



# The Central Government Fund for Local Investments III – patterns taking hold

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This report supplements an earlier one on how funds from the second instalment of the Central Government Fund for Local Investments (CGFLI) paid out in December 2020 were allocated.<sup>1</sup> We examine the distribution of funds from the third instalment of the CGFLI, which was paid out in March 2021. We also compare the allocation of funds from the second instalment to the number of applications filed by municipalities. Information about all the applications submitted was not available when this instalment was being analysed. Finally, we present the general pattern for the distribution of the CGFLI that emerges from the analysis of both instalments.

## The third instalment

The special role that municipalities play on the Polish political scene – especially the position ensured by the direct election of mayors – means that this analysis limits itself to funds transferred to municipalities (including towns with district rights), bypassing funds allocated between districts and regions. Around three-quarters of all the funds at Polish sub-national governments' disposal go to municipalities. The role of municipalities in providing inhabitants with public services is analogous; it is several times larger than that of districts and regions. Polish municipalities received a total of PLN 1348 million as part of the third instalment of the CGFLI, which amounts to PLN 36.5 per capita, less than half the amount allocated as part of the second instalment (PLN 83 per capita).

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<sup>1</sup> P. Swianiewicz, J. Flis, *The Government Fund for Local Investments – the rules of allocation*, <https://www.batory.org.pl/wp-content/uploads/2021/01/Rzadowy-Fundusz-Inwestycji-Lokalnych-regu%C5%82y-podzia%C5%82u.pdf>.

How these funds were distributed was analysed in the same way as before, distinguishing between municipalities with up to 24,000 inhabitants and those with over 24,000 inhabitants. This threshold divides Poland's inhabitants into two halves: those who live in larger municipalities and those in smaller ones. In each of these, municipalities were divided into four groups based on their mayor's political affiliation. The label "PiS" was assigned to mayors who were candidates of the parties in the ruling camp led by the Law and Justice (PiS) party, PiS members running from its election committees and candidates officially supported by PiS in National Electoral Commission (NEC) documents. The label "Senate bloc" was assigned to candidates affiliated in one of these three ways with the parties that formed a bloc in the elections to the Polish Senate in 2019: the Civic Platform, the Polish People's Party and the Democratic Left Alliance. Candidates from local committees who were meant to compete against PiS were labelled "against PiS", which are in opposition to the current central government. The remaining candidates were labelled "neutral".

Chart 1 shows the distribution of funds per capita in each of the groups, compared to that in the second instalment.

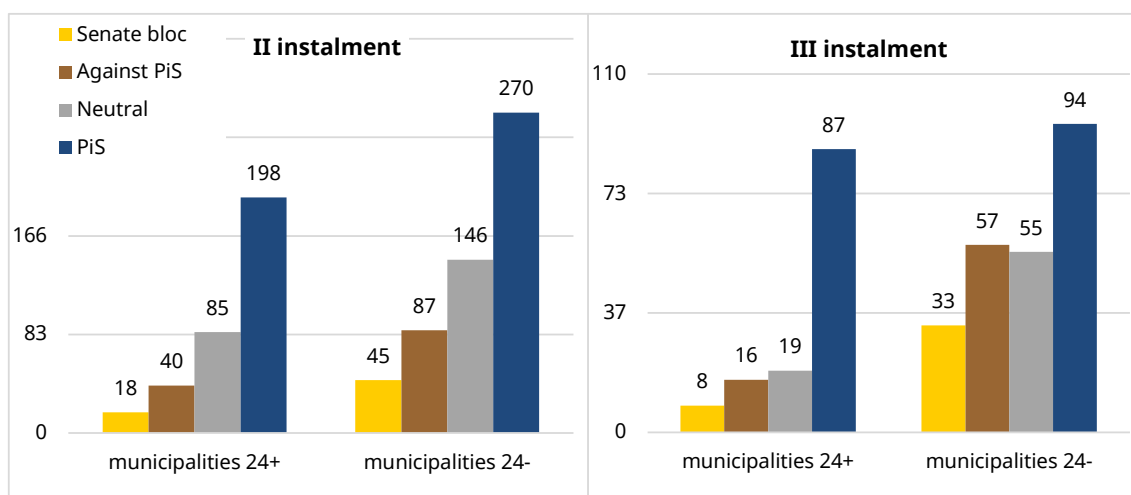


Chart 1. Grants from CGFLI per capita (in PLN) based on the mayor's political affiliation and the size of the municipality. Source: chart prepared by the authors based on NEC (National Electoral Committee) data and samorzad.pap.pl. The authors would like to thank the Association of Polish Cities for providing data on the size of funding as part of the second instalment of the CGFLI requested.

The allocation of funds replicates the pattern observed earlier. In larger municipalities, the difference between those with a PiS mayor and those with an opposition mayor did not change at all. The average municipality with a PiS mayor still received grants that were over ten times higher. In smaller municipalities, where those with PiS mayors received six times more during the second instalment of the CGFLI, this was "just" three times more during the third instalment. Although a clear preference for smaller municipalities is visible, larger municipalities with PiS mayors still receive more than small municipalities with mayors who are not affiliated with the ruling party, on average – not only those from opposition parties, but also those considered politically neutral.

## Share of both instalments

The two instalments allocated separately also enabled us to check the percentage of municipalities in each group that did not receive a single grant from either of them and the percentage that received funding from both. This data is presented in Chart 2.

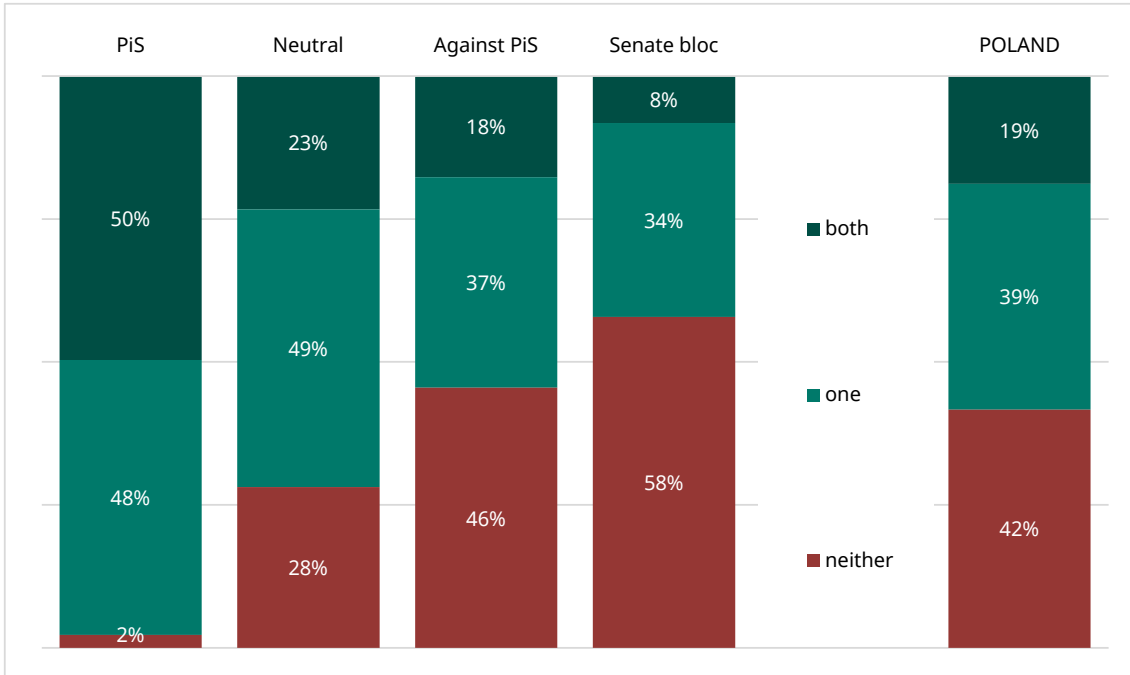


Chart 2. Share of funding from both instalments of the CGFLI, based on the mayor's political affiliation. Source: chart prepared by the authors based on NEC data and samorzad.pap.pl.

A clear bias is visible here, too. Nearly all the municipalities run by PiS mayors received funding, with half of them even receiving it twice. In contrast, in a clear majority of cases, municipalities with mayors from the opposition parties were bypassed in both instalments. This pattern is almost identical for smaller and larger municipalities. The only noticeable difference is how, among the larger municipalities, no municipality with a PiS mayor was bypassed and 60% of them received funding from both instalments, while over half of the others were bypassed.

## The amounts requested

Data collected by the Association of Polish Cities (APC) adds to our understanding of the rules for allocating funds from the CGFLI by checking whether the differences between municipalities resulted from the number of applications filed. Chart 3 shows how many applications per capita were filed in each group of municipalities. On average, municipalities with PiS mayors applied for more funds than those with mayors who were neutral or affiliated with other parties.

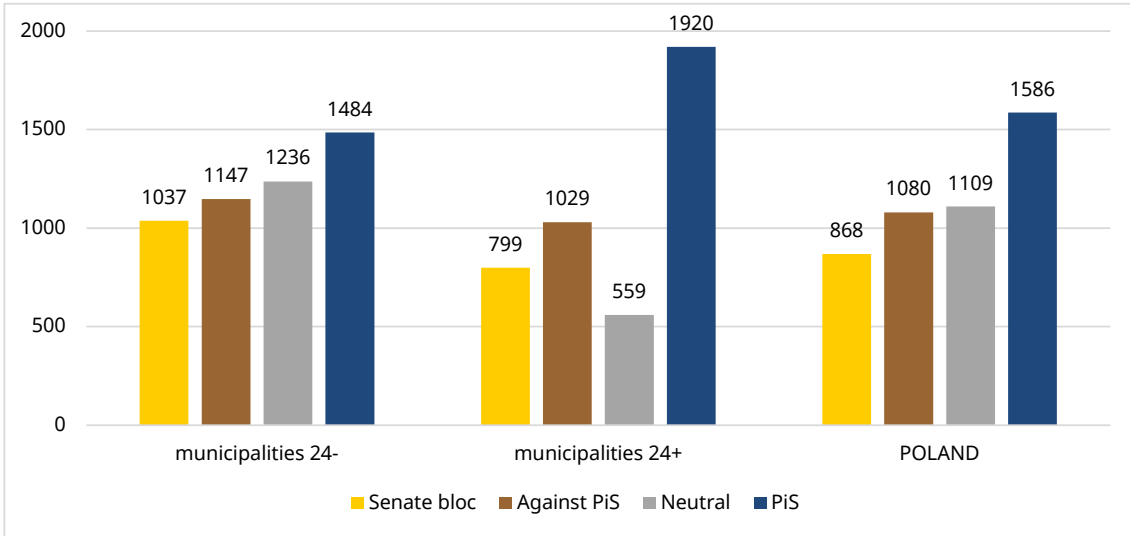


Chart 3. Proposed size of funding (per capita) from the second instalment of the CGFLI, based on the mayor's political affiliation and the municipality's size. Source: chart prepared by the authors based on NEC and APC (Association of Polish Cities) data, along with samorzad.pap.pl.

The chart shows the variation in the projects' value on a national scale. To check whether this explains the variation in the funding received by municipalities, we calculated the percentage of the project application value received as part of the second instalment. This is shown in Chart 4.

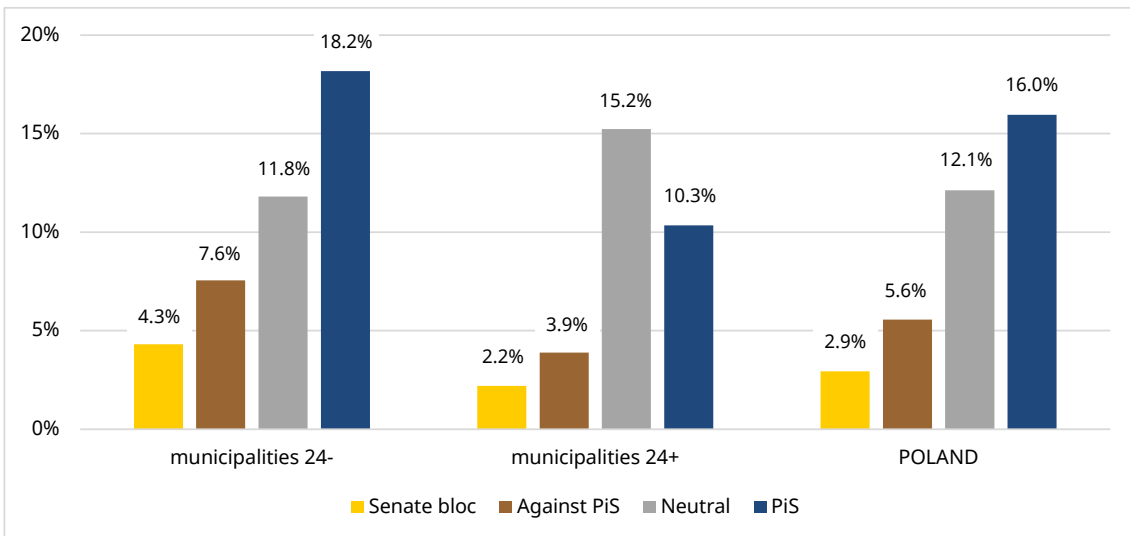


Chart 4. Amounts received as a percentage of the value of the applications filed as part of the second instalment of the CGFLI based on the mayor's affiliation and the municipality's size. Source: chart prepared by the authors based on NEC and APC data, along with samorzad.pap.pl.

This chart leaves no illusions: the drastic variation in funding depending on the mayor's political affiliation does not result from the number of applications filed – in fact, the opposite was observed. One might wonder why local governments with opposition mayors take the trouble to file applications if the chances of success are so marginal; several times lower than in neighbouring municipalities where the only difference is the mayor's political affiliation. Such overt discrimination cannot go unseen in the local government milieu. Faced with these facts, local government officials' lack of trust in

the lofty declarations of the government representatives who claim to care about all of Poland's citizens seems completely understandable. These findings also explain why "opposition" municipalities file fewer funding applications. The minimal chance of receiving funding explains their discouragement, which translates into fewer applications.

## Conclusions

This analysis of the third instalment of the CGFLI does not give rise to optimism. Clearly, public criticism – including by local government organisations – has not changed the rules used to distribute the funds. These rules are not, demonstrably, "accidental" or a result of the over-zealousness of the regional administration that recommends applications for funding. They are a conscious and deliberate government policy. The declaration of goodwill aimed towards local governments by Jarosław Gowin, Poland's deputy prime minister for development, during his party's programme convention was clearly limited to local governments with PiS or PiS-backed mayors. This kind of policy does not overcome divisions; it deepens them. The local governments privileged due to their mayor's political affiliation cover less than one-tenth of Poland. The other nine-tenths can still count on modest government funds but probably only because, given the ruling camp's limited hold over local governments, they cannot be bypassed completely.

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