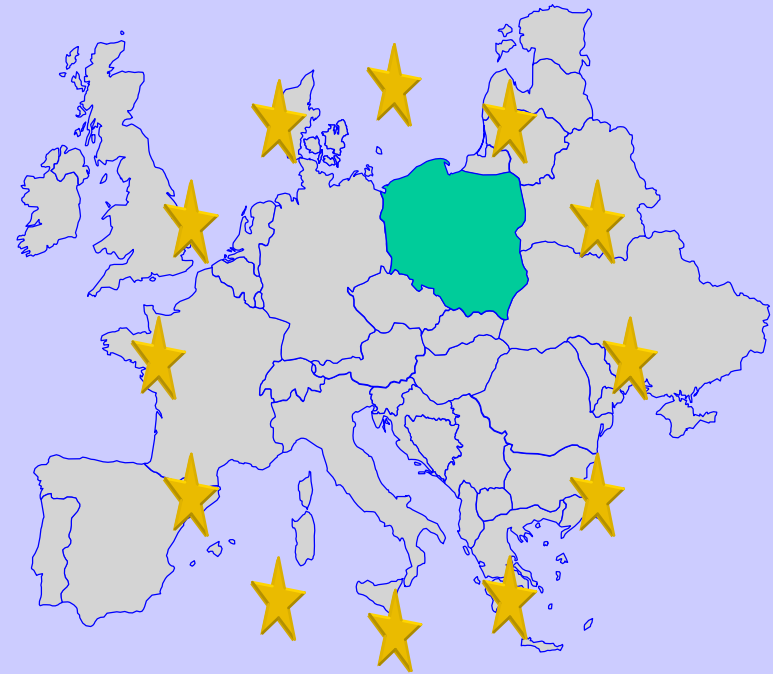
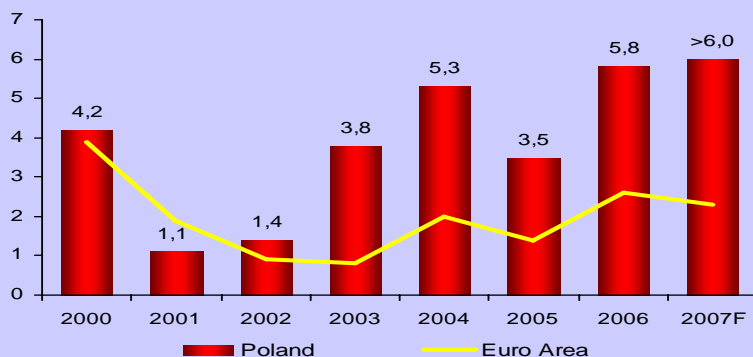


*Public finances effective  
management as a factor of long-  
term economic growth – polish  
experience*



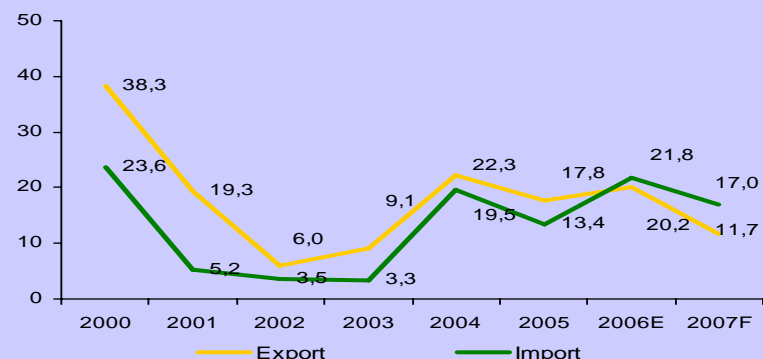
# Strong and balanced economic outlook (1/2)

## Real GDP growth (%)



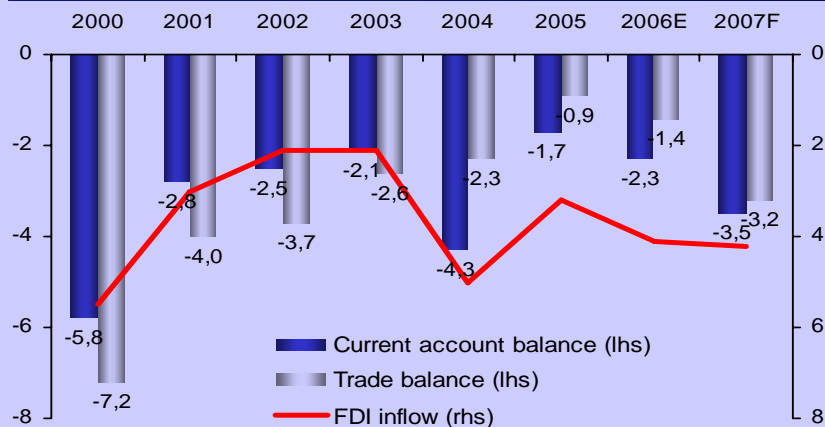
Source: CSO, IMF

## Export and import (EUR, yoy)



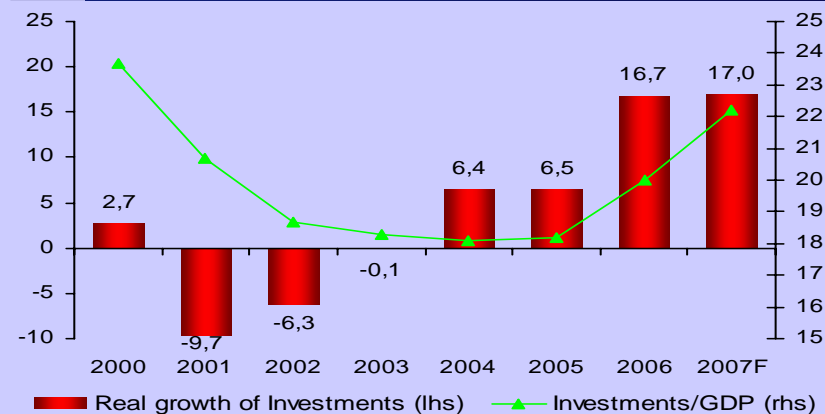
Source: NBP

## Current account, trade balance and FDI inflow (% GDP)



Source: NBP

## Investment



Source: CSO

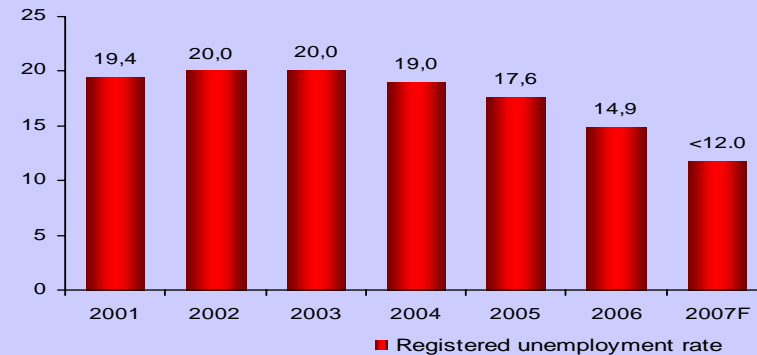
# Strong and balanced economic outlook (2/2)

Employment and real wages growth (yoy, %)



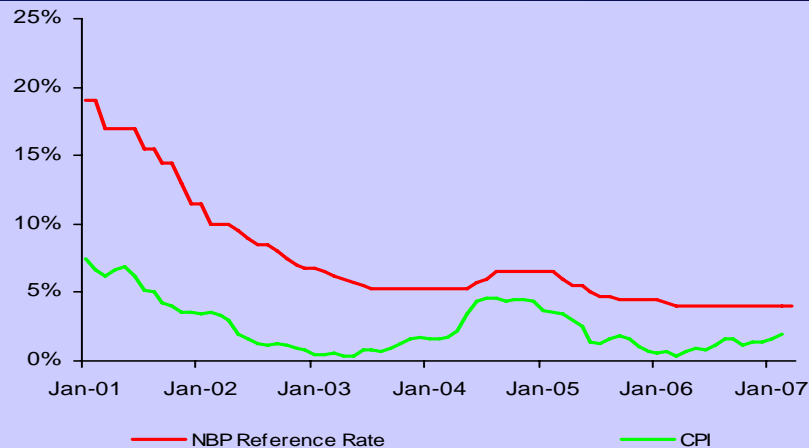
Source: CSO

Registered unemployment rate (eop, %)



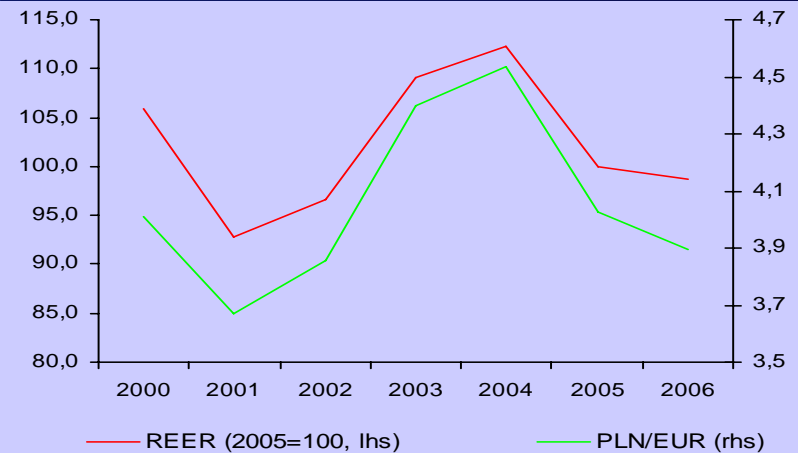
Source: CSO

CPI (yoy) and NBP Reference Rate



Source: NBP, CSO

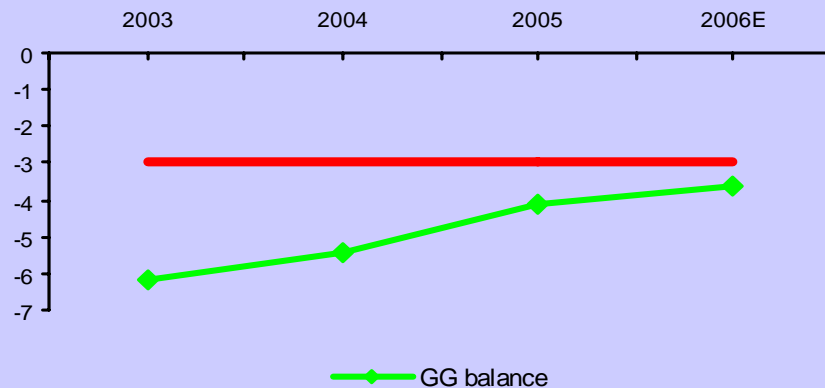
Exchange rate



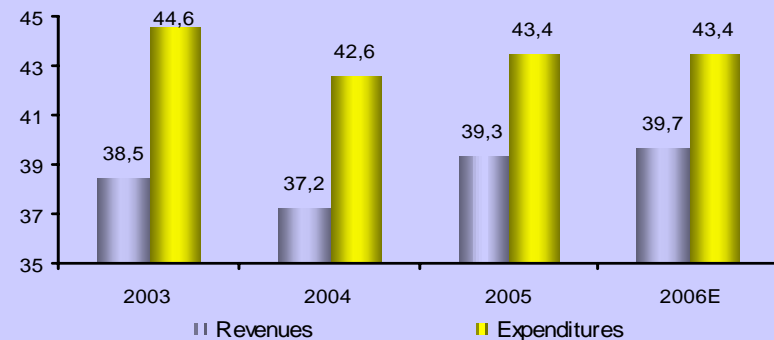
Source: NIF, NBP

# Deficit and debt outcomes (ESA '95 methodology)

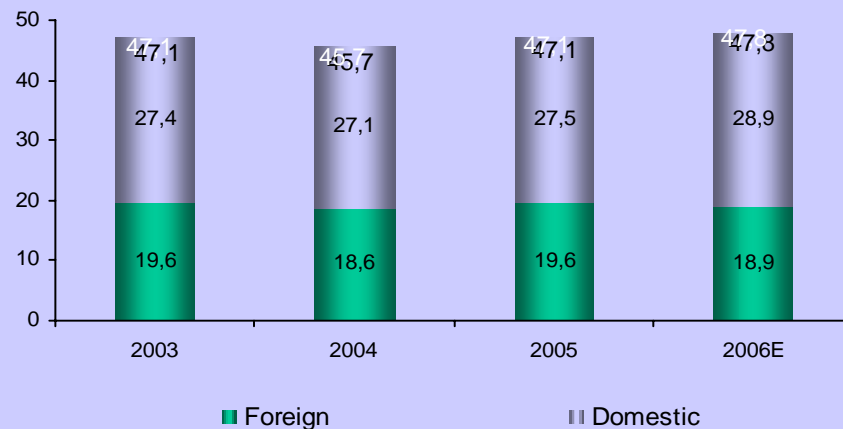
General Government balance (% GDP)



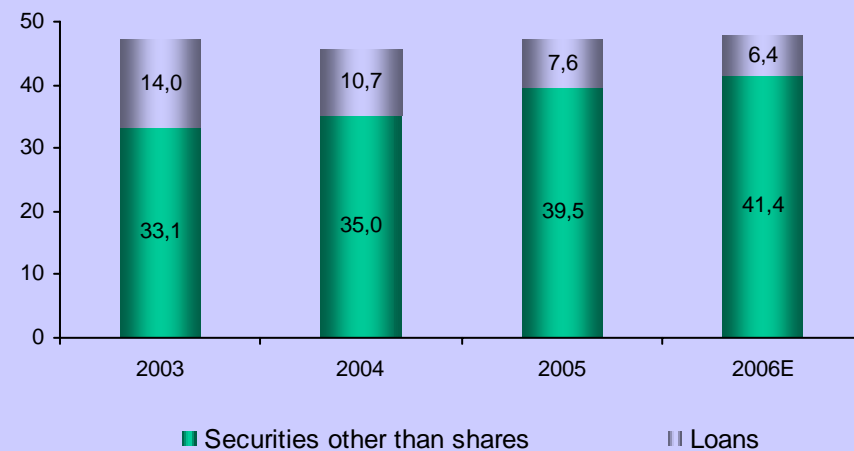
GG revenues and expenditures (% GDP)



GG debt (% GDP)



GG debt by instruments (% GDP)



Source: Ministry of Finance

## *Aims of Organic Budget Law*

- creation of legal framework regulating the budget process,
- adjusting budget procedures to country legal, cultural and political conditions,
- strengthening the transparency of budget information,
- clearly indicates division of responsibilities.

## *Sources of Organic Budget Law in Poland*

- The Constitution of the Republic of Poland
- Act on public finance dated 30th June 2005
- Decrees of the Council of Ministers and Finance Minister

## *Limitations set by the Constitutions:*

- the increase in spending or the reduction in revenues from those planned by the Council of Ministers may not lead to the adoption by the Sejm of a budget deficit exceeding the level provided in the draft Budget
- the Budget shall not provide for covering a budget deficit by way of contracting credit obligations to the State's central bank.
- the right to introduce legislation concerning a Budget belongs exclusively to the Council of Ministers
- it shall be neither permissible to contract loans nor provide guarantees and financial sureties which would engender a national public debt exceeding three-fifths of the value of the annual gross domestic product.

## *Limitations set by the Act on public finance*

- expenditures set in the State Budget constitute limit for public expenditures,
- State Budget cannot embrace regulations changing other acts,
- State Budget can determine expenditure limits for multiannual programs, specified in the attached list to the State Budget,
- multiannual programs are set by the Council of Ministers in order to realize National Plan of Development and other strategies accepted by the Council of Ministers, among others in terms of country's defences and security.

## *Assumptions of the Proposed State Budget:*

- economic and social priorities,
- macroeconomic forecasts,
- expected volume of budget income and expenditures,
- scale of expected budget deficit and ways of its covering,
- principles about limits for expenditures concerning various parts of the Budget.

## *The Proposed State Budget should include:*

- defined forecast of state budget revenues and limit of state budget expenditures,
- defined state budget deficit and sources of its covering;
- list of turnover and disbursement, which belong to state budget subjects and to auxiliary budget units;
- financial plans of state compulsory funds;
- financial plans of governmental sector units;
- list of multiannual programmes (not an obligation);
- list of multiannual investments (not an obligation);
- list of budget expenditures for co-financing programs and projects, which are financed also from European Union means;
- list of units receiving aim and entity subsidies and amounts of subsidies;
- limits of multiannual liabilities in following years of National Development Plan realization and list of multiannual expenditure limits in following years of National Development Program;

## *Justification is attached to the State Budget draft and embraces particularly*

- main aim of economic and social policy;
- macroeconomic assumptions for the budget year and two following years;
- predicted state budget execution of current State Budget;
- debate concerning turnovers and disbursements as well as revenues and expenditures of state budget;
- debate concerning predicted balance and public finance sector debt;
- debate about the level of European Union own means and European Union budget means,
- information about the level of predicted Treasury debt at the end of year and financial assets of Treasury, which are at the same time debt of other units belonging to the public finance sector, together with suitable values related to liabilities coming from guarantee and sureties,
- directions of Treasury properties privatization.

## *Passing the State Budget*

1. The Sejm (lower house of Polish parliament) has to pass the State Budget within 4 months
2. Senate has 20 days to amend Budget
3. The President has to sign Budget within 7 days
4. The President can make reference to the Constitutional Tribunal for an adjudication upon the conformity to the Constitution of the Budget before signing it, the Tribunal shall adjudicate such matter no later than within 2 months from the day of submission of such reference to the Tribunal.

## *State Budget execution*

The Council of Ministers supervise the implementation of the State Budget and pass a resolution on the closing of the State's accounts and report on the implementation of the Budget.

## *State Budget control*

- The Council of Ministers, within the 5-month period following the end of the fiscal year, present to the Sejm a report on the implementation of the Budget together with information on the condition of the State debt.
- Within 90 days following receipt of the report, the Sejm considers the report presented to it, and, after seeking the opinion of the Supreme Chamber of Control, passes a resolution on whether to grant or refuse to grant approval of the financial accounts submitted by the Council of Ministers.
- The Council of Ministers is politically responsible for State Budget execution.

## *Internal Audit*

- *independent examination of management and control systems in a unit, among others finance control procedure, which is based on the assessment of:*
  - conformity of activity with binding internal procedures and law;
  - efficiency and economy of decisions made within management and control systems;
  - credibility of financial statement and budget execution report,
- *consultancy.*

## *Challenge Polnad*

- reduction of state budget deficit level during next years with the stable increase of revenues, resulted from the increase of GDP growth and expenses at the level that result from state financial situation, in the way that dynamism of their growth is lower than the dynamism of growth of GDP;
- public finances reform through the realisation of the comprehensive program of changes in budget resources allocation. It should make possible the best absorption of EU funds grant for developmental programs;
- the reduction of the new guarantee just for supporting investment of infrastructure and including EU co-financing;
- stopping the process of debt growth in public finance sector excluding State Treasury and local government units.

## *Fiscal reforms (1):*

### *Institutional and organisational reforms of public sector:*

- Improving of fiscal transparency;
- Institutional consolidation of the sector;
- Subordination to central budget of financial plans of all units of the sector;
- Introduction of the target planning to all steps of budgetary procedure;
- More restricted rules (introduction of the rule of the balanced budget of local government units for the current expenditure);
- Introduction of rules concerning multi-year programs;
- Introduction of the external audit.

## *Fiscal reforms (2):*

### *Tax wedge cuts:*

- in July 2007 cut of the disability pensions contribution rate by 3 pp (on the employee side);
- in January 2008 cut of the disability pensions contribution rate by 2 pp (on the employee side) together with cut of the Disability Fund contribution rate by 2 pp (on the employer side);
- in January 2009 cut of the Labour Fund contribution rate by 1 pp;

### *PIT reform:*

- Reduction of tax rates of PIT to 18% and 32% starting from 2009 (instead of 19%, 30%, 40% now)



RESULT: Decrease of tax wedge from 44.0% to 38.8% (for avg. wage)

*Thank you for your attention.*