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## THE ROLE OF GOVERNMENTAL AGENCIES IN FINANCING MUNICIPAL DEVELOPMENT BASED ON THE EXAMPLE OF THE LOCAL UNIT OF THE AGENCY OF AGRICULTURAL PROPERTY OF THE TREASURY IN SZCZECIN

In the process of transforming the national economy consisting of replacing a planned economy with a market economy, the tasks of overseeing changes in ownership in agriculture were entrusted to the Treasury's Agency of Agricultural Property (*Agencja Własności Rolnej Skarbu Państwa*). This agency is a national legal entity with its headquarters in Warsaw, executing ownership laws and other property laws in support of the treasury and operating through fourteen regional units. Since January 1<sup>st</sup>, 2000, as a result of reorganization, the Local Unit in Szczecin fulfils its tasks through: the headquarter of the unit in Szczecin, the division in Koszalin, and seventeen subsidiaries of the agency (the eighteenth is being organized in Łobez) covering the area of single administrative districts. The task of these units is to participate in the process of managing and maintaining treasury property, in the name of and for the benefit of the unit, as well as to fulfill other legal and statutory tasks of the agency. The goals of the new structure are to facilitate access to the agency. Locating the offices of the units in bigger towns, standardizing the scope of their functioning and authorities enables increasing cooperation with local government units and other in-

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stitutions. The Local Unit of the Agency of National Rural Ownership in Szczecin fulfills the following tasks:

- in the field of gaining capital by means of:
  - a) taking over the capital of liquidated firms and putting forward recommendations for liquidation of state farms,
  - b) taking over rural real estate of state farms used by co-operatives and individuals,
  - c) taking over real estate of State Land Farms of voivodes (regional presidents),
  - d) Taking over real estate for the benefit of the treasury on the basis of precise regulations.
- in the field of managing property by means of:
  - a) preparing and realizing plan for restructuring properties,
  - b) preparing plans for creating new farms and realizing these plans on the approval of the President of the Agency,
  - c) preparing technical and agricultural plans and realizing them on the approval of the President of the Agency,
  - d) carrying out housing and social management.

The agency administers properties by:

- selling property as a whole or in parts,
- letting for a set period of time to corporate bodies or individuals,
- transferring property or part of a property to a partnership,
- leasing out the whole or part of a property for administering to an administrator for a set period of time,
- handing over control,
- exchanges of real estate.

Permanent rights to real estate belonging to the agency may be handed over at no cost to a local government unit – connected with investments in infrastructure used for completing the primary tasks of the agency or the Polish Academy of Sciences, Chamber of Agriculture, National Council of Chambers of Agriculture, State Institution of Higher Education, or State Unit of Research and Development – to perform their statutory duties. Appliances, buildings, energy and water systems, sewer systems, heating plants and telecommunication networks together with all the necessary terrain may be transferred to units acting in the areas.

The agency can hand over permanent rights to the grounds of buildings constituting technical infrastructure, together with domestic housing and other property necessary for using such infrastructure at no cost by means of a written arrangement, to a municipality or a co-operative set up by the new owners of these premises, in order to administrate such buildings. The agency can also hand over a property together with

its terrain, used to undertake a non-profit activity to a municipality at no cost by means of a written agreement.

The agency fulfils the role of providing capital for rural structural transformations by means of thirteen programs of which:

1. is based on handing over real estate constituting the property of the agency at no cost by means of an agreement to municipalities to invest in infrastructure used for primary tasks. The agency may also hand over at no cost properties together with its terrain used to undertake non-profit activity. The basis for initiating such property transfers, in both cases, is a written application of the local government unit with the opinion of the administrator of the appropriate local division of the agency and confirmed by its director. However, in case of the sale or inappropriate use within 10 years of the day of signing the agreement, the agency can claim the return of the present financial value of the real estate.

2. concerns co-operation in the field of administrating some components of state property and has as its aims the sale of domestic housing and farm buildings with the necessary terrain by the local division of the agency in Szczecin to their existing tenants on preferential terms, as well as the permanent administration of registered monuments, including those inhabited by tenants and parks which are not assigned to be commercially administrated by the agency. Another aim of this program is to unify and rationalize municipal policy in the area of the Zachodniopomorskie (*West Pomerania*) province by means of handing over all the technical infrastructure used for satisfying the social needs of local communities to municipalities (boiler houses, water supply services together with water intakes, purification plants and so on).

3. actions are aimed at assigning formerly arable land, land of low quality and land liable to forestation. The agency has a lot of degraded land overgrown with naturally reproducing trees, located in the neighborhood of woods and unsuitable for farming. One of the ways of permanently administrating this type of land is its forestation. The grounds designated for forestation are handed over to the Governmental Agency of National Forestry on the basis of an application by this agency.

4. aims at providing the proper conditions for protecting and shaping the environment, especially nature preservation. Implementation of such action puts on local division as institutions representing the treasury – the owners of real estate owned by the agency – limits on the ways of using legal property rights, which are liable to legislation regarding local spatial development plans, consisting of:

- designating areas of nature protection,
- introducing the protection of certain species of animals and plants,

– introducing protection of specific objects (monuments of nature, documentation sites, ecological terrain, nature reserves).

5. a rationalization program of the process of administrating possessions of the agency, consisting of cooperation with municipalities in the planning process so that the appropriation of rural real estate for purposes other than farming is carried out in a comprehensive way, according to plans and taking into consideration all of the most important internal and external conditions. The setting of local spatial development plans, shape the content of property rights and designate the boundaries of their execution. One of the factors most influencing the value of the terrain is its function in the spatial development plan. This influence is so significant that the prices of real estate on the market are largely dependent on the designed role of terrain in the spatial development plans. For this reason, it is essential to undertake action to enable administering the land belonging to the agency in alternative ways than farming. This concerns terrain which is especially attractive owing to its location, situated in or close to cities and towns, situated by existing or planned communication routes, border crossings, as well as grounds characterized as potentially commercial or recreational.

This problem also concerns rural residences or farming complexes, which owing to their location may be used for alternative purposes. For example they may be turned into sport halls, community centers or cultural centers, as well as for agritourism or light industry (food processing, storage buildings, warehouses, wholesale establishments). It is worth emphasizing that collective action aimed at the rationalization of administrating possessions of the agency greatly stimulates rural areas by increasing of its attractiveness, tax revenue coming into the budget of the municipality, employment and demand for services and will result in sustainable development of rural areas. Co-operation in finding alternative uses of farming land is essential, not only for economic reasons, but also because of the social effects of restructuring and privatization process. This particularly concerns regions endangered by structural unemployment, where there is a need for rationalization of the structure of the economy. Sustainable development and environmental protection in rural areas is an important element of regional policy. The realization of sustainable development of municipalities should be guaranteed by the decisions and goals of spatial development and settlements of by the local spatial development plan.

6. concerns granting subsidies. Specified bodies may apply for grants to carry out tasks to be realized in rural communities and in municipalities containing small towns in the field of transformations in the state-owned sector of economy, excluding the tasks of towns, which are

not socially and financially connected with the process of restructuring or the possessions administrated by the agency.

The bodies entitled to apply for a subsidy from the agency are:

- units of local government,
- state organization units,
- rural housing associations,
- municipalities or housing associations in the name of their members, functioning within a housing estate or a particular town, built on the former property of former state farms,
- associations, local foundations and others.

Examples of enterprises obtaining such subsidies, together with the maximal proportional share of subsidies from the agency in their funding in 2002 is presented by Table 1.

**Table 1.** Participation of the local division of the Treasury's Agency of Agricultural Property in Szczecin in the partial financing of chosen assignments in 2002

No.	Tasks, programs, projects and enterprises	Maximal proportional share of subsidies from the Agency in the field covered by partial financing in 2002
1	Liquidation of a building taken over or remaining under the control of the Agency, qualified for demolition, endangering lives of people, the environment or for aesthetic reasons	50
2	Technical infrastructure used for water supply, including removal and recycling of sewage, water supply and sewer systems, reservoirs and purification plants, as well as connections between systems	40
3	Education – in the field of equipment and renovating buildings, classrooms and other rooms in all kinds of schools	50
4	Technical and municipal infrastructure of housing estates, modernizing and renovating installations common to residential homes (roofs, walls, staircases, plumbing, gas, electric and heating installations, drainpipes, boiler houses, heating plants and appliances used for supplying with water)	55
5.	Housing estate infrastructure, squares, roads, sidewalks, playgrounds, lighting system, drainage system, protecting greenery, small scale architecture	40
6.	Country roads and connections of access roads to sites of production by public roads	40
7.	Remaining rural social infrastructure	25

Source: Materials of the local division of the Treasury's Agency of Agricultural property Szczecin

The structure of subsidies granted to particular local government bodies between 1999 and 2001 are presented in Table 2.

**Table 2.** Subsidies granted between 1999 and 2001 by the local division of the Treasury's Agency in Szczecin to local government bodies in the Wałecki administrative district (in Euros)

Unit	Total between 1999-2001	1999	2000	2001
Civic and municipal government of Mirosławiec	87910	10,582	46,376	30,952
Other units of the Mirosławiec municipality	3968		3,968	
Mirosławiec in total	91879	10,582	50,344	30,952
Civic and municipal government of Człopa	287,904	13,228	194,504	79,908
Other units of the Człopa municipality				265
Człopa in total	287,904	13,228	194,503	80,173
Civic and municipality government of Tuczno	321,560	115,873	134,965	70,723
Other units of the Tuczno municipality	7,921		7,921	
Tuczno in total	329,481	115,873	142,885	70,723
Municipality government of Wałcz	273,629	18,519	105,820	149,290
Other units of the Wałcz municipality	18,760		3,968	14,792
Wałcz municipality in total	292,389	18,519	109,788	164,082
Civic Government of Wałcz	24,524			24,524
District government in Wałcz	46,338		26,455	19,883
<b>TOTAL</b>	<b>1,072,515</b>	<b>158,201</b>	<b>523,977</b>	<b>390,337</b>

Source: Materials of the local division of the Treasury's Agency of Agricultural property Szczecin

7. loans granted to units conducting business using the possessions of the agency, as well as to the purchasers of these possessions and organizations of which the agency holds shares, designated to finance:

- renovations and modernization of real estate and the purchase of fixed capital,
- modernization of the production and distribution of rural products,
- investments in the field of environmental protection,
- investments in the field of protecting monuments,



- local programs of development and costs of creating work for the unemployed,
- agritourism and ecological production,
- governmental and regional programs connected with restructuring agriculture.

8. is a program subsidizing parts of the costs incurred by employers in creating new employment. The subsidies are awarded to employers, who create new employment for:

- 1) registered unemployed, former workers of state farms or their closest relatives,
- 2) agricultural workers in the administration of the agency or one-man companies with the agency, with whom a time for canceling the contract has been appointed on the basis of an agreement between both sides, or whose contract was terminated due to reasons connected with the employer.

9. the program of melioration – the activity of the Agency consists of granting additional funds for melioration works, preservation of drainage ditches and repairing melioration constructions and so on.

10. welfare program. The Agency in Szczecin has signed contracts with municipal authorities for the partial financing of some tasks in the field of welfare, regarding undertakings aimed at helping former employees of state farms and their relatives in overcoming difficult living conditions.

11. is a program of scholarships – scholarships are awarded to children and youths from rural areas. In 2002 expenditure on scholarships previously awarded are being continued. Moreover, the agency has worked out a “program aimed at students in the final class at highschool”, who are eligible for scholarships from the agency. Scholarships will be awarded for the first studies for a master’s degree in state institutions of higher education.

12. refers to job training – the local division of the agency in Szczecin supports courses of instruction and retraining for the former workers of state farms and members of their families in the field of job training aimed at reducing unemployment.

13. concerns supporting renovations undertaken by rural housing associations and housing co-operatives in 2002.

- it is directed at housing associations and co-operatives,
- within this program the local division considers the applications for subsidies put forward by municipal authorities or housing associations applying in the name of their tenants on the basis of a resolution of the tenants,

– the specifications of the undertakings, whose financing is applied for, should lead to regulating the formal and legal status of rural housing co-operatives and create the possibility of using tax relief on renovation, in addition to the means provided by the agency.

The level of the non-returnable support of the agency will be stated in an agreement and is dependent on the following criteria:

- the size of the property taken over by the agency,
- the percentage of former workers of state farms and members of their families in relation to the total number of the members of the associations or co-operatives,
- the level of structural unemployment in a given area due to the liquidation of state farms,
- the amount of aid previously given by the agency,
- organizing actions aimed at creating housing associations in places where they have not yet been active,
- other criteria, for example peripheral location, and so on.

The structure of planned subsidies to local government units in 2002 is presented in Table 3.

**Table 3.** Subsidies planned by the local division of the Treasury's Agency of Agricultural property to local government units of the Zachodniopomorskie (West Pomerania) province in 2002 (in Euros)

Aim		The amount in thousands of Euro
Investments and renovations of infrastructure handed over to municipalities and other units		1,587
Job training for the unemployed		794
Health protection		132
Social activity	Supplementary food for children and transporting them to schools	265
	Scholarships	159
	Welfare	661
Renovation and equipping schools		794
Cultural and sporting activity		132
Total		4,524

Source: Materials of the local division of the Treasury's Agency of Agricultural property Szczecin

It is evident from the data presented in Table 3 that in 2002 the Agency will donate 2,381 thousand Euro (52.7% of all funds) to investments and renovations of infrastructure handed over to municipalities



and job training for the unemployed. These resources, even though insufficient for providing for even the most urgent needs, are a significant source of financing the development of municipalities, in areas where the state was the dominant property owner.

## Literature

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The basis of the financing of a municipality (in Poland) formed by the statutory principles of financing municipal activities, describes the basic conditions of their relationship with financial institutions, which is on a different basis than relationships of such institutions with, for example, business entities. Municipalities cannot go bankrupt, have a relatively stable income base, and their financial economy is public by nature. All this makes municipalities a potential area of interest for financial operators who, as research indicates, are showing growing interest by their commercial presence on this market.

Reactivation of municipalities as basic units of territorial self-government has opened new possibilities for dynamic development of the financial services market, in the broad meaning of this phrase, which must be provided to about 2,500 entities. Thus, the establishment of units of territorial self-government raised the following question to institutions of the financial market, which operate according to commercial principles, and especially for banks: How should this fact be treated in market strategies?

Individual types of municipalities differ with respect to their economic potential, population, business level and structure, as well as demand for financial services. Moreover, we deal with a vast diversity in many respects within the scope of each separate category of municipality, including, among other things, economic potential. This diversity is especially noticeable in the field of budget size.

Budgetary income of all municipalities in 1999 (Karpieński 2000) totalled PLN 52.7 billion, which corresponds to 5.5% of the Polish gross do-