Main documents influencing finance policy in Poland:

- The Constitution of the Republic of Poland,

Project of new Public Finance Act and Act implementing Public Finance Act are currently revised in Parliament.
Fiscal Rules in Poland

Main documents influencing finance policy in Poland:


- Stability and Growth Pact (resolution of European Council from Amsterdam and Council’s regulations 1466/97 and 1467/97 with reforms of march 2005),

- European Union Council’s opinion dated 20th march 2009 concerning updated Convergence Program for the years 2008-2011 presented by Poland.
The ratio of planned or real budget deficit to the GDP should not exceed 3% GDP, unless:

- the ratio will decrease considerably, will be stable and will reach the level close to reference value,
- exceeding reference value is exceptional and temporary and the ratio remains close to reference value,

The ratio of public debt to the GDP should not exceed 60% of the GDP unless:

- the ratio will decrease sufficiently and will approach reference value in satisfactory pace.
Main fiscal rules in Polish legal system (I):

- **State budget outcome:**
  - Sejm, increasing expenditures or decreasing incomes which were planned by the Cabinet cannot set higher state budget deficit than was provided in a draft of state budget (the Constitution).

- **Expenditures:**
  - Public expenditures can be bear only for defined aims and within defined amount; in case of higher incomes deficit is reduced, expenditures cannot be increased (Act).
Main fiscal rules in Polish legal system (II):

- **Expenditures:**
  - ban on exceeding limit expenditures which was defined in Budget Act, Budget Resolution or financial plan (Act),
  - transfers of state budget expenditures (within budget classification) are subject to rigorous status restrictions (Act).

- **Spending:**
  - the level of spending which is set in the state budget, local authorities budgets and financial plans of budgetary entities is the limit that cannot be exceeded (Act).
Main fiscal rules in Polish legal system (III):

- **Public debt:**
  - it is not 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. Finance Minister controls if above rule is obeyed (Constitution, Act),
  - cautions and sanative procedures are activated in case public debt exceeds the threshold of 50%, 55% or 60% GDP; procedures mainly limit the amount of state budget deficit, local authorities deficits and the possibility of providing new guarantees and financial sureties (Act),
Fiscal rules in Poland

## Cautions and sanative procedures

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Project of new Act</th>
<th>Binding Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>deficit (t \leq \text{deficit}_{t-1})</td>
<td>-</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>(deficit/incomes) (t \leq \text{(deficit/incomes)}_{t-1})</td>
</tr>
<tr>
<td>52%</td>
<td>(debt of the Treasury) (t \leq \text{(debt of the Treasury)}_{t-2})</td>
<td>- (sanative program)</td>
</tr>
<tr>
<td>55%</td>
<td>- as 52%, additionally:</td>
<td>- (debt of the Treasury) (t \leq \text{(debt of the Treasury)}_{t-2})</td>
</tr>
<tr>
<td></td>
<td>- growth of expenditures is limited</td>
<td>- sanative program</td>
</tr>
<tr>
<td></td>
<td>- ban on giving loans from State Budget</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- lack of new investments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- limitations of guarantees and financial sureties</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- sanative program</td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>- as 55%, additionally:</td>
<td>- deficit (t \leq 0)</td>
</tr>
<tr>
<td></td>
<td>- balanced budget of local authorities</td>
<td>- ban on providing guarantees and financial sureties</td>
</tr>
<tr>
<td></td>
<td>- ban on providing guarantees and financial sureties</td>
<td>- sanative program</td>
</tr>
<tr>
<td>Local authority</td>
<td>Separate regulations (art. 214-215)</td>
<td>Limitations of the ratio deficit/incomes</td>
</tr>
</tbody>
</table>

Department of Public Finance Reform
Main fiscal rules in Polish legal system (IV):

- **Public debt:**
  - Finance Minister prepares 3-year strategy of the Treasury debt management and state public debt influence, document after acceptance by the Cabinet is presented to the Seym together with the justification of Budget Act project (Act).

- **Providing guarantees and financial sureties:**
  - providing guarantees and financial sureties by units which belong to public finance sector is subject to status limitations (Act).
Fiscal rules in Poland

Strategy of public finance sector debt management for the years 2009 - 2011:

- Minimization of costs related to debt service in longer perspective and acceptance of limitations concerning the level of:
  - refinancing risk,
  - exchange rate risk,
  - interest rate risk,
  - state budget liquidity risk,
  - other types of risk, particularly credit and operational risk,
  - division of costs related to debt service in time.
## Fiscal rules in Poland

### Convergence indexes in Poland:

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation HICP</th>
<th>Long-term interest rate (average yearly)</th>
<th>Surplus (+) or deficit (-) governmental and local authorities sector</th>
<th>Debt of governmental and local authorities sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2.6</td>
<td>5.5</td>
<td>-2.0</td>
<td>44.9</td>
</tr>
<tr>
<td>2008</td>
<td>4.2</td>
<td>6.1</td>
<td>-3.9**</td>
<td>47.1**</td>
</tr>
<tr>
<td>2009</td>
<td>2.9</td>
<td>6.3</td>
<td>-2.5</td>
<td>45.8</td>
</tr>
<tr>
<td>2010</td>
<td>2.5</td>
<td>5.8</td>
<td>-2.3</td>
<td>45.5</td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
<td>5.5</td>
<td>-1.9</td>
<td>44.8</td>
</tr>
<tr>
<td>Reference value*</td>
<td>3.3</td>
<td>6.3</td>
<td>-3.0</td>
<td>60</td>
</tr>
</tbody>
</table>

* Updated Convergence Program for December 2008. Reference values were calculated according to the data - April 2009. ** Data from Eurostat
Fiscal rules in Poland

Priorities in public finance management:

The most significant aims in public finance:

- Multiannual budgeting
- Performance budgeting in multiannual perspective

Department of Public Finance Reform
Fiscal rules in Poland

Multiannual budgeting:

- Plan of incomes and expenditures as well as plan of receipts and spending will be prepared for 4 budget years,
- In a draft of Budget Act for the given year, presented by the Cabinet to Seym, the level of deficit will be bound by the level of deficit defined for the given year in multiannual finance plan.
Ministry of Finance

Thank you for your attention

Department of Public Finance Reform