

[DOI: 10.20472/IAC.2019.048.016](https://doi.org/10.20472/IAC.2019.048.016)

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MUNICIPAL INDEBTEDNESS IN POLAND - FORMAL AND INFORMAL CONDITIONS

Abstract:

The ongoing processes of decentralization, which are present in many countries, cause a growing proportion of public funds to be collected and spent at the local government tier, which necessitates the use of fiscal rules not only at the state level. This issue may raise some controversy due to the specific character, autonomy and empowerment of local government and local communities. Therefore, the analysed subject is based on three questions: 1. Limited fiscal autonomy of local self-government and its consequences 2. A real need for and the scope of the use of fiscal rules in local government finance, 3. The informal factors that directly determine the indebtedness in local governments in the light of literature and selected empirical research. We use a descriptive method supported by an analysis of financial data and a case study as it presents selected aspects of Polish experience in the subject matter. The results of the analysis seem to point to the necessity of the use of fiscal rules in local government finance, which paradoxically strengthens the processes of decentralization, democratization, technological advancement and globalization. Some primary results of our research indicate investment expenditure, own revenues, number of companies (level of GDP) and election cycle as important, significant factors (in statistical meaning) effecting the local deficit and debt. The conclusions list the advantages of the use of fiscal rules at the local government tier and large diversity of informal conditions across the whole country.

Keywords:

municipal finance, fiscal rules, municipal debt

JEL Classification: E62, H19, H79