

Debt of polish local governments and assuming its supplies in the years 2011-2017

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Abstract:

Aim: presentation of changes in local governments debt and costs of its service in 2011-2015 and presentation of the dilemma faced by local authorities regarding the approach to the problem of debt and budget balance. So far, no analysis of these issues in the way presented below. The main thesis of the paper is that the actions taken in 2011-2015 by local authorities have led to stifling the increase in the total amount of communal debts nationwide, without, however, reducing the prevalence of indebtedness among communes.

Design methods / research: analysis of legal acts and financial data, statistical data and indicators used in the measurement of local debt, their volatility and trends based on information on the implementation of budgets of local government units obtained from the Ministry of Finance. On their basis, data were collected on the financial results of communes and the level of deficit and debt in 2011-2015, against the background of the country's macroeconomic situation at that time.

Conclusions: They confirm the main thesis of the work indicated for research, that despite the slowdown in the growth of the total debt of local authorities on the national scale in 2011-2015, the popularity of indebtedness among communes has not been reduced. Despite the modification of the system of limitations in the indebtedness of municipalities, which was supposed to favor the reduction of the rate of debt growth, there was no improvement in the financial situation of the most indebted entities. Their number in five years paradoxically began to grow, instead of falling.

Limitations of research: it was difficult to thoroughly analyze the current debt situation of each municipality separately, which would require much more time as well as in-depth micro-scale research.

Key words: *budget deficit, structural balance, public debt, individual debt ratio, debt servicing costs.*

JEL: H72, H74, H76.

1. Introduction

The problem of imbalances in income and expenses for centuries has been the cause for the worries of the government. The situation is similar today, when the central and local authorities designing their budgets must take into account the emergence of a shortage of income in relation to expenditures, along with an indication of ways to offset it. One of the methods of satisfying the lack of funds is for them to raise funds from private entities willing to support them. The necessity of their repayment creates liabilities, constituting a self-government debt. Its level, structure and service costs are important factors affecting local development, especially since it has priority in satisfying other expenses (Nizioł, 2010: 333).

It is hard not to be impressed that in recent years the debt of local governments has been increasing. This state of affairs is influenced by the growing local needs as well as the willingness to obtain the largest possible amount of funds from European funds by their authorities. It is not uncommon that communal debt is the result of politics deprived of common sense by local leaders, which underestimate the indebtedness and transfer the problem of repayment of the resulting liabilities to its successors. Their belief that debt is something normal in self-government and not an exceptional activity can be considered highly risky in this case. It is even more worth analyzing the indebtedness of Polish communes and the costs of its service in 2011-2015. Among many analyzes, so far there is no such, covering such a period. It allows to indicate long-term trends in shaping both sizes, as well as to answer the main thesis, which in this case is the fact that the actions taken by municipal authorities in the years 2011-2015 to shape their self-government debts, allowed to stop growth its overall amount on a national scale, however, it does not reduce the prevalence of indebtedness among communes. The methods that helped to get the answer to the above thesis were, in particular, the analysis of trends and volatility, based on information about the implementation of budgets of local government units coming from the Ministry of Finance.

2. Deficit and debt-concepts and the dilemma associated with them

Both have many definitions, the citation of which seems a necessity. The source of indebtedness, government or local government, is the accounting difference between income and expenditure, referred to as the budget deficit (Osiatyński, 2006: 49, Orłowski, 2006: 1). This part of expenditures, not covered by revenues, requires obtaining cash (Wernik, 2007: 73). The deficit found in local governments can be analyzed similarly to that in the central budget, and thus assess

its nominal or real nature, taking into account or excluding burdens resulting from inflationary pressure (Begg et al., 1999: 78, Kosterna, 1995: 26).

It is also possible to estimate its primary or secondary nature, looking at how large the share of its debt servicing costs is (Moździerz, 2009: 52). It is also useful to observe whether it concerns only current income and expenses, because its creation may be the result of investment loans. However, regardless of the method of analyzing the local deficit, its repetition causes the accumulation of financial obligations necessary for regulation by local authorities in subsequent years. They arise as a result of legal actions and are confirmed by appropriate documents. They are also long-lasting and difficult to eliminate, and their components are characterized by a different time frame for the creation and fulfillment of the obligation to pay (Kosikowski, Ruśkowski, 2006: 304). The structure of local debt is also characterized by internal dynamics, as payments forming them are subject to continuous quantitative, structural and time changes, both as a result of market factors and as a result of more or worst selection of entities for which local authorities are or will be future debtors.

Since the local community budget deficit and its indebtedness in many of its features do not diverge from the obligations assumed at the central level, one can equally apply to them views and recommendations regarding the creation and management of debt proposed by the creators of classical economics or followers of the Keynesian trend. The first praise of budget balance, as an expression of rational management, is found in the works of David Hume, in the middle of the 18th century. It was not until Adam Smith's idea, however, that she clarified the views of the classical school of economics on the question of borrowing from public authorities. As an opponent of prevailing mercantilism and protection, he did not anticipate a deficit in a situation other than just in case of emergency (Boniecki and others, 1967: 84). He also pointed out that violating this practice and borrowing from society deprives him of capital which could be productively invested (Smith, 1953: 732).

Therefore, the budget should be constructed in such a way that the resulting deficit does not result from the fault or idea of the governing, but pure chance. Be a small and momentary phenomenon. Therefore, also in the local conditions, the reasons for management indicate its acceptability, and consequently the indebtedness of the commune only if necessary. Going further, one can cite the views of Jean Baptiste Say, who claims that deliberately creating a deficit, resulting in debt, is irresponsibility and waste of resources (Moździerz, 2009: 17-18). The same is true of

neoclassical economists closer to our times, monetarists or advocates of the so-called Austrian school, stigmatizing budget imbalance and debt as ethically and economically negative phenomena (Podstawka, 2010: 30-31).

How far is the example of the Polish local authorities to the postulates of classical economics? At the end of 2008, as many as 1097 of them, so close to 45.5% noted a budget deficit (Information, 2009: 56). Among them, as much as 19.4% of units, the shortage were higher than 10% of their annual income. This gives grounds to claim that the planning activities carried out there assumed the necessity of indebtedness. However, the local authorities were more often in their debt policy than Keynesian assumptions, where the idea of balancing the budget and, as a consequence, limiting indebtedness is beneficial only during the period of economic stability, while the crisis should take into account the necessity of incurring liabilities (Landreth et al., 1998: 681). Therefore, if local governments expenses are used to increase public assets or investments, and thus have a socially useful character, borrowing for this purpose gains some justification (Stankiewicz, 1999: 190). The Keynesian concept was later complemented by Abby Lerner and Alvin Hansen, who believe that economic and developmental effects should take precedence over deficit and indebtedness. Rejecting the budget balance as an end in itself, they even recognized that at certain times debt incurring is harmless and even useful (Próchnicki, 2008: 166).

This trend also seems to have been followed by the local authorities of Polish communities in 2010, when up to 2153 units, so 89.2% ended the year with a deficit, the sum of which increased the debt of local governments at this level by 7 430 099 thousand PLN (Information, 2011: 66). One should not forget here, about John Barro's hypothesis, which doesn't deny the influence of the authorities incurring obligations on the current development, but suspects that these effects are postponed (Kosterna, 1995: 84-90). It's easy to imagine it on a local scale where the municipality, incurring its indebtedness, incurs higher and higher costs of servicing it, and the number of liabilities to be repaid each year limits the pool of its income available for investment, and consequently raises pressure to raise taxes or local fees.

It is impossible to hide that avoiding indebtedness by municipalities is not easy, due to the numerous and costly tasks on it. This is also not conducive to the attitude of local politicians who, not infrequently aiming to maintain power in the election year, do not spare resources for local investments, even if it involves taking out expensive loans and borrowings. How many local leaders do not succumb to the temptation to improve their image, successfully implemented, even at the

expense of indebtedness, municipal investment? Certainly not many. This is often accompanied by the specific short-sightedness of local communities, whose developmental attitude, without self-sacrifices, is not conducive to the conduct of self-government debt policy aimed at its reduction. At the same time, it requires at least a partial adjustment of local expenditure to its financial capabilities, which for many individuals means, however, difficulties in pursuing the investment policy. It is difficult, therefore, to determine the full validity of any, classic or Keynesian, concept of shaping the municipal debt. A skilful combination of both seems to be a recipe here, so that their rational arguments complement each other, and they were not disjointed, as only the right recipes for reality.

3. Law restrictions on the deficit and indebtedness of local governments in Poland

The right of local governments in Poland to use the resources of the capital market to supplement the shortages created in their budget economy arises from the "European Charter of Local Self-government" (Journal of Laws, 1994, No. 124, item 607: Article 9). However, it is accompanied by debt limits and those concerning the maximum relation of its service costs to local revenues, contained in the Act on public finances (Journal of Laws, 2009, No. 157, and item 1240). In this case they are associated with the task of managing the debt of local authorities, which is in the hands of them, which in this case should be understood as the process of making choices and implementing actions to obtain missing funds and timely repayment of due liabilities (Piotrowska-Marczak, Uryszek, 2009: 144).

Decisions taken during the management process are used for this purpose to use debt instruments in which municipal liabilities have been collected so as to maximize its possibilities for the provision of public services (Poniatowicz, 2005: 251). It is also important to maintain the good financial condition of the local community, because it affects the credibility of this unit as a current or future debt (Jastrzębska, 2009: 11-12).

The years 2011-2015 are the time of changes in legal regulations limiting the total amount of local governments debt, as well as the maximum level of costs of its servicing in the budget year. At the end of 2013, the provisions of the Act of 30.06.2005, "on public finances" (Journal of Laws, 2005, No. 249, item 2104), stipulating that the debt ratio of the municipality at the end of the year, in relation to the total revenues of its budget, it could not be higher than 60% (Kluza, 2011: 27). This limit was also to be respected during the budget year, when the level of commune liabilities

could not exceed 60% of planned revenues (Sekuła, 2010: 316). Exceptionally, the legislator treated only issues of securities and loans and credits intended for pre-financing the implementation of projects supported from the EU budget, EFTA states or other foreign sources (Zawora, Zawora, 2013: 133). The second limit of the 2005 Act, on the other hand, assumed that the sum of the costs of servicing the debt of each local authorities could not exceed 15% of its revenues planned for a given year (Zawora, 2008: 87-88, Dylewski, 2014: 125-127, Król, 2016: 162). An exception for capital installments of loans and borrowings and the purchase of securities whose issuance was aimed at satisfying the interim budget imbalances (Zawora, Zawora, 2013: 133) is provided for from this limit. The Act also limited the limit of the costs of servicing the local debt to its income to 12%, when the ratio of the state public debt to GDP exceeds 55% (Kluza, 2011: 27).

The limits indicated by the 2005 Act aroused much controversy. They did not take into account the diversified financial potential of local governments (Owsiak, 2009: 329). They also often recognized their one-off income, which allowed local authorities to bypass the debt limit in a given year (Jastrzębska, 2009: 104-105). Nor were they a stimulus motivating to improve the management of the commune, nor its obligations (Łękawa, 2011: 185, Zawora, 2011: 87). The new Act of 27 August 2009, "on public finances" (Dziennik Ustaw 2009, No. 157, item 1240), thus changed the old limits, introducing new requirements for all local governments regarding control over incurring liabilities. From 2011, local authorities have to show an operating surplus in their budgets, and their current budget management is characterized by a balance. Only in a situation where in previous years they managed to work out surpluses or as a result of settlements of loans, securities and securities, some savings were obtained, a derogation from the above principle of balance is possible (Zawora, Zawora, 2013: 133, Ładysz, 2014: 1). Also since 2011, local governments have been forced to create long-term financial forecasts, which increased the scope of their information obligations towards the Ministry of Finance, also regarding the level of indebtedness and the costs of its servicing (Haraburda, 2011: 160).

The most important change, however, turned out to be the departure from the uniform debt limit for all local governments in relation to income. From January 2014, he was replaced by an individual debt ratio (IWZ) (Król, 2016: 161). The basis for its determination for each community were in this case realized by it in 2011-2013 current and property income, as well as current expenses (Dylewski, 2014: 128, Kotlińska, 2014: 52). Introduction of the IWZ was to serve, among others, discipline of municipalities, where growing debt became already a problem, but also to

allow the richer to take on more liabilities (Korolewska, Marchewka-Bartkowiak, 2011: 2). Replacing the old limits, the IWZ for each local governments was based on a uniform formula, which specifies in detail art. 243 par. 1 point 3 acts from 27.08.2009. "About public finance." It excludes the adoption by the commune council of the budget, the implementation of which assumes that the borne costs of repayment of the units liabilities from credits, loans, redemption of securities or sureties, including interest due and discount will be higher than it would result from IWZ (Zawora, Zawora, 2013: 134). The new formula of control over municipal liabilities seems more accurate, although it is worrying that local authorities' practices aimed at circumventing this regulation by hiding debt in municipal companies whose liabilities are not included in the methodology for calculating their debt (Langer, 2014: 77-80).

4. Debt of local governments in Poland and costs of its service in 2011-2017

The development of both sizes cannot be considered in this case in isolation from the macroeconomic situation of the country and without linking them with the results in terms of the financial result and the level of communal debt before 2011. Already in the years 2007-2010, the level of their commitments in the country was increasing. As late as in 2007, it did not exceed 10 821 billion PLN. Three years later he reached 21 930 billion PLN. The blame for this state was the negative financial result of communes, which in 2008 amounted to 5 892 313 million PLN. A year later, it was 515 482 million PLN, and in 2010, as much as 7 430 099 million PLN. (Information, 2008: 55-58, Information, 2009: 58, Information, 2010: 61). Slightly, from 38.5% in 2007 to 39.8%, the ratio of municipal liabilities to income increased (Zawora, Zawora, 2013: 134). Together with the growing debts of municipalities, an increase in their income followed, which limited the negative debt effect. The thesis confirms that the communes' income increased from 62 317 755 million PLN in 2008 to 72 210 510 million PLN in 2010. (Information, 2008: 30, Information 2010: 33). The increase in the indebtedness of communes from 2007 - 2010 resulted in the increase of debt servicing costs. Only in 2010 in the whole country, they allocated 698 335 million PLN for this purpose (Information, 2011: 55). The condition of the Polish economy was not without impact on the municipal debt after 2011, its GDP growth in 2007 was 6.6%, with 2.6% inflation and the gross expenditure of enterprises on fixed assets increased by 22.7% (Paździor, 2013: 39). However, the difficult year was 2009, which brought a short-term decline in industrial production. Exports also fell, as well as economic growth, which amounted to 1.6% of GDP and

was the weakest since 2002. (Paździor, 2013: 128). Already in 2010, however, it brought economic recovery, and the subsequent 5-year further stabilization of the situation. However, there was no way to return to the path of rapid economic development or reduction of domestic debt. Details of this issue are presented in table 1.

Table 1. Selected indicators of the Polish economy in 2011-2017

	2011	2012	2013	2014	2015	2016	2017
GDP growth (%)	4.3	2.0	1.6	3.3	3.6	2.9	4.6
Inflation (%)	4.3	3.7	0.9	0.0	- 0.9	- 0.6	2.0
Debt of public finance sector (PLN bn)	815.3	840.0	882.3	826.2	877.3	928.6	961.8
Minimum wage (PLN)	1386	1500	1600	1680	1750	1850	2000
Average wage (PLN)	3587	3690	3823	3943	4067	4218	4271

Source; own elaboration based on data GUS. [http:// www.stat.gov.pl](http://www.stat.gov.pl) [2.02.2018].

The data in the table show that in 2011-2017 the economy maintained economic growth. After weak 2012 and slightly better 2013, in two subsequent years clearly accelerated. The whole period was also a time of inflation decline. which in 2015-2016 turned into deflation. Unfortunately, apart from 2014, when as a result of the pension reform the public finance sector fed part of the funds from Open Pension Funds (OFE), its debt increased. On the other hand. the increase in wages should be positively assessed. The minimum wage increased. although at the end of 2017 it still accounted for no more than 42.7% of the national average.

In such a macroeconomic environment. local authorities have to function and make decisions regarding the management of their debt. At the end of 2010, as many as 2351 of them had more or less debt, and only 63 were free from it (Information, 2010: 65). In the case of 869 local governments. their liabilities ranged from 30-50%, taking into account their income at the time. For 251, they exceeded the level of 50%, approaching the statutory limit. which then exceeded 68 municipalities (Information, 2010: 66). At the end of 2009, it was 14 communes, and in 2008 only 2 (Information, 2010: 66. Information, 2009: 59). Considering also the liabilities incurred in connection with the financing of EU projects. these numbers were certainly bigger (Swianiewicz, 2010: 46). The claim that the years 2011-2017 is the time of a clear improvement in the debt situation of local governments on a national scale would therefore be too far-reaching, although undoubtedly one can observe an improvement in their results related to debt management. Since

2011, an ever smaller number of local authorities have recorded a budget deficit. This is presented in table 2.

Table 2. Local communes in Poland with deficit and budget surplus in 2011-2017

-	2011	2012	2013	2014	2015	2016	2017
Community with a deficit	1694	1074	977	1250	664	488	1246
Change	-	-620	-97	+273	-586	-176	+758
% of total units	70.2	44.5	40.5	51.8	27.5	20.2	51.7
Community with a surplus	720	1340	1436	1163	1748	1924	1166

Source; own study based on *Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017*. <http://www.mf.gov.pl/documents/jst>; [2.02.2018].

Informations on table 2 show an improvement in the current budgetary condition of many local governments after 2011. The exception is 2017, when again in the greater number of local governments at this level there was a budget deficit. More and more frequent surpluses were, proof that the sustainable management of the budget by the local authorities in the situation of stabilization of the macroeconomic situation of the country was the most feasible. Interestingly, in 2011-2017 there was a significant discrepancy between the financial results assumed by local authorities and their actual implementation. It's present in table 3.

Table 3. Planned and realized financial result of communes (PLN m) in 2011-2017

Year	2011	2012	2013	2014	2015	2016	2017
Plan	- 7776.159	- 3861.842	- 3290.536	- 4780.714	- 2901.357	-2711.842	-7161.891
Execution	- 3856.186	- 83.942	600.886	- 521.164	1722.862	3619.754	-795.162

Source; own study based on *Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017*. <http://www.mf.gov.pl/documents/jst>; [2.02.2018].

As the table shows, the scale of discrepancies was significant. which could have resulted from both expenditure overestimation and underestimated income. However, it can be seen that the pressure on the increase in indebtedness in local governments after 2011 weakened. In addition. the surpluses from 2013, 2015 and 2016, could serve to repay earlier commitments already made. as well as to support the resignation of new ones. The improvement of the communes financial results in 2011-2017 did not mean. However, that their debt could be radically reduced. as shown in table 4.

Table 4. Debt of Polish municipalities (PLN m) and its relation to income in 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Total income	75 830.470	78 407.477	80 043.418	84 548.982	87 667.235	101 794. 831	111 189.285
Change (%)	-	+3.4	+2.1	+5.6	+3.7	+ 16.1	+9.2
2011r.=100	100	103.4	105.6	111.5	115.6	134.2	146.6
Total debt	25 989.644	26 167.852	25 771.863	26 436.163	25 428.678	23 683.530	24 838.221
Change (%)	-	+0.7	-1.5	+2.6	-3.8	-6.9	+4.9
2011r.=100	100	100.7	99.2	101.7	97.8	91.1	95.6
Debt as% of income	34.27	33.37	32.20	31.27	29.00	23.26	22.34

Source; own study based on Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017, <http://www.mf.gov.pl/documents/jst>; [2.02.2018].

The table shows that in the years 2011-2017 we were dealing rather with a fluctuation in the level of indebtedness of communities than with a distinctly distinctive downward trend. Still in 2014, the sum of their liabilities in the country was the highest in the analyzed period. but already a year later their level turned out to be nearly 2.2% lower than in 2011. Therefore, one can infer about the suppression of the general increase in the total debt of local governments on the national scale and the decrease in its relation to communal income. which in 2011-2017 systematically increased. Structure of indebtedness present table 5.

Table 5. Structure of local debt by type (PLN m) in 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Securities	255.800	225.305	191.480	175.310	172.862	129 940	162 830
Credits and loans	25 562.667	25 790.669	25 415.163	26 104.222	25 137.886	23 673.864	24 619.114
Due liabilities	171.177	151.879	165.219	156.631	117.930	59.726	56.276

Source; own study based on Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017, <http://www.mf.gov.pl/documents/jst>; [2.02.2018].

The table informs that the dominant form of liabilities in the national debt portfolio of local authorities in 2011-2017 were credits and loans. Their role in 5 years has strengthened. while

securities at the same time never accounted for more than 1% of the local debt portfolio. Apart from 2011 and 2013, the number of obligatory local authorities liabilities in the country was also falling. It was conducive to the stabilization of their financial situation, especially current liquidity, which was less burdened with debt, with immediate maturity. Despite this, the overwhelming number of local governments in 2011-2017 was more or less indebted, as shown in table 6.

Table 6. Debt of Polish communes according to the sum of debt to income in 2011-2017

Rok	2011	2012	2013	2014	2015	2016	2017
Number of debted communities	2305	2300	2307	2312	2315	2289	2307
<10%	322	297	317	325	403	508	574
10-20%	425	451	483	489	484	654	677
20-30%	492	472	489	517	573	579	557
30-40%	462	478	494	491	445	334	307
40-50 %	363	380	345	322	251	135	125
50-60 %	210	196	148	114	94	42	40
>60%	31	26	31	54	65	37	27

Source; own study based on Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017, [http: //www.mf.gov.pl/documents/jst; \[2.02.2018\]](http://www.mf.gov.pl/documents/jst; [2.02.2018].).

At the end of 2011, 95% of local governments in the country had long-term liabilities. A year later their number dropped slightly and then it started to grow again. In 2015, there were 15 communities in debt, more than three years earlier, and at the end of 2017, the same as in 2011. As it turns out, the stabilization of the total amount of local debt in the country did not mean that it was a declining number of local governments at this level. Table 6 also gives grounds to claim that an increasing number of municipalities struggled with higher indebtedness almost every year. In the years 2011-2014, the number of units increased, where it exceeded 60% of the income, although there were many and those in which it was lower than 10% of this income. By the end of 2017, the number of local authorities with debt in the range of 10-20% of realized income increased, and in 2012-2017 also those whose debt exceeded 30% of their annual income. It is also worth citing here two examples of the unduly prudent approach of local authorities to the issue of indebtedness. It concerns the local governments of Rewal and Ostrowice, located in the West Pomeranian

Voivodeship, for which the debt to income ratio at the end of 2013 was at one of the highest levels in Poland and amounted to. Respectively, 258.97% and 142.67% (Swianiewicz, Łukomska, 2014: 39). How quickly such a large debt can get out of control is shown by the example of Ostrowice. where already at the end of 2014, its level doubled reaching 304.18%. The debt of the Rewal commune increased to 266.77% (Swianiewicz. Łukomska, 2014: 62). It was not without fault that the local authorities of Ostrowice proved that they not only made a spiral of debt. but refused to pay their debts due to the fact that they even resorted to loans in para-banks. At present. only the financial help of the government can save the municipality from taking over the property by creditors or liquidation (Wirwicka, 2016). Also in 2016 Rewal was forced to apply to the Minister of Development and Finance for a loan of over 100 million PLN, enabling him to function normally, despite the fact that his indebtedness to income fell to 224.8% (Domaradzka, 2016). Undoubtedly, one of the burdens leading the two municipalities to such a situation was high costs of servicing the annual debt. Their level in the country for communes between 2011 and 2017. looked optimistic, as presented in Table 7.

Table 7. Costs of servicing communal debt (PLN m) and their relation to income in 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Expenses	1089.661	1399.730	1100.331	925.212	771.478	701.271	663 088
Change (%)	-	+28.3	-21.4	-15.9	-16.6	-9.1	-5.5
2011r.=100	100	128.3	101	84.9	70.8	64.4	60.9
Costs as% of communal income	1.44	1.79	1.37	1.09	0.88	0.69	0.6

Source; own study based on Informacja o wykonaniu budżetów jednostek samorządu terytorialnego z lat 2011-2017, <http://www.mf.gov.pl/documents/jst>; [2.02.2018].

Data in the table indicate a decline in debt servicing costs as a local government expenditure item in the country. Still in 2013 they were nominally 1% higher than two years earlier, but already in 2014, they were lower by 15.1% compared to those from 2011, and by the end of 2017, by 39.1%. Also, the relation of debt service costs to communal income in the country, after 2012. systematically improved. falling not only in the current 15% limit. but for the first time in 2015 falling below 1%. Of course, the examples of the communes of Rewal and Ostrowice quoted above

show that on a micro scale this situation could have been significantly different from the presented data.

5. Conclusions

An analysis of the indebtedness of Polish local governments in 2011-2017 and the costs of its service allows presenting several final proposals. Undoubtedly, the changes in the level of commune liabilities in the indicated period were the effect of a combination of factors. Some of them came from the macroeconomic sphere of the environment, which did not cause many worries at the time, as evidenced by the regular increase in commune income. Much also resulted from the baggage of local debt from previous years, the growth of which before 2011 proved to be dynamic. However, attention cannot be overlooked by the fact that the then changes in the level, as well as the distribution of indebtedness between municipalities were also the effect of a gradual evolution of the approach of local authorities towards the issue of indebtedness. Many local leaders have already successfully resisted the temptation to further increase their debts in the units they own. However, there were also those whose views on rational debt were completely opposite, as show the examples of Rewal and Ostrowice.

As a result, the overall balance of changes in the indebtedness of Polish local governments between 2011 and 2017 has become dualistic. On the one hand, the process of increasing the total amount of communal debts on the national scale has been stopped, and even their real value has fallen. The level of debt servicing costs as well as due liabilities decreased. On the other hand, it did not bring the effect that many opponents of the local authorities' life on credit had to face, namely the decline in the number of communes with indebtedness. There was also no improvement in the financial situation of the most indebted entities, whose number within five years paradoxically began to grow, instead of falling.

Introduced in 2014, the IWZ did not meet, thus by the end of 2017, the hopes placed in it in the scope of more effective control of the municipal policy of incurring liabilities. The generic structure of the indebtedness portfolio of communes did not change either, in which securities became even rarer and loans and loans with often not very favorable financial conditions of their future repayment were more frequent. Therefore, the thesis indicated in the introduction of the article that the actions taken in the years 2011-2017 by the municipal authorities in the field of

shaping their own local government debt contributed to the suppression of its growth on the national scale, while not reducing the popularity of indebtedness among local governments.

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