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### NATIONAL PARKS IN THE NEW LEGAL AND ECONOMIC ENVIRONMENT

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### PARKI NARODOWE W NOWYCH REALIACH PRAWNYCH I EKONOMICZNYCH

**Summary:** The article presents the evolution of the legal environment and funding of national parks in Poland against worldwide trends in the funding of protected areas. Following transformations between 2010 and 2012, Polish national parks evolved from state budget entities into state-owned legal entities, largely autonomous in terms of organisation and finance. They have become visibly more active in raising funds for their own needs, be it through funded projects or business activities. Issues concerning sources of funding are discussed on the basis of the example of Babia Góra National Park. The Park's "own funds" (raised through its own activity), mainly sale of wood, are its key budget item.

**Keywords:** national parks, local development, public finances.

**Streszczenie:** W artykule ukazano przemiany w sytuacji prawnej i w systemie finansowania parków narodowych w Polsce w odniesieniu do światowych trendów w finansowaniu obszarów chronionych. W wyniku przemian, które zaszły w latach 2010–2012, parki narodowe w Polsce przekształcone zostały z państwowych jednostek budżetowych w państwowe osoby prawne, mające znaczną autonomię organizacyjną i finansową. Widoczny jest wzrost ich aktywności w zakresie samodzielnego pozyskiwania środków w ramach realizowanych projektów i prowadzonej działalności gospodarczej. W Babio-górskim Parku Narodowym, na którego przykładzie omówiono szczegółowe kwestie dotyczące źródeł finansowania parków, kluczową pozycję w budżecie stanowią środki własne, pochodzące głównie ze sprzedaży produktów drzewnych.

**Słowa kluczowe:** parki narodowe, rozwój lokalny, finanse publiczne.

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## 1. Introduction<sup>1</sup>

In recent years, national parks in Poland have been undergoing changes concerning their management, funding regimes and sources, as well as their activities and outside relations. Transformed into state-owned legal entities, national parks have been given significant autonomy in terms of organisation and funding. They are increasingly active in raising funds from diverse sources, which is in line with worldwide trends. The national parks' image and relations with third parties, particularly local governments, non-governmental organisations, businesses and local communities, have a growing impact on their financial standing.

This paper aims at showing changes in Polish national parks' legal and financial situation against worldwide trends in funding of protected areas. Detailed issues concerning sources of finance are shown on the basis of the example of Babia Góra National Park.

## 2. Funding of national parks worldwide

Globally, there is a broad diversity of nature conservation forms and methods of their management and funding. In each country, the government supervises the nature conservation system in its entirety, but management of individual protected areas may be the responsibility of central, regional or local authorities, or non-governmental organisations, private sector entities or local communities. Protected areas may also be managed jointly by governmental and non-governmental entities. A broad discussion of these issues can be found in publications by the International Union for Conservation of Nature (IUCN) [*Guidelines for Protected Area...* 1994; Stolton, Dudley (eds.) 1999; Dudley (ed.) 2008; Lausche 2011]. The protected areas' management system is linked with the method of their funding.

National parks (IUCN Category II of protected areas), as the key element of each country's nature conservation system, are usually governed by governmental institutions. From the onset of their existence, national parks in most countries have been financed predominantly from state budgets [Emerton, Bishop, Thomas 2006; López-Ornat, Jiménez-Caballero 2006]. This type of funding covers national parks' basic running costs, but is usually insufficient to finance the entire scope of the parks' activities [Athanas et al. 2001]. Such problems are experienced not only by protected areas in developing countries, but even by long established national parks in developed countries, including the USA [Philips (ed.) 2002]. Certainly though, average expenditure per unit size of protected area, as well as the share of state

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budget contribution in the parks' income, is much higher in developed countries than in developing countries.

Funding of protected areas is, however, subject to a noticeable worldwide trend of decreasing share of government contributions towards national parks, which at the same time diversify their income sources. There are growing direct and indirect benefits from development of tourism [Eagles, Hillel 2008]. They include mainly proceeds from entry and parking fees, sale of merchandise (souvenirs, publications and tourist equipment), providing accommodation, catering, guiding services, as well as education. As national parks grow in popularity, they raise higher income from sale of licences for conducting business within their respective areas (e.g. providing guiding services, transport, accommodation, catering) or using the parks' visual identity. On top of the income from tourism, increasing resources are also raised from sponsors and international funds (donor agencies, non-governmental organizations).

National parks' financial standing depends largely on their popularity. Areas that are widely known and highly frequented clearly have more opportunities of raising funds. As an example, the most frequented national park in Poland, Tatra National Park, with more than 2 million visitors per year, covers 80% to 90% of its running costs from its own funds (i.e. revenue from its own activity, not including state budget subsidies or other contributions), with entrance fees accounting for 60%–70% of those funds [Getzner 2010, pp. 55–56]. There is, however, another very important factor shaping the parks' financial situation, namely their legal status and the resulting ability to retain the funds they earn and to apply for external funding. For many parks, their financial autonomy is very limited. They are required to transfer their revenue to the state budget and to finance their activity from annual subsidies. That system is inflexible and inefficient and does not motivate the parks' managers to raise funds and to enhance the standard of the parks' services. Conversely, parks that are governed by autonomous entities have more opportunities to develop their activities and to raise and use funds more efficiently. Increased autonomy of parks is usually conducive to their greater flexibility, innovative approach and diversification of funding instruments [Philips (ed.) 2000; 2002].

### **3. Development of the legal and financial situation of national parks in Poland**

Poland has a well-developed system of mutually complementary forms of protected areas, jointly covering 32.5% of the country's area. National parks are the strictest form of protection. Their history in Poland dates back to the 1930s: the first two national parks were created in the Pieniny Mountains and in the Białowieża Forest in 1932. Currently there are 23 national parks covering a total of 3,146.2 km<sup>2</sup>, i.e. about 1% of Poland's area [Ochrona środowiska 2014]. Compared to other countries,

Polish national parks are not vast; their average area is 137 km<sup>2</sup>. Their high natural value is evidenced by the fact that 15 of them are IUCN Category 2 areas and nine are UNESCO Biosphere Reserves. All national parks in Poland are also part of the European environmental protection network Natura 2000. National parks exist in all of Poland's landscape zones: 2 in the coastal zone, 5 in the lake districts, 5 in the lowlands, 3 in the uplands and 8 in the mountains. They include areas or parts of areas of 119 communes in 12 voivodeships (provinces).

Pursuant to the Nature Conservation Act [Ustawa z dnia 16 kwietnia 2004...], national parks are created by virtue of a regulation of the Council of Ministers. Until 2004 parks were governed by the National Board of National Parks; currently they are supervised directly by the Ministry of Environment (more specifically by the Nature Conservation Department created in 2008). As in most other countries, national parks are part of the public finance sector and currently operate as state-owned legal persons.

The recent years have seen significant changes in national parks' legal situation and funding regimes, resulting from public finance reforms. Until the end of 2010, each national park was a state budget entity, under the Nature Conservation Act and the Public Finance Act of 2005 [Ustawa z dnia 30 czerwca 2005...]. Consequently, the parks financed all their expenditure from, and transferred their entire revenue to, the state budget. However, the Public Finance Act allowed "auxiliary holdings" to operate as entities associated with state budget entities. An "auxiliary holding" was an entity separate from its associated state budget entity in terms of organisation and finance and carried out part of that state budget entity's activity or an auxiliary activity. One-half of the profit raised by each auxiliary holding was transferred to the state budget. Such auxiliary holdings were created in all national parks. Their main tasks were nature conservation activities and maintenance of tourist infrastructure.

Funds from state budget subsidies covered the running costs of national parks functioning as state budget entities, and were spent mostly on salaries [*Parki narodowe w Polsce...* 2010]. Also most of the auxiliary holdings obtained budget subsidies for salaries of their employees. Budget subsidies covered on average approx. 35–50% of the parks' expenditure. The parks' key activities were largely financed from proceeds of the auxiliary holdings (covering up to 90% of the parks' expenditure in some cases [Zbaraszewski 2009]) and from external sources other than the state budget. The auxiliary holdings raised most of their income from sale of timber and wood products, fees for entry into the parks or some of their attractions (museums, caves, etc.), and sale of services.

Apart from state budget subsidies and own funds raised by the auxiliary holdings, the national parks obtained funds from the National Fund for Environmental Protection and Water Management, the provincial funds for environmental protection, EcoFund Foundation<sup>2</sup>, the National Foundation for Environmental Protection, the

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<sup>2</sup> A foundation operating until 2010, which managed resources reassigned from Poland's foreign debt into environment protection investments.

National Board of the State Forests, the European Union funds, the WWF. Of these, the National Fund for Environmental Protection and Water Management provided the largest share of funds, covering 20% of the parks' activities [*Parki narodowe w Polsce...* 2010]. The parks were limited in their ability to apply for subsidies due to the lack of own funds, which are usually a requirement. For that reason, the utilisation rate of the European Union aid funds for natural and cultural heritage protection was usually disproportionately low in comparison to the need of protecting the wealth of natural resources occurring in the national parks [*Informacja o wynikach kontroli...* 2006]. Before the revision of legal regulations, there were frequent suggestions as to the need for introducing a new regime with appropriate mechanisms and instruments which would allow the parks to use sources of funding other than the state budget, to enhance their efficiency and to use funds more economically [Babczuk, Borys, Krawiec 2008; 2009; Babczuk, Krawiec 2009].

In 2009 a reform was introduced in Poland to increase transparency of public finance, including by limiting the diversity of legal and organisational forms of entities in that sector. The concept of "auxiliary holdings" associated with public budget entities was dropped from the law, as these were considered inefficient [Zalewski 2009]. Existing auxiliary holdings were allowed to continue until the entry into force of the new Public Finance Act of 2009 [Ustawa z dnia 27 sierpnia 2009...], i.e. until the end of 2010. In 2011, national parks could operate only as state budget entities and were therefore required to transfer their entire revenue to the state budget. At the same time, a special-purpose reserve was created in the state budget towards the expenditure of the budget entities carrying out activities that had earlier been performed by the auxiliary holdings. The amounts of funds provided by that reserve depended on the revenue transferred from each national park. In practice, that year was very difficult for the parks, which struggled to maintain financial liquidity and to complete their statutory tasks, carried out thus far with the auxiliary holdings' funds.

The year 2012 saw another change in the national parks' legal situation. Following a 2011 amendment of the Nature Conservation Act [Ustawa z dnia 18 sierpnia 2011...], national parks were transformed from state budget entities into state-owned legal entities (as defined in the Public Finance Act of 2009). That change has given the parks a far-reaching financial autonomy. They have since been allowed to conduct business under the Business Freedom Act of 2004 [Ustawa z dnia 2 lipca 2004...] and to fund their statutory activity and administrative costs from their own funds and the revenue they raise. The parks' financial management is based on their annual financing plans drawn up as lists of tasks. The Nature Conservation Act also sets out permissible sources of revenue for national parks. Except for state budget subsidies, as well as grants and loans from the National Fund for Environmental Protection and Water Management and provincial funds, these sources may include sale of wood products and other products (as part of activities carried out under the conservation plan or conservation tasks), park entrance fees, fees for the parks' educational services, including entry to attractions within their boundaries, as well

as lease of premises. Other revenue may be raised from voluntary donations in cash or in kind, inheritances, income from nature conservation events, European Union funds and other proceeds from foreign sources, as well as subsidies from local authorities for the protection of the region's natural or cultural values [Ustawa z dnia 16 kwietnia 2004...].

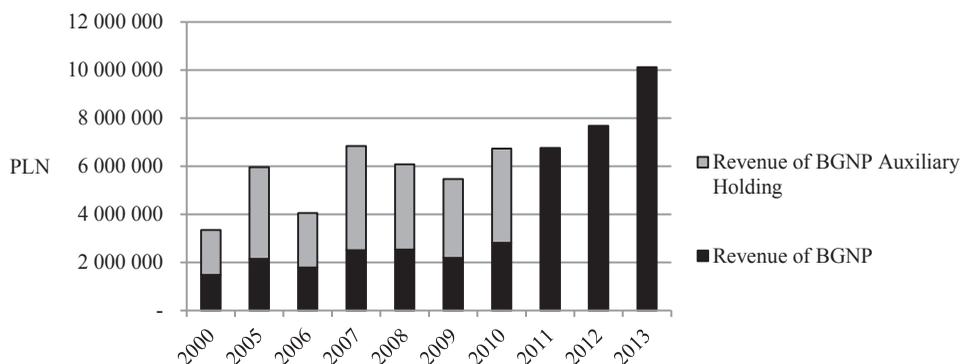
Those changes in the national parks' legal situation and funding regime provoked significant discussion and concern. Financial autonomy is certainly a positive development, as it favours each park's activity in raising funds and contributes to their efficient use. However, non-governmental organisations voiced their concern that the possibility of raising revenue from sale of products originating in the parks could lead to overexploitation and commercialisation of their resources. Such abuse should however be prevented by the Minister of Environment's supervision provided for in the Act [Ustawa z dnia 16 kwietnia 2004...]. Financial autonomy has also brought about increased responsibility for the park's management and services, and the parks' financial standing has become more dependent on their managerial skills and efficiency.

#### **4. The finance of Babia Góra National Park**

Babia Góra National Park (BGNP, *Babiogórski Park Narodowy*) is located in the southern part of Małopolskie Voivodeship, adjacent to the border with Slovakia. It covers the Babia Góra massif, the highest in the Outer Western Carpathian range (culminating at 1,725 m above the sea level). The National Park was established in 1954. Its area is relatively small, at 33.94 km<sup>2</sup>. BGNP's main purpose is nature conservation aiming at restoration and maintenance of Babia Góra's natural value, but the Park is also active in education and research and maintains tourist infrastructure to make the area available for visitors [Urbaniec 2007, pp. 131–148].

BGNP is funded mainly from its own funds (revenue from the Park's own activities) and state budget subsidies. Another important source of finance is project grants from various funds, mainly the National Fund for Environmental Protection and Water Management, Forest Fund of the State Forests, as well as from the European Union. Between 2005 and 2010, the average annual combined budget revenue of BGNP and the BGNP Auxiliary Holding was PLN 5.9 million, with the Auxiliary Holding accounting for 60% of that amount. The Auxiliary Holding's annual revenue varied largely between 2000 and 2010, albeit with a general growing trend. In 2010 its revenue was more than twice that of 2000. BGNP's own revenue also increased in that period, being 77% higher in 2010 than in 2000 (see Figure 1).

In 2011 the Auxiliary Holding no longer operated and BGNP's revenue was PLN 11.3 million. The apparent higher income, however, did not mean a genuine improvement of the Park's financial standing but was the result of a changed financing regime. The Park, as a state budget entity, was required to transfer its



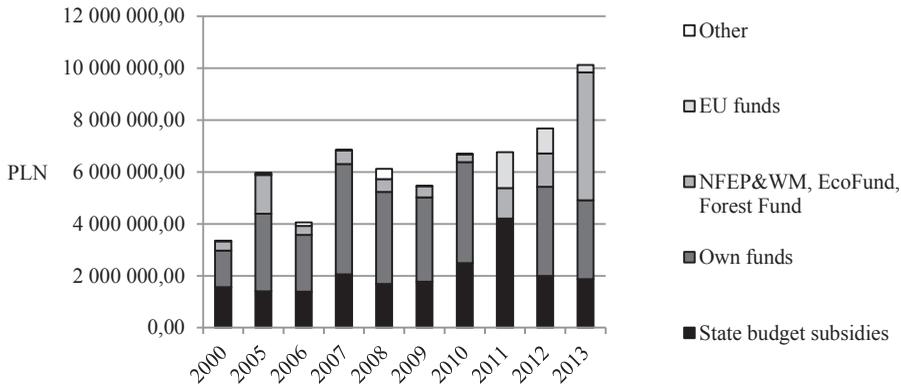
Note: Data for 2000–2010 does not include funds for investment projects; data for 2010 does not include the targeted subsidy for flood damage repair; the amount of 2011 budget revenue is shown after deduction of the amount transferred to the state budget.

**Figure 1.** Revenue of Babia Góra National Park and the BGNP Auxiliary Holding in 2000–2013

Source: own work based on the data obtained from the BGNP Management.

entire revenue to the state budget. These funds were then retransferred to the Park as a subsidy. Because of that arrangement, the 2011 revenue cannot be compared to that from the previous years. In Figure 1, the amount of BGNP's 2011 budget revenue is shown after deduction of the amount transferred to the state budget, but including the funds for investment projects in order to reflect the Park's financial standing accurately. In 2012 and 2013, the Park's budget was PLN 7.7 million and 10.1 million, respectively. The increase from 2010 and the previous years is partly attributable to funds provided by the state budget for investment projects being reflected in the budget amounts for those years (PLN 1.4 million in 2012 and PLN 4.5 million in 2013), whereas such funds were not included in the previous years' budgets. The state budget subsidy in 2012 and 2013 was 25.9% and 18.5%, respectively, of the Park's total financial resources.

Most of BGNP's revenue is raised from its own activity (own funds, see Figure 2). In 2013 these funds amounted to 30.0% of the total revenue. Traditionally the Park's main revenue item is sale of wood products, which has accounted for 76% to 93% of the Park's total own funds in the last ten years. Another important source of cash is entry fees, accounting for 4% to 9% of own funds. Other sources include fees for educational services, sale of publications and lease of premises. Apart from own funds and state budget subsidies, the Park also raises significant funds for its operation from project grants, mainly from the National Fund for Environmental Protection and Water Management, the Forest Fund of the State Forests, as well as from the EcoFund. In 2011–2013 the Park also obtained substantial project grants from the European Union funds (see Figure 2).



**Figure 2.** The revenue structure of BGNP and the BGNP Auxiliary Holding in 2000–2012

Source: own work based on the data obtained from the BGNP Management

The data in Figure 2 demonstrates that BGNP is relatively independent from state budget subsidies. However, that autonomy is largely thanks to its capacity to sell wood products. Other own revenue of the Park is low and its diversity is limited. On the other hand, a positive development is to be seen in that the Park Service has become increasingly active in applying for external funding, resulting e.g. in EU-funded projects.

## 5. Conclusion

The Polish national parks' financial standing is very diverse depending on each park. The state budget subsidies that they receive only cover part of their running costs and are insufficient to entirely fund the parks' statutory tasks. These are mostly covered by own funds raised by the parks. The amounts of external funding is certainly conditioned to a significant extent by each park's natural characteristics (such as their attractiveness for visitors or their potential in forestry or agriculture), but it also depends largely on each park managers' and employees' managerial skills and inventiveness as well as skills in preparing applications for funding.

Due to legal changes introduced in recent years, national parks' financing has become more autonomous and transparent. In the future, as the parks manage their own finances, they should become more effective in raising funds from new sources and more efficient in using those funds. A positive image of the parks and their good relations with their social and economic environment should have a growing impact on their potential to raise funds autonomously. The parks' employees will have a crucial role in shaping those relations, introducing new financing instruments and using them aptly. It is therefore essential that the parks' managements ensure

recruitment of appropriate human resources, including specialists in social sciences, economics and law.

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