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Self-Government National Debt in Poland – Current Issues and Challenges

Abstract. *One of the most dynamic categories of local finances in Poland is self-government debt. The dynamic entails certain risk not only for the system of local/regional finances, but also for the entire public sector, an integral component of which is the self-government sub-sector. The basic aim of the study is to identify the most important and most current legal and economic issues related to the self-government national debt in Poland, while indicating possible methods of solving it or at least mitigating its negative effects. Not only the stability of self-government finances, but also the entire public finances sector, will depend on the actions taken in this respect.*

Keywords: *local self-government, local debt, debt issues*

Introduction

It is difficult to imagine a local self-government separated from debt instruments (credits, loans, or municipal securities). Of course, their use in the local financial economy is dependent on many legal and financial factors which, in Polish conditions, are changing very rapidly. Some parts of these factors are systemic or external, i.e. independent of self-government decision-makers. Examples of those factors are: a lack of the possibility of declaring bankruptcy of local self-government units in the Polish legal system; the tightening of fiscal rules by the state, thus limiting self-government debt; the need to compensate for the decrease in budget revenues of local self-government units by means of debt instruments, resulting from imposing additional tasks on the self-government unit without simultaneous provision of financial resources for their implementation; the obligation to provide the self-government beneficiary's own contribution resulting from EU regulations – in this context, local debt is used by the local self-government units as an absorption tool. Some parts of the factors affecting the changes in terms of self-government national debt are, by contrast, of a purely internal nature, i.e. deriving from individual and local financial policies of individual local self-government units. Examples associated with it are as follows: increasing the use of customized sources of financing budgetary needs by some local self-government units (equity financing, sale back, leaseback, payment in installments, subrogation, etc.), resulting in the formation of a new category of financial liabilities with consequences similar to those in the case of credits and loans; the processes, observed in some cities, of "crowding out" debt beyond the budgets of local self-government units, i.e. to municipal companies, and thus creating the so-called gray market of the self-government debt; the more and more frequently appearing practice of self-government authorities taking out financial obligations in non-bank lending institutions, like the so-called quasi-banks; pejoratively understood specific "financial creativity" of self-government authorities of some local self-government units in terms of long-term financial forecasts developed by them, which undermines the usefulness of these documents as tools for the effective management of local debt.

The aim of the study is to identify, from the point of view of the local finance system, the most important problems and challenges regarding self-government national debt, while indicating the possible methods of solving it or at least mitigating its negative effects.

1. The debt of local government in Poland in light of national and foreign statistics

Before we go on to identify the problems arising in the area of debt issues of local self-government units (LGUs), it seems appropriate to at least generally characterize the amount and structure of the self-government debt in Poland. It should be noted that, contrary to a popular belief on the large debt of the Polish local self-government units (LGUs) compared to other countries, debt ratios of the *local government* sub-sector in Poland in relation to GDP are much lower than the average of the EU-28 (see Table 1). It is true that they were characterized by a very high growth rate in the years 2008-2011 (respectively from 2.3% to 4.2% of GDP), sustaining a similar level in the subsequent years (i.e. a little over 4%, with the EU average oscillating around the level of 6%). However, one should clearly emphasize that the Polish self-government sub-sector shows the highest debt rates

Table 1. Debt of the Local Government sub-sector in the EU-28 Member States in relation to GDP during the years 2008-2015 (in %)*

Country	2008	2009	2010	2011	2012	2013	2014	2015
Austria	:	:	:	3.9	3.8	3.9	3.9	4.0
Belgium	5.0	5.0	5.2	5.2	5.6	5.8	6.1	5.7
Bulgaria	:	:	:	1.2	1.2	1.1	1.2	1.4
Croatia	:	:	1.3	1.3	1.3	1.6	1.7	1.6
Cyprus	:	:	:	1.7	1.6	1.6	1.6	1.5
Czech Republic	:	:	:	2.6	2.8	2.9	2.7	2.5
Denmark	:	:	:	7.1	7.1	7.4	7.4	7.3
Estonia	:	:	:	3.2	3.1	3.6	3.8	3.6
Finland	:	:	:	6.5	7.2	8.0	8.6	8.9
France	:	:	:	8.3	8.5	8.7	8.8	9.0
Greece	0.7	0.9	0.9	0.9	0.9	1.0	1.0	0.9
Spain	2.8	3.2	3.3	3.4	4.2	4.1	3.7	3.3
Netherlands	7.1	7.6	8.1	8.7	9.0	8.9	8.8	8.6
Ireland	:	:	:	3.1	3.1	2.8	2.5	1.9
Lithuania	1.2	1.6	1.6	1.8	1.9	2.0	2.1	2.0
Luxembourg	2.3	2.4	2.4	2.3	2.3	2.1	2.1	2.1
Latvia	:	:	:	6.2	5.8	6.0	6.0	6.0
Malta	:	:	:	0.1	0.1	0.1	0.1	0.0
Germany	:	:	:	5.4	5.5	5.4	5.3	5.1
Poland	2.3	3.0	3.8	4.2	4.2	4.3	4.3	4.2
Portugal	4.7	5.4	5.9	6.2	6.1	6.3	6.2	5.9
Romania	1.8	2.3	2.4	2.5	2.6	2.5	2.5	2.5
Slovakia	:	:	:	2.4	2.3	2.2	2.2	2.4
Slovenia	0.9	1.4	1.7	1.9	2.0	2.0	2.1	2.0
Sweden	:	:	:	6.7	7.5	8.0	8.8	9.3
Hungary	3.8	4.1	4.6	4.3	3.7	1.5	0.1	0.2
Great Britain	4.5	4.5	4.6	4.6	5.1	5.0	4.8	4.7
Italy	7.9	8.4	8.3	8.2	8.1	8.5	8.6	8.4
UE-28	:	:	:	5.9	6.1	6.2	6.1	5.9

* Data according to ESA 2010.

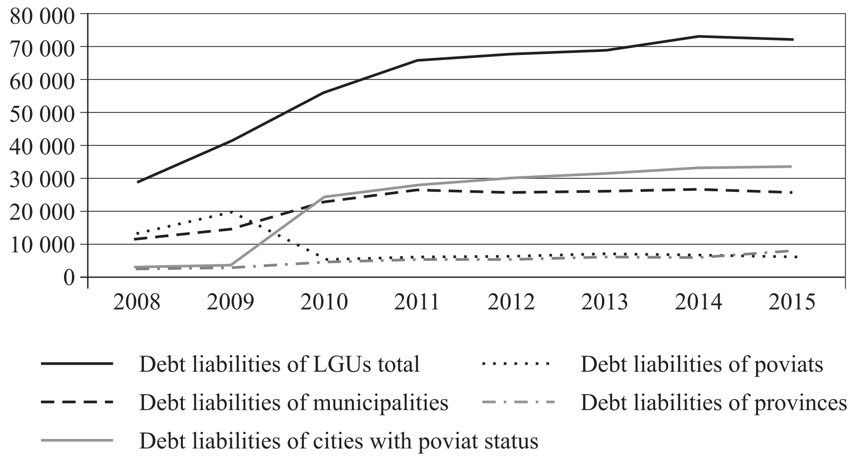
Source: Eurostat Database, http://ec.europa.eu/eurostat/data/database [access: 5.08.2016].

in the group of new EU Member States (the presented data shows that their larger amounts were observed only in case of Latvian local self-government).

Chart 1 illustrates the changes in the amount of debt of the local self-government units (LGUs) in Poland, taking into account individual types of self-government units (municipalities, cities with poviat status, poviats, and provinces).

The presented data shows that the largest growth rate of the self-government's debt occurred during the years 2009-2011 (the years 2009 and 2010 proved to be

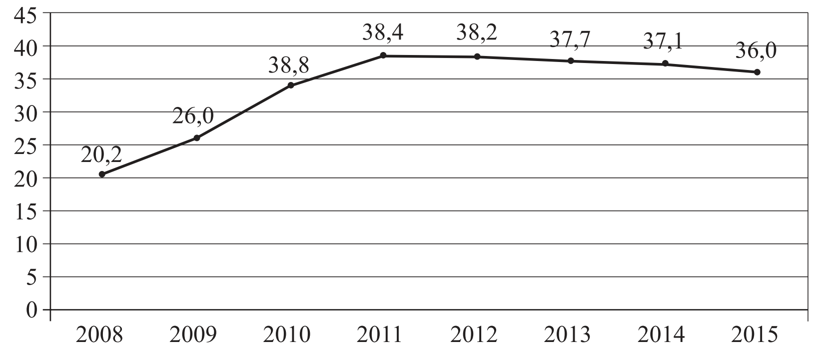
Chart 1. Debt liabilities of local self-government in Poland during the years 2008-2015 broken down into individual types of local self-government units (in millions of PLN)



Source: author's own work based on information from the Ministry of Finance on the implementation of local self-government units' budgets during the years 2008-2015.

the record ones in this respect, when nearly 40-percent increases were recorded in self-government debt). One should note that these were also the years of a record number of investment activities of LGUs (the value of self-government investments exceeded the level of 40 billion PLN per year in the analyzed period), which allows to put forward a thesis on the pro-development (investment) nature of self-government debt. On the other hand, the analysis of the debt's subjective

Chart 2. Debt liabilities as a % of the LGUs' budget revenues in Poland during the years 2008-2015 (including obligations related to the implementation of EU programs and projects)



Source: author's own work based on information from the Ministry of Finance on the implementation of local self-government units' budgets during the years 2008-2015.

structure shows that the accumulation of self-government debt takes place primarily in cities with poviat status and municipalities. For instance, in 2015, these units concentrated over 80% of the total debt of LGUs.

Chart 2 illustrates the changes in the value of the ratio of the liabilities share included in self-government debt (i.e. under the credits incurred by LGUs, loans, issued securities, and the so-called, outstanding liabilities, namely those whose required date of payment has already passed) in LGUs' total revenues. The presented data shows that since 2012 the value of this ratio, calculated as the average value for all LGUs in total, has been steadily dropping.

2. The most important issues and challenges related to the national self-government debt

Given the legal and economic changes and conditions currently taking place in Poland (related to the issue of self-government debt), it is possible to identify some of the key issues having a significant impact on the LGUs' debt policy.

Firstly, self-government debt is largely induced centrally, i.e. when the state imposes additional tasks on local self-government, without adequate financial compensation. In literature, there is the opinion that the national debt of the self-government sector is split onto the LGUs in "small portions". According to M. Słodowa-Hełpa, it takes place in the aforementioned method of transferring additional tasks without simultaneous provision of financial resources for their implementation. It has a significant impact on the growth of self-government debt. Słodowa-Hełpa cites that the mechanism of transferring, from the government to the local self-government, the financial liabilities generated by the educational system, which in conjunction with the current provisions of the Teacher's Chart and the demographic decline, negatively affects the financial situation of municipalities [Słodowa-Hełpa 2013: 37]. A similar scheme applies to the self-government national health care facilities. The medical activity Act[1] has transferred the responsibility for covering their negative financial results to the founding body, that is, the local self-government unit. However, no new sources of funding were indicated of which LGUs, as the founding body, could cover their financial losses associated with this process.

Secondly, dysfunctions occurring in the area of fiscal rules that limit the LGUs' debt are an important issue. Taking into account the fact that the self-government sub-sector is an important component of the entire public finance sector, and that its finance imbalance and debt has an impact on the condition of this sector, the process of the intensification of using fiscal rules at a local level, especially the

[1] Ustawa z dnia 15 kwietnia 2011 r. o działalności leczniczej, t.j. Dz.U. 2015, poz. 618 [Act dated April 15, 2011 on medical activity, consolidated text: Journal of Laws of 2015, item 618].

ones that limit debt (next to the rules that limit budgetary deficits, budget incomes, and expenditure), has somewhat become a natural consequence observed in all EU Member States, including Poland.

The fiscal framework applicable in Poland, associated with national debt, is based on several fiscal rules. Some of them are of a national nature, and some of a local nature. From a legal point of view, the most important rule in the set of national fiscal rules is undoubtedly the debt rule, included in two Acts, i.e. the Polish Constitution[2] and the Public Finance Act.[3] According to the constitutional rule, national debt (self-government debt is its integral component) should not exceed 3/5 of the annual gross domestic product (Art. 216 section 5). However in the Public Finance Act, prudence thresholds are defined and associated with exceeding the specified relation to GDP by the national state debt (55% of GDP – I prudence threshold; 60% of GDP – II prudence threshold). The Public Finance Act also specifies the necessary sanction procedures regarding both of the threshold situations (Art. 86-88).

Table 2 presents fiscal rules directly related to the Polish self-government subsector; national rules are also associated with it, but in an indirect way.

Table 2. Fiscal rules regarding local debt in Poland

<table>
<tr><th>Rule Type Category</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th></tr>
<tr><td>Debt amount rule</td><td colspan="5">60% of the realized budgetary revenue of the local government unit</td><td colspan="3">none</td></tr>
<tr><td>Debt servicing costs rule</td><td colspan="5">15% (12%)* of the revenue of the local government unit planned in the given financial year</td><td colspan="3">Individual Debt Ratio (IDR)</td></tr>
<tr><td>The rule of at least balanced current budget outcome</td><td colspan="2">none</td><td colspan="6">yes</td></tr>
</table>

*12% limit is applied to a hypothetical situation of the state public debt exceeding the prudence threshold of 55% of the GDP.

Source: author's own study.

The data presented in the table shows that the most important solutions that currently secure LGUs against liquidity buffers and excessive debt may include the following: the rule for at least a balanced current outcome of the self-government budget, i.e. the golden rule; and the Individual Debt Ratio (IDR), which since 2014 has replaced the previously applicable limits on debt and its servicing

[2] Konstytucja RP z dnia 2 kwietnia 1997 r., Dz.U. nr 78, poz. 483 [The Constitution of the Republic of Poland dated 2 April 1997, Journal of Laws No. 78, item 483].

[3] Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, Dz.U. 2013, poz. 885 [Act dated August 27, 2009 on public finances, consolidated text: Journal of Laws of 2013, item 885].

costs, i.e. limits of 60% and 15%. The first of these rules has been in force in the Polish legal system for a relatively short period of time – only since 2011. According to this rule, local self-government units cannot adopt the budget in which running expenses are not covered by current revenue plus the budget surplus from previous years and the available funds stemming from settlements of issued securities, credits, and loans from previous years. This means the prohibition of an operating (current) deficit of the budget in the local self-government unit (Art. 242 section 1 of the Public Finance Act). Thus, in 2011, a very reasonable and desirable distinction of the local self-government budget in the current and capital section was sanctioned in Poland by introducing the rule of financing through budget deficits only for capital (investment) spending, and not running expenditures.

Individual Debt Ratios, on the other hand, were put into force in the Polish local finance system in the year 2014 (Art. 243 of the Public Finance Act). Their structure is based on the value of the operating surplus of individual local self-government units, calculated for the three years preceding the financial year in which debt obligations will be incurred.[4] In accordance with the fiscal rule in question, the ratio of debt servicing costs in a given year to revenues in the same year cannot exceed the average operational surplus calculated for the three previous years (plus revenues from the sale of assets). The rule formula is determined according to the following formula (Art. 243):

$$\left(\frac{R+O}{D}\right)_n \leq \frac{1}{3} \times \frac{Db_{n-1}+Sm_{n-1}-Wb_{n-1}}{D_{n-1}} + \frac{Db_{n-2}+Sm_{n-2}-Wb_{n-2}}{D_{n-2}} + \frac{Db_{n-3}+Sm_{n-3}-Wb_{n-3}}{D_{n-3}}$$

where:

R – total amount planned for a given year from payment of credit and loan installments of LGUs,
O – interest on loans and credits planned for a given financial year,
D – total revenue of the LGUs' budget in a given financial year that the fiscal rule relates to,
Db – current revenues of the LGUs,
Sm – revenues from the sale of assets of the LGUs,
Wb – current expenditures of the LGUs,
n – the financial year for which the ratio is determined,
$n-1$ – the year preceding the financial year for which the ratio is determined,
$n-2$ – the year two years before the financial year,
$n-3$ – the year three years before the financial year,

[4] In this context, the rule in question, although it entered into force in 2014, has had a significant impact on the operating results of local government units in Poland since 2011.

While the idea, individualized for each LGU, of limiting debt servicing costs referring to the amount of earned operating surplus, seems right and much more reasonable than the idea of the previously applicable, universal for all units, debt servicing cost limits of 15% of the budget revenue, the fact remains that the analyzed fiscal rule has some structural flaws. The rule is based on "historical" data, and thus contains harmful mechanism in "transferring to the future" the results from a period of economic slowdown. Secondly, the rule has a defective structure consisting of double counting the debt servicing amount (both on the left side of the formula and on the right side – in the running expenses), which in turn distorts and reduces the real creditworthiness of the local government unit. Apart from that, the rule in question, through its specific structure, puts the self-government policymakers under clear pressure to sell municipal assets (component *Sm* in the formula), and thus, create short-term improvement in the local self-government unit's ability to service debt. In the long term it can be a harmful and even dangerous trend from the point of view of the local government's financial stability. In addition, the rule's structure encourages LGUs to use specific planning manipulations carried out in multiannual financial forecasts (MFF), i.e. in forecast documents that LGUs must obligatorily attach to the budget each year (more on this subject – later in the elaboration). This all means that one should, as soon as possible, review the analyzed rule in terms of eliminating the dysfunctions described.

Thirdly, the debt in the area of local finances is an absorption tool associated with the use of European funds by the local self government and financing their, so-called, own contribution. By means of repayable instruments (obtained from credits, loans, and municipal bonds) an LGU, as a beneficiary of EU aid funds, can supplement the aforementioned own contribution, required in the implementation of financial projects with EU subsidies. In this context, all the debt-rationing mechanisms are also mechanisms that ration absorption capacities of LGUs as the self-government beneficiary.

It should be added that new ratios limiting self-government debt (IDR) are more difficult to fill for LGUs than the previously applicable debt limits. M. Dylewski simply formulates a thesis on limiting the access to the EU aid founds due to individual debt limitations [Dylewski 2014: 133]. In this situation, it is very likely that some LGUs may have a hindered opportunity to apply for funding from the EU, mainly due to a lack of ability to incur liabilities that allow the supplementation of the so-called, own contribution. This was one of the reasons that in 2013, amendments to the Public Finance Act were made[5] that changed the scope of exclusions applicable to determine the IDR ratio. Under the new regulations, the liabilities

[5] Ustawa z dnia 8 listopada 2013 r. o zmianie ustawy o finansach publicznych oraz niektórych innych ustaw, Dz.U. poz. 1646 ze zm. [Act dated November 8, 2013 on amending the Public Finance Act and some other acts, Journal of Laws of 2013, item 1646, as amended].

incurred to finance the project in the part being subject to refund by the European Union and the liabilities incurred in order to provide the own contribution are both subjected to exclusions. These exclusions are extremely important for determining the level of the LGUs. According to them, the loan taken out on the own contribution is excluded from the debt ratio plus interest throughout the period of repayment, provided that the level of partial funding will be at least 60%. In the case of smaller partial funding, exclusion from the debt ratio of a credit granted for the own contribution is applicable for no longer than 90 days after the completion of the project and receipt of the refund.

It seems however, that from the point of view of the analysis of the LGUs' financial situation, total debt should be taken into account, i.e. inclusive of the "EU debt", and excluding the aforementioned exclusions. It is hard not to agree with the opinion of P. Swianiewicz and J. Łukomska [2014: 5] that the economic essence of the self-government debt should be treated equally in this aspect, irrespective of its purpose. One evidence of this is the fact that in the majority of LGUs with serious financial problems in which the so-called rectification proceedings take place (more on this subject – further in the study), one of the primary causes of these problems is an excessive investment momentum funded from repayable revenues associated with the desire to use financing from the EU budget [KRRIO 2016a: 117].

Fourthly, a serious problem is the increasing use by LGUs of customized sources of financing budget needs, which creates obligations with the features of a credit or loan. The causes of such local policy-makers' decisions are as follows: a high level of local debt, new limits on debt that are more difficult than the previous ones to be met by the LGUs, pressure regarding the need to supplement the own contribution in the context of the absorption of European funds in the new EU financial perspective, etc. On the other hand, examples of such custom instruments can be as follows: equity financing, sale back, leaseback, payment by installments, etc. As a result of using these instruments by self-government authorities, a new category of financial liabilities is created with effects similar to that of credit or loan agreements. Thus, there is a specific allocation of the self-government debt beyond the area of the previously known debt instruments, subject to the legal regime of the Public Finance Act and the debt rules contained in it [KRRIO 2016b]. Consequently, it means a risk of a real loss of the ability to monitor the actual level of local debt in Poland, which in turn, can have a negative impact on the balance and financial security in the self-government sub-sector.

In this aspect, a wider expansion is required, especially related to capital financing, for the problem of municipal company debt and the *de facto* problem of self-government debt remaining outside the formal records of public debt. Recently, there are increasing voices that some LGUs (applies to the largest cities) intentionally, that is purposefully, use creative accounting and do not show the true state of their finances by hiding the debt in utility companies, thus creating a kind of "gray zone of local debt".[6] Among others, in this context, P. Swianiewicz and J. Łukomska emphasize that "one needs to look at the debt of local self-government holistically, taking into account the financial situation of other municipal entities, primarily companies performing local tasks" [Swianiewicz & Łukomska 2014: 3].

The scale of the problem is illustrated by the A. Babczuk's studies relating to the years 2009-2010 [Babczuk 2012]. They show that in the analyzed period, the debt of municipal companies in Poland increased from 11.3 billion PLN to 13.2 billion PLN. In 2010, it accounted for approx. 18% of the total debt of LGUs. As much as 22% of the value of this debt fell on the capital city of Warsaw and 55% on other cities with poviat status, which means that 65 of the biggest urban centers in Poland were responsible for 77% of the debt of municipal companies. Given the scale and scope of the analyzed phenomenon, the cited author concludes that the debt of self-government companies is relatively high and can significantly (albeit indirectly) affect the financial situation of local self-government in Poland.

Underestimation of the process of "crowding out" of the debt beyond the LGUs' budgets may turn out to be so dangerous that in a situation of potential insolvency of a company, the self-government is not actually liable for its debts, only formally. Self-government authorities will usually be forced to do anything to avoid bankruptcy and auction off the company's assets, even for the prosaic reason of the implementation of its public tasks being strategic for the local economy. Possible consequences of the described phenomena are the uncontrolled growth of the local self-government's debt, as well as, a significant distortion of data illustrating its actual financial situation. Changes in regulations are needed as soon as possible, determining the legal regime for limiting and monitoring the LGUs' debt, in the formula of introducing additional mechanisms allowing ongoing monitoring of the obligations arising from non-standard instruments of financing the budgetary needs in the self-government sub-sector.

Fifthly, a relatively new but very important issue, from the point of view of the risk of the LGUs' debt, is the phenomenon of the LGUs increasingly taking out financial obligations in the non-bank lending institutions namely in, the so-called, quasi-banks. The reason for such non-standard financial operations is usually the inability to obtain a credit or a loan at the bank, due to achieving a high debt ratio. Quasi-bank institutions do not usually require LGUs to submit the opinion of the Regional Chamber of Audit (RIO) on the possibility of repayment of the obligation, but also the instruments offered by these institutions are much more expen-

[6] Municipal commercial law companies, not belonging to the public sector, are subject to a separate regulation in terms of financial management than the public finance sector. Consequently, their financial liabilities are not recorded in official statistics regarding national debt.

sive than conventional loans and credits, which will undoubtedly have a negative impact on the finances of individuals using their services.[7] The Supreme Chamber of Control warned about these problems in 2015, pointing to specific examples of municipalities using such practices (municipalities in the area of operation of the Regional Chamber of Audit (RIO) in Szczecin: Rewal, Recz, Ostrowice, and Przybiernów; Regional Chamber of Audit (RIO) in Łódź: Zadzim and Pątnów; Regional Chamber of Audit (RIO) in Kielce: District of Piekoszów; Regional Chamber of Audit (RIO) in Białystok: District of Nowy Dwór; Regional Chamber of Audit (RIO) in Poznań: District of Łęka and Opatowska; Regional Chamber of Audit (RIO) in Rzeszów: District of Dubiecko) [NIK 2015: 22]. The fact of ongoing current prosecutions in cases of several districts of the West Pomeranian Province (Ostrowice, Białogard Manowo, Rewal, Bielice, Przybiernów, and Brojce), having serious financial problems in connection with using the services of institutions outside the banking sector, may serve as justification of the seriousness of the problem. In the context of the described examples, one should consider changing the law so that LGUs cannot incur liabilities in institutions other than those subject to the supervision of the Financial Supervision Authority.

Sixthly, an important issue in the area of interest of local finances is a limited realism, and thus, the usefulness of long-term financial forecasts (WPF) as instruments of debt management and debt risk.[8] Experience shows that LGUs, in order to increase the operating surplus, either artificially inflate the budget revenue projected in documents or lowers the estimated spending. The described practices ultimately undermine the realism of long-term financial forecasts (WPF) as a tool for effective management of local debt. It is true that in the Ministry of Finance certain activities are conducted on a new IT tool which is supposed to make long-term financial forecasts (WPF) real, but the question is whether the information improvements themselves are enough. Perhaps more radical changes to the provisions of the Public Finance Act will be needed. In the current legal form, long-term financial forecasts (WPF) are used primarily for information purposes for the state, while being a tool of the central government for “keeping a tight rein” on local debt, and not for the management purposes of LGUs.

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[7] According to the interpretation of the Ministry of Finance [the MF Letter to the Chairmen of the Regional Chamber of Audit (RIO), 22.04.2016] contrary to the following provisions of the Public Finance Act: 1) Art. 91, which sets out the obligation to obtain the opinion of the Regional Chamber of Audit (RIO) by LGUs on the possibility of repayment of the taken out loan; 2) Art. 44 of the Act dated 27 August 2009 on Public Finance, i.e. the principle of effective management of public funds, pursuant to which public expenditure should be borne in a purposeful and frugal way while observing the principle of obtaining the best results from the given outlays (it is hard to talk about savings when debt instruments offered by quasi-banks are much more expensive than those offered by the banking sector).

[8] The statutory order of realism of the long-term financial forecasts (WPF) was formulated in Art. 226 of the Public Finance Act.

Seventhly, in the Polish legal system, there is no formal and legal possibility of bankruptcy for the LGUs. Bankruptcy and composition law[9] defines public entities which are excluded from the insolvency proceedings. They include LGUs (art. 6 item 2), which means that in the strictly legal understanding of a district, poviats and provinces cannot go bankrupt. Of course, the inability to declare bankruptcy by LGUs does not mean that in the case of clear financial problems of these entities, including difficulties associated with the settlement of their obligations, no rehabilitation procedures are started.[10] For example, in 2014 the Regional Chamber of Audit (RIO) sent letters for the development of rehabilitation proceedings to 34 LGUs and in 2015 sent it – to 18 of them [KRRIO 2016a: 116-117].

In this context, one can ask a legitimate question whether the rehabilitation program is a sufficient and effective instrument to improve the financial situation in territorial units with large financial problems. According to the authors cited earlier (P. Swianiewicz and J. Łukomska), one should consider the possibility of regulatory approval of LGUs' bankruptcy in Poland. They state: "the current legal void in this regard means that the only ones injured, as a result of taking out excessive loans, are the local community and self-government authorities. And the blame for excessive debt breaks down into two parties – the borrower, but also the bank, which without due consideration lentmoney without taking into account the risk of insolvency. The risk should therefore be similar for both parties, and not to burden the borrower as a whole" [Swianiewicz & Łukomska 2014].

Conclusion

The analysis carried out in this study showed that national self-government debt is an extremely dynamic category of local finances. There is a number of new challenges and issues of legal and economic nature, determining local debt policies of self-government authorities. The stability of the local/regional finance system, but also the stability of the entire public finance sector, of which an integral component is the self-government sub-sector, will depend on the manner of solving these challenges.

[9] Ustawa z dnia 28 lutego 2003 r. Prawo upadłościowe i naprawcze, t.j. Dz.U. 2015, poz. 233 [Act dated February 28, 2003 Bankruptcy and composition law, consolidated text: Journal of Laws of 2015, item 233].

[10] According to Art. 240a of the Public Finance Act, in the absence of the possibility of adopting long-term financial forecast or budget of the local self-government unit, pursuant to the principles set out in Art. 242-244, and the threats to implementation of public tasks by LGUs, the Body of the Regional Chamber of Auditors calls this unit to develop and adopt the rehabilitation program. The body constituting LGU adopts such a program for a period not exceeding three consecutive financial years. On the other hand, the consequence of failure to adopt the rehabilitation program or a negative review by the Regional Chambers of Accounts is to determine the unit's budget by the chamber, whereas the budget can be fixed without maintaining the relation referred to in Art. 242-244.

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Samorządowy dług publiczny w Polsce – aktualne problemy i wyzwania

Streszczenie. *Jedną z najbardziej dynamicznych kategorii finansów lokalnych w Polsce jest dług samorządowy. Owa dynamika niesie za sobą określone ryzyko nie tylko dla systemu finansów lokalnych/regionalnych, ale również dla całego sektora finansów publicznych, którego integralnym komponentem jest podsektor samorządowy. Podstawowy cel opracowania to identyfikacja najważniejszych i jednocześnie najbardziej aktualnych problemów prawno-ekonomicznych dotyczących samorządowego długu publicznego w Polsce, z jednoczesnym wskazaniem możliwych sposobów ich* *rozwiązania lub przynajmniej złagodzenia negatywnych ich skutków. Od podjętych działań w tym zakresie będzie zależała nie tylko stabilność systemu finansów samorządowych, ale także całego sektora finansów publicznych.*

Słowa kluczowe: *samorząd terytorialny, dług lokalny, problemy zadłużeniowe*