Decentralization of public finances resulted in the division of tasks between the Local Government Units (LGU): municipalities, counties and provinces. Together with the division of tasks sources of income were divided. Unfortunately own revenues, which were granted to municipalities are not sufficient to carry out these tasks. Therefore, municipalities (also other LGU) were equipped with additional - external sources of income. Earmarked grants from the state budget are specific income, which supports the development of the municipalities, enables the realization of many investments and supports the implementation of national development strategy. The aim of this research is to present earmarked grants from the state budget as a vital source of income and financial support for municipalities, which allow socio-economic development of a region. The research is based on method of critical analysis of Polish literature, legal acts as well as the statistical data analysis. The study covers years 2004–2013.

Key words: grants, municipality, incomes, state budget.
JEL Codes: H70, H71, H20.

1. Introduction

The local authorities make many decisions related to the implementation of municipality tasks. These tasks are designed to meet the needs of local citizens. Each decision is associated with disposing of money in order to carry out the tasks. In a municipality’s functioning process, finances play an extremely important role. Any decision concerning the current business and municipality development has a financial background. Therefore, it is essential that the revenues of the municipality be sufficient to satisfy local community needs.

The revenues that local units can collect are divided into three main groups: own incomes, subventions (non-earmarked grants), earmarked grants. Although the own sources should constitute the majority, grants from the state, both non-earmarked as well as earmarked are equally important. Earmarked grants constitute about 14% of total incomes of local units, whereas non-earmarked grants – 30%.
As a whole, their share fluctuated from 47% to 41%, (with a downward trend observed) during analysed period. Since 2012 the share of grants for LGU from the state budget leveled off at 41%.

The aim of this research is to present earmarked grants from the state budget as a vital source of income and financial support for municipalities, which allow socio-economic development of a region.

The paper’s part “study results” is divided into theoretical part as well as the empirical one. The first part presents the theoretical assumptions about the earmarked grants from the state in Poland and the latter – statistical study of the state earmarked grants for Polish municipalities.

Analysis of the literature as well as statistical data from Polish Statistical Office and Ministry of Finance are used in the article. The analysis of statistical data covers period 2004–2013.

2. Study results

In order to discuss theoretical aspects of earmarked grants from the state, it is crucial to define a concept of local task in Poland. According to the task category, the source of its financing is assigned.

According to the Polish Constitution dated 2nd Apr. 1997 r. (DzU No 78 poz.483) and different legal acts (enumerated below), the municipal’s tasks can be divided into three categories:
- autonomous tasks (which include for instance: ensuring and maintaining public transport, public education, health service, social assistance, public order, and public safety against fire and flood – including equipment and maintenance of municipality flood storage, etc):
  - compulsory tasks,
  - voluntary tasks,
- assigned tasks (commissioned),
- tasks assigned to a particular category of tasks.

The nomenclature connected with municipality tasks decides the character of the task, whether autonomous or assigned. It is regulated in the following legal Acts:
- Act of the division of powers between local government authorities and government bodies,
- Act of Municipality Government,
- Act on local government units revenues,
- The Public Finance Act.

Assigned tasks are those which are commissioned to the government but carried out by local government units. The reason why the municipality authorities have to fulfill such tasks is that the central government bodies do not function in the municipality. Thus, providing the financial resources to the municipality authorities is a prerequisite for the performance such tasks.

Autonomous tasks carried out by the municipality authorities should be financed with the municipality’s own revenues, while commissioned tasks should be financed by the state budget. When the local authorities receive new tasks, there
should result an increase in own municipality incomes or in the transfer from the state budget. Such transfer may be divided into (Brzozowska, 2013):

- subvention (non-earmarked grants) – a sum of money which municipalities can spend for any purpose and are not obligated to pay back any remaining amount of money to the state budget;
- earmarked grants – a sum of money that can be spent only for previously planned task, aim; it is called also earmarked subsidy. It cannot be changed without the disposer’s (donor’s) approval.

Assigned tasks are usually financed from earmarked grants. Earmarked grant money is allocated for the realization of a predetermined purpose. The authorities of the municipality are obliged to pay back to the state budget the remaining amount of money or any money which was spent on a different goal other than the predetermined. Revenues constitute the basis for every business and public entity functioning. The municipality incomes also ensure proper functioning and implementation of the tasks imposed on it. Each activity undertaken by the authorities shall reflect in the financial economy of the municipality. According to the legal Act concerning LGUs’ revenues from 13th Nov. 2003, municipality incomes come from two main sources:

- internal sources, i.e. own sources of income,
- external sources, i.e. state transfers: subventions and earmarked grants, and returnable incomes: loans, incomes from issuing bonds.

Own revenue should be a major part of the revenue as a whole. They constitute the basis for financing the municipality's own tasks, and also play a crucial role when the municipality authorities try to obtain finance from external sources. According to the Polish Constitution, all revenues which are not earmarked subsidies and subventions are classified as own revenues.

The set of own incomes include:

- income from the municipalities’ property,
- income from local fees (stamp duty, fair charges, administrative fees, operational charges, service charges, and others),
- income from taxes (property tax, personal income tax - paid in the form of a tax card, agricultural tax, forestry tax, transport tax, inheritance tax, donations tax, civil law tax),
- shares in income coming from CIT and PIT,
- income received by the communal budgetary units,
- payments from budgetary establishments and communal ancillary farms,
- financial support from other local government units,
- inheritances, bequests, and donations for the municipality, interest on late repaid loans, penalties and fines.

Although the set of own sources of municipality incomes is wide, the amount of money derived from it is usually insufficient. In order to help the municipalities with this problem and to support them with financial problems, the state transfers additional financial resources: subsidy and earmarked grants for particular local units. However, it is very important not to confuse the subsidy with grants from the state budget. Although both of them come from the state budget and serve as a financial support for local governments, only the subsidy may be spent without specific pur-
pose. Earmarked grants finance strictly defined current tasks, as well as investments ones (Guziejewska, 2008). Public Finance Act presents three main types of earmarked grants: purposeful, special-purpose, and subjective. However, according to A. Wernik (2014) the investment grants should be the fourth type, as they are subject to different legal regulations.

All in all, earmarked grants are financial support to local governments transferred in order to promote activities which satisfy the citizens’ needs. They may come from:

- the state budget,
- state funds and other state institutions,
- other government units,
- the EU budget (EU grants).

Of greatest importance to municipalities are grants from the European Union which replaced the category of development subsidies (Zioło, 2012) and those from the state budget, which the municipality authorities use to implement the municipality’s own and assigned tasks (Mackiewicz, 2007).

Earmarked grants from the state are financial transfers from the treasury (State) and they constitute state budget expenditures intended for financing and co-financing local tasks enumerated in the Act of Local Incomes. Grants for LGU are purposeful (targeted) because they participate financially in specific tasks performed by the municipality. Literature emphasizes the unilateral and overbearing nature of state actions, because it is the central government that decides and grants earmarked grants to the municipalities. In some cases, this may be understood as bias and causes the grant to be treated as a financial instrument for impacting local governments to implement state policies (Hanusz, 2009) for example: municipalities get grants for renovating and building new roads (upon application, of course), as the state policy concerns the improvement of transport infrastructure throughout the whole country. E. Kornberger-Sokołowska (2012) enumerates two types of earmarked grants: obligatory (when the transfer is not connected with administrational decision of donor, ex. grants for assigned tasks) and optional (they depend upon the donor decision).

The legal Act concerning LGUs’ revenues from November the 13th, 2003, divides the grants according to their purpose, and then they are transferred to municipal budgets in order to finance or co-finance:

- tasks fulfilled by the municipality in government administration and other tasks assigned by law to LGUs;
- certain tasks described in legal acts and implemented by entities other than local government;
- current autonomous LGU tasks;
- tasks which are assigned to entities not classified in the public finance sector; foundations and organizations;
- reimbursement of all costs or their portions, which arise as a result of the investment, defined in the Public Finance Act (so called earmarked subsidies);
- current activity of a particular entity (entity grants);
- certain types of products or services (special-purpose grants);
- credit interest rates, which are specified in the particular legal acts;
- the first supply of working capital for newly created budgetary establishments and communal ancillary farms (grants for the first supply of working capital).

In making a synthesis and generalization of grants from the state budget, a division can be made into two main groups, namely, grants which are used for performing the tasks of government administration and these which are used for financing, or co-financing autonomous tasks: current and investment.

Tasks of government administration are assigned by law or by agreement, and they are tasks performed by the municipality in parallel with their autonomous tasks. According to the legal Act on LGUs’ revenues, 13th November 2003, the grants paid for financing such tasks are determined by the rules established in the state budget. The amount of these grants should ensure that the municipality can carry out the entrusted tasks. As a rule, the governor (wojewoda – a province authority) will transmit these grants on time, which allows full and timely execution of the assigned tasks (Borodo, 2006). The municipality, which performs the assigned tasks, and which uses funds from the state budget, is supervised and under control of the central government authorities. The process of spending the grant amounts of money and the implementation of particular tasks are controlled by special institutions and representatives of executive authorities.

Grants, which finance or co-finance municipalities’ autonomous tasks can be divided into:
- grants, which provide financial support for municipal investments made as the municipality's autonomous tasks,
- and grants used to finance current municipality's autonomous tasks.

However, this second group of grants should be as low as possible and constitute a limited source of revenue for municipalities.

Earmarked grants, which provide financial support for municipal investments, exist due to the fact that the municipal investments can be financed only by the state budget and that funding should not exceed 50% of investment value, counted in the cost estimation (Wernik, 2014).

Another type of grants, which municipalities receive from the state budget for investments, are grants for so-called long-term investments. The Budget Act, which regulates this type of grant, stands on guard to keep and implement appropriate state investment policy. In this matter, it may be said that earmarked grants from the state limit the independence of local authorities in decisions about development investment priorities.

Regarding the current autonomous municipality's tasks, only a few may be financed by grants, i.e. tasks which, in the opinion of the government, may be treated as a tool by the government to impact the community. This however, presents a considerable restriction of freedom and independence of the local authorities (Borodo, 2006). Among the mentioned grants the following may be: grants to support education in rural areas, and grants for tasks under the patronage of the state in the field of culture.

The principles determining the grants’ amounts, as well as methods for their transfer are defined very generally and regulations may be found in various legal acts
which concern the issues of own and assigned tasks. Particular types of grants differ from each other in (Hanusz, 2006): the rules of calculation; the nature of the municipality’s competence to receive grants (not every municipality can apply for grants and receive them); litigious proceedings which may result from the calculation of grant amounts and their transfer.

A common feature of all grants is their purposeful character. The municipality receives a grant and is obligated to spend it on a specific, pre-determined task. Unfortunately, to a large extent, this feature of the grants restricts freedom in disposing of the money. The municipality has to account for the received grants and submit a report which contains information about where and toward what investment the municipality has used the grant. When the municipality has received too large a grant, or when it was spent inconsistently with the previously planned aim, the disposer of the budget part (in this case: wojewoda) determines the amount to be repaid. Also, a grant which is not spent before the end of the financial year has to be repaid to the state budget. In a situation where the municipality authorities have spent the grant on a task other than what was planned, they will not receive grant for the next three years (Hanusz, 2009).

Earmarked grants should be transferred to local budgets in the way that enables full and timely execution of assigned tasks (Sowiński, 2011). In case of incomplete and untimely transfer earmarked subsidy for tasks related to government administration and other tasks enumerated in particular legal acts, local authorities are entitled to judicial proceedings. This is very important when such delay causes an extraordinary expense of the community's own revenues. Untimely earmarked subsidy exposes the municipality to the enforcement proceedings, too. (Ostrowska, 2012). Earmarked grants for local units in Poland constitute quite impressive sum of money, when considered it as a state expenditure. In 2013 it was 14% of the total amount of state spendings. Table 1 shows the sum of earmarked grants transferred to Polish local government units as well as the percentage share of grants for municipalities, between the years 2004 and 2013.

Table 1. Earmarked grants from state budget transferred to local government units in Poland, with the share of grants for municipalities (2004–2013, mln. PLN)

<table>
<thead>
<tr>
<th></th>
<th>Earmarked grants for all local units</th>
<th>Earmarked grants for municipalities</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>10199.9</td>
<td>5955.7</td>
<td>58.4</td>
</tr>
<tr>
<td>2005</td>
<td>12809.7</td>
<td>8972.4</td>
<td>70.0</td>
</tr>
<tr>
<td>2006</td>
<td>16282.2</td>
<td>12150.1</td>
<td>74.6</td>
</tr>
<tr>
<td>2007</td>
<td>16841.3</td>
<td>12902.7</td>
<td>76.6</td>
</tr>
<tr>
<td>2008</td>
<td>18159.4</td>
<td>13064.7</td>
<td>71.9</td>
</tr>
<tr>
<td>2009</td>
<td>18008.1</td>
<td>12769.5</td>
<td>70.9</td>
</tr>
<tr>
<td>2010</td>
<td>20817.8</td>
<td>14947.4</td>
<td>71.8</td>
</tr>
<tr>
<td>2011</td>
<td>20447.4</td>
<td>14196.5</td>
<td>69.4</td>
</tr>
<tr>
<td>2012</td>
<td>20487.7</td>
<td>14385.8</td>
<td>70.2</td>
</tr>
<tr>
<td>2013</td>
<td>21674.9</td>
<td>15394.2</td>
<td>71.0</td>
</tr>
</tbody>
</table>

Although the amount of the grants received from the state budget by the municipalities has been characterized with upward trend, in 2009, due to economic cri-
sis, these sums of money dropped significantly. The percentage share of municipality grants in general amount has been decreasing since 2008. The lowest share may be observed in 2004 and then in 2011, which is due to the increasing amount of grants for counties. Grants transferred into the municipalities’ bank accounts make up nearly 71% of the total grants intended for local government units. This high value is derived from the continuous shortage of own revenues needed to fulfill the tasks, also caused by the increasing number of tasks assigned to municipalities by the government. Although, the grants are always planned one year in advance, they are rarely paid to local units in the same amounts, as written in the Budget Act. Their performance oscillated between 90–98% (www.mf.gov.pl).

The resourcefulness and the activity of local authorities influence the amount of the grants transferred to the local unit budgets. Thus, the amount of the grants received by the municipalities differ from province to province. Not only the actions undertaken by the municipality authorities affect the sum of grant received by each province, but the number of municipalities in the province is also important. The statistical data are presented below.

![Graph showing amount of earmarked grants received by municipalities in Opolskie and Mazowieckie Provinces (thousand PLN, 2004–2013)](source: own study on the basis of Ministry of Finance data (www.mofnet.gov.pl))

Between 2004 and 2013, the Mazowieckie province municipalities invariably received the largest amount of grants from the state budget. Figure 1 presents its upward trend, where significant increase is noticeable. Within the Mazowieckie province there are 314 municipalities that can apply for grants from the state budget.
Table 2. The growth rate of nominal amounts of grants for municipalities in each province  (base year 2004 = 100%)

<table>
<thead>
<tr>
<th>Province</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolnośląskie</td>
<td>28.3</td>
<td>53.1</td>
<td>60.3</td>
<td>55.3</td>
<td>53.6</td>
<td>67.5</td>
<td>140.8</td>
<td>136.1</td>
<td>154.6</td>
</tr>
<tr>
<td>Kujawsko-Pomorskie</td>
<td>35.6</td>
<td>84.7</td>
<td>92.3</td>
<td>101.3</td>
<td>89.6</td>
<td>103.1</td>
<td>172.9</td>
<td>180.8</td>
<td>207.6</td>
</tr>
<tr>
<td>Lubelskie</td>
<td>27.7</td>
<td>94.1</td>
<td>100.3</td>
<td>100.1</td>
<td>103.52</td>
<td>140.5</td>
<td>199.0</td>
<td>200.3</td>
<td>214.3</td>
</tr>
<tr>
<td>Lubuskie</td>
<td>33.3</td>
<td>61.7</td>
<td>74.1</td>
<td>73.5</td>
<td>69.7</td>
<td>79.6</td>
<td>148.9</td>
<td>148.3</td>
<td>167.3</td>
</tr>
<tr>
<td>Łódzkie</td>
<td>21.5</td>
<td>69.7</td>
<td>73.9</td>
<td>79.9</td>
<td>64.1</td>
<td>69.6</td>
<td>130.7</td>
<td>133.0</td>
<td>153.2</td>
</tr>
<tr>
<td>Małopolskie</td>
<td>39.7</td>
<td>102.2</td>
<td>116.4</td>
<td>107.3</td>
<td>104.1</td>
<td>147.2</td>
<td>231.6</td>
<td>218.7</td>
<td>217.4</td>
</tr>
<tr>
<td><strong>Mazowieckie</strong></td>
<td>36.4</td>
<td>101.0</td>
<td>105.5</td>
<td>107.8</td>
<td>99.7</td>
<td>115.8</td>
<td>175.8</td>
<td>179.1</td>
<td>202.4</td>
</tr>
<tr>
<td>Opolskie</td>
<td>30.2</td>
<td>68.5</td>
<td>78.5</td>
<td>85.8</td>
<td>78.9</td>
<td>123.0</td>
<td>167.9</td>
<td>161.7</td>
<td>183.6</td>
</tr>
<tr>
<td>Podkarpackie</td>
<td>51.2</td>
<td>117.4</td>
<td>137.0</td>
<td>126.4</td>
<td>120.6</td>
<td>216.7</td>
<td>254.7</td>
<td>231.9</td>
<td>244.0</td>
</tr>
<tr>
<td>Podlaskie</td>
<td>36.4</td>
<td>118.0</td>
<td>118.2</td>
<td>120.1</td>
<td>122.2</td>
<td>133.6</td>
<td>233.7</td>
<td>238.1</td>
<td>267.3</td>
</tr>
<tr>
<td>Pomorskie</td>
<td>39.0</td>
<td>78.5</td>
<td>90.0</td>
<td>90.6</td>
<td>85.7</td>
<td>97.6</td>
<td>160.0</td>
<td>168.4</td>
<td>191.0</td>
</tr>
<tr>
<td>Śląskie</td>
<td>30.9</td>
<td>71.6</td>
<td>79.2</td>
<td>73.3</td>
<td>68.</td>
<td>88.6</td>
<td>157.0</td>
<td>152.3</td>
<td>177.0</td>
</tr>
<tr>
<td>Świętokrzyskie</td>
<td>43.6</td>
<td>119.6</td>
<td>124.4</td>
<td>120.2</td>
<td>116.0</td>
<td>209.6</td>
<td>240.1</td>
<td>236.3</td>
<td>252.0</td>
</tr>
<tr>
<td>Warmińsko-Mazurskie</td>
<td>36.9</td>
<td>78.0</td>
<td>92.3</td>
<td>98.0</td>
<td>94.3</td>
<td>109.1</td>
<td>199.0</td>
<td>207.7</td>
<td>227.4</td>
</tr>
<tr>
<td>Wielkopolskie</td>
<td>31.9</td>
<td>95.3</td>
<td>103.4</td>
<td>113.6</td>
<td>99.1</td>
<td>115.5</td>
<td>163.6</td>
<td>165.3</td>
<td>188.1</td>
</tr>
<tr>
<td>Zachodniopomorskie</td>
<td>31.4</td>
<td>58.2</td>
<td>68.3</td>
<td>70.3</td>
<td>66.0</td>
<td>73.9</td>
<td>145.9</td>
<td>146.1</td>
<td>162.7</td>
</tr>
</tbody>
</table>

Source: own calculation with Ministry of Finance data. 2004–2013
Municipalities that received the second-most amount are from the Śląskie and Wielkopolskie provinces, whereas municipalities of Opolskie Province received the lowest amount of earmarked grants during analysed period.

The next table (No. 2) presents the growth rate of nominal amounts of grants for municipalities. The highest growth rate of grants appeared in municipalities of Podkarpackie and Świętokrzyskie provinces. That may be due to the active attitude of the local authorities, but also to the increasing needs of society which can be satisfied by the local governments. As mentioned before, own sources of incomes (localized within the area of the municipality) are usually insufficient, thus local tasks may be accomplished thanks to an external source, inter alia grants. Another way of collecting external money by municipalities is to apply for UE grants.

Considering a grants from the state budget as financial support for Polish municipalities, it is worth mentioning its influence on the level of development in particular local government units. This may be reflected by the GDP index, worked out by municipalities in each province.

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Dolnośląskie</td>
<td>71231</td>
<td>77143</td>
<td>86568</td>
<td>97669</td>
<td>104254</td>
<td>112215</td>
<td>122539</td>
<td>134040</td>
<td>138298</td>
</tr>
<tr>
<td>Kujawsko-Pomorskie</td>
<td>44252</td>
<td>46171</td>
<td>49980</td>
<td>55530</td>
<td>59479</td>
<td>61981</td>
<td>65035</td>
<td>69183</td>
<td>71526</td>
</tr>
<tr>
<td>Lubelskie</td>
<td>37618</td>
<td>39424</td>
<td>41969</td>
<td>47218</td>
<td>51554</td>
<td>53256</td>
<td>56374</td>
<td>61118</td>
<td>63929</td>
</tr>
<tr>
<td>Lubuskie</td>
<td>21777</td>
<td>23605</td>
<td>25354</td>
<td>28062</td>
<td>29358</td>
<td>30858</td>
<td>32328</td>
<td>34335</td>
<td>35667</td>
</tr>
<tr>
<td>Łódzkie</td>
<td>57982</td>
<td>61586</td>
<td>66287</td>
<td>73782</td>
<td>79593</td>
<td>83358</td>
<td>88202</td>
<td>94866</td>
<td>98819</td>
</tr>
<tr>
<td>Małopolskie</td>
<td>69979</td>
<td>74578</td>
<td>82229</td>
<td>90847</td>
<td>98621</td>
<td>104662</td>
<td>109096</td>
<td>119539</td>
<td>123832</td>
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<tr>
<td>Mazowieckie</td>
<td>188118</td>
<td>204460</td>
<td>227214</td>
<td>249183</td>
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<td>289434</td>
<td>31278</td>
<td>336370</td>
<td>353348</td>
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<tr>
<td>Opolskie</td>
<td>21908</td>
<td>22593</td>
<td>23858</td>
<td>27227</td>
<td>29869</td>
<td>30324</td>
<td>31237</td>
<td>33499</td>
<td>34305</td>
</tr>
<tr>
<td>Podkarpackie</td>
<td>37027</td>
<td>39038</td>
<td>41880</td>
<td>46024</td>
<td>50375</td>
<td>53022</td>
<td>55218</td>
<td>60147</td>
<td>62448</td>
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<tr>
<td>Podlaskie</td>
<td>21569</td>
<td>22939</td>
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<td>27618</td>
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<td>31308</td>
<td>32863</td>
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<td>36057</td>
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<tr>
<td>Pomorskie</td>
<td>52315</td>
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<td>60712</td>
<td>67743</td>
<td>70993</td>
<td>78137</td>
<td>81392</td>
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Source: GUS (Central Statistical Office); http://stat.gov.pl/bdl

The GDP in Polish provinces varies according to province. The highest is observed in three provinces: Dolnośląskie, Mazowieckie and Śląskie. These local units did not reach such high level of GDP accidentally. They are considered to be the most industrialized and enterprising zones in Poland. The high concentration of companies, enterprises, and mines (especially in Śląskie and Dolnośląskie) gives them the opportunity for fast socio-economical development. On the one hand, the local authorities derive profit for their municipalities from such businesses (in the form of taxes); on the other hand, they have to make a lot of effort to maintain these business-
es and attract new ones. The lowest GDP is noticeable in Opolskie and Lubuskie Provinces.

How important are grants from the state budget for developing the local units in Poland? Using statistical functions, this question can be answered by analysis of the correlation coefficient between GDP and the sums of earmarked grants transferred to municipalities in each of Polish provinces. Examining the impact of earmarked grants to the height of GDP, one can noticed fairly strong positive correlation between these two variables. This indicates, that the highest sum of grant transferred to local budget, the greatest increase of GDP value. The correlation coefficient remains rather stable and it represents very high level (the average is 0.86 during analysed period). It means, that worked out GDP is strictly linked with transferred earmarked grant. Although the coefficient dropped insignificantly in 2010 (from 0.86 to 0.78), it is worth mentioning that it oscillates at the same level (higher than 0.8) in remaining years. Thus, if we assume that the GDP represents the level of socio-economical development, earmarked grants play crucial role in strengthening it.

Although, according to Z. Szymla (2005), who quoted E. J. Blakely grants hold minor significance in local development (they are only one of fourteen factors influencing local development) they are very important financial support for Polish local units. Their usage by local authorities enables the development and renovation of the transport infrastructure, which is crucial for new investors and for setting up businesses; maintenance of the schools and the kindergartens, which allow the education of future citizens of Poland; the protection of the environment and encouragement of local society to protect it. All of these activities, financed by grants from the state budget contribute to local socio-economical development.

3. Conclusions

1. Although own revenue should be the main source of income for municipalities, grants from the state budget are also a very important part of the financial economy of local units. In many cases, they allow the realization of investment projects which the municipality itself could not afford. Thus they constitute the important source of incomes for municipalities.

2. The increasing numbers of grants directed to LGUs are an expression of the decentralization of public finances. This is a positive phenomenon. What is more, the largest share of grants (about 71%) falls to municipalities, which are the basic units of local government. Municipalities are considered to be the local units that can use the money from the grants in the most effective way.

3. Although in literature it is shown, that grants hold minor significance in local development, the article presents that GDP worked out by local units are strongly correlated to transferred grants. Thus, the local development is strictly linked with the grant funds.

4. It is to be expected that further improvements in the efficiency of grants usage by local governments will take place after the implementation of task budgeting (a method of planning the budget) and the principles of New Public Management.

References


DOTACIJOS IŠ VALSTYBĖS BIUDŽETO KAIP IŠORINIS LENKIJOS SAVIVALDYBIŲ PAJAMŲ ŠALTINIS

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Raktiniai žodžiai: dotacijos, savivaldybė, pajamos, valstybės biudžetas.

JEL kodai: H70, H71, H20.