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## **Government Fund for Local Investments – Legal Aspects of Financial Support for Local Government Investment Projects during the COVID-19 Pandemic**

**Abstract:** The effects of the COVID-19 pandemic in the form of a reduction in the own revenue of local government units and the corresponding reduction in their expenditure, including asset expenditure, were the determining factor for the introduction of extraordinary and temporary mechanisms to minimise this negative phenomenon from 2020. One of such solutions is the Government Fund for Local Investments, separated within the state special-purpose fund - the COVID-19 Counteracting Fund. The aim of this study is to establish the legal status of the Government Fund for Local Investments (Rządowy Fundusz Inwestycji Lokalnych - RFIL). The hypothesis about the temporary nature of this fund and its close relations with the COVID-19 Counteracting Fund has been verified as being true. It has been established that the RFIL does not have its own sources of revenue, and its financial resources are the result of separating a certain amount of funds accumulated in the account of the COVID-19 Counteracting Fund, which means it is, in fact, its sub-fund with clearly defined tasks to be performed. The RFIL-provided support is non-returnable, and its only beneficiaries are local government units. The resources transferred from this fund may only be used for the implementation of investment projects or for meeting asset expenses. The study uses the legal-dogmatic method and, additionally, the statistical analytical method, to present specific numerical values reflecting the importance of the RFIL support in relation to the own revenue of local government units.

**Keywords:** asset expenditure, COVID-19 epidemic, financial support for local government investments, local government, the Government Fund for Local Investments

## Introduction

The COVID-19 pandemic, with the related periodic closures of individual economy sectors, occurring repeatedly since March 2020, and significant restrictions on the domestic mobility of the population in Poland, may have a negative impact on the fiscal efficiency of local government units' sources of own revenue. There is a probable risk of disturbing their budget balance, as well as reducing the outlays necessary to maintain continuity in asset expenditure, including investment expenses that guarantee the proper functioning and development of local government units. Threats may also relate to the sources of supply revenue (especially subsidies) provided to local government units from the state budget. One of the solutions that could minimise the occurrence of these negative phenomena is the Government Fund for Local Investments, established in 2020.

The aim of the study is to analyse and evaluate the applicable legal regulations regarding the Government Fund for Local Investments, including those that determine its legal status, the scope of financing, and the procedures for granting support. The hypothesis verified herein concerns the legislator's creation of an *ad hoc* mechanism of financial support for local government units in the form of a separate financial resource. The justification for its creation was the threat to the continuity of the implementation of investment projects by local government, which condition the proper satisfaction of the needs of local communities. In addition, an attempt was made to demonstrate that the separated financial resource is special-purpose in terms of its subject matter and dedicated only to local government units of the commune, powiat and voivodeship level; thus, the beneficiaries of the non-returnable support cannot be associations of such units or a metropolitan association operating in the Silesian Voivodeship. The study uses the legal-dogmatic method and, additionally, the statistical analytical method. The effects of the COVID-19 pandemic may be long-term; therefore, the period of application of the RFIL support mechanism is difficult to estimate, despite the fact that the fund includes relatively limited resources compared to the needs reported by local government units. The restitution of the fiscal efficiency of local government units' sources of revenue, both own and external (i.e., supply revenue), may turn out to be a long-term process, significantly exceeding the *caesura* determined by the time of eradication of the pandemic. There may emerge a need to apply similar legal solutions in the future in order to protect the general financial balance in local government.

### 1. General Assessment of the Situation of the Local Government Sector in Terms of Own Revenue and Investment Expenditure

Initial comparisons of the overall results regarding the situation of local government units in 2019 and 2020, in terms of their own revenue sources, may lead

to the conclusion that the COVID-19 pandemic has not yet caused a reduction in the fiscal efficiency of these sources. The sum of the own revenues of local government units in 2020, compared to the end of 2019, increased by 7.80%. However, this may be a short-term tendency, and its reversal in the following years cannot be ruled out. Table 1 below shows the dynamics of the total amount of own revenue of local government units in the five financial years preceding the starting point of the pandemic as well as in 2020, when restrictions were applied to business and other forms of social activity with varying degrees of intensity.

Table 1. Dynamics of the total amount of own revenue of local government units in 2015–2020

Year	Own revenue (in PLN million)	Dynamics of own revenue in relation to the previous year (in %)
2015	103 441.0	100.00
2016	106 683.5	103.13
2017	113 245.3	106.15
2018	124 042.1	109.53
2019	135 768.6	109.45
2020	146 356.5	107.80

Source: Główny Urząd Statystyczny (Central Statistical Office), *Gospodarka finansowa jednostek samorządu terytorialnego 2019. Analizy statystyczne*, Warsaw 2020, p. 30 (the information relates to the years 2015–2019), the data for 2020 was adopted on the basis of the collective information of the Ministry of Finance after four quarters of 2020, <https://www.gov.pl/web/finanse/zestawienia-zbiorcze3> (30.05.2021).

In 2015–2020, there was a systematic increase of a few percent in the nominal total amount of local government units' revenues, including in 2020. The distribution of this increase, however, is not even. Communes and cities with powiat status remained in the best financial situation. At the same time, each year about 1,000 communes planned deficits in their budgets, financed mainly from returnable sources of revenue (credits and loans or bond issues). The possibilities of increasing the own revenues of poviats and voivodeships are limited for objective reasons, as the structure and catalogue of sources of these revenues are less developed compared to communes, which significantly affects their efficiency. When examining the overall good result regarding the own revenue of all local government units, one should bear in mind its geographical (territorial) differentiation, because some units noted both increases and decreases in their own revenues during this period. An important issue is also the identification of individual sources of own revenue in terms of their fiscal efficiency. The amounts of revenue obtained from these sources in subsequent years are presented in Table 2.

Table 2. Own revenue of local government units from individual sources in 2015–2020 (in PLN million)

Items	2015	2016	2017	2018	2019	2020
Share in CIT	7 076.1	7 441.2	8 381.1	9 697.6	10 901.6	11 325.5
Share in PIT	38 100.1	41 108.1	44 885.4	50 907.8	56 140.3	55 077.6
Agricultural tax	1 593.0	1 513.5	1 485.2	1 482.1	1 536.6	1 619.2
Property tax	20 171.3	20 774.5	21 829.0	22 617.4	23 299.4	24 215.9
Forest tax	229.7	295.9	295.0	304.3	298.0	301.3
Tax on means of transport	1 015.5	1 055.2	1 092.4	1 134.6	1 169.8	1 168.7
Tax deduction card	73.1	70.6	68.6	67.6	66.5	66.4
Inheritance and donation tax	246.4	279.3	293.5	297.9	326.5	304.5
Tax on civil law transactions	1 749.1	2 171.5	2 550.6	2 747.7	2 926.6	3 004.7
Stamp duty	408.7	430.1	461.3	477.1	502.4	485.6
Share in usage fee	298.7	359.6	411.1	429.3	433.5	420.9
Market fee	184.3	162.8	146.4	140.1	139.3	115.4
Property revenue	7 462.9	7 354.1	7 439.2	7 700.4	7 492.9	8 023.4
Other	24 832.1	23 667.1	23 906.5	26 038.2	30 535.2	40 227.4
<b>In total</b>	<b>103 441.0</b>	<b>106 683.5</b>	<b>113 245.3</b>	<b>124 042.1</b>	<b>135 768.6</b>	<b>146 356.5</b>

Source: Główny Urząd Statystyczny (Central Statistical Office), *Gospodarka ...*, op. cit., p. 33 (the information relates to the years 2015–2019), the data for 2020 was adopted on the basis of the collective information of the Ministry of Finance after four quarters of 2020, <https://www.gov.pl/web/finanse/zestawienia-zbiorcze3> (30.05.2021).

The data in Table 2 shows that among the different sources of local government units' own revenue, the most significant are shares in revenues from personal income tax. They amounted to, respectively: 36.83% in 2015; 38.53% in 2016; 39.64% in 2017; 41.04% in 2018; 41.35% in 2019; 37.63% in 2020. It should be emphasised, however, that this is a source of own revenue only in a formal sense, because the bodies of local government units are not entitled to any tax authority attributes relating to the structural elements of this tax. Proceeds from personal income tax are recorded in the state budget accounts, and then transferred in appropriate proportions to local government units. They express the statutory rights of local government units to a specific participation in the state tax, while constituting a form of division of public law revenues from a specific source between the state budget and the budgets of

local government units<sup>1</sup>. A similar function is performed by shares in revenues from corporate income tax, but their importance in the own revenues of local government units is smaller, and in the total amount of own revenue in the analysed period they amounted to: 6.84% (in 2015); 6.98% (in 2016); 7.40% (in 2017); 7.82% (in 2018); 8.03% (in 2019), and 7.74% (in 2020).

The legislator is free to make changes to the legal structure of income taxes, and thus influence the fiscal efficiency of these sources of own revenue. In particular, their efficiency is adversely affected by tax exemptions, tax reliefs, and lower tax rates introduced in subsequent years. From the point of view of a specific taxpayer, these solutions are attractive, but in a more general sense, they may be the cause of a decrease in budget revenues. This forces local government units to set the rates of local taxes and fees at levels close to the maximum statutory rates and to withdraw from the use of objective exemptions in local public levies. Local communities perceive these actions as an increase in the fiscal burden, for which the authorities of a specific local government unit are responsible. As a result, this means abstention from the possibility of using the tax authority guaranteed to local government units by constitutional and statutory provisions, and in the longer term, limiting the use of local tax policy instruments in creating economic and social development.

In the catalogue of local government units' own revenue sources, the most important factor is the real estate tax, the revenues from which supply the budgets of communes. In the analysed period, the share of revenue from this source in the total amount of own revenue of all units was at the following levels: 19.50% (in 2015); 19.47% (in 2016); 19.28% (in 2017); 18.23% (in 2018); 17.16% (in 2019), and 16.55% (in 2020). Despite the nominal increase in revenues from real estate tax in the subsequent years, their share in the total amount of local government units' own revenue systematically decreases. Increase in the total amount of own revenue of the units it is primarily determined by the progression of shares in income tax revenues, real estate tax revenues, and revenues from other sources (e.g., various fees charged for communal services).

Certain concerns may be raised by the situation regarding other sources of own revenue. As for agricultural tax, there was a slight increase in revenue in 2020 compared to the result achieved in 2019 - by 5.38%, but in 2015–2018, revenues from this source decreased: by 5% in 2016 compared to 2015; by 1.87% in 2017 compared to 2016; and by 0.21% in 2018 compared to 2017. The increase in revenues from forest tax in 2020 compared to 2019 was only 1.11%, meaning that it did not even reach the level of the inflation rate. These are sources of revenue typical of the budgets of rural communes, in which the revenues from shares in income taxes are not as important as for other local government units, in particular municipal communes or

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1 P. Pest, *Udziały jednostek samorządu terytorialnego we wpływach z podatków dochodowych*, Warsaw 2016, p. 51.

cities with powiat status. The revenue side of the budgets of rural communes during the COVID-19 pandemic is particularly difficult.

In terms of other sources of local government units' own revenue in 2020, compared to 2019, there is a noticeable decrease in revenues, e.g. by 0.09% from the tax on means of transport, by 0.15% from tax deduction card, by 2.91% from the share in the revenues from usage fee, by 3.34% from stamp duty, by 6.74% from inheritance and donation tax, by 17.16% from the market fee. The share of these taxes and fees among the local government units' sources of own revenue is not significant and the decrease in revenues does not yet threaten the budgetary balance of the units. However, it should be noted that the aforementioned taxes and fees are primarily borne by local entrepreneurs. The negative impact of the COVID-19 pandemic, especially if it results in a reduction in the size of economic activity, may lead to a greater decrease in revenues from these sources of own income in the following financial years.

The analysis of the data contained in Table 2 shows that the revenues from the property of local government units are characterised by significant instability. The amounts of revenue from this source increase or decrease in individual years. There is no lasting trend in this respect, e.g., the revenues in 2016 decreased by 1.46% compared to 2015, and then increased in the two following years, while in 2019 they decreased by 2.69% compared to the previous year. In 2020, there was an increase in revenues from this source by 7.08% compared to the results for 2019. Revenues from other sources are systematically increasing and in 2020 reached the level of PLN 40.2 billion, which is an increase by as much as 31.74% compared to 2019.

The budget balance of local government units is also determined by the expenditure from their budgets. At the end of 2020, its total amount was PLN 299,240,623,803, i.e., higher by 10.68% (at the end of 2019, the expenditure amounted to PLN 280,208,973,920). The dynamics of the increase in expenditure was greater than the dynamics of the increase in revenues, both own and supply<sup>2</sup>. One tendency that should be noted here is the decrease in asset expenditure made by local government units. In 2020, it amounted to PLN 48,751,814,791 and decreased by 4.51% compared to 2019 (in 2019, local government units made asset expenditure for the total amount of PLN 51,052,364,871). A downward trend was also maintained in the case of investment expenditure, which is part of asset expenditure, as it amounted to PLN 48,973,869,354 in 2019, while in 2020 it was only PLN 46,633,434,579, meaning that its level decreased by 4.78%. What may be concluded from this is that in the first period of the COVID-19 pandemic, the total amount of expenditure from local government budgets increased, while asset expenditure, including investment

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2 The dynamics indicators were calculated based on the collective information of the Ministry of Finance after four quarters of 2020, <https://www.gov.pl/web/finanse/zestawienia-zbiorcze3> (30.05.2021).

expenditure, decreased. The increase in the total amount of expenditure is the result of an increase in current expenditure.

The developing trends in the area of own revenue and expenditure, especially asset expenditure, are a sufficient argument to justify the introduction of extraordinary and *ad hoc* solutions. One of such solutions is the separation of a special resource of public funds in the form of the Government Fund for Local Investments (RFIL).

## 2. Legal Status of the Government Fund for Local Investments

The Government Fund for Local Investments was established in 2020 pursuant to a resolution of the Council of Ministers<sup>3</sup>, which was adopted on the basis of the provisions of the delegation of legislative powers<sup>4</sup> in force only from 18 July 2020. The fund was formally separated as of 25 July 2020 as a sub-fund, however remaining within the structural framework of the COVID-19 Counteracting Fund. According to the provisions of this law, the COVID-19 Counteracting Fund is a state special-purpose fund. Originally, the legislator did not plan to introduce a separate resource of public funds in the form of the RFIL. Pursuant to the delegation, in order to counteract the socio-economic effects of COVID-19, the Council of Ministers may define, by a resolution, the rules for the distribution and transfer of support for investment tasks for local government units, the scope, manner, and time limit of presenting information on the use of support, and indicate the budgetary part administrator, or the minister in charge of a specific department of government administration to provide this support. The wording of the delegation of legislative powers implies that it is optional, i.e., the legislator did not introduce an obligation to separate the RFIL.

Pursuant to Art. 93 sec. 1 of the Constitution of the Republic of Poland<sup>5</sup>, resolutions issued by the Council of Ministers are internal and only apply to organisational units subordinate to the issuing authority. A constitutional provision establishes a general and mandatory model of an internal act. The basic element of this model is the scope of an internal act, which in no case may concern any entities that are not subordinate to the authority issuing such a legal act<sup>6</sup>. This means that

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3 Resolution No. 102 of the Council of Ministers of 23 July 2020 on support for the implementation of investment tasks by local government units (M.P., item 662, as amended), hereinafter referred to as Resolution No. 102/2020/RM.

4 Art. 65 sec. 28 of the Act of 31 March 2020, amending the Act on special solutions related to the prevention, counteracting, and combating of COVID-19, other infectious diseases, and crisis situations caused thereby, and certain other acts (Journal of Laws item 568, as amended).

5 Constitution of the Republic of Poland of 2 April 1997 (Journal of Laws No. 78, item 483, as amended).

6 I. Malinowska, Źródła prawa w Konstytucji RP z 1997 roku, „Przegląd Sejmowy” 2017, no. 6, p. 297; J. Zaleśny, Specyfika aktów prawnych o mocy wewnętrznego obowiązywania, „Studia

a normative act of an internal nature cannot contain standards addressed e.g., to local government units and their associations<sup>7</sup>.

The legislator's permission for the RFIL to be created by way of a resolution of the Council of Ministers is a significant deviation from the rule of creating separate funds only by means of an act, which has applied in Poland for many years. This condition applies both to state special-purpose funds which are units of the public finance sector<sup>8</sup> and to other funds aimed at financing statutory tasks of particular importance for the implementation of the objectives of the state socio-economic policy (subsidies to interest on certain types of loans, thermal modernisation, rail transport modernisation, supporting student scholarship programmes, improving road infrastructure). The category of "other funds" formally remains outside the public finance sector, but can be recognised as public, both due to the status of tasks carried out with their participation, and the large use of budget subsidies<sup>9</sup>.

It can be concluded, that due to the extraordinary circumstances related to the COVID-19 pandemic, an unusual solution was applied with regard to the RFIL. Nevertheless, the creation of each new separated fund leads to budget decomposition, i.e., to the debudgetisation of state finance, assessed critically in the doctrine, which is in opposition to the principle of budget completeness. Debudgetisation is, primarily, a way to minimise the impact of strict rules regarding financial management with the use of budget institutions<sup>10</sup>. According to the legal status in force as of 1 January 2021, 35 state special-purpose funds and approximately 20 other separate funds (entrusted to a state bank, i.e., Bank Gospodarstwa Krajowego, for administration) with statutory expenditure catalogues were established in Poland. It should be emphasised that an excessive number of such funds leads to a deepening of the phenomenon of debudgetisation, and limiting their number is one of the most important postulates included in the doctrine for many years<sup>11</sup>.

The concept of identifying a special financial resource in Poland, from which support is provided for the implementation of local investments, is neither new nor original. The years 2003–2013 were the period of operation of the Municipal

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Politologiczne" 2009, vol. 14, p. 282.

7 S. Wronkowska, M. Zieliński, *Komentarz do zasad techniki prawodawczej z dnia 20 czerwca 2002 r.*, Warsaw 2012, p. 268.

8 E. Ruśkowski, *Finanse publiczne i prawo finansowe. Instrumenty prawnofinansowe i warunki ich stosowania*, Białystok 2018, p. 121.

9 J. Szolno-Koguc, *Funkcjonowanie funduszy celowych w Polsce w świetle zasad racjonalnego gospodarowania środkami publicznymi*, Lublin 2007, p. 179.

10 J. Stankiewicz, *Debudżetyzacja finansów państwa*, Białystok 2007, p. 35.

11 C. Kosikowski, *Naprawa finansów publicznych w Polsce*, Białystok 2011, p. 376.



Investments Development Fund<sup>12</sup>. A form of support in this period were preferential loans intended for the preparation by communes, associations of communes, poviats and poviat associations, of documentation necessary for the implementation of municipal investment projects to be co-financed from European Union funds, funds from the Financial Mechanism of the European Economic Area 2009–2014, and the Swiss-Polish Cooperation Program<sup>13</sup>. The fund was serviced by Bank Gospodarstwa Krajowego, and when the fund was liquidated, the unused funds were transferred to the state budget revenue account. They were used to provide special-purpose subsidies for local government units' own tasks in the field of development policy<sup>14</sup>. An important difference, compared to the aid granted from the Municipal Investments Development Fund, is that the RFIL grants non-returnable support.

It should be pointed out that, in the authorisation for the Council of Ministers formulated in Art. 65 sec. 28 of the Act of 31 March 2020, the term “fund” was not used in the context of this authority defining the principles of the distribution and transfer of support for investment tasks for local government units. The term “fund” was also not used in the title of Resolution No. 102/2020 of the Council of Ministers. However, the name of the Government Fund for Local Investments was used in § 2 sec. 1 of this resolution for the purpose of universal recognition of the subjective and objective catalogue of investment projects and beneficiaries of financial support granted in this regard. The financial resource in the form of the RFIL is part of the COVID-19 Counteracting Fund established by law and entrusted by the legislator to Bank Gospodarstwa Krajowego to administer. In conclusion, the term “fund” used by the legislator in relation to the RFIL should not be equated with the term “state special-purpose fund” within the meaning of the Act on Public Finance<sup>15</sup> or with the name adopted in separate acts to denote separate accounts kept at Bank Gospodarstwa Krajowego, from which specific programmes or tasks justified by the public interest are financed. The analysed statutory provisions show that the RFIL can be treated as a separate financial resource within the COVID-19 Counteracting Fund. The scope of this separation is determined by subjective premises, as the only beneficiaries of the support may be local government units, as well as objective premises, because only investment projects of these units may be supported.

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12 Act on the Municipal Investments Development Fund of 12 December 2003 (Journal of Laws No. 223, item 2218, as amended).

13 M. Ofiarska, Z. Ofiarski, *Administrowanie przez Bank Gospodarstwa Krajowego funduszami wspierającymi rozwój lokalnej przedsiębiorczości w Polsce – wybrane aspekty prawne*, (in:) J. Ryszka, C. Woźniak (eds.), *Prawnoadministracyjne regulacje samorządności i zarządzania państwem w Unii Europejskiej*, Opole 2006, pp. 137–152.

14 Act on the Liquidation of the Municipal Investments Development Fund of 30 August 2013 (Journal of Laws item 1251, as amended).

15 Act on Public Finance of 27 August 2009 (consolidated text: Journal of Laws of 2021, item 305).

### 3. Subjective and Objective Scope of Projects Subject to Co-financing from the Government Fund for Local Investments

The Council of Ministers, exercising the authorisation provided for in Art. 65 sec. 28 of the Act of 31 March 2020, defined the rules for the distribution and transfer of support for investment tasks for local government units in the total amount of PLN 13,250,000,000. Pursuant to § 2 sec. 1 of Resolution No. 102/2020 of the Council of Ministers, funds included in the RFIL are allocated to financial support for:

- 1) communes, including cities with powiat status (in the total amount of PLN 5,000,000,000),
- 2) communes - intended for investments and investment purchases carried out in places where liquidated state-owned agricultural enterprises used to operate (in the total amount of PLN 250,000,000, with the possibility of increasing it by unused funds indicated in point 4),
- 3) poviats, not including cities with powiat status (in the total amount of PLN 1,000,000,000),
- 4) local government units (in the total amount of PLN 6,000,000,000, with the possibility of increasing it by unused funds indicated in points 1, 3 and 5),
- 5) communes included in the list of communes covered by support, constituting Annex 7 to the cited resolution (in the total amount of PLN 1,000,000,000) - intended for investment purchases or investments in generally accessible tourist infrastructure and communal infrastructure related to tourist services.

The structure of the primary distribution of the RFIL funds is presented below, taking into account the main categories of beneficiaries and the amounts of support allocated to them.

Table 3. Structure of the primary distribution of funds from the Government Fund for Local Investments

Items	Total amount of funds (in PLN)	Share in the total amount (in %)
Communes, including cities with powiat status	5 000 000 000	37.74
Communes with liquidated state-owned agricultural enterprises	250 000 000	1.88
Poviats, not including cities with powiat status	1 000 000 000	7.55
Local government units	6 000 000 000	45.28

Communes included in Annex 7 to Resolution No. 102/2020 of the Council of Ministers	1 000 000 000	7.55
In total	13 250 000 000	100.00

*Source: own calculations based on Resolution No. 102/2020 of the Council of Ministers.*

The highest amounts from the RFIL were initially intended for communes, due to the fact that all communes in Poland were to be covered by support, as well as for the category of beneficiaries called local government units. The latter pool of funds can be used by all beneficiaries of support listed in the provisions of Resolution No. 102/2020 of the Council of Ministers. The use of support under the beneficiary's own category does not deprive it of the possibility of applying for funding from the amount allocated to local government units, because communes and poviats have such a legal status. The amount separated for local government units, in fact serves as a reserve for investment projects eligible for financing after conducting the call for applications from interested units and their positive recommendation by the Commission for Supporting Local Government Units appointed by the Prime Minister.

It should be emphasised that the subjective scope of support is not fully consistent with the adopted name of the separate financial resource in the form of the RFIL. The name of this fund could suggest that the aid will be directed only to local government units, i.e., at the commune and poviat levels. Within the meaning of the provisions of the Act on Commune Local Government of 8 March 1990<sup>16</sup> and the Act on Poviat Local Government of 5 June 1998<sup>17</sup>, communes and poviats are local government units of a local nature. The above-mentioned catalogue of beneficiaries of the support granted from the RFIL lists communes and poviats, but also local government units without a specific indication of their category, thus, apart from communes and poviats, they can also be voivodeships. According to the provisions of the Act on Voivodeship Local Government of 5 June 1998<sup>18</sup>, it is a local government unit of a regional character, and certainly supra-local. In order to maintain the standards set out in the provisions of the so-called systemic local government acts, the legislator should change the name of the separate financial resource by replacing the phrase "local" with the term "local government". In such a situation, the support would be granted from the Government Fund for Local Government Investments, i.e., in accordance with the subject catalogue adopted in § 2 sec. 1 of Resolution No. 102/2020 of the Council of Ministers.

Certain interpretation-related doubts also appear in the context of the analysis of the provisions of Resolution No. 102/2020 of the Council of Ministers governing

<sup>16</sup> Consolidated text: Journal of Laws of 2020, item 713, as amended.

<sup>17</sup> Consolidated text: Journal of Laws of 2020, item 920.

<sup>18</sup> Consolidated text: Journal of Laws of 2020, item 1668, as amended.

the objective framework of the RFIL support. In § 2 sec. 1 of Resolution No. 102/2020 of the Council of Ministers, in only two out of five cases, was it expressly stated that the financial support from the RFIL was intended for investment purposes, i.e., in communes, or rather in specific localities where liquidated state-owned agricultural enterprises used to operate, and in the communes indicated in Annex 7 to the cited resolution. In the remaining cases, only the beneficiaries of support were specified, which may be other communes, including cities with poviats status, as well as poviats (not including cities with poviats status) and, in general, all local government units. Nevertheless, this breakdown serves different purposes; namely, each of the five categories of beneficiaries was allocated a total amount of the RFIL support. The allocation of these amounts to individual categories of beneficiaries is not, however, definitive, as the legislator allows for parts of the funds that were not used under the originally agreed distribution to be transferred between certain categories of beneficiaries.

With regard to all categories of beneficiaries listed in § 2 sec. 1 of Resolution No. 102/2020 of the Council of Ministers, the provision of § 3 sec. 1 of the cited resolution applies, stating that the support from the RFIL may be used for asset expenditure only. Pursuant to the provisions of the Act on Public Finance of 27 August 2009, two basic categories of expenses are distinguished in the budgets of local government units, i.e., current expenses, and asset expenses. Pursuant to Art. 236 sec. 4 of the Act, in the asset expenditure plan, the planned amounts of asset expenditure are distinguished in the structure of sections and chapters, which include expenditures for:

- investments, and investment purchases, including programs financed with the participation of European funds, in the part related to the implementation of tasks of local government units;
- purchase and acquisition of stocks and shares;
- making contributions to commercial law companies.

Asset expenses from the local government unit budgets have been included in the form of a closed catalogue, and thus all other expenses are current<sup>19</sup>. The provisions of Art. 236 sec. 4 of the Public Finance Act also imply that investment expenditure is only one type of asset expenditure<sup>20</sup>, so the terms “asset expenditure” and “investment expenditure” should not be construed as synonyms. In reference to this division of expenditures to the provisions adopted in Resolution No. 102/2020 of the Council of Ministers, it should be clearly stated that subsidising local government units from the RFIL in terms of their current expenses is not allowed, whereas in those cases for which the cited resolution provides for the possibility of supporting

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19 K. Sawicka, Komentarz do art. 236, (in:) Z. Ofiarski (ed.), *Ustawa o finansach publicznych. Komentarz*, Warsaw 2020, p. 1264.

20 E. Chojna-Duch, *Prawo finansowe. Finanse publiczne*, Warsaw 2017, p. 323.

specific investment expenses, it is not possible to subsidise other asset expenses of local government units. In other cases, where the support has not been limited to investment expenditure only, it is possible to co-finance any type of asset expenditure from the RFIL.

#### **4. Financial Support for Investments and Investment Purchases from the Government Fund for Local Investments**

The beneficiaries of financial support for investments and investment purchases from the RFIL were divided into two groups in the provisions of Resolution No. 102/2020 of the Council of Ministers. The first one includes communes with localities where liquidated state-owned agricultural enterprises used to operate, and the investments or investment purchases must be made in these specific localities. According to the provisions of the cited resolution, the estimated value of a single investment in these localities, financed or co-financed from the RFIL, may not be lower than PLN 50,000 or higher than PLN 5,000,000. It was also stipulated that the maximum total cost estimate of all such investments in the commune may not exceed PLN 5,000,000. This means that the total amount of PLN 250,000,000 intended for co-financing or financing investments in localities where liquidated state-owned agricultural enterprises used to operate can be used by 50 communes (assuming the maximum use of funds per commune) or more (if some of them do not use the full limit of co-financing). In each of these situations, it is possible to increase the number of communes-beneficiaries, but only in the event that some of the funds not used by the beneficiaries of support included in separate categories are transferred, which is permissible in view of the provisions of the quoted resolution of the Council of Ministers.

Preferred investments and investment purchases made in localities where liquidated state-owned agricultural enterprises operated are listed in § 3a of Resolution No. 102/2020 of the Council of Ministers, with it being an open catalogue, as the list was preceded by the phrase “in particular”. Support from the RFIL should primarily be allocated to the financing or co-financing of:

- construction, expansion, or reconstruction of: sanitary sewage system or local sewage treatment plants with sewage systems and sewage pumping stations; water pipes, gas network connections; roads within the village or access roads to the village; sidewalks, bicycle paths, traffic-calming elements, bus stops; public utility buildings in town centres enabling social integration and activation of residents; sports facilities, social and sanitary facilities; common rooms, library facilities; lighting in the village; fire stations;

- modernisation of property components from the resources of liquidated state-owned agricultural enterprises, including buildings, fences, and thermal modernisation of buildings;
- conservation, restoration, and construction work on a monument entered in the register of monuments.

The other group of beneficiaries of financial support from the RFIL includes the communes entered in the list constituting Annex No. 7 to Resolution No. 102/2020 of the Council of Ministers. The total amount of support for these communes is planned to be PLN 1,000,000,000, which may be spent on investment purchases or investments in generally accessible tourist infrastructure and municipal infrastructure related to tourist services. The list includes 203 communes located in only 6 out of the 16 voivodeships existing in Poland, namely: Lower Silesian (58 communes), Lesser Poland (82 communes), Opole (3 communes), Subcarpathian (27 communes), Silesian (28 communes) and Świętokrzyskie (5 communes) voivodeships; and the support may be used in specific localities from the area of each commune, rather than anywhere within the commune indicated in the list. An open catalogue of investment purchases or investments in generally accessible tourist infrastructure and in municipal infrastructure related to tourist services that may be supported by the RFIL is included in § 3b of Resolution No. 102/2020 of the Council of Ministers. According to the legislator, the co-financing should be allocated primarily to the construction, extension, reconstruction, or modernisation of:

- hiking, cycling, horse riding, water, ski, and winter tourism routes, as well as their marking;
- squares, promenades, parks, viewpoints;
- parking lots, recreational equipment rentals;
- open-air museums, museums, regional cultural facilities, and other tourist attractions;
- municipal infrastructure necessary for the provision or development of tourist services, in particular roads, sidewalks, sewage treatment plants.

The catalogue of preferred investment purchases or investments in generally accessible tourist infrastructure and municipal infrastructure related to tourist services is open. This means that other projects may also be supported by the RFIL; they should, however, be related to the aforementioned tourist infrastructure or municipal infrastructure. It should be emphasised here that in certain cases, doubts may arise with regard to interpretation, because the term “tourist infrastructure” has not been defined by the legislator, despite it being used in many legal acts, e.g. in the context of tasks performed by the Polish Tourist Organisation or by regional and local tourist organisations, which should rely on initiating, providing opinions on, and supporting development plans and modernisation of tourist

infrastructure<sup>21</sup>, or necessary elements of the protection plan for the Natura 2000 areas<sup>22</sup>. Attempts to define this concept have been made in the subject literature. The broadest definition of the term “tourism infrastructure” includes: accommodation, gastronomy and catering, communication and accompanying services and facilities (i.e., tourist & recreational, and para-tourist institutions and equipment)<sup>23</sup>. In the literature, the accompanying (supplementary) tourist base, also referred to as tourism-related, is defined in a particularly broad way. It is postulated to include the following facilities and equipment: sports halls, tennis courts, swimming pools, golf courses, various cultural facilities (e.g., galleries, exhibitions, museums, theatres, cinemas), commercial and service networks, as well as items of technical and social infrastructure directly related to the service of tourist traffic (parking lots, access roads, social and service facilities)<sup>24</sup>.

The term “tourist service” is defined in Art. 4 point 1 of the Act on Tourist Events and Associated Tourist Services of 24 November 2017<sup>25</sup>. It is a defined set of activities which includes: transportation of passengers; accommodation for purposes other than residence, which is not an inherent element of the transport of passengers; rental of cars or other motor vehicles; other services provided to travellers that are not an integral part of the above-mentioned activities. Support from the RFIL for investment purchases or investments in generally accessible municipal infrastructure related to tourist services, understood as described above, is preferred. The term “municipal infrastructure” is very broad, and it refers to, inter alia, the following areas: thermal energy, municipal waste management, public transport and roads, housing resources, water and sewage network<sup>26</sup>. It is aptly indicated in the literature that investments of local government units may concern both municipal technical infrastructure, i.e., various technical devices that make up this infrastructure, as well as municipal social infrastructure, e.g., healthcare, culture and arts, physical culture and recreation, gastronomy and catering, or public order<sup>27</sup>.

21 Act on the Polish Tourist Organisation of 25 June 1999 (consolidated text: Journal of Laws of 2018, item 563).

22 Art. 29 of the Act on Nature Protection of 16 April 2004 (consolidated text: Journal of Laws of 2020, item 55, as amended).

23 M. Widz, Ocena atrakcyjności infrastruktury turystycznej Tunezji metodą wielowymiarowej analizy porównawczej, „Annales UMCS – Polonia – Sectio B” 2019, vol. LXXIV, p. 178.

24 J. Bański, Rola infrastruktury turystycznej w rozwoju turystyki na obszarach wiejskich, (in:) C. Jastrzębski (ed.), Infrastruktura okołoturystyczna jako element wzbogacający ofertę obszarów wiejskich, Kielce 2014, p. 34.

25 Consolidated text: Journal of Laws of 2020, item 2139.

26 W. Kozłowski, Kryteria analizy inwestycji infrastruktury komunalnej, „Studia i Prace WNEiZ US” 2017, no. 48/1, p. 44.

27 K. Witkowski, Inwestycje infrastrukturalne w realizacji usług publicznych „Studia Lubuskie” 2011, vol. VII, p. 267.

An amount and value framework regarding the support for municipalities for investment purchases or investments in generally accessible tourist infrastructure and municipal infrastructure related to tourist services is provided in § 2 sec. 3 and 4 of Resolution No. 102/2020 of the Council of Ministers. Support for a commune cannot exceed:

- 1) 40% of the amount of expenditure incurred by the commune for the implementation of investments annually on average in 2016–2020, but not more than PLN 8,000,000, or
- 2) 80% of the revenue lost by the commune due to the introduction, for some or all months of the first quarter of 2021, of the real estate tax exemption<sup>28</sup> on: land, buildings, and structures related to running a business in the field of:
  - a) hotel services consisting in short-term, generally available rental of houses, apartments, rooms, beds, as well as places for setting up tents or car trailers, and the provision of related services within the facility<sup>29</sup>, or
  - b) services relating to the operation of over-ground cable railway, cable railway, T-bar lifts, and ski lifts, provided that they are not part of the urban or suburban transport system.

In the event that, based on the applications for support, it is likely that the total amount, i.e., PLN 1,000,000,000 (planned for this category of beneficiaries), may be exceeded, the support is proportionally reduced so as to ensure that the amount is not exceeded. It should be pointed out that the legislator does not provide for the possibility of increasing this total amount of support by funds unused by the beneficiaries qualified for the other subject categories.

## **5. Support from the Government Fund for Local Investments for Asset Expenditure of Local Government Units**

With regard to the remaining three categories of beneficiaries, no detailed requirements have been formulated regarding the types of investment purchases or investments that can be subsidised from the RFIL. There is only the general order

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28 Pursuant to Art. 15p of the Act on special solutions related to the prevention, counteracting, and combating of COVID-19, other infectious diseases, and crisis situations caused thereby of 2 March 2020 (Journal of Laws item 1842, as amended), commune councils were entitled to introduce, by resolution, for part of 2020 and for selected months of the first half of 2021, exemptions from real estate tax on land, buildings and structures related to running a business, to selected groups of entrepreneurs whose financial liquidity has deteriorated due to negative economic consequences related to COVID-19.

29 Art. 3 sec. 1 point 8 of the Act on Hotel Services and the Services of Tour Leaders and Tourist Guides of 29 August 1997 (consolidated text: Journal of Laws of 2020, item 2211).



that the support may only be allocated to asset expenditure, but the possibility of reimbursing expenses already incurred by the local government unit is eliminated. Support from the RFIL may also be used for own contribution to investments carried out with the participation of other public funds, to the extent that this contribution was supposed to be financed from the revenue of the local government unit (in this case, again, the support may be allocated only to asset expenditure and may not be a reimbursement of already incurred expenses). As for investments to which the provisions on state aid apply, the support may be allocated to own contribution - if the project implementation contract has not yet been signed and it does not result in exceeding the state aid intensity ceilings.

Annexes 1 and 2 to Resolution No. 102/2020 of the Council of Ministers set the maximum amounts of support from the RFIL to be granted to communes, including cities with powiat status (the list includes 2,477 communes, i.e., all communes functioning in Poland in 2021), and to poviats, excluding cities with powiat status (the list includes 314 poviats, i.e., all poviats functioning in Poland in 2021). The amounts of support planned for individual communes are significantly differentiated. The lowest amount of support is PLN 500,000, and the highest amount is PLN 93,500,000 (this amount is planned as support for five large cities, i.e., Warsaw, Kraków, Poznań, Łódź and Szczecin). The relatively low amount of support for Wrocław is conspicuous, amounting to PLN 66.4 million, while the amount planned for Gdańsk is PLN 81.5 million. The analysed list is dominated by amounts ranging from PLN 1 million to PLN 8 million. Relatively high financial support is planned for several cities in the Silesian Voivodeship, e.g., Gliwice (PLN 37.9 million), Sosnowiec (PLN 31.8 million), Tychy (PLN 25.3 million), Zabrze (PLN 22.8 million), Rybnik (PLN 22.9 million). For other larger cities, the planned amounts of support are as follows: Białystok (PLN 39.5 million), Gdynia (PLN 38.6 million), Opole (PLN 31.5 million), Rzeszów (PLN 29.7 million), Kielce (PLN 23.1 million), Olsztyn (PLN 20.6 million). The differences in the amounts of support are greater than would result from the budgetary potential of individual communes (cities) or their population, e.g., revenues in the budgets of the largest cities are planned for 2021 in the following amounts: Warsaw (PLN 20.6 billion), Kraków (PLN 6.4 billion), Wrocław (PLN 5.4 billion), Łódź (PLN 5.2 billion), Poznań (PLN 4.4 billion), Gdańsk (PLN 3.8 billion), Szczecin (PLN 3.2 billion). These cities have the following numbers of inhabitants: Warsaw (1.8 million), Kraków (767.000), Wrocław (639.000), Łódź (690.000), Poznań (532.000), Gdańsk (472.000), Szczecin (401.000).

The amount of financial support and its territorial distribution have been critically assessed in the literature, with particular emphasis on the use of political criteria rather than substantive premises taking into account economic arguments<sup>30</sup>.

30 J. Flis, P. Swianiewicz, *Rządowy Fundusz Inwestycji Lokalnych – reguły podziału*, Warsaw 2021, pp. 10–11, [www.batory.org.pl](http://www.batory.org.pl) (30.05.2021).

Attention also has been paid to the use of arbitrary decisions in this respect and non-transparent procedures concerning the call for applications for the support and their evaluation<sup>31</sup>.

The amounts of support available for particular poviats are also differentiated. The lowest amount of support is PLN 500,000, while the highest amounts are planned for the following poviats: Poznań (PLN 20 million), Kraków (PLN 16.3 million), Lublin (PLN 13.9 million), Ostrołęka (PLN 13.7 million), Wołomin (PLN 13.6 million), Rzeszów (PLN 12.3 million), Białystok (PLN 11.3 million), Radom (PLN 11.1 million), and Nowy Targ (PLN 10.8 million). In other cases, the support is planned for individual poviats at the level of approx. PLN 1 million to PLN 8.5 million.

The last group of beneficiaries of the RFIL support covers all local government units, so it also includes beneficiaries identified in the groups already mentioned above. This means that they can apply for support both from the total amount planned for their group as well as from the amount set aside for all local government units, which amounts to PLN 6 billion. In this regard, the legislator only formulated the general conditions and criteria for support in § 2 sec. 2 of Resolution No. 102/2020 of the Council of Ministers. Only investments may be the subject of support from the RFIL, but their minimum cost estimate should be PLN 400,000.

## **6. Procedure for Granting Support from the Government Fund for Local Investments**

No universal procedure for granting support from the RFIL has been introduced, but the procedures of action have been differentiated depending on the groups of beneficiaries identified in the provisions of Resolution No. 102/2020 of the Council of Ministers and on the allocated total amounts of support for these categories. A rule has been introduced, applicable to all groups of beneficiaries, that the RFIL support is granted at the request of a local government unit, submitted by electronic inbox. Depending on the group to which the beneficiary has been qualified, the request should be submitted to one of the following:

- the Prime Minister, through the competent voivode - for applications submitted by communes (including cities with poviat status) or poviats;
- the competent voivode - for applications submitted by communes with localities where liquidated state-owned agricultural enterprises used to operate (the application should be accompanied by an opinion of the head of

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31 D. Sześciło, A. Gąsiorowska, R. Łapszyński, S. Zakroczyński, *Rządowy Fundusz Inwestycji Lokalnych: każdemu według potrzeb czy według barw politycznych?*, Warsaw 2020, pp. 3–5, [www.batory.org.pl](http://www.batory.org.pl) (30.05.2021).

the relevant local branch of the National Centre for Agricultural Support, and the commune may submit up to three applications for no more than three investments);

- the competent voivode - for applications submitted by local government units (a maximum of three applications may be submitted, for no more than three investments) or communes listed in Annex No. 7 to Resolution No. 102/2020 of the Council of Ministers (only one application may be submitted).

The procedure for assessing the applications for support is also different. A voivode is an entity authorised to evaluate applications submitted by communes with localities where liquidated state-owned agricultural enterprises used to operate. Such applications are simultaneously reviewed by the head of the relevant local branch of the National Centre for Agricultural Support (the opinion should confirm the location of the investment in a locality where liquidated state-owned agricultural enterprises used to operate as well as the investment's compliance with the formal requirements set out in Resolution No. 102/2020 of the Council of Ministers). The voivode also assesses applications for support submitted by local government units. After assessing the above-mentioned applications, the voivode submits the recommended ones to the Prime Minister within 7 days after the date of closing the call for applications.

The next stage of qualifying the applications is their assessment by the Commission for the Support of Local Government Units appointed by the Prime Minister. The commission consists of: three representatives of the Prime Minister, two representatives of the minister responsible for economy, two representatives of the minister responsible for public finance, and two representatives of the minister responsible for regional development. The commission's task is to evaluate the applications and submit recommendations to the Prime Minister regarding the amount of funds awarded to individual applicants. The evaluation criteria to be used by the commission are listed in § 10 of Resolution No. 102/2020 of the Council of Ministers. When assessing the applications, the commission is obliged to take into account the following factors:

- implementation of the principle of sustainable development;
- the complexity of planned investments;
- limiting the emission intensity and the level of environmental interference of planned investments;
- cost of planned investments in relation to the planned revenue of the unit in the year of starting the investment;
- number of people to benefit from planned investments;
- ratio of the cost of planned investments to the projected effect;

- impact of planned investments on limiting the effects of natural disasters or preventing them in the future - if the planned investment might have such an impact;
- ensuring architectural, digital as well as information and communication accessibility, at least in terms of the minimum requirements set out in Art. 6 of the Act on Providing Accessibility to People with Special Needs of 19 July 2019<sup>32</sup> (accessibility should be the result of universal design or the application of rational improvement and consists, *inter alia*, in ensuring barrier-free horizontal and vertical communication spaces of buildings, ensuring information on the layout of rooms in the building - in visual and tactile or auditory forms).

Applications for support for communes (including cities with powiat status) and for poviats, could only be submitted from 27 July 2020 to 10 August 2020 through the competent voivode to the Prime Minister. On the basis of the information received from the voivode, the Prime Minister, by 31 August 2020, submitted an instruction for funds to be paid out to beneficiaries in amounts not higher than those set out in Annexes 1 and 2 to Resolution No. 102/2020 of the Council of Ministers. The qualification procedure with the participation of the Commission for the Support of Local Government Units was not applied in this regard. The method of allocating the funds, and in particular the non-transparency of the criteria for evaluating applications, has been assessed critically in the subject literature<sup>33</sup>.

Applications submitted by communes listed in Annex 7 to Resolution No. 102/2020 of the Council of Ministers are processed in a very simplified manner. They are assessed by the voivode, only in formal and accounting terms, and then submitted to the Prime Minister, who, within one month from the date of their receipt, submits an instruction for the funds to be paid out to the communes.

## Conclusions

After a detailed analysis of the sources of law and the assessment of the legal regulations concerning the RFIL, it can be concluded that the examined fund - despite the use of its proper name by the legislator - should not be treated as a separate unit of the public finance sector. It is, in fact, a financial resource, subjectively and objectively profiled, included in the COVID-19 Counteracting Fund<sup>34</sup>. In consequence, a legal

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32 Consolidated text: Journal of Laws of 2020, item 1062, as amended.

33 R. Rudka, E. Kocemba, Rządowy Fundusz Inwestycji Lokalnych – podział środków w powiatach, „Analizy Samorządowe” 2021, no. 13, Warsaw 2021, p. 31.

34 B. Dziedziak, A. Ostrowska, W. Witalec, Uchwała budżetowa jednostki samorządu terytorialnego, Warsaw 2020, p. 54.

structure was created, that can be described as a “fund within a fund” or a “sub-fund of a state special-purpose fund”. The RFIL was not directly called a state special-purpose fund. However, the adopted legal structure requires that with regard to the RFIL, as a component of a state special-purpose fund, i.e., the COVID-19 Countermeasure Fund, the legal regime adopted for such funds being units of the public finance sector in the Act on Public Finance, should be applied.

The hypothesis, according to which the RFIL is a mechanism for *ad hoc* support for local government units in the implementation of their investment projects, has been verified as being correct. It has also been demonstrated that the financial resources separated under the COVID-19 Counteracting Fund, referred to by the legislator as the Government Fund for Local Investments, is a collection of five cash flows dedicated exclusively to local government units. A dual method has been adopted for marking these cash flows, indicating the beneficiaries of support by specifying a certain category of local government units (e.g., communes and cities with poviát status) and stipulating the purpose of support in the form of investment purchases or implementation of investment projects. However, these cash flows are not ultimately separated from each other, as unused cash may be transferred between them.

The legal form used for the transfer of funds from the RFIL to local government units is the so-called support. It should be noted that the phrase “financial support” is used many times in the provisions of the Act of 31 March 2020, amending the Act on special solutions related to the prevention, counteracting, and combating of COVID-19, other infectious diseases, and crisis situations caused thereby, and certain other acts. The term “support” also appears in some provisions of the Act on Public Finance, but used in a different context, e.g., Art. 81 of the Act refers to medium-term loans and credits taken out from the European Community and its Member States by the State Treasury at the request of the Monetary Policy Council, in order to support the balance of payments. Moreover, at the request of the Council of the European Union, the State Treasury may participate in granting a loan to support the balance of payments of another Member State, on the terms specified in the Budget Act. In Articles 180a and 180b of the Act on Public Finance, added to the act in the pandemic period in March 2020, the Council of Ministers was authorised to transfer planned budget expenditures between parts and sections of the state budget in the event of an epidemic threat, or an epidemic being declared, as well as in the event of an economy mobilisation programme being launched. In such cases, the aim is to support the implementation of tasks resulting from the provisions on the prevention, and combating, of infections and infectious diseases in humans, as well as to support the implementation of tasks resulting from the provisions on organising tasks for state defence carried out by entrepreneurs.

The essence of “support” from the RFIL can be interpreted from the provisions of Resolution No. 102/2020 of the Council of Ministers. The support consists in

transferring financial resources for the implementation of investment tasks of local government units, or at least for increasing the asset expenditure of those units. However, it cannot be used to reimburse expenses already incurred. Two forms of support are allowed, namely: co-financing (partial financing of a specific project) or financing (where the amount of support fully covers the costs of the project). The support may refer only to a given project, or to supplementing the local government unit's own contribution necessary for the implementation of investments financed with the participation of other public funds, to the extent that this contribution was supposed to be financed from the revenue of the unit. The transfer of support from the RFIL does not occur *ex officio*, even for communes listed in Annex 7 to Resolution No. 102/2020 of the Council of Ministers, which have been assigned specific amounts of financial aid; instead, it is activated in each case, at the request of the interested entity, and after its positive verification. It can be concluded that the discussed support is similar to the specific-purpose subsidies listed in Art. 127 sec. 1 point 1 item f of the Act on Public Finances, i.e., intended for the financing or co-financing of the costs of investment implementation. The legislator did not, however, adopt the legal form of a subsidy for aid provided to local government units from the RFIL, thus departing from the application of certain legal rigours specific to special-purpose subsidies. In particular, this refers to the rigours relating to the method of controlling their use and the dates of settlement of funds received by the beneficiaries.

The funds received in the form of support from the RFIL have the status of profiled funds, i.e., in the local government unit's budget and in its multiannual financial forecast, they must be allocated to asset expenditure only<sup>35</sup>. This means that expenses financed with funds from the RFIL should be planned in sections and chapters consistent with their purpose, type of activity, and in paragraphs consistent with the economic nature of the expenses. The nature of the RFIL funds is asset, not current, and in the budget of a local government unit they should be included on the expenditure side<sup>36</sup>.

Investment projects implemented with support from the RFIL must be properly marked. An information board attached to the completed investment or placed in its vicinity and the website of the local government unit should provide information on the amount of financing or co-financing from the RFIL, and the total value of the investment. The information board should be displayed for five years from the date of receipt of funds from the RFIL.

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35 Resolution of the Regional Audit Chamber in Poznań of 20 January 2021, 2/119/2021, Legalis no. 2551123; Resolution of the Regional Audit Chamber in Kielce of 8 February 2021, 2/2021, Legalis no. 2533218.

36 Resolution of the Regional Audit Chamber in Kielce of 9 November 2020, 25/2020, Legalis no. 2500611.

The use of funds received in the form of support from the RFIL is subject to specific control. Pursuant to § 13 and § 14 of Resolution No. 102/2020 of the Council of Ministers, the local government unit that received the funds is obliged to submit annual information on the use of funds, as at the end of the year, to the competent voivode, via the electronic inbox. The information should be submitted within 30 days from the end of the period for which the information on the use of funds is prepared, and 60 days from the date of ending the disbursement of the funds provided. From the individual information obtained, the voivode prepares collective information on the use of funds, which they then transmit via the electronic inbox to the minister responsible for economy, the minister responsible for public finance, and the minister responsible for public administration.

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