

FINANCING CRISIS MANAGEMENT IN POLAND – BASED ON SELECTED CRISIS SITUATIONS

FINANSOWANIE ZARZĄDZANIA KRYZYSOWEGO W POLSCE – NA PODSTAWIE WYBRANYCH SYTUACJI KRYZYSOWYCH

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Abstract: Article was written on base of interviews with persons responsible for crisis management, source documents obtained in offices and literature. Outcomes are presented in threefold order. Paper starts with definitions of crisis management and crisis situation. Then, presents the structure of crisis management system in Poland. Finely, describes the financial aspects of system organization and functioning. Author tries to combine theoretical knowledge drawn from documents with practical experience of source documents and interviewed persons.

Keywords: county, crisis management, organizational structure, coverage.

Introduction

The title of the article: Financing Crisis Management – based on selected crisis situations needs introductory clarification. Financing in the article means the sources and forms of spending funds. It concerns expenses for organizing as well as functioning of elements of the Polish crisis management system. Selected crisis situations include: the flood of 2010 and the 2014 energy crisis in the Swietokrzyskie voivodship.

The fundamental research problem of the article is the question: what sources and forms of financial management should be distinguished in the crisis system of the Republic of Poland? The research problem has been elaborated in the research hypothesis: the content management of normative acts and the pragmatism of the system will help to broaden the statutory scope of funding sources for crisis management. In other words, the sources and forms of expenditure for crisis management have been analyzed, assuming that the

compilation of legal acts, the literature of the subject with source documents may result in an extension of the catalog of sources and forms of financing the system.

The structure of work, which assumed the problematic layout of the explanation, was subordinated to solving the research problem and verifying the hypothesis. First Crisis management and later the structure of the Polish crisis management system were defined. Finally, the sources and forms of financing organizing and the functioning of the system were described.

The article is based on idiographic research, which is characterized by striving for the greatest possible results probability. As far as the applied reasoning principle is concerned, it is most appropriate to point to the model of inference by incomplete enumerative induction. The number of sources that confirm the same information determines the degree of probability. Fundamental research comes down to analyzing source documents obtained in offices and interviews conducted at various times from January 2016 to mid-May 2017, with persons responsible for crisis management. Obtained information on sources of crisis management financing, training and planning activities, crisis situations in the Swietokrzyskie and Podkarpackie voivodships were compared with the general literature of the subject.

Crisis Management definition

A fundamental act of law regulating crisis management issues in Poland is *ACT of 26 April 2007 on Crisis Management*. In Article 2 of the document, the legislator specified what is meant by crisis management. According to the act, "the activities of public authorities that constitutes an element of managing the national security management system and consists of: preventing crisis situations, preparing to take control over them by way of planned activities, responding in case of emergencies, removing their effects" (ACT, 2007).

It is therefore possible to conclude that crisis management is a way a public authority responds to a crisis situation. This reaction involves prevention, counteraction, response and reconstruction. Such an explanation requires defining *a crisis situation*. According to paragraph 3 "A crisis situation shall be understood as a situation that impacts negatively on the safety of people, property in large sizes or the environment and produces significant restrictions on the operation of competent public administration authorities due to the inadequacy of possessed capabilities and resources" (ACT, 2007). In other words, it is a threat to the population, property or environment, which requires the public administration to engage additional capabilities and resources.

In the literature of the subject the issue of additional capabilities and resources is understood in different ways. There are authors who point to the need to support lower levels of local government administration by higher levels of local government or government

(Sienkiewicz-Małyjurek, Krynojewski, 2010). Much better seems to be the explanation that refers to the help of so-called specialized organizations. For this type of interpretation, weigh in favor, for instance, contents of the crisis management plans. The Act on Crisis Management obliges the public administration to keep and update the documents (ACT, 2007). The crisis management and response procedures were defined in the plans. In addition to the public administration responsible for crisis management there are, among others, bodies of uniformed services and inspections listed. For example, the State Fire Service is responsible for responding to large-scale fires, and the public administration is the facilitator. On the basis of crisis management plans, one can create a closed catalog of institutions supporting public administration in crisis situations (Świętokrzyskie Voivode, 2016). It covers the following categories: administration subordinate to voivode, administration not subordinate to the voivode and infrastructure owners affected by the crisis. On the basis of the *“Act on Voivodship and the governmental administration in the voivodship of January 23rd, 2009”*, as the authorities of the administration subordinate to the voivode, the following are mentioned: Voivodship Commander of the State Fire Service, Voivodship Police Commander, Voivodship Inspector of Construction Supervision, Voivodship Inspector for Environmental Protection or the Voivodship Veterinary Doctor. In turn, as exemplary bodies of the public administration subordinate to the competent minister or central authorities - there may be poviats directors of mining offices, poviats veterinarians, and commanders of Border Guard units mentioned (ACT, 2009a). According to Article 25 of the Crisis Management Act: "The Armed Forces units may participate in the performance of crisis management tasks, according to their specialist training and pursuant to the voivodship crisis management plan" (ACT, 2007).

The owners of the infrastructure form the third category of organizations cooperating with the public administration in crisis situations. Their catalog depends on both the type of crisis and the area of its occurrence. For example, in the poviats of Kielce, the owner of low and high traction is PGE Capital Group.

Thus the statutory "inadequacy of possessed capabilities and resources" should be understood as the need to support the public administration responsible for crisis management by specialized organizations or senior administration. In this definition, the scale of the phenomenon is considered less relevant for defining the crisis situation. The basic determinant of the scope of the concept is the capacity of the public administration and specialized organizations. In other words, the beginning of a crisis situation marks the need for the cooperation of administrations and services. By the way, to determine the beginning of a crisis situation not by, for example, the strength of the wind, but by the insufficiency of capabilities and resources². The concept of the crisis has been clarified by the Constitutional

It's possible to find the justification of that conclusion in practice. The example of 2014 energetic crisis in Skarżysko Kamienna shows that the scale of event is less relevant than the potentiality of resources and

Tribunal. In the verdict of 21 April 2009, the Tribunal stated that "the crisis situation "is something very different from the constitutional states of emergency. Accordingly, it should be included in the "normal" functioning of the state" (Constitutional Tribunal Sentence, 2009). It repeated its position with respect to the amended Act in 2012 (Constitutional Tribunal Sentence, 2012). The Tribunal ruled that the Constitution of the Republic of Poland of 2 April 1997 recognizes only two states of state functioning - normal and emergency state, in which the restriction of liberty and human and civil rights are completely different. Crisis situation falls into the limits of normal situation because it does not give rise to restriction reserved for emergency states (Brzeziński, 2013). Therefore, the need for co-operation between the public administration and the specialized units should be considered as the beginning of the crisis. On the other hand, the introduction of emergency states determines its typological end.

In summary, crisis management is the activity of the public administration, that is the voivode and the self-government administration, in response to the usual state of emergency, however, going beyond the capabilities and resources of the administration. It requires co-operation of state authorities responsible for crisis management with specialized organizations, which are part of both levels of public administration.

A full list of crisis situations is contained in the National Crisis Management Plan. There are about 20 different types of hazards such as: flood; epidemics; chemical contamination on land; chemical contamination at sea; threats to telecommunications systems; interference in the power system; interference in the fuel system; disturbances in the gas system; strong frosts and snowfalls; large-scale hurricanes; forest fires; epizootic diseases; building catastrophes; landslides; drought / heat; radiation pollution; social protests; terrorist threat; cyber threats (National Security Center, 2015).

Voivodship, powiat and gmina Plans remain consistent with the national document. Plans addressed the procedures for dealing with the 20 situations mentioned above. In the practice of functioning of the crisis management system, without procedures, it cannot be said to be necessary (since normally imposed) to take actions. Hence, due to the separate classifications, situations going beyond the catalog mentioned above cannot be categorized as crisis situation. Therefore, when it is to write about crisis situations, it mean situations that exceed the capabilities and resources of the public administration and fall within the scope of the 20 categories of threats.

Crisis management is thus the activity of local-government and government authorities - in response (prevention, planning, response and reconstruction) to one of 20 crisis situations that require unified support from specialized units.

capability. Despite huge losses the authority of Skarżysko didn't proceed the procedures of crisis management. Resources and capabilities of City Plants were sufficient to solve situation.

Crisis Management Structure in Poland

According to E. Nowak, the crisis management system is a "body which can be singled out from the whole structure of: information links necessary for the implementation of the management process; methods and actions regulating the way and functioning of an organization in line with the assumed objectives; while it is a dynamically changing system in time, and the engine of the changes that apply to all elements of this system are the governing bodies " (Nowak, 2007, p. 46).

There are five levels in the structure of governing bodies in Poland. The first level is the government level, the second level is the department level, the third level is the voivodship level, the fourth level is the poviast level, and the fifth level is the gmina level. Each level - apart from the gmina, as below - consists of three elements:

- the decision-making bodies - respectively: Prime Minister, Minister or Head of Central Authorities (Council Ministers, 2009), Voivode, Staroste, Voit, Mayor, President (ACT, 2007).
- consultative and advisory body - teams having a consultative and advisory function, defining actions in a given crisis situation, recommending solutions proposals. These bodies are the Government Crisis Management Team, the Department CM Teams, the Voivodship Crisis Management Team, the Poviast Crisis Management Team and the Gmina Crisis Management Team.
- planning and coordinating units - to provide ongoing operations, including civilian planning, which continuously analyze and assess the situation and coordinate the operation of the system (Sobolewski, 2014). These are: Government Crisis Management Center, Department, Voivodship, Poviast and non-obligatory Gmina Crisis Management Centers. The Crisis Management Act does not require the creation of crisis management centers in gminas.

To sum up, the structure of the crisis management bodies of the Republic of Poland was organized on five levels of state administration. The executives - the prime minister, the minister or the chief of central authorities, the voivode, the staroste and the voit, the mayor and the president are responsible for the implementation of tasks. Crisis management teams were formed at each crisis management level with consultative and advisory functions and, excluding gminas, crisis management centers, providing 24/7 information flow in the system.

Financing Crisis Management

The issue of crisis management financing is regulated in detail by *the Crisis Management Act*, but in the general aspect of the Act: *on public finances and on income of local government units*. Executive bodies of the crisis management system and members of the management teams do not receive any additional emoluments for participating in the system. The only exception is the so-called special allowances introduced by the Act on incomes of local self-government units. Obligatory special allowances concern the voivode, the mayor, the president, the starosta. They are optional for administration employees. These allowances are expenditures disbursed from the budget of the unit (ACT, 2008). In most cases they are a part of remuneration for duties performed during the crisis situation (Supreme Chamber of Control, 2014a).

The biggest problem in the Polish crisis management system is the issue of providing funds for the organization and maintenance of planning and coordinating units and for carrying out tasks during and after the crisis situation. Article 26 section 1 of the Crisis Management Act regulates the problem of ensuring the financing of crisis management tasks for the executive bodies of the system. It creates, however, various responsibilities in the field of financial management towards government, department, voivodship and local government administration. "The financing for the carrying out of crisis management related tasks at the national level shall be planned within the framework of the state budget in the parts at the disposal of voivodes, the minister competent for the internal affairs and other ministers managing the sections of government administration and the central government administration bodies" (ACT, 2007). "A special reserve shall be created in the budget of the local government unit for the carrying out of crisis management related own tasks. It shall amount up to 0.5% of the current expenditure of the local government units' budget decreased by investment outlays, expenditure for wages and salaries and similar benefits, as well as expenditure for servicing the debt" (ACT, 2007).

Poviat and gmina self-government is obliged to create a budget reserve, which in practice is triggered in the event of crisis occurrences. Such a situation results in the underfinancing of the crisis management system at poviat and gmina level and influences the shape of the structure. Crisis Management Centers are rarely created in gminas but there are posts such as sub-inspectors for crisis management, Civil Defense and defense affairs introduced, or of stand-alone posts for defense, civil defense, crisis management and protection of classified information (Supreme Chamber of Control, 2014b and 2014a). However, poviats avoid organizing the 24-hour crisis management centers. The statutory obligation of providing

duties is transferred on the basis of an agreement with the Municipal Headquarters to the State Fire Service (Attachment to Staroste, 2015).

Voivodship crisis management centers are most often organized within the Security Departments of voivodship offices (Attachment no 1, 2016). Thus as the organizational units of the department, they are provided with funds from the voivodship budget (Budgetary ACT, 2017). Government Security Center is a state budget unit (Podolski, 2010). At national level, the amounts allocated for crisis management purposes are set out in the Budget Act for a given year. The funds are administered by the trustees of the budgetary units indicated in Article 26 section 2 of the Crisis Management Act (voivodes, minister in charge of internal affairs and other ministers managing government departments and national government administration bodies) (Nizioł, 2011).

Crisis management financing means both the source of funds and the way money is spent. According to the Crisis Management Act, in the case of own tasks the budget of the local government units is the source of financing. In the case of commissioned tasks and tasks at national level - state budget (ACT, 2007). However, given the crisis management practice, there is a possibility of transferring costs to non-governmental or local government entities. Two sources of crisis management funding should therefore be distinguished:

1. Budgetary - in the sense of state and self-governments budget (including budgetary units).
2. Non-budgetary - EU funds, private entrepreneurs' funds, infrastructure owners' funds, budgetary plants' funds.

Budget financing of crisis management in accordance with Article 26 of the Crisis Management Act is intended to provide funding for the organization of planning and coordinating units. In terms of financing the unit's activities it is worth to distinguish:

- 1) Specific subsidies from the state budget, which take two forms: specific subsidies for tasks delegated to local government units and co-financing of their own tasks (ACT, 2007). Finances are transferred through the voivodship offices. Subsidies for the payment of equivalents to members of the Voluntary Fire Services are a widespread form of subventions. The amount of subsidy for co-financing of current and investment tasks cannot, in principle, exceed 80% of the cost of the task (ACT, 2009b). Frequently the subsidy constitutes a relatively large amount in regards to the budget of a local government unit (Secretary of Gmina, 2010)³. The 2010 flood documents also indicate the practice of using parts of the budgets reserved for the Ministries. For example, the Podkarpackie Voivodship received support from the Ministry of Agriculture and Rural Development and the Ministry of the Interior and

³In Samborzec municipal during the crisis in 2010 the amount of equivalents to members of the Voluntary Fire Services was: 129 680 zł.

Administration in the years 2010 - 2014, amounting to nearly 128 million zlotys. (Supreme Chamber of Control, 2015a).

- 2) Ministerial Promises. An example of issuing a promise is the commitment of the Ministry of Interior and Administration, granted to the city of Tarnobrzeg for the amount of 391,190 zlotys. (Supreme Chamber of Control, 2013).
- 3) State Specific Subsidies - regulated by the Public Finance Act, but created on the basis of separate acts. Their revenues come from public funds, while the expenditures are incurred for the implementation of separate state tasks (Rutkowska-Tomaszewska, 2012). Target funds have made a significant contribution to the recovery after the 2010 flood. They were activated by *the Act of 24 June 2010 on special solutions related to the removal of the effects of the floods*. It regulated, among others, the issue of the allocation of the funds from the National Road Fund to finance renovation, reconstruction or alteration of roads (ACT, 2010); participation of the National Fund for Environmental Protection and Water Management (Supreme Chamber of Control, 2015b)⁴; Labor Fund; Guarantee Fund for Employee Benefits; Fund for Rehabilitation of Disabled People in reconstruction after the flood. The amounts paid by the Labor Fund in 2011, only in the Tarnobrzeg powiat, amounted to PLN 2,272,849.73 zlotys. (Supreme Chamber of Control, 2011b).

Out-of-budget-subsidies include:

- 1) EU funds - the situation after 2010 was a quantifiable example of the role of voivodship offices in acquisition of external funds for reconstruction after a crisis. In Podkarpackie Voivodship, subsidies from the Rural Development Program amounted to nearly PLN 30.5 million zlotys in 2007-2013. Between 2010 and 2014 the funds were acquired from the Operational Program Infrastructure and Environment (nearly 28 million) and the EU Cohesion Fund (nearly 34 million) (Supreme Chamber of Control, 2015a).
- 2) Infrastructure owners' funds. During the energy crisis in the Swietokrzyskie Voivodship in 2014, the entire energy costs of the broken power poles were incurred by the Polish Energy Group. In the years 2010-2014 Swietokrzyskie Management Board of Melioration and Water Equipment only in the city of Polaniec has incurred expenses for reconstruction of water infrastructure in the amount of 39 561 906 zlotys. In turn, the Regional Water Management Board spent 519 thousand zlotys. (Supreme Chamber of Control, 2011b).
- 3) Private Funds. The issue of providing crisis management resources is often solved by means of agreements with private companies. The authorities do not bear the costs of storing goods as well as handling and depreciating of the equipment. Agreements are a widespread tool for maintaining a resources base.

Gorzyce received subsidies in amount of 2 902 000 zł.

They concern, among others, supplies of sand, tarpaulins, power generators, machinery or transport services.

Conclusion

In conclusion, it should be stated that the financing of crisis management was regulated by the Act on crisis management, on public finances and on revenues of local government units. In 2010, the aforementioned acts were supported by the Act on special solutions for the elimination of the floods of 2010. The Act on local government level imposed the need to create a budgetary reserve - triggered in a crisis situation. The budget for local government units is indicated as the source of funding, while in the case of commissioned tasks and tasks at the national level, it is the state budget. The Public Finance Act allowed non-directly the co-financing of crisis management tasks from European Union funds.

The arrangements for selected crisis situations have shown the possibility of employing the budgetary part reserved for the Ministries in the form of specific subsidies or promises. In addition to the statutory subsidies for commissioned tasks, specific subsidies for self-government own tasks were granted. A wide use of subsidies from state-specific funds has been established, which in fact represent an alternative to subsidies directly obtained from the state budget. The non-formal sources of funding for crisis management exceed budgetary form of support. In particular: participation of private enterprises in crisis management. Budgetary plants have proved to be an effective form of task organization, but also financing the crisis preventive and response tasks.

In view of the above, the research hypothesis read as: the content of legislative acts with the pragmatism of the functioning of the system will enable to broaden the statutory scope of funding resources for crisis management has been positively verified.

Additional conclusions have been made. It turned out that statutory resolutions regarding the financing of crisis management have an impact on the structure of the system. At the local level, the lack of mandatory measures concerning all four phases of crisis management results in underfinancing of the system. It concerns both the organization of planning and coordinating units, as well as resources. This is an observation, which brings about the insufficiency of expenditures on crisis management in local governments. However, it seems that this proposal can be extended to all levels of the crisis management system in Poland.

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