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APPRAISAL CRITERIA FOR THE FINANCIAL SYSTEM OF POLISH VOIVODESHIP SELF-GOVERNMENT

Appraisal criteria for the financial system of Polish voivodeship self-government have been proposed, taking into consideration the Polish reality, and analysed as to their mutual interrelations and applicability in practice.

INTRODUCTION

The aim of this paper is to propose and subsequently consider the set of criteria for the financial system of the Polish voivodeship self-government, being the more precise extension of the general rationality criterion. This subject belongs to the domain of system sciences, and in particular public finance. The main representatives of that trend of public finance, being the subject of this paper, are Z. Fedorowicz and S. Owsiak, the well known Polish theorists.

The evaluation of the financial system of Polish public sector entities (on government or self-government level) is connected with the problem of the rationalization of this system. It should be the question of highest importance, particularly in those countries where the transformation process leading to a market economy is not yet completed. These are indeed the countries where most commonly we observe a decreasing ability to protect and create those public goods which are financed from public resources, but this problem also applies to countries with a matured market economy (Samuelson 1954, p.387-389; Buchanan 1997, p. 37; Owsiak 1999, p. 29-30).

Under the concept of rationalization used in organization and management theory (Penc 1997, p. 362-363), and also applied in the science of public finances (Owsiak 2000), changed economic and social conditions require the modification of the rules of delivering public goods, as well as the scope of their funding from public resources. This means the introduction of some changes in particular elements of this system, worked

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out in the process of rationalization of the public finance system of each country. These elements are smaller systems, linked with the government and territorial self-government sectors, in accordance with the state internal administrative division – in Poland being threefold and including the commune as the basic level delivering public services of local importance, the district performing tasks on the level higher than the commune, and the voivodeship self-government performing the tasks connected with the creation of regional development and delivery of public services of the voivodeship character and scope.

The particularly pronounced need for the continuous rationalization of the public finance system is revealed in countries such as Poland, where the role of social and politic doctrine is being altered (Owsiak 1999, p. 29). Firstly, some events occurred limiting the possibilities to find rational solutions for the financing the public needs. Secondly, under unfavourable economic conditions it becomes harder and harder to find money necessary to satisfy even the most elementary public needs. To be able to find appropriate solutions, to prevent the likely wasteful utilization of otherwise scarce public financial resources, and to allow for the better accommodation of obtainable external financial aid (e.g. the aid funds from the European Union structures) as well as to stimulate economic activity determining the volume and stability of public funds supply, it becomes therefore extremely important to continuously monitor and assess all elements of public finance, and the system as a whole.

The appraisal of a given part of public finance system in respect of the rationality criterion may be the base for its further improvement, as well as the improvement of the whole system of public finance. Such an appraisal, however gives rise to numerous problems, since some problematic categories appear, like “public interest” or “social interest”, as it involves, among others, the evaluation of benefits gained by individuals, social groups, or territorial communities, and of the justification of involved costs. According to S. Owsiak (2000): “As far as the decisions making in business [based on previous evaluation – D.K.] is based on the measurable criterion of profitability permitting the comparison of financial costs, in the public life such a calculation becomes much more difficult, and its results seem doubtful”. So the question arises, which more detailed criteria should be used to measure and then evaluate the rationality of the public finance system or a partial system, like that of a voivodeship? This question is also important due to some terminological chaos concerning the evaluation criteria for any system itself, and also in the science of public finance – to

their system and, consequently, to its parts. This remark concerns therefore the appraisal of the voivodeship financial system, being the subject of our considerations. It should be stressed here that though in the Polish literature some comprehensive analyses of public finance (Owsiak 2000) and the financial activities of a commune (Gilowska 2000) have appeared, such analyses for the district and voivodeship financial systems do not exist. This is also why the problem of the evaluation of the voivodeship financial system is worth considering, as it is equally important for the finances of any other territorial unit or the system as a whole. This is important not only for the voivodeship self-government, but also for communes, districts and the state, due to mutual interrelations.

1. TERMINOLOGICAL REMARKS. SET OF CRITERIA TO ASSESS THE VOIVODESHIP SELF-GOVERNMENT FINANCIAL SYSTEM

The voivodeship self-government financial system will be later denoted as FS. It makes a part of the greater system of public finance, being in turn an element of the revenue creation and expenditure system of the national economy. FS involves the phenomena and processes of a pecuniary character connected with accumulation, distribution and spending of public funds, managed by the voivodeship self-government. Subsequent phases of FS activity take place in a specific legal framework, under the influence of various political factors (doctrines, programs), and with the participation of different entities. So, FS should be perceived in different profiles:

- functional, i.e. the profile of subsequent phases of public funds management
 - legal, comprising legal norms applicable to particular phases
 - institutional or subjective, i.e. from the point of view of qualifications, competencies and responsibilities of the entities taking part in the processes of the voivodeship self-government finance
 - instrumental, including the carriers of buying power flow: taxes, fees, subsidies, dividends, rents, grants, credits and loans, securities
 - rules, determining specific principles of mechanism in which the voivodeship self-government finance is functioning; these rules concern the connections and relations between various institutional forms (such as: state budget, budgets of self-governments of different administrative ranks, various public funds and foundations), the principles based on these rules concern the technical elements being the base of FS functioning – budget

classification and procedure, methods of planning the receipts and expenditures of the voivodeship self-government, procedure and conditions of external financing (e.g. procedures of the voivodeship contract, aid funds from the European Union), and settlement procedures for public resources spent.

Let us add that such an approach is in some aspects contrary to the standpoint of P.M. Gaudemet, expressed as: „public finance makes a branch of the public law investigating the norms concerning public pecuniary resources and operations with these resources” (Gaudemet, Molinier 2000, p. 17). It is close to the view of S. Owskiak, who concentrates however on the entire public finance system, not on its particular elements, like in the Polish reality the FS. In his opinion, the sound evaluation should be preceded by a multi-aspect analysis of the system, decomposing it into „primary factors”. He distinguishes the following aspects: subjective, organizational, legal, institutional, instrumental, and the remaining one – „technical” (Owskiak, 2000, p. 302). In the **subjective** aspect, the functioning base of a public finance system is formed by: legislative authorities of central and local level, executive authorities of mentioned levels, fiscal apparatus, and public sector entities. In the **legal** one there are: constitution or other fundamental act, giving the general rules of public funds creation together with the responsibilities of particular public authorities as to the voting, execution and control of public budgets; budgetary law (usually in the rank of a state act) defining the principles of budgetary system construction; state and self-government budgetary acts; revenue law; non-budgetary public funds law; self-government finance law; legal acts governing the activity of the Ministry of Finance (Treasury) and fiscal apparatus; revenue penal law; normative and execution acts. In the **institutional** aspect the public finance system is formed by funds: the state budget; self-government budgets; social insurance funds; other non-budgetary public funds of the government and self-government levels; and public foundations. **Instrumental** aspect of public finance is secured by: central taxes, local taxes, fees, duties, public property earnings, social insurance contributions; subsidies; grants; government credits; public loans. Other elements, conventionally named „**technical**”, which condition the functioning of public finance system, are: budgetary classification; budgetary procedure, taxation procedure; planning methods for revenues and expenditures.

Once the base of the multi-aspect analysis of FS is done, an evaluation can be made. In general, the rationality of the system should be evaluated. This is not a new approach, it has already been applied in a theoretical way

to the financial system of an economy as a whole. FS may be understood as rational when it creates the conditions under which the voivodeship self-government can sensibly and purposefully manage public financial resources in each phase: acquisition, distribution, and expenditure.

The notion of rationality can be too abstract, too general, requiring more detailed criteria. Some criteria should therefore be pointed out which together form a general one: FS rationality – these are presented in Fig. 1.

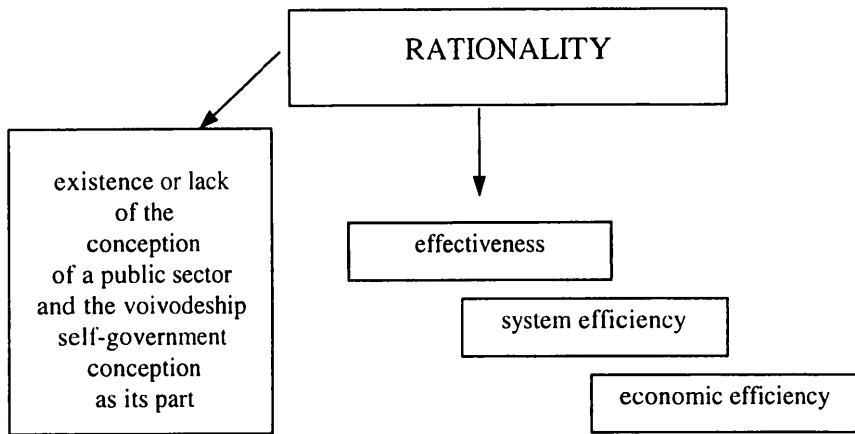


Figure 1. Set of criteria to assess the voivodeship self-government financial system.

Source: author's own.

It seems that the concept of rationality assumed here differs slightly from that of Z. Fedorowicz (presented for the whole economy, not for FS), since it does not include one criterion: the existence or non-existence of the functioning conception for the real sphere of the system (Fedorowicz 1984, p. 18-54). Such a criterion for public finance appraisal has been in turn proposed by S. Owsiak, who presents a set of various criteria without introducing the summarizing one – rationality (Owsiak 1999, p. 300).

According to Z. Fedorowicz, the rationality of a financial system can be measured using the criteria of financial system efficiency (its influence on the real processes from the point of view of optimum satisfaction of individual and collective social needs, now and in the future), adequacy of system regulations with the nature of economic phenomena and principles,

internal coherence of norms, simplicity of norms and their system, and the ability of the system to self-regulate.

S. Owsiak, in turn, suggests the following criteria: existence or lack of national conception of public finance (to which the ongoing changes should be subordinated), effectiveness of the public finance system (understood as the ability to meet the objectives and complete the tasks of the economic and social policy of the state under particular conditions of transformation), internal compatibility of the public finance system, rate of changes of public finance system compared to changes in other systems, and relative stability of new solutions (elements) in the system.

It seems that the structure of criteria (rationality assessment) proposed here for FS could facilitate a clear analysis under these various aspects:

- structural one, the functioning of the voivodeship self-government as an element of the public sector (FS is not floating in a vacuum, it must be introduced into the greater system of public finance, being in turn subordinated to the national economy)
- usefulness of the voivodeship self-government for the region, meant as the degree in which the individual and common needs are satisfied
- correctness of construction of the voivodeship self-government financial management
- economic functioning of the system.

It should be expected that FS would economically (the criterion of economic efficiency), purposefully (effectiveness criterion) and continuously create the appropriate conditions for regional development, which in turn would be important for national development. The revealed imperfections are expected to be eliminated, so they could not lead to missed opportunities of regional development (system efficiency or performance criterion).

Taking the four mentioned rationality criteria for FS, it seems logical to consider first of all the criterion concerning the conception of FS. Only in the framework of accepted conception (assuming it is right) one can look for the possible solutions for increased FS efficiency, effectiveness, or performance. Due to the limited space of the article and to avoid unnecessary repetition or referring to other parts of the article, a somewhat different sequence of these criteria has been assumed for further discussion.

2. ANALYSIS OF THE CRITERION: FS EFFECTIVENESS

The achieved level of competitiveness of a given region is an evidence of the effectiveness (or lack of effectiveness) of the self-government financial system functioning at that time. It can result also due to a more or less rational internal system for setting up and verification of social, economic and political objectives existing within the voivodeship self-government (understood as an economic system). Such an argumentation is reasonable since both FS and the voivodeship self-government internal system for setting up the objectives should be subordinated to the self-government, so that it could complete its tasks for the national economy. Such an approach corresponds to several opinions to be found in the literature. S. Owsiak, for example, states: „... the functioning of the public finance system should be valued through its usability in meeting the social, economic and political objectives of the state ascribed to its functions. It does not imply full ‘responsibility’ of public finance for the progress in securing social and economic objectives. Nevertheless, the subordinate role of public finance towards these objectives demands the valuation from this perspective” (Owsiak 1999, p. 431). Therefore, FS should analogously serve to reach the self-government objectives (both the intermediary and the ultimate one – the competitiveness of the region), and the ultimate objective can be reached if the internal system for the creation and verification of intermediary objectives, included into the regional development strategy, is properly constructed. This means that even though FS itself would be properly constructed, with an improperly set system of voivodeship self-government objectives it would not contribute to reach the ultimate objective in time, or even to reach it at all. On the other hand, if the properly shaped system of internal objectives existed, but FS (being after all the tool to reach these objectives) were ineffective or less effective (due e.g. to inappropriate internal configuration or lack of necessary modification to the changed environment, like the accommodation and distribution of European Community funds), either increase and strengthening of the region competitiveness would be impossible, or the assumed ultimate objective could not be achieved fully and in time. This observation corresponds to the pragmatic management approach (the idea of the effective manager) launched by P.F. Drucker (Drucker 1973). Assuming in our considerations that the voivodeship self-government (the regional development manager) is an equivalent of a manager, we can expect them first of all to be effective, to be able to do proper things (reach proper goals). They should also be

efficient, so doing it in a proper way (among others using a good FS). Though the efficiency of a manager (and consequently of FS) is important, effectiveness is key to success.

This means that FS should be inevitably oriented towards reaching proper objectives, as seen from the perspective of an ultimate goal, related to the competitiveness of a region. How to understand the competitiveness of a region, to determine and verify its level, which methods to apply to reach it, all these make the domain of the still developing science of regionalism which is gaining more and more importance, as well as public finance (more precisely: the public choice theory). In this paper we do not enter these areas, we do not judge if the intermediary objectives of a voivodeship self-government are properly set, if they contribute best to the competitiveness of a region. Once again let us quote S. Owsiak: „...the analysis of the effectiveness of a public finance system [and analogously: a self-government financial system – D.K.] in reaching social and economic objectives is difficult because of the great variety of these ‘social and economic objectives’. Well known problems appear concerning the relation between the functioning of a public finance system and the level of satisfying social needs [and analogously: problems concerning the relation between the FS functioning and the level of satisfying social needs in the region – D.K.] due to the limited possibilities to measure the effects of public expenditures” (Owsiak 1999, p. 431).

It seems that when we consider FS effectiveness, the objectives to be reached should be determined beforehand. They should be less abstract than the ultimate goal – the competitiveness of the region, and even less abstract than those imposed by law as leading to the ultimate one. The legislator points out the creation of a voivodeship development policy using public resources as a basic goal for the voivodeship self-government. Of course, such a policy is not the ultimate goal, it serves the competitiveness of the region. Next, the legislator states that the creation of a voivodeship development policy is connected with the implementation of particular objectives, listed as:

- creating conditions for economic development, including the labour market
- maintenance and extension of a social and technical infra-structure on a voivodeship level
- acquisition and cumulating of financial resources, public and private, aimed at the accomplishment of public utility tasks

- supporting and carrying on activities leading to increased education of citizens
 - rational exploitation of natural resources and environmental policy in conformity with the sustainable development principle
 - supporting the development of science and collaboration between science and economy, promoting technological progress and innovations
 - supporting the cultural development, protection and rational use of the cultural heritage
 - promotion of the voivodeship values and development potential (Bill of Decrees 2001, No 142 p. 1590).

For SF appraisal, the above defined objectives can only make a framework in which the quantifiable objectives could find their place. These could be found in the assumed regional development strategy, or – when they have not been specified there – in regional development programs. Such an approach is connected with the set of instruments applied in Poland to realize state policy, integrated into it regional policy (Winiarski 1992, p. 19-21). Let us remember that in Poland, the following set of instruments is nowadays assumed which guarantee quick and efficient regional development:

1. national strategy of regional development
2. voivodeship development strategy linked to the voivodeship site planning program
3. support program
4. voivodeship programs
5. voivodeship contract
6. executive contracts under the voivodeship contract.

So, regional development should take place under the assumed regional development strategy, which, in turn, should result from the national strategy of regional development. The regional development strategy should be formalized (taking the form of a public authority act), this would permit the rational planning of future actions of self-government. The program to prepare this strategy should take into account the way of approaching the state of destination, so it should contain the suggestions as to the scope and sequence of public authority actions. A set of specific programs should appear in its final stage describing practical actions that should be undertaken by appropriate institutions or organizations, including the appointment of responsible institutions, financial resources and alternative solutions if, due to some unexpected events, the assumed solutions cannot

be applied. However, it has not been obligatorily stated how detailed the presentation of strategic objectives and the ways in which they have to be reached should be given. This causes the different contents of individual regional development strategies assumed by different voivodeship self-governments; in practice such a strategy can be outlined only in a quite general way that excludes appropriately quantified goals to be evaluated *ex post*. Therefore, the voivodeship programs could appear more useful in evaluating the FS. However, some inconvenience appears because the very nature of the strategy implies a longer horizon than that of voivodeship programs, so looking for solutions to rationalize the FS can be connected with their lower durability.

It can also be agreed that effective FS can be considered when it allows the full achievement of assumed, periodically verified objectives of regional development strategy. If, however, SF permits reaching these objectives only partially, it is not fully effective (less effective). It is in turn ineffective which makes impossible the realization of subsequent objectives. It can also happen that it will appear fully effective, partially effective, or ineffective only for particular objectives. Assuming the proper structure of objectives, the FS itself should be the reason for the limited effectiveness or its lack for particular objectives. Such an analysis should help to find the solution for better FS effectiveness.

3. ANALYSIS OF THE CRITERION: PUBLIC SECTOR CONCEPT

Looking for solutions which increase the effectiveness should be done in a conscious manner, i.e. in accordance with the **public sector concept** being in use in both spheres of the state activity:

1. the real one (institutional), comprising the task and functional structure of particular public sector entities as well as their interrelations, the scope (size) of collective needs, financed from public resources, the question of choosing the scope and kind of individual needs financed from public resources (Chechliński 1974, p. 13)

2. the financial one, concerning the financial management in public sector entities.

So, in the Polish reality, the solutions concerning FS cannot prevent other levels of the territorial self-government (commune, district and state) to fulfil the role and functions ascribed to them. FS has to make an element of the whole conception of public finance system and take into account its

links with financial systems of other entities of territorial self-government and state level. The assumed conception makes a framework for FS changes which are allowed. If the conception itself is improper, i.e. gives no chance to work out the solutions leading to the rational functioning of particular public sector entities (self-government or government ones), it should be first modified, either in real or in financial sphere. Here the question arises, what the characteristics of a good public sector conception are? Perhaps it is when the public finance system permits to meet the assumed and accepted in the given country's social, economic and political objectives. This is however too abstract to be able to define the proper conception in practice and to localize FS inside it. Here, nine more detailed criteria proposed by S. Owsiak can be used, called effectiveness criteria for public finance. According to his formulation, they concern:

1. national demand for money (revenues) necessary to reach the objectives and goals of the state (this level of demand is an external factor for the public finance system depending on the assumed social and economic doctrine);

2. currently used ways of satisfying the demand for money, which should ensure the constant paying capacity of the state (government), important not only when the state budget is unbalanced, but also when budgetary revenues come irregularly;

3. satisfying the demand for money in a way that does not cause inflation, does not weaken the motivation for investment in companies, and does not lead to the expulsion of private resources outside the strict economic circulation;

4. maintaining the real and monetary equilibrium in the whole economy, in particular the financial equilibrium;

5. enabling and facilitating the policy to temper the negative results of market mechanism;

6. creating the conditions for the state to lead economic, industrial, agricultural etc. policies;

7. preventing the development of the so-called grey zone by creating a 'tight' taxation and customs system, guaranteed by well-operating fiscal apparatus and precise tax acts and regulations;

8. enabling efficient collection of public resources through efficient voting procedures for budgetary resolutions and laws, especially important due to rule of one-year financing social and economic tasks which is the obligatory for public funds (in particular the budgetary ones);

9. favouring the rational spending of public funds, thus the best completion of social and economic tasks financed from these funds;

10. favouring the progress of democracy and development of democratic institutions, local community self-governments, creating the credibility of the state and public authorities among citizens, conditioned by the way of imposing public duties, transparency of decisions, economical use of resources etc.

In the light of the above it might be assumed that FS changes, leading to increased effectiveness, could be justified only if they do not deteriorate – and best of all improve – the valuation of the public finance as a whole, done according to the above criteria. It can also happen that an even better appreciation of public finance including FS could be obtained after introducing changes:

- only in the financial institutions of the public sector other than the voivodeship self-government, or
- in parallel in FS and in financial systems of other selected public sector institutions (these changes should be consistent).

This leads to the observation that the solutions aimed at increased FS's effectiveness can be found both inside this system and outside it, in the whole public finance system. Perhaps one universal and generally applicable model of public finance that fits the three-level model of territorial self-government does not exist. This is due to the characteristic of any organization, its equifinality, which applies also to the voivodeship self-government. All organizations are characterized by equifinality, this means that they are able to obtain similar results in different ways, using various processes and structures.

Here, a hypothesis can be made that organizations from the non-public sector make better use of this feature of equifinality since their system flexibility is higher. Public sector institutions are less flexible by nature, less able to initiate and finalize changes in their structure and in the functioning rules. This is of particular importance when the complexity and variety of economic, social and political elements of economic environment increases for the voivodeship self-government or for the whole country. Then, the uncertainty increases for all institutions, also those of the public sector (including the voivodeship self-government), which forces the introduction of program changes into the whole potential of the system. The lack of such changes may lead to the fossilization of the public finance system, including FS, and loss of stability. Since the social and economic terms in Poland and in the Polish environment are greatly variable, the public finance system

needs to be continuously verified as to its usability, and the same concerns FS, interconnected with financial systems of other public sector institutions.

4. ANALYSIS OF THE CRITERION: FS SYSTEM EFFICIENCY

The search for the solutions inside FS, and more generally – in the public finance system – that would allow better functioning of the system, belongs to the domain of system efficiency or organizational efficiency identified with it. For the FS, this criterion denotes the long-term ability to perform properly its transformation function (expressed as gaining, distributing and spending public financial resources on the voivodeship self-government level) and to self-improvement. Like in any other system, in FS all elements should also fit, their actions should be properly tuned so that any part adds to the success of the whole system, and has to co-operate with the environment (financial systems of other public and private sector entities). In the changing environment of the voivodeship self-government, its financial system should exhibit negentropy, i.e. new configurations of constituting elements have to be constructed leading to better performance, more efficient activity.

When appraising the FS, the way of its functioning should be valued (inside and external connections) – in other words, the mechanism in which the voivodeship self-government finances are functioning. The **way of functioning** may be recognized as the fundamental criterion of FS evaluation, similar to the evaluation of the public finance system. Under this criterion, it should be stated whether:

- the configuration of the voivodeship self-government financial mechanism is correct and gives rise to rational behaviour, understood as internally coherent behaviour permitting the self-government entity to maximize the satisfaction (full satisfaction is obtained due to the realization of the assumed regional development strategy)
- FS is sustainable and consistent with the greater system, the public finances
- FS is functioning without disturbances and unnecessary delay, and possible disturbances originating either inside or outside the system can be quickly eliminated (keeping the system in an equilibrium state).

The condition of this mechanism (correct, incorrect) determines the FS's ability to perform its transformation function. The indicators of properly

done transformation function are: effectiveness (already mentioned earlier) and economic efficiency (profitability, economic benefits).

In the organization and management theory, efficiency is considered to be connected with cost and effect. It is recognized that efficiency has two forms:

1. effectiveness; the result of financial mechanism activity is in accordance with the intended objective;
2. economic efficiency, being the relation between the achieved goal (result) and cost incurred to reach this goal.

This approach means that efficiency understood in this way (i.e. praxiological efficiency) embraces the notion of effectiveness and economic efficiency (economic benefits). In this paper we shall treat them as separate criteria, though influenced by the way in which FS is functioning, and system efficiency we shall refer solely to **the way in which FS is functioning**. Therefore, when talking about system efficiency, we neglect the evaluation of obtained effects and incurred costs.

5. ANALYSIS OF THE CRITERION: FS ECONOMIC EFFICIENCY

The obtained effects and incurred costs can be placed in the area of a criterion called economic efficiency, in other words: profitability.

The notion of economic efficiency includes praxiological efficiency or profitability. FS economic efficiency is understood as the measure of its outcome, being the relation of obtained effects to incurred costs. In the theory of economics, it is measured by partial synthetic ratios of productivity of utilized resources (including money and working time). Particular efficiency result with respect to some specific objective to be achieved using FS can be obtained in two equivalent variants: the maximum productivity rule or the economy of resources rule (lowest cost). Efficient FS means therefore to reach the objectives as completely as possible, or to reach them to some extent at the lowest cost, of course without a deteriorated quality of effects.

However, since on its way to the ultimate goal – competitiveness of the region – FS realizes a bundle of intermediary objectives (made operational in the long-term strategy of the region or development programs resulting from this strategy), the economic efficiency should be appraised in the contexts of each particular objective. With respect to any particular objective, FS could therefore appear either fully, or more or less efficient. In

practice, the overall estimation of FS based on the economic efficiency can be inconclusive, too subjective. In the search for solutions leading to the rationalized FS, more useful are the evaluations based on each single objective, particularly when the objectives are equally important.

It should also be decided according to which variant of economic efficiency FS should be evaluated – the greatest effect or the lowest cost. If the financing of a given objective is to be secured mainly from outside (decision as to the amount and availability date are not undertaken by the voivodship self-government – e.g. subventions from the state budget), it seems appropriate to assume the greatest effect variant. If, however, the objective is to finance mainly from the voivodship self-government resources, the appropriate variant would be that of minimizing the cost (economic use of resources – e.g. the cheapest bank credit). This problem increases when during the realization of objectives some forced decision has to be undertaken, and some resources have to be moved from one objective to another due to the cash shortage exceeding expectations. Is FS then efficient regarding both objectives, the „financed” and „financing” ones? It seems that in similar situations economic efficiency should be treated from a different point of view: the opportunity cost of moving the funds. In this calculation of ‘forced’ loss of benefits FS should be evaluated higher when the benefit loss was smaller. Of course, the centuries-long problem of how to estimate these benefits, being the focus point of the public choice theory, still remains valid (Buchanan 1997, p. 153; Musgrave *et al.* 1984, p. 51-52, 106). In general, the main difficulty lies in the disproportion between the costs incurred and benefits obtained by individual citizens, social groups or territorial communities. Detailed considerations of lost benefits need more profound literature studies, and the unequivocal and universally valid answer is in practice impossible. Therefore, a simplified approach can be proposed: under the circumstances of markedly scarce financial resources, when there is an increased risk to stop the financing from initially planned though insufficient funds, FS should be recognized as efficient when it minimizes the delay in the realization of the regional strategy.

FINAL REMARKS

Disregarding the approach and detailed criteria of FS appraisal, it should be borne in mind that, first of all, this appraisal has to make a base for rationalizing solutions. The motivation for rationalization should be the

desired state, where the voivodeship self-government becomes able to gain timely appropriate public funds, and at the same time to spend them rationally, to complete the assumed regional development strategy of a voivodeship in due time or with the smallest delay possible caused by the pronounced financial shortage.

Let us also add that in this paper no description of the financial system of Polish voivodeship self-government has been undertaken. It could make a base for appraising the functioning of both the system and its outcome for the society and regional economy. A set of particular criteria has been proposed and discussed, supplementing the general criterion for FS – rationality. After some corrections, these criteria can be also used for the financial system of any other level of self-government in any country, where the structures of territorial self-government are in operation. These corrections should concern the objective function, since each level of the territorial self-government has different role and duties in the national economy.

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