and modernization of sewerage systems, as well as the construction and expansion of municipal sewage treatment plants. In addition, the construction and modernization of supply systems water intake and water treatment plants.
2. Protection of the earth's surface, waste management and resource management concerning waste prevention and management and rehabilitation of degraded areas.
3. Ecological safety in the prevention of and at the same time reducing the impact of natural hazards and major accident prevention. This area con-

cerns the monitoring of the environment through the implementation of new tools and methods for environmental monitoring.

4. Air protection by increasing the efficiency of energy production, distribution and use of energy, including in particular the increase in the production of energy from renewable sources.
5. Nature and landscape protection and shaping environmental attitudes including support for projects concerning the protection of natural habitats in protected areas and the preservation of species diversity. It also includes the elimination of direct threats to natural areas by limiting low emissions, wastewater regulation, removal of materials containing asbestos from areas owned by the State Treasury in areas of national parks areas included in the Natura 2000 network.
6. Supporting education for sustainable development (Regulation of the Minister of Environment, 2002).

In terms of sources of financing environmental protection by local governments extremely important role was played by funding from the European Union. They played a great role in the absorption of EU assistance funds, especially in the pre-accession period and for the financial support programs of the „old” financial perspectives of the EU budget for the years 2004–2006 and 2007–2013 budget. The most significant in terms of financial size and Polish membership in the European Union is to act by the National Fund and provincial funds the role of Implementing Authority for the priorities of the Operational Programme Infrastructure and Environment (OPIE) 2007–2013. Infrastructure and Environment Programme is now one of the most important sources of financing environmental protection in Poland. From the OPIE budget of (2007–2013) exceeding € 28 billion, for investments in environmental protection more than 5 billion euros were allocated. The experience of the National Fund, as a partner institution, implementing and operating, was a key factor in decision making by the Minister of Environment and Minister of Regional Development to entrust tasks in support of projects co-financed under: Green Investment Scheme GIS, the Financial Instrument LIFE +, the Norwegian Financial Mechanism and the Financial Mechanism of the European Economic Area, fund pre-accession ISPA and the Cohesion Fund 2000–2006, the Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (2004–2006), Environmental partnership Fund PHARE funds, partnerships DEPA (Denmark), SIDA (Sweden) and bilateral assistance funds in 1990–2008. The regional environmental protection funds have played a role in the absorption of assistance funds in the early years

of Polish membership in the European Union (SAPARD, ZPORR, PHARE), and in the budgetary period 2007–2013 (IE OP and Regional Operational Programmes) are strong institutional support and financial assistance to local government units, businesses, environmental organizations and many other beneficiaries. Therefore it needs to be remembered that both the number and value of projects significantly donated to local governments in the field of environmental protection.

Environmental protection expenditure

The total expenditure on environmental protection is the sum of expenditure on fixed assets in environmental protection and the running costs. The largest item of expenditure for local government financing and co-financing of programs and projects implemented with the participation of EU funds were spent in the „Transport and communication” – 41.0%, while the second place went to „Public utilities and environmental protection” – 9.9%. In the structure of expenditure by departments of budget classification in 2015, as in previous years, the largest part of expenses in the following sections: „Education and upbringing” (35.8%), „Social assistance” (15.8%), „Public administration” (10.1%), „public utilities and environmental protection” (9.4%) and „Transport and communication” (8.7%). Thus the protection of the environment is a significant expense for Polish local governments.

The last decade has seen a rise in outlays on fixed assets in environmental protection. The size of these expenditures in year 2015 amounted to approx. 14.2 billion PLN and were higher by 31% than last year. There has been also an increase in fixed investment on water management, which reached the level of approx. 3.8 billion PLN and were higher by 24% compared to the previous year. In relation to GDP, expenditure on fixed assets for environmental protection persist for several years at the level of 0.6–0.8%, while in the case of water management are 0.2%. The share of expenditure on fixed assets in environmental protection and water management in the investments in the national economy stood out over the last few years, at approx. 5% for environmental protection (in year 2014 increased to nearly 6%) and slightly above 1% with water management (Environment, 2015, p. 43).

Table 1. Management of the communal environmental protection and water management funds by voivodships in 2015

VOIVODSHIPS	Funds at the beginning of the year	Revenues				Total funds	Total expenditures
		total transferred by voivodship boards	due to payments and fines		rother		
			for removal of trees and bushes	other			
in thousand PLN							
POLAND	272 022.2	647 085.3	173 747.0	455 142.3	18 196.0	919 107.5	602 551.8
Dolnośląskie	24 833.1	64 435.5	27 475.4	35 477.7	1 482.5	89 268.6	74 793.8
Kujawsko–pomorskie	9 231.0	30 634.1	6 133.4	23 913.8	586.8	39 865.1	30 055.7
Lubelskie	2 715.2	17 294.7	486.6	16 558.6	249.5	20 009.8	17 051.7
Lubuskie	6 624.0	11 623.5	1 692.2	9 747.7	183.7	18 247.5	13 584.3
Łódzkie	12 183.6	76 106.6	2 286.4	72 144.0	1 676.2	88 290.2	63 703.7
Małopolskie	13 079.4	30 888.1	5 623.4	25 211.8	52.9	43 967.5	34 791.7
Mazowieckie	94 788.1	109 902.7	64 135.8	43 124.1	2 642.9	204 690.8	90 204.6
Opolskie	5 739.7	15 257.7	2 007.7	13 061.2	188.8	20 997.4	12 314.3
Podkarpackie	14 194.5	14 373.3	2 423.3	11 735.7	214.3	28 567.8	19 578.4
Podlaskie	6 051.5	12 538.2	5 632.8	6 782.7	122.8	18 589.8	10 837.6
Pomorskie	15 224.3	45 255.5	13 810.3	24 277.2	7 168.1	60 479.8	37 939.2
Śląskie	30 330.7	95 736.4	24 606.0	69 978.4	1 152.0	126 067.1	93 611.7
Świętokrzyskie	4 955.3	14 012.6	1 543.6	10 784.2	1 684.7	18 967.8	11 755.6
Warmińsko–mazurskie	4 793.6	13 686.9	2 548.5	10 744.9	393.5	18 480.5	11 790.8
Wielkopolskie	18 760.5	58 585.5	3 548.0	54 785.3	252.3	77 346.0	49 096.0
Zachodniopomorskie	8 517.9	36 754.0	9 793.7	26 815.3	145.1	45 271.9	31 442.7
POLAND	232 407.4	72 511.7	69 788.6	181 341.8	34 469.6	12 032.7	316 555.7
Dolnośląskie	18 993.2	5 584.6	7 110.8	41 247.8	1 563.4	293.9	14 474.8
Kujawsko–pomorskie	6 937.9	1 484.3	4 076.8	16 855.3	641.4	59.9	9 809.3
Lubelskie	8 874.1	837.1	3 707.4	3 157.5	-	475.6	2 958.0
Lubuskie	5 530.1	780.7	1 088.0	4 616.2	815.8	753.5	4 663.2
Łódzkie	14 594.8	12 368.2	3 007.6	11 462.3	21 540.4	730.4	24 586.5
Małopolskie	9 905.1	5 893.0	3 826.7	12 485.2	2 673.1	8.6	9 175.8
Mazowieckie	43 225.1	5 663.1	12 241.0	27 143.3	-	1 932.0	114 486.2
Opolskie	3 561.6	2 811.1	1 013.2	4 872.0	-	56.5	8 683.1
Podkarpackie	8 486.0	360.5	1 722.1	4 797.2	4 159.3	53.3	8 989.4
Podlaskie	6 426.0	693.7	1 039.4	2 642.4	19.6	16.5	7 752.2
Pomorskie	15 694.5	3 851.3	8 144.4	7 297.7	-	2 951.3	22 540.6
Śląskie	43 936.1	19 479.0	7 436.6	20 116.6	-	2 643.4	32 455.4
Świętokrzyskie	5 905.0	1 639.5	1 936.9	1 971.1	-	303.1	7 212.2
Warmińsko–mazurskie	6 821.8	1 095.3	2 186.8	1 562.0	-	124.9	6 689.7
Wielkopolskie	23 529.2	5 759.1	7 186.8	9 882.7	1 164.3	1 573.8	28 250.0
Zachodniopomorskie	9 986.8	4 211.2	4 064.0	11 232.3	1 892.2	56.1	13 829.2

a Moreover, 2 538 958.9 th. PLN, from other sources than from environmental charges and fees, have been allocated for environmental protection.

Source: data of the Management Board of the National Fund for Environmental Protection and Water Management.

Table 2. Forms of financing from the environmental protection and water management funds in 2015

FORMS OF FINANCING	Total	Wastewater management and protection of water	Protection of air and climate	Waste management	Other Remains
	in million PLN				
TOTAL	5 860.7	1 911.4	1 653.5	920.8	1 375.0
Redeemable financing (loans, credits, consortia)	2 827.5	1 018.4	930.0	635.3	243.9
Non-redeemable financing (donations, grants, remissions)	3 033.1	893.0	723.4	285.5	1 131.2
THE NATIONAL ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT FUND					
TOTAL	2 587.3	604.9	696.1	544.8	741.5
Redeemable financing (loans, credits, consortia)	855.1	125.6	253.6	372.3	103.7
Non-redeemable financing (donations, grants, remissions)	1 732.1	479.2	442.6	172.5	637.8
VOIVODSHIP ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT FUNDS					
TOTAL	2 580.5	1 043.4	839.6	298.4	399.1
Redeemable financing (loans, credits, consortia)	1 972.4	892.8	676.5	263.0	140.2
Non-redeemable financing (donations, grants, remissions)	608.1	150.7	163.1	35.4	259.0
COUNTY ENVIRONMENTAL PROTECTION BUDGET					
TOTAL (Non-redeemable financing only)	136.9	30.6	45.3	7.8	53.1
COMMUNAL ENVIRONMENTAL PROTECTION BUDGET					
TOTAL (Non-redeemable financing only)	556.0	232.4	72.5	69.8	181.3

Source: data of the Management Board of the National Fund for Environmental Protection and Water Management 2016.

A group of investors with the largest share of expenditures in the area of water management were budgetary units – 54%, the share of other groups, i.e. enterprises and municipalities account for 27% and 19%. Budgetary units invest mainly in the flood control infrastructure, reservoirs and dams, regulation, development of rivers and mountain streams. In year 2015, as a result of the investment environment, were put into operation 57 industrial and municipal waste water treatment plants, i.e. about 17 less than in 2013, with a total capacity of 51 thousand m³/day.

In 2014 were put into operation 6.4 thousand. km of sewage discharge sewage (the same as in the previous year) and 657 km sewerage network for rain water (more than in 2013. approx. 3%). In terms of air protection there was put to use equipment to reduce dust pollution with a capacity of 32 thousand. tons/year (almost two-fold increase compared to 2013.) and neutralization of gaseous pollutants with a capacity of 15 thousand. tons/year (a significant decrease compare to year 2013) (Environment, 2015, p. 44–45).

Conclusions *de lege lata* and *de lege ferenda*

Local government units in Poland have important tasks in the field of environmental protection. Naturally, all the action determinant will be financial funds, but they should be found for such an important issue, which is to protect the environment. This also applies to the issue of implementation with its own funds and other public funds. We should also be aware of the possibilities of financing the activities of the operational programs in the next EU financial perspective 2014–2020. Therefore, it is worthy to take care of the possibility of a smooth functioning of public administration in attracting external funds, including those from the European Union.

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