

Warsaw Poland

Work has been underway for the past 10 years in Warsaw on new subway lines and highway bypasses

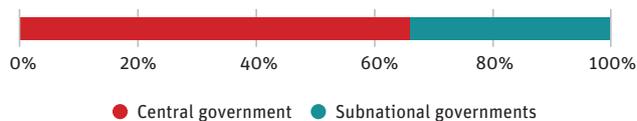
CITY:
1.7 mil. inhabitants

METROPOLITAN AREA
3.1 mil.
(+3.1% pop. change/5 years)

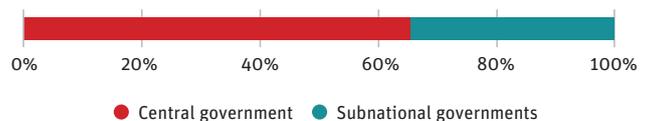
GDP: 143% of the average EU28 GDP
(+2.5% average annual change in GDP/5 years)

How local public finance systems work in Poland

PUBLIC REVENUE



CAPITAL EXPENDITURE



Poland has a **two-tier system of subnational governments** (SNG), consisting of 16 regions (Vojeództwo), 380 counties (Powiat) and 2,478 municipalities (Gmina).

Reforms have provided SNGs fiscal autonomy by reducing the share of central transfers (and earmarked grants) and increasing the shared tax revenue (a higher share of personal and corporate income taxes). Although the financial autonomy of Polish SNGs has been disrupted in recent years due to the economic crisis and austerity measures, there is currently talk to increase autonomy.

Public investment amounts to 3.2% of the GDP (2016), which is slightly above the OECD average of 3%, but has sharply declined since the crisis (austerity measures and loan restrictions). SNG investment from 2008 to 2016 declined by 5% annually. Within SNG, the primary investors are municipalities and cities with region status, which in 2016 accounted for 44% and 32% of SNG investment. Investment represents a large share of regional expenditures (24%), while it amounted to 13% for counties and 11% in municipalities and cities with county status.

The Polish Constitution contains two main provisions that address local finances. According to these, **SNGs should have adequate public funding to meet the obligations they have been delegated.** Furthermore, SNG revenue should consist of its own revenues and transfers and grants from the state budget. SNGs (especially municipalities, see below) have the right to set the amount of local taxes and fees.

The 2004 reform of the Act on Local Government revenue provided SNGs with greater fiscal autonomy. However, **SNG revenues are still quite dependent on grants from the central government. Transfers and grants account for 65% of county revenue, 56% of municipal revenue and 47% of regional revenue (2016).**

The SNG tax system is based on both shared taxes (for all three levels) and local taxes (only for municipalities). Municipal taxes include a property tax on land and buildings, an agricultural land tax and a forest tax. **These three property taxes account for 29% of the tax revenue and 9% of the total municipal revenue, i.e. 1.2% of the GDP (2016).**

Property tax levied on buildings and land is collected based on the square meters with various rates set for commercial versus residential buildings. Other municipal taxes include a tax on civil law transactions, a tax on transport vehicles, a stamp duty, an inheritance and donation tax, etc. Municipalities can freely set tax rates within the tax limits established by law and allow certain tax exemptions.

Shared tax revenue comes from shares in personal and corporate income tax that is redistributed SNGs according to a fixed percentage of total revenue collected in the given area. The share of personal income tax allocated to municipalities, counties and regions is 39%, 10% and 1.6%, while for corporate income tax it is 6.7%, 1.4% and 15% (2016).

Personal income tax makes up 52% of SNG tax revenue and 17% of the total SNG revenue. Corporate income tax makes up 9.5% of SNG tax revenue and 3 % of total SNG revenue.

Municipalities therefore provide fiscal incentives to increase their number of inhabitants, while regional governments try to promote economic growth. There are no horizontal equalisation mechanisms.

Other sources of revenue include administrative fees, market fees, visitor fees, etc., property income and income from municipal companies and public services.

The system of state transfers includes block and earmarked transfers. Current transfers make up the vast majority (97%), while capital transfers only 3% (2016). Block transfers consist of the education share, the equalisation share, the balancing share and the regional share. Despite these classifications, SNGs can spend these block transfers at their own discretion. The transfer for education is by far the largest (78% of the block transfers and 17% of SNG revenue). Transfers work as an equalising mechanisms that benefit all SNGs with a below-average tax capacity. Conditional transfers include specific transfers to finance tasks that are delegated to them from the central government, especially social assistance and financing capital expenditures.

Source: <http://www.oecd.org/cfe/regional-policy/Observatory-on-Subnational-Government-Finance-and-Investment.html>

Second subway line

The second Warsaw subway line from Bródno – Karolin (length 23 km)

The planned length of the 2nd Warsaw subway line is 23 km. The line will have 21 stations and its own depot. Total investment costs are anticipated to be PLN 12 billion.

Two sections are currently in operation - the central section (length 6.5 km, 7 stations; built from 2009–2015, investment costs of PLN 4.7 billion) and the 1st stage of the northeast section (length 3.2 km, 3 stations, built from 2016–2019).

Stage 1 of the western section is still under construction (length 3.4 km, 3 stations, built from 2016–2020). The total stage 1 construction costs for extending the 2nd line to the west and northeast are upwards of PLN 2.7 billion.

Stage 2 work has been underway since 2018, extending the line in the western segment (2.1 km, 2 stations) and northeastern segment (3.9 km, 3 stations). Investment costs are expected to be PLN 2.9 billion.

A stage 3 extension to the west (3.9 km, 3 stations) is ready, including the construction of a new depot. Anticipated investments costs are PLN 1.6 billion.

In terms of financing, Warsaw must first secure all the necessary funding for the construction, only then will additional funding be released from EU funds.

Warsaw bypass

S8 and S2 expressways forming Warsaw's northern and southern bypass

The S8 expressway is a 22.5-km-long part of Warsaw's northern bypass. The section between the Konotopa junction and Powązki district (10.4 km) was recently constructed (2008–2011). The section between Powązki and Markami was created by rebuilding the old highway (12.1 km) and rebuilding the bridge across the Vistula River. The total investment costs to build the S8 expressway in Warsaw were PLN 4.8 billion.

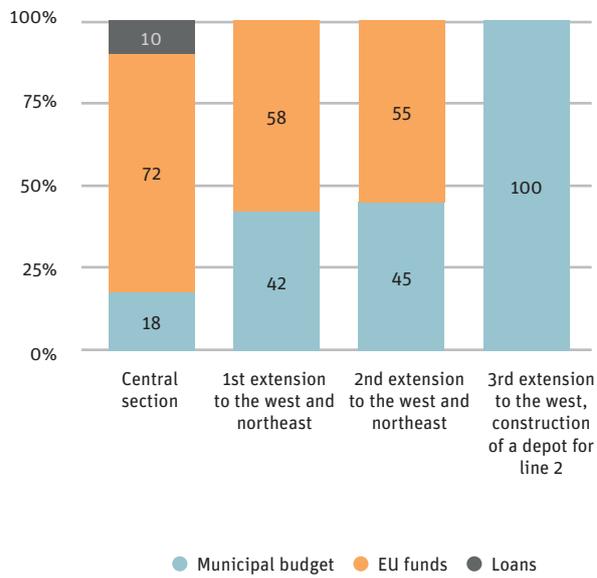
The S2 expressway will run for 39.7 km and form Warsaw's southern bypass. The sections currently open, running 21.2 km between the Konotopa junction and Puławska ulice, was built from 2009 to 2013. The total investment costs for the construction, including the construction of the S79 feeder to the Warsaw international airport, were PLN 4.2 billion.

Construction began in 2017 on the 18.5 km sections between Puławska ulice and the highway to Lublin. The section includes a tunnel under the Ursynów district and a bridge across the Vistula. The anticipated costs for this section are PLN 4.1 billion.

Other sources of funding include the National Highway Fund. These funds and funds from the state budget run through GDDKiA (General Directorate for National Roads and Highways).



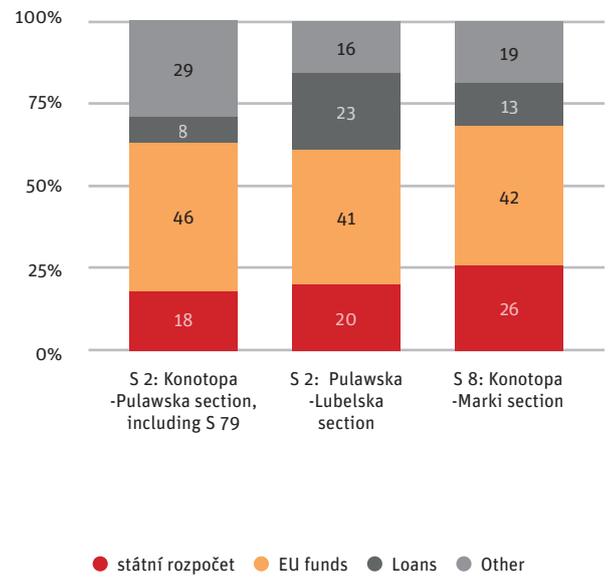
Warsaw subway line 2



Source: Own questionnaire survey, Metro Warszawskie Sp. z o. o



Expressway bypassing Warsaw



Source: Own questionnaire survey, Wikipedia