

## INFRASTRUCTURE INVESTMENTS AS AN INSTRUMENT OF SUPPORT OF LOCAL ENTREPRENEURSHIP

©Hyski M., Крутиков В.К., 2015

In reviewing the law, you will notice the fact that exhaustively none of of legal acts does not specify tasks or specific actions aimed at the development of entrepreneurship, the pursuit of which the gmina (municipality) is obliged as a unit of local government. However, according to the law on freedom of economic activity [4] public authorities are obliged to support the development of entrepreneurship, create favorable conditions for taking up and pursuit economic activity. In particular, this applies to support micro, small and medium-sized enterprises.

Development of local entrepreneurship has many beneficial effects for the whole community, in various aspects of its operation (economic, social and cultural). Therefore, it should be noticed that the promotion of entrepreneurship is not only the responsibility of the local government, but also an opportunity for economic development at the local level.

Virtually every action the municipality has a direct or indirect impact on local development. The municipality is the employer, client, customer and investor. Therefore, the different mechanisms that can be used might affect the activities of private companies [3].

In contrast to the income instruments of municipal budget, which assume a passive nature of local government and rely on reducing the tax burden, expense instruments take the form of active measures, aimed at active transformation of the surrounding area by local governments in order to adapt it to the social and economic needs. Expenditure instruments of active support the development of entrepreneurship are primarily related to the broader investment activities of local government units.

The main instrument to support the development of entrepreneurship by the local government is active participation in the construction of technical infrastructure used in business operations. An example of the activity of the municipalities in the implementation of local economic development is to build the road infrastructure and the development of water supply and sewerage system in their area. Building and maintenance of infrastructure investment is the main task of the community in the area of supporting of development economic activity in the local forum. Infrastructure investments are a factor in the development of entrepreneurship in various spheres of activity [1], because it providing benefits to all local businesses.

Ability to pursue investment projects are related to the size and structure of the income of a gmina (as the smallest unit of administrative division of Poland). Most of the expenditure of the municipality is absorbed by implementing of current tasks, characterized by the relative constancy of costs. Only after completing basic current tasks, municipality may freely dispose of the remaining funds in the budget. In practice, the municipality allocates most of the remaining pool of available funds for investment projects.

Municipalities as local government units are obliged in a statutory way [5] to realize investment activities in order to improve and develop the technical infrastructure on its territory. The appropriate infrastructure is a prerequisite for proper functioning, efficient use, development and integration of the various subsystems of the spatial planning of socio-economic system and its components, ie. of settlement units, factories, farms and others, because the system of devices, structures and institutions support these spatial systems and combines them into one whole. The role of infrastructure as a determinant of spatial development and functioning of the socio-economic system, increases with the level of economic development [2].

Technical infrastructure investments are construction projects. Their special feature, besides common with other types of investments, is especially the fact that:

- require a large one-off costs incurred,
- have long periods of use and depreciation,
- those passive measures are devoid of productive forces, and are involved in the production more or less indirectly,

- they are real estate, and thus objects indelibly associated with the surface of the earth; change of their locations is therefore very expensive, either completely uneconomical.

Additionally, you should pay attention to the fact that to some extent the benefits of such investments are non-financial. Benefits usually depend on the creation of facilities for the smooth functioning of business entities (corporations and households). It is true that the power grid, gas, and cable telephony can be seen as a tool of profit-taking of the investor, but in relation to environmental infrastructure or transport infrastructure (roads), the fundamental premise is the benefit in terms of improving the quality of life and health of residents, as well as creating favorable business conditions.

In connection with the above features of the technical infrastructure investments, the possibility of self-financing of implemented projects by municipalities are limited in important respects. It often happens that the total value of the investment exceeds the budgetary resources of a local government unit available for investment purposes, even taking into account the use of external returnable sources of financing (debt). The need to include the loan to finance the investment project requires adherence to various additional requirements of efficiency. In case of difficulty in the implementation of the investment, the ability of the municipality to repay may be at risk.

Often the only way to avoid regression in investing activities is an invitation to collaborate private sector entities. That recommended by the European Commission method of implementation of public tasks contributes to raise funds by the municipality without having to incur additional commitments. Also shift some of the risk from a public to the private entity can result in improved financial health of municipalities and the better functioning of local businesses.

1. Chudy-Hyski D.: *Uwarunkowania turystycznego kierunku rozwoju górskich obszarów wiejskich Polski, Rozprawa habilitacyjna, [w:] „Infrastruktura i Ekologia Terenów Wiejskich” nr 1, Polska Akademia Nauk Oddział w Krakowie, Komisja Technicznej Infrastruktury Wsi, Kraków 2009, ss. 309.*

2. Kuciński K.: *Geografia ekonomiczna. Zarys teoretyczny, Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie, Warszawa 1994.*

3. *Lokalne strategie rozwoju gospodarczego. Poradnik dla gmin i liderów lokalnych, red. E. Bończak-Kucharczyk, L. Cousins, K. Herbst, M. Stewart, Brytyjski Fundusz Know-How, Fundusz Współpracy, Warszawa 1996.*

4. *Ustawa z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej, Dz. U. Nr 173, poz. 1807 z późn. zm.*

5. *Ustawa z dnia 8 marca 1990 o samorządzie gminnym, tekst jednolity Dz. U. Nr 142 z 2001 r., poz. 1591, z późn. zm.*