POLITICAL FRAGMENTATION AND EXTERNAL SOURCES OF FUNDING IN LOCAL GOVERNMENTS. DO POWER STRUGGLES MATTER?

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Biographical Notes

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Abstract

The rationale for taking up the notion of political fragmentation in connection with local governments’ capacity to secure external sources of funding comes about from the fact that local governments continuously face shortages of funding. Their socio-economic development thus depends on their capacity to secure external funding.

There are significant differences between localities in terms of fund-rising effectiveness. The aim of this paper is to analyse the role which political fragmentation in local government councils plays in that respect. Hypothesis tested in the paper is that “political fragmentation is negatively correlated with local governments’ capacity for absorbing external funding, in particular EU funds”.

The research focuses on relating data on EU funding obtained by Polish municipalities to the level of political fragmentation in communal councils. Analysed data for absorption of EU funding covers the period between 2006 and 2011. Election results for two terms of office are also used.
Introduction
The political and economic transformation of the 1990s in Poland meant a re-establishment of local government on the communal level (in 1990) and, later, on district (county) and regional levels (in 1999). The principle of subsidiarity which is the foundation of local government functioning assumes that as many tasks as possible are carried out on the communal level. That is why the communes in Poland take care of a wide array of tasks, ranging from spatial planning and environmental protection, through maintaining public facilities and infrastructure, supplying heat, gas and electricity, treating sewage and waste, providing local public transport, health care, social welfare, education and culture to ensuring public order (Act on Communes, 1990).

It has been argued however, that the transfer of competences was not accompanied by the transfer of adequate financial resources as the European Charter of Local Self-Government stipulates (more on the system of financing local governments in Poland, see: Oulasvirta and Turala, 2009). Local governments were thus forced to seek additional sources of funding their activities ever since their inception. Accession to the European Union (in May 2004) provided the local governments with a wide range of possibilities with regards to obtaining external sources of funding for their tasks (EU regional and structural policies), especially in the fields of social and technical infrastructure as well as human capital.

Successful application for EU funding requires that the local authorities show a sufficiently high level of competence in terms of project development and management as well as, in general terms, a sufficiently high level of institutional capacity. One of the formal requirements for application, for example, is that the commune must have an approved development strategy or equivalent document. Strategies are approved by the local councils which are composed of representatives of various political parties and other interest groups who are elected in direct voting.

The generally held belief is that significant political fragmentation in political decision-making bodies, including local authorities, leads to limited institutional capacity in all spheres of activity, including in relation to developing strategies and preparing successful applications for external funding amongst others. The aim of this paper is to verify this street-level knowledge by means of
analysing the differentiation in terms of absorption capacity between communes in relation to the existing political fragmentation in communal councils. The working hypothesis tested in this paper is: **political fragmentation negatively affects local governments’ capacity for absorbing external funding.**

The first part of the paper describes the notion of political fragmentation, methods of measurement and related problems. The paper also gives a breakdown of political fragmentation in Polish communes, based on results of elections held in 2002, 2006 and 2010. The second part of the paper deals with the absorption capacity of Polish local governments. The paper ends with conclusions concerning the observed dependencies between political fragmentation and absorption capacity.

2. **Political fragmentation**

It is a generally held belief that decision-making bodies in local governments are characterised by strong political fragmentation. It is further assumed that this characteristic has adverse effects on the communal or district councillors’ readiness and inclination towards cooperation with regards to key problems both within their territorial unit as well as with representatives of other communes or districts. This may be important for carrying out those tasks which require cooperation beyond administrative borders.

Available literature on political fragmentation offers numerous methods and approaches to measuring political fragmentation (Le Maux, Rocaboy and Goodspeed 2011; Ashworth and Heyndels 2005; Volkerink and de Haan 2001). Two of the most popular indices applied to measuring political fragmentation are: the Herfindahl-Hirschman index and the Rae-Taylor index (Rae & Taylor 1970; Ray & Singer 1973).

Both these indicators take into account the share which individual political groups have in the decision-making body, like a communal council. Their construction thus means that in case of relatively small territorial units, where national level politics does not play a decisive role, measuring political fragmentation is troublesome due to a great many local election committees / political parties which put forward their candidates for the council. Even though communal councils in rural Polish communes are small, with only 15 councillors, the election results are difficult to interpret directly. Raw election result data does not allow for aggregating successful candidates into homogenous groups well reflecting the mainstream political stands (i.e. liberal,
conservative, socialist, etc.). This can only be done through in-depth local studies. The outcome may be that the values of fragmentation indices are artificially high, especially for smaller communes. Nonetheless, the relative disparities in terms of political fragmentation are well reflected, regardless of which approach is used.

For purposes of this paper the Herfindahl-Hirschman index has been adopted as a measure of political fragmentation. The index is calculated for each Polish commune using the following formula:

\[
F = 1 - \sum_{i=1}^{n} \left( \frac{P_i}{C} \right)^2,
\]

where:
- \(F\) – is the index of political fragmentation for a given commune;
- \(P_i\) – is the number of councilors who received mandates running from the \(i^{th}\) election committee;
- \(C\) – is the number of councilors sitting on a council;
- \(n\) – is the number of election committees which succeeded to receive at least one mandate on a council;

The authors have gathered data on election results on the communal level in 2002, 2006 and 2010 using the resources of the National Electoral Commission. The general outlook is that political fragmentation is on a high level in communes, although there is tendency to decrease it (Tables 1. and 2.).

| Table 1. Data on political fragmentation on communal level in Poland (2002, 2006, 2010) |
|-------------------------------|----------------|----------------|----------------|
|                               | 2002           | 2006           | 2010           |
| Min                           | 0.00000        | 0.00000        | 0.00000        |
| Max                           | 0.92444        | 0.89778        | 0.88889        |
| Median                        | 0.72000        | 0.64889        | 0.64889        |
| Average                       | 0.69030        | 0.61724        | 0.61655        |

Source: prepared by the authors, based on National Electoral Commission data.

| Table 2. Number of communes according to political fragmentation index (HH) values (2002, 2006, 2010) |
|-------------------------------|----------------|----------------|----------------|
| Index range                   | 2002           | 2006           | 2010           |
| [0.0; 0.5)                    | 205            | 511            | 483            |
| [0.5; 0.6)                    | 282            | 422            | 487            |
| [0.6; 0.7)                    | 570            | 615            | 668            |
| [0.7; 0.8)                    | 932            | 702            | 606            |
| [0.8; 0.9)                    | 479            | 228            | 235            |
| [0.9; 1.0)                    | 11             | 1              | 0              |

Source: prepared by the authors, based on National Electoral Commission data.

What is more, looking at the spatial disparities of the political fragmentation index it becomes apparent that some of Polish regions are characterized by significantly greater values of the said
index than others. Political fragmentation remains relatively low in northern and north-eastern as well as southern part of Poland, while high political fragmentation may be observed in parts of eastern and western Poland (Figure 1.).
Figure 1. Political fragmentation index in Polish communes.

Source: prepared by the author based on National Electoral Commission data.
3. Absorption capacity

The aim of our research was to verify whether political struggles, as reflected by political fragmentation at the local level, affect the local governments’ capacity for absorbing external sources of funding. Currently, the only major source of external funding available to communes comes from European Union structural and cohesion funds. That is why the absorption capacity of individual communes has been measured with the use of data on amounts of received funds related to performing and implementing EU projects and programmes. This data has been obtained from the Central Statistical Office in Poland.

The analysis is based on two indicators: (1) external sources of funding as a percentage of total budget incomes and (2) external sources of funding per capita. The indicators were calculated for each year between 2006 and 2011. Earlier years were not covered as the term 2006-2010 was the first when any significant amounts of EU funds were obtained by Polish communes. Figure 2. shows the spatial distribution of external sources of funding obtained by Polish communes. The communes in Poland are clearly becoming more experienced and efficient insofar as absorbing EU funding is concerned – with each year the number of communes which managed to obtain such funding increases, the average amounts per capita are also growing each year, with the exception of only 2008 (from PLN 57 in 2006 to PLN 292 in 2011). The temporary slow-down in terms of absorption may be explained by the commencement of a new programming period of the EU in 2007, resulting in introduction of new Operational Programmes and procedures required to obtain funding and thus in steep learning curves.
Figure 2. External sources of funding *per capita* in Polish communes.
External incomes per capita

- over 2000 PLN per capita
- from 1500 PLN to 2000 PLN per capita
- from 1000 PLN to 1500 PLN per capita
- from 500 PLN to 1000 PLN per capita
- up to 500 PLN per capita
- no external incomes

Source: prepared by the author based on National Electoral Commission data.
Based on annual indicators, aggregate indicators were computed for periods coinciding with terms of office of communal councils (2006-2009 which covers the full term of office initiated in 2006 and 2010-2011 which covers the first two years of the current term of office, started in 2010). These indicators show the average annual value for the whole period and have been used to verify the main hypothesis outlined in the paper. Increased per capita incomes coincide with significant increases of the share of external sources of funding in total incomes of communes – Figure 3. shows average annual shares of external sources of funding in total incomes for both analysed periods.

Figure 3. External sources of funding in Polish communes (share in total incomes)

<table>
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<tr>
<th>2006-2009</th>
<th>2010-2011</th>
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### External incomes as % of total incomes

- over 20% of total incomes
- from 15% to 20% of total incomes
- from 10% to 15% of total incomes
- from 5% to 10% of total incomes
- up to 5% of total incomes
- no external incomes

Source: prepared by the author based on National Electoral Commission data.

### 4. Conclusions

Analysis of dependence between the communes’ absorption capacity and political fragmentation was based on determining correlation coefficients for data sets covering all communes in Poland. Correlations were determined between Herfindahl-Hirschman index of political fragmentation and absorption capacity as measured by (1) per capita external incomes and (2) share of external incomes in total incomes. Table 3. and Table 4. show these correlations.
The results of performed analysis prove that the research hypothesis has been negatively verified. All the correlations coefficients have negative values which may suggest that the relationship between analysed variables is negative, as the working hypothesis suggested. However, the values of correlation coefficients, which are close to zero, do not allow to conclude that there exists any statistically significant cause-effect relationship. This proves that street-level knowledge or generally held beliefs in that respect do not have any scientific confirmation.

Analyses described in this paper suggest that other factors may explain spatial differentiation in terms of absorption capacity between territorial units on communal level. One of such factors could be institutional capacity as the success of application for external funding depends on competences and skills of civil servants, rather than those of local politicians/councilors (Turala, 2013). Insofar as political fragmentation is concerned it may have an impact on other areas of local governments’ activity like for example capacity to cooperation with stakeholders (Danielewicz and Turala 2012). These concepts will be further researched.
References


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