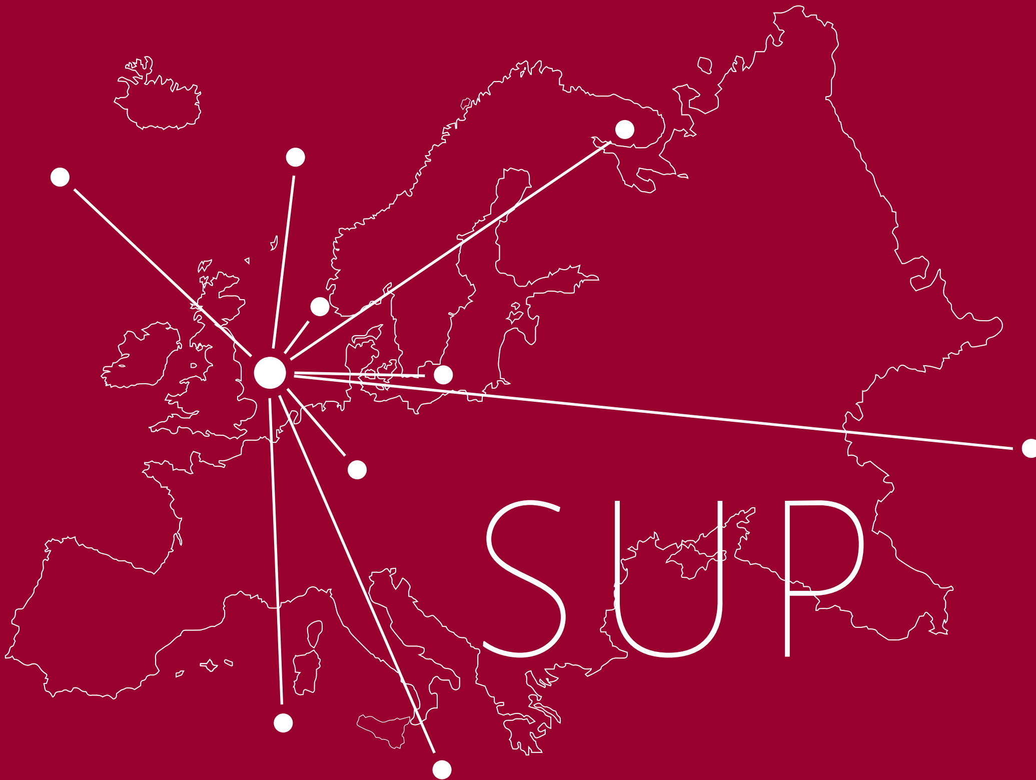

STUDIA SIECI UNIWERSYTETÓW POGRANICZA

Tom 8

2024

STUDIA
SIECI UNIWERSYTETÓW POGRANICZA

pod redakcją

Jarosława Matwiejuka

Tom 8

Białystok 2024

Studia Sieci Uniwersytetów Pogranicza
The Studies of the Borderland Universities Network

Redakcja i korekta: Monika Gierak
Projekt graficzny, redakcja techniczna i skład: Krzysztof Rutkowski

ISSN 2544-5790

Redakcja

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DOI: 10.15290/sup.2024.08.01

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POLYARCHY AND GEOPOLITICS IN INTERNATIONAL SECURITY STUDIES

Abstract

- *Goal* – The aim of the analysis is to answer the question of how to study international relations in the area of security: by highlighting phenomena from the area of geopolitics or through the prism of the polycentric and polyarchic system of international anarchy.
- *Research methodology* – The analysis is conducted with a systemic method, understood as an interconnected set of elements, i.e. an international system, by examining the relationships of these elements and their influence on each other and the environment.
- *Score/results* – The theory of polyarchy shows the specificity of rivalry between states – the key role of resources (and their accumulation) in rivalry and the process of converting resources into energy used within the group of people to survive and outside to compete with other groupings.
- *Originality/value* – The theory of polyarchy examines the historical development of international relations by illustrating the processes of grouping the human species into rival alliances and the emergence of the structure of states. It also explains the mechanisms of their evolution and the evolution of relations between them. Further on, it demonstrates how regional systems were formed and how they disintegrated and evolved, eventually transforming into the global system.

Keywords: anarchy, polyarchy, system, geopolitics.

1. Introduction

In the literature on international relations, there are many comments on the specificity of the primary conditions and dependencies that shape relations between states. Researchers associated with the realist schools draw attention to the “anarchic nature” of the international system [Bull, 1985: 3–52; Holsti, 1996: 7], whereas “anarchic” does not mean “chaotic or fragmented by disorder” [Mearsheimer, 2001: 30]. Anarchy in the international environment is generally perceived as a system in which its actors and participants – particularly states, but also international organizations, multinational corporations, and others – operate within a context of polyarchy, that is, a system lacking a clear state arbiter (hegemon) or any other monopolistic authority capable of resolving disputes and administering justice. In conditions of anarchy, the importance of violence increases and the basic attribute of survival remains the strength/power of a given entity, which also determines its position in the system of international relations. It is difficult to clearly define the parameters of this power. Charles Doran rightly pointed out that “if the essence of international relations is power, power is the essence of relativity” [Doran, 2003: 13–49]. Nowadays, however, there is an emerging (or perhaps re-emerging) journalistic tendency to overemphasise geographical factors, which leads to a renaissance of geopolitics. This approach, however, implies risks that will be discussed in the following article.

The aim of the analysis is to answer the question of how to study international relations in the area of security: by highlighting phenomena from the area of geopolitics or through the prism of the polycentric and polyarchic system of international anarchy.

2. Geopolitics: false assumptions and false conclusions

The renaissance of geopolitics, which has been ongoing since the late 1980s, is rather surprising. It might seem that after the experiences of World War II[1] the field will disappear at least from university departments. However, this did not happen. Geopolitics has, in fact, never been entirely subjected to complete condemnation. There have always been ardent defenders or even devoted adherents of

[1] It concerns mainly the relationship between geopolitics and some German geopoliticians with the ideology and practice of the Third Reich.

geopolitics. Even if it remained a phantom concealed under other terms [Sykulski, 2009: 174], by the early 1990s, it began to fully re-emerge in theories attempting to explain the major political transformations of the late 1980s and early 1990s. To some extent, this is understandable. The dynamics and scale of uncontrolled and unpredictable transformations made it difficult to understand the changing reality. Old concepts and theories developed during the Cold War have proven to be unreliable. There was a growing demand for ideas that could explain the mechanisms of change and show potential alternatives. In interpretations of the new order, there was a temptation to resort to simple tools and straightforward answers. It was precisely on this foundation that geopolitics experienced its revival. Contemporary geopolitical visions are an attempt to describe the transformations occurring in international relations. They also serve as a response to the feeling of helplessness in the face of the radical change in the status of individual states and even an expression of nostalgia for the lost greatness of some powers.

The triumphant return of geopolitics observed today also brings back the doubts associated with it [Kuźniar, 2005: 81–88]. They result from two basic premises: 1. Attempts to perceive geopolitics as a scientific discipline [Sykulski, 2013: 9–31]; 2. The extreme determinism that can accompany geopolitical concepts. However, the very attempt to define geopolitics may be problematic. It seems that "geopolitics" is one of those concepts used as a catch-all term to explain everything at the intersection of strategy, political science, geography, history, and the broad domain of international relations. Geopolitics is essentially concerned with determining the mutual relations between the natural elements of geography and the politics of states [*Dictionnaire,* 1993: 9]. It is a certain "reflection preceding political acts" [Jean, 2003: 40]. Even if it inspires such efforts, it typically leads to flawed conclusions due to its fundamentally incorrect assumptions.

Geopolitics lacks the characteristics necessary to explain reality in terms recognised as scientific. Primarily, the field lacks the ability to be subjected to critique – it is formulated and presented as a doctrine shielded from any form of criticism. Geopoliticians do not confront their theories with other scientific theories or with facts that are inconvenient for geopolitics. They do not draw upon the findings of social sciences or biological sciences. They have trouble formulating general laws and trends, which is one of the most important theoretical aspects of social science. This seems understandable to some extent – there are no objective "rules" or "geopolitical laws" [Jean, 2003: 40–41]. Geopolitical hypotheses are not neutral. They depend on the adopted attitudes, concepts and values that inspire the assessment of one's own interests, one's own destiny and the assumed evolution of the international system. Geopolitics represents a mode of thinking rooted in colloquial, more ideological than scientific, terms. It serves to bolster aspirations and validate certain "self-evident truths" that, in reality, are far from evident. It creates false visions and offers inaccurate prescriptions, which are subsequently propagated by laypersons and even within academic discourse. This is both misleading and dangerous, as geopolitics, instead of providing knowledge, offers fantasies that often serve the interests of specific states. Grand geopolitical concepts are, in practice, scenarios for the future, alternative solutions, and their shaping in alignment with predetermined objectives. The fact that geopolitics is not a science is ultimately evidenced by the multitude of geopolitical concepts, which are often contradictory or confrontational, relying on different premises and conditions. Geopolitics can thus be described with the words of Prof. S. Bieleń: "(…) a great latitude in the use of concepts, the creation of various mental constructs (visions, projections, models, myths), which are readily attributed with theoretical value" [Bieleń, 2012: 16].

The second issue that emerges when employing geopolitical doctrines is their determinism. In an extreme case, it may lead to the conclusion that human actions have no influence on international reality, as it is geography that determines the course of events. Certainly, such an approach is unjustified and does not stem from rational premises. Instead, it presents an ideological dimension. Geopolitics focuses on the development of powers within space, but it does not regard space as a neutral platform where relations between social communities unfold. Instead, it views the space as a battleground where the weak must naturally yield to the strong. It excessively elevates the importance of geographical factors – such as resources, location, and strategic points – while marginalising or ignoring other factors that influence a state's power. It fails to recognise that both the factors shaping power and the balance of forces within a given space are dynamic over time and, therefore, do not necessarily result from geographical conditions. It appears to overlook the dimension of time – even if certain geopolitical concepts are justified within a specific period when viewed from the perspective of Braudel's *longue durée*, they reveal themselves to be relatively insignificant episodes.

The claim that certain conditions of the geographical environment must inevitably produce certain political consequences is, at some level, trivial. When examined more closely, it proves to be highly exaggerated. Geographical conditions obviously create situations that are favourable or unfavourable to specific political actions. It is even difficult to conceive of a serious political science analysis of international security that does not take geographical factors into account. Undoubtedly, the construction and maintenance of roads in Siberian conditions are significantly more costly than on the plains of Central Europe. Managing the vast expanses of Russia necessitates strengthening central authority and excessively expanding bureaucracy, while the lack of access to open seas limits the development of states. Such problems can be enumerated further, with the caveat that they do not necessarily determine whether a given state will become a great power or even whether it will pursue a particular policy. History provides many examples of empires the beginnings of which were very modest and the geographical limitations of which could be considered decisive (Rome, Macedonia, the Mongol Empire). An excessive emphasis on geographical determinism can, in turn, give rise to the temptation of crafting a historiosophy centred on the notion of a “geographical fate.” That kind of approach is anti-scientific and ahistorical. The fall of the Polish-Lithuanian Commonwealth in the 18th century did not result from its geographical location but from the internal decay within the state. The expansion of Russia, even if influenced by geographical factors – such as the political centre of the state being vulnerable to attack, prompting Moscow to enlarge its buffer zone – was primarily a policy aimed at building an empire. Naturally, this expansion was ideologically sanctioned, drawing directly on geopolitical concepts. Russia was thus portrayed as the archetype of a continental empire [Trienin, 2001: 40], an “organism of space and spirit” [Iljin, 1996: 171]. Georgy Gachev asserted that for Russia, “distance and breadth were more privileged than height or depth; the world’s horizon mattered more than the vertical” [Gachev, 1997: 622]. Konstantin Leontiev wrote that Russia was doomed by history to grow, even against its will; hence, its territory was perceived as “the earthly environment of the national spirit” [Leontijev, 1996: 158]. Such justification for expansion is a common phenomenon; however, it must be regarded solely in ideological terms.

Specific geographical conditions potentially create situations that are favourable (or unfavourable) to particular social responses. However, they do not determine which reactions must occur, let alone imply that such reactions are predetermined. Geographical determinism fails to account for the “soft” characteristics of the international system, such as connections, culture, dependencies, diplomacy, the role of innovation, and the evolution of political systems, among others. Participants in international relations include not only states but also numerous other social entities. Geopolitics does not take into account the role of individuals in shaping the international system, nor does it consider the impact of technology, capital concentration, international institutions, organisations, and the role of ideological, political, or religious connections. The part of large corporations in shaping international relations is also omitted. This is particularly problematic given that corporations often define not only economic but also political objectives, which states then follow. This phenomenon has been observable at least since the 16th and 17th centuries when the political objectives of states such as the Netherlands and England began to be shaped in part by trading companies[2]. The contradictions that emerge in international relations are, therefore, not necessarily generated by governments or territorial political communities. Geography does not have to be the axis of these relationships.

Geopoliticians often presume extensive knowledge of the mechanisms underlying security systems; however, their understanding appears to closely align with the extent of their own writings on the subject. One might also get the impression that they are not particularly interested in actual political and social processes. In fact, geopolitical fantasies are primarily embraced by groups struggling to adapt to the evolving role and position of states in the new international reality or by those seeking to justify violence and expansion. Geopolitics itself was originally developed as an ideological foundation for the strategic concepts of great powers – it aimed to justify their dominant position and legitimise their political objectives. It continues to serve political interests, striving to support the notion that the strong will always prevail over the weak. In the long run, however, it is not the strongest who win, but those best adapted to the competition.

3. Systemic analysis of polyarchy

Geography is an environment that clearly plays a significant role in the development and competition of human groups, but it is the system that imposes specific behaviours that prove to be key. It is the system that establishes the mechanisms of competition and causes everything to revolve around the conversion of resources into energy. Access to resources is only partly due to geographic location. Geographical constraints are modifiable – both by the properties of the system in which a given community operates and by the organisational and technological capabilities of society. The history of warfare is full of examples of overcoming the

[2] The first trading companies include the Muscovy Company, established in London in 1553, as well as the Dutch East India Company and the British East India Company, both founded in the early 17th century.

"regime of geography" through organisational and technological superiority. Space was no barrier to the conquests of Alexander the Great, Rome, and the Mongols. Since the 16th and 17th centuries, it has ultimately become clear that geography and the distribution of resources are not barriers to the global development of states. Hence, the rapid development of war and transport fleets, colonialism, international trade, and, consequently, global powers. The key to success here was organisation and technology.

Systemic thinking, and consequently system theories, is particularly important as it eliminates geopolitical fantasies and focuses on realities. In system theory, there is no room for discussions about the "regime of geography" that supposedly determines state policies. Consequently, there is little opportunity for dreaming and building strategies. The latter may be an effect of systems theory, but it does not belong to it. The systemic approach, in turn, provides an opportunity for a comprehensive and relatively objective study of international reality. It reveals the nature and forms of interdependencies among all elements participating in the international relations system, the interweaving of their interests and goals, the character and significance of conflicts arising between them for the overall system, and their actual position and importance from the perspective of politics [Potulski, 2010: 77]. Every system has a natural tendency to maintain balance and to create conditions for stabilising human behaviour. The problem at the research level is to build a comprehensive model of the system. There is no unified characterisation of systemic methods in the study of international relations or international security. The issue lies in conceptual ambiguities at the level of terminology, as well as in a certain arbitrariness in conceptualisation. The choice of interpretative approach is largely a matter of the adopted and consistently applied convention. When faced with a multitude of contexts and definitions, the most reasonable course of action is to designate one as the leading framework. The theory of polyarchy [Skarzyński, 2006], which serves as a typical example of systemic thinking, appears to be an interesting and innovative proposal in this context.

The term "polyarchy" derives from the Greek words *poli* – meaning "many" – and *arche* – meaning "rule" or "power," which can be interpreted as "rule by many." Thus, it is not a form of "democratic regime," as Robert Dahl [Dahl, 2011] argued, drastically altering the term's meaning and stripping it of its original sense. Instead, it refers to a system of multiple power institutions, multiple authorities, or numerous participants in governance. Thinkers of ancient Greece, analysing the relations prevailing on the Peloponnesian Peninsula at the time, observed that it was a system of political unions interacting with one another. These unions sought to establish a monopoly on legitimate violence within a given territory – monarchies competing for survival or dominance. Polyarchy is a complex structure of relationships among people grouped into a collection of monarchies, which, as distinct political entities, engage in mutual relations while existing in a state not overseen by any third party – in other words, existing among themselves in a state of anarchy. The theory of polyarchy examines the patterns of relationships within the human species that lead to the emergence of territorial unions, which group entire communities and compete for resources. Polyarchy governs the mutual relations of these territorial unions – endowed with the status of political entities, such as states – as well as their interactions and dependencies, forming a stable structure of connections that also defines mechanisms of change. The international system is merely a specific, temporally limited version of polyarchy, arising during the era of nation-state dominance.

Large space phenomena arise as a result of the development of relationships between people. Both monarchy and polyarchy are outcomes of social adaptation and selection. To survive, humans were compelled to cooperate with one another, leading to the formation of social wholes. Initially, these were entities bound by kinship ties, later by shared language, culture, and territory. Cooperation enabled communities to counteract natural limitations and also to resist other similar entities, which exerted increasing pressure on one another. This competition necessitated further consolidation and the formation of increasingly powerful entities. Political powers also had a social character, as they emerged through the aggregation and integration of human communities, which required access to sufficient resources to function, reproduce, and operate across vast spaces [Skarzyński, 2016: 67]. Only consolidation – bringing together large, strong, resourceful, well-armed entities capable of generating sufficient force – enabled survival in confrontations with other such entities. This pressure and rivalry, along with the consequent arms race, led to the formation of great powers. The competition was ultimately won by strong political entities that unified individuals around a sufficiently compelling vision of order and a central authority for managing resources, enacting laws, and enforcing them within the territory under their control. Local polyarchies and their global structure have evolved over the past six thousand years as cities have transformed into entities equipped with visions of a universal order with a more complex territorial and social structure. The division into monarchies was never fixed but it underwent transformations. Processes of adaptation and social selection continue to this day, meaning that polyarchy is still evolving as its participants change and engage in mutual, temporally reproduced relationships. This implies that over time and in different spaces, new monarchies emerge, adapting to their environments by developing appropriate attributes. Only those entities attuned to their surroundings can function effectively, thereby shaping the current structure of polyarchy. The emergence of political entities that absorbed too many social wholes – empires – inevitably generates problems and internal conflicts. Without a strong governing centre, contradictions in interests and goals become apparent, as does internal competition for resources. Alongside processes of consolidation, there are also processes of polarisation. A clear example regards the increasingly apparent failure of the project for an integrated European state – the European Union. No entity has yet concentrated sufficient power to achieve global hegemony. However, relatively stable regional hegemonies have emerged, such as Russia and China. The United States has developed a unique form of hegemony by creating elements of a global polyarchy through a network of connections and pressures on other states. This polyarchic system is characterised by a framework of rules and principles (primarily economic) that govern the functioning of the current international system.

The system of polyarchy is based on continuous competition, struggles for resources, and the pursuit of hegemony, which enables control over these resources. This competition stems both from human nature, with its intrinsic drive to accumulate wealth, and from an objective necessity – access to resources is essential for survival and participation in further competition. These resources can vary in type and their significance changes over time. In the past, key resources included hunting grounds, pastures, and arable land. For instance, the struggles of the Roman Republic can be traced back to battles for land, while the Mongol expansion was initially driven by access to pastures. With technological advancements, metals and later fuels became increasingly significant. Access to resources became critical for the survival and development of human groups, making the fight for resources – either to protect one's own or to seize those of others – the primary goal of the competition. Technological progress also transformed this competition into a global struggle, particularly involving the protection of communication routes through which resources were transported. In this rivalry, states with a resource deficit but with superior technological and organisational capacities proved to be particularly aggressive and effective competitors. Such advantages formed the foundation of military successes for Assyria, Macedonia, and Rome, as well as for modern powers such as England, France, and the United States. Technology allowed states to mitigate demographic weaknesses and geographical limitations to a certain extent. Innovation increased efficiency in transforming resources into energy, enabling European states – with relatively limited resources – to conquer and control nearly the entire world during the 19th century. Similarly, innovation allowed the United States to win the Cold War. Powers that neglected innovation and rejected continuous modernisation condemned themselves to failure. This phenomenon is well illustrated by the political decline of China between the 15th and 19th centuries, Japan during the 17th to 19th centuries, and the Soviet Union in the 1980s.

Polyarchy is a dynamically changing system of power exchange in which the "balance of power" plays a crucial role. This balance determines the degree to which each power adapts to the demands of competition, influencing the fall of some and the survival of others. The "balance of power" arises from the interaction of forces generated by the participating social entities, those associated with them, and the natural forces external to the system but influencing its participants [Skarzyński, 2016: 68]. Great powers create global and regional security systems within which they are compelled to coexist. The "balance of power" is the tangible structure of such systems, defining the conditions, possibilities, and rules of competition. The position of each power within this "balance of power" is determined by the resources at its disposal relative to those managed by its rivals. Thus, the "balance of power" is a structure resulting from the mutual interactions of territorial entities, each with its own vision of universal order and striving to establish it. The fundamental characteristic of the "balance of power" is its inherent imbalance, revealed in the varying strengths of the entities within it, their decline, rise, acquisition of dominance, and eventual loss of it. However, such imbalances typically drive gradual changes over long periods, spanning generations. The pace of these changes can vary, sometimes extending over centuries, and they are always tied to the transformative capacities of the social entities generating power and sustaining its specific arrangement within the polyarchic system.

The "balance of power" among sovereign powers forms and operates within its environment but ultimately "rests" upon its participants. It is neither an order nor it requires justification or any normative foundation. Its existence necessitates only the presence of entities operating at their own risk, possessing political status, distinct territories, and the capacity to engage in mutual relations. The unique position of political entities is not a matter of chance but a result of necessity. Over vast spaces and long timeframes, the dominant role inevitably falls to the "balance of power" grouping entities capable of utilising all available resources, including moral ones, as these enable actions involving truly ultimate means – the mass mobilisation of human life as a tool for conflict. This is the essence of selection. It favours human unions that not only accumulate ever-greater resources but also develop the ability to use them in a coordinated manner to exert influence on their environment.

The stability of the system depends on the determination of states (primarily great powers) to pursue their interests. When a human collective deems, in a manner unacceptable to others, that its development requires additional resources or that the system in which it operates restricts its growth, it seeks to challenge the existing balance of power, leading to a conflict. This dynamics led to events such as World War I and World War II, as well as to the current rivalry between the United States and China. The determination of powers to achieve their goals often depends on religious and ideological visions, though frequently, religion or ideology serves merely as a means of moral justification of the struggle for resources.

4. Conclusions

One of the undeniable advantages of geopolitical doctrines is their journalistic appeal, while their drawback lies in a tendency toward fantasising and in the excessive exemplification of geographical factors. The theory of polyarchy, without negating the importance of geography, provides a much more comprehensive answer to questions concerning the mechanisms of international security. This is due to its strong foundation in the social sciences. Sociology, in particular, serves as a critical pillar for the theory of polyarchy. Without knowledge of human relations, micro-social phenomena, the specifics of social interactions, and the functioning of societies, it is impossible to fully comprehend the mechanisms of international relations and security systems [Skarzyński, 2006: 13 et seq.]. Geopoliticians often live under the illusion that certain codes can be easily substituted into a specific equation to produce the desired outcome. However, it seems that this approach relies solely on frameworks that, while useful for understanding certain strategies, simultaneously impose significant mental and analytical limitations. These limitations prevent uncovering the true mechanisms underlying the functioning of international systems.

In this respect, the theory of polyarchy holds a clear advantage. Above all, it provides a historical perspective, illustrating the processes by which the human species organised into competing unions, the emergence of state structures, and the mechanisms of their evolution, as well as the evolution of relations among them. It demonstrates how regional systems were formed and how they disintegrated and evolved, eventually transforming into the global system. Importantly, it does all this without the ideological overtones typical of geopolitics. The theory of polyarchy is ideologically neutral, offering a comprehensive framework for describing international reality. It allows for overcoming the limitations of a national perspective that is inherently flawed. For example, in 1648 – a year often claimed to mark the beginning of the post-Westphalian era of nation-states – an uprising erupted in Zaporizhzhia, altering the balance of power in Central Europe and, consequently, the history of the entire continent. The national perspective obscures the fact that the era of nation-states is merely one stage in the functioning of polyarchy. Security systems and balances of power formed independently of the development of nation-states and are products of the evolution of human communities, extending far beyond the few centuries during which nation-states have existed.

The theory of polyarchy highlights the specifics of competition among states, emphasising the critical role of resources (and their accumulation) in rivalry as well as the process of converting resources into energy. This energy is used internally for the survival of human communities and externally for competition with others. Paul Kennedy described this process in *The Rise and Fall of the Great Powers* [Kennedy, 1994], demonstrating that great powers were those states most effective at accumulating resources and converting them into energy. However, Kennedy did not explain how the system of states functions. He focused too heavily on economic resources, neglecting the problem of universal visions of order, which inspire the will to fight for dominance. While such dominance was ultimately unattainable, the pursuit of it led to costly rivalries and devastation.

The theory of polyarchy provides a universal explanation for the functioning of international systems, identifying enduring characteristics and the long-term causes of conflicts. The necessity for monarchies to accumulate resources and to use them to ensure the survival of their community members and to compete with other monarchies is a constant factor. Rivalry is inevitable because resources are always finite, while ambitions are boundless – particularly when shaped by grand visions. Thus, competition and conflict are intrinsic to the nature of polyarchy. Victory in this system belongs to those who can effectively organise social relations within a given territory, thereby gaining greater capacity to accumulate resources and convert them into energy.

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DOI: 10.15290/sup.2024.08.02

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RESILIENCE AS A THEORETICAL FRAMEWORK FOR ANALYSING THE POLISH-BELARUSIAN BORDERLAND DURING THE MIGRATION CRISIS

Abstract

- *Goal* – This study aims to assess the applicability of the concept of community resilience as a theoretical framework for analysing the Polish-Belarusian borderland during the 2021 migration crisis. It explores how local communities adapted to the crisis, considering the borderland as a dynamic social space influenced by both global and local phenomena.
- *Research methodology* – The article is based on qualitative research, using in-depth interviews and focus group discussions. The study focuses on the experiences of local communities in the Polish-Belarusian borderland during the migration crisis. The focus group was conducted with sociology students living in the closed zone, while the in-depth interviews were carried out with residents of various localities within this area, using the snowball sampling method. The analysis was grounded in the theoretical concepts of social resilience and everyday life, complemented by a historical perspective that highlights the role of unprocessed collective trauma in shaping current adaptive strategies.
- *Score/results* – The research reveals that the migration crisis significantly disrupted the daily lives of borderland residents. Despite these challenges, communities demonstrated adaptive capacities by developing new strategies to cope with the crisis. These included leveraging social and cultural resources, such as neighborhood support and grassroots initiatives, to mitigate the destabilisation of everyday life.
- *Originality/value* **–** The study's originality lies in its interdisciplinary approach, combining perspectives from border studies and resilience theory. By integrating these frameworks, the research offers a nuanced understanding of how local communities navigate complex crises, emphasising the role of social capital and local adaptation strategies in rebuilding and strengthening community ties under duress

Keywords: borderland, crisis, resilience, everyday life

1. Introduction

This paper analyses the concept of community resilience in terms of its applicability to the study of the Polish-Belarusian borderland in the Podlaskie Voivodeship during the migration crisis that began in the summer of 2021. The paper uses the concept of resilience, defined as the adaptive capacity of communities in the face of sudden crises, and the concept of borderscapes, which treats the border as a dynamic social space, undergoing constant transformations under the influence of global and local phenomena.

It is worth considering how borderland communities engage a variety of social and cultural resources, including neighbourhood support and grassroots initiatives, to mitigate the destabilisation of everyday life. The work points to the relevance of social capital and local adaptation strategies to help rebuild and strengthen community ties in difficult circumstances.

2. Borderland as an object of social research

In this text, I focus on the Polish-Belarusian borderland in the Podlaskie Voivodeship after 2021. This borderland is territorially defined by the border between Poland and Belarus, which was established in 1945 (previously as the border between Poland and the USSR). Since 2007, it has also been the Schengen border and is 418 km long. It has fourteen border crossings, seven roads, five rails, one seasonal river crossing for canoes and one pedestrian/bicycle border crossing in the Białowieża Forest open only during the day. A great piece of this border runs along rivers (Bug, Narew). Crossing Poland's eastern border allows further, freer movement throughout the European Union. The border between Poland and Belarus itself was a relatively secure border until the summer of 2021, and the neighbouring borderland has been described in the literature as a borderland of long duration – that is, a borderland with formed social relations. The centuries-long coexistence, but also the influence of large state organisms and "historical nations", which produced a constellation of intercultural relations specific to this borderland, shaped a standard of socio-cultural relations peculiar to it (far from homogeneity).

Borderlands have been the subject of analysis in the social sciences for several decades. Borderlands are laboratories of social relations of sorts, as anthropologists Donnan Hastings and Wilson M. Thomas write: "Almost everything that concerns the daily lives of people in the modern world can and does happen in its borderlands. This makes borderlands interesting to sociologists, although they are nothing special. However, some things can only happen in borderlands" [2007: 19].

In Poland, they particularly developed after 1989 owing to the work of Andrzej Sadowski, Grzegorz Babinski, Zbigniew Kurcz, Jerzy Nikitorowicz and others. Several research centres in Poland have particularly focused on the study of borderlands, transborderality (Wrocław, Opole, Białystok, Cieszyn, Gdańsk). The analyses of borderlands so far have made it possible to recognise the structure of the borderland population, the social identity of the borderland, to analyse social relations in borderlands in terms of relations between the dominant group and national/ethnic minorities. In recent years, as Irena Szlachcicowa notes, a theoretical turn has been taking place in border studies. This is a spatial turn and a relational turn (relations turn) [2019: 20]. Borderlands are described by researchers as a laboratory of social processes, identities and attitudes towards others/foreigners. The social space of a borderland is: "the totality of social relations occurring in the borderland area of states, together with the factors that condition them. This space is created, inter alia, by all types and kinds of social institutions (formal and informal; economic, political, educational, religious, etc.) administrative units, groups and social organisations, which generate and organise the specific borderland field favourable or unfavourable for establishing, developing and maintaining contacts, social relations and ties between entities located in the borderland area and beyond" [Zielińska, Mielczarek-Żejmo, 2020: 400].

After 1989, when a period of systemic transformation began in Poland, researchers were able to start studying borders and borderlands in new, ideologically unconstrained dimensions. This was of momentous importance for "rediscovering" cultural (ethnic, religious) diversity. For the nationality policy of the communist authorities led to a separation of the consciousness of coexistence with other ethnic and religious groups in the Polish national discourse. The tradition of the multicultural Polish state and its past were kept silent, and the few representatives of minorities functioned on the margins of society, pushed into the niche of internal exoticism and "cepelia". Hence, at the beginning of the transition, the attention of researchers was focused on showing that national/ethnic minorities existed in Poland, although the nationality structure of the state had changed radically since World War II [cf. Bieńkowska-Ptasznik, 2007: 9–12; Łodziński 1989: 11–25].

3. The Polish-Belarusian borderland and its specificity

The first researcher to start empirical research on the Polish-Belarusian borderland was Andrzej Sadowski. He focused on showing the national phenomenon of the Belarusian minority inhabiting the borderland in question, analysing the national identity and cultural diversity of the borderland. He was one of the first to develop the subject of borderland sociology in Poland after 1989. After a period of analysis of individual minorities and the study of the new order of ethnic relations in the north-eastern borderland, the attention of the team working with Andrzej Sadowski focused on what a culturally diverse society is and what it can be.

4. The current situation in the Polish-Belarusian border region – new research challenges – a theoretical framework

The current crisis on the Polish-Belarusian border began in the summer of 2021. The Polish public heard about it after residents of Usnarz described on social media what was happening in their village. It was about the detention of a group of migrants by the Border Guard and keeping them in a clearing near the border for an extended period of time. The story was described by Joanna Klimowicz of *Gazeta Wyborcza*, among others: "This situation is supposed to have prevailed for a week now. Trapped in the open air, in a strip of no man's land, the people have no possibility of movement or shelter. They have set up a temporary encampment, burning fires at night to keep warm. They are waiting for a decision from the Polish side so that they can apply for international protection here. They still have food, provided to them by border guards. The refugees are scared and desperate" [www 1].

The story of the group from Usnarz sparked a heated discussion in the media, we could observe how two different discourses were developing: the humanitarian discourse and the hybrid war discourse [cf. Bieńkowska, 2023], or as Justyna Straczuk defines it, the grassroots, activist discourse and the governmental discourse [cf. Straczuk: 2023]. The Border Guard published daily statistics showing the scale of attempted border crossings, which was significantly higher than at the same time in previous years. The Polish Border Guard provided social media announcements, emphasising that the situation is an emergency: "In August of this year, 2100 persons attempted to cross the Polish-Belarusian border illegally.

Out of these, the Polish Border Guard prevented 1342 people from attempting to cross the border and 758 foreign nationals were detained and held in secure centres for refugees run by the Polish Border Guard. From July to 17 August, 380 foreign nationals were transferred out of Poland (including those to their country of origin).” By way of comparison, in the whole of 2020 the Border Guard detained 13 groups attempting to cross the border – a total of 114 persons [Klimowicz, 2021].

In August, the state authorities decided to create barbed and razor wire entanglements on the border to make it more difficult to cross. In total, these entanglements were built with the help of the army along 180 km of the border. This was modelled on an analogous fence on the Hungarian-Serbian border. On 2 September 2021, the President of the Republic of Poland issued a decree imposing a state of emergency in the border area in 115 towns in the Podlaskie Voivodeship and 68 in the Lubelskie Voivodeship. In the region covered by the state of emergency, there are numerous limitations related to the organisation of mass events, assemblies, protests, cultural events and persons travelling to this region must always have identification with them. Many restrictions have been implemented – taking photographs or filming selected places and buildings is forbidden, journalists are banned from the state of emergency zone, as well as anyone else except for the residents. Access to public information has been restricted.

The introduction of the exclusion zone was justified on the grounds of security and the actions of the uniformed services, but it did not mean an end to the influx of migrants. The crisis has continued and is continuing. In addition to the creation of the temporary exclusion zone, the authorities took measures to build a steel barrier, to create a wall in a strip near the border.

The attention of the media and researchers was mainly focused on analysing the actions of the ruling party and the migrants. The local border communities were hardly mentioned. One had the impression that the local community had become an invisible actor in the situation taking place on its territory.

The situation that can be observed here has been escalating for several years now, and several stages can be distinguished – from the initial shock, the sense of temporariness of the strange/new situation, through the gradual getting used to new regulations introducing restrictions for the local community (the exclusion zone created on 2 September 2021 by a decree of the President of the Republic of Poland). The Russian attack on Ukraine and the ongoing war in Ukraine, the construction of a wall on the border, the progressive militarisation of this borderland, or the Shield East programme announced by the authorities, were also important milestones.

The current situation in the borderland strongly resonates with the previous state of ethnic relations in the area. The social space of the Polish-Belarusian borderland is being transformed by the migration crisis that began in the summer of 2021 caused by an influx of migrants wishing to cross the Polish border from Belarus. The scale of the control of the relatively "new" migration route by the Belarusian authorities and the actions taken by the Polish authorities (e.g. the presence of soldiers, border guards, inspections, etc.) transformed the daily life of the inhabitants of the border areas, who were confronted every day with a situation that was new to them.

The relations in the local communities, culturally, religiously and ethnically diverse in the border area, encountered specific and unique challenges caused by external factors, as a result of which the well-being of the Polish-Belarusian border communities (understood as the security of the border and of the people living in the border area) was threatened. This well-being is de facto something fragile and relatively new, built after the post-war events that strongly influenced the attitudes of the people living in the border area. The borderland has its own specific and complex history.

When planning research in a crisis situation, many factors are relevant; the knowledge of the history can explain the specificity of the reactions of local communities to current events. When considering a theoretical framework that allows for a multifaceted view of the local border community, it is worth focusing on the concept of resilience.

Community resilience is the ability of a community to cope with crises, adapt to change and recover from difficult situations. Resilience is understood as an adaptive process in social relations that emerges and exists between governance, obedience and resistance [Krüger, Albris, 2021]. This community resilience is understood as the ability of members of a particular community to take deliberate and meaningful collective action to mitigate the undesirable effects of crises and return to a state that allows for the safe and sustainable development of that community [Paton, Johnston, 2001: 273]. It can be surmised that social mechanisms such as solidarity, support or cohesion allow a community to acquire and maintain the necessary flexibility in the system, which in turn enables the effective use of its material, psychological, social or cultural resources in the face of crisis [Walsh-Dilley, Wolford, 2015]. Resilience is also captured as a security paradigm [cf. Stępka, 2021]. Contemporary security challenges are distributed, hybrid, networked, uncertain and thus in need of continuous recognition, assessment and management [Dunn, Cavelty et al., 2015]. This is the type of challenge we face at the Polish-Belarusian border. Resilience recognises the uncertainty, complexity and high dynamics of the security environment, and goes even further by framing impending disasters as something that cannot be controlled [Dunn, Cavelty et al., 2015]. A key element in this approach to security is the recognition of the uncertainty and inevitability of impending events and a move away from the belief that the future can be managed and crises can be completely prevented [Dunn Cavelty et al., 2015: 9]. What is needed is not so much a preventive capacity as a broadly understood culture of preparedness, based on central and local (including bottom-up) mechanisms capable of absorbing shocks and/or adapting vulnerable elements of the social, economic or political system [Adey, Anderson, 2012]. Resilience appears as an adaptive process that shapes and is shaped by social relations [Krüger, Albris, 2021]. At the heart of the resilience approach there is no the identification of threats, but the identification of the weakest links, i.e. the most vulnerable points in the system [Zebrowski, 2013: 166]. Stępka emphasises that: “security policies should focus not so much on narrowly defined defence against threats, but, above all, on continuously increasing the resilience and capacity of systems to restore their resources and regain functionality, should they be compromised by a crisis” [Stępka 2021, after Kaufmann, 2016: 102]. According to Stępka, the concept of resilience emphasises that all elements of a system should be ready to assist weaker, more vulnerable links (an example of such a mechanism would be the use of the armed forces to assist vulnerable groups during a non-military crisis). In this view, security is highly networked, systemic in nature, interconnected by various dependencies to support each other. At the centre of the resilient security paradigm there are, often marginalised or even overlooked, elements such as education and critical thinking skills, learning and development productivity, social cohesion and solidarity, or legal certainty.

Community resilience can be analysed through indicators such as the level of mutual trust and support among community members; Civic engagement – the number of people participating in community activities, NGOs or volunteering; the nature and strength of local relationships, formal and informal social networks; the sense of cultural belonging to one’s community; the level of education to adapt to change; economic stability, access to healthcare and public services, quality of infrastructure; crisis management plans; capacity to innovate.

5. Research questions

Combining the concept of resilience with the perspective of everyday life provides an opportunity to analyse the current situation in both individual and institutional dimensions. Piotr Sztompka lists among the categories of everyday life: space, relationships, time, temporality, non-reflexivity, corporeality, rituality, spontaneity, Everyday life category [Sztompka, 2008]. These two theoretical concepts complement each other and allow us to show how the crisis was and is perceived by the borderland inhabitants.

Can communities that pass on unspoken/silent trauma through successive generations develop competences related to resilience? Do they have the tools with which to deal with difficult, crisis situations? In Agnieszka Holland's film *The Green Border*, the inhabitants of Podlasie are not visible, and if they do appear, it is only marginally. After a screening of the film at the Forum cinema in Bialystok with the director in attendance, the question arose as to why the local community was not there, why their involvement was not visible. This could give the impression of passivity on the part of the local community, but was it really passivity, or rather acting in secret, without publicity? Trying to answer this question takes on a different dimension when viewed through the prism of the story described by Anna Prymaka-Oniszk in her book *Kamienie musiały polecieć. The Erased Past of Podlasie*. Although the events described by the author refer to the past, to the period before and after the Second World War, when reading this work we can have the impression that it also tells about the attitudes of contemporary inhabitants of Podlasie, attitudes based on trauma inscribed in the history of the Orthodox, Belorussian minority in the area of the present Polish-Belorussian borderland. As the author emphasises, the historical policy of the state has an impact on the fact that these events have not been named or explained to this day. Anna Prymaka-Oniszk outlines the history of the "playing out" of Polishness and Belarusianness, commonly referred to as Ruthenianness, through her personal recollections, pieced together from the many told stories, interwoven with documents collected from archives.

Considering the past, including the silent past, is an important element in the research process to find out what strategies local communities can produce in new crisis situations.

The local community is often stereotyped, assessed and judged without any in-depth analysis, as in Andrzej Leder's text in *Krytyka Polityczna* "(...) This experience, transferred to eastern Poland in letters, in stories of those returning from emigration, pervades attitudes towards refugees from Islamic countries trying to cross the border. Resentment, fear, contemptuous, dehumanising remarks – this is not only the result of Kaczynski's vile allusions about diseases carried by 'them' – it is the bountiful harvest of the derogatory and sometimes dehumanising situation in which many Polish emigrants earn their living in rich Europe. Who was despised, will be despised…" [www 2]. Leder's words are assessing, although he bases his assessment on his subjective impressions of an essay by Sylwia Urbańska and Przemysław Sadura describing not so much an in-depth study as a research reconnaissance at the beginning of the migration crisis. Leder's text encountered a polemic by Kamila Fiałkowska and Michał P. Garapich, "Podlasie is not a land of stone-hearted people". As the authors write: "(…) Andrzej Leder exoticises and stigmatises the borderland population, taking away the agency of those who oppose the oppressive actions of the state".

6. Conclusions

This is just an excerpt from the comments and assessments of local residents that have emerged in the context of the current migration crisis. Tellingly, there is no space in all of this for residents or reflection on their condition although it is safe to say that they have found themselves at the centre of events.

In the autumn of 2021, we organised focus research with sociology students from the University of Bialystok who lived in the exclusion zone. We wanted to know their perceptions of the situation then, at the beginning of the crisis. One phrase, a term referring to migrants, that was said during this study: "let them go already" defined not indifference to migrants but rather a longing for what was there before the crisis began. Simple and naïve in its message, the phrase expressed a wish to return to the familiar, everyday, ordinary world. Undoubtedly, the experience of the migration crisis can be a source of social trauma for the inhabitants of the exclusion zone and surrounding areas. According to Piotr Sztompka, traumatogenic change always has a negative impact on the community – it is associated with disorganisation, dislocation, being thrown out of balance [Sztompka, 2000; 2002]. I assume that the inhabitants of the Polish-Belarusian borderland experienced a crisis understood as: "feeling or experiencing events or situations as unbearable difficulties, depleting endurance resources and disrupting coping mechanisms" [James, Gilliland, 2004: 26]. The situation as of summer 2021 in the borderland in question challenges the security of local communities in their daily lives. I assume that the crisis situation in the Polish-Belarusian borderland has activated individual and community resources (material, psychological, social or cultural) to cope with its complexity. This ability to cope with disruptions, the survival of individuals or systems (e.g. ecological or economic) in a reality marked by complex and unpredictable crises and tensions is referred to as resilience [Bourbeau, 2013]. Social capital or social practices (e.g. grassroots initiatives, support groups) play an important role here, allowing individuals to mitigate the negative consequences of crisis events and to constitute a "new normal".

It is worth remembering, however, that the application of the concept of resilience cannot be the result of a hasty choice or a certain fashion for this perspective, as Karol Konaszewski [2020: 35] emphasises in his work. This author shows the complexity and ambiguity of the term residualism, especially when we take this concept from new research areas, interdisciplinarily. However, the concept of resilience is already used in the field of border studies. The concept of resilience appears, for example, in David Newman's 2006 text "The Resilience of Borders in a Globalising World", but the author does not explain the concept itself, but he focuses on demonstrating the need to understand territory not only as a physical space, but as a socio-political construct that reflects identity, power and emotional ties. He emphasises that such a perspective is crucial for the resolution and management of contemporary conflicts. The concept of residuality is also used to show a perspective on the experiences of migrants (cf. *Violent Borders: Refugees and the Right to Move, Reece Jones*).

In recent years, the concept of resilience in border studies has developed particularly in the context of analyses of cross-border cooperation during the Covid 19 pandemic. Examples of the application of this concept include the work of Elżbieta Opiłowska, [cf. Opiłowska, 2022], Hyneka, Ganowicz and Shelvakh [2024] and many others.

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DOI: 10.15290/sup.2024.08.03

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THE MAIN ISSUES IN LITHUANIAN-RUSSIAN RELATIONS FROM 1991 TO 2024

Abstract

- *Goal* – A synthetic presentation of the main issues in Lithuanian-Russian relations from 1991 to 2024.
- *Research methodology* – The study was conducted through an analysis primarily of Lithuanian sources and relevant literature, with particular emphasis placed on presenting Lithuania's perspective in its relations with Russia.
- *Score/results* – After the collapse of the USSR, Lithuania, similarly to the other Baltic states, did not join the Commonwealth of Independent States. The Lithuanian authorities chose to pursue integration with Euro-Atlantic structures in their foreign policy. Russia had long opposed Lithuania's NATO membership, in particular. The main problem in Russian-Lithuanian relations in the early 1990s regarded the presence of Russian military troops on Lithuanian territory. The soldiers were not withdrawn until the end of August 1993. Russia also sought to secure easier transit to the Kaliningrad Oblast, a matter resolved only under pressure from the European Union, which Lithuania joined in 2004. That same year, Lithuania also became a NATO member. Once Lithuania became part of the global West, the country began efforts to achieve economic independence from Russia. After 2014 and then after 2022, Lithuania took a pro-Ukrainian stance and condemned Russia's aggression against Ukraine.
- *Originality/value* –The article demonstrates that the motives behind Lithuania's policy toward Russia stemmed not only from its Soviet legacy but also from the directions of Lithuanian foreign policy and Russia's neo-imperial ambitions.

Keywords: Lithuania, Russia, Baltic region, transit, Kaliningrad Oblast, NATO, Ukraine.

1. Introduction

After the collapse of the USSR in 1991, former Soviet republics, the independent Baltic states (Estonia, Lithuania and Latvia) relatively quickly distanced themselves from the post-Soviet sphere and explicitly declared their aspiration to join the Euro-Atlantic world. Initially, Russia appeared to accept this scenario; however, it soon began counteracting these efforts, aiming to retain control over the region. Russia's tactics only strengthened the determination of the Baltic states. In 2004, they became members of NATO and joined the European Union. The accelerated westernization of the region compelled Russia to adopt a new strategy, which included increased economic penetration and intensified political pressure. Despite changing international conjunctures, Estonia, Lithuania and Latvia have consistently remained within Russia's sphere of interest.

Russian policy towards Lithuania exemplifies Russia's attitude towards the entire Baltic region. However, Russian-Lithuanian relations are also characterised by unique specificities. From the Russian perspective, contemporary Lithuania is perceived in three distinct ways:

- as a post-Soviet neighbour with whom Russia has relatively fewer (compared to Latvia and Estonia) problems caused, for example, by the status of the Russian-speaking minority, which nevertheless constitutes an obstacle to land communication with the Kaliningrad Oblast;
- as part of the Baltic region, which remains of constant interest for strategic reasons and consequently an object of constant political-military and economic interventions;
- as part of the Western world, still treated as an adversary.

The following analysis focuses on Lithuanian-Russian relations, primarily from a the Lithuanian perspective. Relations with Russia have carried the greatest significance for Lithuania throughout the period in question. The situation was caused by a number of factors. In the early 1990s, Russian (post-Soviet) troops were stationed in Lithuania. In addition, Lithuania remained almost entirely economically dependent on Russia for a long time. The future of the neighbouring Kaliningrad Oblast, which was being transformed into a massive military base, also appeared uncertain. Concerns were further heightened by Russia's internal instability, foreign policy and the resurgence of imperialist tendencies within its political sphere.

2. The issue of the withdrawal of Russian troops. Energy dependency

The legal foundations of the relations between Lithuania and Russia were established by the treaty signed on 29 July 1991, when the Russian Soviet Federative Socialist Republic was striving for independence from the USSR. Official diplomatic relations were established on 9 October of the same year. From the Lithuanian perspective, the most pressing issue in bilateral relations from the outset was the aforementioned presence of 40,000 Soviet (and later Russian) soldiers on Lithuanian territory. In late October 1991, Lithuania's Ministry of Foreign Affairs sent a note to the USSR's Ministry of Foreign Affairs demanding the resolution of the issue. However, Moscow suggested that any potential evacuation of troops from the Baltic states could only commence after the withdrawal of soldiers from Germany and Central Europe, i.e., not before 1994 [Laurinavičius, Lopata, Sirutavičius, 2002: 137, 142].

The first Russian-Lithuanian negotiations took place in January 1992, during a visit to the Kremlin by Vytautas Landsbergis, who was then serving as the acting head of the Lithuanian state. The Russian president, Boris Yeltsin, offered warm words to Lithuania. He emphasised that Lithuania's regulations on the status of the Russian-speaking population should serve as a model for Latvia and Estonia, where, according to Moscow, Russians faced discrimination. However, during actual talks with the Lithuanians, it was only possible to agree on the date when the withdrawal of the army would begin (early March 1992). Other issues remained unresolved [*Rusijos Federacijos…*, 2007: 55–56]. The first troops indeed left a base near Vilnius in early March 1992, but the pace of the withdrawal and the lack of binding agreements were unsatisfactory for the Lithuanian side. An impasse soon ensued. Additionally, Moscow officially began to impose new conditions on Vilnius, making the continuation of the withdrawal contingent on facilitating military transit to the Kaliningrad Oblast [Surgailis, 2005: 55–68].

Lithuania, along with Estonia and Latvia, began efforts to internationalise the issue of the presence of Russian troops on their territories. Under pressure from the West, Russia agreed to withdraw its troops by the end of 1994, but firmly refused any discussions on potential compensation for their stay. Furthermore, Russia demanded to retain control over certain strategic military installations [Rachlevičus, 1992]. In response to the unequivocally negative reaction of the Baltic states to these demands, Russia effectively froze negotiations with Latvia and Estonia for some time. However, in the second half of 1992, bilateral Lithuanian-Russian talks continued. There were no strategic military facilities on

Lithuanian territory that the Russian side was particularly concerned about. For this reason, a compromise was reached. Moscow agreed to withdraw troops by the end of August 1993. Due to the pressure from the Russian military, only three out of seven negotiated agreements were signed in September 1992, including a schedule detailing specific timelines for the evacuation of individual units. The Lithuanian side promptly registered the document with the UN and recognised it as the most important act regulating the withdrawal of troops [*Rusijos Federacijos ginkluotųjų pajėgų išvedimo iš Lietuvos Respublikos teritorijos grafikas*, 1992]. By the end of 1992, nearly 80% of the troops stationed in Lithuania had been withdrawn, including all units based in Vilnius.

However, the issue of Lithuanian-Russian economic settlements was more complex. The production of Lithuanian companies went almost exclusively to the markets of the former USSR. Close financial ties between Lithuania and Russia persisted, with the same currency (the ruble) remaining in use until October 1992. Lithuania's economy was dependent on Russian raw materials, especially energy. The Kremlin stressed that Lithuania was in arrears with payments for past and current supplies and demanded payment of the dues under the threat of withholding supplies. The transition to market-based conditions in oil and gas transactions resulted in a drastic increase in prices for individual consumers. According to Moscow's estimates, Vilnius' debts for energy resources reached $11 billion. In retaliation, Lithuania threatened to suspend fuel transit to the Kaliningrad Oblast and Belarus [Bartasevičius, 1992]. In Vilnius, it was suspected that the Russian authorities were not so much interested in a new financial settlement as in political concessions. An example of such submission could have been Lithuania's accession to the Commonwealth of Independent States, which Moscow promoted by offering the promise of continued supplies of raw materials and goods on preferential terms. In 1992, the crisis was temporarily averted. However, Vilnius soon began to implement plans for the construction of an offshore oil port in Būtingė, which would allow Lithuania to receive oil supplied by tankers from non-Russian sources.

3. During the period of Lithuanian post-communist rule

At the turn of 1992 and 1993, a change in the ruling government took place in Lithuania. In the parliamentary elections, the post-communist left, the Lithuanian Democratic Labour Party (LDLP) emerged victorious, and its leader, Algirdas Brazauskas, assumed the presidency following another electoral success. Moscow welcomed the new Lithuanian ruling coalition with the hope of concessions from Vilnius. However, despite campaign promises, the post-communists ultimately did not abandon the pro-Western course of Lithuania's foreign policy [Vitkus, 2007: 36–38].

In the summer of 1993 it became increasingly clear that the breakthrough anticipated by Moscow would not occur. In response, Russia restricted energy supplies, citing Lithuania's overdue payments as a pretext. To ease the tensions, a visit by President Brazauskas to Moscow was scheduled for early August 1993. However, the Lithuanian president cancelled the trip as a result of the negative public opinion fuelled by the opposition. The Lithuanian parliament estimated its claims against Moscow (for Lithuania's years within the USSR) at $146 billion. In retaliation, Russia announced that, by order of President Yeltsin, the withdrawal of troops from Lithuania was suspended and all negotiations with Vilnius were terminated. The tension subsided only after the Lithuanian president's telephone conversation with Yeltsin on 30 August 1993. It was agreed at that time that Russian troops would nevertheless leave Lithuania on the date previously envisaged [Brazauskas, 2000: 276–277]. The following day, the last Russian units indeed departed from Lithuania.

The finalisation of the evacuation of troops opened a new phase in inter-state relations. However, according to Vilnius, the issue of the Kaliningrad Oblast remained unresolved. Lithuania was particularly concerned that the troops withdrawn from Central Europe were being redeployed to Kaliningrad. Moreover, military supplies for Kaliningrad were transported through Lithuanian territory. Vilnius consulted the US and NATO on the issue, hearing that a bilateral agreement taking into account Russian interests was necessary [Laurinavičius, Lopata, Sirutavičius, 2002: 137, 142]. According to the provisional arrangements adopted at the beginning of 1992, Russia should have obtained a formal permission for each passage of military transport through Lithuanian territory. It could also, as before, use the port of Klaipėda to transfer troops evacuated from Germany. However, until the withdrawal of Russian soldiers from Lithuania was complete, Vilnius applied these agreements rather leniently, and Moscow treated the matter with similar flexibility. The situation changed once the evacuation process was finalised. In late September 1993, President Brazauskas called on the international community to support the idea of demilitarising the Kaliningrad Oblast. Lithuania also announced its intention to introduce a series of transit restrictions.

In the summer of 1993, a constitutional crisis began to intensify in Russia, culminating in an open conflict between President Yeltsin and a faction of deputies in the Supreme Soviet in late September and early October. In early October, military units loyal to Yeltsin launched an assault on the Supreme Soviet headquarters. The final victory consolidated the Russian president's position but also strengthened the military circles supporting him. As a result, the political climate in Russia's relations with former Soviet bloc countries and the ex-Soviet republics that had distanced themselves from the Kremlin, underwent a significant shift. Almost immediately after resolving the internal crisis, Russia began to assert more strongly that the post-Soviet space (the so-called "near abroad") was a sphere of its vital interests, and it would not hesitate to use military intervention if necessary. Among the potential targets mentioned there were the Baltic states [Śmigielski, 2004: 165–168].

In early November 1993, Brazauskas' long-postponed visit to the Kremlin and meeting with Yeltsin finally occurred. The Russian president quite unexpectedly proposed a compromise on the issue of Kaliningrad transit. In return for Lithuanian concessions, he offered favourable economic agreements for Vilnius. Brazauskas deemed the proposal a good offer. The agreement package was signed in mid-November. However, Lithuania's right-wing opposition sharply criticised linking the country's strategic security to short-term economic benefits. As a result of the lively debate, leaders of all political parties concluded that only Lithuania's integration into the West would secure it against Russia. Consequently, the post-communist president was tasked with initiating efforts to secure North Atlantic Treaty Organisation membership [Latvian and Estonian authorities adopted a similar stance) [*Lietuvos Respublikos*…, 1993]. In early January 1994, Brazauskas fulfilled this mandate. At the same time Lithuania started to seek membership in the European Union.

4. In view of Lithuania's efforts to integrate with the West

Although Lithuania's foreign policy in the decade 1994–2004 prioritised integration with the Western world, relations with Russia remained at the centre of diplomatic activity. The basic dilemma concerned not only how to arrange neighbourly relations but also how to neutralise Moscow's negative stance towards NATO's eastern enlargement. At the same time, one of NATO's requirements for future members was the principle of good neighbourliness with Russia [Lopata, 2011: 46].

There was no unified position within the Lithuanian political elite on the attitude towards Russia. The lack of a common vision often led to internal disputes.

While President Brazauskas's strategy toward Moscow (during his presidency from 1993 to 1998 and later as prime minister from 2001 to 2006) can be characterised as moderate, the stance of the right-wing government (in power from 1996 to 2000) was more confrontational. Relatively high praise was given to the diplomatic skills of President Valdas Adamkus. This politician generally balanced pragmatism with firmness during his first term (1998–2002). Nevertheless, the fact remained that Lithuania was incomparably weaker in its relations with Russia and, at times, merely a subject of arrangements between the Kremlin and the West [Hyndle, Kutysz, 2002: 20–60].

In an effort to discredit the Baltic states in the eyes of the West, Russia sought to undermine their credibility as members of the Western civilisational community. Russian propaganda portrayed Lithuanians as anti-Semites and Nazi collaborators. A consistent element of Russian policy involved provoking crises, engaging in wars of statements and diplomatic notes, and publishing propaganda materials. At the same time, the Kremlin repeatedly assured that meeting its demands – such as abandoning efforts to join NATO or pursuing deeper cooperation with the Commonwealth of Independent States – would guarantee the security of the entire Baltic region. An important aspect of Russia's tactics was an attempt to fracture Baltic unity. Estonia and Latvia were almost always treated worse than Lithuania, with the status of the Russian minority often serving as a pretext. Moscow was only satisfied with the Lithuanian solution of full civic integration [Karabeshkin, 2007: 71–72].

However, Russia had a whole set of recurring arguments with which it tried to influence Lithuania. For example, propaganda was keen to question the status of Vilnius and Klaipėda (eventually annexed to Lithuania under the USSR) and to raise the issue of the unregulated border. The most commonly leveraged issue against Vilnius, however, was the restriction of transit access to the Kaliningrad Oblast. Due to the lack of compromise, temporary solutions regarding transit remained in place. The transit fees, which represented a significant source of revenue for Lithuania [Chełminiak, 2010: 121–123], were particularly troublesome for the Kremlin. At the beginning of 1994 almost simultaneously with Lithuania's declaration of its desire to join NATO, Russia began to demand further transit facilities vigorously. In February 1994 Lithuanian authorities detained an unannounced military transport at the border. The incident and Russia's sharp reaction accelerated Lithuania's efforts, with the involvement of American experts, to develop strict procedures for transporting military goods across its territory. Despite Kremlin's pressure, Lithuania consistently maintained that the new regulations would be introduced at the beginning of the following year. However, the United States and the European Union member states encouraged Lithuania to reach an agreement with Russia. As a result, in January 1995, the existing conditions for military transit were extended for another year, with the possibility of annual renewal. At the same time, provisional rules for civilian and commercial transit were also agreed upon [Sirutavičius, Stanytė-Toločkienė, 2003: 192–195].

Lithuania's efforts to become a member of NATO and even to participate in the *Partnership for Peace* programme provoked strong opposition from Moscow from the beginning [Vitkus, 2003]. In addition to the attempts at intimidation, the Kremlin consistently offered the prospect of broader cooperation. It suggested that Lithuania and the other Baltic states should join the unified air-defence system operating within the Commonwealth of Independent States (CIS). In May 1996, Boris Yeltsin once again proposed the inclusion of Lithuania, Latvia and Estonia in the CIS. However, he again received negative responses.

In 1997, the conclusion of NATO's enlargement process to include Poland, the Czech Republic and Hungary coincided with new proposals from the Kremlin. While reluctantly accepting the new reality in Central Europe, Russia categorically demanded a promise from the West that the post-Soviet Baltic states would not become members of the North Atlantic Alliance. In return, it offered Lithuania, Latvia and Estonia its own security guarantees and proposed intensified economic cooperation. Russian diplomacy specifically targeted Lithuania as the first recipient of these proposals. The Kremlin was clearly hoping to extract Lithuania from the Baltic group and subsequently worked on persuading Latvia and Estonia. As an incentive, Russia offered to sign the long-awaited border treaty with Lithuania. To gain Lithuanian favour regarding security guarantees, the Kremlin offered further concessions. The treaty was signed in October 1997. However, in November 1997, during a meeting of the Baltic presidents in Palanga, Lithuania, a joint decision was made to reject the Russian security guarantees. Integration into the North Atlantic Alliance remained the goal. In response, the Russian State Duma indefinitely suspended ratification of the border agreement with Lithuania [Krickus, 2002: 63].

At the beginning of the 21st century, while the Kremlin gradually came to terms with the imminent NATO membership of Lithuania and the other Baltic states, Russia continued to express its dissatisfaction. It has consistently stressed that the Baltic States' participation in NATO infringes on its interests and, therefore, reserves the right to control the Alliance's future actions in these countries. While Russia's stance on the Baltic states' NATO aspirations remained unequivocally negative, its tone regarding their prospective accession to the European Union was markedly different. From Russia's perspective, EU integration was advantageous, as its still-strong economic ties with the Baltic region provided a foothold for broader economic and political expansion in Europe. Kremlin-affiliated companies sought to secure a dominant position, particularly in the fuel-energy, transmission and transportation sectors, which in practice could grant influence over other areas of the economy as well. In Lithuania, Russian companies initially aimed to participate in the privatisation of key energy firms. In the early 2000s, during Vladimir Putin's first presidential term, economic pressure from Russian firms intensified further, employing tools such as manipulation of energy supplies and pricing. Russian capital began aggressively pursuing control over strategic Lithuanian energy enterprises.

On the eve of Lithuania's accession to the European Union, the issue of civilian transit to Kaliningrad resurfaced. Both Moscow and Brussels pressured Vilnius to regulate the matter. In late December 2002, Lithuania and Russia reached an agreement under which Russian citizens could travel through Lithuanian territory using simplified transit documents which were cheaper and easier to obtain than standard visas. Although Moscow was not fully satisfied with the agreement, it ultimately acknowledged that Lithuania's EU membership would also bring economic benefits to Russian citizens in the Kaliningrad Oblast. Following a recommendation from President Putin in May 2003, the State Duma ratified the border treaty with Lithuania despite protests from some deputies [Daniliauskas, Stanytė-Toločkienė, 2004: 309–349].

In the autumn of 2003, on the eve of Lithuania's accession to NATO and the European Union, a scandal erupted involving Lithuanian President Rolandas Paksas (2003–2004). During the investigation, unclear connections between the president, his inner circle and Russian business interests – possibly even criminal networks – came to light. Around the same time, the polling and subsequent electoral success of a party led by Viktor Uspaskich, a naturalised Russian citizen in Lithuania, revealed that Russian influence in Lithuania was deeper and more extensive than previously thought. The press revealed that employees of Lithuanian diplomatic missions in Russia were almost repeatedly recruited by the Russian secret service. In February 2004, three Russian diplomats were expelled from Vilnius on charges of espionage and for allegedly attempting to influence the investigative commission examining accusations against the president [Gubrynowicz, 2007: 150]. These events and the surrounding atmosphere heightened Lithuania's sense of threat from the Kremlin and reinforced the conviction of the need for countermeasures. At the end of March 2004, Lithuania officially became a member of NATO, and in early May it joined the European Union. During this period, the Lithuanian Seimas completed the impeachment process, removing President Paksas from office. In the subsequent snap presidential elections, Valdas Adamkus once again emerged victorious.

5. Lithuania's first decade in the EU and NATO

During Valdas Adamkus's second term (2004–2009), Lithuania pursued the principles of the so-called "new foreign policy." According to this doctrine, Lithuania's task was to seek to root "Western values" throughout the post-Soviet area. In this context, the only guarantee for the success of this endeavour was the active involvement of the United States in addressing the issues of Central and Eastern Europe. It was therefore concluded that Vilnius should strengthen its cooperation with Washington and Warsaw, the latter being regarded as having a favourable reputation across the Atlantic [Vaščenkaitė, 2011: 35–37].

The benchmark and primary measure of the effectiveness of Lithuania's *new foreign policy* were, of course, its relations with Russia. The fundamental objective was to establish a lasting strengthening of Vilnius's position vis-à-vis Moscow. All available means were subordinated to this goal and concessions were categorically ruled out. The Lithuanian authorities negatively interpreted the Kremlin's policy at the time. It was seen almost exclusively as aggressive intentions towards the whole of Central and Eastern Europe. The perpetually tense atmosphere in bilateral relations with Russia contributed to a growing sense of threat within Lithuanian society, which was further fuelled by politicians and certain media outlets.

From Moscow's perspective, Vilnius's diplomatic initiatives in the post-Soviet space were significant only to the extent that they had tangible support from the United States and EU member states. The Kremlin held an extremely negative view of Lithuania's *new foreign policy* and actively worked to counter its effects. At the same time, Russia made it clear that it did not consider any of the Baltic states as equal partners in its relations with the West. In the long term, Moscow continued to view *Pribaltika* as its foothold within NATO and the EU [Kempe, 2005: 4; Bukowiecka, 2012: 202–203].

President Adamkus's involvement in mediating Ukraine's Orange Revolution during 2004–2005 provoked irritation in the Kremlin and led to a series of anti-Lithuanian reactions [Rutkowski, 2009: 251–252, 262]. One notable display of this animosity was the lack of an invitation for Lithuania's president to the July 2005 celebrations of the 750th anniversary of Kaliningrad's founding. In the autumn of 2005, a high-profile aviation incident captured Lithuanian public attention. A Russian Su-27 military aircraft, flying from St Petersburg to Kaliningrad, crashed near Kaunas. The pilot catapulted himself before the crash and was detained by the Lithuanian security service. The aircraft violated Lithuanian airspace, exposing vulnerabilities in NATO's air-defence system for the Baltic states [Jurgelevičiūtė, 2007: 269–271]. Moscow increasingly exploited its hegemonic position in the energy market, which significantly worsened Lithuania's economic situation. In 2006, the Lithuanian government finalised the sale of the Mažeikiai refinery to the Polish company "Orlen" instead of the Russian "Lukoil," much to the Kremlin's displeasure. Almost immediately the decision was taken to turn off the tap on Russian oil supplied by pipeline to the refinery. In response, Lithuania announced plans to renovate the railway line used for transit to the Kaliningrad Oblast. Such incidents became more frequent, prompting commentators to describe Lithuanian-Russian relations as a "Cold War" [Bačiulis, 2008].

Another wave of anti-Russian sentiment surged in Lithuania following the Georgian conflict in the second half of 2008. Vilnius had already repeatedly acted as an advocate for Georgian interests. After the outbreak of hostilities in Ossetia, Lithuania, like many other states, condemned Russia's actions as an act of aggression. Within the EU Lithuania called for freezing the recently resumed negotiations on a new agreement with Russia and even called for the introduction of sanctions. In the autumn of 2008, after Georgia's defeat in the conflict and the establishment of a ceasefire, the situation in the Caucasus calmed. At that time, Lithuania's centre-left government noticeably softened its anti-Russian rhetoric. However, President Adamkus remained the guardian of the hard line towards Russia in Lithuania. Despite the growing economic crisis and the evolving political situation, his attitude remained unchanged [Nekrašas, 2011].

In May 2009, economist Dalia Grybauskaitė won the presidential election in Lithuania. The new president was of the opinion that Lithuania's deepening economic troubles were the result of, among other things, its previous political strategy towards Russia. Grybauskaitė observed that Lithuania had effectively lost the support of both the United States and Poland, a shift stemming from the U.S.-declared "reset" in relations with Russia. As a result, Vilnius faced the challenging task of independently mending its relations with Moscow. Initially, Grybauskaitė was a strong advocate of seeking an agreement. On her initiative, the Lithuanian and Russian presidents made their first official telephone contact in eight years. In February 2010, during the Baltic Sea Action Summit, she also met with the then-Russian Prime Minister Vladimir Putin. The short conversation was almost exclusively about economic issues. However, efforts to secure concessions, such as reducing the exorbitantly high gas prices, were unsuccessful. The Russians made it unmistakably clear that, while they were interested in cooperation, it would only be on their terms.

After this failure, Dalia Grybauskaitė began to vigorously insist on introducing projects involving the Baltic States' energy independence from Russia. She also sought to pursue a solidarity-based and more assertive European Union policy towards Russia. Lithuania also re-engaged in supporting pro-Western civic initiatives in Belarus and Ukraine. Gradually, Grybauskaitė became one of Moscow's harshest critics in international forums. She accused Russia, among other things, of neo-imperialism and attempting to destabilise the situation in the countries of Central and Eastern Europe. The response was expressed in repeated attempts by Russian propaganda to discredit the Lithuanian president.

6. Decade 2014–2024

From late 2013 into 2014, the conflict in Ukraine began to escalate. In the spring of 2014 the crisis around Crimea erupted, followed by Russia's announcement of the peninsula's annexation. Relations between Russia and the West significantly deteriorated. These developments were increasingly anxiously observed by the Baltic states which feared a potential repetition of the Crimean scenario on their own territories. Dramatic events occurred at the peak of another Lithuanian presidential campaign. Dalia Grybauskaitė skilfully seized the opportunity, capitalising on the growing societal fears of Russia. Aligning herself with the prevailing sentiments of the majority of voters, she employed strong nationalist, patriotic and combative anti-Putin rhetoric. The concerns stemming from the unfolding situation in Ukraine played a significant role in helping Grybauskaitė secure her re-election.

During her second term (2014–2019), the Lithuanian President consistently expressed a negative view of Kremlin's policies, often using sharp language. She did not even hesitate to call Vladimir Putin a terrorist or compare him to Stalin and Hitler. On the international stage, she called for military support for Ukraine and the imposition of sanctions on Russia [Hyndle-Hussein, 2015]. Grybauskaitė repeatedly emphasised that Moscow's aggressive policies posed a grave threat to the security of the Baltic states and Europe as a whole. The Lithuanian president imposed the tone of Lithuanian discourse on Russia. Amid heightened anti-Russian sentiment, Lithuania reinstated mandatory military service and increased defence spending. A part of legal measures was implemented to limit the effectiveness of Russian propaganda in electronic media. Projects aimed at making Lithuania independent from Russian raw materials and the Russian market were accelerated (e.g., the construction of its own offshore gas terminal in the Baltic Sea and investment in renewable energy sources). The Lithuanian government also sought to rebuild closer ties with Poland and, most importantly, to repair relations with the United States while advocating for the deployment of NATO forces along the so-called eastern flank. Grybauskaitė viewed the 2016 decision to station limited NATO forces in the Baltic states as a personal success. In response to her anti-Putin stance, the Kremlin once again made Grybauskaitė a target of constant propaganda attacks. Tensions continued to arise over Lithuania's efforts to restrict the activities of Russian capital within the country and Vilnius's initiatives to sever remaining ties with the post-Soviet economic system definitively.

In 2019, independent candidate and former banker Gitanas Nausėda, known for his pro-Western pragmatism, won the Lithuanian presidential election. The Lithuanian right-wing triumphed in the 2020 parliamentary elections. The new balance of power did not herald an imminent re-evaluation in relations with Russia. Developments in 2020–2021 were particularly unfavourable for any potential détente. Lithuanian authorities, much like their Polish counterparts, strongly supported the Belarusian opposition's efforts to overthrow President Alyaksandr Lukashenka. These actions drew dissatisfaction from the Kremlin, which backed Lukashenka. Ultimately, Lukashenka's retention of power strengthened Russian influence in Minsk, leading to an increased Russian political and military presence near Lithuania's border – an exceptionally troublesome development from the Lithuanian perspective. In Vilnius, the so-called migration crisis on the Belarusian-Lithuanian border, which escalated in the second half of 2021, was interpreted as a manifestation of a new type of threat from the East.

The beginning of 2022 brought another crisis triggered by Russia's aggression against Ukraine. Lithuania, along with the other Baltic states, unequivocally condemned Russia's actions and pledged support for Ukraine. Political relations between Vilnius and Moscow were effectively frozen, although Lithuania continued to contend with geopolitical and economic realities. In cooperation with Riga and Tallinn, Vilnius took concrete steps toward severing ties with the post-Soviet BRELL electricity transmission system [Świsłowski, 2024]. Lithuania committed its modest resources to supporting Ukraine, pledging to allocate 0.25% of its GDP annually for this purpose. In September 2024, Lithuanian authorities further deepened cooperation with Kyiv by signing a memorandum on defence collaboration. In 2024, Gitanas Nausėda won re-election as president, while the parliamentary elections resulted in a leftist coalition taking power. However, there are no indications of any forthcoming revision of Lithuania's current policy toward Russia.

7. Conclusions

In the early years following Lithuania's restoration of independence, the most pressing issue in its relations with Russia regarded the presence of Russian troops on Lithuanian territory. Lithuania placed significant importance on the withdrawal of these forces, which was finally achieved in 1993. The regulation of transit to the Kaliningrad Oblast and Lithuania's economic dependence on Russia were equally critical. Additionally, in the second half of the 1990s and early 2000s, Russia attempted to obstruct Lithuania's integration with the West. Despite these efforts, Lithuania pursued a consistently pro-Western foreign policy, which irritated Russia. After Vladimir Putin came to power, Russia unsuccessfully sought to gain control over Lithuania's energy sector. Following Lithuania's accession to NATO and the EU, its foreign policy focused on aligning with U.S. policies in Eastern Europe, prompting a hostile response from Russia. In 2009–2010, Lithuanian President Dalia Grybauskaitė attempted to repair strained relations, particularly by seeking closer economic ties. However, these efforts failed due to Moscow's unwillingness. From 2014 onward, Lithuania became one of the most vocal critics of Russia's policies on Ukraine. Lithuania's engagement in this direction deepened further after Russia's aggression against Ukraine in 2022. Lithuanian-Russian relations remain tense.

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Studia Sieci Uniwersytetów Pogranicza | 2024 | 8
DOI: 10.15290/sup.2024.08.04

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THE CONSTITUTIONAL DEVELOPMENT OF CANADA

Abstract

- *Goal* – The purpose of this article is to provide an overview of Canada's fundamental law (the Constitution), to examine the Canadian constitutional system and perhaps most importantly, to delve into the history of Canada's Constitution and the reasons behind its current form.
- *Research methodology* – The research methods employed in this article include the analysis of historical and legal sources pertaining to the development of Canada's constitutional system and its current form, mainly by Canadian authors which helps to understand their perspective of the constitutional development of Canada.
- *Score/results* – This article demonstrates how Canada's constitution has progressively evolved from its 1867 origins – establishing a flexible federal framework under British authority – through milestones like the Statute of Westminster, which affirmed legislative autonomy, and the 1982 patriation and Charter, which entrenched fundamental rights, Indigenous protections, the notwithstanding clause, and an amending formula, culminating in the robust, sovereign constitutional system in place today.
- *Originality/value* – This article was prepared independently, using predominantly Canadian sources and provides a comprehensive overview of Canada's constitutional evolution. It integrates primary documents, judicial decisions, and historical records to trace each turning point in detail. By offering a unified narrative from 1867 to the present, it fills a gap in the literature where these developments have often been treated in isolation. The findings will serve as a valuable reference for scholars, policymakers, and students interested in understanding how Canada's constitutional framework has been shaped over time.

Keywords: Canada, Constitution Act 1982, The British North America Act 1867, Canadian Constitution, Canadian History.

1. Introduction

Canada's constitution embodies the nation's steadfast dedication to democratic values, equality, and the rule of law. Within its provisions lie the bedrock principles that govern the nation and safeguard the rights and liberties of its populace. Binding together ten provinces and three territories, the Constitution plays a pivotal role in shaping Canada into a stable and prosperous nation.

It is imperative to grasp the complexity of governing Canada. As the second largest country globally, a substantial portion of its territory remains remote and challenging to access, spread across vast expanses. Moreover, Canada boasts a significant minority of the French descendants who predominantly speak French and advocate for autonomy from the central government. The influence of this minority cannot be understated, particularly in Quebec, where their economic prowess and cultural significance are pronounced. There is also the not numerous but still important indigenous people minority who needs to be protected by the law. It is essential that the Constitution of Canada protects their rights and makes them feel a part of the Canadian nation. What is more, Canada in recent years is welcoming a lot of immigrants, mainly from India but also from Europe and other parts of the world. Creating a nation which consists of people of different cultural, religious and ethnical backgrounds is an incredibly difficult task. It is vital that the Constitution Act, 1982 protects all of their rights firmly and equally.

The Constitution of Canada serves as a remarkable cornerstone of legal authority, uniting diverse regions and peoples under its umbrella. This supreme legal document lays the foundation for Canada's governance and societal framework. The objective of this article is to provide readers with a deeper understanding of the Constitution and the historical context surrounding its development. By delving into its intricacies, readers can gain insights into the significance and relevance of this foundational document in Canadian society.

2. The British North America Act

2.1. Introduction

The first supreme act of law which was established in the Dominion of Canada was *The British North America Act* which is also known as *the Constitution Act, 1867*. The act was given royal approval by Queen Victoria on 29 March 1867 and came into force on 1 July 1867. The formal name of the act is: *An Act for the Union of Canada, Nova Scotia and New Brunswick, and the Government Thereof; and for Purposes Connected Therewith.* The statute essentially united three colonies of British North America – Canada, New Brunswick and Nova Scotia into one entity – the Dominion of Canada. The Act also contained provisions which allowed other British North American colonies to join the Dominion in the future. Furthermore the province of Canada was partitioned into two provinces – Quebec and Ontario. The new central government and parliament were placed in the new capital – Ottawa. *The British North America Act* declared that the Dominion of Canada remained under the authority of the British Monarch and acted as Canada's constitution for 115 years.

2.2. History behind the Act

The concept to unify the British North American colonies under a single entity emerged in the first half of the nineteenth century. Lord Durham set things in motion with *the Report on the Affairs of The British North America* which was published in 1839 [*Britain and the Americas…*, 2005: 822]. John Lambton, the 1st Earl of Durham was sent by the Crown to Canada in 1838 following the uprisings of 1837–38, tasked with investigation and creation of a report on this pending issue. He was given the position of Governor General and was granted extraordinary authority as the special envoy to British North America. His report sparked significant interest and controversy. His idea of a unified colonial state found support in Lower Canada, which was predominantly English-speaking, however, at the same time faced rejection in Upper Canada where a significant portion of the population consisted of French Canadians. Lord Durham's concept essentially called for creating a unified Province of Canada, which would be given more autonomy tin order to govern itself smoothly. From his perspective, a single responsible government could guarantee economic prosperity and stability for British North America.

As an aftermath of the Report, the British Parliament ratified *the Act of Union* in July 1840. The Act of Union was proclaimed in Montreal on February 10, 1841 officially marking the birth of the Province of Canada [www 1]. The provinces' capital was moved to Kingston. One of the most important aspects of the legislation was the formation of a single parliament, which would equally represent all of the regions. Despite the differences in population numbers between more populous Canada East compared to Canada West, both regions were granted 42 seats in the Legislative Assembly. This allocation was perceived as unfair by the majority of French Canadians as well as some of the English Canadians. Francophone politician Louis-Joseph Papineau pressed for proportional to population size representation and advocated for the dissolution of the union upon his entry into the unified Canadas' new parliament. Furthermore, the debts of Upper and Lower Canada were merged and acquired by the unified Canadian province.

Following the creation of the Province of Canada, politicians from other British North American colonies also discussed the possibilities of unification. In 1864, the leaders of the provinces of New Brunswick, Nova Scotia and Prince Edward Island were considering the idea of forming a Maritime Union, aiming to bring those colonies together. Unexpectedly, the government of the Province of Canada expressed interest in participating in those discussions. Governor General Monck reached out to the Colonial Office for the approval of the British regarding the possible unification of those colonies [www 2].

Upon receiving the approval from London, on September 7, 1864, representatives from New Brunswick, Nova Scotia and Prince Edward Island responded affirmatively to the Canadian delegation. They expressed their interest in forming a federation of colonies under the condition, that satisfactory terms could be reached. With that the idea of a Maritime Union was set aside.

Following the initial talks between representatives of the involved colonies, additional meetings were held among the delegates. These gatherings showed enough interest to prompt the politicians to organize a second Conference.

The second Conference took place in Quebec City on October 10, 1864 [www 3]. The delegates had different visions regarding the form and system in which the newly found federation would operate. Despite those differences it was clear to them that it was a matter of time before the unified Canadian state would start to exist. People who took part in the second conference left Quebec City filled with optimism and a belief that soon all Canadians would be unified under one banner.

Sixteen official delegates from the British North American colonies travelled to London in December 1866 [www 4]. Their objective was to bring the idea of a unified Canada to their Queen and the British Parliament to gather support for its implementation. Each delegate was granted a private audience with Queen Victoria to discuss the matter. The Canadian delegation thoroughly examined and approved the 72 resolutions, now widely known as the London Resolutions. These resolutions were later communicated to the Colonial Office.

After the much needed Christmas break, the delegates focused on drafting the resolution. There were many discussions regarding the content of the act. One of the many decisions which had to be made was to choose the name of the new country. There were many propositions regarding this choice among them names such as "Franklin" and "Guelfenland". Finally, a consensus was reached to name the unified British North America colonies "Canada". Quebec and Ontario would replace Canada East and Canada West, respectively as provinces of the new federation. A significant discussion appeared over the designation of the new nation. Some delegates advocated for the term "kingdom", some others supported "confederation", finally it was decided that the new entity would be named the Dominion of Canada, which was supposedly suggested by sir Samuel Leonard Tilley.

By the end of winter 1867, the Canadian delegation finalised their draft of *the British North America* Act. Members of this delegation are often referred to as the "fathers" of a unified Canadian state [www 5]. The Queen Victoria was informed and given the act on February 11, 1867. Soon after the bill was presented before the British Parliament for approval. Ultimately the act officially received acceptance and legal authorisation from the British on March 29, 1867, with July 1, 1867 as the official date of the birth of the union.

2.3. Legal content of the Act

The first and most important resolution of *the British North America Act* is the unification of the provinces of Canada, Nova Scotia and New Brunswick into the Dominion of Canada, which would represent Canadian interest on the international scene [www 6]. At the same time, considerable authority was given to the provinces to self-govern themselves mainly regarding their internal matters.

Formally, the highest authority over the Dominion and its military forces was held by the British Crown. The act also consisted of resolutions regarding the position of Governor General and lieutenant governors for each province of the Dominion. The city of Ottawa was designated as the capital.

The British North America Act implemented the Parliament of Canada which consisted of the Queen, the Senate and the House of commons, in a system similar to the British. It also laid out unnecessary procedures and rules of functioning of those institutions. The Act ultimately laid out the legal foundation upon which the new Canadian state would operate, especially providing provisions regarding its federal structure, political system, judicial system and taxation.

3. The Constitution of Canada

3.1. History behind the Constitution, 1982

Statute of Westminster, which was passed on December 11, 1931 by the British Parliament, enhanced the autonomy of the self-governed states which were a part of the British Empire [www 7]. The act of law has essentially opened up the possibility of transferring constitutional power held before by the British to the Canadians. This has left the Canadian people with several uncertainties considering the way the new constitution would be implemented and whether it should be changed at all.

Concerns surrounding the Constitutional revision included the question whether all of the Canadian provinces and territories had to accept the new act or if a majority was sufficient. If gathering the support of majority of the regions would be enough, then how would that majority be decided, would it be simply by number of the provinces and territories or would their population or territory also matter. The French Canadians would argue that Quebec should be given a veto power to protect their interests considering they could be outvoted by the anglophones, this however could potentially lead to a constitutional paralysis. As long as Canadians could not settle these doubts, the right to create a new Canadian constitution would remain in the hands of the British.

Situation changed because of the Quebec independence referendum held in May 1980 [www 8]. Before the vote, Canadian Prime Minister Pierre Trudeau assured the people of Quebec that, after the referendum, constitutional talks would re-open. After the secession was ruled out, Pierre Trudeau immediately initiated the process of creation a bill of rights and revising method for the constitutional act.

Facing harsh opposition from all of the regions apart from Ontario and New Brunswick, the Prime Minister of Canada decided to continue on his own. He would approach the British to change *the British North America Act* accordingly to provisions from the Parliament of Canada. This was met by the opposition who stalled the resolution in the House of Commons. Additionally the leaders of the provinces took the government to court on the matter.

The Supreme Court of Canada issued a mixed sentence in September 1981 [www 9]. On one hand, the Prime Minister was legally empowered to continue with the bill in the Parliament, but, on the other hand, he was obliged to reach a compromise with the regions before he asked the British for amendments.

Pierre Trudeau continued with his actions and reached out to provincial leaders in an attempt to reach an agreement. Eventually, by the end of 1981, the central government and all of the provinces excluding Quebec reached a compromise. The newly created Constitution was going to contain a method for future revisions. On top of that it was agreed that it would be given a *Charter of Rights and Freedoms*.

3.2. The construction of the Constitution Act

The Constitution Act of 1982 consists of several significant parts, each addressing different aspects of Canada's constitutional framework.

The first part introduces the Canadian *Charter of Rights and Freedoms*, which serves as a safeguard against federal, provincial, and territorial encroachments on Canadian rights and freedoms. However, the notwithstanding clause allows the federal or provincial governments to exempt certain laws from specific Charter provisions [www 10].

The second part protects and guarantees the existing rights of Indigenous peoples in Canada, however these rights remain undefined [www 11].

The third part recognises the federal government's longstanding practice of providing equalisation payments to less affluent provinces. These payments aim to reduce disparities in services across provinces [www 12].

The fourth part obliges the Canadian government to organise an official convention to review the rights of Indigenous peoples earlier than April 17, 1983 [www 13].

The fifth part outlines the procedure for amending the Constitution, stipulating that most sections can be amended with approval from the Senate, the House of Commons, and at least two-thirds of the provincial legislatures, representing at least 50% of Canada's population. However, unanimous approval is required for amendments related to specific provisions such as the composition of the Supreme Court or the bilingualism of Canada [www 14].

Provisions affecting only certain provinces may proceed with approval from the Senate, the House of Commons, and the relevant provinces.

The sixth part amends *the British North America Act*, 1867 specifies that regional authorities have exclusive jurisdiction over irreplaceable natural resources [www 15].

Finally, the seventh part comprises miscellaneous provisions of lesser significance.

3.3. The system of Canada

Canada operates as a unique fusion of constitutional monarchy and parliamentary democracy. While governance is conducted in the name of the Crown, its legitimacy stems from the consent and support of the Canadian people [*A Crown of Maples: Constitutional Monarchy in Canada*, 2015: 18]. Canada's parliamentary system takes directly from British traditions. Therefore Canada's system of governance consists of the executive, the legislative and the judicial divisions. The Parliament of Canada is composed of three entities: the Crown, the Senate, and the House of Commons. Legislation can only be enacted when all three parties reach a consensus. It is important to notice that the central government is responsible for creating law at a federal level while due to high autonomy of the regions, territorial and provincial governments create law within their own jurisdiction.

The executive branch

The executive division is the first component of Canada's political system, responsible for decision-making. The Crown serves as the official Head of State in Canada. For practical reasons, this power is vested in the Governor General, who is appointed by the monarch in agreement with the Prime Minister who suggests appropriate candidates. Additionally, each province has a lieutenant governor who serves as a local representative of the Crown. Those representatives are selected by the Governor General, who acts on advice from the Canadian government.

As the representative of the Head of State, the Governor General carries out the powers and responsibilities of the monarch. Therefore, the Governor General is expected to be apolitical and non-partisan [*A Crown of Maples: Constitutional Monarchy in Canada*, 2015: 16, 19–20]. Among their many responsibilities, one of the most crucial one regards ensuring that Canada always has a prime minister and a government in place with the confidence of Parliament. The Governor General appoints members of the Senate on the advice of the Prime Minister and acts on the advice of the head of government, while also possessing the right to advise, encourage, and warn. Consequently, the Governor General can provide valuable counsel to the Prime Minister. Additionally, the Governor General holds certain reserve powers, serving as a democratic safeguard in Canada.

Following a federal election, the leader of the political party with the most seats in the House of Commons assumes the role of Prime Minister. As the head of the government, the Prime Minister advises the Governor General on matters concerning the country's governance and formally conducts executive duties. The Prime Minister subsequently appoints the cabinet from among the Members of Parliament to provide advice and assistance in running the government.

The role of the Prime Minister is not extensively outlined in Canadian constitutional documents [*Canadian Democracy: An Introduction*, 2007: 233–234]. It is considered an "unwritten" element of Canada's Constitution, representing a tradition or convention that has evolved and become accepted as an integral part of the country's governance over time and history. Consequently, the role of the Prime Minister has acquired constitutional protection.

The legislative branch

The legislative division of Canada's government is known as the Parliament of Canada. As stated before, the Parliament consists of the Crown, the Senate and the House of Commons. The main responsibility of the legislature is to create law. Canada's Parliament operates under a two-house system which is a custom from the beginning of British colonialism in North America. Settlers living in British North American colonies favored bicameral system because it allowed to represent equally both the interests of the mother country and the colonists. Canadians of that era believed that the bicameral system prevented rash and oppressive legislation and best served the principles of democracy. This tradition of the two-house system is rooted deeply into the Canadian way of governance even today.

The House of the Commons serves as the primary legislative chamber in the bicameral system, it is also known as the lower house of Parliament. This chamber is responsible for introducing, debating, and passing laws, as well as proposals related to taxes and revenues. Its members, known as Members of Parliament, represent various political parties and are elected by Canadians in general elections. Currently, there are 338 Members of Parliament, although their number may decline or increase in the future, because it is strictly tied to the population size. Lower house seats are assigned to specific provinces and territories based on the percentage of Canadians living there. The House of Commons may not last longer than 5 years.

The Senate, known as the upper house of Parliament, serves as a certain kind of safety valve. It is tasked with carefully scrutinising legislation before it is enacted into law. The Senate consists of 105 senators, who are representing specific regions of Canada. Each of the regions is assigned a specific number of senators according to its significance. Therefore twenty-four seats are assigned to the provinces of Ontario, Quebec, the Maritimes (consists of provinces of Nova Scotia, New Brunswick, Prince Edward Island) and the western provinces (consists of provinces of Manitoba, British Columbia, Alberta, Saskatchewan), additionally six senators are appointed from Newfoundland and Labrador and one from each of the territories (the Northwest Territories, the Yukon and Nunavut) [www 16]. To qualify, a senator must be a Canadian citizen, at least 30 years old, and own land valued at least $4,000 [*Constitution Act*, 1867: 23]. Additionally, in the case of Quebec, a senator must own land within the province. Senators are also required to have at least $4,000 in property and reside in the province or territory they represent.

Unlike members of the House of Commons, senators are not elected. Members of the upper house are appointed by the Governor General upon the recommendation of the Prime Minister, based on considerations of regional representation and specific individual qualifications [*Canadian almanac & directory* (159th ed.), 2006: 3–42]. Although senators typically align with a political party, some may choose to sit as independents.

The judicial branch

The judicial branch of government in Canada is responsible for interpreting and applying the law. It comprises judges and courts that operate independently from other branches of the Canadian government. Canadian federal structure leads to a division between federal and regional courts. Federal courts include the Supreme Court of Canada, the Federal Court of Canada (Trial Division and Appellate Division), and the Tax Court, while provincial courts encompass superior courts or courts of appeal in each province or territory.

Courts in Canada handle a wide range of legal matters, including administrative law, contract law, constitutional law, criminal law, property law, tort law, and many others. Judges have the authority to interpret legislation and can declare it invalid. The judicial branch also responds to reference questions, where the government seeks legal advice on significant legal issues.

Canada is a country that follows common law, which is characteristic of Anglo-Saxon countries. This system emphasizes on the court rulings which create the law itself. The precedent rule, serves as the legal basis for adjudicating similar cases in the future. It is obligatory for lower courts and appellate courts that established it, provided it has not been overturned. However, it generally does not bind Supreme Courts. It is important to note that Quebec does not apply common law. Instead they use statutory law characteristic to continental European countries like France.

Appointments to federal courts, the jurisdiction of which reaches all of Canada, are made by the Crowns representative on the advice of the government. The Supreme Court Act governs appointments to the Supreme Court of Canada. It specifies that candidates must have served as a judge of a superior court of a province or have been a barrister or advocate for at least ten years. Additionally, at least three judges must be appointed from among the judges or advocates of the Province of Quebec, with specific qualifications outlined in the Act. This important issue was addressed in the famous *Reference Re Supreme Court* case.

4. Conclusion

Canada's status as a cohesive nation is intricately woven into its constitutional history. The enactment of the British North America Act played a pivotal role in uniting disparate colonies under a single banner. This act of union laid the groundwork for the emergence of the United provinces and territories of Canada, fostering a robust nation with a resilient government. Canada's reputation as one of the safest places to reside in North America is a testament to the stability and security afforded by its constitutional framework.

Navigating the complexities of cultural and ethnic diversity within its population posed significant challenges, yet Canada demonstrated its capacity to forge consensus for the collective welfare. The ability to reconcile differences and foster a sense of unity underscores the strength of the Canadian nation.

The Constitution Act of 1982 stands as a cornerstone of Canadian jurisprudence, embodying the nation's commitment to legal principles and democratic values. Serving as the bedrock of the country's legal system, this superior legislation shapes the framework of governance and ensures the protection of rights and freedoms for all Canadians.

Of course the Constitution Act of 1982 is not perfect. There will always be some issues regarding almost any given legal act. In this case, the greatest doubts arise not from the act itself, but from the manner in which it was adopted, disregarding the voice of Quebec, which is one of the strongest provinces. Some could argue that it was the only way to grant Canada a new constitution and gain full independency from the British. On the other hand, because of this action, the people of Quebec, who are mostly French Canadian, can feel neglected and left out. In consequence, this resulted in deepening the differences and tensions between French Canadians and British Canadians which if there were different decisions made could potentially be avoided thus strengthening the nation.

The Constitution Act of1982 was also given some criticism regarding its general character. In my opinion those voices are only partially correct. Canada is a federal state which gives much authority to the provisional and territorial governments. It is impossible to put many of the regulations directly in the Constitution Act itself because of the differences between the law in member provinces and territories. Of course, some specified legal regulations could be implemented in the Act, but it is not an easy task and would arise many difficulties and without doubt opposition from some provinces or territories.

Overall the Constitution Act of 1982 is a well-balanced superior act of law tying the provinces and territories of Canada together into one stable country.

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DOI: 10.15290/sup.2024.08.05

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INTERNATIONAL CULTURAL HERITAGE PROJECT OF CENTRAL AND EASTERN EUROPE – *SUPRAŚL CANTICLES*

Abstract

- *Goal* – The aim of this work is to save from oblivion one of the most important achievements of the Republic of Poland. Additionally, I intend to introduce a broader audience to the international cultural heritage initiative of Central and Eastern Europe titled the *Supraśl Canticles* [*Kantyki Supraskie*].
- *Research methodology* – In this study I primarily employed a reconstructive method, which, when applied to archival sources, facilitated the reconstruction of historical events, the identification of cause-and-effect relationships and the exploration of social, political and religious connections.
- *Score/results* – The EU Cross-Border Cooperation Project Poland–Belarus–Ukraine 2014–2020, titled "Shared History – Same Future. Supraśl–Synkowicze–Lviv", led to a thorough evaluation, development and promotion of the *Supraśl Canticles* as a remarkable global treasure of musical heritage shared by Poles, Ukrainians, Belarusians and Lithuanians.
- *Originality/value* – the *Supraśl Canticles*, a collection of 49 musical pieces composed for six male voices, were created between 1667 and 1693 at the then-Uniate Monastery of the Annunciation of the Theotokos in Supraśl. It should be acknowledged that this is one of the few – if not the only – extensive ecclesiastical collections of concert pieces from this era in the world.

Keywords: Supraśl, canticles, Orthodox Church, Uniates, litany, song, culture, Poland, Belarus, Ukraine, Lithuania.

1. Introduction

Supraśl is a small Polish town with a population of over 4,000 residents. It is located in the Podlaskie Voivodeship, surrounded by the protected areas of the Knyszyn Primaeval Forest. Its historical development was significantly influenced by the affiliation with the Grand Duchy of Lithuania (GDL), during which, between 1667 and 1693, 49 musical works known today as the *Supraśl Canticles* were created at the Uniate Monastery of the Annunciation of the Theotokos in Supraśl.

The aim of this work is to save from oblivion one of the most important achievements of the Republic of Poland. Additionally, I intend to introduce a broader audience to the international cultural heritage initiative of Central and Eastern Europe titled the *Supraśl Canticles* (*Kantyki Supraskie*).

In this article, I primarily relied on the reconstruction method, which, when applied to archival sources, helped to recreate the course of events, identify cause-and-effect relationships and capture social, political and religious connections.

The popularisation of the *Supraśl Canticles* was significantly supported by a cross-border project involving Poland, Ukraine and initially Belarus. I intend to discuss the project in greater detail in the following sections of the article.

2. The Monastery and *Supraśl Canticles* – A Historical Overview

The history of this place begins in the year 1500, when the first inhabitants, Orthodox monks under the jurisdiction of the Ecumenical Patriarchate of Constantinople, settled here. Owing to the permission granted by ktetor (founder) Aleksander Chodkiewicz and metropolitan Józef Bułharynowicz, the first church was consecrated on 8 May 1500. This church served the newly settled monks who came from other monastic centres, including the Kyiv-Pechersk Lavra and Mount Athos. Fleeing northwest from Kyiv, these monks found a safe haven in the Chodkiewicz family's estates, offering them refuge from the Tatar hordes that plagued their original monastery in Kyiv. This single historical fact highlights the significant ties between Supraśl and the former Ruthenian capital, as well as its extensive connections with other centres. Evidence of these connections can even be seen in the walls of the Supraśl church, which were adorned in the second half of the 16th century with Byzantine frescoes created by artists from Serbia.

Over time, the monastery grew into one of the most important monastic centres in the Grand Duchy of Lithuania. From 1511 until the 19th century (1839), despite changing its religious affiliation from Orthodox to Greek Catholic (Uniate), the monastery retained its function and significance for the Kyiv Archdiocese and, above all, for the population practising the Eastern rite in the former Polish-Lithuanian Commonwealth.

Throughout much of its history, the Supraśl Monastery was *a stauropegial* monastery – autonomous and directly subordinate to the Patriarchs of Constantinople. However, several years after the Union with the Catholics was accepted, beginning in 1621, the monastery fell under the direct authority of the Pope, mediated by the Congregation for the Propagation of the Faith in Rome. This was just a few years after the first congregation of the Order of Saint Basil the Great was established in 1617, though the Supraśl Monastery ultimately did not join this congregation. Meanwhile, in Supraśl – a repository of liturgical tradition and Christian culture for the Eastern Slavs and Lithuanians of the Grand Duchy of Lithuania – a collection of the Kyiv Metropolitanate's musical repertoire, known as *the Supraśl Irmologion* (circa 1601), was written by Bohdan Onisimowicz. Later, in 1695, the metropolitan printing house was relocated from Vilnius to Supraśl. Finally, and most relevant to this article, most of the Baroque musical works known as the *Supraśl Canticles* were copied and likely composed here.

The *Supraśl Canticles* were composed in the last quarter of the 17th century by Teodor Szewerowski [Dalmatov, 1892: 428–436; Gierasimowa, 2013: 202–204; Dobrowolski, 2017: 125; Szewerowski, 2019: 7–12; Dobrowolski, 2020: 139, 144–145] and Nikolay Diletsky from Kyiv [Wołosiuk, 2005: 78–90; Walicki, 2003: 37]. The first, Szewerowski, was born in the current capital of Belarus, Minsk. In his obituary, written upon his death in 1699 in Biała Podlaska, Szewerowski was described as the "king" of musical science in Vilnius. Many of his students later worked in the Tsardom of Russia. In this sense, Szewerowski, along with Diletsky, played a role in transmitting the Baroque musical culture of Western Europe to Russian lands. Thus, both the historical international connections of Supraśl and the colourful personalities of its composers justified the cross-border collaboration between Poland, Belarus and Ukraine.

3. EU Cross-Border Cooperation Project Poland–Belarus–Ukraine 2014–2020

The project "Shared History – Same Future: Supraśl–Synkivtsi–Lviv", which contributed to the popularisation of the *Supraśl Canticles*, was implemented under the

EU Cross-Border Cooperation Programme Poland–Belarus–Ukraine 2014–2020. The activities carried out as part of this project were ultimately completed in 2022.

On 31 October 2018, the Commune of Supraśl submitted an application for funding under the aforementioned EU programme to the Technical Secretariat. Earlier, on 14 September 2018, in Grodno, Belarus, the Chairman of the Zelva Regional Executive Committee, Denis Olszewski, signed an agreement with the Mayor of Supraśl, Radosław Dobrowolski, to cooperate on the "development and implementation of project ideas within the framework of the Cross-Border Cooperation Programme Poland–Belarus–Ukraine 2014–2020". The parties were officially informed of the grant approval on 24 April 2019.

On 19 November 2019, the Commune of Supraśl formally requested the Joint Technical Secretariat of the Poland-Belarus-Ukraine Cross-Border Cooperation Programme 2014–2020 in Warsaw to prepare the financial agreement. In this request, they also asked for approval to include a partner from Ukraine – the Ukrainian Catholic University (UCU) in Lviv – in the project "Shared History – Same Future". The inclusion of the Ukrainian partner was justified on the grounds of providing substantive support for the project, with the statement: "Without the involvement of this partner, the implementation of the project in its planned form may prove impossible". Approval for the inclusion of UCU was granted by email on 24 June 2019 by UCU's Vice-Rector for Research, Prof. Ihor Skoczylas (1967–2020). The Vice-Rector's decision was confirmed in writing by UCU's Senior Pro-Rector, Dr. Taras Dobko.

The inclusion of the Ukrainian partner was made possible after consulting the authorities in Zelva, which proceeded without any obstacles. An email regarding this matter was sent to the Belarusian project coordinator, Elena Kazyro, on 27 June 2019 by Marek Skrypko, then the Head of the Projects Department at the Supraśl Town Office.

On 18 December 2019, Tomasz Jędrzejewski, the Head of the Joint Technical Secretariat of the Programme, sent the grant agreements for signature, which formally approved the inclusion of the Ukrainian partner. In this way, the project encompassed not only the Commune of Supraśl but also the Zelva Region in Belarus and the Ukrainian Catholic University (UCU) in Lviv.

As part of the project, artistic activities were planned for the Zelva Region Executive Committee (Synkivtsi), including a plein air painting event and sculpting workshop, as well as a choir concert in the Gothic church in Synkivtsi, which, like the Supraśl temple, dates back to the 16th century. This church boasts a unique architectural style in Europe, remnants of polychrome artwork and a miraculous icon.

The project objectives emphasised strengthening international cooperation and developing new products rooted in the shared historical and cultural context. The project aimed to establish a foundation for future cross-border collaboration, primarily through cooperation between the two communities.

The Belarusian committed to attending concerts featuring Orthodox and Catholic compositions in Supraśl and participating in the plein air painting event. The plans included a visit to Supraśl by 20 choir members from Synkivtsi, associated with the local church. During a concert, they were to perform selected pieces from the reconstructed *Supraśl Canticles* created as part of the project. Meanwhile, artists from the Choir of the Podlasie Opera and Philharmonic were to organise a major concert in Synkivtsi, summarising all the project's activities with performances of the reconstructed works. All these activities were designed to achieve the project's goals. As stated in the application documents, "Through its activities, the project will have an impact on the culture and history of both regions. The developed products will remain in the memory of the inhabitants and will be made available to tourists visiting the regions included in the project".

The initiator of the project was Radosław Dobrowolski, the Mayor of Supraśl. Even before 2010, as president of *Collegium Suprasliense*, he sought funding from the Ministry of Culture and National Heritage in Warsaw to produce a single volume of music notes for the so-called "*Supraśl Descant*". This name was popularised by Professor Józef Maroszek, who, while preparing a monograph on Supraśl, discovered the manuscript during archival research conducted around 1996 at the Lithuanian Academy of Sciences in Vilnius and made a copy of it. For years, this copy was stored in the archives of the *Collegium Suprasliense* Association, managed by the editor of the local newspaper "Supraśl-Nazukos", Wojciech Załęski. At the time, there was no indication that this was part of a larger collection of manuscripts ("descant a") and that additional volumes of these manuscripts would later come to light.

The remaining three folios were discovered in Vilnius by Radosław Dobrowolski while he was conducting research for his doctoral thesis. In the Library of the Lithuanian Academy of Sciences in Vilnius, he located three scores of additional voices from the *Supraśl Canticles* collection: *"Bass A"* (BLAN, f.19, no. 135/2), *"Bass B"* (BLAN, F.22, No. 72) and *"Descant B"* (BLAN, F.22, No. 72). Two of these folios, as well as the one previously discovered by Józef Maroszek, had their original covers. In addition to indicating the choral voice, the covers bore the title of the collection: "*Supraśl Canticles*".

These materials formed the basis for a project aimed at their interdisciplinary analysis, musical reconstruction and eventual digital recording of choral singing. Only one score (in the *Descant B* folio) identifies the composer: Tomasz Szewerowski (BLAN, F.22, No. 72, Fol. 23). His name appears in the upper-right corner alongside the description of the work: *Alt a. Litany for Six Voices*.

A stroke of luck played a decisive role in the project's success. While awaiting the positive evaluation of the project proposal, submitted to the review body on 31 October 2018, a delegation from the Ukrainian Catholic University (UCU) in Lviv visited Supraśl on 18 December 2018. The delegation was led by UCU Rector, Rev. Dr. Bohdan Prach, accompanied by Pro-Rector Prof. Ihor Skoczylas and his wife Iryna, as well as Prof. Jurij Jasinowski. The visit coincided with the promotion of Volume XI of *the Kyiv Christianity* series, titled *Irmosy of the Kyiv Church. A Critical Edition of the Manuscript Based on the Supraśl Irmologion 1598–1601* in two volumes [Dobrowolski, 2022: 837; Dobrowolski, 2001: 146–155], edited by Prof. Jurij Jasinowski, a renowned expert in musical manuscripts.

The publication from Lviv was presented at the People's Hall. On this special occasion, an invitation was extended to UCU's Pro-Rector to participate in the *Supraśl Canticles* project. Prof. Józef Maroszek (1950–2024) also attended the meeting. During the event, a "Letter of Intent Regarding the *Supraśl Canticles* – a musical and concert work created in the 17th Century at the Monastery of the Basilian Fathers in Supraśl" was signed. Both parties, represented by the author of this text on behalf of the Commune of Supraśl and Pro-Rector Ihor Skoczylas, declared: "We commit to cooperating on the scholarly analysis of the 17th-century polyphonic musical manuscript known as the *Supraśl Canticles*, the four original folios of which are preserved in the Manuscripts Department of the Library of the Lithuanian Academy of Sciences in Vilnius. Both parties will make every effort to restore the *Supraśl Canticles*, as part of the forgotten musical heritage of the Kyiv Church tradition from the lands of the Grand Duchy of Lithuania, to life by publishing a musical score that will enable its performance by musicians".

The international research project collaboration commenced in 2019. A significant milestone was a study visit to Lviv in October 2019, attended by Marek Skrypko, the project manager from the Supraśl Town Office and Mayor Radosław Dobrowolski. It was agreed at the time that the musical materials would be edited and the manuscript prepared in Lviv, while the CD would be released in Poland. Shortly after this meeting, Prof. Olha Shumilina intensified her ongoing work on deciphering and transcribing the manuscripts. On 24 October 2019, during the visit to the Ukrainian Catholic University (UCU) in Lviv, a scholarly seminar was organised featuring a lecture by Dr. Olga Shumilina from the Mykola Lysenko Lviv National Academy of Music. *The lecture, titled Supraśl Canticles of the Late 17th Century: A Testament to Basilian Church Music, provided insight into the project.* The UCU Pro-Rector appointed his assistant, Dr. Ivan Almes, as the project coordinator. Dr. Almes diligently oversaw the implementation of the project on behalf of the Ukrainian side and served as a liaison with the Polish side in Supraśl. The scholarly and editorial aspects of the project were managed by Prof. Jurij Jasinowski, the world's leading expert on Ruthenian musical manuscripts.

Illustration 1. Study visit to Lviv – seminar and conceptual work on the project. In front of the Boim Chapel from the left: Prof. Juryj Jasinovski, Marek Skrypko – project manager, Supraśl City Hall, Dr. Radosław Dobrowolski – Mayor of Supraśl, Prof. Ihor Skoczylas, Vice-Rector of the Ukrainian Catholic University in Lviv

The project's implementation, coordinated among all three parties (Polish, Belarusian and Ukrainian), was conducted primarily via online communication. During the COVID-19 pandemic, this was the only effective way to continue the project remotely. One such meeting took place under challenging circumstances, as Prof. Ihor Skoczylas was too unwell to participate in the online session held on Friday, 11 December 2020. The last chat with the UCU Pro-Rector occurred on 17 November 2020. A month later, on 20 December 2020, after a long and severe illness, Prof. Ihor Skoczylas passed away.

Another significant challenge arose with the outbreak of war on 22 February 2022 and the engagement of the Lukashenka regime on the side of the Russian Federation. This led to the exclusion of Belarusian partners from EU-funded projects, including the Zelva partner in this case. Many activities had to be suspended, including the planned concert in the historic church in Synkivtsi and the participation of Belarusians in other project events in Supraśl. The plein air painting event took place with the participation of talented youth from the Fine Arts High School in Supraśl.

The circumstances of the war initiated by the Russian Federation added greater significance to the EU-funded project. the *Supraśl Canticles*, as part of Ukraine's national heritage (with roots in the shared history of the Polish-Lithuanian Commonwealth), represent a vital form of cultural preservation, not only for Ukraine but also for Belarus, Lithuania and Poland. This underscores the importance and priority of the project's activities, carried out in a specific time and place, as a defence of cultural heritage.

Over the following years, the collaboration culminated in the recording of the first CD featuring the *Supraśl Canticles*. The chants from Supraśl were heard in their place of origin for the first time in approximately 350 years. Moreover, the recording was honoured with the "Fryderyk 2023" award.

4. Conclusions

The presence and work of composers in the Supraśl Monastery, such as Bohdan (16th century), Fiodor Siemionowicz of Berezhany (1638–1639), Tomasz Szewerowski (4th quarter of the 17th century – described by contemporaries as the *Bach of the Grand Duchy of Lithuania*), as well as the presumed presence of Nikolay Diletsky (2nd half of the 17th century) and local creators from the Supraśl Basilian community, including Fr. Teofil (1662) and Fr. Antoni Kiszczyców, confirm that the musical culture nurtured and developed in the Supraśl monastic house was a significant aspect of the monastic community's activity by the Supraśl River. In this context, Supraśl emerges as a transfer point for both the traditional post-Byzantine chant and, during the period of the Union of Brest, Western polyphony with roots in Italy. The Supraśl Monastery, initially Orthodox and later Catholic (Uniate), incorporated certain Western elements into the Ruthenian Church. This began with the introduction of neumatic notation (as in *the Supraśl Irmologion*) and later evolved to include Baroque stylistic innovations in liturgy (such as the *Supraśl Canticles* and other compositions from the *partesny* repertoire).Through the work of composers associated with the Uniate metropolitans in Vilnius and Supraśl, Baroque choral singing reached Moscow, despite resistance from traditionalist circles (Old Believers and opponents of Patriarch Nikon's reforms). It became firmly established there and in the Uniate Kyiv Metropolis, from which it originally stemmed and to which it returned, facilitated by Jesuits from distant Italy.

Illustration 2. One of the pages of the manuscript “Supraskie Kantyki” (Supraśl Canticles) (Manuscript Department of the Lithuanian Academy of Sciences in Vilnius)

The most significant outcome of the Polish-Ukrainian collaboration was the preparation and publication of three volumes in two books *within the Kyiv Christianity series*. The first book, titled *Супрасльські кантики кінця XVIII століття – пам’ятка васіліянскої церковної музики у трьох томах* [Supraśl Canticles of the Late 18th Century – A Testament to Basilian Church Music in Three Volumes], includes black-and-white facsimiles of preserved manuscript scores along with their transcription into modern five-line notation, complete with all key and clef markings. In addition to the musical materials from Vilnius, the book also includes scores from Novi Sad in Serbia, dating to the mid-18th century. These materials, due to their similarity to the *Supraśl Canticles*, served as comparative material and in this sense helped to supplement the two missing parts.

The second book, titled *Супрасльські кантики кінця XVIII століття – пам’ятка васіліянскої церковної музики у трьох томах* [Supraśl Canticles of the Late 18th Century – A Testament to Basilian Church Music in Three Volumes], contains texts in Ukrainian, English, Polish and Belarusian and serves as a summary of the team’s scholarly work. From the perspective of restoring this Baroque musical monument, the publication of the six-voice score of 49 compositions comprising the *Supraśl Canticles* was the most crucial achievement. Both books were distributed to major libraries as well as musical and religious institutes worldwide.

The culmination of efforts led by the project’s sub-leader, the Commune of Supraśl, was the release of a CD in 2022. Produced by DUX Recording Producers (engineered by Marcin Guz and Lech Tołwiński – sound director) from Warsaw, the CD featured 11 selected compositions from the *Supraśl Canticles*. The music was performed by artists from the Choir of the Podlasie Opera and Philharmonic, prepared and conducted by Professor Violetta Bielecka, the institution’s director. As previously mentioned, the CD received the highest honour of the Polish phonographic industry – the Fryderyk 2023 award in the category Album of the Year – Early Music. In Supraśl, an open concert of the *Supraśl Canticles* was held, marking their first performance in approximately 350 years. The concert took place on 19 June 2022 in the former Evangelical, now Roman Catholic Church of the Blessed Virgin Mary, Queen of Poland, in Supraśl. Over the next two years, on 17 August 2023 and 14 August 2024, the compositions were performed at the same venue as part of the Metastasio Without Borders Festival.

According to the application data, the project had a total budget of €55,502.00, with €37,986.00 allocated to Supraśl and €17,516.00 to Zelva. Upon project completion, the total expenditure by the Commune of Supraśl amounted to PLN 273,609.27, of which PLN 71,123.99 was an EU grant. Supraśl's own contribution was PLN 202,485.28.

Illustration 3. The CD released as part of an EU project containing 11 selected pieces of the "Kantyki Supraskie" (Supraśl Canticles), for which the Podlasie Opera and the DUX music publishing house received the highest award of the phonographic industry in Poland in the form of the "Fryderyk Music Award" (in the early music category)

The EU Cross-Border Cooperation Programme, Poland-Belarus-Ukraine 2014–2020, "Shared History – Same Future: Supraśl–Synkivtsi–Lviv", enabled a thorough evaluation, development and popularisation of the *Supraśl Canticles* as a remarkable treasure of the musical heritage shared by Poles, Ukrainians, Belarusians and Lithuanians. The greater significance of this European cultural achievement, rooted in the former Polish-Lithuanian Commonwealth, has been underscored by the current unstable geopolitical climate. In light of the aggressive policies of the Russian Federation, which denies the national, cultural and state sovereignty of Ukraine and Belarus, this vital part of our shared Polish-Ukrainian-Belarusian-Lithuanian heritage faces potential threats of appropriation, rejection or marginalisation. The EU project described in this article not only recognises and promotes but also defends our shared legacy connected to the Basilian *Supraśl Canticles*. It is also noteworthy that the project facilitated collaboration between the Commune of Supraśl, the scholarly community centred around *Collegium Supraslienense* and prominent representatives of the Ukrainian Catholic University in Lviv. This partnership is likely to continue in new areas of our shared historical tradition.

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DOI: 10.15290/sup.2024.08.06

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THE EUROPEAN UNION'S ECONOMIC POLICY EVOLUTION: BALANCING TRADE, INVESTMENT, AND GEOPOLITICAL INTERESTS

Abstract

- *Goal* – the article aims to analyse the European Union's economic policies and strategies in response to contemporary global challenges. It focuses on how the EU is evolving its trade agreements, instruments, and sanctions mechanisms to enhance economic security, sustainability, and competitiveness in an increasingly volatile geopolitical landscape.
- *Research methodology* – the research employs a qualitative analysis of policy documents, official reports, and recent developments in EU economic strategy. It synthesises theoretical perspectives on trade and investment policy while contextualising the EU's actions within global economic trends, including protectionism and geopolitical tensions.
- *Score/results* – the findings indicate that the EU is transitioning from bilateral to multilateral agreements, emphasising collective interests over individual member states. The establishment of monitoring mechanisms for foreign direct investments and the introduction of non-trade measures, such as carbon border taxes, illustrate the EU's commitment to safeguarding its internal market. Moreover, the article highlights the EU's strategic response to external pressures, showcasing its adaptability in creating institutional frameworks that enhance selective participation in globalisation.

▸ *Originality/value* – this article contributes to the discourse on the EU's economic strategy by illustrating its unique approach to addressing global challenges through a blend of protective and proactive measures. It highlights the interconnectedness of trade and investment policies and underscores the EU's aspiration for strategic autonomy in the global economy, making it a valuable resource for policymakers and scholars interested in international relations and economic governance.

Keywords: European Union, economic strategy, trade policy, investment instruments, strategic autonomy, geoeconomic challenges.

1. Introduction

The modern global economy is characterised by a significant restructuring of familiar principles and patterns of relations between states, as well as a profound transformation of the global economic hierarchy. If we apply the terminology of political science to the global economic system, we can speak of a peculiar chaotisation of processes that should lead to the creation of a new economic configuration of the world. Overall, this framing of the issue reflects a trend toward strengthening the connection between global political and economic narratives, characterized by the return of global political economy as an explanatory paradigm of world development.

The complexity of international interactions, increasing conflict, rising economic interdependence, intensified digitalisation, and rapid technological advancement contribute to the vulnerability of national economies, including their exposure to external influences, which many national governments perceive as significant threats. This, in turn, prompts key players to impose certain trade and other restrictions in the name of national economic security, often relegating considerations of economic rationality to a secondary role, reflecting the overall securitisation of global economic interaction policies. The most striking manifestations of this trend have been the trade wars between the United States and China, as well as the palpable "decoupling" in trade relations between the EU and Russia.

In this context, a scientific interest lies in studying the tactics and strategies of leading power centers as they adapt to changing environmental conditions and their vision of their future place and role within the transforming economic order. One of the most intriguing subjects for examination is the European Union (EU), which for a long time has combined the benefits of liberal economic globalisation with certain protective components in areas where the EU's capabilities were limited, resorting to a form of "managed globalisation". Setting aside discussions about the EU's subjectivity, this article proposes to analyse changes in the EU's external economic (self) positioning through the lens of the concept of open strategic autonomy (OSA). This approach will enable the identification of potential actions by the EU in key global markets, where competition is clearly expected to intensify, as well as the limitations imposed by the characteristics of the EU's integration structure on the implementation of its strategy.

2. Reimagining the evolving role of the EU in the global economy

The most significant context in which the transformation of the European Union's policy regarding its participation in globalisation processes occurs is the gradual but nonetheless steady decline in its weight in the global economy and a reduction in competitiveness in a number of key industrial positions and technologies. Some authors even speak of the geopolitical decline of the European Union. Overall, this situation aligns with the broader trend of a power shift in the world and a diminishing influence of developed countries, which has largely stimulated the discussion about the need for leading countries to reassess their relationship with globalisation [Sjöholm, 2024]. In essence, it is from this logic that the widely discussed report by M. Draghi for the new composition of the European Commission for 2024–2029 emerges, suggesting more active measures to maintain and enhance the EU's competitiveness.

This political and economic premise is likely key to the gradual reconfiguration of the EU's participation in globalisation towards a somewhat greater protection against its modern manifestations and for the adjustment of certain external economic tools.

Given the rising tensions in the world, as well as a series of crises, many of which have had an acute and exogenous nature for the European Union, the research community within the Union observes a drive towards a "geo-economic awakening" of the EU [Ribeiro, 2023]. This awakening is necessary in the context of disruptions to the functioning of global value chains, the EU's critical dependence on a number of key goods and suppliers, geopolitical instability, and the desire to maintain its place in the world. A central element of this "awakening" is the ambition to transform the EU's leading role in the global economy into its geopolitical weight [Fabry, 2022]. In addition, objectives are being proclaimed to address external economic imbalances, protect against economic coercion, achieve a connection between external economic strategy and EU values and sustainable development, and safeguard critical assets and supply chains [Gehrke, 2022]. Overall, many researchers view the current actions of the EU as part of a "single paradigm" reflecting this very "geo-economic awakening" [Olsen, 2022].

It can be assumed that the EU's policy itself, in a certain sense, reflects these discussions within the research community, as the decision-making system in the EU is largely technocratic and relies heavily on the expert environment in shaping its policies [Gornitzka, 2010]. This is precisely why the current course of the EU appears virtually inevitable.

It seems that the logic of transforming the EU's external economic policy should be considered in a somewhat "realist" context, as well as in the spirit of traditional concepts of structural power and power transit in political economy, which aligns well with the current specificity in contemporary European studies. At least in the steps being taken by EU institutions, there is a clear intention to influence global developments through the EU's status as a trading power [Meunier, 2011] and as a regulatory power [Lavenex, 2021]. Indeed, as one of the leaders in global trade in goods and services, as well as capital flows, the EU is likely to employ these very tools to exert influence on its counterparts. It is also reasonable to expect attempts to use access to the Union's internal market as a competitive tool by third countries. Additionally, it is worth mentioning the EU's aspiration to extend its own standards, norms, practices, and "understandings" to its partners.

In the context of weakening traditional competitive advantages and factors of economic development within the EU, this approach appears logical and largely unavoidable (primarily referring to the slowdown of economic globalisation, which is reducing the intensity of major economic flows, the cessation of cheap energy supplies, and the exhaustion of opportunities in low- and medium-tech industries that significantly shape the face of EU industry [Guerrieri, 2024]. If we perceive the changing landscape of globalisation as a kind of exogenous crisis, an external shock for the EU that must inevitably transform the Union's behavior, we can expect it to respond with the same "crisis management" tactics it has employed during all previous crises: leveraging its strengths in combating crises and creating crisis management structures in areas where its capabilities are limited. It seems that the EU's attempts to present and implement the concept of open strategic autonomy should be viewed precisely through this lens.

At the core of modern economic planning and programming in the EU, there is the concept of open strategic autonomy, which serves as the EU's response to the changing global order [Miró, 2022]. According to the definition provided by the European Commission, it refers to "the ability of the EU to make its own choices and to shape the world through leadership and engagement that reflect its strategic interests and values". The discussion surrounding strategic autonomy is intrinsically linked to the evolution of the EU's (and its member states) relationship with the notion of "sovereignty" [Dupré, 2022]. The emergence and development of this concept are particularly intriguing, as the idea of autonomy originally arose in the context of the Union's defense and security, later shifting to economic issues in the wake of the COVID-19 crisis and the subsequent disruption of supply chains. In this context, the term "open" signifies that the EU must maximize the use of its extensive network of trade agreements to address strategic challenges, including reducing dependence on critically important suppliers. Essentially, this involves extending security principles not only to traditional defense issues but also to the economic sphere, leading to the securitisation of the Union's economic policy.

It can be noted that the scope of the Open Strategic Autonomy is quite broad, ranging from trade policy (including its investment component) to finance. In its trade policy, the EU proclaims objectives such as reforming the WTO; supporting the green transition and developing sustainable value chains; promoting the digital transition and trade in services; increasing the EU's regulatory influence; deepening global partnerships with neighboring countries, future enlargements, and Africa; and focusing on concluding trade agreements. In the financial sector, the objectives include enhancing the global role of the euro; creating a strong, competitive, and resilient financial sector that supports the functioning of the real economy and reduces dependence on financial instruments and infrastructure from third countries; ensuring the protection and strengthening of the resilience of financial market infrastructure; developing an effective sanctions governance mechanism; and collaborating with partners.

A significant element of the OSA concept is the revival of the discourse on the EU's industrial policy. It should be noted that researchers have long aimed to link the EU's foreign economic policy with the overall competitiveness of the European Union [Gustyn, 2017]. To a large extent, the OSA serves as this connecting link, as a more active industrial policy is expected to enhance the resilience of the Union.

It is possible that the necessity of maintaining the EU's competitiveness as a prerequisite for implementing the concept is even more important than the traditional reasons cited in the official EU documents. The most frequently mentioned include disruptions in energy supplies from Russia and China's restrictive measures against Lithuania. However, the tasks of OSA were set in 2021 (i.e., before the active development of yet another wave of the energy crisis in the EU). Thus, it seems that the desire to preserve its competitive advantages and, in some cases, to shield itself from competition with third countries underlies the adjustment of the main foreign economic tools of the EU.

Can OSA be perceived as a conceptual phenomenon capable of restructuring and transforming the EU's integration framework (similar to how some authors suggest considering the "Green Deal"), but in the realm of foreign economic policy? The answer to this question will be multifaceted. Firstly, the OSAs cannot fulfill all the set tasks due to their extreme ambition. Secondly, if we accept that the key problem for the EU is its "critical dependencies", then the OSAs should have very limited manifestations in implementation matters, since various estimates suggest that "critical dependencies" account for less than 10% of the EU's trade. Thirdly, the limitations and characteristics of the EU's integration structure prevent the implementation of all declared issues at the supranational level. Of all areas only trade policy (and the movement of foreign direct investment) falls under the exclusive competence of the EU. Neither portfolio and other investments nor financial matters (except for monetary policy in the euro area) can be regulated solely at the EU level.

And yet, the OSA represents a rather ambitious and wide-ranging economic strategy. It is likely that it can and should be perceived as the European Union constructing its foreign policy and, to a significant extent, its foreign economic identity (with all the limitations of applying this concept to the EU). By adopting a large number of strategic documents in this area, the EU seems to be painting a picture of its foreign economic strategy and how it would like to be perceived both internally and by third countries.

An indirect confirmation of this thesis is the peculiar securitisation of special Eurobarometer surveys. Unlike the 2019 survey on trade policy, the latest 2024 survey includes a section on economic security. Moreover, there is a noted increase in "protectionist" sentiments: according to 61% of respondents, the EU should impose higher import duties [European Commission, 2024] (up from 56% in 2019 [European Commission, 2019]. It is interesting to see the addition of a section dedicated to investments, reflecting the trend towards a closer connection between trade and investment policies in the EU. This section also reveals a clear component of securitisation, as evidenced by the differing responses of respondents to questions about attracting foreign investments and the acquisition of national businesses by foreigners.

Overall, the entire set of questions and areas encompassed by the OSA aligns with the logic outlined in the new EU Economic Security Strategy, which combines three pillars (in true EU spirit):

- promoting the competitiveness and growth of the EU, strengthening the single market, supporting a strong and resilient economy, as well as enhancing the scientific, technological, and industrial base of the EU;
- protecting the economic security of the EU through a range of policy measures and tools, including targeted new instruments where necessary;
- partnership and further strengthening of cooperation with countries around the world that share the EU's concerns and with which the EU has common interests in economic security.

3. Directions of change in the key components of the EU's foreign economic policy

The emergence of new articulated goals for the EU in the area of economic autonomy is linked to changes in the main directions of the EU's activities. Firstly, there is a noticeable intertwining of the main areas of the EU's activities concerning the concept of open strategic autonomy. Provisions from individual areas and sectors penetrate into neighboring fields: issues of sanctions, trade in goods and services, investment movements, the conclusion of trade and investment agreements, economic, financial, and even hard security are interconnected and mutually intertwined. Secondly, in the process of implementing the sanctions course of the "geopolitical commission", the institutional role of the European Commission itself has significantly increased, while the presence of member states in the initiation and adoption of sanctions has noticeably diminished [Portela, 2023]. Thirdly, within the Commission itself, a transformation is gradually taking place aimed at aligning more explicitly with the goals of open strategic autonomy [Couvreuer, 2024]. Overall, this reflects a trend towards reactivating the EU as a supranational institution through crises.

Finally, the implementation of the provisions of OSA is already leading to a significant transformation of the Union's foreign economic instruments. The main logic behind this transformation is an attempt to combine traditional principles of the EU's foreign economic policy with issues of economic security.

Additionally, there is a desire to support the overall competitiveness of the European Union, which means that the new crisis response framework for foreign economic policy will emerge as a new variant of combining the objectives of foreign economic policy with the industrial competitiveness of the EU [Guerrieri, 2024].

It is also worth noting that, considering the task of maintaining the EU's global position, certain areas of activity that are not directly related to foreign economic activity are undergoing some revision (or rather adaptation). This aligns with the tasks facing the Union: systemic changes require a systematic response. As a result, both external aspects of economic transformation and internal elements of the economic system are being reassessed [Miró, 2022]. For instance, many traditional elements of integration (primarily in the financial sector), which have posed challenges to deepening economic coordination, are being linked to tasks related to OSA, and the necessity for their further reform is somewhat justified by the overall competitiveness of the Union (i.e., there is also a peculiar securitisation process taking place). Thus, a certain strengthening of the supranational component in the EU's financial sector, which objectively emerged after the financial and debt crisis, should gain new momentum within the framework of open strategic autonomy.

4. Expansive interpretation of new elements in the EU's foreign economic policy

In recent years, the European Union has significantly strengthened its foreign economic policy by introducing new tools and approaches that reflect changing global realities and internal challenges. These measures include the expansion of trade and quasi-trade instruments, the establishment of crisis mechanisms in the area of economic security, and the reform of the global trading regime to enhance the competitiveness and resilience of the bloc. The improvement of investment instruments, the activation of currency policy to strengthen the role of the euro, and the development of financial policy aimed at creating a reliable and integrated financial system have been important aspects of this policy. All these directions demonstrate an expansive interpretation of new elements in the EU's foreign economic policy, aimed at protecting the interests of its member states and strengthening their positions on the global stage [Fleychuk, 2019].

1. New trade and quasi-trade instruments in the EU's strategy are aimed at adapting to global challenges and enhancing competitiveness in the context of increasing competition from third countries. To protect against "non-market" competition, which the EU observes from certain companies in third countries, especially those receiving state support, a regulation system for foreign subsidies has been introduced. This allows the EU to analyse and block subsidised foreign companies that contradict the interests of European businesses. One of the examples of this is the imposition of higher tariffs on imported electric vehicles from China, which helps mitigate the risk of "subsidy" competition and protects European manufacturers from dumping.

To minimise the dependence on countries that represent a significant share of EU trade, tools to protect against economic coercion are being developed. The EU can impose countermeasures if partner countries threaten the interests of the bloc. These measures include import tariffs, restrictions on access to the EU market, particularly in the areas of investment, trade in services, public procurement, and intellectual property. For instance, in the case of Lithuania, which suffered from trade restrictions imposed by China, the mechanism of state aid was activated to compensate for the damage from external pressure and protect national interests.

Another goal of the EU within the framework of trade and quasi-trade instruments is to maintain industrial competitiveness in light of global changes in several key sectors. To achieve this, export restrictions have been introduced, especially on dual-use goods that can be used for both civilian and military purposes. For example, in 2023, the EU limited the export of equipment for microchip production to the Netherlands in order to maintain control over advanced technologies. Commercial transactions are also being monitored, and recommendations are being created for companies engaged in research and development (R&D) to protect European technologies from leakage.

The EU also aims to extend its standards globally to create a more resilient and secure trading environment. In this direction, a new standardisation strategy is being implemented, designed to harmonise EU norms with international standards and ensure their adoption by third countries, thereby strengthening the global competitiveness of the European market.

Maintaining competitiveness in the context of the energy transition is an important aspect of the EU's trade policy. One of the key tools in this area has been the cross-border carbon tax. This tax compensates European companies for their costs associated with meeting environmental standards when products from third countries do not meet such standards. The introduction of the carbon tax helps to level the playing field for local producers, who bear additional costs under the "Green course", and foreign companies that offer cheaper but less environmentally friendly products.

2. Trade agreements play a key role in the EU's strategy aimed at diversifying trade relations and protecting the bloc's interests in global markets. To reduce critical dependence on a limited number of suppliers, especially in areas requiring access to critical resources, the EU is expanding its network of preferential trade agreements. Under the "Global Gateway" strategy, the EU is developing initiatives to attract new partners and to strengthen relationships with existing ones, creating infrastructure and deepening economic cooperation. This helps mitigate risks associated with dependence on one or a few suppliers and ensures the sustainable development of the European economy.

To protect against unfair competition in external markets, the EU is also actively implementing Most Favored Nation (MFN) principles in its trade agreements. This ensures a level playing field for European companies, reducing the threat of discrimination and providing them with access to favorable trade terms in various partner countries. This approach strengthens the legal protection of EU companies in international markets, especially in countries with which the EU has mutual commitments under trade agreements.

One of the strategic objectives of the EU is the global dissemination of its standards and regulations. The EU seeks to integrate "essential conditions" into its trade agreements, fostering a unified approach to critical issues such as human rights, the rule of law, and norms related to sustainable development and the "green transition". New provisions include commitments to adhere to labor rights and environmental standards outlined in the Paris Climate Agreement. The EU is working on a mechanism that would allow for the exclusion of partners from the preferential regime in the event of non-compliance with these conditions. The possibility of imposing sanctions for violations of key sustainable development provisions, particularly concerning labor rights endorsed by the International Labour Organisation and climate commitments, is also being considered.

Additionally, the EU is discussing the introduction of a "climate conditionality" mechanism in trade agreements, requiring partners to meet minimum environmental standards. This mechanism would not only reduce the environmental footprint of trade but also support the EU's efforts to achieve climate goals by creating an incentive for partners to adapt their production to the EU's "green" standards.

3. EU investment instruments play a crucial role in harmonising the internal market and deepening integration among member states, especially in the context of protection against external threats and enhancing competitiveness. One of the main tasks is to transition from bilateral investment agreements, which have been concluded at the level of individual member states, to multilateral agreements that represent the interests of the entire EU. This transition requires resolving contradictions between national agreements and developing a unified approach that simplifies and standardizes rules for investors, increasing the predictability of business conditions within the EU.

An important aspect of investment policy regards the protection against foreign interference in key assets and interests of EU countries. To this end, a mechanism for monitoring and screening foreign direct investments has been developed, allowing for the assessment of potential risks and the prevention of acquisitions of strategically important enterprises and technologies by third countries. This mechanism is particularly relevant in light of increasing geopolitical tensions and threats associated with possible foreign control over critical sectors of the economy, such as energy, defense, and technology.

The dissemination of EU norms and standards is also a priority in investment policy. Agreements on "green investments" are becoming an important tool for promoting environmentally friendly technologies and compliance with the "Green course" norms. The first agreement in this area was signed with Angola in 2024, and it stipulates that adherence to environmental standards will be rewarded with investments. This approach not only contributes to environmental protection but also fosters the development of new technologies and the creation of jobs in partner countries, aligning with the EU's sustainable development goals.

EU investment instruments are aimed not only at protecting the internal market from external threats but also at creating conditions for sustainable economic growth and environmental health, supporting cooperation and mutually beneficial relationships with other countries. In this regard, the EU strives to ensure that investments contribute not only to economic development but also to high standards of social responsibility and environmental protection.

4. Reforming the global trading regime is a significant priority for the EU, which seeks to restore the functionality of the World Trade Organisation (WTO) and adapt it to the modern challenges of the global economy. In the context of increasing criticism and uncertainty surrounding the WTO's operations, the

EU advocates for deep reforms to enable the organisation to effectively address new realities such as trade wars, geopolitical tensions, and changes in global supply chains.

One of the central issues in this process is the restoration of the WTO's Appellate Body, which previously played a key role in resolving trade disputes between states. The EU proposes solutions aimed at resolving the contradictions that have arisen regarding the functioning of this body, including reforms to its structure and rules. This reform is essential to enhance member countries' trust in the system and to ensure compliance with international trade norms.

Additionally, the EU is actively working to enhance cooperation with individual partners within the WTO framework. This includes creating a multilateral temporary agreement on appeal and arbitration issues, which will facilitate dispute resolution and reduce the risks of unfair trading practices. Such an approach also helps to strengthen the EU's position on the international stage by promoting its interests and standards within the global trading regime.

The necessity to adapt the existing WTO rules to contemporary conditions, including the digital economy, environmental issues, and sustainable development also is an important aspect of the reform. The EU insists on incorporating new norms and standards into trade rules to reflect pressing challenges such as climate change and the growing role of technology. This requires collaboration with other countries and joint efforts to create coordinated approaches to regulating new areas of trade.

Reforming the global trading regime represents a strategic initiative for the EU aimed at strengthening multilateral trade, restoring trust in international institutions, and establishing a sustainable and equitable trading system that will promote economic development and social responsibility on a global scale.

5. New crisis management (non-trade) tools in the area of economic security represent an important element of the EU's geo-economic policy aimed at protecting the internal market from sudden commodity crises and other external threats. In the context of an unstable global economy, exacerbated by pandemics, geopolitical tensions, and changes in climate conditions, these tools are becoming increasingly relevant for ensuring the economic resilience and security of EU member states.

One of the key directions of this policy is the protection of the internal market from sharp fluctuations and commodity crises. To this end, a special tool is being developed that includes monitoring the situation in commodity markets, analysing supply and demand, and managing stocks of strategically important goods. In the event of a crisis, such as a shortage of essential goods, the EU can initiate the procurement and storage of resources on behalf of the entire bloc, allowing for a more effective response to threats and ensuring supply security for all member states.

Additionally, the EU aims to act against agents that disrupt the "rules-based order". Various measures are employed for this purpose, including sanctions that can be applied to countries or companies if their actions threaten the economic security of the bloc. These measures may include export restrictions and monitoring of commercial transactions, helping to prevent negative repercussions for the EU's economy resulting from the actions of third countries.

For instance, one manifestation of this policy has been the export restrictions and price controls on Russian oil and oil products as part of the response to Russia's aggression. This not only reduces economic dependence on supplies from Russia but also enhances the energy security of EU countries.

The new crisis management tools in the area of economic security and geo-economic policy are aimed at creating a flexible and resilient structure capable of responding quickly to internal and external challenges. These tools not only protect the internal market but also strengthen the EU's position on the international stage, demonstrating the bloc's ability to effectively manage crises and protect the interests of its citizens.

6. The EU's monetary policy is focused on strengthening the global role of the euro and on improving integration within the Economic and Monetary Union (EMU). The main objective is to enhance the competitiveness of the euro on the international stage, which involves creating conditions for a more active use of this currency in international trade, investment, and financial transactions.

One of the strategies aimed at achieving this goal is to deepen integration within the EMU. This includes harmonising the financial systems of member states and establishing a resilient infrastructure to support the euro as a reserve currency. However, concrete practical steps have not yet been taken to implement this idea, and further work is needed in this direction.

Additionally, there is a proposal to introduce a digital euro, which could significantly strengthen the international role of this currency. The central bank digital currency (CBDC) would enhance the speed and security of transactions, as well as provide users with access to modern financial technologies. This is particularly important in the context of increasing digitalisation and changing traditional models of financial interaction. The introduction of a digital euro could make payments more convenient for both citizens and businesses, as well as reduce dependence on the US dollar in international transactions.

The EU's monetary policy is focused on increasing the role of the euro in the global economy through integration, innovation, and the creation of a resilient financial infrastructure. This will not only strengthen the position of the euro as an international currency but also enhance the financial stability and economic independence of member states in the face of global economic challenges.

7. The financial policy of the European Union aims to create a strong, competitive, and resilient financial sector capable of supporting the functioning of the real economy and minimising dependence on financial instruments and infrastructure from third countries. The main goal of this policy is to ensure financial stability and to prevent economic risks associated with external shocks.

One of the key aspects of the financial policy is the completion of the banking union and the capital markets union. This will strengthen financial integration among member states and enhance the resilience of financial systems to crises. The completion of the banking union includes establishing a common deposit insurance mechanism and uniform supervision of banking institutions, which will reduce risks for depositors and increase trust in the financial system.

Within the framework of the EU's financial policy, there is also an emphasis on utilising common debt instruments, which can be used to finance projects aimed at economic recovery and sustainable development. This may include financing initiatives related to the "green deal", digital transformation, and other strategically important projects. The use of common debt instruments will help improve the sovereign ratings of member states and provide additional resources for implementing financial programs.

Additionally, funding for the objectives of the OSA is also part of the EU's financial policy. In this context, the resources of the Next Generation EU fund, which can be used to support member states in completing the energy and digital transitions, constitute an important source of funding, as well as of implementing other priority initiatives.

The development of an effective sanctions management mechanism is also an important direction of the financial policy. This includes protecting member states from the extraterritoriality of sanctions imposed by other countries, such as the United States, and utilising mechanisms that allow the EU to respond to violations of the sanctions regime. For instance, updating the EU Blocking Statute can help safeguard the interests of European companies operating under sanctions pressure.

The EU's financial policy focuses on strengthening financial stability, enhancing integration among member states, and creating conditions for successfully addressing economic and social challenges. Effective financial management will enable the EU to adapt to contemporary challenges and ensure long-term growth and development amid global economic instability.

In its trade policy, the EU has introduced corrective measures to counter perceived unfair market competition and foreign influence exploiting the bloc's vulnerabilities. The Regulation on Foreign Subsidies is central to this approach, already resulting in increased tariffs on Chinese electric vehicles. Additionally, key protective mechanisms address economic coercion, focusing on areas where the EU retains substantial leverage, such as trade in services, foreign direct investment, and public procurement, where its market remains especially appealing. Export restrictions, which the EU has recently intensified, are also an essential part of this strategy.

Non-tariff trade measures are crucial for promoting EU norms and standards, especially in climate policy. The cross-border carbon tax has emerged as a key new trade instrument. In trade agreements, the EU's primary focus is on expanding access to external markets while ideally limiting the adverse impacts of competition from third countries.

The increasing integration of trade and investment issues, especially seen in efforts to address challenges related to bilateral investment treaties, is a noticeable trend in EU activities. This trend extends to the adoption of securitisation principles in the EU's foreign direct investment (FDI) policy, exemplified by the implementation of an FDI monitoring mechanism. This mechanism includes joint FDI verification processes, though final decisions are left to individual member states. The current level of harmonisation and effectiveness remains low, a point acknowledged by the European Commission, which advocates for further alignment. Overall, the establishment of this framework, albeit fragmented, reflects the EU's shift toward a more selective approach to FDI, aligning with similar trends among major global players like the US. This targeted, institutionalised approach mirrors EU strategies across both trade and quasi-trade measures, including sanctions, enabling the EU to selectively shape its relationships with international partners and adjust parameters as needed [Lonardo, 2023].

In practice, the foreign economic provisions of the Open Strategic Autonomy concept go beyond trade and investment, increasingly aligning the EU's role in the global economy with policies typically reserved for national states, such as monetary, fiscal, and currency policies. However, the EU's activity and effectiveness tend to diminish in areas outside its exclusive competence, like fiscal policy, or where the European Central Bank (ECB) holds a central role, particularly in monetary policy [ECB, 2023]. Nonetheless, there is a growing trend toward the hybridisation of EU functions: sanctions policies are becoming more intertwined with financial market conditions, while the Union's competitiveness is increasingly reliant on financial mechanisms like the Next Generation EU fund or regulatory tools like state aid rules. Furthermore, efforts to strengthen the euro's global role are now closely linked with initiatives to deepen financial integration within the EU. This evolution is gradually expanding the range of areas that the supranational governance level, particularly the European Commission, seeks to influence, thereby extending its institutional reach and reinforcing its economic policy role on the international stage.

5. Conclusions

In comparison with global practices, the measures taken by the European Union do not appear to be exceptional innovations. Rather, they concern the specificity of the Union's approach to trends that are quite actively spreading in the global economy. In terms of world trade, it primarily revolves around the difficulties of reforming the global trading regime and the rise of non-protectionism 2.0 tools, while in capital movement, it focuses on the strengthening of national restrictions and the introduction of new protective mechanisms. Overall, these trends reflect the growing geopolitical component in the global economy. Most likely, the EU, like many other key players, tends to utilise familiar and convenient restrictive tools and practices. Unlike, for example, China, which is more inclined to operate through informal channels, the EU is more likely to use formats that have already been prevalent in the internal market (for example, rules on state subsidies for companies, the application of which is now effectively being internationalized) or in which its role in the global economy is comparatively significant. The unfolding geopolitical crisis has led the European Union to begin transforming its tools for participation in global economic processes. This transformation cannot be described as comprehensive and profound, as its main vector is aimed at enabling the EU as a union and its member states as individual players to create institutional mechanisms for selective participation in globalisation and selective interaction with their counterparts. To a large extent, this represents a reactive, even conservative strategy in response to the structural changes occurring in the world. On the other hand, the ongoing transformation is genuinely systemic, as cosmetic changes penetrate almost all areas of Union life that are in any way related to its external economic positioning. Overall, the concept of open strategic autonomy, through its evolution and gradual expansion of its scope, convincingly supports this thesis.

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DOI: 10.15290/sup.2024.08.07

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THE USE OF THE NOSTALGY THEME IN MARKETING – A BIBLIOMETRIC ANALYSIS

Abstract

- *Goal* – The aim of the article is to present the results of a bibliometric analysis of academic research on the use of the nostalgia theme in marketing.
- *Research methodology* – The authors conducted a bibliometric analysis based on publications identified in the Scopus database. They used built-in analysis tools available in the Scopus database and VOSviewer software.
- *Score/results* – The bibliometric analysis was conducted to examine interest in the use of the nostalgia theme in marketing. Its results showed that in the analysed years (1992–2024) 67 publications on this topic appeared in the Scopus database. The vast majority of them were published in English. An element of this analysis was to examine articles for the co-occurrence of keywords. This allowed the authors to identify 5 clusters that correspond to different areas of interest of researchers – Nostalgia, Nostalgia in consumer perception, Nostalgia marketing, Nostalgic brand and Nostalgic brand positioning and the consumer.
- *Originality/value* – The originality of the authors' work lies in taking up a topic that has not been frequently discussed in the marketing literature yet.

Keywords: nostalgia, nostalgia marketing, retro marketing, nostalgic advertisement, nostalgic brand.

1. Introduction

Companies are constantly looking for new ways to attract consumer attention and to stand out in the market. They are using newer and newer themes and strategies to reach their target audience. One such a theme, that is gaining popularity, is nostalgia. Nostalgia in marketing involves referring to positive memories from the past, which can evoke strong emotions and positive associations with the brand in consumers. This allows companies to build emotional bonds with current consumers and to increase their loyalty. These types of strategies can also attract new customers who are curious about products inspired by the past. At the same time, in times of crises and external threats (e.g. the COVID pandemic, war in Ukraine), there is a growing longing for what was, for "peaceful times", which makes consumers more susceptible to feelings of nostalgia.

Nostalgia is an effective way to stand out from the competition. Companies that can skillfully use this theme can gain an advantage in the market. Therefore, it is necessary to observe how different brands introduce elements of nostalgia into their advertising campaigns and what results they achieve. According to the authors, it is also important to analyse whether and on what scale research is being conducted on the use of the nostalgia theme in marketing. This research can better explain the specifics of nostalgia's impact on the consumer, and thus contribute to the more effective use of this theme in the company's marketing activities.

Therefore, the aim of this study was to present the results of a bibliometric analysis regarding research on the phenomenon of nostalgic marketing. For the purposes of the study, the authors used VOSviewer software and data analysis tools available in the SCOPUS database. The analysis covered the years 1992–2024.

2. Nostalgia marketing, nostalgia branding and nostalgia advertising

The term nostalgia comes from the Greek words *nostos* and *algos*, meaning respectively return and suffering [Kessous, 2011: 425]. Some researchers, such as D. Hallegatte, attribute the introduction of this term to science to J. Hofer, a Swiss medical doctor, who in the 17th century studied pathologies among soldiers serving abroad [Hallegatte, 2017: 166]. The work of this doctor can be considered the first attempt in history that aimed to scientifically conceptualise the issue of nostalgia, however, as M. Grębosz-Krawczyk points out, J. Hofer's approach influenced the fact that for a long period nostalgia was perceived as a kind of disease [Grębosz-Krawczyk, 2020: 59].

Due to the fact that the issue of nostalgia is currently discussed in many areas of science, many definitions of this concept can be found in the literature. Selected definitions are presented in Table 1.

Table 1. Definition of nostalgia in consumer behaviour according to A. Kessous and E. Roux [2008]

Author and Year	Definitions of nostlagia
Davis [1979]	”A positively toned evocation of a lived past” [p. 18]
Belk [1990]	”A wistful mood that may be prompted by an object, a scene, a smell, or a strain of music” [p. 670]
Holbrook and Schindler [1991]	”A preference (general liking, positive attitude, or favourable affect) toward objects (people, places or things) that were more common (popular, fashionable, or widely circulated) when one was younger (in early adulthood, in adolescence, in childhood, or even before birth” [p. 330]
Stern [1992]	”An emotional state in which an individual yearns for an idealised or sanitised verion of an earlier time period” [p. 11]
Baker and Kennedy [1994]	“A sentimental or bittersweet yearning for an experience, product, or service from the past” [p. 169]

Source: [Kessous, Roux, 2008: 195 – referring to the works of cited authors]

The analysis of the presented definitions allows to notice a certain evolution in the way of perceiving nostalgia. It is significant that the authors mostly perceive it as a longing for a past time, not a place. It should also be noted that some authors tried to present the elements, that were able to evoke this nostalgia and the objects, for which nostalgia could be felt.

The search for new, effective ways of influencing consumers led to the use of the nostalgia theme in marketing, which resulted in the creation of the concept of nostalgia marketing. This type of marketing "is a marketing tactic which refers to companies that give consumers a certain nostalgic element in marketing activities to stimulate and activate consumers' nostalgia, to evoke memories deep inside the consumer, and eventually to promote consumers' buying behavior" [Cui, 2015: 126]. It is worth noting that "the assumptions of nostalgic marketing are based on sentiment for past times" [Czerska, Michalczyk, 2017: 114]. It should also be added that nostalgia marketing is sometimes referred to as retro marketing. This approach was adopted, for example, by L. Gajanova and V. Zdenka [Gajanova, Zdenka, 2020: 42].

As part of nostalgia marketing activities, companies often use the concept of a nostalgic brand. According to K.E. Loveland, D. Smeesters and N. Mandel, nostalgic brands are "brands that were popular in the past and are still popular now" [Loveland, Smeesters, Mandel, 2010: 393 as cited in Kessous, 2015: 188]. A similar definition of a nostalgic brand is proposed by M. Grębosz-Krawczyk, who defines a nostalgic brand as a brand that is associated "with a close or distant, own or historical past" [Grębosz-Krawczyk, 2020: 80]. She also divides nostalgic brands into two categories. Generational brands, which operate on nostalgia related to a person's personal and immediate memories, and intergenerational brands, which may additionally operate on nostalgia related to other people's memories or collective experiences [Grębosz-Krawczyk, 2020: 80].

Evoking a feeling of nostalgia in consumers is most often done through advertisements based on the theme of nostalgia. These advertisements often use different methods to achieve this goal. They can include for example showing "nostalgic characters, clothes and decorations" [Aytekin, Yapıcıoğlu Ayaz, 2018: 880] or using appropriately selected songs [Lefi, Gharbi, 2011: 193].

Basing marketing activities on the theme of nostalgia can bring significant benefits to companies. As M. Grębosz-Krawczyk points out, previous research "confirms the positive influence of nostalgia on consumer attitudes and behaviors, especially in the area of marketing communication" [Grębosz, 2016: 104]. An example of such activities would be the use of the nostalgia theme in advertisement. Such advertising can give companies the opportunity to influence, for example, consumers' purchasing intentions [Hajlaoui, Gharbi, 2017: 129].

3. Marketing based on nostalgia theme in the literature subject

In order to assess the scale of interest in the issue of using the nostalgia theme in marketing in scientific literature, the authors decided to conduct a bibliometric analysis. To achieve the research goal, they searched for scientific publications indexed in the Scopus database, containing the following phrases in the title, abstract or keywords: "nostalgic advertising" or "nostalgia in advertising", "advertising based on nostalgia", "advertising using nostalgia", "advertisement appealing to nostalgia", "nostalgic brands", "nostalgia marketing" or "nostalgic marketing". The search was not limited in time because the authors wanted to track interest in this topic from the moment the first publication indexed in the SCOPUS database appeared. Moreover, the search was not limited by the language of publication.

Using this formulated key, the authors identified only 67 publications. This shows that nostalgia in marketing is not yet a popular area of consideration. The oldest publication in this collection turned out to be B.B. Stern *Historical and Personal Nostalgia in Advertising Text: The Fin de Siecle Effect* [Stern, 1992], which was published in 1992. This article was devoted to the analysis of issues related to nostalgia in commercial texts such as advertisements, magazines and direct mail catalogues.

The analysis also showed that the next studies devoted to the issues of interest to the authors were published only in 2009, i.e. 17 years later. Since then, the number of publications on this topic has been increasing, but the growth has been slow. The number of publications devoted to the discussed issue in particular periods is presented in Table 2.

Table 2. Number of publications in the Scopus database regarding the use of nostalgia theme in marketing in the years 1992–2024 [as of 6.12.2024]

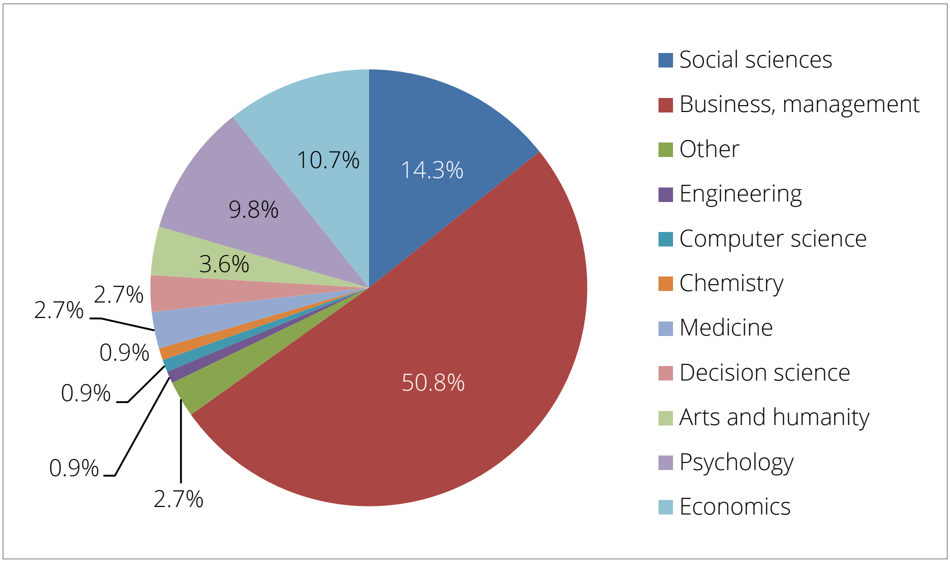
Years	Number of publications
1992–2008	1
2009–2010	3
2011–2015	11
2016–2020	22
2021–2024	30

Source: the author's own work based on information obtained from the Scopus database.

Publications on issues related to the use of nostalgia theme in marketing appeared in 46 sources, most of them in "Journal of Advertising" (5), "Journal of Brand Management" (4), "Applied Cognitive Psychology" (3) and "Asia Pacific Journal of Marketing and Logistics" (3). In the case of the remaining publications, 10 sources contained two publications each, and the rest contained one publication each.

Publications from the set of articles obtained during the analysis were classified into 13 thematic areas. More than half (50.9%) of the studies belong to the area Business, Management and Accounting, 14.7% to the area Social Sciences, publications in the field of Economics, Econometrics and Finance constitute 10.7%, and in the field of Psychology 9.8% of studies (Graph 1).

Graph 1. Subject area



Source: Scopus database.

The analysis also focused on the countries of origin of the authors publishing on the use of the nostalgia theme in marketing. It turns out that the articles came from 27 countries. The largest number of articles came from the United States – 28, from China – 15 and from India – 8. It should be emphasised that 3 articles were also recorded from Poland.

The publications were issued in three languages, with the majority of them (as many as 64) in English, 2 in Chinese, and one in Spanish.

The largest number of publications devoted to the analysed issues and indexed in the SCOPUS database (as of 6 December 2024) was published by I. Ju and it was a total of 6 articles. Table 3 presents the authors who published more than two articles on the use of nostalgia theme in marketing in the years 1992–2024.

Table 3. The authors of the largest number of publications

Author	Number of publications
I.Ju	6
S.Bluck	4
M.Grękosz-Krawczyk	3
S.S.Maheswarappa	3
J.Morris	3
B.Sivakumaran	3
E. Srivatava	3

Source: the author's own work based on information obtained from the Scopus database.

The analysis of the obtained set of publications showed that all articles by I. Ju were written in co-authorship (including as many as 4 studies written in co-authorship with S. Bluck). Of the 6 articles by I. Ju, the article with the highest number of citations was *Nostalgic Marketing, Perceived Self-Continuity, and Consumer Decisions* co-authored with S. Bluck, J. Kim and M.J. Chang [Ju, Kim, Chang, Bluck, 2016]. This article has been cited 40 times. The next author indicated in the table, i.e. S. Bluck, wrote all his articles in co-authorship with I. Ju, which is why the publication cited above is also his article with the highest number of citations. None of the articles by the other authors listed in Table 3 exceeded 25 citations. This indicates that the number of the written articles does not translate into an increased number of citations.

Interestingly, the article with the highest number of citations is the one mentioned earlier, the oldest one by B.B. Stern from 1992. Other articles that received more than 50 citations are shown in Table 4. There were 8 such articles. The table also presents the topics of individual articles.

Table 4. Articles with the most citations

Authors	Title	Journal	Number of citations	Discussed topics
B. B. Stern	Historical and personal nostalgia in advertising text: The *fin de siècle* effect	*Journal of Advertising*, vol . 1, nr 4, 22 December 1992	311	This is an analysis of issues related to nostalgia in commercial texts such as advertisements, magazines, and direct mail catalogues.
D. D. Muehling, D. E. Sprott, A. J. Sultan	Exploring the boundaries of nostalgic advertising effects: A consideration of childhood brand exposure and attachment on consumers responses to nostalgia-themed advertisements	*Journal of Advertising*, Vol. 43, No. 1, 2014	99	This study examines empirically the differential influence of past brand associations on consumers' reactions to nostalgia-themed advertisements.
D. D. Muehling, V. Pascal	An empirical investigation of the differential effects of personal, historical, and non-nostalgic advertising on consumer responses	*Journal of Advertising,* Vol. 40, No. 2, 2011	97	This study investigates whether and/or to what extent consumers' information processing tendencies and ad-based responses are differentially influenced by the introduction of nostalgic cues (either "personal" or "historical" in nature) embedded in an advertisement.
A. Kessous, E. Roux, J. L. Chandon	Consumer-brand relationships: A contrast of nostalgic and non-nostalgic brands	*Psychology and Marketing,* Vol. 32, Issue 2, February 2015	76	This research examined how consumer-brand relationships change when one contrasts brands perceived as nostalgic with brands perceived as non-nostalgic.

Authors	Title	Journal	Number of citations	Discussed topics
S. Youn, S. V. Jin	Reconnecting with the past in social media: The moderating role of social influence in nostalgia marketing on Pinterest	*Journal of Consumer Behaviour,* Vol. 16, Issue 6, November/ December 2017	67	Study conducted to examine the effects of nostalgia and social influence on consumers' judgments in the brand management.
B. J. Hartmann, K. H. Brunk	Nostalgia marketing and (re-) enchantment	*International Journal of Research in Marketing,* Vol. 36, Issue 4, December 2019	66	This study examined how nostalgia marketing creates enchantment for consumers.
E. Cattaneo, C. Guerini	Assessing the revival potential of brands from the past: How relevant is nostalgia in retro branding strategies	*Journal of Brand Management,* Vol. 19, Issue 8, June 2012	55	This study focuses on retro branding practices, that is, the revival of brands belonging to a prior historical period.
M. Heinberg, C. S. Katsikeas H. E. Ozkaya, M. Taube	How nostalgic brand positioning shapes brand equity: differences between emerging and developed markets	*Journal of the Academy of Marketing Science (Open Access),* Vol. 48, Issue 5, September 2020	54	The authors tried to explain how nostalgic brand positioning creates brand equity.

Source: the author's own work based on information obtained from the Scopus database.

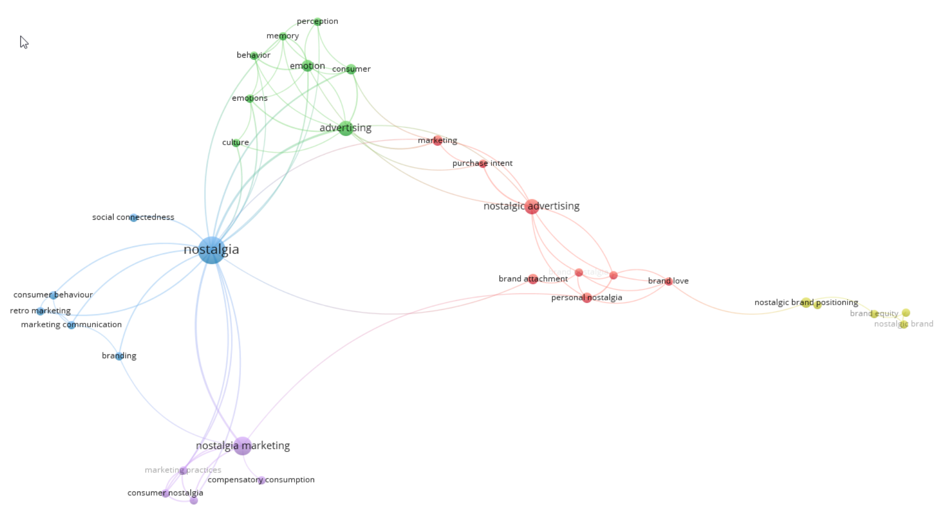
The next element of the bibliometric analysis conducted by the authors was the analysis of keyword co-occurrence, which allowed for the creation of a map of term co-occurrence and, on this basis, the extraction of clusters reflecting research sub-areas. For this purpose, VOSviewer software was used, which enables working on files containing descriptions of bibliographic records exported, among others, from the SCOPUS database.

Exporting the previously generated 67 publications from the SCOPUS database to VOSViewer helped to obtain 252 co-occurring keywords. For further analysis, it was assumed that the same keywords should appear at least twice in the obtained texts. As a result of this procedure, the number of obtained keywords decreased to 42. This demonstrates the great diversity of topics discussed in the generated articles.

Then, terms that were not substantively related to the analysed research area were eliminated from the set of keywords, such as: article, human, adult, male, female, priority journal, Poland, experimental design, Chinese consumer, human experiment. This reduced the number of the analysed words to 32.

Taking into account 32 words allowed the authors to generate a network of connections between them and to distinguish five clusters. These clusters reveal research sub-areas concerning the issue of using the nostalgia theme in marketing. VOSviewer uses colors to visualize connections into clusters, making it easier to locate a given term in a given cluster. The map of connections is shown in Figure 1.

Figure 1. Map of connections



Source: the author's own work based on information obtained from the Scopus database.

The first cluster, yellow, includes 5 elements: nostalgic brand positioning, brand equity, nostalgic brand, consumer attitudes, brand resurrection. Publications within this cluster focus primarily on the issues of nostalgic brand positioning. For example, issues such as the impact of nostalgic brand positioning on its value and brand equity are considered, e.g. [Heinberg et al., 2020; Grębosz-Krawczyk, 2019], the impact of nostalgic brand positioning on consumer purchasing intentions, e.g. [Gonzales-Cavazos, Quintanilla, Ayala, 2023], and even the possibility of nostalgic brand positioning through the shared use of the brand by people in the early stages of relationships [Vredeld, Kara, 2020]. The authors propose to call this cluster *Nostalgic Brand*. This cluster included 7 articles.

The second red cluster corresponds to the first cluster and includes 8 elements: brand love, personal nostalgia, brand attachment, nostalgic advertising, purchase intent, marketing, brand nostalgia, historical nostalgia. The articles included in this cluster mainly concern the impact of nostalgic positioning on the consumer's relationship with the brand and their attachment to the brand, e.g. [Grappi et al., 2024; Sadeghvaziri, Shafeie, 2024; Jiang, Ge, Yao, 2024; Youn, Dodoo, 2021; Ju et al. 2016]. The authors titled this cluster *Nostalgic Brand Positioning and the Consumer*. It includes 15 articles.

The third, purple cluster includes 5 elements: nostalgia marketing, marketing practices, compensatory consumption, consumer nostalgia, nostalgia mechanism. The authors named this cluster *Nostalgia Marketing*. It consists of 11 articles. This cluster includes articles on the development of nostalgia marketing, e.g. [Zhao et al., 2014; Rana et al., 2022; Mukhopadhyay 2024], and those devoted to the influence of nostalgia marketing on consumers, e.g. [Ju et al., 2016; Jun, Park, Kim 2022] and describing the effectiveness of nostalgia marketing activities in various life situations of the consumer, e.g. [Li et al., 2024; Bi et al., 2024; Hoang et al., 2024].

The fourth green cluster includes 8 elements: perception, memory, behavior, emotions, culture, emotion, advertising, consumer. It includes 12 articles. It consists of articles exploring the essence of nostalgia, e.g. [Ju et al., 2016; Ju, Bluck, Liao, 2018; Migliorati, 2014], analysing the impact of using the nostalgia theme on the intensity of word-of-mouth marketing, or linking nostalgia with social influence, e.g. [Liao, Xu, Gong, 2019; Barbery-Montoya, Lavayen-Leon, Vera-Suarez, 2019; Huang, Yang, Liu, Wu, 2024]. This cluster was named *Nostalgia*.

The last cluster, blue, includes 6 elements: nostalgia, consumer behaviour, retro marketing, marketing communication, branding, social connectedness. This is a cluster very diverse in terms of topics. It includes articles describing the use of historic brands and historic places in the marketing strategies of companies, e.g. [Holotová et al., 2024], as well as the effect of using the nostalgia theme with different types of products, e.g. [Ju et al. 2016; Gong et al., 2023] or differences in the reception of nostalgia marketing activities by representatives of different generations and cultures, [Kim, Yim 2018; Merchant et al., 2016; Kessous, 2015]. This cluster can be called *Nostalgia in Consumer Perception* and it includes 22 articles.

4. Conclusions

The conducted bibliometric analysis allowed us to demonstrate the limited interest of researchers in the issue of using nostalgia in marketing activities. It seems that practice in this case outpaces scientific publications on this topic. However, it can be predicted, that with the success of subsequent advertising campaigns based on the theme of nostalgia, more and more scientific studies on this issue will appear.

The analysis of the co-occurrence of keywords, which allowed to identify of five clusters corresponding to five research areas within the issue of nostalgia in marketing, was an important element of this analysis. These are the areas that the authors titled: *Nostalgia, Nostalgia in Consumer Perception, Nostalgia Marketing, Nostalgic Brand* and *Nostalgic Brand Positioning and the Consumer.* The fewest articles were found in the *Nostalgic Brand* cluster, which may indicate that this area of considerations is still developing. However, most of publications were found in the most diverse cluster *Nostalgia in Consumer Perception*.

The possibility of distinguishing clusters shows that researchers approach in different ways the issue of using the nostalgia theme in marketing. As business practice in this area develops, new clusters will certainly emerge, and the existing ones will be divided into more specialised ones (e.g. cluster *Nostalgia in Consumer Perception*).

The authors are aware of the limitations of the conducted analysis, related to the use of only one SCOPUS database in the study. At the same time, since bibliometric analysis is quantitative in nature, in order to better understand the research areas related to the use of nostalgia theme in marketing, a more in-depth substantive analysis of publications in this field should be carried out in the future.

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DOI: 10.15290/sup.2024.08.08

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THE IMPACT OF LITHUANIAN REGIONAL POLICY ON THE LEVEL OF SOCIO-ECONOMIC DEVELOPMENT OF ITS REGIONS

Abstract

- *Goal* – the subject of research in this study is the regional policy of Lithuania, which aims to support the balanced socio-economic development of all regions and cities. Persistent disparities in the development of regions constitute a significant challenge for the national regional policy. The main objective of the research is to demonstrate the importance of Lithuania's regional policy in reducing the spatial disparities in the country.
- *Research methodology* – the following research methods were used to achieve the set goal: analysis of background data, statistical analysis and comparative method. The source of information include the data from Statistics Lithuania (SL), reports of the Ministry of Finance of Lithuania and other analytical studies for the period 2012–2022[1].
- *Score/results* – the authors assumed that regional policy in Lithuania is not very effective in reducing regional polarisation. The results of the conducted research showed persistent interregional differentiation at the county level. The pursuit of achieving socio-economic cohesion is mainly realised through the European Union

[1] The article uses the results of research conducted in the master's thesis of Robertas Kovgeris.

funds. The planned distribution of these funds under the 2021–2027 multiannual financial framework may result in further consolidation of uneven development at the national level.
- *Originality/value* – the analysis carried out in the article made it possible to assess the differences in the socio-economic development of Lithuania's regions, as well as to determine the direction of changes over the past decade. The identified disparities in regional development raise the question of the effectiveness of Lithuania's regional development policy in ensuring sustainable development of the country. Thus, the article contributes to the scientific discussion on this topic and draws the attention of policy makers to the need for changes in the structure of financing regional development, which currently leads to the perpetuation of regional disparities.

Keywords: regions of Lithuania, regional policy, regional disparities, development financing.

1. Introduction

Regional differentiation is a multi-faceted phenomenon resulting from various economic, social, geographical and historical factors. Analysis of these differences is crucial for understanding internal disparities and challenges faced by the country's regional policy, the main goal of which is to support the balanced socio-economic development of all regions in the country. The shape and nature of regional policy largely depends on the assumptions of the national economic policy [Korenik, 2012: 56]. The task of regional policy is not only to eliminate differences in the socio-economic development of regions, but also to "prevent the creation of new development disparities" [Sługocki, 2013: 29]. Despite its small size, Lithuania is characterised by significant differences in the level of economic development, income, investments, entrepreneurial activity, education of the population and unemployment at the county level. Economic and social differences limit the development opportunities of the regions and hinder progress towards sustainable development of the country.

The authors formulated a hypothesis that regional policy in Lithuania is not very effective in reducing regional polarisation. Thus, the main goal of the research is to demonstrate the importance of Lithuania's regional policy in reducing national spatial disparities. Several partial goals were also set:

1. assessment of the level and diversity of socio-economic development of Lithuania's regions;

2. determination of trend of changes in the period 2012–2022;
3. assessment of sources and effectiveness of regional policy financing in the context of supporting regional development.

The article consists of four parts, the first of which presents the main assumptions of Lithuania's regional policy, and the second part introduces the administrative division of the country and the characteristics of the regions. The next part analyses the level of development of Lithuanian regions using the selected indicators, which allowed to achieve the first two partial objectives. The final part assesses the effectiveness of regional policy and the distribution of funds allocated for investments in the regions under the multiannual financial framework for 2021–2027. The results of the study made it possible to conclude that the assumptions were correct.

2. Lithuania's regional policy – the main assumptions

Regional development policy is one of the basic tools for influencing economic processes taking place in the country and in its individual regions. It is an important area of economic policy both at the level of the European Union and within individual Member States. Its main goal is to support the balanced development of regions, reduce economic and social inequalities and build social cohesion [Burneika, 2013: 12]. Thus, it refers to activities that aim to influence the region as a whole and is a component of overall socioeconomic policy. Regional policy is characterised by a two-way nature. First of all, it serves a global view of the regions, treating them as the subject of the impact of various tools of national socio-economic policy and as the coordination of these influences. In addition, it takes into account the diversity of natural, economic, demographic and social conditions in the country's various regions in the formation of the country's social and economic policy [Woś, 2015: 46].

Currently, in the scientific literature and especially in practice, there are two approaches to regional policy, namely:

- regional policy seen as a set of measures aimed at promoting economic development in the region through the most efficient use of local (endogenous) resources. In this case, the economic development, the ultimate goal of which is to stimulate the country's economic growth is the priority [Baubinas, 2008: 332].

- regional policy understood as a set of measures aimed at guaranteeing (in relative or absolute terms) the social and economic integrity of a country, i.e. equal standards and living conditions for all its citizens, regardless of what part of the country they live in. In this case, the goals are more pro-social [Burneika, Kriaučiūnas, 2005: 59].

It is worth noting that even in countries with a long tradition of regional policy, there is no consensus on which of these two dimensions should be given priority. There is a tendency for economic growth (the first concept) to take precedence when a country is experiencing a period of economic stagnation or recession, but once a certain degree of economic growth is achieved, more attention is paid to equalising the country's living conditions and standards, i.e. the second dimension of regional policy.

The regional policy of the European Union has a long and rich tradition. Since the 1950s, it has gradually evolved from a simple redistribution policy to a cohesion policy, i.e. more targeted support for regional development [Dorożyński, 2012: 52]. In general, community regional policy has been a three-stage process of development from early attempts to focus on the balanced socio-economic development of EU regions to a more focused and differentiated policy. These changes reflect the desire to use EU funds more efficiently and to promote regional development in a more coherent way and in line with the Group's objectives. Nevertheless, the long-standing challenges of regional inequalities remain a significant challenge for the EU and regional policy remains an important tool in seeking to address them [Pietrzyk, 2002: 30; ESPAS, 2017: 17].

Lithuania's regional policy can be viewed both as a national regional policy aimed at reducing regional development disparities in the country and as part of the European Union's structural policy. Thus, it is necessary to distinguish between internal and external assumptions of regional policy development in Lithuania [Pareigis, Dorofejeva, 2004: 62]:

1. internal assumptions are based on the clear differentiation in the development of Lithuanian regions;
2. external conditions are based on the principles of Lithuania's membership in the EU.

In this context, the national regional policy can be seen as a targeted activity of state institutions and other entities, the main goal of which is to reduce socio-economic differences between regions and differences in development within regions, as well as to promote uniform and sustainable development of the country as a whole. The long-term goal of such activities is to ensure a high quality of life for the inhabitants of all Lithuania. This policy is primarily implemented through the development of business, human resources and infrastructure.

3. Regions of Lithuania – characteristics

In economic terms, a region is an area distinguished on the basis of features related to human activity. They are distinguished on the basis of specific management or existing economic dependencies. In legal terms, on the other hand, a region is a unit of administrative division, which is distinguished by the legislator on the basis of features “differentiating it from other units of administrative division of the same level” [EAP, 2024]. Typically, it is the highest unit of territorial organisation in a country with a relatively large area and a significant number of inhabitants, relatively uniform from the economic, social and cultural point of view, in which an appropriate policy is conducted by regional institutions established for this purpose. Therefore, the concept of a “region” refers to a certain unit of territorial division, and the designation of regions (regionalisation) itself can be seen as a way of organizing the performance of public tasks [Wlaźlak, 2010: 26].

The territorial administrative units of the Republic of Lithuania are counties (*apskritys*) and municipalities (*savivaldybės*). Counties are formed from the territories of the municipalities with common social, economic, and ethnic-cultural interests. The administrative division of Lithuania is the result of the evolution of administrative changes over the years. Based on the data of the state enterprise Centre of Registers, on 1 January 2023, there were 10 counties and 60 municipalities. The majority of municipalities are divided into smaller territorial units – wards (*seniūnija*), which number up to 544 [CR, 2024]. The basic, highest, units of territorial organisation in the country are counties, which are taken into account when forming the regional policy of Lithuania. The table below presents information on the administrative division of Lithuania into counties and their demographic and territorial characteristics. At the beginning of 2023, the resident population of Lithuania totaled 2 million 857 thousand people and during the year their number decreased by 51,3 thousand people.

Table 1. Lithuanian counties by territory and population in 2023

Counties	Resident population	Territory (km²)	Main city
Vilnius county	868 341	9 730	Vilnius
Kaunas county	585 480	8 086	Kaunas
Klaipėda county	339 972	5 222	Klaipėda
Šiauliai county	266 960	5 395	Šiauliai
Alytus county	134 668	5 418	Alytus
Panevėžys county	209 071	7 881	Panevėžys
Telšiai county	130 918	4 350	Telšiai
Marijampolė county	134 668	4 466	Marijampolė
Utena county	126 326	7 201	Utena
Tauragė county	90 578	4 411	Tauragė

Source: SL, Regions of Lithuania, 2023.

The presented data show significant differentiation of Lithuanian counties in terms of demographics and territory. Vilnius, Kaunas and Klaipėda counties dominate both in terms of population and territory. It is also worth adding that on 6 January 2016, for statistical purposes, the entire territory of Lithuania was divided into two regions: the Capital Region (*Sostinės regionas*), which included the Vilnius County, and the Central and Western Lithuania region (*Vidurio ir vakarų Lietuvos regionas*), which included the remaining nine counties – Alytus, Kaunas, Klaipėda, Marijampolė, Panevėžys, Šiauliai, Tauragė, Telšiai and Utena [SL, 2023]. Further analysis will be conducted at the ten county level, as it would be difficult to discern variation in regional development with such level of data aggregation.

4. Differentiation of the level of socio-economic development of Lithuanian regions. Trend of changes in 2012–2022

Regional development is determined based on changes occurring in the region (change tendency) and on the results achieved by individual territorial units (development level). These changes can be studied through the prism of the available resources, as well as their use, in pursuit of the development and growth of the region and the economy as a whole [Pająk, Dahlke, Kvilinskyi, 2016: 112]. Diagnosis of the situation in Lithuania's regions and identification of key trends and the direction of change requires a review of the indicators determining socio-economic development in these regions – counties. The following section of the article analyses the selected demographic, economic and social indicators that shaped the development of the various regions of Lithuania in the decade under review.

The analysis includes such areas as: change in the number of permanent residents, level of unemployment (unemployment rate), income of the population (average monthly gross wage), basic indicator characterising the economic potential of the region – Gross Domestic Product per capita (GDP per capita), development of entrepreneurship (number of registered enterprises) and education level of citizens (number of people with higher education). Due to the limited volume of the article, only the results of the calculations carried out in the analysed areas are included in Table 2, allowing to determine the situation in the region and the direction of change.

Between 2012 and 2022, Lithuania experienced significant socio-economic changes, which is reflected in the statistical picture of its regions. The analysis of data on the change in the number of permanent residents in individual counties of Lithuania in 2012–2022 shows a general trend of population decline. Only the capital (Vilnius) county recorded an increase in population in 2022 compared to 2012. The largest population declines were recorded in Šiauliai and Panevėžys counties, where the population declined by about 35 thousand and 34 thousand inhabitants, respectively, over the decade. There were also changes in the spatial distribution of the population, with a high concentration in three counties – Vilnius, Kaunas and Klaipėda – which account for more than 61% of the total population. A significant part of the population is also located in Šiauliai county, over 9% of the total.

Table 2. Changes in the selected indicators of socio-economic development of Lithuanian regions in the period 2012–2022

Counties	Resident population		Unemployment rate (%)	Gross wage (EUR/ month.)	GDP per capita	Registered enterprises	People with higher education
	Change 2022–2012	Share 2022 (%)	Average value 2012–2022	Average value 2012–2022	Share 2022 (%)	Share 2022 (%)	Share 2022 (%)
Lithuania	-197643	100	8.8	747.7	100	100	100
Vilnius	12035	29.2	7.1	778.6	148.3	46.8	39.4
Kaunas	-30072	20.3	12.0	632.3	100.4	19.3	22.4
Klaipėda	-10481	11.6	7.6	728.5	89.5	9.6	11.2
Šiauliai	-34679	9.3	6.6	725.3	73.9	6.1	7.1
Panevėžys	-33584	7.6	10.8	613.0	71.8	5.3	5.7
Marijampolė	-22844	4.9	11.3	648.1	71.0	3.1	3.4
Alytus	-19277	4.8	10.6	623.1	60.5	2.7	3.2
Telšiai	-18152	4.7	9.6	592.0	58.0	2.7	3.1
Utena	-23357	4.5	9.5	661.5	57.1	2.6	2.7
Tauragė	-17232	3.2	15.5	638.6	55.5	1.7	1.8

Source: the author’s own work.

The next analysed indicator is the unemployment rate in the regions. This is one of the most important economic indicators, which reflects the condition of the labor market and the general economic situation of the region. The analysis of changes in the unemployment rate in the individual years of the period under review showed a general trend of decreasing unemployment rates both in the country and in individual regions. The estimated average value of this indicator for the entire period shows that the average unemployment rate in the country was 8,8%. Only for three districts this indicator turned out to be below the national average, these are Vilnius (7,1%), Klaipėda (7,6%) and Šiauliai (6,6%). The remaining counties recorded higher levels of unemployment with large regional variation: Taurage county 15,5% and Utena county 9,5%, a difference of 6 percentage points (p.p.). It is noteworthy that the traditionally well-performing Kaunas county records a significantly higher (by 3.2 p.p.) unemployment rate compared to the national average.

Changes in the gross average monthly wage from 2012 to 2022 estimated on the basis of statistical data clearly indicate the existence of a general increase in all regions. The calculations showed that the gross wage of the average Lithuanian resident during the period under review increased nearly 3 times, i.e. by 65,5%. Larger changes or at a similar level were recorded in four counties: Kaunas (67,2%), Šiauliai (66%), Taurage (65,5%) and Marijampole (65%). In the remaining counties, the increase ranged from 64,8% in Vilnius and Panevėžys districts to 63% in Utena. The reported increase in wages is a very positive development in the overall assessment of the direction of change, which significantly disturbs the remaining large variation in the amount of these wages in individual regions. This is because it is due to the very different level of wages in the initial year of analysis (2012). The estimated index of the average value of gross wages for the entire period shows that the exceeding of the national average level of wages takes place only in the Vilnius county, which is the leader in the ranking. The indicators for Kaunas and Klaipeda counties are also close to the national average gross wage for the 2012–2022 period, with the other regions having significantly lower results.

The next indicator selected for the analysis shows the level of GDP per capita in the regions. This indicator reflects the standard of living of the average resident in the counties, informing which regions are richer and which are poorer. A comparative analysis of this indicator in the years 2012–2022 allowed to observe a significant increase in GDP per capita both in the country and in individual counties, which indicates the dynamic economic development of the country. The overwhelming number of districts recorded a 2-fold or nearly 2-fold increase in this indicator. Higher growth took place in three counties: Vilnius, Kaunas and Taurage. In addition, the share of each county in the national GDP per capita in 2022 was calculated. Based on these results, the counties were ranked from the highest to the worst, thus revealing large regional disparities. It is enough to note that in Vilnius county in 2022, the per capita income was 35,3 thousand euros, which was higher than the national average, and the share of this county in the national GDP was approaching 150%.

Changes in the total number of registered enterprises in Lithuania's districts during the years under study were determined next. In the period from 2012 to 2022, an increase in the number of established enterprises was recorded in all counties of Lithuania. The largest increase was observed in Vilnius county, where the number of companies increased by over 46 thousand. This trend was characterised by stability, with the largest increase occurring in 2013–2015, when the number of newly established companies increased by an average of 7–8 thousand per year. It is worth adding that in total in the country in 2022, almost 256 thousand enterprises were registered, of which almost half were located in Vilnius county (46,8% of the total). Another 20% of entities were located in Kaunas county, and approx. 10% - in Klaipėda county. Therefore, these three counties accounted for almost 80% of all enterprises. The remaining 20% were located in seven counties, which indicates a huge diversity in the regional distribution of registered entities.

The educational level of the population is a very important aspect in the context of the socio-economic development of each country, affecting innovation, productivity and the overall standard of living of its citizens. Analysis of regional differences in the level of higher education of the population makes it possible to identify areas in need of government intervention and to develop strategies to foster sustainable educational development. The data on the level of higher education of residents in Lithuania's counties from 2012 to 2022 show varying development trends across regions. In general, most counties recorded an increase in the number of people with tertiary education, although with varying intensity. In 2022, there were 905,6 thousand residents with higher education in the country, nearly 40% of whom lived in the Vilnius county. Meanwhile, in Kaunas county, their share in the total population exceeded 22%, and in Klaipėda county – 11%. The aforementioned three districts account for 73% of the total population with higher education, while the rest are spread across seven districts.

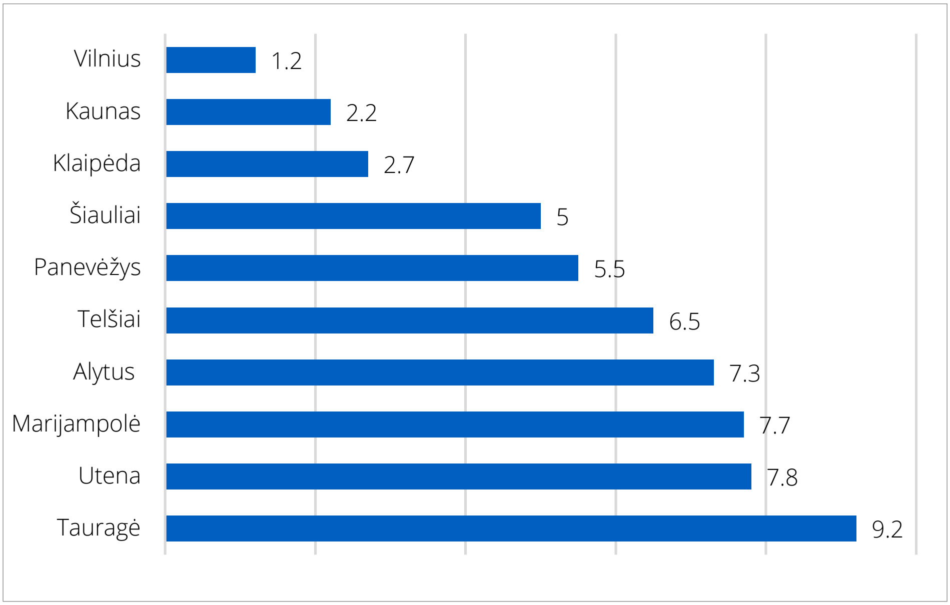
The analysis generally showed positive changes in Lithuania's socio-economic development, while indicating large interregional variations at the county level. Despite its small size, Lithuania is characterised by significant differences in the level of economic development, income, investment, education and unemployment levels between regions. In order to draw general conclusions, the results of the analysis are presented in Table 3. It indicates the six analysed areas and the places occupied by each district in the ranking (from 1 to 10), the average score is also estimated, and its value should be interpreted as follows: the smaller value, the better position of the county in the ranking and the correspondingly higher level of socio-economic development. Figure 1 was made on this basis.

Table 3. Results for Lithuanian counties in terms of individual indicators (ranking position) and average score

Counties	Resident population	Unemployment rate	Gross wage	GDP per capita	Registered enterprises	People with higher education	Average score
Vilnius	1	2	1	1	1	1	1.2
Kaunas	2	3	2	2	2	2	2.2
Klaipėda	3	1	3	3	3	3	2.7
Šiauliai	4	6	8	4	4	4	5.0
Panevėžys	5	8	5	5	5	5	5.5
Telšiai	8	4	4	6	8	9	6.5
Alytus	7	9	7	9	6	6	7.3
Marijampolė	6	7	9	7	9	8	7.7
Utena	9	10	6	8	7	7	7.8
Tauragė	10	5	10	10	10	10	9.2

Source: the author's own work.

Chart 1. Ranking of Lithuanian counties according to the obtained results



Source: the author's own work.

The calculated average score clearly indicates the dominance of the Vilnius region, which ranked first in almost all surveyed areas, except for unemployment. The next two counties – Kaunas and Klaipeda – also have very high scores, but lower than the leader. In the Kaunas district, as well as in the Klaipeda district, the result was worsened by a higher unemployment rate in 2012–2022. It should be noted that the Klaipeda county also has lower positions in the areas of the number of registered enterprises and population education. Another group of regions with a similar level of socio-economic development includes Šiauliai, Panevėžys and Telšiai. For the first of them, the area for improvement is the relatively low wage earners, for the second – the unemployment rate, and the third should improve the educational level of the population.

The next group of counties with a similar result include: Alytus, Marijampole and Utena. These are counties that achieved lower results than the previous group in almost all analysed areas. The area that requires improvement for Alytus county is primarily the level of unemployment and the low level of the well-being of residents, while for Marijampole county – low wages and low entrepreneurial activity of the residents. In Utena county, on the other hand, high unemployment requires special care. And finally, the last of the counties – Taurage – which stands out very strongly from the others, achieving the lowest results in all areas except for the level of unemployment. Therefore, we can talk about persistent large disparities between counties in Lithuania, which emphasises the importance of regional policy and the need for investments that can contribute to reducing regional polarisation.

5. Assessment of regional policy effectiveness

In the context of regional policy, regional polarisation is a major challenge. Reducing existing disparities and preventing the emergence of new ones is one of its main goals, both at the national level and within the European Regional Policy Framework. Analyses show that the current regional policy in Lithuania needs to be reviewed and updated, due to the persistent significant differences in the standard of living between regions, which can lead to social tensions. Researchers in this field point out that sustainable development of the country is possible only when all aspects of sustainable development are taken into account, i.e. economic, social and environmental, even with significant disparities in development within the country. Therefore, it is important to implement targeted regional policy measures that will support the harmonious development of all regions of Lithuania [Melnikas, 2002: 12].

The basis for applying regional policy is having and using the appropriate instruments. In highly developed countries, a rich set of regional policy instruments has been created and a number of institutions dealing with regional policy have been established [Makulska, 2001: 78]. The main instrument of influence in Lithuania is the financial resources allocated for the implementation of tasks within the framework of regional policy. The principles of granting financial assistance are formulated by state bodies, and they also decide on their distribution among regions.

The Regional Development Programme for 2022–2030 (*2022–2030 m. Regionų plėtros programa*), approved by the Seimas of Lithuania, aims to support sustainable regional development in Lithuania in 2022–2030 [Government of the Republic of Lithuania, Resolution, 2022]. The document covers a wide range of activities, focusing on infrastructure, innovation, education and public services, as well as on promoting cross-border and interregional cooperation. The main objective of the program is to increase the prosperity of regions by promoting cooperation between them, which is to lead to greater economic and social cohesion. One of the key elements of the program is to support territorial cohesion, which includes directing investments to the main cities in each county. First and foremost, it is about improving the availability of public services and reducing internal economic inequalities through joint actions of local governments. It also points to the need for cooperation at various administrative levels and with institutions and social groups, which is to ensure the effective use of available funds and resources. Integration of urban development strategies and territorial programs, as well as promotion of green growth, are key elements of this comprehensive approach.

It also highlights the existing regional problems, their scope, mutual interactions, ways of solving them and indicators of progress in the coming years. One of the chapters of the document (chapter 4) provides preliminary, estimated financing for the regions of Lithuania. Table 4 below presents the distribution of financial resources allocated for the development of 10 counties of Lithuania in 2021–2027. They include only those areas and that part of the financial forecasts for which regional progress measures are specified in the national development programs.

Table 4. Planned distribution of funds among districts (EUR 1,000; %)

Counties	Total funding		National funding	EU funding	
	Value	Share, %		Value	Share, %
Alytus	150 085.8	7.5	22 512.9	127 572.9	85.0
Kaunas	309 612.3	15.5	46 441.8	263 170.5	85.0
Klaipėda	234 668.2	11.7	35 200.2	199 468.0	85.0
Marijampolė	155 472.8	7.8	23 320.9	132 151.9	85.0
Panevėžys	199 395.5	10.0	29 909.3	169 486.2	85.0
Šiauliai	212 457.9	10.6	31 868.7	180 589.2	85.0
Tauragė	127 211.2	6.4	19 081.7	108 129.5	85.0
Telšiai	111 624.5	5.6	16 743.7	94 880.8	85.0
Utena	161 845.2	8.1	24 276.8	137 568.4	85.0
Vilnius	339 672.8	17.0	128 744.0	210 928.8	62.1
TOTAL	2 002 046.2	100.0	378 100.0	1 623 946.2	81.1

Source: Regionų plėtros programa, 2022–2030 m, Lėšos regionams.

In total, the financial support for the regions is planned to amount to over EUR 2 billion, of which over 81% of the funds come from EU funds. The main areas of investment are aimed at stimulating the economic growth of counties, municipalities and cities through the efficient use of their resources, improving the availability of public services and creating new jobs and efficient use of available resources. In addition, these investments are aimed at reducing territorial differences in the well-being of residents, increasing the availability of high-quality health services in the regions, increasing the availability of education for children and other important aspects. Thanks to these funds, it is possible to support the comprehensive and sustainable development of infrastructure and services in the regions, which is supposed to contribute to the improvement of the quality of life of residents and of the sustainable socio-economic development. In other words, the assumed directions of using the investments fit perfectly into the context of achieving the main goals of regional policy. However, the distribution of these funds raises an objection.

The data presented in Table 4 and the calculated indicators show that the largest share of funding falls on Vilnius county, which will receive almost 17% of the total funds. Although the capital city and its surroundings often require larger investments due to their population density and central importance, such a significant concentration of funds may lead to the marginalisation of other regions. A significant part of the funds is also allocated to Kaunas county, which accounts for 15,5% of the funds. Similarly, Klaipėda county absorbs almost 12% of the total funds. Similarly to Vilnius, high expenditure in these regions may be justified by infrastructural and economic needs. However, there is a high risk that excessive investment in these regions may result in regional polarisation at the national level, as Vilnius, Kaunas and Klaipėda counties will receive almost half of the funds allocated for investments in 2021–2027, namely 44,2%.

6. Conclusions

The analysis shows an overall improvement of the socio-economic situation in Lithuania over the last decade, although with clear regional disparities, as indicated by the following findings:

- most counties of Lithuania experienced a depopulation trend in 2012–2022, except for the capital city county. The spatial distribution of the population is also very uneven, with three counties (Vilnius, Kaunas and Klaipėda) accounting for more than 61% of the total population, indicating a high concentration of labor resources;

- the overall decrease in the unemployment rate in all counties is a positive sign, however, there remains significant variation at the regional level, with Taurage, Kaunas and Marijampolė counties being particularly at risk;
- the overall increase in the average gross monthly wage in all counties between 2012 and 2022 is accompanied by a large variation in these wages across regions;
- entrepreneurial activity, measured by the number of established companies, shows an upward trend in all counties, however, there is a high spatial concentration – almost half of the enterprises are located in the Vilnius county;
- the level of education of the inhabitants is also increasing, measured by the number of people with higher education. However, the majority (over 73%) live in three counties – Vilnius, Kaunas and Klaipėda, which indicates a significant difference in the quality of human capital.

It follows that Lithuania is characterised by significant, persistent differences in the level of socio-economic development. Reducing these disparities and striving for sustainable development of the country is a key goal of regional policy. The analysis of regional policy financing made in the final part of the article shows that the main source of financing for regional development in Lithuania are funds from the European Union, which for most regions constitute about 85% of the planned financing in the programming period 2021–2027. The review of the planned directions of investment use at the level of the Regional Development Councils of individual counties showed that they fit into the context of achieving the main objectives of regional policy. However, the division of these funds between individual regions raises concerns, because for the most developed counties (Vilnius, Kaunas and Klaipėda) the planned financing covers almost half of the funds earmarked for investments under regional policy. There is therefore a high risk that excessive investment in these regions may result in the consolidation of regional polarisation at the national level and constitute a significant argument for concluding that the regional policy is ineffective in achieving the main objective – supporting less developed regions and sustainable development of the country.

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DOI: 10.15290/sup.2024.08.09

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THE IMPORTANCE OF THE LEGAL AND REGULATORY FRAMEWORK FOR THE DEVELOPMENT OF SOCIALLY RESPONSIBLE INVESTING: EVIDENCE FROM THE NETHERLANDS

Abstract

- *Goal* – the purpose of the article is to identify trends associated with the functioning of the socially responsible investing market in the Netherlands compared to other European Union countries and the role the legal and regulatory framework adopted at the national level may play in the development of this form of investing.
- *Research methodology* –various methods of research were used in this paper, such as the method of desk research consisting of an analysis of data on socially responsible investing published by Eurosif and EFAMA and the analysis of the legal and regulatory framework in the field of socially responsible investing, established by public authorities, regulatory institutions, non-governmental organizations, business representatives, and the investor community.
- *Score/results* – the conducted studies showed that the Netherlands is a country that not only stands out from other European Union countries in terms of the level of socially responsible investing, but it is also characterised by a large range of legal and regulatory framework in this field, as well as a long history of its implementation. A characteristic feature of the legal and regulatory framework established over the years in this country is also its great complexity. It contains several mandatory requirements and voluntary recommendations regarding the principles that institutional investors should adhere to when investing capital. A significant role in developing socially responsible investing in this country was also played by the fiscal instruments and the solutions enabling comparison of investment practices of selected institutional investors.
- *Originality/value* – the article intends to fill the research gap in the field of socially responsible investing and the factors that may stimulate its development in individual

capital markets. This aspect is still underrepresented in research, yet it is increasingly important. Understanding the factors stimulating the development of this form of investing may be key to eliminating the territorial differentiation in this area. This paper provides a starting point for further research. Therefore, the focus is solely on one country and one factor that may influence the development of this form of investing in individual capital markets.

Keywords: socially responsible investing, legal and regulatory framework, the Netherlands.

1. Introduction

The growing interest in corporate social responsibility and its penetration into all spheres of economic life influenced the functioning of capital markets [Michalczuk, Konarzewska, 2018: 132]. This is due to the fact that an increasing number of investors concentrate not only on maximising the financial benefits of their investments but they are also interested in allocating funds in such a way that will contribute to solving specific social and environmental problems [Waring, Edwards, 2008: 135]. This results in the development of a new form of investing, i.e. socially responsible investing (SRI).

Socially responsible investing is an increasingly important concept in the global capital market, and the growing value of such investments reflects this. In 2022 socially responsible investments worldwide amounted to 30.32 trillion dollars. For comparison, in 2012 and 2016 it was 13.26 trillion dollars and 22.89 trillion dollars, respectively. The largest share of the global socially responsible investing market is held by the United States and Europe, in which the main role is played by the European Union countries [GSIA, 2012: 9–10; GSIA, 2016: 7–8; GSIA, 2022: 5]. However, the European Union market is not homogeneous. It is characterised by the diversified level of socially responsible investing in individual Member States.

The diversification of the level of socially responsible investing raises questions about the factors that stimulate the development of this form of investing in individual capital markets. The approach to investing following the principles of social responsibility results largely from the investors' preferences. Nevertheless, developing this form of investing in individual countries also requires appropriate systemic solutions, which should be associated with introducing a specific legal and regulatory framework in socially responsible investing.

The purpose of the article is to identify trends associated with the functioning of the socially responsible investing market in the Netherlands compared to other European Union countries and the role the legal and regulatory framework adopted at the national level may play in the development of this form of investing.

2. Literature review

In recent years, the issue of socially responsible investing has become the subject of numerous analyses and scientific studies. Nevertheless, to date no consistent position on defining this concept has been established. The definitions presented by individual authors vary in the degree of detail and the inclusion or omission of certain elements. They are also burdened with a high degree of subjectivity.

One of the most important issues that distinguishes particular approaches is the importance given to financial and non-financial aspects. Among the many definitions, some focus exclusively on non-financial elements related to the need to include social, environmental, ethical or corporate governance issues in the investors' decision-making process. For example, according to Langbein and Posner, socially responsible investing means "excluding the securities of certain otherwise attractive companies from an investor's portfolio because the companies are judged to be socially irresponsible, and including the securities of certain otherwise unattractive companies because they are judged to be behaving in a socially laudable way" [Langbein, Posner, 1980: 73]. According to the definition provided by Foo, socially responsible investing means "integrating non-financial factors – such as ethical, social or environmental concerns – into the investment process" [Foo, 2017: 4].

However, many definitions draw attention to the need to treat socially responsible investing as a key element of the investment process based on traditional financial analysis. The Sustainable Investment Forum (US SIF) assumes that SRI is "an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact" [US SIF, 2021: 1]. The European Sustainable Investment Forum (Eurosif) defines socially responsible investing as "a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors, and to benefit society by influencing the behaviour of companies" [Eurosif, 2018: 12]. According to Gomes, socially responsible investing "relates to the decisions of investors which combine financial objectives with concerns about the environment, the society, and governance in general" [Gomes, 2020: 4].

The author of this article defines SRI as an approach to investing consisting of a selection of companies for the investment portfolio, based both on traditional financial criteria and set standards of social and environmental responsibility related to the undertaking of specific activities by these companies and ensuring information transparency related thereto.

Socially responsible investing is a very important and current concept, as evidenced not only by the growing value of this type of investment on a global scale but also by the fact that, in recent years, it has increasingly become the subject of interest of public authorities, as well as of various types of regulatory institutions around the world. Over the years solutions creating favourable conditions for developing socially responsible investing have played an important role in activities undertaken by, among others, the United Nations. They were related to the adoption of the Millennium Development Goals, the Sustainable Development Goals, and such initiatives as the United Nations Global Compact and the Principles for Responsible Investment. A significant contribution to the development of socially responsible investing, especially in recent years, has also been made by specific initiatives of the European Union related to, among others, the implementation of the Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD). Despite these activities, there is a noticeable territorial differentiation in the level of socially responsible investing. This indicates that the reasons for this differentiation should be sought within the legal and regulatory framework adopted in individual countries.

The legal and regulatory framework for socially responsible investing may be published in documents such as acts, ordinances, decrees, and agreements, including ratified international agreements, as well as other legal laws adopted by public authorities. They should define the principles of operation and the rights and obligations of investors and investees. They should also facilitate, discipline, and coordinate financial markets [Richardson, 2008: 7]. An equally important role in developing socially responsible investing may be played by norms, guidelines, procedures, and voluntary codes of conduct established by regulatory institutions, non-governmental organizations, business representatives, and the investor community.

According to MacNeil and Esser, one of the most important elements on which the legal and regulatory framework for socially responsible investing focuses is the issue of sustainable development. Such solutions indicate how corporate governance and financial sector entities' investment activities can contribute to solving or mitigating negative externalities and support the transition towards a more fair and sustainable economy [MacNeil, Esser, 2022: 10]. A crucial area that should be covered by the legal and regulatory framework for socially responsible investing is also the fiduciary duty of institutional investors and companies. This type of solution controls the extent to which the business strategy and investment policy are focused on results related to environmental, social and governance aspects [MacNeil, Esser, 2022: 20; McGowan, 2022].

A significant role in stimulating the development of socially responsible investing may also be played by the legal and regulatory framework relating to fiscal instruments that encourage investors to take into account the criteria of social responsibility in the process of building an investment portfolio [Richardson, 2009: 558–560]. They aim to increase investor interest in companies with a lower level of environmental risk, which implement low-carbon technologies and demonstrate sustainable business practices [Guan, 2024: 189].

3. Research methodology

The research conducted in the article focuses on identifying trends associated with the functioning of the socially responsible investing market in the Netherlands compared to other European Union countries and the role the legal and regulatory framework adopted at the national level may play in the development of this form of investing. This is currently a significant issue from the point of view of both science and economic practice. Understanding the factors stimulating the development of this form of investing may lead to eliminating the territorial differentiation in this area.

Specifically, this research sought to answer the following questions:

1. What was the value of socially responsible investments made in the Netherlands in 2007–2017 compared to other European Union countries?
2. What was the value of assets managed in the Netherlands in 2021–2023 by the funds operating in accordance with SFDR articles 8 and 9 compared to other European Union countries?
3. What legal and regulatory framework creating favourable conditions for developing socially responsible investing has been adopted in the Netherlands over the years?

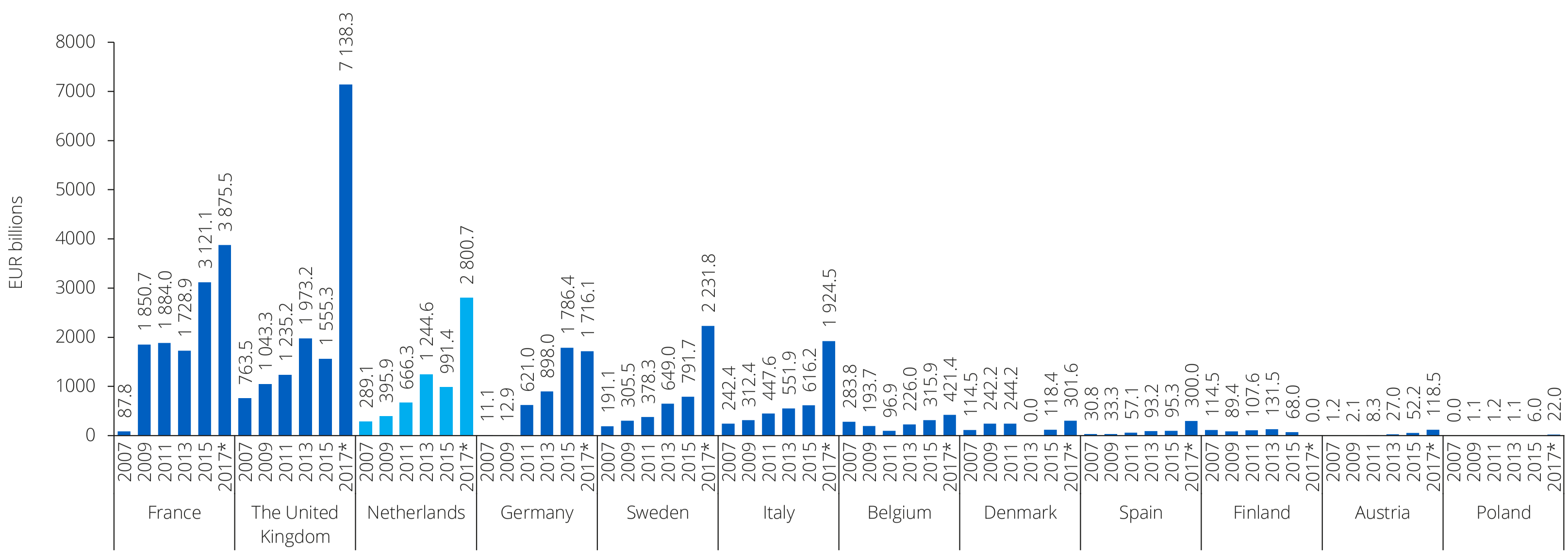
Answering the research questions posed above required the application of various methods and data sources. The starting point was desk research, which consists of assembly, collation and analysis of information that has already been published [Armstrong, 2006: 53]. The desk research conducted in this article consisted of analysing the data published by Eurosif and EFAMA. The research has made it possible to present socially responsible investing in the Netherlands in terms of value, as well as to show the place of this country in the socially responsible investing market in the European Union. To answer the third research question, the researcher conducted the analysis of the legal and regulatory framework in the field of socially responsible investing, established by public authorities, regulatory institutions, non-governmental organizations, business representatives, and the investor community.

4. Results

4.1. The place of the Netherlands in the EU socially responsible investing market

Over the last dozen years statistics on socially responsible investing in Europe, and consequently in the European Union countries, have been published primarily by the Eurosif. Based on the available data for the years 2007–2017 (Chart 1), it can be stated that the highest value of socially responsible investments among the European Union countries in this period was characteristic of France. In 2007, the SRI market in France was estimated at EUR 87.8 billion, which constituted 4.1% of the EU market. For comparison, in 2013, socially responsible investments in this country amounted to EUR 1,728.9 billion. In 2015, it was as much as EUR 3,121.1 billion. This resulted in a 23% and 32.8% share of the socially responsible investing market in the European Union, respectively. Socially responsible investments in 2017 amounted to EUR 3,875.5 billion. The data for this year, however, cannot be the basis for making an accurate value comparison with previous years because it presents only the total value of all strategies used by investors per country. Due to the fact that investors can use more than one strategy in their investment process, aggregation of these data leads to overestimating the real value of investments made in the individual SRI markets within the EU.

Chart 1. The value of socially responsible investments in the EU countries between 2007 and 2017



* The data for 2017 presents the total value of all strategies used by investors.

Source: the author's own work based on: Eurosif, 2010: 22–58; Eurosif, 2012: 63; Eurosif, 2014: 21; Eurosif, 2016: 57, Eurosif, 2018: 83.

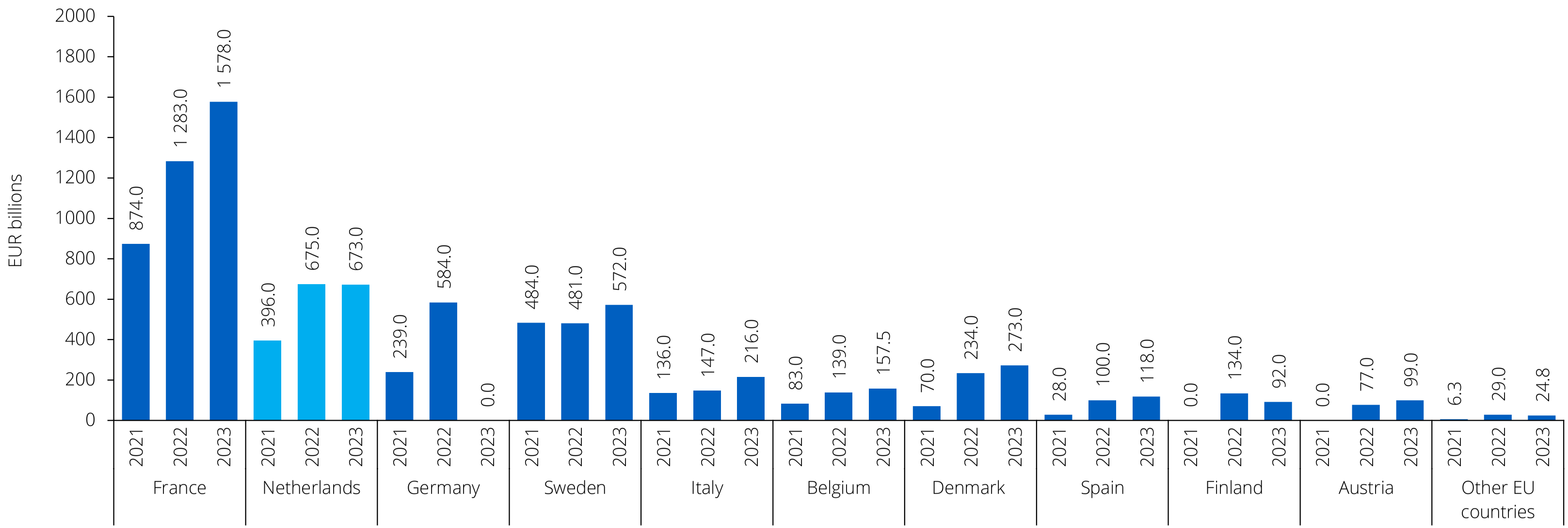
A very large share in the socially responsible investing market in the European Union in 2007–2017 was characteristic of the United Kingdom. In 2007 this country was the leader in the European Union in terms of socially responsible investments. Their value amounted to EUR 763.5 billion, which allowed the United Kingdom to achieve a 35.9% share in the total value of socially responsible investments in the European Union. In 2013, the SRI market in this country was estimated at EUR 1,973.2 billion, which constituted 26.2% of the total value of socially responsible investments in the European Union countries. In 2015, the value of the SRI market in the United Kingdom was EUR 1,555.3 billion, which means a decrease of 21.2% compared to 2013. However, it still enabled this country to take the leading place in this respect, with a share of 16.3% of the total value of socially responsible investments in the European Union. In 2017, socially responsible investments in this country, considering the total value of all strategies used by investors, amounted to EUR 7,138.3 billion.

Compared to all European Union countries, the situation in the Netherlands during the analysed period was very positive. In 2007, the SRI market in this country was estimated at EUR 289.1 billion, which accounted for 13,6% of the total value of socially responsible investments in the European Union countries. In 2013 and 2015, such investments amounted to EUR 1,244.6 billion and EUR 991.4 billion. This resulted in a 16.5% and 10.4% share of the SRI market in the European Union, respectively. In 2017, socially responsible investments in the Netherlands, considering the total value of all strategies used by investors, amounted to EUR 2,800.7 billion.

Statistics on socially responsible investing (Chart 2) in recent years are published by the European Fund and Asset Management Association (EFAMA). They relate to the value of assets managed by the funds that promote environmental and social aspects following SFDR article 8 and the funds that aim at sustainable investments following SFDR article 9 [*Regulation (EU) 2019/2088*].

Based on these statistics, it can be concluded that France was the leader in socially responsible investing among European Union countries between 2021 and 2023. In 2021, assets managed by the funds operating in accordance with SFDR articles 8 and 9 in this country amounted to EUR 874 billion. For comparison, in 2023, it was already EUR 1,578 billion, which means an increase of 80.5% compared to 2021. This resulted in a 41.5% share of the total value of assets managed by the funds operating in accordance with SFDR articles 8 and 9 in the European Union.

Chart 2. The value of assets managed in the EU countries between 2021 and 2023 by the funds operating in accordance with SFDR articles 8 and 9



Source: the author's own work based on: EFAMA, 2021: 20; EFAMA, 2023: 50; EFAMA, 2024: 50.

In the analysis period, Sweden was also characterised by a high value of assets managed by the funds operating in accordance with the adopted criteria. In 2021, assets managed by the funds operating in accordance with SFDR articles 8 and 9 in this country amounted to EUR 484 billion. For comparison, in 2023 it was EUR 572 billion, which means an increase of 18.2%. During the considered period, the market in Germany was also interesting. In 2021 and 2022, the assets managed by funds operating in accordance with SFDR articles 8 and 9 amounted in this country to EUR 239 billion and EUR 584 billion, respectively. This allowed Germany to occupy a leading position among all European Union countries covered by the statistics in this area. Nevertheless, it is difficult to say whether this trend will continue, as this country was not covered by EFAMA statistics in 2023.

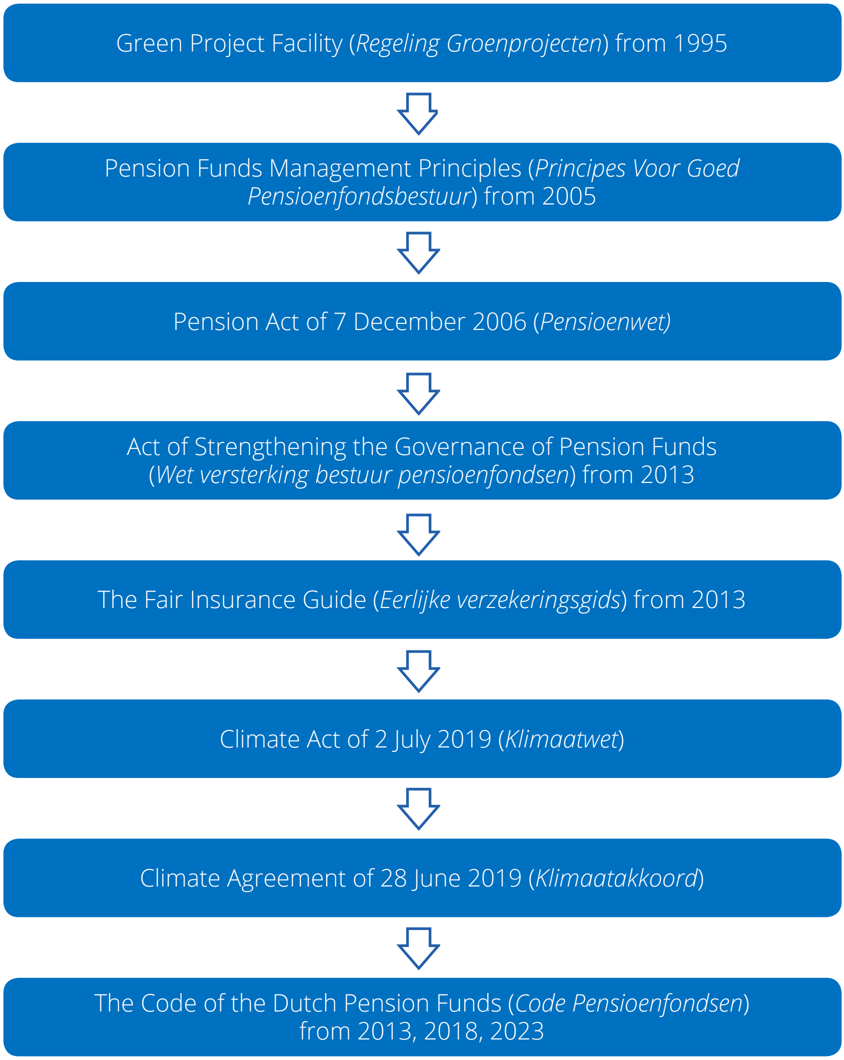
Regarding the value of the assets managed by the funds operating in accordance with SFDR articles 8 and 9, the situation in the Netherlands was very positive in the analysed period. This country has also noticed significant growth in this regard. It amounted to 69.9% (from EUR 396 billion in 2021 to EUR 673 billion in 2023). This resulted in a 17.7% share of the total value of assets managed by the funds operating by SFDR articles 8 and 9 in the European Union.

4.2. Diagnosis of the legal and regulatory framework in the field of socially responsible investing in the Netherlands

The Netherlands is a country that not only stands out from other European Union countries in terms of the level of socially responsible investing, but it is also characterised by a large range of legal and regulatory framework in this field, as well as a long history of its implementation. It is important to emphasise that a significant part of this framework is focused on providing guidance to pension funds on their approach to management, conducting investment policy by the principles of sustainable development, and shaping relationships with stakeholders. Particular attention should also be paid to fiscal instruments, as well as to solutions enabling comparison of investment practices of selected institutional investors (Chart 3).

In 1995, the Dutch government introduced a fiscal instrument called the Green Project Facility (Regeling Groenprojecten). It aimed to exempt from taxation income from deposits and investments in institutions called Green Intermediaries, which are authorised to grant loans and invest in projects that meet strict green project criteria [Scholtens, 2005: 130]. These projects should concern, among others, such categories as nature, forests and landscape elements, organic farming, renewable energy, and sustainable housing [Emerton et al., 2006: 53].

Chart 3. Selected legal and regulatory framework influencing the development of socially responsible investing in the Netherlands



Source: the author's own work.

The Pension Funds Management Principles (*Principes Voor Goed Pensioenfondsbestuur*) published in 2005 by the Labour Foundation (Stichting van de Arbeid) were also important from the point of view of the development of socially responsible investing in the Netherlands. They concerned, among others, issues such as [Stichting van de Arbeid, 2005: 1–39]:

- responsibility, which involved the necessity to take into account the needs of all stakeholders in a balanced way. According to the assumptions of the *Principes Voor Goed Pensioenfondsbestuur*, this responsibility should also be demonstrated by conducting a structured dialogue between the management board of the pension fund and the stakeholders;
- internal supervision, which involved the need to conduct a critical review of the functioning of the pension fund. According to the assumptions of the *Principes Voor Goed Pensioenfondsbestuur*, this was mainly related to an assessment of political and administrative procedures and processes, control principles, as well as to the ways of managing and dealing with long-term risks;
- transparency, openness and communication, which related to the need to provide insight into the fund's policies and decision-making procedures, as well as to inform stakeholders in a comprehensible manner about pension results, the fund's situation and any significant changes;
- knowledge and the functioning of the management board – a principle that assumed the need to prepare a plan of expertise in which the requirements imposed on management board members should be defined. According to the assumptions of the *Principes Voor Goed Pensioenfondsbestuur*, it was also necessary to establish a procedure for periodic evaluation of both the functioning of the board as a whole and the activities of its members.

Significant provisions from the point of view of the development of socially responsible investing in the Netherlands can also be found in the Pension Act of 7 December 2006 (*Pensioenwet*) [*Wet van 7 december 2006*]. The primary goal of this legislation was to increase transparency, security and knowledge regarding pensions in this country. One of the aspects pointed out in this document was also the need for pension funds to ensure a certain level of participant involvement [VBDO, 2013: 22].

In 2013, the Act of Strengthening the Governance of Pension Funds (*Wet versterking bestuur pensioenfondsen*) was adopted, introducing amendments to the Pension Act. One of the key provisions of this act was to impose on pension funds an obligation to publish information in their annual report on how the implemented investment policy takes into account issues related to the environment, climate, human rights, and social relations [*Wet van 10 juli 2013*].

In the same year, several non-governmental organisations, such as Amnesty International, Oxfam Novib, Milieudefensie, FNV, Dierenbescherming and PAX, collaborated to create The Fair Insurance Guide (*Eerlijke verzekeringsgids*). The primary goal of this guide is to compare the most important insurance providers on the Dutch market in terms of their approach to sustainable development concerning issues such as workers' rights, health, corruption and transparency [Fair Finance International, 2021]. The evaluation process involves analysing both the policy and investment practices of insurance companies. The results of this analysis are published periodically. The other important thing is that, within The Fair Insurance Guide, its initiators conduct a constructive dialogue with insurers on issues related to sustainable development [Eurosif, 2014: 50–51].

When considering the legal and regulatory framework influencing the development of socially responsible investing in the Netherlands, it is also worth mentioning the Climate Act of 2 July 2019 (*Klimaatwet*) [*Wet van 2 juli 2019*] and the Climate Agreement of 28 June 2019 [*Klimaatakkoord*, 2019]. The Climate Act provides a general framework for developing a policy aimed at reducing greenhouse gas emissions in the Netherlands. The Climate Agreement, in turn, focuses on the involvement of many entities in achieving these goals. In the aftermath of the climate agreement, a special task force was established to focus on sustainable finance and the role of private actors in accelerating the transition to a low-carbon economy [Eurosif, 2014: 100].

A key factor in the growth of socially responsible investing in the Netherlands was the involvement of the Federation of Dutch Pension Funds (*Pensioenfederatie*) and the Labour Foundation (*Stichting van de Arbeid*). In 2013, they developed The Code of the Dutch Pension Funds (*Code Pensioenfondsen*). The main objective of the Code was to increase the certainty that pension funds take into account the interests of all stakeholders in a balanced manner and properly manage the assets entrusted to them. One of the most essential elements from the point of view of the development of socially responsible investing, on which the Code focused, was the need to explain how the funds take into account aspects related to the environment, climate, human rights and social relations. It was also necessary for pension funds, acting as investors, to promote good corporate governance in the companies they invest in [Pensioenfederatie, Stichting van de Arbeid, 2013: 17–40].

Over the years, The Code of the Dutch Pension Funds has undergone several updates. In the 2018 version the content of the original code remained unchanged. However, the focus has been placed on making it more transparent and easier to apply [Pensioenfederatie, Stichting van de Arbeid, 2018: 1–43]. The Code of the Dutch Pension Funds from 2023 focuses even more on stakeholders. This updated version of the code highlights the importance of analyses of stakeholder preferences and incorporating these preferences into the pension fund's strategic objectives and policies. It is also necessary to effectively cooperate with stakeholders and disclose related information in annual reports. The 2023 version places special emphasis on the importance of sustainable development. According to its assumptions, a pension fund should pursue an investment policy that includes environmental, climate, social and corporate governance factors as a recognizable part. The fund should also consider the long-term effects of investment policy on individuals, the environment, and society as a whole. [Pensioenfederatie, Stichting van de Arbeid, 2023: 1–31].

5. Conclusions

The conducted research on the socially responsible investing market in the Netherlands allows to conclude that the legal and regulatory framework adopted at the national level may play a significant role in developing this form of investing in individual capital markets. Among them, legal laws introduced by public authorities play a key role. However, as the experience of the Netherlands shows, their primary goal should not be solely to impose specific obligations on investors and investees. They should also be concerned with fiscal instruments that encourage incorporating environmental, social and governance aspects into investment processes and business activities.

A key role in developing socially responsible investing should also be played by activities undertaken by regulatory institutions, non-governmental organizations, business representatives, and the investor community. By creating specific norms, guidelines, procedures, recommendations or codes of conduct, these entities should indicate how to implement the principles of social responsibility both into the business activity and the investors' decision-making process.

This study is not without its limitations. It concentrates solely on one country and on one factor that may influence the development of socially responsible investing in individual capital markets. However, it may constitute a starting point for further research which should take into account a larger number of countries and focus on other aspects that may be important from the point of view of the development of this form of investing, such as the efficiency of socially responsible investing, and the degree of development of a system of non-financial reporting in individual countries.

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DOI: 10.15290/sup.2024.08.10

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Abstract

- *Goal* – Showing the specifics, rationale and prospects for the development of green bonds. This is currently an important issue that arises from the implementation of the climate policy goals set out in the Paris Agreement. Ensuring the financing of investments necessary to achieve climate goals requires the use of sustainable financial instruments, such as debt securities, especially green bonds.
- *Research methodology* – The article uses research methods such as literature studies on the subject, as well as content analysis of reports and statistics on sustainable financing issues.
- *Score/results* – The conducted research indicates that green bonds are becoming an increasingly popular form of debt financing for sustainable development projects. Funds raised from their issuance are used for renewable energy, energy efficiency, zero-emission transportation, or "green" buildings. They help transform countries' economies toward climate neutrality and resource efficiency. Forecasts indicate that demand for these financial instruments will continue to grow as investors seek to align their portfolios with sustainability goals.
- *Originality/value* – The article has cognitive value regarding the rationale and prospects for the development of green bonds, which are the main instrument of debt financing for sustainable development.

Keywords: sustainable financing, green bonds, financing instrument.

1. Introduction

Sustainable development and ESG (Environmental, Social, and Governance) considerations are increasingly influencing business operations, shaping new economies and markets. Climate policy, which remains highly depenent on fossil fuels (enerhy, heating, transport) remains a signifcant challenge for Poland and for the entire Eastern Europe region.

Estimates suggest that Europe will require an additional €350 billion annually by 2030 for energy systems alone and another €130 billion for other environmental goals [*Zielone finanse w Polsce*, 2021: 7]. Therefore, the proper selection of investments and the allocation of funds to relevant projects and technologies is crucial. Environmental regulations must be gradually complemented by frameworks for sustainable finance that direct funding towards projects reducing climate change and environmental risks. This implies both seeking new funding sources and adapting financial systems to the demands of sustainable development.

The concept of sustainable finance refers to the consideration of ESG issues, i.e. environmental, social and governance, when making decisions by financial institutions – banks, investment and pension funds, insurance companies. The value of global sustainable assets reached nearly $40 trillion by the end of 2021, and it is projected to grow to approximately $53 trillion by the end of 2025, representing one-third of all global financial assets [*Zielone finanse w Polsce*, 2021: 40]. The sustainable assets market includes various instruments, such as green bonds, social bonds, sustainability bonds, green loans, and investment funds[1].

The essence of sustainable finance reflects a gradual yet irreversible transformation of financial markets, aiming to facilitate climate transition through their significant impact on the overall economy. Green bonds are a key instrument dedicated to environmental protection. The green bond market is rapidly expanding, providing funding for energy transitions, socially impactful investments, green economic transformations, and climate change mitigation projects. Additionally, green bonds present an attractive investment alternative for increasingly sustainability-conscious investors [Daszyńska-Żygadło, Marszałek, Piontek, Zumente, 2023: 7–25].

The aim of this article is to evaluate green bonds as a sustainable financing instrument, with particular emphasis on the premises and development prospects of this form of funding green investments.

[1] Passive forms of investment are growing particularly rapidly in Exchange-Traded Fund.

2. Green bonds – essence and premises for development

The increasing awareness of the harmful effects of climate change has spurred calls for a profound transformation in how society uses natural resources [Ripple, Wolf, Newsome, Barnard, Moomaw, 2020: 8–12]. This aligns with the concept of sustainable development, although implementing its principles is a complex issue. It involves integrating environmental goals with the financial resources necessary to achieve them. In this context, sustainable finance gains importance, referring to any form of financial service that combines environmental, social, and governance criteria in business or investment decisions, providing enduring benefits to both clients and society [Schoenmake, Schramade, 2019: 4].

Sustainable finance embodies a comprehensive approach that merges various strategies aimed at improving the social, economic, and environmental dimensions of the financial system. A significant influence on the development of sustainable finance has been the Paris Agreement[2], which seeks to align global financial flows with climate objectives. The climate crisis has been recognized as one of the most significant risks, not only for individual entities but also for the stability of the financial system as a whole [*Zielone finanse w Polsce*, 2021: 39].

According to the Paris Agreement, the primary goal of sustainable finance is achieving climate neutrality in the global economy rather than merely in individual asset portfolios. This necessitates adopting an investment strategy focused on attaining specific objectives within portfolio companies. This applies particularly to entities the business activities of which have the most detrimental impact on climate and the environment [*Komunikat Komisji z dnia 6 lipca*, 2021]. The treaty underscores the critical role of financial markets in fostering a low-carbon economy by providing tools that allocate capital to environmentally friendly projects. Green bonds, as fixed-income financial instruments designed to finance green projects, play a pivotal role in this process.

The response to this agreement has included initiatives such as the Task-Force for Climate-Related Financial Disclosure (TCFD) under the Financial Stability Board, and the European Action Plan on Financing Sustainable Growth.

[2] It was adopted at COP21 in Paris on 12 December 2015 and entered into force on 4 November 2016. The aim of the agreement is to limit the average increase in the Earth's temperature to well below 2 degrees Celsius between 1750 and 2100 and to strive to limit this increase to 1.5 degrees C. The agreement also aims to achieve carbon neutrality by 2050. Almost 190 countries have joined the Paris Agreement, including the European Union and its Member States.

Since 2018, the European Union[3] has been developing comprehensive policies for sustainable finance, aspiring to be a global leader in implementing ESG standards. This entails initiating, scaling up, and directing investments into sustainable technologies and enterprises to promote long-term sustainable economic growth.

One example is the Strategy for Financing the Transition to a Sustainable Economy, announced in July 2021. This strategy outlined new initiatives aimed at finalizing and consolidating the foundation of sustainable finance to address the vast investment needs associated with transitioning to a sustainable economy, ensuring a just transformation, combating climate change, and addressing other environmental challenges. It focuses on four key areas requiring additional efforts to fully support economic transformation towards a sustainable model: transition financing, inclusiveness, resilience and contribution of the financial system, and global ambitions [www1].

The strategy also proposed an EU Green Bond Standard and previously unexplored areas such as green budgeting, which aims to highlight sustainable public expenditures [*Zielone finanse w Polsce*, 2021: 40]. Two years later, the EU Council adopted a regulation[4] establishing a standard for European green bonds[5]. This regulation provides unified requirements under which issuers of environmentally sustainable bonds can use the "European Green Bond" or "EuGB" label [Wang, Zhi, 2016: 311]. This standard will help to ensure consistency and comparability in the green bond market, reducing the risk of greenwashing, which will benefit both issuers and investors. This is particularly important since green bonds are one of the primary instruments for financing investments in green technologies (e.g., renewable energy), energy efficiency, and sustainable transport infrastructure [e.g., zero-emission transport) and research.

Unlike other green bond standards, this regulation requires that funds raised exclusively finance green projects that align with the criteria outlined in the EU Taxonomy [Grabowski, Kotecki, 2020: 17]. The regulation will come into effect

[3] In 2018, the EU published an action plan on financing sustainable growth in its Communication of 8 March 2018. The plan consisted of 10 actions.

[4] The regulation of standards by the EU by a regulation rather than a directive means that member states do not have to create their own regulations in this regard, and the applicable green bond regulations will be the same in each member state.

[5] Regulation (EU) 2023/299 of the European Parliament and of the Council of 22 November 2023 on European green bonds and optional disclosure of information on bonds marketed as environmentally sustainable and sustainability-linked bonds (OJ 2023/2631 of the European Union).

on December 21, 2024, potentially driving market growth for these instruments. European green bonds will be issued under the first-ever detailed legal regulations specifying the purpose of issuance, uniform quality requirements for issuers, and supervisory procedures related to these issuers.

Green bonds are a leading instrument among sustainable debt securities, used to finance or refinance a mix of green and social projects. The classification of these bonds is presented in Table 1.

Table 1. Types of sustainable bonds

Type	Characteristics
Green Bond	Used exclusively for the full or partial financing or refinancing of new and/or existing projects that are classified as green projects.
Social Bond	Used exclusively for financing projects addressing social challenges. Investments with clear social benefits.
Sustainability Bond	Used to finance projects that intentionally combine green projects and social projects.
Sustainability-linked Bonds (SLB)	Financing is conditional upon the issuer achieving specified environmental indicators (e.g., a particular reduction in greenhouse gas emissions by a given date).

Source: www 2.

Green bonds are debt securities, the proceeds of which are exclusively used to finance green projects – primarily those contributing to the development of a climate-resilient economy [Flaherty et al., 2017: 470]. They are fixed-income securities designed to finance projects with clear environmental benefits [Dörry, Schulz, 2018: 718]. These are fixed-income instruments issued to raise capital for infrastructure projects contributing to a low-carbon economy [Kaminker and Stewart, 2012: 35].

Analising the presented definitions, green bonds are fixed-income debt securities intended for financing or refinancing investments, projects, expenditures, or assets addressing climate and environmental issues. They represent an innovative financial instrument aimed at funding pro-environmental activities. They provide investors with the opportunity to integrate sustainable development strategies and ensure that their investments are directed toward preventing worsening climate change impacts.

Funds obtained from green bonds are allocated to projects with objectives such as mitigating climate change, adapting to climate change, protecting natural resources, preserving biodiversity, and preventing and controlling pollution. Green bonds particularly focus on energy efficiency, renewable energy, pollution prevention and control, clean transportation, and green building projects.

A broad spectrum of entities can issue green bonds, including both public and private institutions:

1. International financial institutions such as the World Bank Group.
2. Commercial enterprises (non-financial), e.g., from the energy and construction sectors.
3. Financial institutions: banks, investment funds, and insurance companies.
4. Local government units.
5. States.

The first green bonds, known as Climate Awareness Bonds, were issued by the European Investment Bank in 2007. A year later, the World Bank issued similar bonds, taking on the role of an international issuer and advancing sustainable development goals [Trompeter, 2017: 5]. These issuances initiated a new segment of debt securities. In 2013, the first corporate green bonds were issued.

Green bonds, like any financial instrument, have their benefits and barriers to issuance. The primary benefit is obtaining debt capital to fund sustainable projects. Bonds enable combining economic profits with environmental protection goals [Wang, Zhi, 2016: 311]. Issuing green bonds positively impacts a company's stock value while improving its environmental performance [Baulkaran, 2019: 331–340; Glavas, 2020: 7–51; Tang, Zhang, 2020].

Issuing green bonds also signals to the market the enterprise's commitment to sustainable development and transformation through green investments. By issuing these bonds, a company sends a clear message that its operations are environmentally friendly [Flammer, 2021]. This often results in positive investor reactions on financial markets. Another cited benefit could regard potentially lower issuance costs. Factors influencing lower issuance costs for green bonds include growing investor demand for such securities. Besides lower debt costs, Zhang et al. [2021] highlight that green bond issuers experience lower capital costs due to reduced information asymmetry between investors and issuers, improved security liquidity, and lower perceived risk for bond issuers.

Green bonds also provide benefits from the investor's perspective. Green bonds cater to a clientele that values climate-friendly investments [Flammer, 2021]. These financial instruments enable green investment opportunities for companies that are not publicly traded and are typically inaccessible to retail investors [Derwall and Koedijk, 2009: 210–229]. They serve the preferences of more conservative and risk-averse investors wishing to engage in sustainable projects without assuming equity investment risks [Leite and Cortez, 2018].

However, green bonds are not devoid of challenges, such as their relatively low liquidity in secondary markets [Wulandari, Schäfer, Andreas, Sun, 2018] and the imbalance between investor demand and issuer supply. The lower liquidity of green bonds compared to conventional instruments stems from the secondary market's size and larger bid-ask spreads [McMorrow, Sahakyan, Zulaica, 2019]. Additionally, issuing green bonds entails significant obligations, such as reporting duties, detailed monitoring of investments for compliance with green financing requirements, and obtaining evaluations from independent experts.

3. Green bonds in the sustainable debt market

Green bonds are an innovative financial instrument designed to fund pro-environmental activities. They provide investors with the opportunity to engage in sustainable development strategies and ensure that their investments are directed toward goals that prevent worsening climate change impacts. Green bonds represent a significant portion of the sustainable bond market (Table 2).

Table 2. Sustainable bond market, 2020–2024

Type	2020		2021		2022		2023		2024	
	mld USD	%	mld USD	%	mld USD	%	mld USD	%	mld USD	%
All sustainable	519	100.00	1026.2	100.00	799.2	100.00	841.5	100.00	742.8	100.00
Green bond	228.1	43.91	549.3	53.53	462.1	57.82	496.2	58.97	424.7	57.18
Social bond	141.3	27.21	194.7	18.97	119.7	14.98	129.4	15.38	116.3	15.66
Sustainability bond	141.5	27.24	184.9	18.02	146.9	18.39	157.5	18.72	173.8	23.4
Sustainability – linked bond	8.5	1.64	97.3	9.48	70.4	8.81	58.3	6.93	27.9	3.76

Source: www 3.

During the analysed period, the sustainable bond market grew at varying rates. The highest growth was observed in 2021, with the market reaching $1,022.8 billion – a nearly twofold increase compared to the previous year. Individual segments of the sustainable bond market developed at different paces. Despite significant growth, Sustainability-Linked Bonds [SLB) represented the smallest share. Unlike other bonds, SLBs do not finance specific "green" projects but involve the issuer's commitment to improving their overall environmental or climate profile, such as reducing greenhouse gas emissions or increasing the share of low-emission energy in their energy use [Stefaniak, Kubiczek and Padiasek, 2023: 12].

Green bonds dominate the sustainable bond market, accounting for over 57% of the total market. Their popularity results from growing investor interest in socially responsible initiatives. Additionally, green bonds often offer various incentives (e.g., tax exemptions or tax breaks) to attract investors to finance projects benefiting the environment and climate.

Europe is the largest market for green bond issuance (Table 3).

Table 3. Green bond market by regions, 2020–2024

Markets	2020		2021		2022		2023		2024	
	mld USD	%	mld USD	%	mld USD	%	mld USD	%	mld USD	%
Africa	1.1	0.48	2.9	0.53	4.3	0.93	0.7	0.13	0.4	0.11
Asia	17.9	7.86	55.4	10.08	62.5	13.51	86.5	17.4	75.4	17.8
Europa	151.5	66.35	374.9	68.26	275.9	59.72	259.1	52.21	248.3	58.46
North America	38.3	16.81	67.4	12.27	49.8	10.78	50.6	10.19	45.7	10.77
Oceania	4.3	1.87	6.1	1.11	9.7	2.1	7.1	1.42	13.6	3.21

Source: www 3.

The volume of green bonds is primarily driven by the European market, which accounted for over 58% of global issuance in 2024, despite a decline that year. In 2021, this share exceeded 68%. Next in the ranking is Asia, whose share of green bond issuance surpassed 17% in 2024. Africa and Oceania have the smallest shares.

In Europe, the volume of green bond issuance grew continuously until 2022, when rising inflation and accompanying increases in interest rates slowed the market's development. Leaders in green bond issuance include entities registered in France, Germany, the Netherlands, and Sweden, which accounted for over 70% of the total volume of all green issuance. Additionally, ten Western and Northern European countries, which recorded the highest green issuance volumes, account for approximately 90% of the total volume issued [*Perspektywy rozwoju…*, 24]. According to the latest Climate Bond Initiative data, Romania, Austria, and Hungary have joined this group in Europe. Green bonds most frequently financed projects related to the production and transmission of energy from renewable sources, as well as construction and transportation.

In Poland, the green bond market is still in its infancy. In 2016, Poland became the first country in the world to issue sovereign green bonds, raising €750 million to fund budgetary expenditures on projects such as sustainable agriculture, clean transportation, and renewable energy sources. Since then, four such issuances have occurred, and other countries have drawn upon Poland's experiences [Nowak, Zima, and Lipiec, 2020]. The issuance of sovereign green debt provided an impetus for market development in the municipal and corporate segments [Robins and Szwarc, 2020]. The first Polish city to issue such bonds was Grudziądz. This issuance financed expenditures related to stormwater and water-sewage infrastructure, with a total value of PLN 63.2 million [aleBank.pl, 2020]. The first issuance among Polish enterprises occurred in 2019. Since then, the commercial green bond market has begun to grow in value (Table 4).

Table 4. Examples of commercial green bond issuances in Poland, 2019–2024

Issuer (Year)	Issuance Value	Purpose
PKO BP (2019)	500 mln. PLN	Financing mortgage loans for residential properties meeting energy efficiency criteria
ING BH (2019)	400 mln. PLN	Financing or refinancing properties within the top 15% most energy-efficient buildings in Poland
Cyfrowy Polsat (2020)	1 mld. PLN	Financing of the modernisation and upgrading of Cyfrowy Polsat's telecommunications infrastructure (replacement of energy-intensive solutions of 2G and 3G technologies with 4G LTE technology and reconstruction and replacement of obsolete elements of the fixed-line infrastructure

Issuer (Year)	Issuance Value	Purpose
New Energy Investments (2020)	75 mln. PLN	Financing the construction of photovoltaic farms with a total capacity of over 30 MW.
PKN Orlen (2021)	3 mln. EURO	Financing or refinancing of new or existing renewable energy, clean transport or pollution prevention projects
FAMUR (2021)	400 mln. PLN	Financing the infrastructure for renewable energy and for energy efficiency.
Bank Ochrony Środowiska (2023)	100 mln PLN	Financing or refinancing sustainable investments of the bank's clients.
Polenergia (2024)	750 mln. PLN	Financing the construction of offshore wind farms in the Baltic Sea
MLP Group (2024)	300 mln. EURO	Funding and refinancing of specific assets and expenditure that meet the criteria set out in the Green Financing Framework policy prepared and published by the Company.

Source: the author's own elaboration

The provided examples do not exhaust the full list of green bond issuers. However, they illustrate the scale and purpose of these issuances. As a response to market needs, the Strategy for the Development of the Capital Market (SDCM) was adopted in 2019. It also includes the area of sustainable finance, aligning with strategic global and European initiatives for sustainable development.

In this context, the goal of the SDCM is not only to effectively support the financing of the economic transition towards zero emissions by the private sector but also to leverage new trends to develop and build competitive advantages for the Polish capital market.

In 2023, the Warsaw Stock Exchange (GPW) decided to create a segment dedicated to sustainable bonds on the Catalyst market, named the Warsaw Sustainable Segment. This segment was designed as a dedicated section where companies and local government units can present their sustainable initiatives. This solution makes sustainable bond issuances more visible to investors. This is significant, as the development of the green bond market is crucial for decarbonizing Poland's economy. Currently, this segment includes 20 issuers offering debt securities denominated in both Polish złoty and euros [*Zielone finanse w Polsce*, 2024: 117]

4. Conclusions

The concept of sustainable development is a multidimensional issue, the integration of which into the financial system requires identifying financial instruments that support this development. Currently, the most popular form of debt financing for sustainable development projects worldwide, especially in Europe, is green bonds. The proceeds from their issuance are allocated to renewable energy, energy efficiency, zero-emission transport, and "green" buildings. They contribute to the transformation of national economies towards climate neutrality and efficient resource management.

The green bond market has experienced significant growth in recent years, reflecting the potential role these instruments can play in financing low-carbon projects and facilitating the transition to a more sustainable economy. Although the market has slowed over the past two years, forecasts indicate that this trend may reverse. This is supported by current market needs and an increasingly favourable regulatory environment.

The popularity of green bonds is driven by the awareness of both issuers and investors regarding the necessity of preventing the adverse effects of climate change. Therefore, it is essential to undertake initiatives related to sustainable finance, including fostering market dialogue through working groups, education, and promoting financial solutions that support environmental and social goals. Universities, business schools, and professional organizations are offering programs and certifications in sustainable finance.

The Warsaw Stock Exchange continues to expand opportunities to support the development of the sustainable debt market in Poland by organising workshops and conferences aimed at enhancing knowledge, skills, and attitudes among both issuers and investors.

Undoubtedly, regulatory measures set to come into effect in December 2024, which standardise EU green bonds, will influence the development of the green bond market. These measures will increase credibility among investors, who expect that funds raised by issuers will genuinely be used to finance sustainable activities, thereby reducing the risk of so-called greenwashing.

A key recommendation to stimulate the development of the green bond market would be to introduce fiscal incentives. These could subsidise the costs of financing green investments for both issuers and investors. For issuers, this could involve the ability to deduct qualified costs associated with issuing green bonds (e.g., certification, consulting, training, or monitoring systems). For investors, this could mean reduced tax burdens (e.g., exempting interest income from taxation). Currently, EU countries do not offer tax incentives or grant systems for green bond issuers. The only country to implement tax relief, albeit not for green bonds, is Portugal, which introduced tax benefits in 2018 for investments in social impact bonds [*KPMG*, 2021: 71]. Outside the EU, countries such as the United States, Brazil, Malaysia, and others provide various incentives, including tax breaks for investors and grant programs to reduce the costs associated with preparing and issuing green bonds[6].

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DOI: 10.15290/sup.2024.08.11

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THE SIGNIFICANCE OF LOCAL CURRENCIES IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS – EUROPEAN EXPERIENCES

Abstract

- *Goal* – The aim of this article is to analyse the role of local currencies in building more sustainable economic systems.
- *Research methodology* – The research procedure consisted of the following elements: the analysis of literature on the subject related to local currencies and to sustainable development, the analysis of the local currencies catalogue. Comparative analysis and inductive and deductive reasoning were employed.
- *Score/results* – Local currencies in Europe are an innovative tool for supporting regional economies, which can be divided into three essential contexts: environmental, social, and economic. In the environmental context, currencies such as Chiemgauer in Germany focus on promoting local production and consumption, while simultaneously reducing the carbon footprint by limiting long-distance transportation. In the social dimension, local currencies, for example Sardex in Sardinia or Varamedí in Spain, primarily serve to combat unemployment and social exclusion. Their main goal is to integrate local businesses and communities, create networks of mutual support, and maintain capital within a given region. In the economic context, regional currencies, such as EnnsTaler in Austria concentrate on stimulating local trade and keeping money circulating within the regional economy.
- *Originality/value* – The article is an inspiring contribution to further in-depth research, while pointing out key areas and indicators that determine the effectiveness of alternative monetary systems locally.

Keywords: local currencies, sustainable development, ESG factors.

1. Introduction

In the face of global challenges such as climate change, growing social inequalities, and economic instability, the concept of sustainable development is gaining critical importance. At the centre of these discussions, the need to strengthen local economies increasingly emerges as the foundation for more resilient and fair socio-economic systems. The concept of sustainable development, which integrates environmental, social, and economic aspects, is becoming a key paradigm for responsible resource management and local community development. In this context, innovative tools that can effectively support the implementation of complex developmental goals acquire special significance. One such a tool supporting this idea is local currencies – complementary forms of money that function alongside national currencies and are used within a specific territory

Local currencies not only promote greater economic activity within communities but also contribute to achieving sustainable development goals, such as supporting local entrepreneurship, reducing carbon dioxide emissions by limiting transportation of goods, and building social bonds. Unlike traditional currencies, which are often used in global financial transactions, local currencies encourage capital circulation within a given community, increasing its economic autonomy and reducing resource outflow to the outside. Their unique ability to generate value beyond classical market mechanisms makes them an interesting subject of scientific research and practical socio-economic initiatives.

Strengthening local financial capabilities, such as through the introduction of a local currency, is crucial from the perspective of achieving sustainable development goals. The aim of this article is to analyse the role of local currencies in building more sustainable economic systems. The first part will present the theoretical foundations of local currency functioning. Subsequently, examples of local currency implementations will be discussed in the context of their impact on local development, environmental protection, and social inclusion. The article concludes with a reflection on the challenges and perspectives for the further development of this tool in the context of global economic and technological transformations.

2. Local currencies as a complement to the country's payment system

Local currencies are a characteristic element of social and alternative economics. They are classified as alternative exchange systems (local monetary systems) that emerge as grassroots initiatives, created by decentralised, independent entities operating at the regional level and based on democratic principles. They are controlled by citizens or citizen groups and serve as a tool supporting economic stability [Stępnicka, 2018: 464].

A local currency is a currency that is exchanged only within a limited geographical area. It complements the national currency, having local characteristics (for example, promoting alternative forms of consumption), and its objectives typically include defending the principles of social economy and strengthening social bonds within the local community. Not being a legal tender, it cannot be subject to speculation [Roux, 2015: 521]. However, its use may also involve risks, such as the risk of counterfeit bills, the risk of fraud, and the risk of transaction costs [Basci, Takacs, 2015: 19].

Lafuente-Sampietro emphasises that local currencies are a specific type of parallel monetary instruments aimed at creating a more sustainable local economy [www 10]. These currencies can support strategies for combating financial exclusion by increasing economic accessibility, while simultaneously promoting new forms of entrepreneurship and reorganising economic activity in a specific area [Telelbasic, 2017: 179]. They serve to exchange goods and services that are sometimes not valued by the market pricing system. This means they are often developed in response to social needs and aspirations that commercial currencies do not meet [e.g., they can be designed to promote sustainable behaviours, build social capital, and support local trade and development) [Meyer, Hudon, 2018: 279]. Many researchers emphasize the complementary nature of local currencies [Gawthorpe, 2019: 350; Fare, Ahmed, 2018: 1; Sartori, 2018: 285] due to which there is diversification of the monetary system, and a reduction in dependence solely on the national currency.

In summary, local currencies are a complement, not an alternative, because they do not challenge the contemporary monetary order, but rather extend it, giving money new, purposeful functions such as solidarity, sharing, reciprocity, and environmental protection [Blanc, 2011: 6]. Local currencies thus serve as a kind of "supporting system" that does not compete with the official payment system, but rather complements it, creating additional opportunities for money circulation and value exchange at the local level.

3. Achieving sustainable development goals through local currencies

Currencies can support sustainable development by promoting actions and behaviours that benefit local economy, community, and environment. The specific roles of local currencies in shaping residents' attitudes, interactions, and cooperation networks offer hope for using them to introduce lasting social changes [Romanowska, Pierzyna, Czyż, 2023: 48].

According to Kennedy, Lietaer, and Rogers [Kennedy, Lietaer, Rogers, 2012: 57], a properly designed and implemented local currency can support the achievement of the following objectives:

- stimulating regional economic development in a selective manner,
- building a more stable financial system that more effectively protects against the negative effects of speculation,
- providing additional sources of liquidity, especially for small and medium-sised enterprises, which favours the expansion of their offerings in local markets,
- creating new jobs,
- increasing the potential for generating added value and economic surpluses in the region,
- tightening relations between producers and consumers, which leads to shortening transportation distances and reducing energy consumption,
- supporting cooperation in the provision of public services with the participation of social economy organizations, such as cooperatives, charitable organizations, or social enterprises,
- strengthening regional identity and self-help attitudes, which can contribute to a range of other positive changes.

The above goals depend on the needs of the community and can be classified as economic, social or environmental goals [Borowska, 2016: 22]. Thus, there is a close connection here with the concept of sustainable development, which relates not only to the environment, but also to society and the economy [Fisher, 2022: 18]. Table 1 presents the factors of sustainable development and the goals of introducing local currencies, broken down into environmental, social and ecological goals.

Table 1. The objectives of introducing local currencies in the context of the concept of sustainable development

ESG factors	Objectives of introducing local currencies
E – environment	environmental – aimed at protecting the environment and implemented by, among other things, introducing recycling and paying for recyclables with vouchers; generating renewable electricity for own consumption;
S – social	social – social inclusion of disadvantaged groups in the market economy, elimination of unemployment, meeting welfare needs where these needs are not sufficiently met by state institutions (Japan, Switzerland), restoration of social ties that have eroded over the years;
G – government	economic – keeping money in the community (municipality, city, district), i.e. safeguarding against the outflow of local capital abroad, caused by the drain of global institutions; stimulating and supporting the local economy (e.g. the emergence of local stores, social cooperatives, services, handicrafts), allowing farmers to sell their produce without intermediaries.

Source: the author's own elaboration based on [Borowska, 2016: 23]

The multidimensional potential of local currencies to impact the economy, society and the environment is an undeniable phenomenon. Sustainability of the local environment is crucial to the quality of life of citizens. In addition, local currencies can support various sustainable development goals adopted by the United Nations as part of Agenda 2030[1]. Through their use, concrete results can be achieved on indicators related to the economy, society and the environment. The 17 Sustainable Development Goals contained in Agenda 2030 can be divided into 5 areas. These are the so-called 5xP: people, planet, prosperity, peace, partnership. Table 2 presents selected SDGs goals that local currencies can influence, along with examples of relevant indicators.

[1] Agenda 2030 is the world's development strategy until 2030. It contains 17 Sustainable Development Goals. It was adopted in 2015, when all 193 UN member states unanimously adopted a resolution.

Table 2. Proposal to determine the impact of local currency on the achievement of sustainable development goals

SDGs goals	The impact of local currency	Proposed indicator
Goal 1: Eliminate poverty	• Promoting the local economy, which increases the availability of jobs. • Reduce the outflow of money from local communities, which supports their economic development.	• Share of population living below the national poverty line. • Availability of support programs for the poorest funded through local currencies.
Goal 8: Economic growth and decent work	• Increase in marketing of local products and services. • Job creation in small and medium-sised enterprises (SMEs).	• Unemployment rate in local communities. • Number and growth rate of SMEs using local currencies.
Goal 10: Reduce inequality	• Facilitating access to resources and services for socially excluded groups. • Increasing economic inclusiveness by supporting local transactions.	• Population participation in economic transactions within local currencies. • Reducing income disparities in communities using local currencies.
Goal 11: Sustainable cities and communities	• Supporting local markets, which reduces dependence on transporting goods from distant locations. • Building collaborative communities and local identity.	• Number of local markets and initiatives supported by local currencies. • Contribution of local production to community consumption.
Goal 12: Responsible consumption and production	• Encouraging the purchase of local products, which reduces the environmental footprint associated with transportation. • Promoting a closed loop economy by supporting local suppliers.	• Percentage of transactions for local products and services in local currencies. • Reducing production waste with local solutions.
Goal 13: Climate action	• Reducing CO2 emissions by reducing the transportation of goods and supporting local suppliers. • Promoting sustainable agricultural and energy practices.	• Reducing CO2 emissions in communities using local currencies. • Number of green initiatives supported by local currencies.
Goal 17: Partnerships for the Goals	• Facilitating cooperation between local institutions, businesses and community organizations. • Creating development models that can be replicated in other regions.	• Number of partnerships supported by local currencies. • Number of communities that have implemented local currency systems as a development tool.

Source: the author's own work.

In conclusion, local currencies can be an important tool to support sustainable development, especially in the context of building more resilient communities and supporting a sustainable economy. Their impact is measured not only in economic terms, but also in social and environmental terms, making them an interesting tool for local and global development initiatives.

4. Selected examples of implementation of local currencies in Europe

In modern Europe, the potential of local economic initiatives that go beyond the traditional models of market functioning is increasingly recognised. The idea of local currency has also found many supporters on other continents. Examples of such currencies operating in North America include: BerkShares, Calagary Dollars, Detroit Community Scrip, Toronto Dollar [Sołtysiak, 2021: 74].

Local currencies are one of the most innovative instruments supporting the development of regional communities, enabling the strengthening of social ties and local entrepreneurship. Table 3. presents selected examples of European local currencies in social, economic and environmental contexts.

Table 3. Selected examples of local currencies in Europe

Country/ region	Name of the currency	Characteristics
‣ Environmental context ("E")		
Bavaria, Germany	Chiemgauer	a locally issued convertible paper currency, the Chiemgauer program is the largest regional currency in Germany. Chiemgauer focuses on increasing the amount of local trade and employment in the community by stimulating consumption of local goods and services. The banknotes bear negative interest (demurrage) and are convertible into euros. In addition, it encourages shopping at local, eco-friendly stores. As part of the program, a so-called Climate Bonus has been implemented – rewarding climate-friendly behaviour. One option is to install a balcony power plant at home [www 1].
Luxembourg, Canton of Réiden	Beki	Bekis are exchanged at a ratio of 1:1 to euros and incur a 5% loss when exchanged back. The Beki program donates 3% of purchased Bekis to a social, cultural or environmental project of the customer's choice [www 8].

Country/ region	Name of the currency	Characteristics
Basque Country, France	Euskos	Eusko is exchanged for euros at a 1:1 ratio with a 5% reconversion fee. A portion of this fee goes to a charity of the company's choice at the time of the reconversion. Eusko is also available in a digital version. The Eusko banknotes aim to promote environmental awareness by promoting local production and consumption, saving the Basque language and reducing financial speculation. In addition, it is pointed out that the use of the currency contributes to reducing long-distance transportation and reduces greenhouse gas emissions to combat climate change [www 2].
Winterthur, Switzerland	EulachTaler	The EulachTaler supplements the Swiss franc with a 1:1 exchange rate. Anyone can buy or exchange EulachTalers, which aim to promote "ecologically efficient and economically meaningful business cycles." The currency is designed as a voucher with expiration dates that are renewed with holographic stickers. EulachTalers can be obtained at local exchange offices [www 3].
‣ Social context ("S")		
United Kingdom, Bristol	Bristol Pound	locally issued convertible paper currency, physical copies of bills could be obtained from outlets in the region without membership. The currency was exchanged at a 1:1 ratio to sterling, but carries some fees when used digitally. The goal was to raise awareness of the importance of localised trading, for reasons such as shortening the distance food must travel to reach its recipient (thus reducing CO_2 emissions) and building community wealth by keeping money in the local economy [www 5].
Italy, Sardinia	Sardex	The Sardex currency initiative was launched in response to the economic crisis that hit the island. The primary goal of the initiative was to provide employment opportunities in the local Sardinian economy by supporting local businesses and creating a self-sufficient company. Secondary objectives supporting this goal relate to the creation of a cooperative economy as an alternative to the dominant competitive market ideology by connecting and supporting local business entities. This was to be facilitated regardless of the availability of conventional financial services and liquidity through a monetary tool, the Sardex currency, which is based on trust and strengthens the economy as well as social sustainability [www 4].
Spain, Zafra, Extremadura	Varamedí	Varamedí is a euro-based currency that can be obtained at exchange points in the Zafra region. Its main purpose is to combat unemployment and social exclusion, reactivate small local businesses, and encourage area residents to make purchases from businesses that are part of the Varamedí network [www 6].

Country/ region	Name of the currency	Characteristics
‣ Economic context ("G")		
Ennstal, Austria	EnnsTaler	locally issued convertible paper currency; EnnsTaler bills exchange 1:1 for euros and encourage regional purchases. If a consumer becomes a subscriber and receives bills regularly, a 3% discount is given [www 7].
Italy, Castellino del Biferno, Moise	Ducati	currency issued to Ducati residents as part of the city's COVID-19 assistance. The banknotes were distributed as needed, and are worth 1:1 against the euro. Every two weeks, business owners give their Ducati to the city council to receive the corresponding amount in euros [www 8].
Wales, Great Britain	Hay Vouchers	locally issued convertible paper currency; the Hay Voucher Project was organised by members of the Hay Chamber of Commerce to promote commerce in the city and keep as much money circulating in the Hay economy as possible. Vouchers can be redeemed at any participating business in Hay, currently about 95% of businesses [www 8].
Belgium, region Liege and surroundings	Wal'heureux	locally issued convertible paper currency, the main purpose is to support the social and solidarity economy; Val'heureux banknotes are exchanged at a ratio of 1:1 for the euro; this currency, used by citizens, merchants, artisans and manufacturers, also aims to strengthen the links between economic actors in the region and retain the wealth produced in a specific territory [www 9].

Source: the author's own elaboration based on: www 1, www 2, www 3, www 4, www 5, www 6, www 7, www 8, www 9.

It is worth paying attention to the local currency market in France, Belgium and Germany because the market for this type of currency in these countries is very developed. Local currencies in France are recognised under the Social and Solidarity Economy Act and recognised as a payment instrument in the French Monetary and Financial Code. These currencies are legal, provided that they operate in a closed network of members for the exchange of goods and services approved by the issuing association. The exchange coupon (not the banknote) used for local currencies is considered a service voucher. Such practices and the applicable legal structure have contributed to the development of the local currency market in France [www 10]. It should be noted that France is the country that experienced the most impressive dynamics in the emergence of local currencies in the years 2010–2012 [Blanc, Lakocai, 2020: 11]. Belgium has the Financité Network, which provides support through research and legal advice to those using local currencies. In Germany, on the other hand, there is the Regiogeld organisation of regional currencies. The currencies are backed by the euro or social contracts and vary according to the needs of the communities implementing them. Regiogeld's members are independently funded, welfare-oriented and form a democratic network focused on promoting sustainable financial systems [www 8].

The data in Table 3 shows that the common denominator of all the currencies listed is their convertibility into the country's official currency, most often at a ratio of 1:1, while charging a small fee when exchanging back. This mechanism not only generates additional funds for social purposes, but also encourages the use of local currency. These initiatives show that money can be a tool not only economically, but also socio-ecologically, for building stronger, more sustainable local communities

5. Conclusions

Local government units should stop playing the role of mere executors of development plans imposed by other entities. Local authorities, together with residents, should become initiators and creators of sustainable local development strategies. Their task is to set directions and inspire shared economic, social and civic responsibility in the community. In addition, they should oversee the implementation of these strategies, monitor their progress and make the necessary adjustments to ensure that the intended goals are achieved. The development of the local financial system, in which the local currency acts as a payment tool, thus supporting the revival of the local economy, is an excellent example of this [Escobar et al., 2020: 8].

It can be said that local currencies are an innovative tool for the development of local communities, going beyond the traditional understanding of money. They are not just a means of exchange, but a strategic instrument to support sustainable development. The potential of local currencies is multidimensional and includes not only economic, but also social and environmental aspects. Their introduction can bring comprehensive benefits to a community, primarily through the ability of local currencies to counteract the negative phenomena of the global economy, such as capital flight and marginalization of small businesses. From a community perspective, local currencies can be an effective tool for building social ties, fostering local entrepreneurship and strengthening a sense of community and regional identity. Their flexibility allows them to be tailored to the specific needs and circumstances of a particular community, which increases their effectiveness and usefulness.

The concept of local currencies is part of a broader trend of thinking about sustainable development, combining economic, social and environmental aspects. However, their introduction requires a comprehensive approach, conscious design and taking into account the specifics of the community and its needs. According to the author, growing environmental and social awareness is fostering the development of local currencies. More and more people are recognising the benefits of the local economy, such as reducing carbon footprints, supporting small businesses and building community economic resilience. Additionally, the rise of digital technology is opening up new opportunities for local currencies. Digital platforms and mobile apps are making them easier to use, tracking transactions and settlements, which can significantly increase their accessibility and appeal. The example of Italy (the Ducati currency), in turn, shows how local currencies can be a tool for fighting the consequences of economic crises. This can further encourage other local governments and communities to implement alternative economic models.

According to the author, the main challenges associated with the local currency market include their limited scale and scope. Local currencies often operate in very small, closed ecosystems, which limits their growth potential and real economic impact. In addition, conventional financial institutions may view local currencies as a threat, and consumers may be sceptical about their usefulness. There is also often no clear legal framework for the operation of local currencies, which can be an administrative and legal barrier.

In summary, the future of local currencies will depend on their ability to adapt technologically, build public trust and demonstrate tangible economic and environmental benefits. Local and regional government support and community education about alternative economic models will also be key.

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DOI: 10.15290/sup.2024.08.12

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SELECTED ISSUES CONCERNING CUSTOMS AND FISCAL CONTROL OF ALCOHOLIC BEVERAGES WITH SPECIAL EMPHASIS ON INFORMATION OBLIGATIONS

Abstract

- *Goal* – The purpose of this paper is to analyse the implementing regulations for customs and fiscal control of alcoholic beverages in Poland regulated by the Regulation of the Minister of Finance, Funds and Regional Policy dated August 12, 2021 on customs and fiscal control of certain excise goods.
- *Research methodology* – The article uses primarily the dogmatic-legal method the purpose of which is to analyse the issue in question through the prism of both an act of law and (most importantly) a regulation.
- *Score/results* – Information obligations imposed on these entities also play a significant role in carrying out customs and fiscal control. These duties have been differentiated depending on the entity that conducts the activity and the subject of that activity. They provide the competent head of the customs and treasury office, or the permanent control cell, with information regarding the entities in the alcoholic beverage business, which also enables the competent authorities to carry out risk analysis.
- *Originality/value* – The study includes a discussion of the provisions of the Regulation of the Minister of Finance, Funds and Regional Policy of August 12, 2021 on customs and fiscal control of certain excise goods, which has not been discussed more extensively. Special emphasis has been placed on the information obligations of obligated entities, which may prove useful in the application of the law.

Keywords: tax, regulation, customs and fiscal control, alcoholic beverages.

1. Introduction

The Act of November 16, 2016 on the National Revenue Administration (hereinafter: n.r.e.) which came into force on March 1, 2017, introduced changes to the Polish legal order that concerned, among other things, tax procedures. The law established a new control authority – the head of the customs and tax office. He implements customs and fiscal control in entities selected for control on the basis of risk analysis. This control is aimed at tightening the tax system by detecting tax frauds and prosecuting their perpetrators [Byrzykowski, Zdunek, 2017: 52]

Due to the comprehensiveness and multifaceted nature of the issue related to customs and fiscal control of alcoholic beverages, the author of this article would like to focus on discussing the tasks of the control bodies and the procedures for customs and fiscal control of alcoholic beverages regulated by the Regulation of the Minister of Finance, Funds and Regional Policy of August 12, 2021 on customs and fiscal control of certain excise goods[1] (hereinafter: the Regulation). This activity is also rightly described as: "'sensitive' from the perspective of the interests of the state treasury" [Flis, 2013: 205]. It was subjected to control in the past, among other things, within the framework of special tax supervision, which justifies a thorough analysis of the current regulation in question. The article is intended to summarise and organise the selected issues.

2. Alcoholic beverages as duty goods

In the Act of December 6, 2008 on Excise Tax[2] (hereinafter: a.e.t.), a legal definition of the term "excise goods" was constructed by the legislator. In accordance with Article 2, paragraph 1, item. 1 of the a.e.t., this term should be understood as: energy products, electricity, alcoholic beverages, tobacco products, dried tobacco, electronic cigarette liquid and novelty products, as defined in Annex No. 1 to the Act. It can be noted that the construction of this provision "implements the principle of concretisation of the subject matter of taxation expressed indirectly in Article 1 of the a.e.t. (…). Products not included in the group in question cannot

[1] Journal of Laws of 2021, item 1636.
[2] Journal of Laws of 2022, item 1542 as amended.

be considered excise goods subject to excise taxation" [Matarewicz, LEX access]. The definition lists in an enumerative manner the basic groups of excise goods with reference to their concretisation in Appendix 1 of the a.e.t.

The definition of "alcoholic beverages" is also included in the u.p.a., but not in Article 2 of the a.e.t., which appears to be the functions of the basic "statutory glossary." Within the a.e.t., it was placed in Division IV, entitled "Excise goods – specific provisions. Tax base and excise rates," specifically in its Chapter 2 "Alcoholic beverages." Pursuant to Article 92 of the Act: "Alcoholic beverages within the meaning of the Act include ethyl alcohol, beer, wine, fermented beverages and intermediate products"[3].

Keeping in mind the definition in Article 92 a.e.t. and Appendix No. 1 to the A.P.A., the following alcoholic beverages can be specified as excise goods:

1. beer obtained from malt (CN code 2203 00),
2. wine of fresh grapes, including fortified wines; grape must, other than that of heading 2009 (CN code 2204),
3. vermouth and other wines of fresh grapes flavored with plants or aromatic substances (CN code 2205),
4. other fermented beverages (for example, cider, perry and mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages not elsewhere specified or included (CN code 2206 00),
5. undenatured ethyl alcohol of 80% vol. alcoholic strength by volume or more; ethyl alcohol and other alcoholic products, of any strength, denatured (CN code 2207),
6. undenatured ethyl alcohol with an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages (CN code 2208),
7. ethyl alcohol contained in products that are not excise goods with an actual alcoholic strength by volume exceeding 1.2% vol. (regardless of the CN code of the product containing ethyl alcohol)[4].

[3] The various legal definitions of the elements constituting alcoholic beverages which are listed in Article 92 of the a.e.t. have also been defined by the legislator (ethyl alcohol – Article 93(1) of the a.e.t.; beer – Article 94(1) of the a.e.t.; wine – Article 95(1) of the a.e.t.; fermented beverages – Article 96(1) of the a.e.t.; intermediate products – Article 97(1) of the a.e.t.). In view of the subject matter of this article, it is not necessary to analyse each of the definitions.

[4] Mentioned after: Parulski, *2*016.

3. Statutory delegation to issue an regulation by the minister responsible for public finance

While analysing the issues related to customs and fiscal control of alcoholic beverages, attention should be paid to Article 90 n.r.e. In it, the legislator included a statutory delegation for the minister responsible for the public finance to issue a regulation on the control of excise goods. Currently in force is the Regulation of the Minister of Finance, Funds and Regional Policy dated August 12, 2021 on customs and fiscal control of certain excise goods. An analysis of the Regulation in question leads to the conclusion that the Minister of Finance has, in principle, fulfilled the statutory delegation in full, about which more later in this article.

Article 90(1) n.r.e. stipulates that the Minister competent for public finance, when issuing the Regulation, should always include in it:

1. the detailed scope and manner of customs and fiscal control of certain excise goods,
2. the mode of transmission and the scope of information on the dates of activities subject to customs and fiscal control,
3. the procedure for the destruction of excise goods subject to customs and fiscal control,
4. detailed ways and conditions for receiving, storage, issuance and transportation of excise goods subject to customs and fiscal control.

As T.D. Nowak states, "The title of the regulation may be misleading, as it refers only to the wording of Article 90(1)(1). Meanwhile, the regulation also specifies the mode of communication and the scope of information on the dates of activities subject to customs and fiscal control, the mode of destruction of excise goods subject to customs and fiscal control, and the detailed methods and conditions for receiving, storing, issuing and transporting excise goods subject to customs and fiscal control, i.e. the detailed conditions for performing control specified in paragraph 1(2)–(4)" [Nowak, 2018].

The legislator additionally decided in Article 90(2) n.r.e. to specify certain elements that should be considered when issuing the regulation, i.e.:

1. excise goods of special importance for the state budget and goods subject to mandatory excise marking,
2. diversification of the forms and methods of performing inspections and the scope of requirements that should be met by the inspected – depending on

the type of entity, the type of activity performed and the group of products covered by these inspections,
3. the need to ensure the effectiveness and efficiency of the performance of customs and fiscal control.

At this point, it is necessary to return to the legislator's specification of two categories of excise goods in Article 90 paragraph 2 item. 1 n.r.e. a precisely: "excise goods of particular importance for the state budget" and 'goods subject to mandatory excise marking'. It is puzzling to introduce such a division of excise goods, which, in accordance with the directive of the rational legislator, would suggest that goods of particular importance for the state budget are not the same (in whole or in part) as those subject to excise marking. Such an understanding of this article seems erroneous and would lead to the introduction of an unnecessary division that would deprive certain categories of excise goods of the attribute of "special significance for the state budget" by categorizing them only as "subject to excise marking." This would also be unacceptable in the reverse situation, as it would lead to a misleading situation, where an excise product would obtain the attribute of "special significance for the state budget", but in a manner inconsistent with the special provisions currently in force – it would not be categorized as "subject to excise marking" despite the imposed obligations.

In the current legislation, the legislator has not included a catalog of which excise goods should be included in a particular of the above two groups. In the Regulation the minister responsible for public finance also chose not to enumerate which products should be included in a particular category. This seems to be an appropriate legislative action, especially whene the statutory delegation does not contain an explicit order to specify such categories, but only to "include" excise goods of particular importance for the state budget and goods subject to mandatory excise marking. Thus, the legislator left the selection of these excise goods within the discretion of the minister responsible for public finance.

A positive reference should be made to the demand in Article 90 paragraph 2 item. 2 n.r.e. to include in the Regulation also the differentiation of the forms and methods of performing inspections and the scope of requirements that should be met by the inspected – depending on the type of entity, the type of activity performed and the group of products covered by these inspections. Drawing attention to these distinctions is a manifestation of the constitutional principle of proportionality in the tax law, and is also translated into the situation of specific entrepreneurs whose activities involve excise goods.

The postulate in Article 90, paragraph 2, item. 2 n.r.e. to include in the Regulation aimed at ensuring "efficiency" in the performance of customs and fiscal control seems to be aimed at areas of particular interest to the state, and which were also specifically indicated in the preamble to the n.r.e. i.e.: the financial security of the Republic of Poland, the security of the customs territory of the European Union, ensuring modern and friendly performance of tax and customs duties, as well as effective collection of public tributes. The postulate for the introduction of regulations aimed at "efficiency" in the performance of customs and fiscal control is aimed at safeguarding both the interests of the state and the entities subject to the control by minimizing the burden of control activities that may manifest itself primarily in the inadequately prolonged conduct of controls.

As D. Strzelec and M. Łoboda state: "At present, the mode of performing inspections of excise goods under customs and fiscal control, and thus the inspections previously performed under special tax supervision, control of compliance with tax laws and customs control will be performed in accordance with a single procedure regulated by the Law on National Fiscal Administration. However, given the specific nature of special tax supervision, this unification was not necessary, and there is also concern about excessive formalism on the part of employees and officers performing these activities and their time-consuming nature" [Strzelec, Łoboda, 2017: 128].

4. Scope and procedure of control determined by the Regulation

The issued Order regulates the detailed scope and manner of customs and fiscal control of alcoholic beverages, among others:

1. covered by the procedure of suspension of excise duty or exempted from excise duty due to their intended use, such as: beers, wines, fermented beverages and intermediate products, ethyl alcohol (covered by CN item 2207 i.e.: undenatured ethyl alcohol with an alcoholic strength by volume of 80% vol. or more; ethyl alcohol and other alcoholic products, of any strength, denatured), or ethyl alcohol (covered by CN heading 2208 i.e.: undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages),
2. subject to exemption from excise tax for a specific purpose, if they are moved to an intermediary entity or stored by this entity, excluding excise

goods moved as a result of a return referred to in Article 32 paragraph 14 item 1 a.e.t.,
3. produced outside a tax warehouse under Article 47 paragraph 1 points 1, 2, 4 and 5 a.e.t.

This control relates to compliance with excise tax regulations on the production, movement and consumption of excise goods, in particular their manufacture, refining, processing, denaturing, bottling, receipt, storage, issuance, transportation and destruction, as well as on the use of excise marks and the marking of excise marks on these goods (§ 1 of the Regulation).

In addition, the Regulation manages: the mode of transmission and the scope of information on the dates of activities subject to control, the mode of destruction of excise goods subject to control, detailed methods and conditions for receiving, storing, issuing and transporting excise goods subject to control.

Control may be carried out either on an ad hoc basis or as a permanent control (§ 3 of the Regulation). With regard to permanent control, the provisions of the n.r.e. are applicable. According to Article 55 of the n.r.e., permanent control consists in the performance of control activities on a continuous basis. As K. Rozycki points out: "We should not confuse the permanent authorisation to carry out customs and fiscal control with conducting this control on a continuous basis. In the former case, a UCS employee/officer is authorised to continuously control various entities. Control conducted on a continuous basis relates to a specific entity and may be conducted by changing employees/functions" [Różycki, 2018: 28].

In accordance with § 4 of the Regulation, permanent control is extended to entities in the field of production, purification or dehydration of CN 2207 ethyl alcohol, excluding scientific units, in which the total volume of ethyl alcohol obtained during the year does not exceed 300 dm3 of ethyl alcohol 100% vol. (unless the Head of the Customs-Treasury Office, taking into account the risk, waives such control in accordance with § 8 paragraph 2 of the Regulation), as well as distilleries and small distilleries (subject to the entities referred to in § 12 paragraph 1 and § 15 paragraph 1 of the Regulation). Pursuant to § 4(2) of the Regulation – The head of the customs and tax office may also include other entities under permanent control. In such a case, he should notify the entity to be subjected to permanent control 7 days before subjecting it to such a form of control (§ 4 paragraph 4 of the Regulation). An analogous duty of notification has been imposed when the head of the customs and revenue office decides to abandon such a form of control. He should, in such a situation, notify the entity prior to the date of abandonment of this form of control (so § 4(5) of the Regulation).

Permanent inspection or ad hoc inspection of alcoholic beverages covered by the Regulation in question consists of:

1. direct participation of the inspector in activities related to the activities covered by the inspection, including production, receipt, dispensing, consumption, storage and destruction of alcoholic beverages and denaturation of ethyl alcohol,
2. control of production,
3. control of the marking with excise marks of products subject to such obligation and the application of excise marks to such products, as well as control of other obligations arising from the marking of products with excise marks,
4. control of the removal, deletion and destruction of excise marks,
5. their accounting of inventory and turnover,
6. taking and examining samples,
7. control of documentation,
8. control of the correctness of calculation and timeliness of excise tax payments, and Article 47(1)(1), (2), (4), and (5) of the a.e.t.,
9. control of imposed official seals,
10. control of the condition of equipment, instruments, means of transport, premises and vessels used to carry out activities subject to control,
11. comparison of the actual state of affairs at the place of carrying out the activities subject to control with the verification files referred to in Article 109 paragraph 1 of the a.p.a., at the entities where the official check has been carried out, where the excise tax regulations condition the issuance of a decision on the result of the official check.

In addition, it should be pointed out that the destruction of alcoholic beverages covered by the Regulation in question, specifically ethyl alcohol under CN heading 2207 and CN heading 2208, which is unsuitable for consumption, further processing or consumption, is carried out in the presence of an inspector (§ 37(1) of the Regulation). As for the destruction of alcoholic beverages unsuitable for consumption, further processing or consumption such as beers, wines, fermented beverages and intermediate products – this may take place without the presence of an inspector, if two conditions are met (§ 37 item 2 of the Regulation):

1. the entity has informed the competent head of the customs and tax office of the planned destruction,
2. the inspector has not arrived at the entity on the date indicated in the information.

5. Procedure for submitting and the scope of information on the dates of activities under control

Specific information obligations have also been imposed on entities engaged in activities related to the excise products specified in the Regulation. These obligations are arranged in the Table 1, narrowing them down only to the analysis of the issue analysed in this article.

It is clear from the above tabular overview that specific information obligations have been imposed on entities operating alcoholic beverages as defined in the Regulation. These obligations have been differentiated by entity (e.g., distilleries) or by the type of alcoholic beverages they produce. The information is in each case submitted to the competent head of the customs and tax office, and in situations where the entity is under permanent control – to the permanent control unit. The activities to which the Regulation binds the information obligation, as a rule, relate to the activities to be performed (e.g., the intended marking of alcoholic beverages with excise tax marks or the commencement of production of ethyl alcohol). In such a case, the deadline for providing information is, as a rule, at least one day before the planned performance of the activity to which the Regulation binds the obligation to provide information (with one exception of providing information 3 days before the performance of a given activity, e.g., destruction of excise stamps removed from unit packages of excise goods and damaged or destroyed before they are applied to excise goods or in the process of marking excise goods). In some cases, the obligations to provide information relate to activities that have already occurred, e.g., jamming or malfunctioning of a volume meter or other measuring device or leakage of apparatus, pipelines and equipment. In such cases, the information obligation should be carried out immediately.

Table 1. A division of the information obligations contained in the Regulation.

Entity obliged to send information	Addressee of the sent information	The activity with which the obligation to send information is connected	Deadline for sending information	Legal basis
Entity engaged in the business of alcoholic beverages covered by the Regulation	The competent head of the customs and revenue office, and in the case of performing permanent control – permanent control cell	Intentional determination of the actual inventory of alcoholic beverages covered by the regulation	At least one day before the scheduled date of the activity	§ 20 of the Regulation
Entity obliged to mark excise goods with excise stamps	The competent head of the customs and revenue office, and in the case of performing permanent control – permanent control cell	Intentional labeling of alcoholic beverages with excise stamps	At least one day before the scheduled date of the activity	§ 33 of the Regulation (Exceptions § 33(2) of the Regulation)
Entity engaged in the business of alcoholic beverages covered by the Regulation	the competent head of the customs and tax office	• the removal of excise tax marks, in the cases specified in the regulations issued pursuant to Article 123 (4) a.e.t., • introduction of the obligation to cancel excise tax marks, pursuant to Article 124 of the a.e.t., • destruction of excise signs removed from unit packages of excise goods and damaged or destroyed before they are applied to excise goods or in the process of marking excise goods.	At least 3 days before the scheduled date of the activity	§ 34 of the Regulation

Entity obliged to send information	Addressee of the sent information	The activity with which the obligation to send information is connected	Deadline for sending information	Legal basis
Entity engaged in the business of alcoholic beverages covered by the Regulation	the competent head of the customs and tax office	Shipping of alcoholic beverages covered by the regulation	Before the date of shipment	§ 31(1) of the Regulation
Entity engaged in the business of alcoholic beverages covered by the Regulation	the competent head of the customs and tax office	Acceptance of alcoholic beverages covered by the regulation	At least one day before the scheduled acceptance of the shipment	§ 31 (2) of the Regulation
Entity operating CN 2207 ethanol and entity producing CN 2208 ethanol by distillation or process other than distillation process (does not apply to distilleries and small distilleries)	The competent head of the customs and revenue office, and in the case of performing permanent control – permanent control cell	Production, recovery, purification and dehydration of ethyl alcohol	At least one day before the scheduled activity	§ 21 of the Regulation
Ethyl alcohol business entity referred to in the Regulation	The competent head of the customs and revenue office, and in the case of performing permanent control – permanent control cell	Intentional denaturation of ethyl alcohol	At least one day before the scheduled activity	§ 22 of the Regulation

Entity obliged to send information	Addressee of the sent information	The activity with which the obligation to send information is connected	Deadline for sending information	Legal basis
Ethyl alcohol business entity CN 2207, as referred to in the Regulation	The competent head of the customs and revenue office, and in the case of performing permanent control – permanent control cell	Planned release of ethyl alcohol from the warehouse and its consumption	At least one day before the scheduled activity	§ 23 of the Regulation (Exception to the obligation to provide information if official closures prevent access to ethyl alcohol during its dispensing and using)
Distillery	The competent head of the customs and tax office	Start Production of ethyl alcohol	At least one day before the scheduled activity	§ 24 of the Regulation
Distillery	The competent head of the customs and tax office	• jamming or malfunctioning of the volume meter or other measuring device, • leakage of apparatus, pipelines and equipment, • overflow of ethyl alcohol into the overflow vessel in the vat cabinet, • overflow of ethyl alcohol from the auxiliary tank (collecting tank) or from the storage tank at the distillery	Immediately	§ 25 of the Regulation (also applies in the event of alcohol leakage caused by equipment failure or resulting from a due to a fortuitous event or force majeure)
Small distillery	The competent head of the customs and tax office	• production of ethyl alcohol, • redistillation of ethyl alcohol	At least one day before the beginning of the activity	§ 26 of the Regulation

Entity obliged to send information	Addressee of the sent information	The activity with which the obligation to send information is connected	Deadline for sending information	Legal basis
An entity producing beer (excluding an entity producing products containing a mixture of beer with non-alcoholic beverages, as referred to in in item 16 of Annex No. 2 a.e.t., if the actual alcoholic strength by volume of these products exceeds 0.5% vol.).	The competent head of the customs and tax office	Intended start of production processes, (information including a list of brews)	At least one day before the scheduled activity	§ 27 of the Regulation
An entity producing products containing a mixture of beer with non-alcoholic beverages, as referred to in in item 16 of Appendix No. 2 a.e.t., if the actual alcoholic strength by volume of these products exceeds 0.5% vol.	The competent head of the customs and tax office	Intended start of production processes (information including a list of technological processes)	At least one day before the scheduled activity	§ 28 of the Regulation
Entity producing wines, fermented beverages and intermediate products	The competent head of the customs and tax office	Start of production processes (information containing a list of technological processes or a list of production processes)	At least one day before the scheduled activity	§ 28 of the Regulation

Source: the author's own work.

6. Conclusions

The alcoholic beverage business is an important element due to the interests of the state treasury. In connection with the above, regulations have been introduced that concretise the conduct of customs and treasury inspections of entities engaged in this activity. This regulation was introduced by the Minister of Finance, Funds and Regional Policy with the above-discussed Ordinance, implementing the statutory delegation contained in Article 90 of the Act on customs and fiscal control. However, there are reasonable doubts, among others, whether the conduct of inspections will not be time-consuming and thus unduly burdensome for entities engaged in the business of alcoholic beverages. Undoubtedly, it should be stated that the information obligations imposed on these entities also play a significant role in conducting customs and fiscal control. These duties have been differentiated depending on the entity that conducts the activity and the subject of this activity. They provide the competent head of the customs and treasury office, or the permanent control cell, with information regarding the entities in the field of alcoholic beverage activities, which also enables the competent authorities to carry out risk analysis. The above ensures that revenue for the state treasury can be realized in an appropriate manner.

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DOI: 10.15290/sup.2024.08.13

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CHALLENGING TAX DECISIONS IN THE REPUBLIC OF LITHUANIA

Abstract

- *Goal* – The purpose of this paper is to present the tax dispute resolution procedures that are in force in the Republic of Lithuania.
- *Research methodology* – Laws and literature were analysed for the purpose of this paper.
- *Score/results* – The paper showed, from the legal standpoint, how a tax decision can be challenged in the Republic of Lithuania, in the context of the amendments adopted in 2024.
- *Originality/value* – The paper expands the knowledge of challenging of tax decisions in the Republic of Lithuania.

Keywords: Republic of Lithuania, taxpayer, tax authority, administrative court, tax dispute

1. Introduction

The purpose of this paper is to analyse the provisions of law relating to the challenging of tax decisions, that is, the tax dispute resolution procedures in force in the Republic of Lithuania. In Lithuanian tax law doctrine, the view has emerged that when establishing a procedure for the resolution of tax disputes, the state should pursue two basic objectives: to provide an effective mechanism for defending the rights of taxpayers, on the one hand, and to ensure the state's right to collect the revenue due to it, on the other. It is more difficult to combine these two main objectives than to identify them. This is because, firstly, each country should have an established tax system and should highlight its main goals and aspirations, and secondly, it should select a consistent procedure regarding the systemic tools it will use to achieve its goals [Medelienĕ, 2005: 31].

In the Republic of Lithuania, the tax dispute resolution procedure, which forms a specific legal system, has been regulated by several legal acts, the most important of which are:

- Constitution of the Republic of Lithuania of November 6, 1992 [Žin., 1992: 33–1014; hereinafter referred to as Constitution of the Republic of Lithuania];
- Act of the Republic of Lithuania dated April 13, 2004 on the tax ordinance [Žin., 2004: 63–2243; hereinafter referred to as Tax Ordinance];
- Act of the Republic of Lithuania of January 14, 1999 on the administrative procedure [Žin., 1999:13–308; hereinafter referred to as Act on Administrative Procedure];
- Act of the Republic of Lithuania of January 14, 1999 on administrative disputes commissions [Žin., 1999: 13–310; hereinafter referred to as Act on Administrative Disputes Commissions].

The discussion of the rules for challenging tax decisions in the Republic of Lithuania presented in this paper is intended to familiarize the readers with this issue and to enrich their knowledge in this area. The main research method used in this paper is the dogmatic-legal method. Due to the limited volume of the text, the author focused only on the basic and most important elements of the legal solutions relating to the procedure governing tax matters in the Republic of Lithuania.

2. Pretrial tax dispute resolution procedure

According to the provisions of Article 67(15) of the Constitution of the Republic of Lithuania, only the Lithuanian parliament (Seimas) has the right to establish state taxes and other mandatory levies [Wisner, in: Staśkiewicz, 2011: 427ff]. The literature indicates that there is a unified tax system in the Republic of Lithuania, which consists of, among others, the following taxes and levies: 1) VAT; 2) excise tax; 3) personal income tax; 4) property tax; 5) land tax; 6) tax on state natural resources; 7) tax on hydrocarbon resources; 8) environmental pollution fee; 9) inheritance tax; 10) compulsory health insurance premiums; 11) payments to the Guarantee Fund; 12) tax on lotteries and gambling;

13) corporate income tax; 14) social security contributions; 15) sugar sector surplus levy; 16) sugar sector production levy; 21) customs duties; 22) forest law revenue deductions; and 23) tax for the use of state property under trust law [B. Sudavičius, in: Presnarowicz, Sudavičius, 2017: 154–155]. Taxes are paid to the state budget, to the local government budget, and to the accounts of special state budget programs or earmarked cash funds. In this regard, a distinction is made between taxes paid to the state budget and to local governments, and earmarked taxes. The state budget receives corporate income tax, VAT, and other taxes, and local government budgets receive personal income tax, land tax, inheritance tax, and other taxes. Taxes paid to these two types of budgets are not earmarked; they flow into the savings account of the relevant budget and are spent according to the approved plan. In contrast, earmarked taxes and levies (compulsory health insurance premiums, social security contributions, payments to the Guarantee Fund, and others) flow into the respective earmarked cash funds or into the accounts of special budget programs, and are disbursed to finance specific activities for the implementation of which a specific fund (approved special budget program) has been established [Sudavičius in: Presnarowicz, Sudavičius, 2017: 155–156].

In the Republic of Lithuania, the administration of the taxes described above is handled by the tax authorities. The state institution responsible for the administration of the taxes listed in Article 13 of the Tax Ordinance, excluding customs duties, is the State Tax Inspectorate. The authority responsible for the administration of customs duties is the Customs Office [Article 15(1) of the Tax Ordinance[1]]. According to the provisions of Article 17(1) of the Tax Ordinance, the State Tax Inspectorate is a body established as part of the Ministry of Finance of the Republic of Lithuania. The structure of the State Tax Inspectorate, according to Article 18 of the Tax Ordinance, comprises:

1. State Tax Inspectorate at the Ministry of Finance – the central tax authority;
2. local state tax inspectorates – local tax authorities.

Local tax authorities are part of the state tax inspectorate system of the Republic of Lithuania and are subordinate to the State Tax Inspectorate at the Ministry of Finance [Commentary: 41][2]. Article 19 of the Tax Ordinance specifies

[1] All translations of the Tax Ordinance and commentaries relating to it: Teresa Dalecka.
[2] There are currently 10 local tax authorities: in Olitsa, Kaunas, Klaipeda, Marijampole, Panevėžys, Šiauliai, Tauragė, Telšės, Utena, and Vilnius.

the following the main tasks of the State Tax Inspectorate: (1) to help taxpayers exercise their rights and perform their duties; (2) to enforce tax laws; and (3) to ensure the collection of taxes into the budget.

During the enforcement of taxes, a tax dispute may emerge between the taxpayer and the tax authority. Lithuanian tax law theory defines a tax dispute as a clash of interests between a taxpayer and a tax authority. It is emphasised that the beginning of a dispute is associated with the filing of a complaint by the taxpayer within the established time limit regarding an audit report drafted by the local tax authority, and the end – with the position of the taxpayer, when the taxpayer either agrees with the decision of the authority that resolves tax disputes and does not appeal against it, or when the examination of the tax dispute ends with a final decision of the Supreme Administrative Court of the Republic of Lithuania [Medelienė, Sudavičius, 2011: 246ff].

According to Article 132(1) of the Tax Ordinance, in cases where an employee of a tax authority reveals violations of the provisions of tax laws in the course of a tax audit, the results of the audit are approved by a decision on approval of the audit report. That decision is made taking into account the materials included in the audit report and the taxpayer's comments on the audit report (if any). When issuing a decision on the approval of an audit report, a tax authority may: (1) approve the audit report; (2) approve the audit report in part; (3) not approve the audit report; (4) order a repeated audit of the taxpayer; (5) make changes to the audit report [Article 132(2) of the Tax Ordinance].

Chapter IX of the Tax Ordinance normalises the procedure for the examination of a tax dispute (the appeal, the bodies that hear complaints, their rights and obligations, requirements regarding the content of the complaint, etc.). Article 145(1) of the Tax Ordinance specifies a mandatory procedure for pre-court examination of tax disputes. This provision does not limit the taxpayer's right to go directly to court after the relevant central tax authority issues a decision. A commentary to that article emphasises that, according to Article 20(2) of the Tax Ordinance, tax disputes arising between a taxpayer and a tax authority that are related to a decision to approve an audit report or any other similar decision that requires the tax to be paid by the taxpayer to be calculated again, as well as a decision of the tax authority to refuse to refund an overpaid amount tax, must be examined obligatorily in a pretrial procedure. This means that the right to file an application with an administrative court regarding a tax dispute[3]

[3] In accordance with Article 15(1)(4) of the Act on Administrative Procedure.

arises only if the taxpayer has followed the procedure for the examination of the dispute, as set forth in the Tax Ordinance. In the pretrial procedure, tax disputes are handled by the central tax authority and the Tax Disputes Commission at the Government of the Republic of Lithuania. A taxpayer may file a complaint against a decision issued by the central tax authority related to a tax dispute either with the Tax Disputes Commission under the Government of the Republic of Lithuania or directly with the Vilnius District Administrative Court [Commentary: 349].

According to Article 147 of the Tax Ordinance, tax disputes are examined by the central tax authority, i.e., the State Tax Inspectorate, the Tax Disputes Commission (hereinafter referred to as pretrial bodies examining tax disputes), and courts.

A complaint should be filed with the State Tax Inspectorate in writing within a time limit not exceeding 20 days from the date of service on the taxpayer of the local tax authority's decision that the taxpayer is challenging [Article 152(1) of the Tax Ordinance]. A complaint to the State Tax Inspectorate must be filed through the local tax authority whose decision is being challenged [Article 154(1) of the Tax Ordinance]. The local tax authority is required to send the taxpayer's complaint and the materials necessary for its examination to the central tax authority within 3 business days.

The State Tax Inspectorate is required to issue a decision on the complaint within 30 days of its receipt. The central tax authority may decide to extend this time limit to 60 days if the examination of the complaint requires additional investigation. The taxpayer who filed the complaint should be informed of this in writing. After reviewing the taxpayer's complaint, in accordance with its own powers, the State Tax Inspectorate issues one of the following decisions: (1) it approves the decision of the local tax authority; (2) it revokes the decision of the local tax authority; (3) it partially approves or partially revokes the decision of the local tax authority; (4) it amends the decision of the local tax authority; (5) it revokes the decision of the local tax authority and orders that the authority issue a new decision. The decision should indicate the taxpayer's right to appeal the issued decision to the Tax Disputes Commission or A court, as well as the time limits for filing a complaint [Article 154(5) of the Tax Ordinance].

According to Article 148 of the Tax Ordinance, the Tax Disputes Commission is a public legal entity financed from the state budget. The task of the Commission is to objectively examine taxpayers' complaints and issue lawful and reasonable decisions. The Commission is composed of a chairman and four members. The

Commission's Rules of Procedure are approved by the Government of the Republic of Lithuania. The term of office of the Commission's members is four years. A person with an impeccable reputation, holding a master's degree in finance, law, or economics, or having completed other equivalent higher education and at least 3 years of work experience in the field of tax, customs, or corporate law may become a member of the Commission. A complaint should be submitted to the Tax Disputes Commission in writing within 20 days from the date of service on the taxpayer of the challenged decision of the State Tax Inspectorate or within 20 days from the expiration of the deadline for issuing a decision in a tax dispute [Article 152(2) of the Tax Ordinance].

Article 153 of the Tax Ordinance sets forth the requirements to be met by complaints filed with both the State Tax Inspectorate and the Tax Disputes Commission. Such complaints should indicate: (1) the taxpayer's name (first and last name), his or her identification number (code) and address; (2) the contested decision and the date of its issuance; (3) the circumstances referred to by the applicant in making the claim and the evidence to support them; and (4) the claim of the complainant. The complaint should be signed by the taxpayer (or his or her attorney).

In accordance with the provisions of Article 155 of the Tax Ordinance, the complaint is submitted to the Tax Disputes Commission through the State Tax Inspectorate. The State Tax Inspectorate, within 3 business days from the date of receipt of the complaint, prepares a tax dispute file and submits it to the Tax Disputes Commission. The taxpayer and the tax authority have the right to review the case materials at the Tax Disputes Commission. The Tax Disputes Commission issues a decision within 60 days from the date of receipt of the complaint. At the request of the taxpayer, this period may be reduced to 30 days by decision of the Commission. The taxpayer who filed the complaint and the central tax authority should be informed of this in writing. Decisions are made by a majority vote of the members of the Tax Disputes Commission. The Tax Disputes Commission may decide to: (1) approve the decision of the central tax authority; (2) revoke the decision of the central tax authority; (3) partially approve or partially revoke the decision of the central tax authority; (4) amend the decision of the central tax authority; or (5) remit the complaint to the central tax authority for consideration. The decision should indicate the taxpayer's right to appeal against the issued decision to a court (it should specify the name of the court) and the time limits for filing a complaint with the court.

3. The procedure for resolving tax disputes before administrative courts

The Lithuanian tax law doctrine emphasised that resolution of tax disputes in courts differs from pre-court resolution not only due to the status of the bodies that consider these disputes, but also in the regulations governing the process. Resolution of tax disputes in courts is governed by the Act on Administrative Procedure. Compared to other bodies that resolve tax disputes at the pre-court stage, courts are less specialised in the field of taxation, the process there is more formalised, and, in addition, both the taxpayer and the tax authority must go through all levels of the court process [Medelienė, Sudavičius, 2011: 263–264].

According to Article 159(1) of the Tax Ordinance, if a taxpayer disagrees with a decision of the central tax authority or the Tax Disputes Commission, he or she has the right to appeal to a court. The State Tax Inspectorate also has the right to challenge a decision of the Tax Disputes Commission, but only if the State Tax Inspectorate and the Tax Disputes Commission, in considering a tax dispute (or in the course of a tax dispute), made a different interpretation of the provisions of an act or other piece of legislation [Article 159(2) of the Tax Ordinance]. The complaint should be filed with the court within 20 days, from the date of service of the decision issued by the State Tax Inspectorate or the Tax Disputes Commission. Appeals against a decision issued by the State Tax Inspectorate or the Tax Disputes Commission regarding a tax dispute are considered by an administrative court of first instance. The decision of this court may be appealed to the Supreme Administrative Court in Vilnius.

In accordance with Articles 2, 3, and 4 of the Act of the Republic of Lithuania on the reorganisation of Administrative Courts, as of January 1, 2024, the reorganised Regional District Administrative Court is merged (by way of a merger) with the Administrative Court of the Vilnius District, and the name of the Administrative Court of the Vilnius District is changed to Regional Administrative Court. As of January 1, 2024, the names "Regional District Administrative Court" and "Administrative Court of the Vilnius District" as well as the term "district administrative court" used in the legal acts are considered to mean "Regional Administrative Court."[4]

[4] According to Article 31(3) of the Act on Administrative Procedure, a complaint (application or statement) must be filed with the Regional Administrative Court in any chamber of the court, and other pleadings must be filed with the chamber of the Regional Administrative Court where the case is to be heard. Taking this into account, complaints against decisions of the central tax authority, issued in pre-court proceedings as part of

According to Article 17(1)(4) of the Act on Administrative Procedure, the administrative court considers cases concerning the payment of taxes, other mandatory charges, or levies, their refund or enforcement, the application of financial sanctions, as well as cases concerning tax disputes [Commentary: 373].

Tax disputes in administrative courts are heard by panels consisting of three judges, but in complex cases heard by the Supreme Administrative Court, five-judge panels may be appointed or the case may be heard in a plenary session. The taxpayer and the tax authority are parties to the dispute, and the representatives before the court are the heads of state authorities or employees of these authorities authorised by them. After hearing the case, the court of first instance may issue a ruling dismissing the complaint as unfounded or upholding it, may repeal the contested decision or uphold the complaint and oblige the specified public administration entity to perform an action, or may uphold the complaint in part. The decision is made by a majority of the judges. Within three days after the ruling is recorded, copies of the ruling are sent to the parties to the proceedings and interested persons. Decisions of the court of first instance that have not been challenged become final after the time limit for appeal has expired. A challenged ruling, if not repealed, becomes final after the appeal is heard [Medelienĕ, Sudavičius, 2011: 264ff].

In the appeal procedure, tax disputes are heard by the Supreme Administrative Court with its seat in Vilnius. The important thing is that the time limit for filing an appeal is much shorter than at other stages of tax dispute resolution. Appeals may be filed with this court directly or through the Regional Administrative Court. The Supreme Administrative Court may uphold the decision of the court of first instance and dismiss the appeal, or it may repeal the decision of the court of first instance and issue a new decision. It may also amend the decision of the court of first instance or repeal the decision of the court of first instance in whole or in part and remit the case to the court of first instance for a new trial, as well as discontinue the case or leave the complaint unexamined. The decision of the Supreme Administrative Court becomes final on the date of its issuance and is not subject to a cassation appeal, so this court is the last instance that considers tax disputes [Medelienĕ, Sudavičius, 2011: 266ff].

the decisions of complaints against decisions of a local tax authority, or against of the Tax Disputes Commission are considered by the Regional Administrative Court, after filing a complaint in any chamber: in Vilnius, Kaunas, Klaipeda, Šiauliai, or Panevezys.

4. Conclusions

This paper presents the procedures for resolving tax disputes that are in place in the Republic of Lithuania. Attention was drawn to the recent amendments to the law governing these procedures, which were adopted in 2024.

When analysing the procedure for challenging tax decisions in the Republic of Lithuania, it should be emphasised that, from the legal standpoint, it preserves the rules of a democratic law-abiding state that apply in most modern countries in the world with a democratic system of government. In particular, it should be stressed that, in the Republic of Lithuania, a taxpayer who is not satisfied with the decision of the tax authority of the first instance may file a complaint with the tax authority of the second instance. The Tax Disputes Commission is a collective appellate body in which tax disputes are considered not by one, but by several persons. Therefore, even at this stage, the procedure is quasi-judicial in nature. In some cases taxpayers can also bypass this tax authority and file their case directly to the administrative court.

In the Republic of Lithuania, taxpayers enjoy full judicial protection of their legitimate tax-related rights. This is because they are able to appeal decisions of the tax authority of the second instance to the administrative court of first instance. They can also appeal against the rulings of that court to the Supreme Administrative Court in Vilnius. The model for challenging tax decisions in the Republic of Lithuania that has been formed in this way deserves to be rated very highly. Indeed, it is a good example for many countries around the world to follow in terms of the legal solutions they should adopt.

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DOI: 10.15290/sup.2024.08.14

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ECO-INNOVATIVENESS OF THE PODLASKIE VOIVODESHIP IN THE PERSPECTIVE OF EUROPEAN FUNDS 2021–2027

Abstract

- *Goal* – The aim of the article is to emphasise the role that eco-innovations play in today's turbulent environment and the possibility of financing eco-innovative projects within the framework of EU support because financial barriers are one of the key limitations in creating the level of innovation in the region.
- *Research methodology* – The article contains a review of literature and news in the field of (eco)innovation and EU support in the 2021–2027 perspective and an analysis of the region's eco-innovation based on selected rankings and good practices.
- *Score/results* – The analysis shows the role that eco-innovations play in the case of sustainable development assumptions, they turn out to be an idea for a better tomorrow. However, it should be remembered that without adequate support in terms of financial support, many innovative ideas would not have a chance to be implemented, which emphasises the essence and importance of EU funds.
- *Originality/value* – The literature review and the analysis highlighted the potential of eco-innovation in the Podlaskie Voivodeship region. Unfortunately, the importance of EU support in terms of the possibilities of financing eco-innovative projects from this source was additionally emphasised.

Keywords: innovation, eco-innovation, sustainable growth, European funds, Podlaskie Voivodeship.

1. Introduction

Eco-innovations can be considered one of the key elements of the modern sustainable development policy, and their importance is constantly growing, adequately to the growing challenges related to climate change, environmental degradation and the indisputable need for rational management of natural resources.

The source of financing is an extremely important determinant of eco-innovation capacity. The Podlaskie Voivodeship can boast of eco-innovative potential. Unfortunately, this ability is burdened with many factors. One of them is financing.

For this reason, this article aims to highlight the opportunity that has been included in the offer of structural funds from the 2021–2027 perspective, intended for financing the implementation of eco-innovative projects.

2. Innovation and eco-innovation

In the face of the current socio-economic changes in the world, innovations seem to be a kind of "idea for a better tomorrow". Constantly advancing globalisation processes, increasing competition and inevitable degradation of the natural environment force countries, economies and societies to be constantly ready to take advantage of emerging opportunities, but also to protect themselves from a multitude of threats.

The essence of innovation seems to be omnipresent in probably every area of life. The number of approaches to understanding this issue leads to a wide range of attempts to explain it. In Table 1, the authors tried to compile the most accurate definitions of innovation in their opinion.

We can dare to say that innovations, owing to their ubiquity in virtually all areas of life, mean the introduction of something new, a certain breakthrough, a solution to emerging problems and limitations.

Innovations in response to environmental problems such as climate change, desertification, deforestation, soil erosion or water and air pollution are also emerging in this field, in the form of eco-innovations.

Eco-innovation concerns all forms of innovation and modernisation aimed at making significant and visible progress towards the goal of sustainable development, either by reducing environmental impact or by achieving greater efficiency and responsibility in the use of resources, including energy. Like the innovation aspect in general, eco-innovation is an evolving concept and must therefore be able to respond to change [www 2].

Table 1. Review of the selected definitions of the concept of innovation

Innovation includes:
introducing a new product, modifying the existing ones, introducing a new production method, obtaining new sources and opportunities, using previously untouched areas and markets or new ways of organising business.
the introduction of something new, a newly introduced thing, but also a change consisting in the introduction of something new, as well as a novelty, innovation or reform.
bring new or significantly improved products or processes to market and organise production based on new ideas that serve the innovators' goals better than the old ones.
introduction of new products, processes and methods of conduct in the economic and social spheres for wide use.
a series of activities leading to the creation of new or improved products, technological processes or organisational systems.

Source: the authors' own elaboration on the basis: Schumpeter,1932: 66; *Słownik…,* 1988, I: 792; Harman 1971: 151–169; Janasz, Kozioł, 2007: 13; Allen, 1966: 7; www 1, entry: *Innowacja*.

Ecological innovation can be understood as an innovation that tries to prevent or reduce destructive and degrading human impacts. Moreover, such innovations restore environmental damage to some extent and monitor environmental problems. Environmental innovation spans many areas of expertise and many industrial sectors [*Drivers*…, 2001: 11].

This type of innovation also means all modifications in processes and products that reduce their negative impact on the environment [ibidem].

It is worth adding that ecological innovations are a change in consumption and production patterns and the development of technologies, products and services that reduce environmental impact. Business and innovation work together to create sustainable solutions that make better use of valuable resources and reduce the negative impact of the economy on the environment [*Eco-Innovation*…]

It can be openly stated that the definitions of the concept of eco-innovation are diverse and depend on the context and the research perspective undertaken. OECD representatives define eco-innovation as any innovation that reduces the negative impact on the environment or optimises the use of natural resources [*Eco-Innovation in Industry*…, 27].

Accordingly, this innovation consists of new or modified processes, techniques and technologies, systems and products that avoid harmful effects on the environment [Horbach, 2008: 163].

Yet another view adds that eco-innovation can include technological, organisational and social innovations that support sustainable development [Carrillo-Hermosilla, Rio, Totti, 2010: 1075].

The above explanations confirm the fact that innovation and increasingly eco-innovation are present in an increasing area of modern life. What is more, it can be said that they largely have a positive impact on the entire environment. Unfortunately, they are determined by many different factors, among which financing is one of the most important.

3. Innovation and eco-innovation in the EU support offer for 2021–2027

Financing the activities of business entities – generally speaking – means raising capital by companies, which is a reflection of the source of financing assets. Quite often, however, we come across a slightly more elaborate understanding of financing, through which we can understand not only raising capital, but also all the decisions of managers that they make in the process of establishing and living a company [Janasz, 2004: 93].

In addition to credit, leasing, venture capital, crowdfunding, funds offered under EU funds are an important source of financing. As we know, the European Union is a community of countries at different levels of development and facing many different challenges. Many of these challenges are common to all EU members. Thanks to the European Funds, socio-economic development, competitiveness of individual economies are strengthened, the fight against unemployment and inequalities in the development of individual regions is undertaken, or the implementation of the assumptions of sustainable development and care for the natural environment. Poland is currently a beneficiary of the fourth perspective of European Funds. So far, the Polish economy and society have benefited from the EU budgets for the years: 2000–2006 (joining the EU in 2004), 2007–2013 and 2014–2020. In the new distribution of EU funds prepared for the period 2021–2027 for the cohesion policy, Poland and its individual regions have over EUR 76 billion at their disposal. They come from the following EU funds: [*O Funduszach…*] the European Regional Development Fund:

- European Social Fund+,
- Cohesion Fund,
- the European Maritime, Fisheries and Aquaculture Fund,
- Just Transition Fund.

Poland is to benefit from the following programs, which will be implemented in the years 2021–2027 and – as can be seen – will be partly aimed at financing eco-innovative projects [*Fundusze…*]:

- European Funds for Infrastructure, Climate, Environment: investments in the Polish energy security, development of renewable energy sources, environmental protection, safe and ecological transport. The money is also to be allocated to the development of health care, as well as the development of culture and the protection of cultural heritage. The allocated budget amounts to EUR 487.62 billion;
- European Funds for Modern Economy: investments in research and development projects, innovative projects and projects increasing the competitiveness of our economy. The program is to be used mainly by entrepreneurs and the science sector. The allocated budget amounts to EUR 159.53 billion;
- European Funds for Social Development: owing to the money from the programme, the situation of people in the changing labour market is to be improved, and activities aimed at the development of education and health services are also planned. Parents in caring for children and people with special needs are to be supported. The allocated budget amounts to EUR 80.84 billion;
- European Funds for Digital Development: the programme accelerates the journey into the digital future. The aim of the program is to increase access to ultra-fast broadband Internet and the development of e-services. Cybersecurity is to be strengthened and the digital competences of the society are to be raised. The allocated budget amounts to EUR 39.56 billion;
- European Funds for Eastern Poland: additional support is to be provided to Eastern Poland. The program is to benefit 5 voivodeships: Lubelskie, Podlaskie, Podkarpackie, Świętokrzyskie and Warmińsko-Mazurskie, and part of the Mazowieckie Voivodeship. The aim of the program is to facilitate the development of business and transport. In addition, investments in energy networks, environmental protection and tourism are also assumed. The allocated budget amounts to EUR 52.89 billion;

- European Funds for Food Aid: the money is to be used to support the poorest and most needy. The allocated budget amounts to EUR 10.32 billion;
- European Funds for Fisheries: the aim is to support the Common Fisheries Policy, the EU's maritime policy, sustainable fisheries and the conservation of marine biological resources. In addition, investments in food security and the development of a sustainable blue economy, activities for the safety and cleanliness of seas and oceans were assumed. The effectiveness of international ocean governance is to be improved. The allocated budget amounts to EUR 9.89 billion;
- European Funds for Migration, Borders and Security: it consists of 3 programmes: the Asylum, Migration and Integration Fund (AMIF), the Instrument for Financial Support for Border Management and Visa Policy under the Integrated Border Management Fund (BMVI) and the Internal Security Fund (ISF). In total, the allocated budget amounts to almost €10.75 billion;
- Technical Assistance for European Funds: activities strengthening the potential of beneficiaries of European Funds and coordination projects, e.g. in the area of European Funds, are to be implemented. The allocated budget amounts to EUR 10.75 billion;
- 16 regional programmes: according to which each voivodeship has its own programme to finance investments in its area. Thanks to them, regions will be able to support entrepreneurship, access to education, health care and culture. What is more, thanks to these programs, they are to take care of social infrastructure and the environment. In addition, the funds are also to support digital technologies, energy and transport. The allocated budget amounts to EUR 668.22 billion;
- Interreg (European Territorial Cooperation) programmes: the programmes are assumed to be international in nature and are intended to support cultural exchange, scientific, business and local government cooperation across national borders. The allocated budget amounts to €9.46 billion.

Bearing in mind the purpose of the article, information about regional programs, it is worth paying some attention to the financing offer of ecological innovations implemented in the Podlaskie Voivodeship.

As in previous years, entrepreneurs, local governments, non-governmental organisations, social economy entities, as well as residents of the voivodeship can apply for funding under the program.

The European Funds Programme for the Podlaskie Voivodeship has been divided into parts, to which specific amounts from EU funds have been assigned. Namely [*Poznaj…*]:

1. Research and Innovation, for which the amount of EUR 166.8 million has been allocated. The programme includes support for the development of entrepreneurship, research and development, e-services, cybersecurity, promotion of the Podlaskie economy, consulting services for companies and assistance for newly established enterprises;
2. An environmentally friendly region, with a budget of 359 million euros. It provides for support for energy efficiency, the development of renewable energy sources (RES), measures to adapt to climate change, the transformation of the regional economy towards a circular economy, support for water and sewage management or activities in the field of blue-green infrastructure;
3. A better-connected region with a budget of €147.1 million. The programme includes measures to increase regional mobility, in particular through the construction and reconstruction of provincial roads, the development of pedestrian and bicycle routes, as well as the development of public passenger transport;
4. A high-quality social space with a support amount of €127.3 million. This programme mainly includes investments in pre-school and educational, social, health and cultural heritage protection infrastructure. Investments aimed at the development of tourism based on natural values, cultural heritage and local tourist products are also to be supported;
5. Sustainable territorial development with a budget of EUR 50 million – where support will be implemented using territorial instruments such as: Integrated Territorial Investments (ITI), Community-Led Local Development (CLLD) and other territorial instruments (IIT), in particular revitalisation programmes and strategic partnerships. The programme provides, among other things, for the protection, development and promotion of public tourist values and services, cultural heritage and ecotourism outside Natura 2000 sites;
6. Sustainable urban mobility, for which €40 million has been allocated. In this case, the aid is to be directed, among others, to the purchase and modernisation of low- and zero-emission rolling stock for public transport, equipping roads or streets with infrastructure to support this transport (such as bays, ramps, exits, loops) or the implementation of intelligent transport systems;

7. Funds for employment and adult education, for which €130 million has been allocated. It was assumed that the support will be allocated to social inclusion through the activation of the unemployed, young people, as well as to training or activities in the field of medical rehabilitation to facilitate the return to work;
8. Funds for education and social inclusion with a budget of €186.9 million. As part of the programme, support should focus on supporting pre-school education, vocational training, activation of people at risk of poverty and social exclusion, assistance to people with disabilities, creation of nursing homes, implementation of health programmes;
9. Funds for local development, for which the amount of support in the amount of EUR 30 million was allocated. Here, assistance is to be directed to local communities in the form of CLLD, in particular by supporting pre-school education, small schools of general education, integration of the local community and increasing access to care services;
10. Supporting renewable energy for local communities with a budget of €10 million. The program is intended to include the production of energy and heat from renewable sources for local communities and for the residents' own needs. Projects involving the installation of renewable energy sources on residential buildings are to be implemented.

To sum up, the Podlaskie Voivodeship, as part of the support from European funds in the 2021–2027 perspective, may try to increase its eco-innovation capacity by supporting energy efficiency, development of renewable energy sources (RES), measures to adapt to climate change, transformation of the regional economy towards a circular economy, support for water and sewage management or activities in the field of blue-green infrastructure. Importantly, innovative projects, aimed at the development of tourism based on natural values, cultural heritage and local tourist products, but also on the protection, development and promotion of public tourist values and services, cultural heritage and ecotourism outside Natura 2000 areas, can also be financed. The area of possibilities of financing the purchase and modernization of low-emission and zero-emission rolling stock for public transport or in supporting renewable energy for the needs of local communities, through the production of energy and heat from renewable sources for local communities and for the own needs of residents is also noteworthy.

4. Eco-innovation of the Podlaskie Voivodeship

It can be bold to say that historical events and geographical location can have an impact on the level of socio-economic development of the Podlasie region. This fact also has an impact on the level of determinants of this development, which can be considered the innovation of the region.

Nevertheless, it should be emphasised that Podlasie is one of the ecologically cleanest provinces in Poland, known for its exceptional biodiversity. The region is characterised by a low degree of industrialisation and a high proportion of rural areas and protected areas. This creates ideal conditions for the implementation of eco-innovative solutions that can contribute to both the protection of natural resources and economic development.

Therefore, eco-innovation in this case can be defined as the creation and implementation of new technologies and organisational solutions that are aimed at minimising the negative impact on the natural environment.

Ecological innovations in Podlasie are activities and solutions that aim to implement the assumptions of sustainable development in the region by supporting the development of the local economy, while minimising the negative impact on the environment. The Podlaskie Voivodeship, with its unique natural values, such as the Białowieża Forest, the Biebrza National Park or numerous protected areas, is becoming a place particularly conducive to the development of ecological innovations.

As far as the level of eco-innovation compared to the rest of the country is concerned, the ranking of the Millennium Index – Regional Innovation Potential, prepared by Bank Millennium, seems to be noteworthy. The podium, invariably since 2016, when the ranking was created, has been occupied by the following voivodeships: Małopolskie and Dolnośląskie. On the positive side, the regional innovation ranking is closed by the Warmian-Masurian Voivodeship, the Świętokrzyskie Voivodeship and the Lubuskie Voivodeship. The survey includes five categories which, according to experts, have the greatest impact on the innovation potential of regions. These are: labour productivity, expenditure on research and development, post-secondary education, number of people working in the R + D sector, number of patents issued. In the most recent ranking, the Podlaskie Voivodeship was ranked 13th [*Ranking…*].

Among the leaders of innovation in the Podlaskie Voivodeship, which can boast a strong position against the competition in the country and abroad, there are such companies as Mlekovita, Britsh-American Tobacco Polska, Edpol food & Innovation, Pronar, Malow and many others.

As far as eco-innovation is concerned, according to the eco-innovation index, developed by Bank Millennium in cooperation with substantive partners: the Patent Office of the Republic of Poland, the AGH University of Science and Technology in Krakow and the Warsaw School of Economics, Pomerania, Małopolska and Mazovia – these are the three voivodeships where the involvement in green transformation is the greatest [*Jak wygląda…*].

Taking into account the scope of eco-innovative activities in the Podlaskie Voivodeship, it can be concluded that the key areas of ecological innovation in Podlaskie include:

- green building and the introduction of energy-efficient building technologies, such as passive houses, which minimise energy consumption and the use of local, natural building materials;
- eco-tourism, more specifically the development of responsible tourism, which takes into account the protection of natural ecosystems and the natural heritage of the region. Eco-educational programs and sustainable forms of recreation, such as hiking, cycling or canoeing, attract more and more environmentally conscious tourists;
- renewable energy sources, i.e. investments in solar, wind and biomass energy, which are crucial for the region, because the Podlaskie Voivodeship focuses on decentralisation and sustainable energy development, especially in rural areas;
- waste management, eco-innovation in recycling, circular economies and composting systems. It is worth noting here that Podlaskie places emphasis on minimising the amount of waste that ends up in (often illegal) landfills and transforming waste into resources, e.g. energy;
- green technologies in industry. Local economic operators are innovating to reduce CO_2 emissions, water consumption and environmental pollution. It is worth noting that at the same time it is introducing energy-efficient production processes;
- sustainable agriculture, and more specifically the introduction of modern agricultural technologies that are environmentally friendly, e.g. organic farming, reduction of chemicals, or the so-called regenerative agriculture, which protects biodiversity and improves soil quality.

These activities are supported by both EU and national programmes that promote sustainable development and innovation at the regional level. It is safe to say that thanks to this, the Podlaskie Voivodeship can become a model for other regions in terms of combining economic development with environmental protection.

5. Conclusion

The eco-innovation of the Podlaskie Voivodeship is a complex process that requires the cooperation of many entities and the use of available financial and technological resources. The region has great potential for further development in the area of sustainable agriculture, renewable energy sources and eco-tourism. Support from regional and EU policy allows to overcome the barriers faced by this region. In the long run, Podlasie can become an exemplary example of sustainable development based on eco-innovations, contributing to the protection of the natural environment and increasing the quality of life of its residents.

Despite numerous advantages, the Podlaskie Voivodeship is facing a number of challenges that may inhibit the further development of eco-innovation. One of the key barriers is limited financial resources. Bearing in mind the offer of EU support, it seems comforting that entities that want to implement eco-innovative activities and initiatives have a chance to obtain financial support for this under European funds.

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DOI: 10.15290/sup.2024.08.15

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FINANCIAL EXCLUSION IN EU MEMBER STATES AND CANDIDATE COUNTRIES – A COMPARATIVE ANALYSIS

Abstract

- *Goal* – The main goal of this study is to conduct a comparative analysis of the level of financial exclusion in EU states and candidate countries in 2023.
- *Research methodology* – The research procedure consisted of the following steps: a study of literature, review of databases, verification and investigation of data, visualisation of the selected measures on financial exclusion in the countries under analysis and it results.
- *Score/results* – The study reveals that there is no noticeable relation between the membership in the EU and the level of financial exclusion. It follows that EU membership is not an automatic guarantee for financial inclusion. Furthermore, the analysis revealed a differentiation within the group of candidate countries but also among EU member states. Additionally, it follows that poor geographical outreach does not always have a negative impact on the use of financial services.
- *Originality/value* – The value of the paper is related to the comparative analysis of the selected group of countries: such analysis, including two dimensions of financial inclusion, which are geographical outreach, and the use of financial services was not conducted so far.

Keywords: financial exclusion, EU candidate countries.

1. Introduction

The phenomenon of exclusion has existed in society for a long time: there were – and still there are – certain barriers which prevent certain groups from full participation in various activities. Focusing on the development of the financial services, the society had to face another aspect of elimination, which was financial exclusion. This term became common in literature and discourse in the 1990s thanks to British geographers: A. Leyshon and N. Thrift who were concerned with limited access to banking services. They described financial exclusion as process which prevents certain groups/individuals from accessing the financial system [*Geographies of Financial Exclusion…*, 1995: 213].

This very first definition of financial exclusion led to further attempts to describe it. A various number of definitions have pointed the problem of finding one, universal explanation of financial exclusion and, consequently, how to measure this phenomenon. There are various databases providing data related to the issue of financial exclusion with different frequency, range and access to them. However, none of them presents a universal indicator describing the level of the phenomenon of financial exclusion.

One of the existing databases is IMF Financial Access Survey (FAS), which was launched in 2009[1]. It is supply-side dataset. The FAS concentrates on accessibility and use of financial services and is based on data collected by central banks and other financial regulators[2]. The database created by FAS highlights two main indicators: geographical outreach and use of financial services, each of them develops into more specific ones. The FAS has also global reach and public access which allow to choose indicators depending on analytical needs.

FAS allows to carry on interesting analyses: the goal of this paper is to conduct an analysis of the level of financial exclusion in 2023 in the selected countries, which are: EU countries and candidates. The choice of these countries is associated with the research hypothesis which is as follows: candidate countries have higher level of financial exclusion than EU members.

The research procedure was carried out to verify the hypothesis. It consisted of the following elements: (a) study of the literature on financial exclusion, (b) review of available databases measuring the level of financial exclusion, (c) verification and investigation of data, (d) visualisation of situation regarding selected measures on financial exclusion in countries of analysis. Furthermore, results and comments are provided in the study.

[1] The Financial Access Survey was launched in 2009 but from 2018 it has been supported by the International Monetary Fund's Data (IMF) [*IMF Data Portal,* https://data.imf.org/?sk = e5dcab7e-a5ca-4892-a6ea-598b5463a34c&sid = 1412015057755 [date of access: 18.12.2024].

[2] Ibidem.

2. Financial exclusion

As it was already mentioned, the very first definition of financial exclusion describes it as a process which prevents the access to the financial system [Layshon, Thrift, 1995: 213]. Without any doubts, this statement is correct, nevertheless, there are various definitions of financial exclusion which consider different aspects of this problem. A review of the selected definitions in the literature focusing on the financial exclusion issue is provided in Table 1.

Table 1. Selected definitions of financial exclusion

Author	Definition
S. Richard [*Les comportements financiers…*, 2000: 65]	A gradual process of exclusion from the financial link: absence of an account, means of payment or no access to essential credit.
S. Sinclair [*Financial Exclusion…*, 2001: 4]	The inability to obtain essential financial services in an appropriate form. Exclusion may result from issues related to access, conditions, pricing, marketing, or self-exclusion in response to negative experiences, or perceptions.
L. Anderoni [*Access to Bank Account…*, 2007: 7]	The challenges faced by low-income and socially disadvantaged people in using financial services, such as having an account, being able to make cashless payments, accessing credit at a "reasonable" level of interest, or building small savings.
D. G. McKillop, J. O. S. Wilson [*Financial Exclusion*, 2007: 9]	The inability, reluctance, or difficulty faced by specific groups in accessing mainstream financial services.
B. Szopa, A. Szopa [*Wykluczenie finansowe…*, 2011: 18]	The state of limited or lacking financial resources that does not allow for the effective use of financial, banking, insurance, business consulting, legal services, as well as health care, education and culture. In addition, it prevents activities involving investing in the stock market, investment funds, or having a bank account.
T. Sossa [*La microfinance au Bénin*, 2011]	A situation where an individual experiences difficulties in accessing financial services.
European Commission, [*Financial…* , 2008: 9]	A process in which individuals face difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and allow them to lead a normal social life in the society in which they belong.
FINCA Canada [www 7]	Financial exclusion refers to individuals and populations lacking access to basic financial services, such as savings accounts, loans, cashless transactions, credit, and other traditional banking services. This exclusion is often due to socio-economic status and an inability to meet the requirements set by formal banking institution.

Source: the author's own work based on literature indicated in Table 1.

The first of the presented definitions differs from the others, in S. Richard's opinion, financial exclusion is "a gradual process of exclusion from the financial link" [*Les comportements*…, 2000: 65] caused by the lack of a bank account or means of payment. Only this definition draws attention to the "gradual" aspect of financial exclusion which can be inferred that it is related to the fast development of finances.

According to L. Anderoni [*Access to Bank Account…,* 2007: 7], financial exclusion is associated with low income of people/people in disadvantaged social situation who do not have bank accounts/cannot make cashless payment or savings. Similar approach may be observed in B. Szopa and A. Szopa's definition, where financial exclusion is caused by a limit/lack of resources that does not allow for the effective use of not only financial services, but also for health care education or culture which indicates the social aspect of financial exclusion.

In EC report, financial exclusion is a process in which people experience problems in access or in using of financial services which are essential to lead a social life. This definition does not precisely determine what causes problems with access to financial services. In the same way, financial exclusion is described by T. Sossa whose definition is more general (and does not concern social aspect).

S. Sinclair's definition focuses on the reasons that may lead to financial exclusion, which include problems with access, marketing or prices. Moreover, Sinclair refers to the problem of self-exclusion, in which despite access, a person does not use financial services due to negative experience. Similarly, financial exclusion is described by D. McKillop and J. Wilson, however, their definition is not as extensive as Sinclair's, but it also includes the aspect of self-exclusion.

The last of the proposed definitions is the one by FINCA Canada, that characterises financial exclusion as the inaccessibility to the basic financial services. This refers to people who cannot engage in the financial sector, especially in low-income countries.

Considering not only the challenges of multi-definition but also the challenges related to measuring the phenomenon of financial exclusion, the author agrees with the definition proposed by the European Commission's report. It focuses on two aspects of financial exclusion: access and usage of financial services which can be measured with use of approximants, and this is the goal to be achieved in this study.

3. How to measure financial exclusion?

Despite the fact that there are numerous definitions of financial exclusion, it should be noted that there is no direct indicator that allows for assessing the level of financial exclusion. What is more, the existing databases give information on financial inclusion. Thus, it shall be clarified here that the less "included" a country is, the higher level of financial exclusion and vice versa: the more "included" a country is, the lower is the level of financial exclusion.

World Bank Group describes two different approaches to the measure of the analysed problem: the demand and supply side surveys. In this paper, the author focused on the second one: supply-side data surveys which, unlike demand-side data, may be collected regularly and are less expensive [www 1]. As stated by the World Bank Group, supply-side data offer information about regulated financial institutions or through reporting to financial regulators (covering geographical access, prices of products and services, use of products and services). The review of databases is provided in Table 2.

Table 2. Financial inclusion data from the supply side

Survey	Description	Frequency	Country coverage	Publicly available
FAS	Data on the adoption and utilisation of financial services gathered from regulatory authorities across countries	Annual	Global	Yes
Global Payment Systems Survey (GPSS), (World Bank)	A summary of payment and securities settlement systems in developed and emerging markets.	Bi-annual	Global	Yes
Remittance Prices Worldwide (RPW)	Data on the cost of transmitting small amounts of money between countries.	Every 6 months	Global	Yes
Microfinance Information Exchange (MIX)	Comprehensive operational and financial statement data from microfinance entities.	Irregular	Over 110 countries	Partially
BankScope	Database with information on public and private banks. Detailed balance sheet and income statements per bank.	Irregular	Selected countries	No

Survey	Description	Frequency	Country coverage	Publicly available
FinStats	Information on verified equities, government bonds, fund values, currencies, dividends, and indices.	Irregular	Selected countries	No
IMF-International Financial Statistics (IFS)	Collection of 8 financial inclusion measures from app. 190 countries.	Varies	Global	Yes
IMF Financial Soundness Indicators (FSI)	FSI assess strengths and weakness of financial systems.	Varies	Global	Yes

Source: www 1.

The way financial inclusion is presented within these databases differs as far as data collection, frequency, country range and public access are concerned. The first three presented in Table 2: FAS, GPSS and RPW offer the most accurate data. The frequency of publication is annual (FAS) or semi-annual (GPSS, RPW), the data have a global reach, and access to it is public. However, despite the huge advantage of half-yearly data, the latest GPSS data is from 2021 while FAS offers newer data up to 2023 (for most countries); the RPW only focuses on information on remittances.

Microfinance Information Exchange (MIX)[3] provides data (MIX Market database) on microfinance institutions. From 2019, MIX Market dataset became available at the platform of the World Bank. Despite the advantages of public access via World Bank, the available data cover the years 1999–2019 (which are published irregularly) [www 3].

The next two presented databases, BankScope[4] and FinStats, are not publicly available which is a serious disadvantage. Also, dataset is accessed for the public irregularly only for selected countries.

IFS and FSI are part of IMF (International Monetary Fund) dataset. Both databases have public access and global reach. IFS focuses on topics of international

[3] Since 2020, MIX has become a part of the Center for Financial Inclusion at Action (CFI) [www 2].

[4] BankScope discontinued publicising data after 2015 and updated information are now available on Bank Focus but access also is not public [www 4].

and domestic finance, including data on exchange rates, international liquidity, money and banking, prices etc. [www 5]. FSI includes information on financial institutions and indicators representing markets in which financial institutions operate [www 6].

A conducted survey on financial inclusion databases allows the author of this paper to assess them and choose the one which is the most compatible with the chosen definition of financial exclusion. Based on the collected information, the author of the paper decided to rely on the IMF Financial Access Survey database. FAS is characterised by data validity and a wide selection of indicators which, due to the lack of universally accepted method of measuring financial exclusion, makes it possible to search for its approximants.

4. Analysis

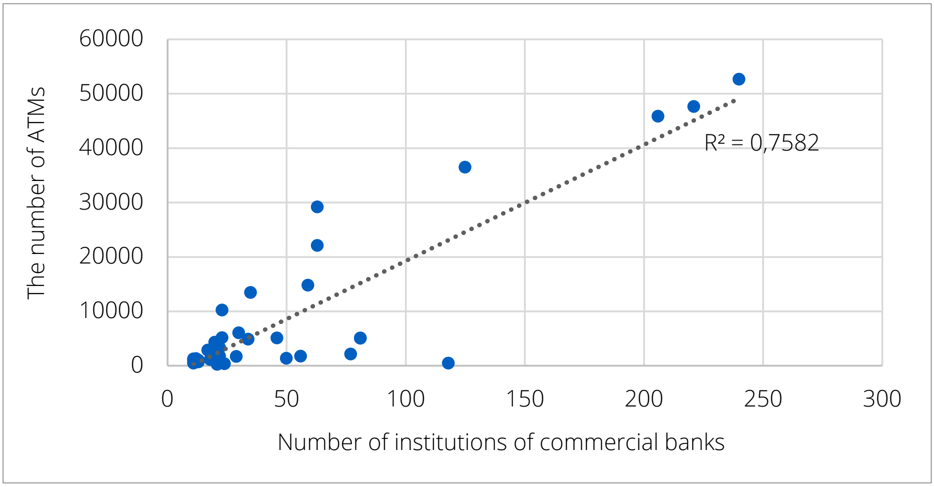
As it was mentioned in the definition of the European Commission's report, financial exclusion is a process in which individuals experience problems with accessing or using financial services [2008: 9]. The FAS database consists of two main types of indicators that cover the aspects described in the definition, which is (a) geographical outreach, and (b) the use of financial services. Based on the availability and validity of data, the author has chosen the following indicators: in the first dimension (a): the number of commercial banks (nCB), the number of ATMs (nAT), the branches of commercial banks (nBC) and in the second dimension (b): the number of credit cards per 1000 adults (nCC), the number of debit cards per 1000 adults (nDC), the number of mobile and internet transactions per 1000 adults (nMI).

The selected indicators were subjected to correlation analysis to exclude the similar ones, and to get the more precise approximants allowing to measure the level of financial exclusion in European Union member states and candidate countries. The correlation analysis results are presented in the charts 1 and 2.

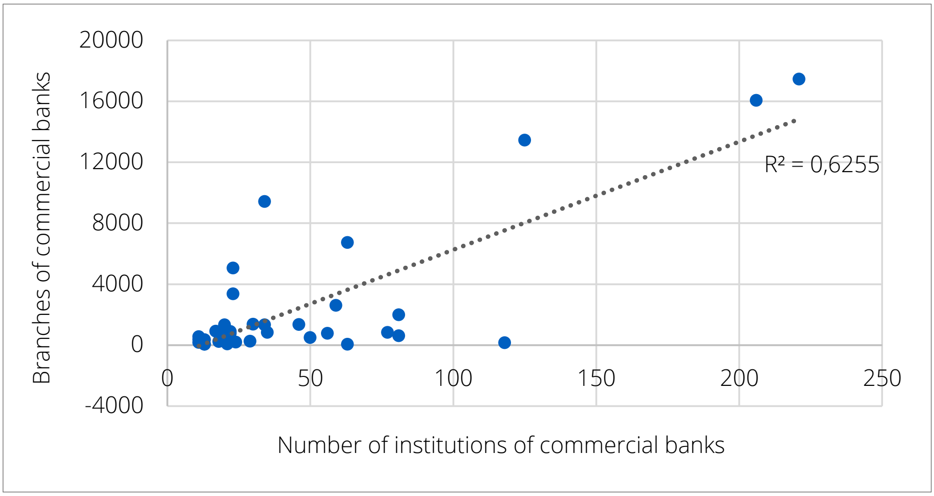
As far as geographical outreach is concerned, it is observed that there is a positive correlation between indicators. The strongest relationship (iii) is to a large extent natural: together with rising nBC, the nAT usually rises as well. The same is for the nAT and the nCB (i). Still, correlation between the nBC and nCB is also significant. Thus, only one indicator here shall be selected, as to avoid repeating information. Out of these three indicators which have the highest correlation coefficient, the author decided to select the number of ATMs.

Chart 1. Correlation between i) nCB and nAT; ii) nCB and nBC iii) nAT and nBC

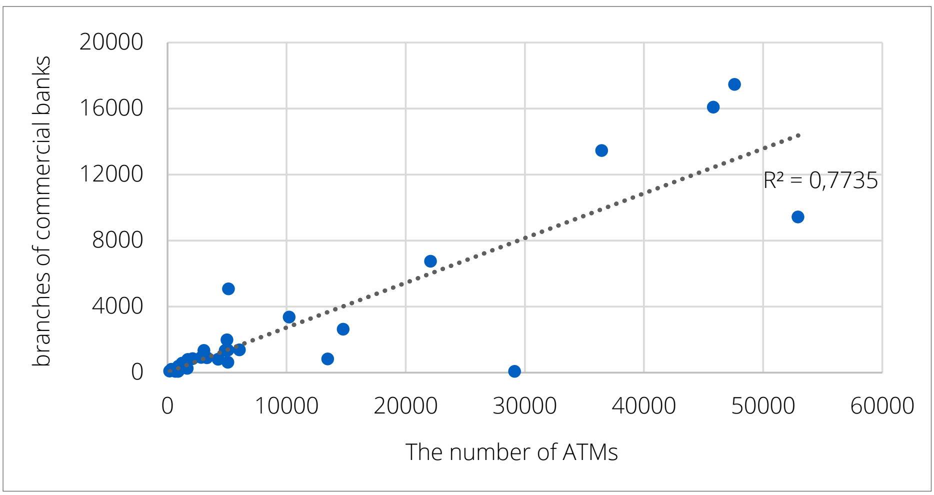
i)



ii)



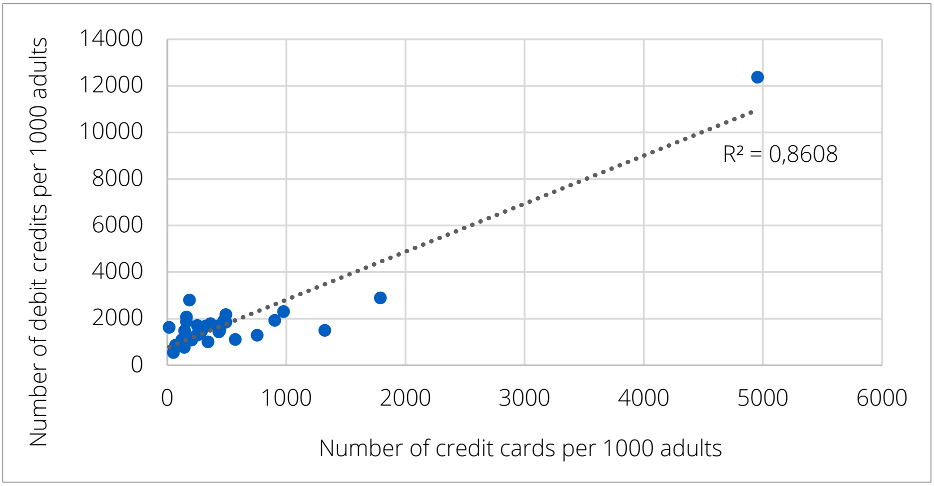
iii)



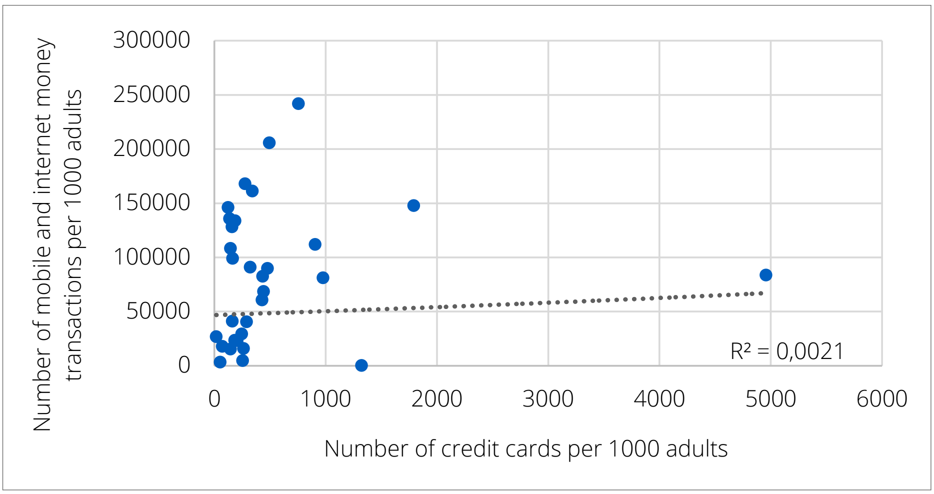
Source: the author's own calculations based on the FAS data.

Chart 2. Correlation between iv) nDC and the nCC; v) nMI and the nCC; vi) nMI and nDC

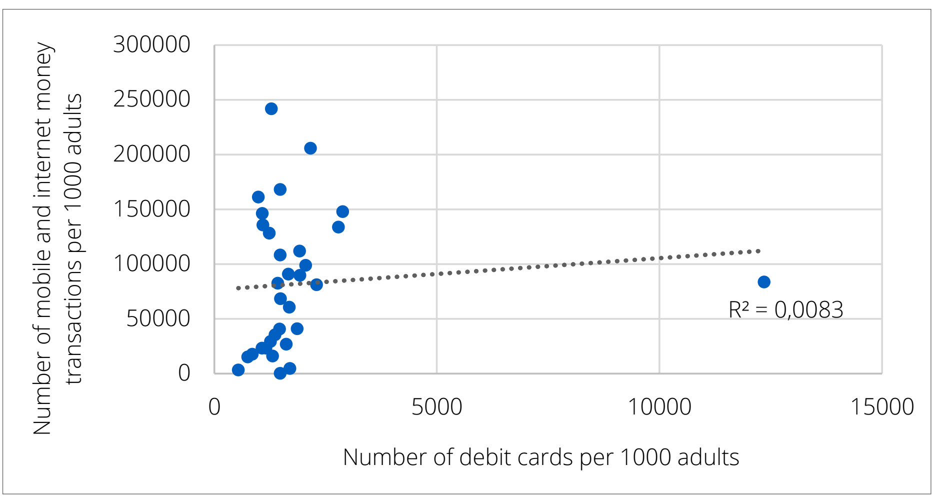
iv)



v)



vi)



Source: the author's own calculations based on the FAS data.

For the use of financial services' indicator, the strong positive correlation appears for relation between nCC and nDC (iv) where r = 0.978. On the contrary, one can notice almost no correlation between nCC and nMI (v), same as nDC and the nMI (vi). These two last indicators are very suitable for further analysis; thus the number of debit cards per 1 000 adults and the nMI were finally chosen to research.

To sum up: the analysis of the correlation coefficient allowed for the selection of the following three indicators: nAT, nDC, and nMI. On the basis of chosen approximants, comparative analysis of the level of financial exclusion in the EU states and candidate countries allowed to investigate whether the financial exclusion differs when it comes to EU membership.

The map number 1 illustrates the number of ATMs in 2023[5] in the analysed countries with the average number of 11 102 ATMs for EU states and 10 370 for candidate countries which is very similar. The largest number of ATMs is in Turkey (52 934), Germany (52 652), France (47 600) and Italy (45 822). The countries with less than 1000 ATMs are Malta (199), Cyprus (335), Montenegro (422), Luxembourg (428), Estonia (668), Latvia (894), and Albania (925).

Map 1. The number of ATMs (nAT) in 2023

Source: the author's own visualisation based on the FAS data.

[5] In case of Belgium, France, Germany, and Sweden – data for 2022.

We can notice here that there is no relation between the status of a country and nAT. Among the leaders in terms of ATM accessibility, we can find both candidate and member states and vice versa – among the countries where financial exclusion reflected in the lack of access to ATMs is stronger, we can find small countries (which is somewhat obvious) – but among them there are both small member states and candidate states.

The map number 2 presents nDC in 2023[6]. It is observed that the largest nDC is in Lithuania (around 13 450) and Luxemburg (12 350) which is much higher than the EU's average of 2 386 per 1000 adults. nDC in Turkey (2883) and Georgia (2791)) is much lower but still above the EU's average.

The average number of debit cards per 1000 adults in the candidate countries is about 1500 cards per 1000 adults which is slightly lower than EU's average. There is no significant difference between the EU states and candidate countries, only in case of the number of debit cards below 1000 per 1000 adults the candidate countries are majority: Lativa (990), Montenegro (852), Bosnia and Herzegovina (753) and Albania (538).

Map 2. The number of debit cards per 1000 adults (nDC) in 2023

Source: the author's own visualisation based on the FAS data.

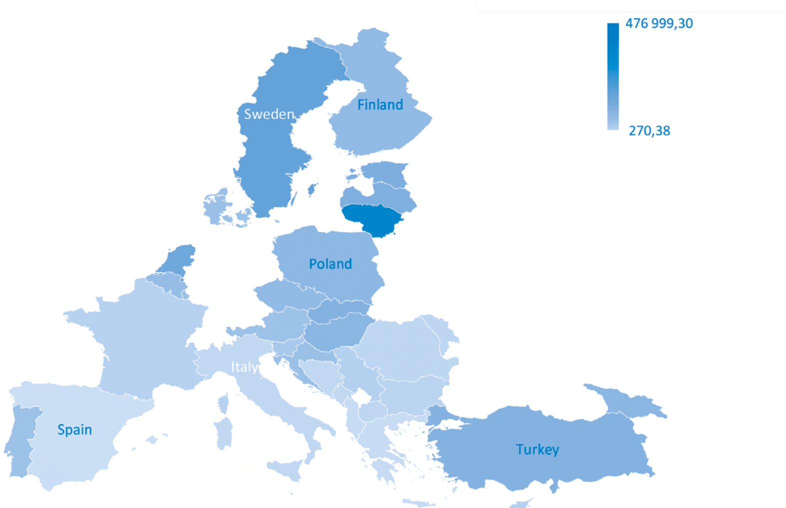
[6] In case of: Belgium, Germany, Greece, Slovenia, and Sweden – data for 2022.

Taking into account the number of debit cards, it can be concluded that the highest level of financial exclusion appears in: Albania, Bosnia and Herzegovina, Montenegro and Lativa where nDC is lower than 1000.

The map number 3 shows the nMI in 2023[7]. The EU's average is 107 585 transactions per 1000 adults, while the average for candidate countries is more than a half lower and equals to 51 117. Among the countries with the highest number of transactions there are: Lithuania (476 999), Sweden (241 786) and Netherlands (205 740).

Similarly to the nDC, Turkey and Georgia occur above both averages with the number of 147 842 and 133 825 transactions. The lowest nMI one can be observed in case of Spain (270), Albania (3324), Greece (4749), Bosnia and Herzegovina (15 204), Italy (16 003) and Montenegro (17 719). There is no data available for Germany, Ireland and Ukraine.

Map 3. The number of mobile and Internet transactions per 1000 adults (nMI) in 2023[8]



Source: the author's own visualisation based on the FAS data.

In consideration of nMI as the indicator of use of finances, the highest level of financial exclusion is in Spain, Albania, Greece, Bosnia and Herzegovina, Italy

[7] In case of Belgium, Greece, Slovenia, Spain, and Sweden – data for 2022.
[8] Germany, Ukraine – no data.

and Montenegro. On the other hand, the lowest level of this aspect of financial exclusion is in Lithuania, Sweden and Netherlands.

5. Conclusions

The level of financial exclusion might be measured in various ways depending on how this phenomenon is defined and what aspect of it is concerned. In this paper the analysis focuses on two aspects of financial exclusion: geographical outreach (measured by the nAT) and the use of financial services (measured by nCC, nMI). The data come from the IMF FAS and concern 2023.

The selected indicators reflect the differences in the level of financial exclusion in analysed countries. Candidate countries appeared both among the countries with the lowest and the highest level of financial exclusion, thus – in relation to the research hypothesis – it can be stated that there is no noticeable relation between the membership in the EU and the level of financial exclusion. It follows that EU membership is not an automatic guarantee for financial inclusion. To some extent the results may be explained due to the continuing need for financial market integration in the EU. Alternatively, or additionally, candidate countries may already have made significant efforts in the area of financial inclusion.

What is interesting, the analysis revealed a differentiation within the group of candidate countries (where Turkey and Georgia stand out with a low level of financial exclusion), but also among EU member states (we can mention here for instance: Lithuania, Luxembourg, and Germany). These countries are characterised by good geographical outreach and very high use of financial services. On the other hand, Albania, Bosnia and Herzegovina and Montenegro are the countries with a high level of financial exclusion, which is caused not only by the poor access but also by the use of financial services. The remaining candidate countries are at a comparable level of financial exclusion to other European states and do not stand out.

It should be also noted that poor geographical outreach (which may be caused by the low number of ATMs in total and by the low number of ATMS per 1000 km^2) does not always have a negative impact on the use of financial services, and what follows the level of financial exclusion, as in the case of Lithuania or Finland.

To sum up, countries should continue their efforts in the framework of financial inclusion. In early 1911, Joseph Schumpeter stated that services offered by financial brokers are of a key importance for technological innovation and economic development [Saab, 2017: 435]. Financial inclusion enhances the economy – it is not just a socio-political imperative but also an economic one [Damodaran, 2013: 54]. But most importantly financial inclusion may rise wealth [Von Fintel, Orthofer, 2020], thus all efforts and studies highlighting impediments and differences are of a crucial importance.

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DOI: 10.15290/sup.2024.08.16

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FISCAL EFFICIENCY OF VAT IN THE EU COUNTRIES

Abstract

- *Goal* – This study aims to analyse value-added tax (VAT) as a key component of state tax revenue, focusing on factors influencing fiscal efficiency. It examines VAT's performance in EU countries from 2008 to 2021 by analysing the relationship between VAT Total Tax Liability (VTTL) receipts and GDP and comparing these with the VAT Revenue Ratio (VRR) to identify the VAT collection gap.
- *Research methodology* – The study is based on a quantitative and descriptive approach, using primary and secondary data from Eurostat, OECD, and the European Commission to analyse VAT performance between 2008 and 2021. The analysis focuses on key variables such as VTTL and VRR relative to GDP to assess VAT efficiency and the collection gap. Descriptive statistics methods are applied to identify trends in VAT revenues and compare fiscal efficiency across EU Member States.
- *Score/results* – The analysis reveals that VAT revenues showed significant fluctuations over the period, influenced by the 2007–2009 financial crisis and the COVID-19 pandemic. Despite these disruptions, VAT remained a stable source of tax revenue in EU countries, with Southern and Eastern Europe showing larger VAT gaps than Northern and Western Europe.
- *Originality/value* – This study contributes to the understanding of VAT as a fiscal instrument, highlighting its role in stabilizing public finances and adapting to macroeconomic conditions. Its findings are valuable for policymakers aiming to enhance the resilience of VAT systems during economic crises.

Keywords: fiscal policy, indirect tax, VAT, VRR, VTTL, VAT gap.

1. Introduction

The tax constitutes a basic and one of the oldest economic, fiscal, legal, political and social categories characterised by a high degree of complexity. Taxes have been and still are the basic source of public revenue, and their other functions are complementary to the fiscal function (treasury, income), which does not mean that they are less important. The fiscal function [Majchrzycka-Guzowska, 2011: 77] consists of taking financial resources from various entities to benefit the state or another public-legal association, which is necessary to fulfil its tasks [Brzeziński et al., 1997: 156]. The fiscal function is one of the oldest functions of taxes. Its key importance is expressed in accumulating the majority of the state budget and self-government income, which directly confirms the purpose of establishing taxes [Głuchowski, 2006: 16; McKenzie, 1986: 256].

Taxes levied for the benefit of public law entities perform essential and significant functions for the economy of the state and society, being a convenient instrument for implementing different goals set by the authority. Over time, taxes have become increasingly important, and as a result, they have gained a value of certain stability as to their role in the tax and economic system. They have also changed under political, economic and social events.

The dominant importance of the fiscal function is connected with the fact that, as a rule, socio-economic goals are subject to it, and this, in turn, requires constant monitoring of the macro-and microeconomic sphere in the economy due to their effects [Kuzinska, 2002: 32–33]. Undoubtedly, the financial crisis (2007–2009) and the period of the COVID-19 pandemic (2020–2022) showed, even more, the great importance of fiscal policy, including tax, as a stabilizer of economic processes and an instrument for actively counteracting the negative effects of phenomena taking place in the world [Ubide, 2016: 158–160]. In the face of the financial crisis, budget revenues from taxes fell, and the main burden of alleviating the budget deficit rested on consumption taxes [Krajewska 2019: 41–63]. The problems in the banking sector, the threat of a decrease in consumption and global demand, supply shocks related to the interruption of supply chains or a huge increase in energy prices as a result of the war in Ukraine are just examples of situations in which taxes can influence the economy, limiting the increase in unemployment and sustaining economic growth, thus launching state interventionism on a larger scale. Especially in a situation of a simultaneous increase in inflation, when the policy of low-interest rates of central banks becomes unreliable to maintain the growth of aggregate demand, it becomes important to use a flexible structure of taxes and tax techniques, e.g. tax rates or tax exemptions and reliefs [Woodford, 2010: 21–44].

The purpose of this article is to present the value-added tax (VAT) as the most important source of tax revenue for the state budget, in terms of conditions ensuring the efficiency of their fiscal function. It is an attempt to identify and assess the determinants of fiscal efficiency of VAT in EU countries in 2008–2021. For this purpose, the relation of VAT Total Tax Liability (VTTL) receipts to GDP was determined, and these results were compared with the VRR indicator (VAT-Revenue-Ratio), thus determining the VAT collection gap, and the potential for an increase in budget revenues on this account. Achieving the goal of the work required specific and detailed research questions:

- What are the trends in VAT revenue in 2008–2021?
- What can be conducive to achieving high fiscal efficiency of VAT?
- What is the VAT gap and why?
- Has the period of the COVID-19 pandemic affected VAT revenues?
- What changes are being made to the construction of VAT to counteract unfavourable macroeconomic trends?

The study was conducted in a group of EU countries based on statistical data from Eurostat and the European Commission, primarily with the use of descriptive statistics.

2. The fiscal importance of VAT

The value-added tax (VAT) under study was fully introduced into the tax system in France in 1954, although its idea dates back to the second decade of the 20th century as the concept of the German entrepreneur Carl Friedrich von Siemens [Ebrill et al., 2001: 4]. Tax revenue mobilization is important for economic development, particularly in countries with low levels of state capacity [Besley and Persson, 2011; Besley and Persson, 2014: 99–120]. The value-added tax (VAT) is a large and growing source of government revenue in most countries of the world [Morrow et al., 2022]. Indirect tax revenues (VAT, excise duties) and VAT revenues are particularly vulnerable to economic turmoil, especially if the crisis directly affects private consumption or changes its structure. Even when consumption levels are relatively high, VAT receipts may be lower due to a shift in consumer spending towards the most important goods or services or an increase in public sector consumption. Due to the reduction of activities and the closure of many companies, the COVID-19 crisis is likely to have an even greater impact on consumption than the previous financial crisis of 2008.

In the European Union, VAT and excise duties are commonly used, so these taxes are an efficient source of tax revenue to the state budget, and at the same time they have a lot of implications for the socio-economic life of the Member States. We cannot ignore the tax harmonization in the European Union in the field of consumption taxes. The process of harmonization of VAT was initiated by the adoption of the so-called Sixth Directive according to which: sales of goods and provision of services on the territory of a given country carried out by a VAT-taxable person is subject to VAT as well as the import of goods, taxpayers are all persons who independently conduct business activity covering actions associated with production, trade and provision of services irrespective of the purpose of a given activity; there were established rules for deduction of tax paid at earlier stages of trading and basic exemptions from taxation, i.e. sales for export, providing major public goods and others. Such a mechanism of taxation of consumption avoids price distortions which would otherwise occur if individual transactions between enterprises were taxed without the possibility of deducting input tax at previous stages of the production and distribution process.

Furthermore, according to this Directive, at the latest from the date of 1.01.1993, should have to apply the standard VAT rate of at least 15 per cent and one or two reduced rates of not less than 5 per cent. Determining the minimum levels for tax rates means that Member States can use higher VAT rates in their tax systems in relation to these reduced and basic ones, causing differences in tax burdens between individual EU countries. However, it should also be noted that some countries in the process of negotiations guaranteed the right to apply rates lower than the minimum ones set out in the Sixth Directive. Over the past 40 years, the Sixth Directive has been repeatedly modified and corrected. In the interests of transparency and legal clarity, it was considered necessary to sort out the provisions of existing directives and enclose them in a single legislative act. As a result, from 2007 it applies Directive 2006/112/EC on the common system of VAT. During 2018–2021 many countries introduced temporary VAT rate reductions to mitigate the economic effect of the pandemic and help businesses and individuals. The extent to which certain sectors and products or services are covered by these reductions varies between Member States. Besides the cuts in VAT rates, countries introduced other measures as well. Croatia doubled the eligibility threshold for the application of the VAT cash accounting scheme, which allows businesses to account for the VAT on their sales based on the payments they receive rather than on the invoices they issue [OECD, 2021]. Finland introduced measures to facilitate and/or accelerate VAT refund procedures.

The previously presented advantages of indirect taxes translate into their cardinal role in the tax revenue of the state budget. Therefore, it is not a coincidence that for years indirect tax revenues have had the largest share concerning the total tax revenues of the state budget. First of all, the dominant and continuously growing position of value-added tax should be noted.

Between 2008 and 2014, it was marked by a considerable increase in the standard VAT rate in many countries, often in response to financial consolidation pressures caused by the economic and financial crisis (see Table 1). VAT standard rate increases have played a key role in many countries' consolidation strategies, since raising additional revenue from VAT rather than from other taxes (such as income taxes) is often considered more effective (it generates immediate additional revenue) and less detrimental to economic growth and competitiveness than income taxes [Arnold, 2011].

This evolution resulted in a hike of the unweighted OECD average standard VAT rate from 19.6% in January 2008 to a record level of 21.6% on 1 January 2018. The increases in standard VAT rates observed until the end of 2021 have not continued and OECD countries have entered a new period of relatively stable standard VAT rates.

It turns out that the average level of the standard rate for all European Union member states in the year of the introduction of VAT to the national tax system was 16.0 per cent, while in 2021 it is over 21.5 per cent, which means an increase of approx. 5.5 pp, i.e. a percentage change of +34.5 per cent. During 2018–2021 many countries also introduced reduced VAT rates for some products, supplies or services such as food products, hospitality and medical equipment during the COVID-19 pandemic to help businesses and individuals [cf. Dziemianowicz and Budlewska, 2022: 85–102].

Most OECD countries continue to apply a wide variety of reduced VAT rates and exemptions. Except for Chile, all OECD countries that have a VAT apply one or more reduced rates to support various policy objectives. A major reason for the application of reduced rates is the promotion of equity. Countries generally consider it desirable to alleviate the VAT burden on necessary goods and services (e.g. food, water), which typically form a larger share of expenditure of lower-income households by taxing them at a preferential VAT rate. Most countries also apply reduced VAT rates or exemptions to medicine, health, education and housing. Reduced VAT rates have also been used to stimulate the consumption of “merit goods” (such as cultural products) or promote locally supplied labour-intensive activities (e.g. tourism) and addressing environmental externalities.

When analysing the years 2008–2021 in the EU countries, it can be noticed that the average level of revenues from all indirect taxes, including VAT, to GDP, increased. However, when looking at it from country to country, change is different and in different directions. Namely, only 33 per cent of the analysed countries showed a decrease in revenue from taxes on consumption, from -0.2 pp (in Luxembourg) up to -5.2 pp in Ireland (the negative percentage change is over 43 per cent in 13 years, where the EU average is around 6 per cent). Other countries recorded an increase in this area (most Greece by 4.8 pp, i.e. the percentage positive change is around 38 per cent in the analysed period).

On the other hand, for VAT revenues as a percentage of GDP, the situation is as follows: only 8 EU countries recorded a decrease in these revenues (the largest in Ireland by 3.2 pp, i.e. by approx. 45 per cent), while in other countries there was an increase in the analysed revenues (the most is Latvia by 2.4 pp, i.e. over 37 per cent in 13 years).

It can be concluded with conviction that consumption taxes have very significant importance for the budgets of individual EU countries. Despite specific changes in the analysed period, the role of these taxes is permanent, and in the case of most new EU members, even dominant at the expense of other sources of tax revenues.

Table 1. VAT standard rate and VRR in the EU countries 2008–2021

Country	VAT standard rate				VRR						
	2008	2014	2018–2021	Δ 2008–2021	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Austria	20.0	20.0	20.0	0.0	0.59	0.58	0.60	0.58	0.60	0.01	1.77
Belgium	21.0	21.0	21.0	0.0	0.50	0.48	0.48	0.46	0.50	-0.01	-1.68
Bulgaria	20.0	20.0	20.0	0.0	0.71	0.64	0.68	0.67	0.69	-0.02	-2.81
Croatia	22.0	25.0	25.0	3.0	0.79	0.72	0.82	0.71	0.77	-0.01	-1.73
Cyprus	15.0	19.0	19.0	4.0	0.86	0.59	0.68	0.59	0.68	-0.18	-20.85

Country	VAT standard rate				VRR						
	2008	2014	2018–2021	Δ 2008–2021	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Czechia	19.0	21.0	21.0	2.0	0.56	0.58	0.61	0.59	0.36	-0.21	-37.05
Denmark	25.0	25.0	25.0	0.0	0.61	0.59	0.63	0.65	0.65	0.03	5.54
Estonia	18.0	20.0	20.0	2.0	0.67	0.70	0.75	0.72	0.76	0.09	13.28
Finland	22.0	24.0	24.0	2.0	0.58	0.55	0.57	0.58	0.59	0.01	0.99
France	19.6	20.0	20.0	0.4	0.50	0.48	0.51	0.49	0.25	-0.25	-50.13
Germany	19.0	19.0	19.0	0.0	0.55	0.55	0.57	0.52	0.25	-0.30	-54.71
Greece	19.0	23.0	24.0	5.0	0.46	0.38	0.44	0.38	0.43	-0.03	-6.49
Hungary	20.0	27.0	27.0	7.0	0.56	0.56	0.59	0.59	0.62	0.05	9.60
Ireland	21.5	23.0	23.0	1.5	0.54	0.48	0.49	0.43	0.51	-0.03	-5.70
Italy	20.0	22.0	22.0	2.0	0.39	0.36	0.38	0.38	0.43	0.04	11.29
Latvia	18.0	21.0	21.0	3.0	0.49	0.50	0.58	0.59	0.59	0.10	20.78
Lithuania	18.0	21.0	21.0	3.0	0.58	0.51	0.53	0.55	0.59	0.01	1.28
Luxembourg	15.0	15.0	17.0	2.0	0.93	1.17	0.78	0.78	0.81	-0.12	-13.36
Malta	18.0	18.0	18.0	0.0	0.57	0.63	0.72	0.61	0.67	0.10	17.56
Netherlands	19.0	21.0	21.0	2.0	0.56	0.47	0.53	0.58	0.58	0.01	2.00
Poland	22.0	23.0	23.0	1.0	0.50	0.44	0.51	0.51	0.56	0.06	13.12
Portugal	20.0	23.0	23.0	3.0	0.52	0.49	0.52	0.49	0.48	-0.04	-7.89
Romania	19.0	24.0	19.0	0.0	0.55	0.47	0.45	0.43	0.46	-0.09	-15.54
Slovakia	19.0	20.0	20.0	1.0	0.53	0.49	0.52	0.51	0.53	0.00	-0.33
Slovenia	20.0	22.0	22.0	2.0	0.69	0.58	0.60	0.54	0.58	-0.10	-15.14
Spain	16.0	21.0	21.0	5.0	0.41	0.41	0.45	0.42	0.41	0.00	-1.09
Sweden	25.0	25.0	25.0	0.0	0.57	0.55	0.59	0.60	0.60	0.03	4.46
EU-27	19.6	21.6	21.5	1.9	0.82	0.78	0.81	0.85	0.39	-0.43	-52.42

Source: the author's calculations based on: European Commission 2020, 2021, 2022.

3. The VAT Collection Efficiency and the VAT Gap

As previously stated, Value Added Tax (VAT) has become the most common general concept of a consumption tax in the world. The widespread use of VAT is partly due to its perceived effectiveness and efficiency in raising tax revenues compared to other indirect taxes. However, as with other taxes, one of the key criteria for assessing taxes by the government is tax efficiency, which means ensuring the regular and reliable revenues necessary for the government to fulfil its public duties. VAT accounts for more than 20% of global tax revenues [Gendron et al., 2020].

One of the critical criteria for the evaluation of taxes by a government is tax efficiency, which means ensuring the regular and reliable income necessary for the government to fulfil its public obligations.

One of the most popular measures of this effectiveness is the VAT-Revenue-Ratio (VRR). This measure is intended to determine the extent to which a country collects VAT on the natural tax base, i.e. final consumption expenditure. The VRR measures the difference between the VAT revenue collected and what would theoretically be raised if VAT was uniformly applied at the standard rate to the entire potential tax base and all revenue was collected. The VRR can be calculated using the formula w(3.1]:

$$VRR = VR / \left[\left(FCE - VR \right) * r \right] \tag{3.1}$$

where:
VR – actual VAT revenues,
FCE – final consumption expenditure,
r – standard VAT rate.

The VRR close to one suggests strong revenue performance while one close to zero suggests a very poor performance, i.e. high ineffectiveness of VAT. VAT rates used are standard rates applicable as of 1 January of each year. From a purely economic point of view, the highest fiscal VAT efficiency can be achieved by applying a uniform rate to a wide tax base, the so-called “pure VAT regime”.

The VRR (in OECD’s terminology) is basically another name for the C-efficiency ratio [see Simon and Harding 2020]. The C-efficiency ratio was born under the intellectual leadership of the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) (cf. Ebrill et al., 2001; Keen, 2013: 423–446; OECD, 2016]. There is a strand of literature analysing the structural factors affecting the C-efficiency ratio [cf. Aizenman and Jinjarak, 2008: 391–410; de Mello, 2009: 27–46; Brondolo, 2009; Sancak et al., 2010].

In practice, the VRR rarely equals one and several complex factors, alone or in combination, it may influence the results positively or negatively. These include:

- The application of lower VAT rates reduces the tax revenue and harms the VRR.
- The registration and/or collection threshold level under which small businesses do not account for VAT. These thresholds reduce the amount of collected VAT.
- The scope of the exemptions. Depending on the features of the exemptions and market structures, exemptions may influence the VRR upwards or downwards.
- The VAT treatment of public sector activities.
- The implementation of an effective regime for the collection of VAT on supplies of goods, services and digital products from online sales by foreign vendors and electronic marketplaces.
- The capacity of the tax administration to manage the VAT system efficiently and the degree of compliance by taxpayers.

Also, the evolution of consumption patterns can also affect tax revenues. The VRR can for instance decline, all other things equal, when the share of consumption of necessities that are taxed at the lower VAT rate increases, e.g. as a result of an economic crisis [OECD, 2020].

In the years 2008–2020 for most countries of the entire EU, the average VRR remained stable in individual countries. The EU average in this period was around 0.8. It was not until 2012 that significant changes occurred in several countries (Cyprus, The Czech Republic, France, Germany), where this indicator fell. Considering all EU countries in the period under review in absolute numbers, this indicator decreased by 0.43, which means its relative change of over 52% over 14 years (see Table 1).

The VRR levels notably reflect the fact that preferential treatments, such as reduced rates and exemptions, are still widely used in EU countries. This is confirmed by tax expenditures data, which reflect the cost of tax concessions [OECD, 2010]. The respective weight of the different factors that affect the VRR may vary widely across countries depending on the circumstances.

Undoubtedly, analyses of standard rates indicate that an increase in the standard rate causes negative effects, which may be recorded as lower tax revenues and lower fiscal efficiency of VAT. It is known that the average EU standard rate for developing countries was almost stable from 2000 to 2008, but in 2008, at the beginning of the global economic and financial crisis, the standard rate began to grow. A moderate negative correlation between VAT performance and standard rate indicates that any change in the standard rate leads to a significant reduction in collection efficiency [Durović-Todorović et al., 2019: 6–15]. However, it appears that there is no direct correlation between the level of the standard VAT rate and the VRR. Countries with very different VAT rates may have comparable VRRs.

The level of the VRR depends on several factors that can be classified into two main categories. The first includes factors related to the VAT policy design such as the tax base and the coverage of the standard, reduced rate, and exemptions. This is also called the "policy gap" because it is directly influenced by policy decisions. The policy gap can be further broken down into components that account for revenue losses. These components include the "rate gap" and the "exemption gap", which reflect the loss of VAT liabilities associated with the application of reduced rates and exemptions from tax, respectively. The rate gap is the difference between the hypothetical VAT tax liability and the counterfactual situation in which the standard VAT rate is applied to final consumption instead of reduced, parking and zero rates. In this way, the rate gap reflects the revenue loss that a country incurs as a result of applying different VAT rates instead of a single standard rate [Barbone et al., 2015].

The second category includes factors influenced by the level of compliance level and the efficiency of the tax collection. This is called the "Compliance Gap" or "VAT Gap". The VAT gap is the difference between the estimated amount that is theoretically collectable based on VAT rules in the case of full compliance (assuming an unchanged tax base), referred to as the VTTL (VAT Total Tax Liability), and the actual revenue. The compliance gap is most commonly expressed in absolute terms (3.2) or in relation to the benchmark, specifically in relation to the VTTL (3.3):

$$\text{VAT compliance gap} = \text{VTTL} - \text{VAT revenue} \tag{3.2}$$

$$\text{VAT compliance gap (\%)} = (\text{VTTL} - \text{VAT revenue})/\text{VTTL} \tag{3.3}$$

It measures the effectiveness of VAT compliance and enforcement measures in the country. It estimates revenue loss due to voluntary non-compliance (i.e. fraud, evasion and avoidance), but also due to bankruptcies, financial insolvencies and errors or miscalculations. The VAT gap in the EU was estimated at EUR 134 billion in 2019 [European Commission, 2021].

The relationship between VTTL (VAT Total Tax Liability) and the VAT Gap is a key issue in the analysis of tax systems and the effectiveness of VAT collection.

VTTL is the theoretical amount of VAT that the government should collect if all VAT due were correctly charged and paid, without any fraud, evasion, deception or errors in accounting. It is based on data on consumption, sales, imports and other factors that affect the tax liability. VTTL is a baseline measure that determines how much VAT should be collected under ideal conditions. Therefore, an accurate estimate of VTTL is crucial to be able to determine the size of the VAT Gap. Incorrect assumptions about VTTL can lead to inaccurate VAT Gap analyses.

VAT Gap means the difference between the theoretical amount of VAT (VTTL) that the government should have collected, and the actual amount of VAT collected. The VAT Gap is mainly due to tax fraud, tax avoidance, VAT fraud and administrative errors and irregularities in the tax collection system. The VAT Gap is calculated as the difference between the VTTL, and the VAT collected. It is expressed in absolute values or as a percentage of VTTL. A high VAT Gap value indicates low tax collection efficiency and suggests significant problems with tax fraud or other forms of irregularities.

Several factors affect the VAT Gap:

- carousel fraud: VAT refund fraud is a significant factor in increasing the VAT Gap;
- tax avoidance: Companies may deliberately understate their tax liabilities;
- administrative errors: Mismanagement of the VAT system may lead to lower collections than expected based on the VTTL.

VTTL can also be linked to the level and dynamics of GDP because the theoretical amount of VAT that should be collected by the state depends largely on economic activity, and therefore on the size and dynamics of economic growth.

In countries with high GDP (e.g. Germany, USA), very high VTTL can be observed due to high consumption levels, developed service sectors and high economic activity.

In turn, in countries with rapidly growing GDP (e.g. emerging countries such as India), GDP growth often leads to dynamic growth in VTTL, especially when the middle class is developing and demand for consumer goods and services is growing.

However, taking into account this relationship in terms of dynamics, in periods of GDP growth, VTTL increases because the tax base resulting from increased consumption and production increases. Such a situation can be conducive to higher VAT revenues, provided that the efficiency of tax collection remains at an appropriate level. In turn, a decrease in GDP (e.g. during a recession) leads to a decrease in consumption and economic activity, which in turn causes a decrease in VTTL.

In the 2008–2021 study period, the VTTL level for most EU countries decreased (the EU average fell by 0.4 percentage points, i.e. by 4.4 per cent). The absolute record relative decrease was recorded by Estonia (almost 53 per cent), while the largest increase was recorded by Italy (9.5 per cent). Of course, we must not forget that these changes are also the result of a base effect, as individual countries had different initial levels of VTTL. It is worth noting that the level of this indicator is currently the highest in Greece, Luxembourg and Cyprus, and the lowest in Estonia, Lithuania and France (see Table 2).

Table 2. VTTL in the EU countries 2008–2021

Country	VTTL as % of GDP						
	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Austria	8.5	8.4	8.3	7.9	7.8	-0.7	-8.2
Belgium	8.1	7.5	7.7	7.4	7.2	-0.9	-11.1
Bulgaria	10.8	11.4	10.3	9.9	9.9	-0.9	-8.3
Croatia	8.4	8.8	8.8	8.3	7.9	-0.5	-6.0
Cyprus	10.9	10.5	10.6	10.4	10.3	-0.6	-5.5
Czechia	7.9	7.9	7.7	6.9	7.4	-0.5	-6.3
Denmark	9.6	9.5	9.5	9.5	9.3	-0.3	-3.1
Estonia	7.8	6.2	4.4	4.1	3.7	-4.1	-52.6
Finland	9.9	9.8	11.4	9.9	10.0	0.1	1.0
France	6.3	6.8	6.9	6.6	6.8	0.5	7.9
Germany	8.3	7.7	7.8	7.6	7.7	-0.6	-7.2
Greece	13.1	13.3	13.9	13.2	13.8	0.7	5.3
Hungary	7.8	8.5	8.0	7.6	7.4	-0.4	-5.1

Country	VTTL as % of GDP						
	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Ireland	10.7	9.7	10.3	9.8	9.5	-1.2	-11.2
Italy	8.4	9.5	9.5	9.3	9.2	0.8	9.5
Latvia	11.1	10.6	10.2	9.9	9.7	-1.4	-12.6
Lithuania	6.7	7.5	6.5	6.1	6.1	-0.6	-9.0
Luxembourg	10.3	11.3	10.6	10.5	10.4	0.1	1.0
Malta	8.4	10.7	9.3	8.8	8.8	0.4	4.8
Netherlands	6.9	7.0	7.2	7.5	7.3	0.4	5.8
Poland	8.7	9.5	9.3	8.9	8.9	0.2	2.3
Portugal	8.8	9.8	9.6	9.0	9.2	0.4	4.5
Romania	12.0	12.9	9.4	9.7	10.1	-1.9	-15.8
Slovakia	9.2	9.3	8.6	8.0	8.4	-0.8	-8.7
Slovenia	10.0	9.3	8.4	8.5	8.2	-1.8	-18.0
Spain	9.4	9.8	9.6	9.5	9.4	0	0.0
Sweden	9.0	9.2	9.6	9.5	9.5	0.5	5.6
EU-27	9.1	9.3	9	8.7	8.7	-0.4	-4.4

Source: the author’s calculations based on: European Commission 2020, 2021, 2022.

In economies with higher levels of VTTL, e.g. large countries with developed consumption and complex tax structures, there is a greater potential for large tax evasions and VAT collection problems, which can lead to a higher VAT Gap in monetary terms. At the same time, if the tax system is well managed, a high VTTL can coexist with a relatively low VAT Gap in percentage terms. An increase in VTTL (e.g. through increased consumption, and increased VAT rates) can lead to an increase in the VAT Gap in nominal terms if the tax collection system does not improve proportionally. On the other hand, an increase in the efficiency of tax administration can reduce the VAT Gap, even with an increasing VTTL.

There is a mathematical relationship between VTTL and VAT Gap, however, in correlational terms (in the statistical sense), VAT Gap may not be strictly correlated with VTTL because it also depends on other factors, such as the degree of tax avoidance or administrative efficiency.

In nominal terms, as VTTL increases, the VAT Gap also tends to increase, if other factors, such as the efficiency of the collection system, remain constant. The VAT Gap percentage may not be directly correlated with VTTL, as it depends on the structure of the economy, the level of fraud and the efficiency of the tax administration.

In the analysed period, it is clear that the biggest problem in terms of the level of the VAT gap affects the economies of Romania, Malta and Greece. In turn, the smallest concerns the Netherlands, Finland and Spain. Focusing on absolute changes between 2008 and 2021, significant progress in reducing the VAT Gap was made in Spain (-21.2 pp) and Italy (-18.2 pp), while the largest relative change was observed in the Netherlands and Spain. On average, the EU-27 reduced the VAT Gap by almost 55 per cent over 14 years (see Table 3).

Table 3. VAT Gap in the EU countries 2008–2021

Country	VAT compliance gap as % of VTTL						
	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Austria	11.5	9.2	8.8	6.6	2.8	-8.7	-75.7
Belgium	12.8	9.6	11.9	13.6	6.9	-5.9	-46.1
Bulgaria	16.5	22.5	11.3	7.3	4.9	-11.6	-70.3
Croatia	–	17.7	7.5	5.8	5.7	-12	-67.8
Cyprus	–	11.3	12.4	17.5	8.3	-3	-26.5
Czechia	18.3	17.7	14.1	12.1	7.0	-11.3	-61.7
Denmark	12.7	11.3	8.6	4.3	5.0	-7.7	-60.6
Estonia	17.4	12.1	5.6	5.0	1.4	-16	-92.0
Finland	10.3	6.1	4.4	2.3	0.4	-9.9	-96.1
France	9.3	10.3	8.5	8.5	4.9	-4.4	-47.3

Country	VAT compliance gap as % of VTTL						
	2008	2014	2018	2020	2021	Δ 2008–2021	d% 2008–2021
Germany	11.7	10.3	9.5	5.6	2.8	-8.9	-76.1
Greece	20.3	22.0	25.6	21.0	17.8	-2.5	-12.3
Hungary	22.2	19.1	10.2	7.1	4.4	-17.8	-80.2
Ireland	9.7	1.7	5.0	12.7	6.7	-3	-30.9
Italy	29.0	28.8	22.7	21.5	10.8	-18.2	-62.8
Latvia	22.4	21.4	11.1	9.0	7.3	-15.1	-67.4
Lithuania	23.9	30.2	24.0	18.7	14.5	-9.4	-39.3
Luxembourg	13.7	11.3	9.3	5.1	1.6	-12.1	-88.3
Malta	28.5	33.5	23.8	27.5	25.7	-2.8	-9.8
Netherlands	7.7	9.0	7.1	4.0	-0.2	-7.9	-102.6
Poland	16.7	24.0	12.8	11.1	3.3	-13.4	-80.2
Portugal	4.3	13.7	9.1	7.0	3.6	-0.7	-16.3
Romania	32.5	39.7	33.2	37.3	36.7	4.2	12.9
Slovakia	23.5	27.9	16.4	13.9	10.6	-12.9	-54.9
Slovenia	8.8	9.6	4.3	5.4	2.0	-6.8	-77.3
Spain	22.0	11.1	6.5	5.5	0.8	-21.2	-96.4
Sweden	5.4	4.4	3.0	3.6	3.8	-1.6	-29.6
EU-27	16.4	16.5	12.1	11.1	7.4	-9	-54.9

Source: the author’s calculations based on: European Commission 2020, 2021, 2022.

Given the importance of VAT revenues both for individual EU countries and for the EU as a whole, the VAT gap is an important factor that policymakers should take into consideration. For this reason, the level of the VRR rarely depends on one factor in isolation but rather on the interaction between them. For example, a high standard rate may create an incentive for evasion while multiple lower rates may lead to revenue loss due to misclassifications. Exemption of certain sectors of activity may create distortions and incentives for avoidance, which require additional administrative capacities that cannot be used for the efficient collection of VAT. Inefficient tax administration, burdensome administrative requirements and complex VAT mechanisms may reduce taxpayer compliance levels. Analysis to further break down the composition of the VRR can be carried out. One method to decompose the VRR into its policy and compliance components consists of using tax expenditure data from VAT preferential regimes (i.e. the revenue cost of a system's departure from the application of the standard VAT rate to the entire theoretical tax base) to estimate the "policy gap". The remaining difference between one and a given country's VRR then provides an estimate of the "compliance gap by" deduction. However, given the number of other factors that may influence the VRR, such figures should be used with caution.

The UE Commission adopted the VAT Action Plan in response to this new commercial landscape and its associated risks for VAT collection. These legislative proposals were designed to reshape, update and modernise the VAT system to ensure its relevance and effective application to the new realities of the e-commerce market. At the same time, the reforms sought to make VAT compliance easier for legitimate businesses that carry out cross-border online commercial activity by taking a new approach to tax collection. The main aim was to create a fairer, simpler and more harmonised system of taxation by: a) removing legislation that created distortions of competition; b) improving administrative cooperation; and c) introducing new simplifications to increase compliance.

The policy led by a large number of developing countries, to increase indirect taxes, has opened the issue of VAT efficiency. Reforms of tax systems in developing countries generally involve an increase in standard rates in order to increase VAT, which is the main source of public revenues. In such a way, developing countries determine the VAT efficiency and the amount of revenue that could be collected by indirect taxation.

Given the political difficulty of significantly reducing the scope of reduced rates (and exemptions) and the limited scope for increasing standard VAT rates, which are already at a relatively high level in many cases, countries are increasingly looking at other measures to raise additional VAT revenue and improve the efficiency of their VAT systems (OECD, 2018). These measures mainly include the collection of VAT on the supplies of goods and services from online sales and measures designed to improve compliance and combat fraud.

It should be remembered that indirect taxes are more correlated with the current economic prosperity than direct taxes. In a recession, the state budget may be exposed to a significant depletion of revenues. Therefore, it may be concluded that although in periods of economic growth, the flexibility of value-added tax is an advantage in contributing to the growth in budgetary revenue, it will contribute to the decrease in tax revenue in times of economic recession.

It is worth highlighting that the advantages of indirect taxes mentioned above refer to the case when they have been designed correctly in line with the principle of thoroughness in law-making.

4. Conclusions

The results of the study provide a detailed analysis of the fiscal efficiency of VAT in European Union countries between 2008 and 2021, addressing each of the posed research questions. The analysis reveals that VAT revenue demonstrated significant fluctuations during the period, largely influenced by macroeconomic factors such as the 2007–2009 financial crisis and the COVID-19 pandemic. Despite these disruptions, VAT remained the most stable source of tax revenue, underscoring its critical role in the fiscal systems of EU countries.

VAT revenues generally increased in line with GDP growth during periods of economic expansion, although the financial crisis led to a notable decline in revenues, due to reduced economic activity and consumption during lockdowns. However, fiscal measures taken by governments, such as temporary VAT cuts and exemptions, along with a rebound in demand in 2021, mitigated long-term losses.

The study identifies several key determinants that influence the fiscal efficiency of VAT. Countries with more standardised and higher VAT rates tended to exhibit greater fiscal efficiency, although the presence of extensive exemptions and reduced rates often diluted this effect. Effective tax administration, including the reduction of VAT fraud and evasion, significantly improved fiscal efficiency. Countries that implemented digital VAT collection systems or introduced e-invoicing demonstrated lower VAT gaps and higher efficiency. Macroeconomic stability, particularly stable consumption patterns and inflation rates, positively influenced VAT revenues, highlighting the need for adaptability in VAT systems during economic downturns.

The comparison between VAT Total Tax Liability (VTTL) and the VAT Revenue Ratio (VRR) highlighted a persistent VAT gap across EU countries, though its size varied considerably.

Before 2020, the VAT gap ranged between 3 and 33 per cent of potential VAT revenue across different member states, reflecting inefficiencies in VAT collection and compliance. Southern and Eastern European countries generally exhibited larger VAT gaps compared to Northern and Western European countries. The pandemic exacerbated the VAT gap in several countries due to disruptions in economic activity and changes in consumption patterns. However, countries with strong digital infrastructure and proactive tax administration measures managed to limit the growth of the VAT gap during the crisis. The pandemic had a mixed impact on VAT revenues across the EU. While VAT revenues initially dropped due to decreased consumption during lockdowns, the introduction of government stimulus packages and the recovery in demand during 2021 helped stabilise VAT revenues in the later stages of the pandemic.

Countries that implemented temporary VAT reductions (e.g., Germany) experienced short-term revenue declines, but these measures helped to boost consumption, contributing to a faster economic recovery and a subsequent rebound in VAT revenues. These countries introduced temporary reductions in VAT rates or exemptions on essential goods (e.g., food and medical supplies) to alleviate inflationary pressure on consumers, especially during the pandemic.

Governments used VAT as a tool to stimulate consumption, particularly in sectors hit hardest by the pandemic, such as tourism and hospitality. The effectiveness of these measures varied, with countries that targeted specific sectors seeing more positive outcomes. Overall, these policy adjustments were found to have mixed results, with some countries benefiting from short-term consumption boosts while others faced fiscal challenges in maintaining long-term revenue stability.

Without a doubt, the digitalization and automation in VAT collection processes helped mitigate revenue losses during the pandemic by improving compliance and reducing evasion.

Key characteristics of indirect and direct taxes prove that there must be various forms of taxation in the tax system because this determines that a given system is flexible and more socially accepted [Litwińczuk 2008: 27–28]. Thus, functions attributed to taxes, including the fiscal one, may be effectively implemented. When choosing a particular target form of the tax system, the public authority must consider specific features of taxes belonging to both groups. Due to the fulfilment of the fiscal function, the following elements are essential:

1. the fiscal efficiency of taxes, i.e. the possibility of raising public revenue through taxes, resulting from the amount of expenditure deemed necessary

in a given context and the expected contribution of a given type of tax in covering that expenditure,
2. low relative costs of tax collection (expressed in the percentage of revenue), resistance to tax evasion and tax fraud,
3. promptness and easiness of collecting public revenue from taxes,
4. ability to self-regulate, i.e. automatic adjustment of the country's economic situation.

The presented data indicate the dominant role of indirect taxes in the tax revenue of the state budget. Thus, it is even more necessary for the public authority to take care of an appropriate internal structure of these taxes to fulfil their functions effectively and efficiently.

The role and proper design of the VAT were not fully understood when the EU-VAT was introduced. Instead of designing it as an efficient revenue-raising instrument, multiple exemptions and differentiated rates were introduced [Cnossen 2022: 215–236]. VAT is an efficient, reliable source of revenue provided that its design is kept simple.

The best VAT concerning both efficiency and administration is undoubtedly one with a single uniform rate applied to all taxable transactions. VAT efficiency is negatively influenced by the application of reduced rates for final goods, which were manufactured of the materials covered by the basic rate. This results in the need to refund the tax already charged from the budget to those entrepreneurs, to whom the tax already paid by a given entrepreneur to the tax office (due to a reduced rate and thus lower price) has been reimbursed by the consumers to a lesser extent. From the point of view of achieving social and economic aims, there is a difference in whether the reduced rate applies to a final good or to a product used to produce a final good. In contrast, the use of reduced VAT rates will always mean lower revenues for the state budget. Higher-income households generally benefit more from reduced rates, in absolute terms, than poorer households for which the policy would have been intended. In turn, the introduction of an exemption to the structure of VAT, although it is beneficial for the end consumer, in addition to diminishing the budgetary revenues, makes an entrepreneur being exempted from VAT unable to deduct the amount of VAT included in production materials, which is not economically neutral for him as a result of increased costs and reduced production profitability. An entrepreneur wanting to make up for higher costs may attempt to pass them partially to the recipients of a product in their price. Recipients being VAT taxpayers, by selling the goods or service, will charge VAT on it, but he/she will not be able to reduce the price by the tax hidden in the purchase price from an exempted seller. Thus, taxpayers exempted from VAT are not attractive partners for VAT payers. Such actions would help to strengthen the role of VAT as a tool to stimulate the positive impact on economic processes while ensuring the appropriate budgetary revenues from taxes.

Undoubtedly, more exemptions from tax, more preferential rates, and a broader list of goods and services covered by them mean a smaller tax base. Therefore, the necessity of a higher basic tax rate would guarantee adequate budgetary revenues [Kuzińska, 2002: 32–33]. It should be emphasised that the reduction in the basic tax rate of this tax while increasing its base, aims at not harming entrepreneurship development and obtaining an investment boom. It is impossible to lower direct tax rates, while excessively increasing consumption tax rates. It has been shown that base-broadening and rate unification offset by reducing the standard rate fosters economic growth [Ormaechea and Morozumi, 2019].

It must also be borne in mind that a change in the tax mix that increases the importance of consumption taxes relative to income taxes will raise growth because income distorts the choice between consumption and saving by reducing the return on taxes. This raises the effective price of consumption tomorrow relative to consumption today. An increase in savings raises the rate of increase of capital stock [Myles, 2009]. Of course, this type of activity should be left to particular countries, since they create the climate for social and economic development in their territories.

Referring to the issue of the future functioning of VAT in the EU countries, an undoubtedly desirable action would be to gradually reduce the basic VAT rate to the permitted level of 15%, while at the same time applying standard rates to a growing number of goods and services. This measure would serve the economic development of EU countries, especially those below the average level of development. On the other hand, reducing the number of goods and services taxed at reduced rates or goods and services exempt from taxation over time, while reducing the basic rate, would, on the one hand, simplify the structure of the tax itself, and would contribute to broadening the tax base.

Thus, the merger of VAT rates, limiting the scale of application of reduced rates and exemptions is important not only for simplifying the tax system but it can also constitute a stable, rhythmic and effective source of budget revenues.

Reducing the VAT gap can be a result of improving tax administration, introducing better transaction tracking technologies (e.g. Standard Audit File-Tax in Poland) and tightening sanctions for tax evasion. Effective management of the VAT gap requires understanding the factors that affect the differences between VTTL and actual tax collection.

The study highlights the importance of VAT as a stable and essential source of public revenue in the EU. The fiscal efficiency of VAT is largely determined by tax rate structures, administrative efficiency and the ability to adapt to macroeconomic conditions. The VAT gap remains a challenge, but countries with solid tax systems and digital solutions can significantly reduce inefficiencies. The COVID-19 pandemic and the financial crisis have highlighted both the weaknesses and strengths of VAT systems, prompting governments to consider further reforms to improve VAT collection and resilience in the face of economic crises.

When creating an efficient tax system, it is necessary to observe the constitutional principle of trust in the state and statutory law and to eliminate factors that have a destructive impact on the legal and economic situation of the taxpayer.

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DOI: 10.15290/sup.2024.08.17

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THE LEGAL ANALYSIS OF THE POSSIBILITY OF CREATING WOMEN'S COUNCILS: A PROPOSAL FOR LEGISLATIVE CHANGES

Abstract

- *Goal* – The aim of this analysis is to examine the legal possibilities for establishing Women's Councils as advisory bodies within the structure of a Polish local government, as well as to present proposals for legislative changes in this regard. The primary issue is the legal grounding of Women's Councils in the constitutional laws of a local government, following the model of youth and senior councils.
- *Research methodology* – The paper analyses the existing legal regulations, their consequences for the functioning of councils, and recommendations concerning their future role in the local government system.
- *Score/results* – The results of the analysis constitute proposed solutions to strengthen the role of Women's Councils, consultative bodies in a local government, following the example of experience and evolution of practice and legislation regarding Youth Councils and Senior Councils.
- *Originality/value* – The outcome of the analysis constitutes the proposal of recommendations for legal solutions that will strengthen the institutional framework of advisory bodies such as Women's Councils

Keywords: Women's Councils, local government, constitutional law, social organisations, civic participation, legislative changes.

1. Introduction

Women's Councils are relatively new advisory bodies that have been established in a Polish local government since 2010 (the first Women's Council was created in Wrocław in 2010). They were initiated by various social organisations that recognised the need to increase women's representation in decision-making processes at the local level. In recent years, there has been a growing number of such councils in Poland, reflecting the increasing importance of social participation and civic activity in shaping local policies. Women's Councils, alongside senior councils, youth councils of municipalities, youth councils at regional assemblies, economic councils, and public benefit councils, are advisory bodies that strengthen local governments and encourage social engagement.

The new pathways for citizen participation in decision-making processes, which Women's Councils are currently pursuing, have already been outlined by the activities and functioning of youth councils and senior councils within a local government. In the case of youth councils and senior councils, local government bodies, mostly executive authorities, created new forms of social participation through administrative orders until regulations at the statutory level were introduced.

A noticeable increase in the creation of Women's Councils occurred in 2018, a year in which Polish women celebrated the 100th anniversary of gaining the right to vote and other subjective rights. Polish women were among the first Europeans and the first women in the world to obtain voting rights through the Decree of the Head of State, Józef Piłsudski, on the electoral law for the Legislative Sejm on November 28, 1918 [*Decree on the Electoral Code for the Legislative Sejm Journal of Laws*, 1918, no. 18, item 46]. The right to vote and to stand for election allowed women to run for and elect representatives to governing bodies. The centenary of this event became an inspiration for women's activities in various social spheres.

Currently, more than 50 Women's Councils operate in Poland (including two at the level of regional self-governments) (As of December 1, 2024). These councils have been established in local governments and regional assemblies, including, for example, the Wrocław Women's Council, Przemyśl Women's Council, Słupsk Women's Council, Hrubieszów Women's Council, Tarnobrzeg Women's Council, Dzierżoniów Women's Council, Koszalin Women's Council, Kalisz Women's Council, Lubusz Provincial Women's Council, Piaseczno Women's Council, Białogard Women's Council, and Kielce Women's Council. These bodies are established within municipal units or regional self-governments.

Following the initiative of the Women's Forum of Podlasie, the Podlaskie Women's Council was established in January 2023 at the Marshal of the Podlaskie Voivodeship. [Resolution no. 315/5821/2023 of the Board of the Podlaskie

Voivodeship of January 5, 2023]. In May 2023, the Białystok Women's Council was created at the President of Białystok's office [Order no. 485/23 of the Mayor of the City of Białystok of May 25, 2023].

These new initiatives play a significant role in promoting women's activity in regions that have made efforts to increase their representation in public life. Although Women's Councils have already been established in many municipalities and provinces, there is still no legal framework that would ensure their legal stability and full legitimacy.

The purpose of this analysis is to assess the legal basis for the functioning of Women's Councils and present proposals for legislative changes that could anchor these bodies in the local government system. The paper will include a comparative legal analysis, drawing on the experiences of youth councils and senior councils, which serve as model examples of advisory bodies operating within local government structures. The theses proposed for the article are as follows:

- The executive body of local government units can optionally create a Council by administrative order as an advisory body, without granting it external competencies.
- Councils established by executive orders (by mayors, presidents, as well as regional and provincial authorities) are not independent from the body that creates them in terms of organisation and financial subjectivity.
- The creating body is not bound by the results of the work of the Council.
- Women's Councils can be established within the local government structures through amendments to the municipal statute.
- Women's Councils should be legally grounded in the constitutional laws of a local government, following the example of youth councils and senior councils.

2. Subject of the legal analysis

The subject of this legal analysis is the possibility of situating Women's Councils as advisory bodies within the constitutional law of local government – the governing statutes of local government units – and granting them rights equal to those of youth councils or municipal senior councils.

- The Constitution of the Republic of Poland of April 2, 1997 [Journal of Laws no. 78, item 483, as amended], hereinafter: "Constitution of the Republic of Poland";

- The Act of April 7, 1989 – Law on Associations [consolidated text, Journal of Laws of 2020, item 2261, as amended], hereinafter: "Law on Associations";
- The Act of March 8, 1990 on Municipal Government [consolidated text, Journal of Laws of 2023, item 40, as amended], hereinafter: "u.s.g.";
- The Act of June 5, 1998 on County Government [consolidated text, Journal of Laws of 2022, item 1526, as amended], hereinafter: "u.s.p.";
- The Act of June 5, 1998 on the Voivodeship Government [consolidated text, Journal of Laws of 2022, item 2094, as amended], hereinafter: "u.s.w.";
- The Act of April 11, 2001 amending the Acts on Municipal Government, County Government, Voivodeship Government, Government Administration in the Voivodeship, and amending some other laws [Journal of Laws no. 497], hereinafter: "Amendment Act of 2001";
- The Act of April 20, 2021 amending the Act on Municipal Government, the Act on County Government, the Act on Voivodeship Government, and the Act on Public Benefit Activity and Volunteering [Journal of Laws, item 1038], hereinafter: "Amendment Act of 2021";

3. Legal forms of Women's Councils

Practical experience indicates that Women's Councils so far have been created through administrative orders issued by mayors (or presidents). In the case of Women's Councils at the voivodeship level, the legal act is a resolution of the voivodeship board establishing the Women's Council with the Marshal. The first such council was the Lubelskie Voivodeship Women's Council, created on June 18, 2019. [Resolution no. 40/617/19 of the Lubuskie Voivodeship Board of June 18, 2019]. This is an advisory, consultative, and initiatory body, focused on monitoring and analysing the needs of women in the region and raising awareness of gender equality. Councils established through the administrative order of the executive body include:

- Wrocław Women's Council [Order no. 1157/19 of the President of Wrocław of June 17, 2019];
- Dzierżoniów Women's Council [Order no. 557/2019 of the President of the City of Dzierżoniów of October 11, 2019];
- Piaseczno Women's Council [Order no. SPS.0050.25.2019 of the Mayor of the Town and Commune of Piaseczno of April 10, 2019];

- Tarnobrzeg Women's Council [Order no. 21/2022 of the Mayor of Tarnobrzeg of January 19, 2022];
- Przemyśl Women's Council [Order no. 477/2020 of the Mayor of Przemyśl of December 9, 2020];
- Wałbrzych Women's Council [Order no. 374/2022 of the Mayor of Wałbrzych of May 26, 2022]

Another legal form in which Women's Councils operate is a registered association (e.g., the Municipal Women's Council in Łobżenica, the Municipal Women's Council in Grodziczno, the Municipal Women's Council Association in Nakło nad Notecią).

Such legal forms are not without their flaws. Therefore, it is essential to propose alternative solutions that would strengthen the status of these advisory bodies.

The first proposal to enhance the status of Women's Councils is to establish them as auxiliary bodies within local government units. Legal doctrine indicates that "both the ordinary legislator and the legislative bodies of local government units (municipalities) may create auxiliary bodies, both for the municipality and for its constitutional bodies. They have the organisational power to do so, under one non-overridable condition: that the legal status of these bodies as auxiliary organs does not take over the public tasks and authoritative competencies of the legislative and control bodies, as well as the executive bodies of the municipality, and the auxiliary bodies provided for by the law (this requirement applies to municipalities and other local government units). The tasks of these auxiliary bodies should be clearly instrumental to the tasks and bodies of the municipality and should not conflict with those tasks and their competencies" [Niżnik Dobosz, 2022, LEX].

The doctrine emphasises that "the creation of original organisational solutions is not excluded *ex definitione*, but jurisprudence shows strong resistance to municipal initiatives that aim to create new structures, especially if they are intended to transfer competencies of bodies and entities provided for by law. In principle, only when the creation of such structures does not involve assigning them any competencies (even advisory ones), the right to create them is not contested" [Chmielnicki, Warsaw, 2006].

Therefore, there are no legal obstacles to the functioning of Women's Councils as auxiliary bodies within JST, which may initiate actions, issue opinions on matters presented by decision-making bodies (resolving issues through legal actions), or only perform supervisory tasks [Ochędowski, Toruń, 2013: 252].

A decision by the mayor (or town president) is the most common legal solution used in establishing Women's Councils. However, it is important to note that this legal form of a normative act is internal and does not have the character of local law. A decision only applies to the organisational units under the mayor (or president). It should also be noted that such a decision is not published in the official journal. It is not a universally applicable act and cannot create entities in the external sphere with their own tasks and competencies. ("Article 93, paragraph 1 of the Constitution of the Republic of Poland: a regulation is an internal act and applies only to the organisational units subordinate to the authority issuing the act.").

It is worth noting that in each of the decisions analysed by the mayor (or president) on the establishment of a Women's Council, Article 31 of the "Municipal Government Act" (u.s.g.) was cited as the legal basis. This is particularly noticeable in the decisions of the President of the City of Rzeszów and of the Mayor of Hrubieszów, where this provision of the "Municipal Government Act" served as the sole and exclusive legal basis for issuing the act. Apart from the aforementioned Article 31 of the "Municipal Government Act," the executive bodies in the analysed decisions referred to:

1. Article 11a(3) of the "Municipal Government Act" – this provision states that "whenever the law refers to a mayor, this should also be understood as referring to a town president or city mayor;"
2. Article 30(1) of the "Municipal Government Act" – this provision states that "the mayor executes the resolutions of the municipal council and tasks of the municipality defined by law;"
3. Article 33(3) of the "Municipal Government Act" – this provision states that "the head of the office is the mayor;"
4. The organisational regulations of the city/municipal office. According to Article 33(2) of the "Municipal Government Act," "the organisation and operational principles of the municipal office are specified by the organisational regulations issued by the mayor through a decision."

Regarding the correctness of the legal basis for the decision to establish the Women's Council, the position was taken by the Warmian-Masurian Voivode in their supervisory decisions. In the supervisory decision of June 18, 2019, the Warmian-Masurian Voivode, based on Article 91(1) of the "Municipal Government Act," declared the decision of the Mayor of Iława from March 8, 2019, no. 00-50-24/2019, establishing a Women's Council in the Municipality of Iława and determining the recruitment and operational rules, to be invalid. The supervisory body argued that Article 31 of the "Municipal Government Act" cannot serve as the basis for such a decision, as this provision provides a statutory delegation in strictly defined legal frameworks for the executive body to take actions representing the municipality. The "Municipal Government Act" does not define the scope of the mayor's, town president's, or city mayor's representation, but according to the Voivode, it is assumed that this represents the municipality both in the public-law (constitutional) and civil-law spheres. Within this scope, it can be assumed that the representation extends to both legal and non-legal actions. Therefore, in the view of the supervisory body, this provision does not authorise the executive body of the municipality to issue decisions that have an authoritative and public-law nature.

In its ruling of March 1, 2022, the Supreme Administrative Court (NSA) [Case reference III OSK 2738/21, CBOSA"] stated that "Article 31 of the 'Municipal Government Act' does not provide a basis for issuing a decision to establish a consultative and advisory body." According to this provision, the mayor (town president, city mayor) manages the ongoing affairs of the municipality and represents it externally. Representation by the mayor (or city president) means interacting with external entities under both private law and public law, and it extends beyond the competencies to undertake legal actions from which this representation arises (for example, representing the municipality at a courtesy meeting). On the other hand, managing the ongoing affairs of the municipality refers to a collective description of the position of the mayor (or town president) as the managing body of matters whose execution results from other legal acts (especially from laws).

In the case law of administrative courts, there is an argument questioning the possibility of establishing Women's Councils based on Article 31 of the "Municipal Government Act." The Provincial Administrative Court in Olsztyn questioned the possibility of relying on Article 31 of the "Municipal Government Act" when establishing a Women's Council through a decision by the executive body of the municipality (II SA/Ol 962/19). According to Article 31 of the "Municipal Government Act," the mayor manages the ongoing affairs of the municipality and represents it externally. In contrast, Article 7(1)(17) of the "Municipal Government Act" states that satisfying collective needs of the community is one of the municipality's own tasks, and these tasks include, among others, supporting and promoting the idea of local government, including creating conditions for the operation and development of auxiliary units and implementing programs to stimulate civic activity.

It is worth considering whether the cited legal basis is justified and whether the executive body has the authority to create an advisory body through a decision. The legal basis for the decision and the executive body's creative powers are questioned by the judgment of January 21, 2020, by the Provincial Administrative Court in Olsztyn (II SA/OI 962/19), which addresses the inadmissibility of establishing a municipal Women's Council. The court referred to the constitutional principle of the rule of law. The judgment indicated that there is no legal basis for establishing a Women's Council as an advisory and consultative body in a municipality based on the executive body's power to manage the municipality's affairs or represent it externally. The court referred to the principle of legality, enshrined in Article 7 of the Constitution of the Republic of Poland, which requires that the matter regulated by a normative act must result from a statutory delegation and must not exceed the scope of that delegation. The executive body is not authorised to regulate what has already been regulated by law. According to the court, any regulation that exceeds the statutory authorisation is a violation of the competency rules and the constitutional conditions for the legality of a legal act issued on the basis of a statutory delegation. The court's decision indicated that not only is the normative act issued in violation of the statutory authorisation invalid, but it also regards any act that does not fulfill the authorisation.

The Provincial Administrative Court in Olsztyn ruled that the decision issued by the mayor, based on Article 31 of the "Municipal Government Act" regarding the principles of recruitment and operation of the Women's Council should be deemed invalid. According to the court, the creation of such a body by the executive body of the municipality, under the powers granted by Article 31, was not legally permissible. The court emphasised that this provision does not authorise the executive body to create auxiliary bodies such as the Women's Council, which could have advisory or consultative functions, as such bodies are outside the scope of what is foreseen in the law for the mayor's powers.

The judgment, based on the principle of legality, is an essential reminder that legal acts, especially those of public bodies, must adhere strictly to statutory provisions and not exceed the scope of the powers granted. The decision confirms that the mayor cannot issue normative acts creating new bodies with legal status, as this would violate the boundaries of their competence and undermine constitutional principles, such as the rule of law and legal certainty.

The legal uncertainty surrounding the establishment of Women's Councils through executive decisions highlights the importance of a clear legal framework. There is a need for specific statutory authorisation if such councils are to be formally established, rather than relying on broad provisions like Article 31, which primarily deals with the mayor's duties concerning the general management of municipal affairs and external representation.

In light of the above, the legal analysis shows that establishing Women's Councils based solely on a decision by the mayor or town president under Article 31 of the "Municipal Government Act" is problematic. Such councils, as advisory or consultative bodies, require a clearer, more explicit legal basis in order to function within the local government framework. While municipalities are empowered to create auxiliary bodies, the creation of these bodies must be carefully designed to fit within the limits of legal authorisation and not infringe upon the competencies of other statutory bodies. Therefore, to avoid legal challenges and ensure the proper functioning of Women's Councils, it would be necessary to either amend the existing legal framework or to adopt new regulations that explicitly authorise the creation of such bodies in local government structures.

In summary, it should be noted that case law of administrative courts indicates that Article 31 of the Act on Municipal Government does not constitute a sufficient and independent legal basis for issuing an order to establish a consultative body. This provision does not contain a competence rule granting the mayor (president, or town mayor) the authority to issue an order concerning the creation of such a body. Therefore, the legal basis for issuing this type of order should be extended to include at least Article 30(1) and Article 33(3) of the Act on Municipal Government but also be grounded in the organisational regulations of the office.

It seems unjustified to limit the ability of local government units to autonomously shape their internal structures. The idea of local government autonomy assumes the independence of local government units in fulfilling the needs of their residents. This autonomy includes, among other things, the ability to create advisory, consultative, and initiatory bodies that support the activities of both structural bodies in local government and the functioning of local government itself. The question to consider is which of the bodies functioning within the local government – either the executive body (mayor, president, town mayor) or the legislative body – the municipal council, is competent to create advisory bodies? One might ask whether both constitutional bodies have the same legal power in reinforcing the idea of a local government's autonomy. Assuming that the presumption of competence lies with the legislative body in local government units, the creation of consultative bodies through resolutions of local government legislative bodies could be a more effective legal solution that gives greater legitimacy to these advisory bodies.

4. Experiences of the existing Women's Councils

As can be seen from the experience so far, Women's Councils have the following functions:

- **Consultative**: Providing an opportunity to give opinions on local strategies, development programs, draft resolutions, undertaken initiatives, or investments, particularly regarding their impact on the quality of life for women.
- **Advisory**: Allowing the use of knowledge on the needs, rights, and opportunities of women when developing strategies, programs, and other documents related to the development of women.
- **Initiatory**: Enabling the council to propose its own ideas for actions aimed at women, supporting women's activities, and encouraging all forms of participation, including those aimed at utilising their potential.

The most important areas of activity defined by Women's Councils are:

- **Health and health prevention**: Including cancer prevention, subsidies for in vitro procedures, subsidies for HPV vaccines, health programs for women.
- **Education**: Workshops for women, including those related to personal development, legal education, and civic social activity.
- **Cultural events**: Exhibitions, cycles of meetings about well-known local women, community meetings, cooperation with local associations.
- **Participation in consultations concerning issues related to ecology**, promoting actions against menstrual poverty (the so-called "pink boxes"), and issues related to women's transformations and image.

Given the spheres of activity of Women's Councils, it is worth considering whether the intention of those initiating the creation of Women's Councils is to amplify the voice of women in shaping local public policies in general, or whether these should be bodies solely focused on a narrow, specialised set of issues affecting women in the local community. In my opinion, it would be more reasonable to focus on incorporating the female perspective into all public policies, especially in the area of social issues, but not limited to just that.

5. Establishment of Women's Councils

Since the Act on Municipal Government does not provide specific regulations regarding the creation, functioning, and role of Women's Councils, these consultative bodies are established through resolutions or orders issued by executive bodies. An analysis of the 39 existing Women's Councils indicates that councils at the municipal level are created through orders of the executive body, while at the regional government level, they are created by resolutions of the regional executive body.

There are two procedural practices related to the establishment of these bodies:

1. The first, bottom-up procedure involves the initiation of the council's creation by a grassroots group that submits a proposal to the executive body. In this case, initiators typically present a list of candidate initiators for the Women's Council along with recommendations for experts who could collaborate with the council.
2. The second method involves an initiative from the local government bodies. The establishment of the council is linked to a competition in which eligible individuals can participate according to the rules. Women's Councils typically consist of 7 to 25 members, depending on the size of the municipality. The optimal number seems to be 15 members. It is important that this group includes representatives from different social groups, with varied experience and age. Typically, this group includes representatives from the local government administration appointed by the executive body, councilors, civil servants (if there is a position of an equal treatment officer, she should also be included), and heads of municipal organisational units. Another group could consist of women representing local businesses and entrepreneurship, as well as representatives from social organisations, local activists, and academic circles.

The formal requirement for candidates for the Women's Council is their maturity (18 years of age) and permanent residence in the area of the given municipality or another territorial self-government unit. In some regulations, this requirement is extended not only to women residing in the municipality, but also to those conducting business activities in the area or who are permanently involved in the community through social, cultural, or other forms of activity. While elections require residence in the territorial self-government unit for both candidates and voters, in the case of public consultations, it is justifiable to extend this subject area to individuals who are connected with the unit, similar to the rules for participation in consultations.

6. Loss of membership in the Council

An analysis of orders and resolutions establishing Women's Councils indicates that membership can be lost due to the following circumstances:

1. Written resignation from a member.
2. In the case of a member ceasing to work in the municipal office (for those appointed from among municipal employees).
3. Withdrawal of recommendations by a non-governmental organisation or the withdrawal of recommendations from a self-government body (usually the executive body).
4. A criminal conviction for a deliberate crime.
5. The death of a member.
6. Three unjustified absences from council meetings within a year.
7. Other important reasons.

The ambiguous term "other important reasons" seems to be too broad and may serve as a loophole for removing a member from the council. Withdrawal of recommendations or voluntary resignation from a member are rational reasons based on the voluntary nature of participation in the council's work.

7. Functioning of the Council

The term of office of Women's Councils lasts from 3 to 5 years, and in the case of the first councils, it usually does not coincide with the term of office of the body that created the council. It happens that councils created through grassroots initiatives last for a shorter period compared to those created through competition.

Current practice indicates that the number of members in the council ranges from 7 to 25. The optimal number seems to be 15 members, from an organisational perspective, as well as in terms of the effectiveness of the council's functioning. A very large membership can hinder the council's work. If not carefully considered, such a large body may face difficulties ensuring full attendance or active participation, which can lead to the collapse or ineffectiveness of the Women's Council.

The main tasks of Women's Councils are:

1. Analysing the municipality's policies in terms of the needs of women.
2. Diagnosing the situation of women in the municipality.

3. Educating residents of all ages about gender equality and women's rights.
4. Supporting social initiatives and events focused on women's issues and gender equality.
5. Monitoring municipal activities related to family policies.
6. Monitoring municipal activities related to social policies.
7. Cooperating with other councils, teams, and organisations functioning within the municipality.
8. Taking other actions aimed at promoting gender equality policies within the municipality.

In the case of Women's Councils functioning at the regional level (for example, in the Lubusz Voivodeship), the council's tasks include:

1. Diagnosing the situation of women in the Lubuskie Voivodeship.
2. Analysing policies in the Lubuskie Voivodeship concerning women.
3. Educating residents on gender equality and supporting gender equality campaigns as well as health awareness campaigns.
4. Analysing needs and initiating actions supporting women's return to the job market.
5. Supporting social initiatives and events promoting women's issues and gender equality.
6. Monitoring activities in the Lubuskie Voivodeship related to family, social, and senior policies.

Councils perform their tasks primarily through continuous cooperation with municipal councils, non-governmental organisations, and other entities whose goals align with those of the council. Another point is the ability to submit proposals for initiatives to the legislative body and to direct inquiries and proposals to the executive body.

Regarding the functioning of Women's Councils, it is possible to draw from the experiences of other bodies within a local government, such as youth councils and senior councils. The council has an internal organisational body, similar to a presidium, composed of councilors, a chairperson, two vice-chairpersons, a secretary, and a treasurer. The presidium is responsible for managing the current affairs of the council, preparing the council's work plan, drafting resolutions, representing the council externally, and overseeing the execution of the council's tasks. The presidium should be elected at the first council session by a simple majority of votes, with at least half of the council present.

8. Conclusion

Undoubtedly, one of the challenges for the future of Women's Councils will be creating a vision and mission for these consultative bodies, as well as a strategy for the development of local government units. It is also important to establish principles for cooperation with local government bodies. Another aspect to consider is financing the councils' activities.

Currently, many councils function based on limited budgets and rely heavily on voluntary work and support from local organisations. A more systematic approach to funding, possibly through municipal or regional budgets, would allow for a more sustainable and effective implementation of the councils' activities. It would also help ensure that the councils can adequately address the needs and challenges of women in the local communities.

In conclusion, while Women's Councils represent a valuable tool for promoting gender equality and supporting women's involvement in public life, their long-term success will depend on securing proper legal and financial foundations, as well as fostering strong cooperation between these bodies and local government structures. Properly functioning Women's Councils could play a crucial role in making local governments more inclusive, ensuring that women's voices are heard and their needs are addressed in policy-making processes.

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Studia Sieci Uniwersytetów Pogranicza | 2024 | 8
DOI: 10.15290/sup.2024.08.18

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THE SIGNIFICANCE OF REGIONAL SMART SPECIALISATIONS IN DEVELOPMENT OF ENTERPRISES: THE CASE OF THE PODLASKIE VOIVODESHIP

Abstract

- *Goal* – The purpose of this article is to analyse the significance of regional smart specialisations for supporting local enterprises, using the case of Podlaskie Voivodeship. In the course of analyses and deliberations, the following research hypothesis was tested: implementing regional smart specialisations plays a crucial role in the growth of enterprises in the Podlaskie Voivodeship.
- *Research methodology* – In order to achieve the objective and verify the hypothesis, the author applied literature reviews, descriptive and comparative analyses based on publicly available secondary data published by the Central Statistical Office (GUS), as well as reports and documents prepared by the local government authorities of the Podlaskie Voivodeship.
- *Score/results* – Without doubt, the shift in the paradigm of regional development based on the theory of learning regions, investing in solutions supportive of entrepreneurship, enhancing competitiveness, and fostering innovation is essential for the economic growth of individual countries. Since it is not possible to be a leader in all spheres of the economy, specialisation is becoming increasingly important.
- *Originality/value* – The conducted analysis yielded a positive assessment of the impact of regional specialisations on the development of enterprises in the Podlaskie Voivodeship. Favourable trends have been observed with regards to the number of national economy entities operating in the private sector per 10,000 working-age inhabitants, expenditures on R&D activities in relation to GDP, the share of enterprise expenditures in total R&D expenditures, as well as the share of net revenue from the sale of innovative products in industrial enterprises in total net sales revenue. All

values indicate a positive direction of changes in the economic structure of the Podlaskie Voivodeship. In view of the above, the research hypothesis has been validated. The implementation of regional smart specialisations plays an important role in the development of enterprises in the Podlaskie Voivodeship.

Keywords: regional smart specialisation, enterprises, development.

1. Introduction

Enterprises play a significant role in the development of every region. At the same time, due to their nature, these entities are inherently tied to the area in which they operate. There is a feedback loop in which the level of enterprise development determines the competitiveness of the region in which they are active, while the environment where they function influences their development opportunities. For this reason, it is important to diagnose the potential of a given area and to determine the factors that might stimulate its growth. Recognising these interdependencies has given rise to a paradigm shift in regional development policies, leading to greater emphasis on smart specialisations. Knowledge, its development and implementation, which lie at the core of the concept, are reflected in the increased competitiveness of entities within a given region, along with enhanced entrepreneurial growth and greater innovation.

Therefore, the purpose of this article is to analyse the significance of regional smart specialisations for supporting local enterprises, based on the example of the Podlaskie Voivodeship. In the course of analyses and deliberations, the following research hypothesis was tested: implementing regional smart specialisations plays a crucial role in the growth of enterprises in the Podlaskie Voivodeship. In order to achieve the objective and verify the hypothesis, the author applied literature reviews, descriptive and comparative analyses based on publicly available secondary data published by the Central Statistical Office [GUS), as well as reports and documents prepared by the local government authorities of the Podlaskie Voivodeship.

2. Paradigm shift in regional development based on smart specialisations

A paradigm, understood as a set of theories and concepts that provide the foundation for a given field, enables the creation of new detailed theories based on the empirical data and existing knowledge [Chrząszcz, 2021: 50]. A. Klesińska, citing T.S. Kuhn's position, argues that "scientific revolutions are a non-cumulative developmental episode during which an older paradigm is completely or partly replaced by a newer, incompatible one. However, the new paradigm cannot be built upon its predecessor, but can only replace it" [Klesińska, 2017: 94].

An analogous evolution occurs in the case of the directions and priorities of regional policies, which assume that all activities should contribute to the development of a region [Kudełko, 2016: 341]. Due to the significant spatial variability of development conditions in different regions, there is an ongoing discussion about the traditional dichotomy between efficiency and equality goals [Barca, 2009]. T. Vanthillo and A. Verhetsel undertook an analysis of the old and the new paradigms [Vanthillo, Verhetsel, 2012: 5]; their findings are presented in Table 1.

The new paradigm involves, among other things, the capacity of regions to learn and apply the acquired knowledge, build competitiveness through the development of entrepreneurship and innovation, strategic programming of regional smart specialisations, integration and co-operation with the business environment – all of which are embodied in regional smart specialisations. E. Szostak believes that an important component of growth based on smart specialisations is a policy encapsulated in the "place-based-innovation" principle, i.e. territorial policies that integrate innovation into development processes. The adopted concept emphasises the importance of geographical, institutional, cultural, and social contexts [Szostak, 2015: 210]. What is a key aspect of this approach is leveraging the unique features of a given place and adjusting regional and local policies to align with them [Asheim, Grillitsch, Trippl, 2017: 74–99].

The introduction of the new paradigm of regional development based on smart specialisations makes it possible to utilise the geographical, institutional, cultural, and social potentials of particular regions [Grillitsch, Asheim, 2018: 1640]. F. Barca claims that territory-focused development contributes to increased availability of goods, services, and information, thus driving innovation and entrepreneurship [Barca, 2009]. However, utilising the potential of a region requires adapting actions to its specific characteristics and current needs, taking into consideration both endogenous and exogenous factors. J. Bachtler and D. Yuill emphasise that nowadays development and its growth rates are dependent on the factors that shape it, including innovation, networking, the quality of human capital, and entrepreneurship [Bachtler, Yuill, 2001]

*Table 1.*Paradigm shift of regional development policy

	Old/classic paradigm	New/modern paradigm
Conceptual basis	Industrial location theories, key factors are regional attributes e.g. production, costs, availability of workers	Learning region theories key factors are regional capabilities e.g. innovative milieux, clusters, networks
Aim(s) objectives	Equity through balanced regional development	Increased competitiveness and equity e.g. entrepreneurship, innovation
General policy framework	Compensating temporarily for location disadvantages of lagging regions, responding to shocks (e.g. industrial decline) – reactive to problem	Tapping underutilised potential in all regions enhancing regional competitiveness through regional and strategies programming (e.g. smart specialisation strategies)-proactive for potential
Shere of action	Sectoral approach with a limited set of sectors-narrow (economic/industrial policies)	Integrated and comprehensive development projects with wider policy coverage – broad (integrated development projects)
Spatial orientation	Targeted at Lagging regions, with administrative areas	All-region focus, with orientation towards functional economics areas
Approach	One-size-fits-all approach	Context-specific approach (place-based approach)
Focus	Exogenous investments and transfers	Endogenous local assets and knowledge
Instruments	Incentive scheme with subsidies and state aid with focus on hard infrastructures and Business aid (often to individual firms)	Development programme with mixed investments for soft and hard capital e.g. business environment, labor market, infrastructure
Actors Organisation	Top down policy development by central government	Collective policy development by different level of government and various stakeholders (public, private, NGOs)
Evaluation/ Outcomes	Ex post evaluation, measurable outcomes	Ex ante, interim, ex post evaluation with difficulties to measure outcomes

Source: T. Vanthillo, A. Verhetsel, *Paradigm Change in Regional Policy: towards Smart Specialisation? Lessons from Flanders (Belgium)*, "Belgeo " 2012, No. 1–2, p. 5.

When implementing the concept of smart specialisations in a strategy of regional development, it is necessary to simultaneously consider resource and budget constraints, as well as external development factors. The sectoral specifics of every region, the interconnections between sectors, and the innovative infrastructure must also be taken into account [Kraus, McDowell, Ribeiro-Sorianoc, Rodríguez-García, 2021: 177]. Consequently, these actions will reinforce the existing potential, give rise to the development of modern sectors, and raise the level of the region. Therefore, the literature on the subject proposes that smart specialisation can be defined as "…actions based on identifying and selecting fields with the greatest potential, which help ensure the region's competitive advantage on an international scale", which is in line with the assumptions of the new paradigm [Szostak, 2015: 211].

3. The essence of regional smart specialisations

The basis for the introduction of smart specialisations was the adoption in 2010 of the "Europe 2020 Strategy – A Strategy for Smart, Sustainable, and Inclusive Growth," which aimed to set a new direction and framework for the economic development of the European Union countries. Through smart specialisations, the EU economy was expected to become intelligent and sustainable, fostering social inclusion, achieving high employment and productivity rates, and demonstrating greater social cohesion. To achieve the intended development direction, three priorities were emphasised in the document [www 1]:

- smart growth: development of knowledge- and innovation-based economy;
- sustainable growth: supporting an economy that uses resources more efficiently is more environmentally friendly, and more competitive;
- inclusive growth: supporting an economy with high employment levels, ensuring social and territorial cohesion.

To achieve the adopted objectives, in the next step, member states were obliged to develop national smart specialisations (NSS), which then gave an impetus for regional smart specialisations (RSS) that take into account such aspects as: employment, innovation, education, social inclusion, as well as climate change and energy policies. The strategies had to define social and economic priorities for particular regions and countries in terms of research, development and innovation, as well as areas of investment focus that would enhance the economy's added value, increase its competitiveness in foreign markets, and improve the quality of life. According to the assumptions of the new paradigm, smart specialisations are to take into consideration the existing scientific and business potential in the area of R&D&I, current development opportunities of the economy, existing cooperative ties within the areas of specialisation, development trends, and market niches with competitive advantages facilitating competition with other countries [www 2].

As a result, the above criteria provided a foundation for drafting a list of national smart specialisations, the implementation and reinforcement of which was intended to enable lasting economic growth through more competitive services, products, and technologies. They were also supposed to improve the quality of life for society, and to enhance the state of the natural environment. In order to succeed in achieving the intended goals, regional smart specialisations were developed so as to take full advantage of the potentials of particular voivodeships. The idea behind smart specialisations was to diagnose and foster the technological advantages of every region, which is stressed in the regional strategies of particular voivodeships [Owczarczuk, Trzaska, 2024: 138]. As A. Grądziel rightly points out, designing smart specialisation strategies calls for a proper diagnosis of the innovation potentials of regions, their strengths and weaknesses, and complementarities in terms of scientific, technological, innovative, and economic capabilities [Grądziel, 2014: 248].

Among the key components of selecting smart specialisations of regions there is entrepreneurial discovery which inspires the stakeholders involved in identifying priorities in the fields of research, development, and innovation around which investments in the given region should focus [Ropęga, 2016: 97]. M. Piątkowki, T. Szuba, and G. Walczak are convinced that when identifying smart specialisations, the specific characteristics of a given region should be considered, along with its weak and strong points, as well as economic challenges [Piatkowski, Szuba, Wolszczak, 2014].

A list of regional smart specialisations has been created according to the established criteria, as presented in Table 2.

Table 2. Regional smart specialisations

Voivodeship	Regional Smart Specialisations
Dolnośląskie voivodeship	chemical and pharmaceutical sector, spatial mobility, high-quality food, raw materials and recycled materials, production of machines, devices, processing of materials, information and communication technologies (ICT)
Kujawsko-Pomorskie voivodeship	the best safe food – processing, fertilizers and packaging, medicine, medical services and health tourism, automotive industry, transport devices and industrial automation, tools, injection moulds, products from plastics, information processing, multimedia, programming, ICT services, bio-smart specialisation – natural potential, environment, energetics, transport, logistics, trade – water and land routes, cultural heritage, art, creative industries
Lubuskie voivodeship	green economy – eco-innovation, health and quality of life – eco-development, innovative industry – sustainable development, cooperation and business cooperation
Opolskie voivodeship	chemical technologies (sustainable), sustainable technologies of building industry and wood, machine and metal industry technologies, power industry technologies (including renewable energy sources, improving, energy performance), agri-food technologies, processes and products of health and environmental protection (life and environmental science) – potential smart specialisation
Pomorskie voivodeship	off-shore and port logistic technologies, interactive technologies in information-saturated environment, eco-effective technologies in production, transmission, distribution and consumption of energy and fuels and in building industry, medical technologies in the scope of civilisation diseases and ageing
Śląskie voivodeship	energetics, medicine, information and communication technologies, green economy, developing industries
Wielkopolskie voivodeship	bio-raw materials and food for conscious consumers, interiors of the future, industry of the future, specialised logistic processes, modern medical technologies, ICT-based growth
Zachodniopomorskie voivodeship	large-size civil engineering structures, advanced metal products, wood and furniture products, environmentally friendly packaging, chemical and material engineering products, modern agri-food processing, multi-modal transport and logistics, products based on information technologies

Voivodeship	Regional Smart Specialisations
Lubelskie voivodeship	bio-economy, medicine and health, low-emission energetics, information science and automation
Łódzkie voivodeship	modern textile and fashion industry (including design), advanced building materials, medicine, pharmacy, cosmetics, energetics, including renewable energy sources, innovative agriculture and agri-food processing, information science and telecommunication
Małopolskie voivodeship	life sciences, sustainable energy, information and communication technologies, chemistry, metal production, electrical engineering and machine industry, creative industries and leisure industries
Mazowieckie voivodeship	safe food, smart management systems, modern services for business, high quality of life
Podkarpackie voivodeship	aviation and space technology, quality of life, information and telecommunication (ICT)
Podlaskie voivodeship	agri-food industry and sectors combined with it with a value chain medical sector and life sciences, and sectors combined with them with a value chain, eco-innovations, environmental sciences, and sectors combined with them with a value chain, metal and machine industry, boat-building and sectors combined with a value chain
Świętokrzyskie voivodeship	resource-saving building industry, metal foundry industry, health and pro-health tourism, modern agriculture and food processing, information and communication technologies (ICT), sustainable energetic development, fair and congress sector
Warmińsko-Mazurskie voivodeship	water economics, high-quality food, wood and furniture making

Source: www 2.

The analysis of the list of regional smart specialisations reveals that a number of voivodeships recognise the opportunities associated with bolstering industries and sectors that have traditionally been well-established in the regions, for instance production of machinery and equipment, and material processing in Dolnośląskie Voivodeship, large-scale water and land constructions in the Zachodniopomorskie Voivodeship, modern textile and fashion industries (including design) in the Łódzkie Voivodeship, or aviation and space exploration in the Podkarpackie Voivodeship. The information and communication sectors are among key areas of development for many regions – these have been taken into account in the case of 10 voivodeships. Also, in 10 voivodeships specialisations related to medicine, life sciences, and improving the quality of life have been identified. Energy is another major area, featuring in the RSSs of 8 voivodeships. Considerable emphasis has been placed on food production; it has been identified as a strategic area by 5 voivodeships: Dolnośląskie, Kujawsko-Pomorskie, Wielkopolskie, Mazowieckie, and Warmińsko-Mazurskie. Focus on sustainable development is an important aspect of developing regional smart specialisation strategies. This has been taken into consideration in the regional strategies of the Świętokrzyskie, Małopolskie, Opolskie, and Lubuskie Voivodeships.

At this point, it is worth considering the opportunity cost of rejecting alternative development directions, other than the selected ones. A similar issue is indicated by M. Piątkowki, T. Szuba, and G. Walczak, who discern the risk associated with choosing a sector with low productivity, which may provide minimal impetus for the development of the given region [Piatkowski, Szuba, Wolszczak, 2014]. Additionally, the literature points to the risks related to the concentration of modern technologies in regions with the highest scientific and research potential, which may result in increasing polarisation of the development of individual regions [Gorzelak, 2004: 245; Nazarczuk 2013: 17]. Nevertheless, given that no region can prioritise all sectors, it is crucial to leverage every region's potential in specific fields that can stimulate further growth.

4. Regional smart specialisations in the Podlaskie Voivodeship

The choice of specific smart specialisations is influenced by such factors as globalisation, technological advancements, changes in the demographic structure of society, increased migration, urbanisation, and the development of green technologies [Miara, 2024: 105].

In Podlaskie Voivodeship, the following smart specialisations have been indicated as instrumental supporting innovation: the agri-food industry, metal and machinery sector, medical sector, eco-innovations, and ICT, in connection with core industries. These sectors form the backbone of smart specialisations [www 3].

Priority R&D&I measures assigned to the selected economic sectors and are presented in Table 3.

Table 3. The inteligent specialisations of the Podlaskie voivodeship

Sectors of economy	Priority activities B+R+I
1.1. Agro-industry food and sectors chained values and ICT in connection with the sector (designated mainly due to high LQzatr)	• efficient agriculture and precise plant and animal production • food industry, in particular milk production and processing • efficiency and quality monitoring systems in plant and animal production • and milk processing • high-quality food, traditional food, organic food • logistics and distribution for the sector • use of agricultural raw materials for non-food purposes • other related
1.2. Metal industry machine-building, shipbuilding and related sectors value chain and ICT in connection with the sector (designated mainly due to high LQzatr)	• metal processing • production of machines and devices, in particular for the needs of agriculture, construction, forestry and the food industry • production of ships and boats using modern materials, structures and equipment • robotics, industry 4.0 • other related
1.3. Medical sector, science about life and related sectors value chain and ICT in connection with the sector (designated mainly because of the high scientific and research potential	• diagnosis of lifestyle diseases • genetics and molecular biology • production of medicinal products • modern methods of therapy, including infertility treatment • medical engineering technologies, biotechnology/bioinformatics • regenerative medicine, silver economy • rehabilitation, physical therapy, health tourism • medical implants • sensor technologies and robotics in medicine, Internet of Things in medicine • other related
1.4. Eco-innovation, science on the environment and sectors chained values and ICT in connection with the sector (designated mainly due to the general characteristics of the region)	• eco-innovations • eco-development (e.g. ecological engineering, biodiversity research, ecotourism) • ecological agriculture and processing • sustainable sourcing and processing of wood and other raw materials • renewable energy in a distributed model, production of devices for generating energy from renewable energy sources, obtaining energy from waste, excluding activities that cause serious damage circular economy damage, • ecological, resource- and energy-saving construction, production of prefabricated houses, production for construction purposes, automation and robotisation processes in ecological construction • circular economy (circular economy) • sustainable design • energy efficiency technologies • management, control and monitoring systems in the field of eco-innovation • solutions for electromobility and powering vehicles with alternative fuels • solutions using hydrogen technologies • water management systems • other related

Source: *Plan rozwoju przedsiębiorczości w oparciu o inteligentne specjalizacje województwa podlaskiego 2021–2027+ RIS3 2027+*, Załącznik do Uchwały nr 236/4257/2021 Zarządu Województwa Podlaskiego z dnia 24 listopada 2021 r. [www 3].

In the Podlaskie Voivodeship, the RSS implementation strategy was incorporated in the *Entrepreneurship Development Plan Based on Smart Specialisations of the Podlaskie Voivodeship for years 2015–2020+* [www 3]. It was subsequently planned to be continued in *Entrepreneurship Development Plan Based on Smart Specialisations of the Podlaskie Voivodeship for years 2021–2027+*. In both documents, it was anticipated that the plans' implementation would be assessed through the analysis of changes in the operations of companies from the Podlaskie, as well as the development of entrepreneurship and innovation in the region.

The concept of regional smart specialisations provides a foundation for institutional support of local entrepreneurs in capitalising on their strengths and implementing solutions that enhance their market standing. On the one hand, enterprises can conduct business activities within a specialisation critical to their region's growth. On the other hand, they gain the opportunity to participate in various projects related to the development of smart specialisations aligned with the idea of RSS and NSS. Co-operation between the scientific, public, and business sectors critical to the analysed provinces, aimed at fostering entrepreneurship and innovation that drive competitive advantage is a prerequisite for properly targeted support.

5. Assessment of the impact of regional smart specialisations on enterprise development in the Podlaskie Voivodeship

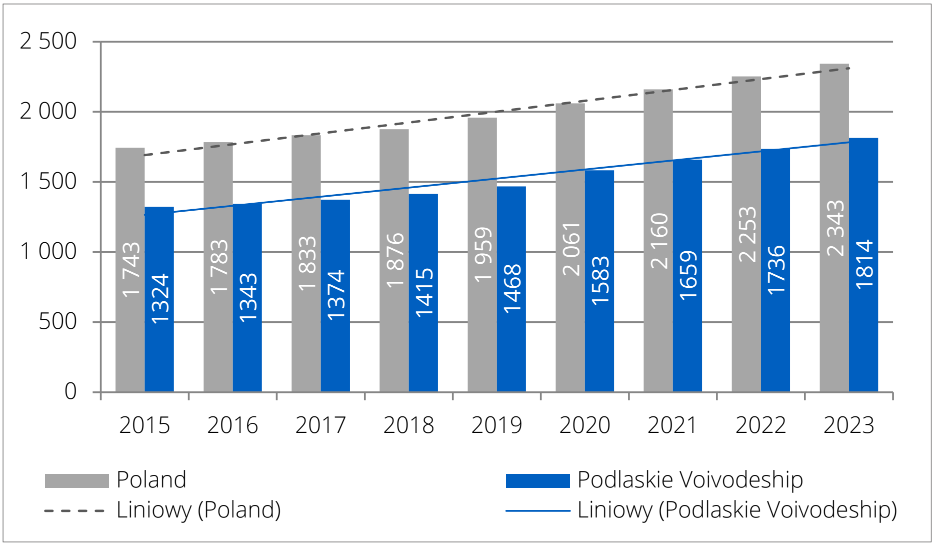
In terms of the region's level of innovation, measured as the cumulative effect of available financial and organisational resources, as well as the institutional environment, the Podlaskie Voivodeship is classified as an emerging innovator [www 3].

When analysing the number of private sector entities in the national economy per 10,000 inhabitants in the Podlaskie Voivodeship, it can be noted that the years 2015–2023 saw continuous growth, as evidenced by the data in Chart 1.

In 2023 there were already 1814 enterprises operating, which represented an increase of slightly more than 37% compared to 2015, which is in line with the goals of the implemented RSS 2027+ strategy [www 3]. Despite the upward trend, however, significant differences are still observed between the number of private sector entities in the national economy per 10,000 inhabitants in the Podlaskie Voivodeship and the rest of Poland. If this trend continues, the development of entrepreneurship in the Podlaskie Voivodeship can be slower than in the other regions of the country. The problem was recognised in the report *Strategic Diagnosis of the Podlaskie Voivodeship*, published in 2020 by the Podlaskie Voivodeship Marshal's

Office. It was noted that although entrepreneurship indicators had been rising, their values significantly differed from the results achieved by other voivodeship capitals. In addition, the document raised the issue of peripheralisation faced by many areas of the Podlaskie Voivodeship [*Diagnoza strategiczna*..., 2020].

Chart 1. Number of national economy entities (private sector) per 10,000 inhabitants of working age, years 2015–2023

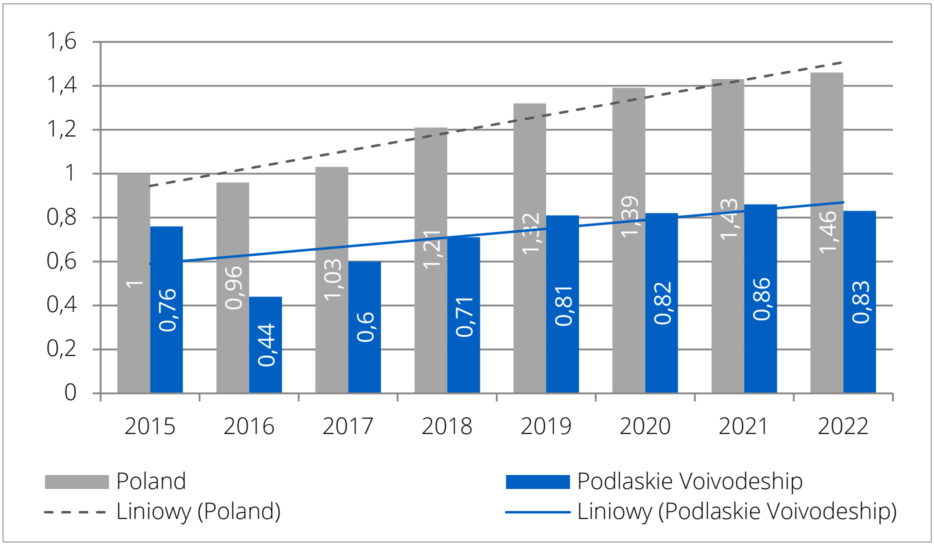


Source: the author's own work based on: GUS BDL

Among the positive phenomena observed in the Podlaskie Voivodeship there is the increasing expenditure on research and development activities (Chart 2), which plays a significant role in boosting the innovation of enterprises. Year 2022 was the only exception – when expenditures decreased by 0.03% compared to the previous year. Nevertheless, according to the assumptions of the plan, by 2027, the share of expenditures on research and development activities in the region is expected to reach 1% of GDP [www 3], which is feasible according to the current trend.

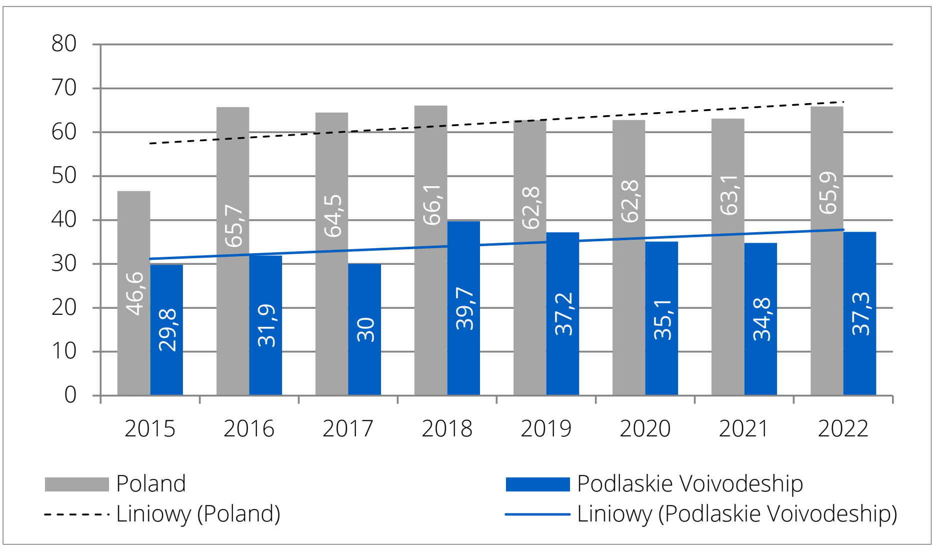
Nevertheless, also in this case, the dynamics are lower in comparison to data from the other regions of Poland, which over the coming years may result in increased disparities between regional development levels. Therefore, intensified efforts are necessary on the part of entrepreneurs, as well as the government sector, higher education institutions, and non-commercial organisations to boost expenditures on research and development [www 3]. The share of enterprise expenditures in total R&D expenditures in the years 2015–2022 is presented in Chart 3.

Chart 2. Expenditure on R&D activity in relation to GDP, years 2015–2022 (in %)



Source: the author's own work based on: GUS BDL

Chart 3. Share of enterprise expenditures in total R&D expenditures* during the years 2015–2022 (in %)



Source: the author's own work based on: GUS BDL

In the Podlaskie Voivodeship, the share of enterprise expenditures on research and development activities reached its highest value – almost 40% – in 2018. Despite a decline in values from 2019 to 2021, the following year brought an increase in the share to 37.3%. This is particularly important as according to the assumptions of the RSS3 2027+ plan, the share of enterprise sector expenditures on R&D in total internal R&D expenditures should reach 48% by 2027 [*Raport o stanie…*, 2024: 136], which raises the chances of achieving the target values.

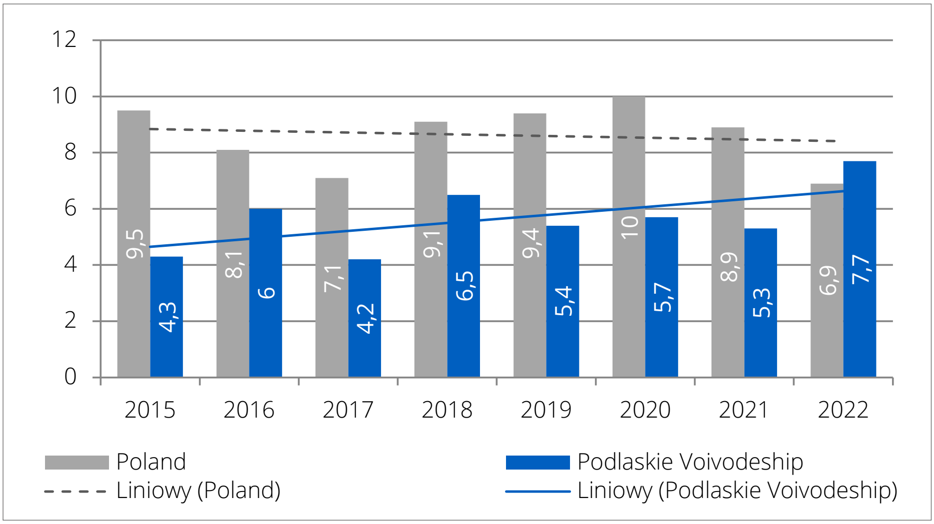
Another area that requires intensified efforts is increasing the involvement of entrepreneurs in utilising patent protection. The number of patents granted to entities operating in the Podlaskie Voivodeship accounted for only 1–2% on a national scale [www 4]. This underscores the need to undertake further initiatives in this respect. At the same time, the "Report on the State of the Voivodeship for 2023" clearly indicates that it is enterprises that demonstrate the most pronounced engagement in this area compared to other categories of entities, surpassing both scientific institutions and individuals in terms of activity levels [The Podlaskie Voivodeship, The Podlaskie Voivodeship Marshal's Office: *Raport o stanie…*, 2024: 146].

As regards selecting regional smart specialisations, it is essential that the diagnosis conducted by the Marshal's Office of the position of sectors forming the core of the region's specialisations should validate their robust position. This was confirmed by the findings of research into the employment location quotient, which highlighted sectors excelling in job creation compared to the rest of Poland. The highest values were reported for the agri-food industry, metal and machinery industry, and shipbuilding industry, along with their value chains, which emphasises the growing economic standing of sectors classified as the regional smart specialisations of the Podlaskie Voivodeship.

The share of net revenue from the sales of innovative products in industrial enterprises' total sales revenue should also be acknowledged as a favourable occurrence, as evidenced by the data presented in Chart 4.

The below data prove an increase in the economic efficiency of the entities operating in the Podlaskie Voivodeship, as well as the effectiveness of converting innovative solutions into generation of higher revenue. Additionally, the share of net sales revenue from innovative products in industrial enterprises' total net sales revenue in the Podlaskie Voivodeship demonstrated an upward trend from 2015 to 2022. Furthermore, in 2022, this value exceeded the national average.

Chart 4. Share of net sales revenue from innovative products in industrial enterprises' total net sales revenue, years 2015–2022 (in %)



Source: the author's own work based on: GUS BDL

The analysis of changes occurring in the fields of entrepreneurship and innovation in the Podlaskie's enterprises confirms the presence of positive developments. This is evidenced by data characterising employment levels, financial results, and innovation performance. At the same time, it is emphasised that the rate of the recorded changes is not sufficient for the Podlaskie to improve its position against other regions. Even so, the dynamic growth of the region's strategic sectors justifies a positive evaluation of the effects of implementing the concept of regional development based on regional smart specialisations.

6. Conclusions

Without doubt, the shift in the paradigm of regional development based on the theory of learning regions, investing in solutions supportive of entrepreneurship, enhancing competitiveness, and fostering innovation is essential for the economic growth of individual countries. Since it is not possible to be a leader in all spheres of the economy, specialisation is becoming increasingly important. Hence, it is advisable to focus on those areas that demonstrate significant potential and allow for achieving competitive advantage. Diagnosing key industries within regional smart specialisations can prove to be an impetus for the development of a given region. Owing to them, it is possible to define a region's potential, identify its strengths, and find methods to address weaknesses and counteract threats. Enterprises play a significant role in this process, on the one hand – they contribute to the development of the region in which they operate and – on the other hand – they benefit from the created investment climate.

The conducted analysis yielded a positive assessment of the impact of regional specialisations on the development of enterprises in the Podlaskie Voivodeship. Favourable trends have been observed with regards to the number of national economy entities operating in the private sector per 10,000 working-age inhabitants, expenditures on R&D activities in relation to GDP, the share of enterprise expenditures in total R&D expenditures, as well as the share of net revenue from the sale of innovative products in industrial enterprises in total net sales revenue. All values indicate a positive direction of changes in the economic structure of the Podlaskie Voivodeship. In view of the above, the research hypothesis has been validated. The implementation of regional smart specialisations plays an important role in the development of enterprises in the Podlaskie Voivodeship.

Nonetheless, what requires attention is the rate of the ongoing changes, which still indicates existing disparities in relation to the overall development pace of the country. Undoubtedly, the impact of regional smart specialisations on the development of enterprises in individual voivodeships calls for further research in order to achieve the intended results. This research should include economic entities operating within the core of the specialisations, as well as those outside of it, which may potentially lay the foundation for emerging specialisations.

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DOI: 10.15290/sup.2024.08.19

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CHANGES OF ENTERPRISES SECTOR IN THE BALTIC STATES IN THE PERIOD OF THE COVID-19 PANDEMIC AND OF THE RUSSIAN-UKRAINIAN WAR

Abstract

- *Goal* – An attempt to assess the trends of changes in the number and structure of Baltic enterprises by employment, turnover and for selected industries during the Covid-19 pandemic and the Russian-Ukrainian war. Industries most affected by changes due to the pandemic crisis and war were selected for evaluation.
- *Research methodology* – To assess the implications of Covid-19 and the Russian-Ukrainian war on the number and structure of enterprises in the analysed countries and in selected industries, a benchmarking method was applied for the period 2019–2023 according to a number of indicators. Changes in the Baltic countries' trade with Russia in the context of the introduced sanctions and restrictions were also examined.
- *Score/results* – The introduced lockdowns and economic sanctions against Russia have caused significant changes in both the number of enterprises and their structure. The analysis showed that micro-enterprises in the Baltic States proved to be more resilient to external shocks and more flexible in adapting their activities to the new realities. The shares of industry and trade have shrunk, while IT, education and health have increased.
- *Originality/value* – The analysis carried out in the article allows for the identification of quantitative and qualitative changes in the business sector of the Baltic States and thus contributes to the scientific discussion on this topic. The research can be considered preliminary due to the too short research period, requiring further development.

Keywords: number and structure of enterprises, Baltic states, pandemic, lockdown, Russian aggression, economic sanctions

1. Introduction

The Baltic States include three countries – Estonia (EE), Latvia (LV) and Lithuania (LT). They underwent a political and economic transformation in the 1990s. The political goal of the Baltic States was integration with the West – in March 2004 the Baltic States joined NATO and in May they joined the European Union (EU). Between 2011 and 2015, the Baltic States adopted the euro and entered Eurozone. In February 2025, the Baltic States will finally disconnect from the post-Soviet Brell energy system, which connects the power grid of Belarus, the Russian Federation (RF), Estonia, Latvia and Lithuania [Resolution, 2019]. The taken decisions meant major perturbations and changes not only in politics, but also in the economies (and societies) of these countries. The political and economic transformation meant disconnection from the RF's supply of raw materials and energy. The Baltic states were able to diversify their oil and gas supplies and become independent of the RF, which had assumed the role of heir to the Soviet Union. Free elections and democracy shaped the new political scene in the Baltic states of the late 20th and two decades of the 21st century. In the last 35 years (1990–2024), the Baltic economies underwent a long and difficult transition from a centrally planned economy to a successful free market. This has led to a new enterprise structure. Political and economic reforms have had an impact on the societies of the Baltic States – migration processes have resulted in declining demographic indicators. The population of Lithuania for the last 35 years decreased from 3.7 million in 1989 to 2.9 million in 2023 (of which 0.15 million are immigrants); for Latvia respectively from 2.7 million in 1989 to 1.9 million in 2023 (0.2 million are immigrants); for Estonia the population shrank from 1.6 million to 1.4 million in 2023 (0.1 million are immigrants) [Population].

2. Enterpriser in the Baltic States in the face of instability

Before proceeding with the analysis of the Baltic States' enterprises, it is necessary to give a definition of an enterprise. According to Eurostat, the data we will draw statistics from, this definition states that an enterprise is an organisational unit producing goods or services, which has a certain degree of autonomy in decision-making. It may carry out more than one economic activity and may be located in more than one place. Most enterprises consist of a single legal entity and, in terms of employment or added value, these enterprises represent a huge part of the economy. On the business side, the primary function of an enterprise involves income-generating activities – these regard the production of final goods or services for the market or for third parties [Statistics Explained, Glossary].

In 2021, there were more than 31.0 million enterprises in the EU business economy, employing 156.1 million people [Sneijers, 2024: 10]. Table 1 below gives the number of enterprises from 2014 to 2023 – in the Baltic States, the number of enterprises increased in Estonia and Lithuania, while in the case of Latvia it was a sinusoidal trend. According to national data, Estonia and Lithuania had a clear trend of increasing the number of enterprises, while in Latvia the number of enterprises was at a similar level.

Table 1. Number of enterprises (in thousands) of the Baltic countries in the period 2014–2023

Country/ Time	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EE	113.8	117.4	120.5	127.6	131.7	133.8	137.9	145.7	148.7	153.9
LV	162.7	172.6	181.4	175.7	174.8	172.8	172.7	163.3	170.3	169.6
LT	209.5	224.6	235.0	248.5	259.1	271.0	281.8	302.0	331.6	353.4

Source: the author's own work based on statistical departments EE, LV, LT [Statistics 1].

Instabilities in the economy due to pandemics cause disruptions in the business by bringing uncertainty. Risks such as deterioration of liquidity, inability to deal directly with customers and difficulties in selling goods and services arise [Dębkowska, 2022: 11]. This leads to a crisis.

A crisis in a company can be defined as a process of deterioration of financial health due to the impact of external and internal factors, which can lead to business disruption. The uncertainty accompanying a crisis makes managers more likely to make many decisions quickly, selectively and often inconsistently, which translates into an inability to achieve the set goals and deliver the expected results, which may be the beginning of the road to bankruptcy.

However, the crisis should not only be seen through the prism of threats. It is not uncommon for new ideas for doing business to emerge in a crisis, new products that would probably not have been developed were it not for the difficult situation forcing the creation of innovations and viewing business from a new, different perspective. One can put it that the crisis is a threat to some companies, but it can also be an opportunity for others. One of the examples is the crisis caused by the COVID-19 pandemic, which affected the development of, among others, the e-commerce sector, the medical industry or the courier industry. On the other hand, as a consequence of the pandemic, up to 59 million jobs in Europe – representing as much as 26% of total employment in EU countries – were threatened, with jobs in catering, hospitality, entertainment and the arts being most at risk. In response to the crisis, businesses are taking action to improve their operating conditions. One option is to carry out an adjustment process [Brojak-Traskowska, 2022: 31].

The crisis introduces changes in consumer behaviour – reduce their consumption due to expected income declines, looking for alternative cheaper offers [Chlipala, 2022: 15]. Pandemic constraints and consumers' desire to maintain their standard of living have resulted in the accelerated digitalisation of numerous spheres of our lives [Gorynia, 2021: 17].

3. The impact of the COVID-19 pandemic on Baltic companies between 2020 and 2023

In 2019, the first cases of COVID-19 virus were reported in China, which quickly spread and became a pandemic that reached the Baltic States in Spring 2020 [Chlipala, 2022: 21]. The high number of infections and deaths resulted in industry-specific restrictions. Table 2 shows the numbers of deaths in the Baltic States and the death index per million population due to COVID-19. The death index in 2021 increased significantly, from 3.1 times in Lithuania to 6.6 times in Latvia compared to 2020. From the data in the last column, we can see that the 65+ age group accounted for more than 84% of COVID-19 deaths, which allows us to cautiously conclude that the deaths did not affect businesses.

Table 2. Deaths and death index (per million) due to COVID-19 from 2020 to 2022

Country	Deaths 2020	Deaths 2021	Deaths 2022	Deaths index 2020	Deaths index 2020–2021	Deaths index 2020–2022	Share of the 65+ group from total deaths
EE	201	1763	894	210,4	1354,0	2019,9	89,8%
LV	698	4346	1515	336	2559,7	3365,7	83,9%
LT	2252	6982	2595	639	2625,9	3366,1	84,3%

Source: the author's own work [Wołkonowski, 2023: 71–72; Statistics 2].

The high number of deaths and the high number of infections necessitated, for security reasons, measures to contain the pandemic. These were administrative restrictions (known as lockdowns), which included bans on assembly, movement, contacts, bans on office work, restrictions on the economic activities of hotels, restaurants, retail shops, tourism, etc. The extent of the restrictions was determined by the authorities, based on the dynamics of the number of infections and expert recommendations. The Lancet COVID-19 Commission and the World Bank published data that included daily infection rates and an index of the restrictiveness of the lockdowns, which was estimated based on more than a dozen indicators, including office bans, contact limits, travel bans, etc. These lockdowns made it significantly more difficult for companies in retail, catering, hospitality, etc. to do business [Kwiatkowski, 2022: 25–26; Wołkonowski, 2023: 77]. The more of such bans, the higher was the restrictiveness index, which took values from 0 to 100. Table 3 shows the quarterly numbers of infections per 100 000 inhabitants (in the numerator) and the average restrictiveness index for that quarter (in the denominator).

We can see from the data that the Covid-19 pandemic came in four waves – the highest infection numbers were in Q1 and Q4 2021 and Q1 2022. These were the second, third and fourth waves of the pandemic, which had high quarterly infection rates. The first wave, with lower incidence rates, occurred in 2020 – Q4. Infection rates increased in early 2020, resulting in a significant level of restrictions. In Q2, infection rates slightly increased, and the restriction index reached an exaggeratedly high level. The lowest index values were recorded in Q3 and Q4 of 2022, when the pandemic faded, and mass vaccination occurred. In order to test the adequacy of the restrictions undertaken against the level of infections, a Pearson correlation (P) was calculated, indicating the interrelation between these variables (last column in Table 3) – the correlation between the number of infections and the level of restrictions in Estonia and Lithuania was weak PEE = 0.29 and PLT = 0.09, while for Latvia its value was moderate but inverse PLV = -0.33.

The last case shows an inverse relationship between the analysed variables, suggesting erroneous restrictive decisions in the case of Latvia. It can be inferred that the level of bans was not appropriate to the state of infection, but the pandemic was an unknown challenge and governments took over restrictive measures to prevent further spread of infection, which undoubtedly disrupted business operations. The Covid-19 pandemic can be assessed as a negative economic shock, which brought major constraints to business operations. The pandemic expired in late 2022/2023.

Table 3. Number of cases per quarter of COVID-19 per 100,000 inhabitants and average restriction level

Kraj	EE	LV	LT
$Q_{1\text{-}2020}$	56/12	21/15	17/18
$Q_{2\text{-}2020}$	94/58	38/62	48/66
$Q_{3\text{-}2020}$	104/34	37/45	103/28
$Q_{4\text{-}2020}$	1851/42	2049/48	4913/57
$Q_{1\text{-}2021}$	5897/49	3246/57	2653/69
$Q_{2\text{-}2021}$	1853/47	1852/53	2241/48
$Q_{3\text{-}2021}$	1894/26	1102/41	1893/28
$Q_{4\text{-}2021}$	6402/33	6253/50	6722/43
$Q_{1\text{-}2022}$	19226/43	24492/21	19617/38
$Q_{2\text{-}2022}$	1987/21	2132/13	1524/12
$Q_{3\text{-}2022}$	1353/11	4753/11	3083/11
$Q_{4\text{-}2022}$	667/11	2179/11	1090/4
P	0.24	-0.33	0.09

Source: the author’s own work [Wołkonowski 2023: 77; Statistics 3].

4. The impact of economic sanctions against the RF on foreign trade indicators of the Baltic States 2014–2023

One of the main trading partners of the Baltic States at the beginning of the 21st century was RF – e.g. the country’s share of Lithuania’s exports in 2014 was 20,9% and of imports 20,7%. When the RF annexed Crimea in spring 2014, the EU applied economic sanctions against the RF. On the initiative of the EU, sanctions were extended to certain financial and economic entities of the RF, and a ban was imposed on the import of products produced in Crimea to the EU. These sanctions were extended by the EU for further years. In response, the RF introduced retaliatory economic sanctions on food imports to the RF from the EU in August 2014, which also affected the Baltic States [Wołkonowski, 2016: 646, 650, 654]. These sanctions resulted in some reduction in trade volumes between the Baltic States and the RF between 2014 and 2021 (Tables 4 and 5). The level of trade remained at a similar level until 2021. It was only the RF aggression of 24 February 2022 against Ukraine that caused significant declines in trade already in that year compared to 2021. The EU started to introduce economic sanctions banning exports of dual-use items and technologies to the RF from the EU. A number of bans were also imposed on the import of goods from the RF. Sanctions also applied to imports of crude oil, gas and other raw materials from the RF. By the end of 2023, the EU had adopted twelve packages of sanctions against the RF. This resulted in the Baltic countries' trade volumes with the RF decreasing signif cantly between 2022 and 2023, as we can see in Tables 4 and 5. Nevertheless, between 2022 and 2023, the Baltic countries' total exports of goods to the RF decreased by only 20 percent, while total imports from the RF to Baltic countries' decreased by more than six times (Table 5).

Table 4. Export (in million €) of the Baltic States to the RF and from 2014 to 2023

Time	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EE	935.5	589.8	766.4	913.0	442.8	457.6	454.0	477.8	500.0	387.0
LV	1087.8	828.9	779.5	1 036.8	919.5	999.1	900.7	966.3	973.7	860.3
LT	1134.3	669.3	614.0	762.2	746.0	812.8	769.8	916.2	568.6	375.8

Source: the author's own work [Statistics 4].

Table 5. Import (in million €) of the RF to the Baltic States and from 2014 to 202

Time	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EE	846.7	801.3	746.4	960.8	1315.5	1245.4	1143.3	1945.1	1701.5	132.7
LV	1009.6	1069.0	932.9	1037.8	1257.6	1050.3	895.3	1707.9	1570.7	498.1
LT	5319.6	4046.7	3385.9	3566.3	4347.3	4560.1	2490.3	4385.7	2288.8	249.0

Source: the author's own work [Statistics 4].

Table 6. Number of companies in the Baltic States exporting to the RF 2014–2023

Time	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EE	1146	1076	3196	3373	1057	1022	956	978	881	414
LV	1280	1125	1070	1183	1096	1071	1021	987	811	387
LT	3055	2322	2117	2219	2075	2025	1906	1826	1434	561

Source: the author's own work [Statistics 5].

Table 7. Number of Baltic States companies importing from RF 2014–2023

Time	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EE	930	1078	1218	1193	1227	1322	1452	1522	1114	286
LV	1096	1257	1471	1430	1521	1611	1611	1786	1268	317
LT	1357	1487	1739	1629	1715	1725	1774	1995	1363	313

Source: the author's own work [Statistics 5].

The number of Baltic companies exporting to the RF also decreased from 3,126 in 2022 to 1,362 in 2023. Much larger changes occurred in imports from – from 3,745 Baltic countries' enterprises in 2022 to 916 – a more than 4-fold decrease – Tables 6 and 7. Significant decreases also occurred in the period 2021–2022, when the total number of Baltic countries' enterprises exporting to the RF decreased from 3,791 in 2021 to 3,126 in 2022, and in imports from the RF – from 5,303 enterprises to 3,745 for the corresponding period.

5. The impact of the pandemic and economic sanctions against the RF on the company structure of the Baltic States

We will present the structure of enterprises in the period under review by employment groups of micros (<10), small (10–49); medium (50–249) and large (≥ 250) enterprises and by enterprise turnover (Table 8). Based on the data we can see that between 2019 and 2023 there was an increase in micro enterprises in the structure, while small, medium and large enterprises recorded decreases. This means that micro-enterprises have adjusted better over the analysed period.

However, despite these increases, the turnover of micro-enterprises remained at a similar level. The situation is reversed for large enterprises – their size in the structure has decreased, nevertheless their turnover in the structure has increased. Small and medium-sized enterprises decreased their shares in the structure by size class and by turnover – they were hit hardest during this period of instability.

Table 8. Structure of enterprises (%) by number of employees and net turnover (%) over the period 2019–2023

Index	Structure of enterprises by size class					Structure of companie by turnover				
Time	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
EE (1–9)	***91.52***	***92.06***	***94.11***	***94.62***	***95.19***	**33.09**	**31.60**	**32.17**	**31.83**	**32.84**
EE (10–49)	*7.01*	*6.55*	*4.93*	*4.50*	*3.99*	24.66	24.55	25.86	24.94	22.98
EE (50–249)	*1.28*	*1.22*	*0.83*	*0.76*	*0.71*	23.44	24.78	23.44	22.68	23.38
EE (≥250)	*0.20*	*0.18*	*0.13*	*0.12*	*0.11*	18.82	19.07	18.53	20.12	20.80
LV (1–9)	***91.40***	***91.12***	***92.00***	***92.96***	***93.91***	**22.92**	**21.43**	**20.71**	**21.08**	**22.12**
LV (10–49)	*7.11*	*7.43*	*6.72*	5.84	4.89	23.92	24.64	24.31	25.32	23.72
LV (50–249)	*1.30*	*1.27*	*1.12*	*1.04*	*1.03*	28.97	29.81	30.65	26.83	25.16
LV (≥250)	*0.19*	*0.17*	*0.16*	*0.16*	*0.17*	24.19	24.12	24.33	26.77	29.00
LT (1–9)	***93.59***	***93.96***	***94.91***	***95.24***	***95.53***	**18.57**	**19.23**	**20.34**	**19.40**	**19.54**
LT (10–49)	*5.22*	*4.22*	*4.16*	*3.86*	*3.62*	23.62	23.59	21.77	20.60	20.38
LT (50–249)	*1.02*	*0.95*	*0.79*	*0.76*	*0.71*	23.82	23.49	23.08	22.92	23.22
LT (≥250)	*0.17*	*0.16*	*0.14*	*0.14*	*0.14*	34.00	33.70	34.82	37.08	36.87

Source: the author's own work [Statistics 6].

Table 11 shows the industry structure of companies by first tier that have been most affected by changes in the external environment and business conditions due to the pandemic crisis and war. We have selected 12 of the 16 first-level sections. These are as follows: C – Manufacturing; F – Construction; G – Wholesale and retail trade; repair of motor vehicles and motorcycles;

H – Transportation and storage; I – Accommodation and food service activities; J – Information and communication; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities; Q – Human health and social work activities; R – Arts, entertainment and recreation.

Table 9. Structure of enterprises (%) by selected industries, net turnover (%) and employees (%) for the period 2021–2023

Index	Structure of share (% of total)			Structure of enterprises by turnover (% of total)			Structure of enterprises by number of employees (% of total)		
Time	2021	2022	2023	2021	2022	2023	2021	2022	2023
EE-C	*7.62*	*7.03*	*6.79*	20.65	19.90	18.39	*22.11*	*21.25*	*20.47*
EE-F	*12.18*	*12.36*	*12.02*	8.47	8.26	8.21	*10.84*	*10.87*	*10.26*
EE-G	***17.03***	***16.65***	***15.76***	**41.63**	**40.22**	**38.17**	***19.47***	***19.04***	***18.91***
EE-H	*5.47*	*5.19*	*5.22*	6.94	6.88	6.25	*7.82*	*7.44*	*7.09*
EE-I	*3.43*	*3.28*	*3.36*	1.04	1.31	1.46	*4.44*	*4.75*	*5.09*
EE-J	*8.86*	*9.31*	*9.57*	5.28	5.86	6.38	*6.90*	*7.25*	*7.65*
EE-L	*9.83*	*9.95*	*10.39*	2.98	2.82	2.62	*3.39*	*3.48*	*3.74*
EE-M	*18.42*	*18.41*	*19.08*	3.63	3.44	3.57	*7.81*	*8.08*	*8.56*
EE-N	*5.64*	*5.97*	*6.08*	2.29	2.50	3.06	*7.00*	*7.28*	*7.06*
EE-P	*1.94*	*2.27*	*2.51*	0.16	0.17	0.20	*0.83*	*0.97*	*1.08*
EE-Q	*1.80*	*1.93*	*1.99*	1.00	0.92	1.02	*2.80*	*2.88*	*3.06*
EE-R	*3.66*	*4.04*	*4.46*	0.58	0.66	0.77	*1.41*	*1.58*	*1.81*
LV-C	*8.89*	*8.67*	*8.87*	16.61	16.62	16.32	*18.20*	*17.92*	*17.66*
LV-F	*8.47*	*8.21*	*8.18*	6.18	6.40	7.18	*10.19*	*9.72*	*9.28*
LV-G	***20.00***	***19.13***	***18.46***	**47.70**	**44.41**	**42.21**	***21.90***	***21.78***	***21.54***
LV-H	*7.25*	*7.09*	*8.12*	7.20	7.97	7.86	*10.29*	*9.91*	*10.09*
LV–I	*3.36*	*3.24*	*3.22*	0.92	1.20	1.56	*4.50*	*4.78*	*4.94*
LV-J	*6.07*	*6.24*	*6.30*	3.87	4.00	4.38	*5.98*	*6.30*	*6.52*

Index	Structure of share (% of total)			Structure of enterprises by turnover (% of total)			Structure of enterprises by number of employees (% of total)		
Time	2021	2022	2023	2021	2022	2023	2021	2022	2023
LV-L	*10.23*	*9.96*	*9.77*	2.61	2.40	2.61	*4.29*	*4.34*	*4.31*
LV-M	*15.62*	*15.75*	*15.36*	3.26	3.09	3.39	*6.45*	*6.43*	*6.42*
LV-N	*5.55*	*5.56*	*5.51*	2.01	2.41	2.81	*5.70*	*5.87*	*5.96*
LV-P	*3.06*	*3.63*	*3.82*	0.22	0.23	0.27	*1.62*	*1.66*	*1.73*
LV-Q	*4.61*	*4.90*	*5.01*	1.05	0.96	1.03	*3.97*	*4.15*	*4.35*
LV-R	*4.11*	*4.89*	*5.05*	0.49	0.67	0.81	*1.52*	*1.78*	*1.82*
LT-C	*8.40*	*8.04*	*7.68*	23.08	23.59	20.96	*19.90*	*19.40*	*18.49*
LT-F	*12.81*	*12.96*	*12.77*	6.43	6.34	7.26	*10.73*	*10.85*	*10.78*
LT-G	***20.54***	***19.21***	***18.16***	**39.08**	**36.98**	**36.91**	***21.02***	***20.34***	***19.67***
LT-H	*10.44*	*10.80*	*10.97*	11.30	11.61	12.04	*14.43*	*14.36*	*15.02*
LT-I	*3.10*	*3.05*	*3.21*	0.95	1.13	1.31	*4.10*	*4.19*	*4.25*
LT-J	*4.28*	*4.38*	*4.54*	3.36	3.36	4.03	*4.10*	*4.48*	*4.68*
LT-L	*8.72*	*9.78*	*10.72*	1.65	1.53	1.67	*2.84*	*3.01*	*3.41*
LT-M	*14.47*	*14.33*	*14.35*	2.78	2.64	2.95	*6.70*	*6.87*	*6.82*
LT-N	*4.33*	*4.45*	*4.49*	2.84	2.72	2.95	*5.98*	*6.18*	*6.70*
LT-P	*5.94*	*5.95*	*6.07*	0.29	0.29	0.33	*1.76*	*1.86*	*1.94*
LT-Q	*1.77*	*1.78*	*1.76*	0.88	0.79	0.91	*2.85*	*2.93*	*3.07*
LT-R	*4.18*	*4.34*	*4.36*	0.45	0.51	0.60	*1.36*	*1.43*	*1.48*

Source: the author's own work [Statistics 7].

Due to the lack of adequate data for 2019–2020, we will limit the analysis to 2021–2023. The industry analysis was conducted by creating a structure of companies by selected industries, net turnover and employees. This choice of indicators allows us to determine how individual industries have weathered the instability – the pandemic and the Russian-Ukrainian war. Based on the data in Table 9, we can see that the indicators of industry (C), wholesale and retail trade (G), which had the largest shares, decreased in the Baltics. The indices of J, P, Q, N industries increased during the period. The rest of the 6 industries remained at a similar level for the period under review.

6. The impact of the pandemic and economic sanctions against the RF on the number of Baltic companies

We will present the changes in the volume of businesses according to the number of bankruptcies and newly registered enterprises quarterly between 2020 and 2023 (Tables 10 and 11). Tables 10 and 11 show that in the first quarter of 2020, the number of bankruptcies was higher than the number of new registrations, and in the second quarter of that year, the number of new registrations had the lowest values. This was related to the halt in business registrations due to the declared pandemic. By the end of 2020, the number of bankruptcies was higher than the number of new registrations. In the first quarters of 2021, the numbers of bankruptcies and new registrations reached similar levels and the situation stabilised, with the number of new registrations slightly higher than bankruptcies this year. However, in the first quarter of 2022, we see an increase in the number of bankruptcies and a slight decrease in newly registered companies. It is reasonable to believe that these changes resulted from the outbreak of the Russian-Ukrainian war on 24 February 2022. In the second half of 2022, the situation improved, but in the following quarters of 2023, the number of bankruptcies was again higher than the number of newly registered enterprises.

Table 10. Number of Baltic enterprise bankruptcies per quarter during the pandemic and Russian-Ukrainian war period 2020–2023

Kraj	EE	LV	LT
$Q_{1\text{-}2020}$	8971	7894	17055
$Q_{2\text{-}2020}$	11870	3982	11112
$Q_{3\text{-}2020}$	13867	5177	8179
$Q_{4\text{-}2020}$	12110	6856	9356
$Q_{1\text{-}2021}$	8371	4048	8386

Kraj	EE	LV	LT
$Q_{2\text{-}2021}$	10033	3621	10414
$Q_{3\text{-}2021}$	7149	3674	12464
$Q_{4\text{-}2021}$	6207	4955	12780
$Q_{1\text{-}2022}$	8955	3526	16870
$Q_{2\text{-}2022}$	7293	6002	15496
$Q_{3\text{-}2022}$	5895	6146	16488
$Q_{4\text{-}2022}$	6806	4384	12410
$Q_{1\text{-}2023}$	10145	3789	17208
$Q_{2\text{-}2023}$	12749	4844	16063
$Q_{3\text{-}2023}$	10944	4196	13762
$Q_{4\text{-}2023}$	8971	7894	17055

Source: the author's own work [Statistics 8].

Table 11. Number of newly registered companies of the Baltic countries during the pandemic and Russian-Ukrainian war period 2020–2023

Kraj	EE	LV	LT
$Q_{1\text{-}2020}$	8 074	5121	11567
$Q_{2\text{-}2020}$	689	3149	12582
$Q_{3\text{-}2020}$	7987	4837	14524
$Q_{4\text{-}2020}$	8031	4435	14640
$Q_{1\text{-}2021}$	8074	4417	15220
$Q_{2\text{-}2021}$	8153	4611	15278
$Q_{3\text{-}2021}$	8170	4526	13162
$Q_{4\text{-}2021}$	10417	4494	14466
$Q_{1\text{-}2022}$	7439	4011	14452

Kraj	EE	LV	LT
$Q_{2\text{-}2022}$	7247	4119	13915
$Q_{3\text{-}2022}$	7134	4584	13988
$Q_{4\text{-}2022}$	7447	4674	13191
$Q_{1\text{-}2023}$	7595	4652	14901
$Q_{2\text{-}2023}$	7656	4350	15249

Source: the author's own work [Statistics 8].

The analysis of the data on bankruptcies and newly registered enterprises shows that the instability resulting from the Covid-19 pandemic and the Russian-Ukrainian war had a negative impact on the number of enterprises – there was an increase in the number of bankruptcies and a decrease in the number of newly registered enterprises. After some time, in the case of the pandemic, the situation stabilised, which we do not see during the Russian-Ukrainian war, when in 2023 the number of bankruptcies was higher than the number of newly registered enterprises.

7. Conclusions

The Covid-19 pandemic and the lockdowns put in place had a negative impact on business operations. The amount of the lockdowns restrictiveness index had a weak correlation with the level of infection. The pandemic had four waves (maximum infection values) – the last wave, from the first quarter of 2022, had the highest infection values. The Covid-19 pandemic actually expired at the end of 2022, but the highest infection value (the fourth wave) was right around the time the RF invaded Ukraine – this accumulation of pandemic and war outbreak resulted in an apogee of instability. The restrictions put in place for the Covid-19 pandemic had an impact on Baltic companies – there was a significant drop in the number of newly registered companies in the second and third quarters of 2020.

The first quarter of 2022 saw the apogee of instability, with the largest fourth wave of infections passing through the countries, combined with the RF's open aggression against Ukraine on 24 February 2022. The introduced EU economic sanctions against the RF resulted in several drops in Baltic imports from the RF, but in the case of exports to the EU, the value drops were only 20% compared to 2021. The trend of changes in the structure of enterprises by employment was in the direction of growth of micro-enterprises and large enterprises by net turnover. The structure of enterprises by industry consisted of a contraction in industry (C) and retail trade (F) and growth in the IT and communication (J), education (P) and health (Q) industries. There was a significant increase in business bankruptcies in 2023, which threatens to put economies into recession.

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DOI: 10.15290/sup.2024.08.20

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STATISTICAL AND DEMOGRAPHIC SOURCES OF KNOWLEDGE ABOUT SMALL TOWNS – AN OUTLINE

Abstract

- *Goal* – The purpose of this paper is to review the selected statistical and demographic sources of knowledge about small towns based on selected Polish and European examples. Due to the limitations of this article, the text is an outline which requires further elaboration in other publications.
- *Research methodology* – The article is a review paper, so the applied method is desk research on the already existing sources supplemented by the author's own methodological experience.
- *Score/results* – The paper begins with the description of the basic divisions and typologies of sources in social research and then concentrates on existing sources, mainly public statistics in the context of small towns and local communities. It also describes simple methods of usage of basic demographic data stored in Local Data Bank to analyse the dynamics of demographic change in local communities or to prepare quota sample. It also discusses other data repositories provided by Statistics Poland (GUS) and (to lesser extent) Eurostat. In addition, the article proposes to use the results of other research, which, although originally intended for other purposes, may be indirectly relevant to the condition of small towns – studies in commuting within agglomeration.
- *Originality/value* – Although many researchers use data deposited in SP (GUS) repositories, such as the Local Data Bank, there is an apparent shortage of review papers on these issues with methodological inclinations. This article, although in outline form which will be developed in the future, may still help beginning researchers in their search and analysis of statistical sources about small towns and local communities.

Keywords: small towns, statistical sources, data repositories

1. Types of sources in sociological research

A "source" in sociological (or wider: social) research can regard, after Grzegorz Babiński, "any material object that makes it possible to formulate justified conclusions about social reality" [Babiński 1980: 65]. At the same time, the author pointed out the imperfection and imprecision of this definition, noting that in such an approach, a "source" could be almost anything created by man (the entirety of material culture). He eventually focused on texts in written form that record the behaviour or characteristics of individuals and groups. The sources used by social researchers can be divided into *primary* ("raw", unprocessed) and *secondary* (processed to varying degrees).

Primary sources include: diaries and letters, official documents, creative works (artworks, literature, music, etc.), interviews and oral histories, research reports, visual documentation[1]. Examples of secondary sources may include: textbooks, publications that interpret or review research works, literary criticism, reviews of legislation, political commentaries etc. Here, the sources may be selected, compiled, reviewed, interpreted, criticised, decomposed and recomposed, so they lose their primary (firsthand) character.

We can also distinguish between the already *existing sources* (not created by the researcher who uses them, the data were collected and processed by other researchers) and *primary data* or *induced sources*[2] (data collected directly from firsthand experience). The criterion for distinguishing the type of source depends on the role of the researcher – whether he or she participated in creation of the source. Moreover, when any form of selection is involved in the recording or preserving of the collected research material, the material ceases to be primary. It loses "rawness" and in some way is "contaminated" or biased, because it may omit elements that someone else might consider important or relevant [Daniłowicz, 1981: 46]

The methodological literature indicates that "secondary data does not result from firsthand research collected from primary sources, but are the already completed work of other researchers or data collected by an agency or organisation" [Conerly et al, 2021: 52]. We can also divide the existing sources according to the degree of detail and processing: raw/unprocessed vs. processed, e.g. completed survey or census questionnaires (paper forms or databases) vs. census or survey

[1] A comprehensive review of primary sources can be found on the website of Yale University, see: www 1.

[2] There is no good literal translation for the Polish term "*źródła wywołane*". The therm "*primary data*" is the closest in meaning to this concept, see: Babiński, 1980, p. 66

reports and publications [Babiński, 1980, p. 69]. The value of the source is determined by its relevance and credibility. The dimensions of source credibility have been usually identified to consist of *expertise* (or *competence*) and *trustworthiness* [Pornpitakpan, 2004: 244], as well as *good will* [Gass, 2015: 349]. The third axis of classification is the temporal dimension, basing on which, we can differentiate between historical and contemporary sources.

Speaking of statistical and demographic sources, I will focus mainly on *primary sources*, without forgetting that a social researcher's knowledge about small towns and local communities would be far from complete without acquainting with the existing published studies.

Using the previously mentioned criteria for the division of sources, I will see statistical sources[3] as the *existing sources*, and taking into account the temporal dimension, they could be both contemporary and historical sources.

2. Statistical sources of knowledge at national level – public statistics

I will begin the review of the selected sources with the most accessible ones, namely public statistics provided by the Statistics Poland (GUS)[4]. Just over a decade ago, it offered access only to the processed data published in the form of printed reports, bulletins, or yearbooks. A significant step forward in data accessibility was the launch of the Local Data Bank, which is the largest Polish database on the economy, society, and the environment[5]. A characteristic feature of this database is that it provides data processed only to the extent necessary to present it in tabular form for further independent use. However, when retrieving the desired information from numerous areas and territorial units, the researcher has to be patient, as all data must be downloaded manually.

The table below presents an example of a simple use of data obtained from the Local Data Bank. In this case, it features data comparing the number of inhabitants in two gminas[6] adjacent to the city of Białystok. The LDB includes data

[3] One could also argue about the definition of statistical sources, which, in the broadest sense, would mean nearly anything that can literally be counted and presented in tabular form.
[4] Statistics Poland is the official English name for the Polish national statistical office, which was formerly translated as Central Statistical Office.
[5] See: www 2.
[6] In this paper, I will consequently use the term '*gmina*', which represents the basic level of the three-tier administrative division in Poland. There is no suitable English equivalent for

from 1995, and at the time of writing this article, the most recent data covered 2023 (as of December 31). The data presented here allows us to track changes in the population of the specified gminas over 29 years.

Table 1. Population changes between 1995 and 2023 in selected gminas neighbouring Białystok

Unit name	Year		Difference 2023–1995 [person]	Difference 2023–1995 [%]
	1995	2023		
Choroszcz – gmina	12 272	18 083	5 811	47.35%
Choroszcz – urban area	5 132	6 089	957	18.65%
Choroszcz – rural area	7 140	11 994	4 854	67.98%
Supraśl – gmina	11 207	18 155	6 948	62.00%
Supraśl – urban area	4 552	4 332	-220	-4.83%
Supraśl – rural area	6 655	13 823	7 168	107.71%

Source: the author's own work based on data obtained from Local Data Bank, Statistics Poland (GUS).

As we can see, during the analysed period there was a significant increase in the number of inhabitants in both gminas, especially in rural areas. In the case of the gmina Supraśl, the rural population has doubled. The explanations for this phenomenon are easy to find. Since these gminas border a large city like Białystok, the increase in their population is driven by suburbanisation processes, which involve significant groups of inhabitants moving from the centre of the agglomeration to its outskirts – neighbouring gminas. These simple operations (and many more) on local data can be performed for any territorial unit in Poland. Because of accessibility and simplicity in processing, many researchers reach for such data to conduct analyses and draw their own conclusions. Such analyses mainly concern demographic factors and economic indicators or functional changes within agglomerations [Bogdański, 2021], [Majdzińska, 2022], [Wesołowska, Jakubowski, 2018], [Wiśniewski, 2012], [Wołyniec, 2019].

this word, so '*gmina*' is used in official Statistics Poland documents published in English. The closest word to '*gmina*' is 'municipality', but it does not cover the diversity of territorial units at the basic level. It rather suggests urban units, without sufficiently focussing on rural-urban and rural ones. As of 1 January 2025 there are 2479 gminas Poland (including 302 urban gminas, 718 urban-rural gminas and 1459 rural gminas), see: www 3.

Another example of a simple and useful application of the data contained in the LDB is obtaining the "demographic base" to prepare a quota sample for the local community. Due to personal data protection laws (GDPR), obtaining data to prepare a reliable sampling frame (the list of units or elements within the population on the basis of which we conduct random sampling) becomes problematic and quite expensive. Meanwhile, a well-prepared quota sample (a popular variant of non-probabilistic sampling) under certain conditions can be successfully used as a substitute for probabilistic sampling. A quota sample, which reflects the structure of gender, age and territorial distribution of the population, can be considered "representative" (It best represents the population structure among non-probabilistic samples), although abandoning random sampling results in certain limitations of statistical inference. Nevertheless, quota sample is the non-probabilistic equivalent of the stratified random sample.

Tables below show the simplest method for preparing quota sample for any Polish territorial unit (gmina, powiat, voivodeship) in less than thirty minutes, basing on LDB data and spreadsheet (Excel, Calc or similar software). The first step involves obtaining the data from LDB and exporting it to *.xls file. After few modifications of the table we receive the structure of the population by gender and age (Table 2).

Table 2. Structure of adult population in Choroszcz in 2023

Age cohorts (groups)	Gender		Total by age
	males	females	
18–19	50	55	105
20–24	141	149	290
25–29	172	141	313
30–34	197	189	386
35–39	229	252	481
40–44	260	242	502
45–49	267	240	507
50–54	229	212	441
55–59	189	169	358

Age cohorts (groups)	Gender		Total by age
	males	females	
60–64	211	185	396
65–69	166	225	391
70 and more	289	490	779
Total by gender	2400	2549	4949

Source: the author's own work based on data obtained from Local Data Bank, Statistics Poland (GUS).

The second step is to calculate the proportions of each gender-age cohort in relation to the total population of the territorial unit (here a town) This can be written as fraction or percentage (Table 3).

Table 3. Proportions of gender-age cohorts in relation to total adult population in Choroszcz

Age cohorts (groups)	Gender		Total by age
	males	females	
18–19	1.01%	1.11%	2.12%
20–24	2.85%	3.01%	5.86%
25–29	3.48%	2.85%	6.32%
30–34	3.98%	3.82%	7.80%
35–39	4.63%	5.09%	9.72%
40–44	5.25%	4.89%	10.14%
45–49	5.40%	4.85%	10.24%
50–54	4.63%	4.28%	8.91%
55–59	3.82%	3.41%	7.23%
60–64	4.26%	3.74%	8.00%
65–69	3.35%	4.55%	7.90%
70 and more	5.84%	9.90%	15.74%
Total by gender	48.49%	51.51%	100.00%

Source: the author's own work based on data obtained from Local Data Bank, Statistics Poland (GUS).

The final step is to multiply the proportions of the gender-age groups by the sample size assumed by the researcher (in this example it is 500). The obtained numbers should be rounded to integers (Table 4). In some cases, in the column "total by age group" the value does not correspond to the sum of the number of men and women in that age group. This is due to rounding separately for gender groups and separately for the sum of men and women in a given age group. The resulting matrix table indicates exactly how many individuals from each gender-age group should be invited to the survey so that the sample reflects the population structure by gender and age.

Table 4. Quota sample by age-gender cohorts for the town Choroszcz

Age cohorts (groups)	Gender		Total by age
	males	females	
18–19	5	6	11
20–24	14	15	29
25–29	17	14	31
30–34	20	19	39
35–39	23	26	49
40–44	26	25	51
45–49	27	24	51
50–54	23	21	44
55–59	19	17	36
60–64	21	19	40
65–69	17	23	40
70 and more	29	50	79
Total by gender	241	259	500

Source: the author's own work based on data obtained from Local Data Bank, Statistics Poland (GUS).

This type of survey sampling is commonly used by various researchers due to its simplicity and low cost. Moreover, the data as shown in this example may be used to prepare a post-stratification weights when random sample does not reflect the distribution of some known variables in the population [Glasgow, 2005], e.g. the fractions (proportions) of gender-age cohorts in the sample significantly differs from those in the population. In such case, it is necessary to use a precise population structure (e.g., obtained from the LDB) to calculate post-stratification weights in statistical software (e.g. SPSS or R), which will adjust the distribution of key variables in the sample to match the population characteristics.

A major help in navigating SP (GUS) data was the launch of the API (*application programming interface*). This term refers to "the method of communication between IT systems that simplifies the automatic selection and retrieval of data. By enabling data to be easily imported into one's own IT environment, the efficiency of data processing and the creation of applications, analyses, and visualisations is improved" [GUS, 2025a]. Currently SP offers seven API services that allow efficient navigation through its databases. Additionally, the website https://dane.gov.pl provides various datasets (including demographic ones) for independent download and usage. Although using an API requires some IT skills and knowledge, for researchers already familiar with this, it simplifies and automates the process of data retrieving for further processing and presentation in tabular or graphical form (charts, maps).

Among the APIs available from SP, the following can be distinguished:

- Publication Data Store [Składnica Danych Publikacyjnych]: Provides access to the full informational scope of public statistics, including data and metadata in a consistent data structure, which can be browsed by variables and indicators.
- Knowledge Databases [Dziedzinowe Bazy Wiedzy]: A statistical data platform offering access to a wide set of continuously updated socio-economic and the environmental information.
- REGON: A continuously updated database of information about entities in the national economy.
- TERYT: Contains current and archival information about the territorial division of the country, including territorial units, localities, and streets.
- Local Data Bank [Bank Danych Lokalnych]: The largest database in Poland on the economy, society, and the environment.
- SDG Platform [Sustainable Development Goals]: Used to monitor the sustainable development goals of the 2030 Agenda.
- STRATEG System: Supports the process of monitoring development and evaluating the outcomes of actions taken within the framework of cohesion policy. It presents indicators for measuring the objectives outlined in Poland's and the EU's strategic and programmatic documents.

If the researcher needs only a limited number of variables and territorial units for comparisons, using an API may not be practical and necessary. However, when analysing larger sets of variables and territorial units (e.g., comparing all gminas[7] in the country), the use of API can yield significant benefits by reducing the time required for data retrieval and aggregation.

Thanks to data obtained from SP APIs portals like *Polska w liczbach*[8] operate, offering tabular and graphical data visualisations. However, these are not official sources of statistical information, because they are a private initiative. It is also more difficult to verify their reliability and credibility due to the very limited methodological description and usually no review and external supervision.

3. Eurostat and DEGURBA

Eurostat, the statistical office of the European Union based in Luxembourg, is responsible for producing European statistics in line with the established rules and principles. Its mission is to deliver high-quality statistical information to the European Union, facilitating meaningful comparisons between countries and regions. Each EU Member State designates a National Statistical Institute (NSI) to oversee and coordinate all national-level activities related to the development, production, and dissemination of European statistics. The NSI also serves as the primary contact point for Eurostat on statistical matters [GUS, 2025b].

Parallel to Eurostat's and national statistical offices' publications, some other documents of the European Institutions may be interesting and useful in the context of (small) towns analysis, e.g. technical papers created tor usage by EU's agencies [Lecomte, Dijkstra, 2023].

In order to make international comparisons, strict terminology should be used, as different countries may have various definitions of rural areas, towns and cities for historical and cultural reasons.

In one of the papers about small towns in the European Union we can read that "Without a clear pan-European definition of a town, it is impossible to assess their importance or role in regional development. Fortunately, the Degree of Urbanisation (DEGURBA) level 2, as endorsed by the UN Statistical Commission

[7] The basic unit of the administrative division in Poland is called "gmina".
[8] See: www 4.

in 2020, includes a simple and clear definition of two types of towns: dense and semi-dense towns (…). The Degree of Urbanisation relies on different types of 1 km^2 grid cell clusters. By definition these clusters are independent from any existing administrative unit" [Lecomte, Dijkstra, 2023: 2].

The *Degree of Urbanisation* identifies the following types of settlements:

- Cities, which have a population of at least 50,000 inhabitants in contiguous dense grid cells ($>$1,500 inhabitants per km^2);
- Dense towns, with a density of more than 1 500 inhabitants/km^2 and a population between 5 000 and 50 000;
- Semi-dense towns within a population over 5000 and a density of at least 300 inhabitants/km^2 provided they are located at more than 2 km from cities or from dense towns and are not contiguous with a city or dense town;
- Rural areas, which consist mostly of low-density grid cells ($<$300 inhabitants per km^2). [Lecomte, Dijkstra, 2023: 2], [Dijkstra et. al., 2020].

The methodological principles of this classification are presented in a special handbook, which precisely describes the rules of procedure that allow international comparisons [Eurostat, 2021].

While there is no strict statistical distinction between "town" and the "city", here it is assumed that a "town" is a unit with a population between 5 000 and 50 000 inhabitants, while larger ones fall into the category of "city". It is worth noting that most Polish researchers consider a small town to be one with population lower than 20 000. What is more, the DEGURBA framework does not consider as "towns" units with population below 5 000, thus many smallest towns are excluded. This is important because, according to the DEGURBA criteria, not political or cultural factors but demographic ones (such as population and density) on a square kilometre grid determine the classification of the area.

As the authors of the mentioned paper noted, regional centres are mostly cities. About half of cities in EU are regional centres and only about 4% of towns are one of them. They are mostly located in remote areas [Lecomte, Dijkstra, 2023: 15]. In 2018 about 21,4% of EU population lived in towns (5 000–50 000 inhabitants) [Lecomte, Dijkstra, 2023: 5].

The factors considered by the authors in their analysis of European towns and cities are:

- Population density
- Access to primary schools
- Access to healthcare (average time to the nearest healthcare facility)

- Access to public transport
- Passenger rail performance and road performance
- Towns as regional centres

The differences between EU countries considering the enlisted factors are often significant. These kinds of papers were created directly to assist European institutions in their internal policy, identifying areas of special concern and facilitating these institutions to focus on cohesion policy. Nevertheless, such comparisons between Member States or regions provide insights into the situation and condition of local communities, identifying more- or less-developed areas and those on the verge of exclusion. It is therefore a useful source of information for the social researchers.

4. Studies on commuting within agglomerations – integrating own research with secondary data analysis

Studies on commuting to work within agglomerations and regions are particularly interesting from the perspective of understanding the condition of small towns and local communities. While such studies primarily focus on the attractiveness of the central city as a destination for car commuters, they also provide valuable insights into the gminas that serve as sources of these commutes and, potentially, small towns located within them. This is therefore indirect inference.

For gminas adjacent to a large city, suburbanisation is a significant process stimulating the frequency of commutes. However, in such studies, it is not feasible to rely solely on the *existing data*. For some time, commuting to work fell out of the focus of public statistics, but this changed when SP resumed such studies in 2006, utilizing for analysis data from the POLTAX tax system [Kruszka, 2010]. The 2011 Census also included questions on commuting to work [GUS, 2014], as did the most recent edition in 2021 [GUS, 2024].

In the meantime, in 2016, SP conducted a separate study on commuting, providing results on both national and regional scale. Basing on this data, other researchers carried out their own analyses and comparisons. Particularly noteworthy is the work of R. Szmytkie and D. Sikorski, who focused on the role of small towns (with populations of up to 20 000) within the commuting system. Among other findings, they observed that over the years, the number of gminas serving as places of residence has gradually increased, while the number of units functioning as workplaces has declined [Szmytkie, Sikorski, 2022]. Although the researchers focused on commuting to the agglomeration centre, their findings may be useful from the perspective of studying the condition and role (function) of small towns in the regional and national settlement network.

In situations where "external" statistical data is lacking (as it was until the mid-2000s), researchers often turn to alternative methods, frequently conducting their own surveys. This approach was adopted by the authors of a comparison of commuting models in Warsaw and Białystok. On the one hand, they used data collected in the Warsaw Traffic Survey from 2005[9], and on the other, they referred to SP (GUS) commuting studies from 2006, while also adopting their own questionnaire [Rosik et al., 2010]. Thus, it is possible to effectively use both existing and primary ("induced") data, considering the limitations within each and the availability of data collection methods. While the purpose of the previous studies may have been different, a secondary analysis of such sources may provide relevant conclusions.

5. Conclusions

The article outlines the selected statistical and demographic sources about small towns, focusing on contemporary ones and on those available in electronic form of digital repositories. Although statistical and demographic yearbooks are still being published, in most research situations it will be more convenient to use the Local Data Bank or another statistical database. Moreover, the retrieval of such data can be further accelerated and automated by using API. A noteworthy conclusion is certainly to highlight the possibility of combining research perspectives and using primary and secondary sources as well as induced and existing sources. Even if the purposes behind the development of the latter were different from ours, their analysis can still provide us with useful information.

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Studia Sieci Uniwersytetów Pogranicza | 2024 | 8
DOI: 10.15290/sup.2024.08.21

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THE DIVERSITY OF EU MEMBER STATES IN TERMS OF TECHNOLOGICAL COMPETITIVENESS IN 2019 AND 2022

Abstract

- *Goal* – The aim of the paper is to evaluate the diversity of EU member states in terms of technological competitiveness in 2019 and 2022 and to assess relationships between technological competitiveness and eco-innovativeness. Three research questions were developed: did technological competitiveness deteriorate due to pandemic? Does technological competitiveness influence eco-innovativeness of EU countries? Do external or internal sources of technological competitiveness contribute to the higher level of eco-innovativeness?
- *Research methodology* – Hellwig's method was used to rank EU countries on their technological competitiveness with division to classes of objects with similar features. Relationship between technological competitiveness and eco-innovativeness was researched with the use of Spearman's correlation coefficient and the influence of technological competitiveness' single variables on eco-innovativeness was assessed.
- *Score/results* – The technological competitiveness of EU member states remains below the average level, but it has improved in the analysed period. A strong positive relationship between technological competitiveness and eco-innovations in 2019 has decreased to a moderate level in 2022. A strong correlation was found between patent applications to the EPO and the level of eco-innovativeness of EU countries.
- *Originality/value* – The originality of paper is represented by the chosen research method and the set of diagnostic variables. The value of the research results is associated with identifying features fostering eco-innovativeness which can be strengthened by innovation policy.

Keywords: technological competitiveness, eco-innovation, European Union, Hellwig's method.

1. Introduction

Technology plays a crucial role in the modern highly globalised and competitive world. Recent decades have brought a rapid growth in technological development influencing the economy, society and environment. Due to this, companies must have adapted their business models to a new environment, where a struggle to achieve a competitive advantage owing to technology becomes fierce. To build and restore such technological advantage firms must adopt and create new technologies in order to outstrip the competition and enlarge market share [Saura, Skare, Riberio-Navarrete, 2022: 172–175].

Pursuit for technological advancement also applies to economies, intense competition among nations for technological supremacy can be observed. Investments in research and development, implementation of new technologies and adaptation to technological changes are essential to ensuring long-term economic growth and improving the quality of life. Technological change is accelerating rapidly and countries which highly support and invest in technology's development achieve higher competitiveness and better positions in the international division of labour [Weresa, 2019: 52].

Nowadays shifting towards a more sustainable socio-economic development has become a key priority for many countries. The sustainable development paradigm changes the competition between economies, because it introduces new criteria and goals that go beyond traditional economic indicators. It is associated with a fundamental change in economic activity and requires a transformation towards the "green economy". Eco-innovation can be regarded as a tool supporting the implementation of sustainable development at the enterprise, society and state levels contributing to the achievement of economic and environmental benefits [Urbaniec, 2015: 179].

The aim of this paper is to assess the technological competitiveness of EU member states in 2019 and 2022, as well as to evaluate the interdependencies between their technological competitiveness and eco-innovativeness. Three research questions were developed: did the technological competitiveness of countries deteriorate due to pandemic? Do countries representing higher technological competitiveness have higher competitive positions in terms of eco-innovativeness? Do external or internal sources of technological competitiveness contribute to the higher level of eco-innovativeness? The research methods included: literature review, Hellwig's method to assess technological competitiveness, Spearman's and Pearson's correlation analysis to study relationships between technological competitiveness and eco-innovativeness.

2. Technological competitiveness – review of literature

Technological competitiveness has arisen from the concept of competitiveness, which has undergone a significant transformation – from a narrow focus on costs and productivity to a broad consideration of more complex factors such as innovation, human capital, quality of institutions, as well as social and environmental aspects. Research on competitiveness has started from the concept of price and quality competitiveness representing input approach, and further has evolved to the output approach visible in assessment of outcome competitiveness and achievement of beyond-GDP goals in the context of a more socially inclusive and environmentally sustainable path [Aiginger, Barenthaler-Sieber, Vogel, 2013: 9–14].

Most recent researchers agree, that competitiveness relates to country's ability to improve economic growth and development, but an increase in the living standards and prosperity can be achieved using different instruments. For Porter, "the only meaningful concept of competitiveness at the national level is productivity. A nation's standard of living depends on the capacity of its companies to achieve high levels of productivity – and to increase productivity over time" [Porter, 2008: 176]. Considered as the state of the art, Porter's concept of competitive advantage of nations and its model extensions had a significant impact on the perception of competitiveness for decades [Zargartalebi, 2021: 73]. Despite the criticism from Krugman [1994], that non-competitive economies with low trade ratios don't collapse, Porter's concept has became a reference point for many contemporary analyses searching to obtain empirical evidence. Moreover, competitiveness is considered as a driver of economic growth rather than a fundamental requirement for its survival, in contrast to companies [Woźnicki, Gawlik, 2024: 1413].

Relating to a neo-Schumpeterian approach appreciating the importance of innovation and technology, Porter has recently stated that country's long-term competitive position depends on creation of new ideas and their commercialisation [Weresa, 2019: 52]. Also Posner has seen in technological potential the source of country's competitiveness. Kolodko has noticed, that knowledge-based economies compete using technology and human capital, which can be regarded as technological competitiveness. Technology has a beneficial impact on efficiency and effectiveness, while knowledge – a scarce factor in developing countries – enables creation and diffusion of new ideas [Woźnicki, Gawlik, 2024: 1414–1415].

Technological competitiveness is a relatively new concept in economic studies and no generally accepted definition has been developed. Fagerberg has defined technological competitiveness as the ability to develop technological efficiency in a world of changing technologies. In foreign literature, Porter and Stern, as well as Porter and Roessner, have conducted studies on technological competitiveness. According to Yglesias the increase in competitiveness stems from a country's capacity to develop, adopt and export technologies. The author proposed a factoral model of technological competitiveness, where input factors comprise socioeconomic infrastructure, national orientation, productive capability and technological infrastructure. In Polish literature, Wysokińska and Zielińska-Głębocka have paid attention to science, technology and innovations as determinants of state's technological competitiveness [Wosiek, 2019: 231–232].

Technological competitiveness for many researchers indicates the general ability of new goods and services to compete effectively in the markets. The concept of technological competitiveness can be defined as a long-term capacity to establish internal economic conditions facilitating the adoption of new knowledge and existing technologies – including their creation and development – to enhance the state's technological potential [Molendowski, Nawracaj-Grygiel, Ulbrych, 2024: 10]. The sources of this technological potential are: technological innovation, knowledge, information and communication technologies and transport infrastructure [Wosiek, 2019: 232].

Howells perceives the country's scientific and technological competitiveness as its ability to create and sustain competitive advantages in the creation, diffusion and implementation of new knowledge, created with the use of its scientific and technological capacity in the context of globalisation. Competitive differences among countries result from differences in technological capabilities – economies differ in terms of their ability to absorb, adapt and use technology to increase efficiency and productivity [Matyushenko et al., 2021; 150]. Technological competitiveness is a less commonly explored topic of research, especially in the context of developing countries. Moreover, developed economies take the lead in creation and usage of the most innovative technologies in industry 4.0 and industry 5.0, while emerging economies have more limited knowledge and technology, which allows differentiation in industry 2.0 and industry 3.0. In developing countries, public policy on science, technology and innovation requires substantial improvement, as it fails to significantly increase their economic development. Furthermore, the lack of financing programs providing the necessary impetus and direction for technological advancement and insufficient cooperation between the government and society, business and the education sector constitute another two major sources of technological gap [Álvarez-Aros, Bernal-Torres, 2021: 1–20].

Technological competitiveness is the ability to innovate, as well as to increase efficiency and reduce costs. It improves the technological advancement of the country's export performance by providing differentiated products of higher quality on international markets [Bierut, Kuziemska-Pawlak, 2016: 5–6]. Technological competitiveness can also be seen through a prism of innovative ability (potential) and adaptive capacity or more broadly as the ability to produce new technical knowledge or develop new economically useful technologies. Most studies on technological competitiveness focus on technological innovation or associate it with productivity [Weresa, 2019: 53–54].

The determinants of technological competitiveness include [Woźnicki, Gawlik, 2024: 1415–1416]:

- productivity, which depends on technological potential and innovation;
- ICT capabilities, but there is not enough empirical evidence found;
- high technological level of exported goods because technologically advanced countries tend to export more technologically advanced goods;
- patent activity and scientific publications.

According to the European Commission, technological competitiveness is the capacity of a national economy to achieve sustained economic growth, enhance productivity and improve prosperity through technological and innovative development. A high level of education; an innovative infrastructure, including high-quality research institutions; investment in research and development; high levels of competition; extensive cooperation between universities and industry; protection of intellectual property rights and access to venture capital and finance constitute favorable conditions for innovation. Technological competitiveness influences the dynamics of foreign trade and supports industrial modernisation [Matyushenko et al., 2021: 150].

Many studies have been carried out on the subject of technological competitiveness at the micro level, which have shown that innovations driven by internal R&D activities contribute significantly to economic development. Corporations must conduct identification of needed technologies, assessment of available technological options and integration of new technologies into production processes. Moreover, innovations can become an input in other innovation processes leading to the diffusion of innovation in particular sectors. High level of competition on the market may favor the transfer of technology through foreign capital flows, but opportunities arising from external relations can be discounted by companies representing higher absorption capacity, which conducted research and development investments previously [Diaconu, 2011: 132–133].

Also Yoon and Kwon have examined interdependencies between companies' technological competitiveness and their technological and non-technological innovative activities. Their research has shown, that product and process innovations tend to positively impact technological competitiveness, while marketing and organisational activities may complement technological innovation competitiveness supporting adaptation to external environment and securing survival [Yoon, Kwon, 2023: 1–19].

The aforementioned definitions can be synthesised as follows: technological competitiveness relates to economy's capabilities in science, research and development and export of technologically advanced goods [Woźnicki, Gawlik, 2024: 1416]. It can be concluded, that technological competitiveness is an important foundation of economic competitiveness. An increase in the level of technological competitiveness of the state means a simultaneous increase in the level of its international competitiveness, while the reverse relationship does not have to be observed [Wosiek, 2019: 232].

Various indicators are used to measure technological competitiveness, such as the share of high-tech patents in the total number of patents granted, the revealed technological advantage (RTA) index and the world market share of high-tech exports [Weresa, 2019: 57–59].

We can distinguish technological competitive position and technological competitive ability. The results in international trade in technologically advanced goods and services, as well as the results of R&D activities and human capital resources in the form of knowledge are the core of assessment of state's technological competitive position. In turn, technological competitive ability refers to factors affecting technological competitive position [Wosiek, 2019: 232].

3. Research methodology

Many authors assess the level of competitiveness using synthetic measures obtained from the partial diagnostic variables [Cheba, Szopik-Depczyńska, 2019: 142]. Synthetic measures enable the analysis of complex phenomena influenced simultaneously by many factors and the comparison of objects described by many measurable variables. To measure the technological competitiveness of EU member states, the author chose to use the Hellwig's method of linear ordering. Introduced in 1968, it belongs to the methods of multidimensional comparative analysis [Bąk, 2016: 24–26]. The classical Hellwig's method and its modifications have been applied in the analysis of: socio-economic development, sustainable development, and quality of human capital in the EU [Roszkowska, Filipowicz-Chomko, Łyczkowska-Hanćkowiak, Majewska, 2024: 2]. It involves the following stages [according to: Skrodzka, 2016: 114–115]:

- Stage 1: Selection of indicators based on substantive and statistical reasons.
- Stage 2: Identification of the type of indicator (stimulant, destimulant, nominant).
- Stage 3: Normalisation of the values of indicators using standardisation.
- Stage 4. Determination of development pattern z_0.
- Stage 5. Calculation of the distances (d_{i0}) of i-th object from the ideal development pattern using the classical Euclidean distance measure
- Stage 6. Calculating Hellwig's measure H_i for the i-th object
- Stage 7. Linear ordering of objects according to descending values of synthetic measure H_i.

H_i is a normalised measure, which ranges typically from zero to one. A greater value of the synthetic measure corresponds to the higher level of a complex phenomenon and a higher ranking position. If H_i takes negative values, it signifies that the analysed object is definitely worse than others.

In this paper, the author assumed that technological competitiveness is the result of the ability of a given country to compete in technology and its competitive position in the international arena. Economies achieving higher technological competitive position will represent higher capacity for competition in technology. Indicators were extracted from the Eurostat, the Conference Board, Elsevier Scopus and the World Bank. Research period covered year 2019 and 2022 due to lack of latest data (in case of 3 variables indicators for 2023 were not available). It enabled the comparison of situation before the pandemic, after several years of prosperity and development, with effects of economic downturn caused by limitation of business activity and reduction of domestic demand due to SARS-CoV-2 disease.

Bearing on the literature review, availability of data and comparability purpose, 10 variables were selected and descriptive statistics were calculated. The exclusion of a given feature from the set was possible if the variability level was below 10%. Based on variability levels, there was no need to eliminate any indicator from the set. Then, the correlation indices of variables was calculated – a matrix of Pearson's correlation coefficients was determined. The inverse correlation coefficient matrix method was used [Młodak, 2006]. If the chosen indicators create too much exact interdependencies, its diagonal elements are greater than 10. In the presented study no significant correlation between the features was found [Cheba, Bąk, Szopik-Depczyńska, 2020: 1405–1406]. The set of diagnostic variables used in the research is presented in Table 1.

Table 1. Diagnostic variables describing technological competitiveness of EU member states in 2019 and 2022

Symbol	Variable	Type of variable	Year	Minimum value	Maximum value	Mean	Coefficient of variation (%)
X1	Share of researchers in total employment (%)	stimulant	2019	0.23% Romania	1.63% Finland	0.92%	41.44%
			2022	0.25% Romania	2.08% Sweden	1.04%	43.70%
X2	Persons with tertiary education and employed in science and technology (%)	stimulant	2019	9.1% Italy	26.5% Luxembourg	15.46%	26.73%
			2022	9.3% Italy	29.5% Luxembourg	17.21%	27.24%
X3	Government's expenditure on R&D (% of GDP)	stimulant	2019	0.01% Malta	0.42% Germany	0.18%	54.19%
			2022	0.01% Malta	0.37% Germany	0.18%	54.50%
X4	Business sector's expenditure on R&D (% of GDP)	stimulant	2019	0.17% Latvia	2.44% Sweden	1.06%	64.93%
			2022	0.29% Romania	2.56% Sweden	1.11%	61.56%
X5	Patent applications to the European Patent Office by applicants' country (per mln inhabitants)	stimulant	2019	2.06 Romania	669.35 Luxembourg	142.59	124.00%
			2022	2.42 Romania	526.72 Luxembourg	147.34	115.06%
X6	Exports of high-tech products (% of total exports)	stimulant	2019	4.6% Cyprus	38.57% Ireland	12.21%	61.58%
			2022	4.97% Greece	42.46% Ireland	12.06%	70.24%
X7	Imports of high-tech products (% of total imports)	stimulant	2019	6.88% Cyprus	39.18% Ireland	13.47%	47.18%
			2022	6.98% Cyprus	26.65% Malta	12.50%	40.30%
X8	FDI inflow (% of GDP)	stimulant	2019	-13.67% Netherlands	252.92% Luxembourg	28.51%	244.31%
			2022	-360.35% Luxembourg	126.28% Malta	-5.54%	1350.04%
X9	Number of scientific publications (per million inhabitants)	stimulant	2019	601 Bulgaria	4352 Denmark	2025.5	45.92%
			2022	736 Bulgaria	5170 Denmark	2501.7	44.22%
X10	Total factor productivity growth (%)	stimulant	2019	-4.6% Ireland	1.9% Latvia	0.2%	771.13%
			2022	-5.1% Estonia	3.5% Portugal	0.4%	492.06%

Source: the author's own elaboration.

Among the included variables there are features describing human capital, as well as research and development activities which constitute the essential elements of country's technological potential. Imports of high-tech products and inflow of foreign direct investments represent external sources of technology transfer. Patent applications, scientific publications and exports of high-tech products reveal how well technological potential transforms into technological advantage. Total factor productivity (TFP) measures growth of productivity attributed to technological progress, which cannot be explained by capital accumulation or increased labor input. Changes of TFP may reflect pure technological change, spill-over effects, enhancements in managerial practices or a shift toward knowledge-intensive production. However, economies of scale, imperfect competition, fluctuations in input prices, brand reputation or measurement errors may also explain growth of TFP [Zielińska, 2018: 357–358].

4. Technological competitiveness of EU member states in 2019 and 2022

Table 2 presents the ranking of EU countries in terms of technological competitiveness in 2019 and 2022, measured by the values of the synthetic measure.

Classifications of EU countries in 2019 and 2022 are very similar. Comparing individual results, it turns out that 14 member states have improved their positions in the ranking, 7 member states have dropped in classification, while 6 of them have stable positions.

It can be observed that the values of synthetic measures slightly increased in the analyzed period in case of most objects. Only 2 countries (Luxembourg and Estonia) experienced a decrease of their technological competitiveness measured by the values of synthetic measures. The EU average H_i has increased from 0.210 to 0.260.

In 2019, one member state recorded the value of synthetic measure above 0.4 and 8 member states achieved the score equal or higher than 0.3. In 2022, there were 5 countries with the result of synthetic measure above 0.4, while 11 countries scored above 0.3. Those observations may point to the conclusion, that pandemic did not worsen the technological potential and position of EU member states.

Despite that, the values of synthetic measures are relatively low – far from maximum possible result. It signifies, that member states attained very differentiated results in particular dimensions characterizing their technological competitiveness. It can correspond to the general statement, that the European Union loses in technological competition with other countries like USA, China or Japan.

Table 2. Ranking of EU member states by their technological competitiveness in 2019 and 2022

Rank	Country	Value of synthetic measure of technological competitiveness in 2019	Rank	Country	Value of synthetic measure of technological competitiveness in 2022
1	Luxembourg	0.425	1	Netherlands	0.484
2	Netherlands	0.382	2	Sweden	0.472
3	Sweden	0.360	3	Ireland	0.457
4	Germany	0.325	4	Belgium	0.436
5	Austria	0.311	5	Denmark	0.419
6	Denmark	0.309	6	Austria	0.398
7	Finland	0.301	7	Finland	0.397
8	Belgium	0.300	8	Germany	0.382
9	France	0.288	9	France	0.328
10	Czechia	0.279	10	Czechia	0.317
11	Ireland	0.263	11	Slovenia	0.308
12	Hungary	0.226	12	Hungary	0.266
13	Slovenia	0.213	13	Malta	0.262
14	Estonia	0.200	14	Spain	0.220
15	Malta	0.178	15	Portugal	0.218
16	Lithuania	0.141	16	Greece	0.193
17	Portugal	0.135	17	Estonia	0.193
18	Spain	0.133	18	Poland	0.176
19	Cyprus	0.124	19	Croatia	0.162
20	Italy	0.116	20	Italy	0.157
21	Greece	0.113	21	Lithuania	0.149
22	Slovakia	0.110	22	Cyprus	0.134
23	Poland	0.109	23	Slovakia	0.128
24	Croatia	0.106	24	Latvia	0.108
25	Latvia	0.103	25	Bulgaria	0.104
26	Bulgaria	0.073	26	Luxembourg	0.089
27	Romania	0.037	27	Romania	0.057
	EU average H_i	0.210		EU average H_i	0.260

Source: the author's own elaboration.

The highest level of technological competitiveness in 2019 was achieved by: Luxembourg, Netherlands, Sweden and Germany. Those states have recorded very high number of patent applications to the EPO per million inhabitants and quite high number of scientific publications per million inhabitants despite the negative rates of TFP growth.

The average level of technological competitiveness was represented by 20 member states. Nine objects were classified in class II (above EU average H_i): Austria, Denmark, Finland, Belgium, France, the Czech Republic, Ireland, Hungary and Slovenia. Only 3 new member states attained higher than average, but medium level of technological competitiveness. The Czech Republic, Hungary and Slovenia recorded positive growth rates of TFP and relatively high share of high-tech products in their imports and exports. Hungary was also quite attractive for the inflow of FDI in 2019.

Class III included eleven objects, the synthetic measures of which were below EU average H_i. The group was formed by mostly new member states and southern countries: Estonia, Malta, Lithuania, Portugal, Spain, Cyprus, Italy, Greece, Slovakia, Poland and Croatia. Technological competitiveness of PIGS countries was characterized by their low attractiveness for the inflow of FDI in 2019, and the shares of high-tech imports and exports in total trade were below the EU average, slightly above minimum values.

Latvia, Bulgaria and Romania were classified in class IV. Each country achieved positive growth rate of TFP, but they represented one of the lowest in EU levels of expenditures on research and development activities, both public and private. Moreover, numbers of scientific publications per million inhabitants were very low, inflow of FDI, high-tech imports and exports represent their additional weaknesses in terms of technological competitiveness.

In 2022, the Netherlands, Sweden, Ireland, Belgium, Denmark and Austria attained the highest level of technological competitiveness among EU member states. The leader in classification – the Netherlands – stands out with a high number of patent applications to the EPO per million inhabitants, quite a high number of scientific publications per million inhabitants and a positive TFP growth rate. Sweden, except for high inflow of FDI, has high potential represented by researchers and well educated employees in science and technology, which transforms into a high number of patents and publications. Ireland records high technological advancement of imported and exported goods, as well as a high TFP growth rate.

The average level of technological competitiveness was attained by 17 member states. There are 7 objects in class II: Finland, Germany, France, the Czech

Republic, Slovenia, Hungary and Malta. Technological competitiveness of the Czech Republic, the best new member state, is based on high public expenditure on research and development, as well as high shares of high-tech products in total imports and exports. Measures including private spending on R&D and FDI inflows as a percentage of GDP exceeded the EU average. Malta's upgrade in 2022 can be explained by the transfer of technology through direct and indirect channels (FDI and high-tech imports) and a relatively high share of high-tech products in exports.

The countries classified in class III included: Spain, Portugal, Greece, Estonia, Poland, Croatia, Italy, Lithuania, Cyprus and Slovakia. Poland represents weak potential in terms of human capital in research, science and technology and spending on R&D, but has achieved higher than the average indicators of high-tech imports, FDI inflow and TFP growth rate. Poland is experiencing an ongoing process of technology transfer, but Estonia's better position in the ranking can be attributed to a higher share of employees with tertiary education working in science and technology and higher activity in terms of scientific publications.

In 2022, Latvia, Bulgaria, Luxembourg and Romania were classified in the group of countries with the weakest technological competitiveness in the European Union. The most surprising is the drop of Luxembourg in the ranking, which came as the result of FDI withdrawal, a negative rate of TFP growth and low technological content of international trade.

5. The importance of technological competitiveness for eco-innovativeness

Nowadays, eco-innovations are considered essential for achieving sustainable development and strengthening the competitiveness of companies and countries. In response to the changing conditions of economic competition, the EU aims to transition into a modern, competitive and resource-efficient economy through the implementation of the European Green Deal. It involves speeding up innovation, especially in the field of clean technologies crucial for the green transition. Eco-innovation enhances the competitiveness of industries by fostering the development and deployment of new technologies and sustainable practices, which reduce environmental impact and improve resource efficiency [European Commission, 2024: 24]. As a powerful instrument of environment protection with a positive impact on the society and economy, it ensures the EU leadership in creating a resource-efficient society and is implemented at the core of various policies [Hajdukiewicz, Pera, 2023: 148].

Eco-innovation means "the introduction of any new or significantly improved good or service, process, organisational change or marketing solution that reduces the use of natural resources (materials, energy, water, land) and decreases the release of harmful substances across the life-cycle" [Eco-Innovation Observatory, 2010: 10]. Eco-innovations in a broad sense include all changes in products, processes, marketing methods, social and institutional structures, reducing environmental impacts or contributing to ecological sustainability [Tomala, Urbaniec, 2021: 73]. Eco-innovations comprise not only the latest technological developments, but also all non-technological ideas leading to mitigation or resolution of an environmental problems [Hajdukiewicz, Pera, 2023: 148].

The Eco-Innovation Scoreboard was created in order to measure the EU countries performance in terms of eco-innovations. Eco-Innovation Index (EII) is based on five thematic areas. General dimensions and partial measures included in Eco-Innovation Index 2024 are listed in Table 3.

Table 3. Framework of Eco-Innovation Index 2024

Dimensions of EII	Partial indicators
Eco-innovation inputs	• Governments environmental and energy R&D appropriations and outlays • Total R&D personnel and researchers
Eco-innovation activities	• Number of ISO 14001 certificates
Eco-innovation outputs	• Eco-innovation related patents • Eco-innovation related academic publications
Resource efficiency outcomes	• Material productivity • Water productivity (GDP/total fresh water abstraction) • Energy productivity • GHG productivity
Socio-economic outcomes	• Exports of environmental goods and service sector • Employment in environmental protection and resource management activities • Value added in environmental protection and resource management activities

Source: the author's own elaboration based on [European Commission, 2024: 6].

We can observe a significant divergence among the member states in terms of eco-innovation performance. In 2022, the Eco-Innovation leaders were: Finland, Denmark, Austria, Luxembourg, Sweden, Italy, France, Germany and the Netherlands. Leaders represent similar strengths and areas for development, as well as balanced growth across most themes. Spain, the Czech Republic, Slovenia, Ireland, Estonia, Latvia, Lithuania, Portugal and Belgium were classified as the average eco-innovation performers. Resource efficiency strongly contributed to their EII score. Eco-innovation catching-up performers include: Malta, Slovakia, Cyprus, Croatia, Greece, Romania, Poland, Hungary and Bulgaria. Activities and resource efficiency had the greatest influence on their positions, while the inputs theme contributed the least to their EII score [European Commission, 2024: 9–10]. It can be concluded, that eco-innovation development differs due to the level of socio-economic development of countries [Tomala, Urbaniec, 2021: 83].

The existence of a relationship between the rankings of technological competitiveness and eco-innovativeness was examined with the use of the Spearman's correlation coefficient. The result was $r(S)yx = 0.758$ in 2019, which signifies a strong positive relationship between the variables – a higher level of technological competitiveness is accompanied by a higher level of eco-innovativeness. The result $r(S)yx = 0.511$ in 2022 is characteristic for a moderate positive relationship and it indicates a decrease of interdependencies between researched phenomena.

Next, the relationship between technological competitiveness' single diagnostic variables and the level of eco-innovativeness (expressed by the EII) was examined. This allowed to indicate the variables with the greatest impact on eco-innovations among EU countries. Table 4 presents Pearson's linear correlation coefficients.

The values of the Pearson's linear correlation coefficients in 2019 indicate a strong positive linear relationship between the level of eco-innovativeness of EU member states and the share of researchers in total employment, number of scientific publications per million of inhabitants and patent applications to the EPO per million inhabitants. A moderate positive linear relationship was found also between the level of eco-innovativeness and public spending on research and development activities, as well as workers with tertiary education employed in science and technology.

The conclusions for 2022 are quite similar. A strong positive linear relationship was recorded only between patent applications to the EPO per million inhabitants and the level of eco-innovativeness of EU member states. A positive linear relationship between the share of researchers in total employment, number of scientific publications per million of inhabitants and eco-innovativeness has weakened in 2022 (from a strong to moderate level). Positive relationship remained at a moderate level for the eco-innovativeness and public expenditure on R&D and employees with tertiary education working in science and technology.

Table 4. Pearson's linear correlation coefficients for variables of technological competitiveness and the synthetic measure of eco-innovativeness of EU countries in 2019 and 2022

Symbol	Variable	Value of Pearson's linear correlation coefficients in 2019	Value of Pearson's linear correlation coefficients in 2022
X1	Share of researchers in total employment	0.765	0.640
X2	Persons with tertiary education and employed in science and technology	0.593	0.518
X3	Expenditure on R&D of government	0.673	0.571
X4	Expenditure on R&D of business sector	0.311	0.238
X5	Patent applications to the European Patent Office by applicants' country	0.751	0.785
X6	Exports of high-tech products	0.086	0.036
X7	Imports of high-tech products	0.075	-0.038
X8	FDI inflow	-0.036	-0.325
X9	Number of scientific publications	0.758	0.689
X10	Total factor productivity growth	-0.427	-0.255

Source: the author's own elaboration.

The results may signify that mostly internal determinants of technological competitiveness influenced the eco-innovativeness of member states in 2019 and 2022. The correlation analysis tracked no significant impact of external direct and indirect channels of technology transfer. Those findings come in accordance with the research of the European Commission. The Pearson correlation coefficient between the Summary Innovation Index (SII) and the Eco-Innovation Index (EII) between 2017 and 2023 ranged between 0.79 and 0.84, indicating a strong correlation. This means that countries performing well in innovation are very likely to perform well in environmental sustainability measured by EII [European Commission, 2024: 22–23].

6. Conclusions

The research results point to the general conclusion that the technological competitiveness of EU member states remained below the average level, but improved in the analysed period. The EU average H_i increased from 0,210 in 2019 to 0,260 in 2022. 14 countries improved their positions in the classification, while 7 countries worsened their ranks. The values of synthetic measures mostly increased, only Luxembourg and Estonia experienced a decrease of their technological competitiveness measured by the values of H_i.

The highest level of technological competitiveness in 2019 was represented by: Luxembourg, the Netherlands, Sweden and Germany. In 2022, the Netherlands, Sweden, Ireland, Belgium, Denmark and Austria were classified as the technological leaders. Such results can be treated as a confirmation of the validity of the implemented technological development strategies, aiming to strengthen their competitive capabilities and technological competitive positions.

Latvia, Bulgaria and Romania were classified in the group of states with the weakest technological competitiveness. In 2022, these countries had the lowest levels of private expenditures on R&D, shares of researchers in total employment, numbers of patents and scientific publications per million inhabitants, but technological levels of imported and exported goods were also relatively low.

Poland's result below the EU average H_i should be perceived as unsatisfactory, but its performance in eco-innovativeness is even worse. Poland is experiencing the process of technology transfer, evidenced by higher than the EU average high-tech imports, FDI inflow and TFP growth, which contributed to improvement of its technological position from 23th in 2019 to 18th in 2022. To increase Poland's weak competitiveness, the state's policy should be aimed at strengthening competitive potential in terms of human capital and spending on R&D. 25th position in terms of eco-innovativeness can be attributed to lack of systemic support for this area and the attitude of Polish entrepreneurs toward adopting innovative, ecological solutions [Ostraszewska, Tylec, 2019: 212].

In 2019, a strong positive relationship between technological competitiveness and eco-innovations was tracked, but it decreased to a moderate level in 2022.

It was caused mostly by external sources of technology transfer – the author's calculations indicate that Spearman's correlation coefficient would have been higher without including in calculations the high-tech imports and FDI inflow. It means that internal determinants of countries' innovativeness have a more stable impact on creation, adoption and development of eco-innovations.

Nevertheless, external technology transfer proved to have an important influence on technological competitiveness of economies. Any deterioration in inflow of technology to EU member states due to economic turmoil may worsen the influence of technological competitiveness on the level of their eco-innovativeness. The transfer of technology, in combination with other features representing internal technological potential, influences the competitiveness of economies and their eco-innovation performance.

Moreover, in 2019 and 2022 a strong positive linear correlation was found especially between patent applications to the EPO per million inhabitants and the level of eco-innovativeness of EU states. Patent applications constitute a measure how well county's technological potential transforms into technological competitive position. Technological competitive abilities evidenced by patenting activity seem to have been influenced also by external sources of technology transfer.

A general conclusion can be drawn from the aforementioned research results: countries should strive for FDI inflow and imports of high-tech product, because it increases their technological competitiveness during times of economic prosperity and supports the creation and development of eco-innovations.

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ISSN 2544-5790