
Role of EU Funds in Financing the Activity of a Local Government in Poland from 2011 to 2020

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Abstract:

Purpose: The aim of the article is to present benefits and consequences of the use of EU funds by a local government in Poland.

Design/Methodology/Approach: This paper uses the regulatory analysis method and the statistical descriptive method. This article is the result of a broad research conducted in Poland in 2020.

Findings: Based on the results of empirical research, the article shows that one of the sources of financing a developmental activity of a local government are EU funds. Poland benefitted from these sources even before the pre-accession period, but the wide access to EU money occurred after 2004 when Poland joined the European Union. Then, it was possible to reach EU funds at the much larger scale to finance and co-finance programmes and projects aiming at the reduction of disparities between individual states and regions of the European Union.

Practical Implications: Poland's accession into the European Union enabled the local government units to obtain financial resources for the developmental activity. The LGU obtained access to non-repayable sources of financing the EU programmes and projects. However, obtaining these resources requires incurring own expenditures i.e., co-financing the EU projects. In the meantime, the surpluses of the current incomes over the current expenditures are not able to secure the own contribution of the LGU. Thus, the local government generally has two options; it should either resign from applying for the EU funds or secure the contribution with their own external financial sources i.e., credits, loans, or issuance of securities. The latter solution relates to indebtedness of the local government.

Originality/Value: Considering that the inflow of the funds from the budget of the European Union is an extremely important and cheap source of financing development (which is likely to be limited for Poland in next perspectives), it seems that systematic targeted subsidies for investment should be planned in the state budget or low-interest loans for investments, for the LGU, securing them their own contribution.

Keywords: Local government unit (LGU), EU funds, revenues, expenditures, Poland.

JEL Code: H70, H72, H75, H79.

Paper type: Research study.

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1. Introduction

A local government in contemporary democratic countries provides services which are relevant in order to secure a proper standard of living for inhabitants of a given country (Neirotti *et al.*, 2014; Kudlák *et al.*, 2020). They are the activities in the scope of education, social assistance, culture, and the arts, but also the household services connected with the sewage system and water supply, road and bridge maintenance, waste treatment, etc. The level of satisfying these needs is a symptom of public well-being (Fleta-Asin, 2020). Producing public services requires an increase in expenditures not only to cover running costs of an activity of entities providing these services but also investment expenditures (Torres and Pina, 2001). The latter generally require external sources of financing (Oulasvirta and Turala, 2009). In case of a local government, they are credits, loans, and municipal bonds (Navarro-Galera *et al.*, 2016). They are repayment incomes, which must be returned in the future and they should be managed on an ongoing basis. If they are preferential, then they can be partly remitted, and apart from it, service costs are significantly lower.

One of the sources of financing a developmental activity of a local government are EU funds. Poland benefitted from these sources even before the pre-accession period, but the wide access to EU money occurred after 2004 when Poland joined the European Union. Then, it was possible to reach EU funds at the much larger scale to finance and co-finance programmes and projects aiming at the reduction of disparities between individual states and regions of the European Union. The aim of the article is to present benefits and consequences of the use of EU funds by a local government in Poland.

2. Essence and Features of a Local Government

A local government unit (LGU) is a result of a collapse of the feudal system and creation of civic democracy. Because of these system changes, decentralization of public administration became possible (Wollmann, 2016).

The essential feature of a local government, differing it from other public authorities, is independence of its bodies from the governmental system of administration (Kinoshita *et al.*, 2020). Empowerment of local communities, which occurs in all democratic countries, was made by ensuring a local government with a guarantee of financial independence (King, 1995).

The scope of the financial independence of a local government defines legal acts of the highest importance in most states, including basic laws (Kim, 2018). They guarantee a local government judicial protection of its independence and guarantee it the financial independence, but within the binding legal system (Kuznetsov *et al.*, 2018). The financial independence relates to giving local government units their

legal personality, allocating a determined range of competences, securing sources of incomes, and equipping with their own property.

Although the financial independence of the LGU cannot be compared with the independence of private entities, owing to the connections of a contemporary local government with the state, yet empowerment of local and regional communities must be connected with transferring certain freedoms to them in the scope of their running financial economy.

3. Sources of Incomes of a Local Government

The local government unit, realizing its tasks, must have financial sources, which can generally be divided into own resources including taxes and income from assets as well as external transfers, which are divided into general and targeted grants (Buendía-Carrillo *et al.*, 2020). The essential source of incomes of local governments are incomes from taxes and fees. Classifying taxes contributing budgets of local governments, they can be divided into (Surówka, 2013):

- autonomous taxes, introduced independently by local authorities,
- taxes and local fees established by law, but returned at the disposal of a local government,
- shares in central taxes.

The incomes from self-taxation of inhabitants are an example of the largest possible autonomy of local government units in creating their own sources of income. Because the local authorities decide to burden natural and legal persons with the additional public levy on the basis of their own local legislation, passing appropriate resolutions in this scope. The LGU rarely uses this type of a financial supportive source. All inhabitants express their opinion on introducing autonomous taxes in a given area through a referendum in the countries where they function (Poniatowicz, 2018).

The elementary source of tax revenue especially of the commune budgets are taxes and local fees. They differ from autonomous taxes as they are introduced by law in a uniform manner in the territory of the whole state and not by resolutions of decision-making authorities of a local government unit (Bethlendi *et al.*, 2020). Given the fact that they were given as a source of income to a local government, local authorities obtain a determined tax control from the legislator. It is because these authorities define an amount of tax rates, an amount of fees, they can use exemptions and reductions as well as they can redeem dues, split them into instalments, etc. (Djajanti, 2019). The low efficiency of local taxes makes local government units also have access to central taxes, coming from a given area. The budgets of local governments in individual countries are not generally supplied with all central taxes. Rarely do they have access to indirect taxes, participating only in the division of

income taxes. The amount of tax revenues from income taxes is a symptom of the economic development of a given area, therefore, the LGU should participate in the division of national income produced in a given area.

In practice, local governments participate in the division of central taxes either by establishing local government supplements to income taxes or by percentage shares in income taxes. Yet, the importance of both forms is diverse. In case of the percentage shares in central taxes, the local governments do not have much influence on the amount of the budget incomes. The amounts due are calculated so to say automatically for them (as a percentage of incomes from a given tax). As a result, the shares in taxes are regarded as complementary and not as own sources of a financial support of local governments since they resemble general grants in terms of their character (Denek, 2011).

Supplements to taxes basically differ in terms of their economic character from percentage shares in taxes. The introduction of the local supplement to the state tax means that local governments are entitled by law to impose a fiscal burden. This right causes that local governments have tools with which they can actively influence entities, creating an economic basis of a given area. A local government unit is an owner of most of the public property in their territory. This property generates various incomes for local government units in the form of lease fees, dividends, incomes for provided services, fees for using municipal infrastructure or finally incomes from property sale (Patrzałek, 2010).

Despite having own incomes, compensatory grants and subsidies still are an elementary source of a financial support of the majority of the LGU both in Poland and other countries. The necessity of the external supply is indispensable since incomes from taxes and from property of local government communities in any country are not sufficient to finance budget expenditures. Transfers from the state budget are a form of compensation for local governments of “lost” incomes from a given area caused by the fact that the most efficient taxes support the central budget.

Grants and subsidies are to counteract developmental disproportions of individual local government units. The proper mechanism of their calculation does not have to limit the rules of self-government at all. However, in order to achieve it, two basic conditions have to be fulfilled:

- firstly, compensatory grants should be established on the basis of objective criteria,
- secondly, local governments should decide independently on allocating received money.

General grants play this role (they are called subsidies in Poland). Apart from the general grants, the second external form of a financial support of the LGU are

targeted grants. These resources are granted for local governments to finance specific enterprises, most often to realize commissioned tasks, and to finance investments. Nevertheless, the targeted grants as the source of the LGU incomes are generally criticised because they bring about dependence of a recipient obtaining grants of a local government on an entity giving them.

The typical sources of income of a local government presented above are mainly allocated for financing current expenditures. Meanwhile, the LGU undertake a lot of developmental ventures in their territory which they need additional supportive sources on. They include repayment incomes i.e., credits, loans, incomes from issuance of debentures. In Poland, after joining the European Union, the EU grants became an essential source of financing the developmental activity of a local government unit.

4. Local Government Unit in Poland Against the Public Sector

A local government unit is one of the elements of the public sector. In Poland the public sector consists of:

- the government subsector,
- the local government subsector and
- the social security subsector.

Most of the income of the public finance sector (57%) is at the disposal of the government subsector. The own resources of the local government subsector make up 15% of all the incomes of the public finance sector, and the social security subsector – 28%. Nevertheless, at the same time the local government in Poland finances about 33% of public tasks, whereas the government subsector 34%, and the social security subsector 33%. It is possible owing to the redistribution of financial resources from the central budget for other subsectors of the public finance sector.

In Poland over 50% of incomes of the LGU come from the state budget, but these incomes amount to about 30% of the total incomes in the communes with the high financial potential, and over 70% in the economically weak LGU (rural communes, poviats).

The local government unit has been in Poland for 30 years. It was reactivated on the local (commune) level in 1990, and since 1999 also on the poviats level and voivodeship (regional) one. The elementary organizational level of the local government unit are communes. Rural communes, urban communes, cities and communes and cities with poviats rights (there are 2477 of them) finance 78% of all tasks fulfilled by a local government unit, poviats (314) about 13%, and self-governing voivodeships (16) 9%.

5. Analysis of Incomes and Expenses of the Local Government Units in Poland from 2011 to 2020

Table 1 presents the structure of the incomes of the LGU in Poland between 2011 and 2020.

Table 1. *Incomes of the LGU in Poland from 2011 to 2020 in billions of PLN*

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Total incomes, including:	171,3	177,4	183,5	194,3	199,0	213,7	229,9	251,8	280,2	226,6
Own resources	83,6	87,1	91,8	98,6	103,4	106,7	113,2	124,0	135,8	103,7
Transfers from the state budget	87,7	90,3	91,7	95,7	95,6	107,0	116,7	127,8	144,4	122,9

Note: *2020 the data for 3 quarters, average Euro exchange rate from 2011 to 2020 equals PLN 4,30

Source: Own work on the basis of the data of the Ministry of Finance.

The figures in Table 1 demonstrate that 49% - 50% of the incomes of the LGU in Poland are own resources. Mainly taxes and local fees, incomes from assets (from fees for provided services, lease of assets, leasing) and incomes from the shares in central taxes make up these resources. The LGU in Poland has a percentage share in the personal income tax (PIT) and the corporate income tax (CIT). The shares are calculated from the area of a given local government unit and are differentiated depending on the level of the LGU. For instance, communes have a share in PIT at the amount of 39.34%, poviats – 10.25% and self-governing voivodeships – 1.6%. The share in CIT amounts to respectively 6.71% - communes, 1.4% - poviats and 14.75% - self-governing voivodeships (Surówka, 2013).

Targeted grants and a general grant account for transfers from the state budget (Aben, 2003). The targeted grants are mainly allocated for the realization of tasks assigned to a local government unit by the government administration and for subsidizing own tasks. The local government must settle these resources in detail and the part which has not been used has to be returned after the end of the fiscal year. The criteria of allocating the grants are determined by the central administration based on the rules on financial planning the incomes of the state budget.

A subsidy is of a completely different nature. The unused resources do not have to be returned and moreover, it is awarded on the basis of the objective criteria and not by way of discretion. The manner of awarding the general grant depends on the range of realized tasks and a taxation potential of the LGU. The example of the subsidy dependent on the range of the realized tasks is a part of an educational subsidy which is awarded on the basis of a number of students in the communes and poviats, a degree of professional promotion of teachers and a type of school.

However, the taxation potential of a given LGU has an influence on the size of a compensatory subsidy. In this case revenues from local taxation, fees, shares in central taxes per one inhabitant in each LGU are compared to the national average. The lower these revenues are, the higher amount is allocated from the state budget. Depending on the taxation potential, the LGU are divided into categories and receive the resources from the state budget according to the varied algorithm. One should take into consideration that:

- *firstly*, levelling to the national average never accounts to 100%,
- *secondly*, communes with the extremely high taxation potential (exceeding 150% of the national average) must transfer a part of their own revenues to the state budget for an additional support of the economically weak LGU (it is horizontal levelling of differences between LGUs).

Table 2. *Expenditures of the LGU in Poland from 2011 and 2020 in billions of PLN*

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Total expenditures, including:	181,6	180,5	183,8	196,7	196,4	206,0	230,2	259,4	280,2	207,8
asset-related expenditures	42,4	35,6	35,0	41,3	38,6	25,8	35,2	52,9	51,0	26,4
current expenditures	139,2	144,9	148,8	155,4	157,8	180,2	195,0	206,5	229,2	181,4

Note: *2020 the data for 3 quarters.

Source: Own work on the basis of the data of the Ministry of Finance.

Analysing the expenses of the LGU in Poland between 2011–2020, one should draw their attention to the differential share, but remaining at a relatively high level, of asset-related expenditures, mainly investment ones, in the total expenditures (Zawora, 2019). It is at the level of about 20%, whereas this share from 2011 to 2015 even exceeded 20% (in 2014 it was 24%), between 2016 and 2017 it decreased to the level below 15% (in 2016 it amounted to only 12.5%), and then in next years it reached the level of about 20% again. Tables 2 and 3 present the expenditures of the LGU in Poland between 2011 and 2020 with the division into current and asset-related ones and in the division of the asset-related expenditures in accordance with the LGU groups.

Table 3. *Asset-related expenditures of the LGU in billions of PLN*

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
LGU	42,4	35,6	35,0	41,3	38,6	25,9	35,2	52,9	51,0	26,4
communes	18,2	14,2	13,2	15,4	14,5	11,0	16,4	26,2	22,9	ND
“city” poviats	13,1	12,7	12,4	14,6	12,9	8,6	10,4	14,7	15,8	ND
poviats	4,5	2,8	2,8	3,5	3,4	3,0	4,1	6,0	5,3	ND
voivodeships	6,6	5,9	6,6	7,8	7,8	3,3	4,3	5,9	7,0	ND

Note: *2020 the data for 3 quarters.

Source: Own work on the basis of the data of the Ministry of Finance.

The high share of investments in the total expenditures is a consequence of great needs of the LGU in the scope of development of municipal infrastructure (waterworks and sewerage, modernization of a road network, etc.) and social infrastructure (educational institutions, cultural and art institutions as well as sports facilities). The increase in the investment expenditures is visible especially in communes and cities with powiat rights from 2011 to 2014 and after 2017. The acceleration of development of these investments became possible owing to the resources from the budget of the European Union. Over EUR 200 billion (about PLN 800 billion) was planned for Poland in the EU budget for the years from 2007 to 2013 and from 2014 to 2020, which corresponded to two-year expenditures of the state budget. The part of this money was given to the local government.

Nonetheless, obtaining the funding from the European Union for financing investment tasks is conditioned by possessing own resources (the so-called own contribution). From 2007 to 2013 the local government did not have such contributions. It was a result of the world economic crisis of the first decade of the 21st century.

The decline in the dynamics of the GDP growth in Poland from 2008 to 2014 (and in many countries economic recession) caused the decrease in own incomes of the LGU, especially in the budgets of cities and “rich” regions. Taxes dominate in the budget structure of this LGU group, which started to fall as the result the economic crisis. Consequently, operating surpluses of the local government units were decreasing. Table 4 illustrates current incomes and current expenditures of the LGU in Poland from 2011 to 2020.

Table 4. Current incomes and current expenditures of the LGU in Poland from 2011 to 2020 in billions of PLN

LGU	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Current expenditures	139,2	144,8	148,8	155,4	157,8	180,2	195,0	206,5	229,2	181,4
Current incomes	144,3	156,5	163,2	171,7	176,1	200,7	216,1	229,6	253,3	206,3
Operating surplus	5,1	11,7	14,4	16,3	18,3	20,5	21,1	23,1	24,1	24,9
Operating surplus % of expenditures	3	6	8	8	9	10	9	9	9	12

Note: *2020 the data for 3 quarters.

Source: own work on the basis of the data of the Ministry of Finance.

Operating surpluses i.e., surpluses of current incomes over current expenditures are the elementary source of own revenues of the LGU, which are used to finance investments. Between 2011 and 2012 (and earlier) they were on the low level and amounted to only from 3% to 6% of the total expenditures of the LGU. In case of

big cities, they were even lower. The economic recession which occurred between 2008 and 2014 brought about the decrease in the national income, limiting the inflow of financial resources to the public sector.

Therefore, in order to obtain the EU grants, the LGU started to incur repayment incomes, in the form of credits and issuance of securities. This enabled the absorption of the EU funds. From 2007 to 2013 the local government unit spent over 80 billion PLN coming from the budget of the European Union. It was a lot of money, enabling acceleration of financing investments, but simultaneously it caused the increase in the LGU debt. Table 5 presents an amount of a debt of individual organizational levels of the LGU from 2007 to 2020.

Table 5. *Number of obligations of individual LGU groups from 2007 to 2020 in billions of PLN*

Obligations	2007	2009	2011	2013	2014	2015	2016	2017	2018	2019	2020*
Total LGU	25,9	40,2	65,8	69,2	72,0	71,6	69,0	68,9	76,1	82,1	77,3
Communes	10,0	14,6	26,0	25,8	26,4	25,4	23,9	24,8	30,1	32,4	ND
“City” poviats**	11,3	18,7	28,1	30,9	32,4	33,2	32,6	32,4	33,6	37,1	ND
Poviats	2,6	3,9	6,1	5,9	5,9	5,8	5,7	5,9	6,5	6,6	ND
Voivodeships	2,0	3,0	5,6	6,6	7,3	7,2	6,8	5,8	5,9	6,0	ND

Note: *2020 the data for 3 quarters, **“city” poviats are big cities which apart from tasks of communes, also perform tasks of poviats – there are 66 of them.

Source: Own work on the basis of the data of the Ministry of Finance.

The level of the LGU debt since 2007 is presented in Table 5 in order to emphasize the dynamics of its growth after 2008. The absorption of the EU funds led to such a high increase in the debt of the local government that in case of numerous communes the admissible debt limits were exceeded. Thus, between 2014 and 2017 we observe the stabilization of the debt at the amount of about 70 billion PLN despite a significant improvement of the financial situation of the LGU. The example are the increasing operating surpluses after 2014.

The end of the financial perspective 2007–2013, discussions on the division of the resources in the EU budget for 2014 – 2020, a high debt of the local government units, and finally the change of the political authority in Poland after the autumn election in 2015 caused the decline in investment in the Polish local government between 2016 and 2017. After 2017 the development expenditures of the LGU returned to the level before 2015, which was about 20% of the total expenditures of the LGU. However, the crisis caused by Covid-19 weakened the investment activity of the LGU again in 2020. Over three quarters of 2020 the investment expenditures of the LGU decreased to the level of 26.5 billion PLN although they amounted to 51 billion PLN at the end of 2019. In spite of the high operating surplus amounting to

almost 25 billion PLN at the end of September 2020, the LGU limited investments, which consequently brought about the decrease of the debt of the LGU from 88 billion PLN at the end of 2019 to the amount of 77.3 billion PLN at the end of September 2020. Such safe policy run by the local authorities is completely justified by the great unknown about the future of the economy and the public sector. It is clearly seen in the field of the absorption of EU funds, requiring own contribution of the LGU. At the end of September 2020, the LGU expenses on financing and co-financing the EU programmes and projects and the EFTA projects decreased to the amount of 15 billion PLN although they exceeded the amount of 25 billion PLN at the end of 2019.

6. Influence of the EU Funds on Financing the LGU Tasks in Poland from 2011 to 2020

The realization of tasks by the local government units requires both maintenance and development of municipal infrastructure as well as social and cultural and educational one. It is difficult to realize the tasks imposed by the acts on the local government without possessing appropriate objects.

However, on the other hand, the problem of obtaining funds for modernization and development of necessary devices appears to provide the proper functioning of the local community and to satisfy their needs. These resources cannot be secured by the LGU budget incomes, considering the fact that Poland “inherited” considerable neglect and arrears in this field after the period of the centrally planned economy.

Therefore, on Poland’s accession to the European Union, the EU budget became an essential source of obtaining resources for development and modernization of the property, the big part of which is allocated for levelling developmental disproportions of individual members of the Community. Poland became the main beneficiary of the net EU funds. To a large extent, the local government also benefits from the possibility of obtaining financial resources. Table 6 illustrates the amounts spent by the individual LGU groups on the EU projects and programmes from 2011 to 2020.

As shown in Table 6, from 2011 to 2020 the local government in Poland spent over 190 billion PLN on financing and co-financing the EU programmes and projects. Most of the EU funds i.e., about 70% were allocated for the projects and programmes realized by the communes and cities with powiat rights (“city” powiats). These resources were mainly allocated for municipal investments. Table 7 depicts a percentage share of the expenditures on financing and co-financing of the EU programmes and projects and the EFTA ones in the total expenditures of the individual levels of the LGU.

Table 6. LGU expenses on financing and co-financing the EU programmes and projects as well as the EFTA projects per LGU levels in billions of PLN

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
LGU	24,0	20,6	20,1	23,3	19,0	4,5	12,7	25,4	25,5	15,0
Communes	9,6	7,1	6,0	6,8	5,3	0,9	4,6	11,0	9,7	ND
“City” poviats	6,6	7,1	6,7	7,6	5,7	1,0	3,3	6,6	7,6	ND
Poviats	2,3	1,4	1,3	1,5	1,2	0,4	1,3	2,4	2,1	ND
Voivodeships	5,5	5,0	6,1	7,4	6,8	2,2	3,5	5,4	6,1	ND

Note: *2020 the data for 3 quarters.

Source: Own work on the basis of the data of the Ministry of Finance.

Table 7. Percentage share of the expenditures on financing and co-financing the EU programmes and projects and the EFTA ones in the total expenditures of the individual levels of the LGU

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
LGU	13	11	11	12	10	2	6	10	6	7

Note: *2020 the data for 3 quarters.

Source: Own work on the basis of the data of the Ministry of Finance.

According to the data presented in Table 7, the share of the expenditures on financing and co-financing the EU programmes and projects and the EFTA ones in the total expenditures of the individual levels of the LGU has been at the level of about 10% for the last 10 years. The passing collapse happened from 2016 to 2017. The breakthrough of the “old” and “new” EU perspective, the parliamentary election at the end of 2015 and the awaiting of the authorities of the LGU for the decisions of the new central authorities regarding the scope of the use of the aid measures were the reasons for this situation. Since a lot of LGUs were heavily indebted.

Most of the aid measures is allocated for the investment activity. Thus, the next table presents the percentage share of the expenditures on financing and co-financing of the EU programmes and projects and the EFTA ones in the asset-related expenditures of the individual levels of the LGU.

According to the data presented above, from 2011 to 2020 (excluding the period between 2016 and 2017) the expenditures on financing and co-financing the EU programmes and projects and the EFTA ones made up almost 50% of the asset-related expenditures of the individual levels of the LGU. In case of self-governing voivodeships it was over 80%. The expenditures on financing the projects and programmes presented above also take own contributions into consideration. Therefore, the next table (no. 9) presents the LGU expenditures separately on financing and co-financing the EU programmes and projects as well as the EFTA ones in billions PLN.

Table 8. *Percentage share of the expenditures on financing and co-financing of the EU programmes and projects and the EFTA ones in the asset-related expenditures of the individual levels of the LGU*

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
LGU	57	58	57	56	49	17	36	48	50	57
communes	53	50	42	44	37	10	28	42	42	ND
“city” poviats	50	56	54	52	44	12	32	45	48	ND
poviats	51	50	46	43	35	13	31	40	40	ND
voivodeships	83	85	92	95	87	67	81	92	87	ND

Source: own work on the basis of the data of the Ministry of Finance.

*2020 the data for 3 quarters

Table 9. *LGU expenditures within the EU programmes and projects and the EFTA ones with the division into financing and co-financing in billions of PLN*

Specification	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total	24,0	20,6	20,1	23,3	19,0	4,5	12,7	25,3	25,2
Co-financing	9,1	7,5	7,1	7,8	6,1	1,7	3,7	8,1	4,0
Financing	14,9	13,1	13,0	15,5	12,9	2,8	9,0	17,2	21,2

Source: Own work on the basis of the data of the Ministry of Finance.

In the analysed period the programmes and projects were financed with the EU funds at the amount of almost 120 billion PLN, whereas the own contribution amounted to about 55 billion PLN. Even if considering that a part of these expenditures is allocated for the current activity and a part is the own contribution, they are very high amounts, contributing to Poland’s development of civilisation.

7. Discussion and Conclusions

Poland’s accession into the European Union enabled the local government units to obtain financial resources for the developmental activity. The LGU obtained access to non-repayable sources of financing the EU programmes and projects. However, obtaining these resources requires incurring own expenditures i.e., co-financing the EU projects. In the meantime, the surpluses of the current incomes over the current expenditures are not able to secure the own contribution of the LGU.

Thus, the local government generally has two options; it should either resign from applying for the EU funds or secure the contribution with their own external financial sources i.e., credits, loans, or issuance of securities. The latter solution relates to indebtedness of the local government. For that reason, having considered that the inflow of the funds from the budget of the European Union is an extremely important and cheap source of financing development (which is likely to be limited for Poland in next perspectives), it seems that systematic targeted subsidies for investment should be planned in the state budget or low-interest loans for investments, for the LGU, securing them their own contribution.

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