

GOVERNMENTAL LOCAL INVESTMENT FUND AS A FINANCIAL INSTRUMENT TO SUPPORT URBAN INVESTMENT BY THE EXAMPLE OF CITIES WITH DISTRICT STATUS IN THE LODZ VOIVODESHIP

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Abstract

The purpose of the article/hypothesis is to present the Government's Local Investment Fund as a financial tool to support municipalities and districts during the COVID-19 pandemic crisis and to provide an assessment of the support received in the context of investment expenditure incurred by cities with district rights in the Lodz Voivodeship.

Methodology: On the basis of data from the Chancellery of the Prime Minister and the financial reports of the Cities with a District Status, the amount of funding granted from the Government Local Investment Fund was reviewed. Based on data from the Local Data Bank, the basic financial data for three Cities with a District Status from the Lodz Voivodeship in the years 2019–2021 was analysed, i.e. in the context of the use of funds from the Government Local Investment Fund.

Results of the research: Local government units during the COVID-19 pandemic had an opportunity to obtain financial support from the state budget for the implementation of investment tasks from the Government Local Investment Fund. A total amount of PLN 13 billion was allocated to local governments. The funds were distributed in three rounds using two different qualification methods: algorithm and competition mode. Cities with a District Status under the competition procedure received less support than other local governments, and there were even situations in which they were deprived of this support. The distribution and the amount of support awarded caused a lot of controversy at the same time highlighting a need for changes in the system of local finances.

Keywords: Government Local Investment Fund, COVID-19 pandemic, financial situation of local governments, cities with a district status, financial support.

JEL Class: H71, H72, H74.

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INTRODUCTION

The socio-economic space in 2020–2021 is dominated by themes and activities related to the global COVID-19 pandemic. The outbreak of the pandemic could not have been predicted and its effects have changed the previously established way of functioning of all areas of socio-economic life. In line with Nassim Nicholas Taleb's concept of the 'black swan' (www1), the outbreak of a pandemic confirms the unpredictability and irregularity of phenomena of enormous magnitude that societies and economies of individual countries have to face. In the modern world, the threat of a new unidentified virus that paralysed the entire world never crossed anyone's mind, yet the virus emerged and changed reality in a colossal way. Some sectors of the economy virtually froze their activities, while others noticeably slowed down (Derkacz, 2020: 162). The COVID-19 epidemic had a significant impact on the course of macroeconomic processes throughout the country, including the weakening of economic activity, deterioration of the situation on the labour market and changes in the economic behaviour of households and enterprises and, as a result, on the situation of public finances, including the finances of local government units. This is why people very quickly began to speak of a pandemic crisis. The burden of fighting the consequences of the introduced restrictions was taken on by the state which launched anti-crisis programmes and, as part of them, targeted fiscal tools to stimulate economic activity. In Poland, one of such tools was the establishment of the Government Fund for Local Investment (GFLI) to stimulate public investment, particularly at the local government level.

The aim of this article is to present the Government's Local Investment Fund as a financial tool to support municipalities and districts during the COVID-19 pandemic crisis and to provide an assessment of the support received in the context of investment expenditure incurred by cities with district rights in the Lodz Voivodeship.

It was assumed that at the peak of the COVID-19 pandemic, i.e., 2020–2021, funding from the Government Local Investment Fund was a significant source of funding for urban investment in the Lodz Voivodeship.

The study was carried out on the basis of secondary data provided on the website of the Chancellery of the Prime Minister and the financial reports of the county (district) missions of the Lodz Voivodeship. Based on data from the Local Data Bank, basic financial data for these cities were analysed for the years 2019–2021, i.e., during the period of allocation of funds from the Government Local Investment Fund.

1. GOVERNMENT LOCAL INVESTMENT FUND

The Government Fund for Local Investment was established by the Resolution of the Council of Ministers of July 23, 2020 on support for the implementation of investment tasks by local government units (LGU) (MP of 2020, item 662). On the website of the Chancellery of the Prime Minister ([www2](http://www2.gov.pl)), GLIF is described as "*a programme under which government funds go to municipalities, districts and cities for investments close to the people*". The support is non-refundable and comes from funds covered by the Anti-Covid-19 Fund, which is an earmarked fund housed in the Bank of National Economy. The legal basis for the Anti-Covid Fund is Article 65 of the Act on Special Support Instruments in Relation to the Spread of the SARS-CoV-2 Virus of April 16, 2020 (Dz. U. 2020, item 695) and in the Act on the Polish tourism voucher of July 15, 2020 (Dz.U. of 2020, item 1262), which is administered by the Prime Minister.

The Government Local Investment Fund consisted of, among other things, funds from contributions from public finance sector entities, funds that, with the approval of the European Commission, could be used to support the implementation of COVID-19-related tasks, contributions from the state budget, as well as funds from loans and bond issues. It was temporary in nature and was a response to local governments' financial difficulties related to the pandemic (Łubina, 2021: 107). Local governments were able to allocate the funds raised to the investments they indicated, which fell within the areas proposed in the Resolution, so they had a great deal of freedom in spending them. The condition was that they were to be used for property expenditures, and they could also make their own contribution to investments implemented with other funds (Ofiarska, 2021:153–154).

Paragraph 2(1) of the Resolution of the Council of Ministers (MP 2020, item 662) indicated that the total pool of funds earmarked for co-financing would amount to PLN 12 billion, of which PLN 5 billion was to go to communes, including cities with districts rights, PLN 1 billion to districts, and PLN 6 billion to all local government units, but the amount could be increased by unused funds from the pool for municipalities and districts. The resolution in question stipulated that support could be granted for investments, the minimum cost estimate of which could not be less than PLN 400 000.

As part of the Government's Local Investment Fund, funds have been allocated to subsidise or finance tasks in the following areas:

- road infrastructure – construction/reconstruction of municipal, district, voivodeship and national roads and road-related technical infrastructure, construction of street lighting,
- transport – expanding and improving the public transport network,

- health care – reconstruction and modernisation of health centre buildings, purchase of specialist equipment for health care facilities, establishment of care and treatment facilities, modernisation of buildings for specialist clinics, expansion of hospital wards,
- education – thermal modernisation of educational facilities, construction/expansion/reconstruction of schools and kindergartens, construction of crèches, construction of school playing fields and gymnasiums, expansion of indoor swimming pools,
- water and wastewater management – construction of water mains, sewers, wastewater treatment plants, reconstruction of water intakes and water treatment plants, construction of hydrophores,
- municipal management – building a selective municipal waste collection system,
- culture – construction/reconstruction of cultural centres, community centres, conversion of buildings for public libraries, modernisation of rooms for use as memorial chambers,
- social welfare – construction/reconstruction of day homes or clubs for seniors, clubs and social integration centres, homes for the homeless and shelters, social welfare homes, support centres for people with mental disorders, care and educational facilities, adaptation of buildings to house social welfare centres,
- sport and recreation – construction/reconstruction of sports fields, sports halls, performance halls,
- security – reconstruction of TSO buildings, purchase of equipment for TSOs,
- revitalisation of degraded areas,
- thermo-modernisation of public buildings.

A wide range of themes was proposed and local authorities could apply for relevant funding.

Originally, the distribution of funds was to be based on two components (Flis and Swianiewicz, 2021):

- 1) a mathematical algorithm taking into account: the financial situation of local authorities, the size of planned investment expenditure and the population. This element of support was the least controversial, as the size of the subsidy was determined on the basis of objective criteria and therefore in a manner similar to the mechanisms adopted in other European countries, such as the Czech Republic, Sweden or the United Kingdom;

- 2) a competitive mode for investment projects, open to all municipalities and districts awarded by the Prime Minister on the basis of a recommendation from the Commission for Support to Local Government Units.

The procedure for awarding grants under GFIL for the competitive component was set out in the aforementioned resolution of the Council of Ministers. The prerequisite for applying for the grant was the submission of an application in an electronic form to the Prime Minister through the relevant provincial governor. Applications could be submitted between July 27 and August 10, 2020. Submitted applications were subject to assessment by the Commission for Support to Local Government Units, established by the Prime Minister for this purpose (Sześciło et al., 2021: 3). Its nine-member composition included representatives of, respectively: three from the Prime Minister and two each from the minister responsible for economic affairs, public finance affairs and regional development affairs.

According to the provisions of §10 of the resolution, applications were to be assessed according to the following criteria:

- implementation of the principle of sustainable development,
- the comprehensiveness of the planned investments,
- reducing the carbon footprint and level of environmental interference of planned investments,
- the cost of planned investments in relation to the planned income of the unit in the year in which the investment starts,
- the number of people who will be positively affected by the planned investments,
- the relationship between the cost of planned investments and the projected effect,
- the impact of the planned investment on the reduction or prevention of future natural disasters, if the planned investment is likely to have such an impact,
- ensuring accessibility within the meaning of the Act of July 19, 2019 on ensuring accessibility for persons with special needs (Dz.U. 2020, item 1062).

Referring to the position of the team led by D. Sześciło, *each of the above-mentioned factors could have formed the basis for a broad analysis, but the committee was not obliged to analyse each application in terms of each of these considerations, assess their implementation (e.g. scoring) and then justify the grant decisions ultimately made* (Sześciło et al., 2021: 4).

The task of this committee, in addition to assessing the applications, was to recommend the amounts to be granted to individual applicants. Disbursement of the funds was to be made through the governors.

As a result, the funds were distributed in five tranches. Information contained in the 2020 Local Government Budget Implementation Report (Rada Ministrów, 2021) and posted on the government website shows that in total, the Government Local Investment Fund paid out more than PLN 13 billion to local government units. The first tranche of funds in the amount of PLN 6 billion was paid out in September 2020 to all municipalities and districts throughout Poland, calculated in an objectivised manner based on an algorithm. The list of communes and districts and the amount of support paid out is included in Appendix No. 1 of the Resolution of the Council of Ministers of July 23, 2020.

For subsequent tranches, the algorithm was replaced by a competitive procedure conducted by a commission appointed for this purpose. Thus: two further competitive tranches in the amounts of PLN 4,35 billion and PLN 1,89 billion respectively were paid out in December 2020 and March 2021. In addition, PLN 673 million was paid in March to provide with municipalities with funds for investment purchases or investments in generally accessible tourist infrastructure and municipal infrastructure related to tourist services, and PLN 340 million was paid in June to municipalities for investments and investment purchases made in towns where liquidated state agricultural enterprises operated (www3).

The allocation of the second and third pools of funds was highly controversial and met with widespread criticism from academics, NGOs and local government politicians. Controversy arose over the competition procedure itself and the powers that the Commission for the Support of Local Self-Government was given by the resolution. In the opinion of experts and local government politicians, it was given too much freedom in the assessment of the submitted applications and thus a high degree of discretion, which was confirmed by later studies (Sześciło et al., 2021).

Justification for these allegations can also be found in the response to an enquiry by the Association of Polish Cities for documentation supporting the criteria and evaluation of the submitted applications. In its response, the Prime Minister's Office stated that *"the resolution does not provide for a procedure of written justification of the way in which the submitted applications were considered, so it is not possible to provide written justification of the recommendations given by the Commission to individual applicants (...). Upon completion of the work, the members of the Commission cast their votes via e-mail on the adoption of the list of applications, together with the proposed amount of support, recommended by the Commission for positive consideration by the Prime Minister"* (Porawski, 2021)

Such an answer clearly suggests that the Commission does not have any reliable documentation to support the substantive assessment of the applications submitted, and the competition procedure itself lacked objectivity and transparency.

Apart from the substantive and formal side of the allegations with regard to the tender procedure itself, a lot of emotion was aroused by the amount of funds

awarded. Reports published to date by, among others, the Stefan Batory Foundation (Flis and Swianiewicz, 2021; Sześciło et al., 2021), the Association of Polish Districts (Rudka and Kocemba, 2021) and studies by academics (Czepil, 2022; Olejnik, 2022) clearly indicate that the disparity in payments to individual local authorities is huge and results from a preference for those managed by governors from the government's political camp. Such a situation should be unacceptable in a democratic state, as it violates the principle of subsidiarity and leads to a degradation of the value of self-government.

2. DISTRIBUTION OF FUNDS FROM THE GOVERNMENT'S LOCAL INVESTMENT FUND IN LODZ VOIVODESHIP

The establishment of the Government's Local Investment Fund created an opportunity for municipalities and districts to apply for investment funds at a time of financial instability and uncertainty during the pandemic period. The economic conditions related to the pandemic were compounded by changes to the tax system introduced in 2019, which further destabilised the financial situation of local government units. Unsurprisingly, the proposal to mobilise funds under GLIF aroused great interest among local authorities, as they are the main actors in local politics responsible for investments and the quality of life of their residents.

Despite the unclear procedure, most local governments decided to apply for GLIF funds. 2,780 local authorities applied for financial support. Only 30 local governments declined this opportunity. As each local government could submit an unlimited number of applications, the total number of investment projects submitted for support exceeded 10,000.

The amount of funds allocated under the Government Local Investment Fund to municipalities and districts in each voivodeship is shown in Table 1.

Table 1. Total allocated funds under the Government Local Investment Fund for all municipalities and districts by voivodeship in 2020 (in PLN)

VOIVODESHIP	AMOUNT OF SUPPORT FOR MUNICIPALITIES	AMOUNT OF SUPPORT FOR DISTRICTS	TOTAL AMOUNT OF SUPPORT	SHARE (%)
Dolnośląskie	335 575 539	46 440 515	382 016 054	6,37
Kujawsko-pomorskie	273 732 836	56 470 996	330 203 832	5,51
Lubelskie	333 129 281	102 598 596	435 727 877	7,27
Lubuskie	139 769 886	20 748 738	160 518 624	2,68
Łódzkie	349 887 027	39 266 051	389 153 078	6,49
Małopolskie	451 644 445	104 386 315	556 030 760	9,27

Mazowieckie	523 170 349	134 609 718	657 780 067	10,97
Opolskie	116 574 104	25 843 195	142 417 299	2,38
Podkarpackie	275 460 504	60 802 614	336 263 118	5,61
Podlaskie	186 277 989	43 371 580	229 649 569	3,83
Pomorskie	337976997	47423722	385 400 719	6,43
Śląskie	624 081 862	85 167 633	709 249 495	11,83
Świętokrzyskie	192153738	37532685	229 686 423	3,83
Warmińsko-Mazur- skie	176 583 815	46 615 898	223 199 713	3,72
Wielkopolskie	422 648 388	104 129 096	526 777 484	8,79
Zachodniopomorskie	260 081 895	42 102 538	302 184 433	5,04
Total	4 998 748 655	997 509 890	5 949 818 030	100

Source: own compilation based on Annexes 1 and 2 to Resolution No. 102 of the Council of Ministers of 2020.

Information included in Annexes 1 and 2 to Resolution No. 102 of the Council of Ministers shows that the largest pool of funds under GLIF went to municipalities and districts in the Śląskie (almost 11,83%) and Mazowieckie (10,97%) voivodeships, while the lowest support was received by local governments in the Opolskie (2,38%) and Lubuskie (2,68%) Voivodeships.

At the time when the Resolution No. 102 of the Council of Ministers concerning GLIF was adopted, a total of 177 units were eligible to submit the relevant applications in the Lodz Voivodeship, comprising: 24 districts (including three cities with a district status), 18 urban municipalities, 29 urban-rural municipalities and 130 rural municipalities. All units applied for funds.

The amounts allocated to cities with a district status and municipalities, in tranche 1 are shown in Table 2.

Table 2. Amounts allocated under the Government Local Investment Fund for cities with powiat rights and powiats in Lodz voivodship (in PLN)

NAME OF THE LOCAL AUTHORITY	AMOUNT
CITIES WITH DISTRICT STATUS	
District City of Łódź	93 500 000
District City of Piotrków Trybunalski	8 544 636
District City of Skierniewice	7 375 722
Total	109 420 358

DISTRICTS	
Bełchatowski	2 001 566
Brzeziński	500 000
Kutnowski	1 070 324
Łaski	1 591 681
Łęczycki	500 000
Łowicki	1 886 406
Lodz wschód	2 120 726
Opoczyński	3 752 593
Pabianicki	1 589 893
Pajęczański	533 915
Piotrkowski	2 871 229
Poddębicki	500 000
Radomszczański	937 322
Rawski	500 000
Sieradzki	3 373 876
Skierniewicki	945 180
Tomaszowski	7 251 465
Wieluński	1 556 123
Wieruszowski	2 252 974
Zduńskowolski	1 150 515
Zgierski	2 380 263
Total	39 266 051

Source: own compilation based on Annexes 1 and 2 to Resolution No. 102 of the Council of Ministers of 2020.

The total amount of support received by all municipalities and districts in Lodz Voivodeship (including cities with a district status) was PLN 389,153,078, which accounts for almost 6,5% of all funds allocated in the second tranche of the competition.

Looking at individual types of units, the highest amount for investment stimulating activities in the COVID-19 period went to the city with a district status of Lodz and amounted to PLN 93,500,000. Other cities with powiat rights received, respectively, Piotrków Trybunalski PLN 8,544,636 and Skierniewice PLN 7 375 722.

The districts received a total of PLN 39 266 051, but it should be clearly noted that there were four districts in which the value of the allocated funds was the lowest, amounting to PLN 500 000 each (Brzeziński, Łęczycki, Rawski) and PLN 533 915 to Pajęczański. The following districts received the highest amount: Opoczyński PLN 3 752 593 and Sieradzki PLN 3 373 876.

Urban municipalities received support in the total amount of more than PLN 65 million with the largest support received by the cities of Pabianice (more than PLN 18 million), Zgierz (more than PLN 9 million), Kutno (more than PLN 8 million) and Łowicz (more than PLN 7,920 thousand). In the remaining cities, the amounts ranged from over PLN 6 thousand to over PLN 5 million.

The amounts paid out clearly indicate large spreads. At this stage of the research, the Author does not undertake to formulate unequivocal reasons for this phenomenon. In the course of further research, an attempt will be made to answer the following questions:

1. What was the relationship between the population of a given unit and the amount of support granted?
2. Verification at the level of Lodz Voivodeship of previous research results whether the amount of support is closely correlated with the political sympathies of the rulers of a given unit?
3. Is there a correlation between the amount of investment expenditure incurred by a given unit and the amount of GLIF funding granted?

3. EARMARKING OF MONEYS FROM THE GOVERNMENTAL FUND FOR LOCAL INVESTMENT IN CITIES WITH DISTRICT STATUS IN LODZ VOIVODESHIP

Within the administrative division of Łódz Voivodeship there are three cities with a district status (CDS): Łódź, Piotrków Trybunalski and Skierniewice.

By the decision of the Council of Ministers of July 23, 2020, as part of the first tranche of funds, all cities received financial support under the Government Local Investment Fund.

The City of Łódz, as part of the first tranche of the so-called algorithm, received funds from the Government Local Investment Fund in the amount of PLN 93.5 million for the implementation of investment tasks within the framework of the COVID-19 counteraction. The funds were allocated to the following investments:

- thermomodernisation of schools and kindergartens – PLN 7,7 million,
- thermomodernisation of nurseries – PLN 1,1 million,
- development of the functions and services offered by EC1 – PLN 7,5 million,
- extension of the municipal stadium Unii Avenue – PLN 62,5 million,

- reconstruction of Traktorowa Street with the construction of a roundabout – PLN 6,3 million,
- reconstruction of Obywatelska Street from Nowe Sady to Walter Janke Street – PLN 4,5 million,
- wastewater management (phase III) – PLN 0,8 million,
- low-emission transport – PLN 3,1 million.

In December, the second tranche of funds from GLIF was distributed. They were awarded in a different way, i.e., through a competition. The city also submitted nearly 30 applications for financial support for such investments as renovation of railway tracks, modernisation of streets and kindergartens. Unfortunately, it was deprived of such support, just like other large cities like Warsaw, Poznań, Lublin, Gdańsk, Sopot, Białystok, Kielce (Ambroziak, 2020). At the time, the press wrote extensively about the unclear, subjective criteria for the distribution of funds, and above all, favouring those local authorities which favour the state authorities (Ambroziak, 2020; Bujalski, 2021). The issue was also widely commented on in the media (www4).

In the last third handover of March 2021 the city received PLN 2 million for the task called "Reconstruction/extension of Krakowska Street on the section from Barska Street to Siewna Street" (www5).

According to the reports on the implementation of the budget of the City of Lodz for the years 2020–2022 (Sprawozdanie z wykonania...) a total of 15 projects are being implemented with the funds received from GLIF. Of the allocated amount, a total of PLN 95,198,100 was spent at the end of 2022, which is 99,68%. This means that these funds have been earmarked for investments that in the future will contribute to the living comfort of residents and increase the competitiveness of the city in the region.

Accordingly, total income, total expenditure and investment expenditure were analysed, as well as the amount of total subsidies broken down into those received from the state budget and including those for investment (Table 3).

Table 3. Amounts of income, expenditure and subsidies for the City of Łódź in 2019–2021 (in PLN)

SPECIFICATION	YEARS		
	2019	2020	2021
Total income	4 506 252 862	4 925 066 038	5 353 969 221
Dynamics of total income (%)	x	109	108
Total targeted subsidies	981 305 876	1 280 106 022	1 238 322 465

Targeted subsidies from the state budget, of which:	838 059 293	1 017 477 105	997 385 189
Investment	1 192 256	7 453 799	6 572 200
Share of the subsidy from the state budget in the total purpose-specific subsidy (%)	85	79	80
Dynamics of targeted subsidies from the state budget	x	121	98
Grants from GLIF	na	93 500 000	2 000 000
Share of GLIF subsidy in the state budget subsidy (%)	na	9	0,02
Total expenditure, of which Investment	4 690 022 478 617 786 223	5 150 148 075 706 839 520	5 227 926 727 661 966 113
Dynamics of total expenditure	x	109,8	101,5
Share of GLIF funds in capital expenditure	na	13,2	0,03

x - base year

na- not applicable

Source: www6.

The following picture emerges from the data in Table 3: between 2020 and 2021, i.e., the application period for GLIF funds, there was an average increase of 8,5% in the city's revenue. The increase in income was followed by an increase in total expenditure, with a higher increase in 2020 (an increase of nearly 10%) and only 1,5% in the following year. The share of earmarked subsidies from the state budget in total subsidies was at a similar level of around 80%. If we look at the dynamics, the difference is clearly visible. In 2020, there was a 21% increase in the amount of subsidies, only to fall by 2% in the following year.

The share of grants from GLIF in total grants is interesting. In 2020, grants amount to 9% and in the following year only to 0,02. In the financial data, this confirms the token share of aid funds. Confirmation of the observation can also be seen in the ratio of GLIF to capital expenditure, when in 2021 the share drops from 13,2% (2020) to just 0,03%.

Piotrków Trybunalski received an amount of PLN 8,544,636 from GLIF in the first tranche of September 2020. Three investments were financed from this pot: two concerned the construction of a sanitary sewer system in Życzna Street and in Glinian Street. The third was the thermal insulation of the building of the workshops of the Complex of Secondary Schools and Care Facilities No. 3 (Junko, 2021).

For the second round in December, the City submitted three applications for a total of more than PLN 28,5 million. Funds were applied for projects such as: "Reconstruction of the Relax hall" – PLN 25,5 million, "Construction of roads on the 800 years estate" – PLN 2,5 million and "Reconstruction of a section of the Żelazna Street road strip", a project involving the construction of a 0,4 km bicycle lane together with a pavement along Żelazna Street and reconstruction of the existing exits, amounting to PLN 520 thousand. And it was the latter application that received support. City representatives do not hide their surprise and disappointment, especially as many municipalities in the Piotrków district received higher grants (Obszarny, 2020).

A picture of the financial situation in Piotrków Trybunalski is shown in Table 4.

Table 4. Amounts of income, expenditure and subsidies of the City of Piotrków Trybunalski in 2019-2021 (in PLN)

SPECIFICATION	YEARS		
	2019	2020	2021
Total income	498 003 998	525 673 183	565 019 121
Dynamics of total income (%)	x	105	107
Total earmarked subsidies	125 026 521	146 239 865	135 948 407
Targeted subsidies from the state budget, of which:	112 428 025	129 962 596	125 567 451
Investment	0	132 781	0
Share of the subsidy from the state budget in the total purpose-specific subsidy (%)	90	89	92
Dynamics of targeted subsidies from the state budget	x	115	96
Grants from GLIF	na	8 544 636	520 000
Share of GLIF subsidy in the state budget's special-purpose subsidy (%)	na	6,5	0,04
Total expenditure, of which	486 765 173	536 034 833	530 367 274
Investment	48 851 599	58 084 875	31 459 040
Dynamics of total expenditure	x	110	98

Share of GLIF funds in capital expenditure	na	14,7	1,6
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x - base year

na- not applicable

Source: www6.

In the case of Piotrków Trybunalski, we observe a similar situation to the City of Łódź. In the years analysed, there was an average 6% increase in revenue with a 10% increase in expenditure in 2020 and a 2% decrease recorded in the following year.

Grants from the state budget are the dominant category among total grants, and the dynamics in 2020 showed an upward trend, only to record a decrease in the following year, confirming the lack of support from GLIF. This situation is reflected in the ratio of the amount of support from GLIF in the grant from the state budget (6,5% and 0,04 respectively) and in capital expenditure (14,7% and 1,6%) in 2020–2021.

The City of Skierniewice received a grant of PLN 7,375,722 in September 2020 under the first tranche of disbursement from the Government Local Investment Fund. The following investment projects received support:

- construction of a road from J. Brzechwy Street to the church in Armii Krajowej Street – PLN 2,000,000;
- construction of technical infrastructure around the Culture and Arts Centre (CKiS) building in Skierniewice – PLN 2,732,352;
- construction of pavement in M. Skłodowskiej-Curie Street from J. Brzechwy Street – PLN 323,370;
- construction of a car park and parking spaces in Jagiellońska Street – PLN 820,000;
- renovation of the building at Niepodległości Avenue 4 in Skierniewice – PLN 1,500,000.

In the report, under Division 758 – Miscellaneous settlements, we find a note that "*the City received income in the mentioned amount from the Government Local Investment Fund for tasks to be implemented in future years*", which is reflected in the City's Long-term Financial Forecast for 2021–2031 (Sprawozdanie nr 1/2021 ...; Uchwała nr XXVII/1/2021 ...). However, the City did not receive support in two consecutive, competitive tranches, in contrast to municipalities in Skierniewice County, which raises legitimate emotions and disappointment.

Selected financial figures for the City of Skierniewice are presented in Table 5.

Table 5. Amounts of income, expenditure and subsidies of the City of Skierniewice in 2019–2021 (in PLN)

SPECIFICATION	YEARS		
	2019	2020	2021
Total income	304 811 770	366 553 540	360 703 798
Dynamics of total income (%)	x	120	98
Total earmarked subsidies	77 216 331	89 844 421	86 968 667
Targeted subsidies from the state budget, of which:	67 082 671	82 278 002	81 128 833
Investment	50 980	100 000	0
Share of the subsidy from the state budget in the total purpose-specific subsidy (%)	86	92	93
Dynamics of targeted subsidies from the state budget	x	122	98
Grants from GLIF	na	7 375 722	0
Share of GLIF subsidy in the state budget subsidy (%)	na	9	0
Total expenditure, of which	315 071 538	332 016 540	375 295 238
Investment	29 536 556	27 790 976	51 606 462
Dynamics of total expenditure	x	105	113
Share of GLIF funds in capital expenditure	na	26,5	0

x - base year

na- not applicable

Source: www6.

The financial situation of Skierniewice does not differ from that of other cities with a district status in Łódź Voivodeship. We observe similar trends in the dynamics of total income. Expenditure is different, showing a growing trend in each of the years under review. Unlike Łódź and Piotrków Trybunalski, the city did not receive support in any of the competition proceedings for support under GLIF.

All projects of cities with a district status in the Łódź Voivodeship which received government support fully corresponded to the offer resulting from the Resolution of the Council of Ministers and in most cases concerned road investments. There was also no lack of pro-ecological projects related to thermo-modernisation or low-emission transport.

The subsidies provided to cities under the Government's Local Investment Fund have supported finances strained by changes in the tax system and the

COVID-19 pandemic, but it is difficult to clearly indicate that they represent a significant place in city budgets. It should also be made clear that these were amounts for investments that are subject to a tender process related to the selection of a contractor. According to information from the cities, tender procedures for the selection of contractors are underway or have already been completed. In the case of some projects, the first works have already started. Therefore, the effects of these investments will still have to be seen.

CONCLUSIONS

The outbreak of the COVID-19 pandemic has changed the optics of how reality is perceived in every dimension. Its effects were experienced by all actors, from households, businesses, the state and local authorities. The latter, being closest to citizens and knowing their needs, were forced to become actively involved in the fight against the effects of the pandemic. Despite the fact that the state shouldered the greatest burden of counteracting the consequences of the pandemic, local authorities were clearly affected financially.

The remedy for the loss of budget revenues in local governments, especially in large cities, was to be state aid offered under the Government's Local Investment Fund tool. In practice, the solution aroused much controversy. Particular criticism was levelled at the application procedure, which violated the basic principles of transparency and competitiveness in a competition. The amount of financial support was also questioned. It varied, without substantive justification.

In the case of cities with a district status in Lodz Voivodeship, the amounts granted in the first tranche often turned out to be the sharpest subsidy tranches. Their share was at the level of 9% of the total amount of subsidies from the state budget and covered on average between 15% and 18% of incurred investment expenditures. Thus, these funds did not constitute a significant source of investment financing, but allowed investment activities to continue. Thus, the thesis posed in the introduction is not confirmed.

The allocation mechanism has also highlighted another problem related to the reduction of financial autonomy of local governments. The share of subsidies from the state budget is increasing, which leads to centralisation of local finances. This violates the principle of decentralisation of public finances and limits the independence of local governments both on the revenue and expenditure side. The unfavourable trends in local finances indicate an urgent need for changes in the relationship between the government and local government sectors.

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DECLARATION BY THE AUTHORS

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RZĄDOWY LOKALNY FUNDUSZ INWESTYCYJNY JAKO INSTRUMENT FINANSOWY WSPIERAJĄCY INWESTYCJE MIEJSKIE NA PRZYKŁADZIE MIAST NA PRAWACH POWIATU W WOJEWÓDZTWIE ŁÓDZKIM

Streszczenie

Celem artykułu jest przedstawienie Rządowego Funduszu Inwestycji Lokalnych jako narzędzia finansowego wsparcia gmin i powiatów w dobie kryzysu pandemii COVID-19 oraz ocena otrzymanego wsparcia w kontekście wydatków inwestycyjnych poniesionych przez miasta na prawach powiatu w województwie łódzkim.

Metodyka: Na podstawie danych z Kancelarii Prezesa Rady Ministrów oraz sprawozdań finansowych miast na prawach powiatu dokonano przeglądu wysokości udzielonego finansowania z Rządowego Funduszu Inwestycji Lokalnych. W oparciu o dane z Banku Danych Lokalnych przeanalizowano podstawowe dane finansowe dla trzech miast na prawach powiatu z województwa łódzkiego w latach 2019–2021, tj. w kontekście wykorzystania środków z Rządowego Funduszu Inwestycji Lokalnych.

Wyniki/Rezultaty badania: Jednostki samorządu terytorialnego w okresie pandemii COVID-19 miały możliwość pozyskania z budżetu państwa wsparcie finansowe na realizację zadań inwestycyjnych z Rządowego Funduszu Inwestycji Lokalnych. Do samorządów trafiła łączna kwota 13 mld PLN. Środki zostały rozdzielone w trzech turach przy wykorzystaniu dwóch odmiennych sposobów kwalifikowania: algorytm i tryb konkursowy. Miasta na prawach powiatu w trybie konkursowym otrzymywały niższe wsparcie niż pozostałe samorządy, a nawet zdarzały się sytuacje, że tego wsparcia były pozbawione. Rozdział i wysokość przyznanego wsparcia wzbudziły wiele kontrowersji, jednocześnie uwypuklając konieczność zmian w systemie finansów lokalnych.

Słowa kluczowe: Rządowy Fundusz Inwestycji Lokalnych, pandemia COVID-19, sytuacja finansowa samorządów, miasta na prawach powiatu, wsparcie finansowe.

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