Postula, Marta

Working Paper
Public finances effective management as a factor of long-term economic growth

TIGER Working Paper Series, No. 67

Provided in Cooperation with:
TIGER - Transformation, Integration and Globalization Economic Research, Warsaw

Suggested Citation: Postula, Marta (2004) : Public finances effective management as a factor of long-term economic growth, TIGER Working Paper Series, No. 67, Transformation, Integration and Globalization Economic Research (TIGER), Warsaw

This Version is available at:
http://hdl.handle.net/10419/140719

Terms of use:
Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.
Public Finances Effective Management as a Factor of Long-term Economic Growth

Marta Postula

Warsaw, October 2004

Director of the Department of Restructuring of the Public Finances, Ministry of Finance of Poland. E-mail: marta.postula@mofnet.gov.pl
Marta Postula

Public Finances Effective Management as a Factor of Long-term Economic Growth

Summary

The paper presents evolution of the Polish fiscal system from the very beginning of Poland’s transformation. Effective management of the public funds is crucial for sustaining macroeconomic stability and using public money for financing pro-growth activities. The goal of fiscal reforms, which are currently undertaken, is not only to improve fiscal stance (decrease budget deficit) but also to change structure of public revenues and expenditures.
Public finances is total of economic occurrences concerned with accumulation and expenditures of financial resources aiming at social needs satisfaction and fulfilment of national, governmental and self-governmental authorities’ constitutional duties towards citizens. The Public Finances Act mentions especially a few processes among mentioned above:

- Collection and accumulation of revenues;
- Public resources expenditures;
- Deficit financing;
- Incurring liabilities concerning public resources;
- Public resources management;
- Public debt management.

Financial sector is regularly changing. Let’s have a look at this process, starting from the nineties, when financial sector was significantly transformed.

First of all, revenues of financial sector measured versus GDP decreased from 41.9% in 1995 to 38.1% in 2000, at the same time expenditures were reduced from 44.4% GDP in 1995 to 41.1% in 2000. In the years 2001-05 sector revenues are rising, oscillating about 39.5% GDP. Scale of expenditures realized by sector units will rise again to about 44.5-45.5% GDP.

Second of all, budget share in revenues and expenditures of public finances sector decreased successively. In 1995 63.3% of sectors revenues supplied state budget what enabled to finance 46.0% of total expenditures. In 2001 adequate shares were 49.7% of revenues and 25.6% expenditures. Simultaneously budget supplies other sector units by money transfers. In 2001 those transfers engaged 52% of expenditures. This situation is shown on the graphs below:
Graph 1: National budget revenues vs. Revenues of public finances sector (excluding EU grants)

Source: Ministry of Finance

Graph 2: Revenues and expenditures of public finances sector vs. GDP (excluding EU grants)

Source: Ministry of Finance
Third of all, the meaning of public finances sector units which can make decisions autonomously (territorial self-government units, agencies, etc.) or those supervised by ministers (objective funds).

Summing up, in the period after year 1990 public finances were characterized by slow, but significant fiscalism decline, increase in decentralization, and also weakening possibilities to be supervised by minister suitable to public finances affairs.

This situation stood Polish public finances at historical point because continuation of such tendencies would negatively affect Polish economy and whole society. To avoid those effects, changes in Polish public finances management are necessary to turn state from financial instability into the path of stable economic growth. Despite few years of unfortunate economy chilling, there are still meaningful, potential human resources and unused production capacity which may be utilized in coming back to stable, high economic growth. The way to make economic growth dynamic and permanent is increase in investments and export development. Both processes could be intensifi ed concerning EU accession.

The aim of restructuring public finances is creation of such conditions which will allow returning on the path of the long-term economic growth. It is the main condition for bettering situation of citizens and states social-economic situation also in international aspect. Polish Finances Restructuring Program is the document that includes instruments to better economic situation in Poland.

Economic growth acceleration requires special conditions to increase investment tendency among entrepreneurs and households. Rising share of investment expenditures in GDP requires guaranteed resources for project financing available to domestic and foreign investors. In the next years Polish economy will have unique chance to use EU financial resources. Structural funds and cohesion fund available to Polish economy In the years 2004-06 amount about 11.4 bln euro, what equals more than 45 bln PLN. The condition to acquire those funds is collection of 13-14 bln PLN from national financial resources (public and private), which will be used for co-financing investment programs proposed by EU.

Return on path of fast economic growth is dependant on few conditions fulfilment:

- Increase of investment expenditures after deceit in years 2000-01. Investment expenditures in perspective of year 2007 should rise to about 60% in comparison to year 2002, what will be possible only after effective utilization of EU financial resources;
- reduction of real interest rates;
controlled level of budget deficit, conducive to moderation of monetary policy and at the same time preparation of the economy for being member of euro zone;

- the rise of investments and consumer demand.

Economic results in 2003 show that Poland returns on the fast economic development path. Despite beginning of this process it doesn’t mean that negative tendencies observed in 2001 and early 2002 were eliminated. Amplification of positive trends requires more intensified structural reforms and continuation of actions undertaken in the public finances field. In the market economy their meaning applies to two key areas: assurance of state and national institutions functioning and providing stable, economic growth.

Successful realisation of these tasks was a background for public expenditures reform, that is to implement necessary changes and to avoid crisis, that would destroy achievement of so far transformation having place for creating stable background of economic and social growth for next generations. But that needs to be up to many challenges and renunciation and that means reduction and changes concerning state budget expenditures and expenditures of other public sector units. That is the reason of creating plans, strategy and programs, which point the way to solve problems of public finance and which are to guide the realisation of intended venture.

Undertaking any action in this direction won’t be possible without postulates and solutions indicated in:

- adopted by Government “Program for Restructuring of Public Finances of Poland” aiming in permanent changes and finishing temporary solutions;
- Governmental Strategy of Taxes;
- Strategy of Financial Sector Debt Management in the years 2004-06;
- Adopted by Government “Program for Restructuring of Social Expenditures in Poland”

Both in “Program for Restructuring of Public Finances of Poland” and „Public Expenditure Reform Program” limits of national budget engagement are defined and necessary changes in expenses and revenues system and its management are pointed. There was also pointed necessity of ordering rules of calculation, limitation, and better usage of accumulated financial resources, and successively increase in public expenditures efficiency and reduction comparing to present state. Summing up – efficient public finances management.
National Budget and other parts of public financial sector are meaningful members of market economy, which create both demand and supply. They provide amount of services required by citizens. The meaning of whole sector (budget especially) in demand is particularly visible on financial market. Budget, through taxation system is limiting loans and credits used for deficit financing, and in the effect decreases financial resources available for entrepreneurs. This fact means, that budget has limited possibilities of increasing its revenues through raising taxes and limitation of available credit resources.

In Polish conditions exists constitutional limit of public debt – 60% of GDP. There are also legally defined caution procedures in the case when public debt is between 50%-60% of GDP. Concerning that financial regulations of EU, also define acceptable level of public debt, amount of budget and financial sector deficit needs to be controlled. Though – concerning present, high level of budget deficit compared to GDP – for bettering national economic development budget deficit should be permanently decreasing. Reduction of deficit should be permanent, and deficit itself must be scrupulously calculated in accordance with UE principles.

To pick up this challenge it is necessary to make serious system changes of public finances, legal changes and multi-sided actions in every social field which uses public resources. Cuts in expenses are not the solution. There is necessary to create more effective mechanisms of spending available resources in the way that shortened resources could bring even larger effects.

Public expenditures restructuring should lead to problem solutions of public finances and to decrease relation of deficit comparing to GDP, including new expenses connected with EU accession in amount of 2% of GDP. Such expenses reduction doesn’t mean the necessity of their real decrease; it depends on GDP growth. If the real GDP growth in the years 2005-06 will exceed 6%, there will be even possibility of expenditures increase. Therefore changes in public expenditure structure must take place, what would cause decrease of real expenditures level in some fields.

The lack of action on the side of expenditures will cause liabilities increase, and would destabilize public finance, and would cause threat for the state, community and national economy. Poland can access the path which allows limiting the budget deficit to the level

---

1 Additional caution procedures are applied when relation of national debt to GDP crosses 50 or 55%. In the first case budget deficit for the upcoming budget year cannot be higher than relation of deficit to budget revenues in the year crossing took place. In the second case (55%) both Government and territorial self-government units have to restrain from granting guarantees.
required by Maastricht criterions. Mentioned before “Public Finance Reform Program” and accepted by the Government “the management strategy of the public finance sector debt in 2004-06” will assist in that situation. That Strategy includes management of State Treasury debt and the strategy of influence for public finance sector. This document includes opinion on the aims realization of debt management in the year 2002 and first half of the year 2003. The aim is aspiration for reduction the public debt level during next few years. Though There should be chosen and defined tasks and instruments for the aim realisation. The special meaning for public debt management have two things: increasing debt level and European integration.

The debt relation to GDP in 2003 has caused the necessity of use caution procedures. In 2004 this relation should be below 55% and in 2005 below 59.5 %. And during next two years systematic reduction of budget expenses should change the present trend of increasing debt in relation to GDP.

Poland’s accession to EU in May 2004 will have influence on terms of public debt management. Two the most important aspects are effects of cash flows connected with Poland’s accession to EU and environmental changes, in which debt management take place, including the increase of Poland’s credibility and gradual integration of national revenue securities market with Europeans. There will also take place preparation to next step of integration – accession to Economy and Monetary Union. Necessary adjustments concern both state financial policy as well as instruments of public debt management. The methodology, organisation and technical infrastructure of public debt management as well as revenue securities market have to meet European standards.

Accepted by Government strategy points two goals:

- Maintenance the save level of public debt.
- Minimizing long term costs of public debt management concerning accepted limitations of following levels:
  - The risk of refinancing in national exchange
  - The price risk;
  - The risk of refinancing in foreign exchange;
  - The percentage rate risk;
  - The risk of budget liquidity;
  - The remain kind of risk especially credit and operating risk;
  - The schedule of debt management cost in time.
The concept of debt management as maintenance the safe size of public debt has wide meaning. The debt growth in 2003, mainly connected with high state budget deficit with the low privatisation revenue, caused at the end of 2003 that the first caution level established in the public finances act has been exceeded. At the same time there is problem to keep during next years the deficit level, that is consistent with prognoses pointed one year before because of the resignation from some rules and aims presented in the Poland’s Finance Reform Program. At the same time have appeared new categories of expenditures. In this case have a big meaning the economic and social policy of government directed on the GNP growth and public finance reform and the expenditure rationalisation. All action for achieving that aim concerning the safe debt level should be connected with:

- 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.

The second assumption of strategy – minimising the costs of debt management in long term – in accordance to limitations means:

- the long term cost minimising determined by the date of buying up instruments with the longest maturity term and essential share in the debt through the optimal selection of debt management instruments, their structure and date of issue;
- the minimising of cost service as the permanent execution that is to maximise the efficiency of Treasury Securities market, including adjustments to EU standards.

The debt service cost minimising will exist with the assumption of financing the loans needs of state budget, that concern funds for financing the payments for EU budget too, co-financing and early financing programs of help. That aim realisation will have a place with limits that concern the debt structure..
The successful management of public debt is one of most important economic growth stimulators. Although in specific, unfavourable terms it can restrain that process. So it’s one of the basic part of public finances system that influence the state economic growth. Let’s than analyse public finances management.

Public Finances reform and management require important changes in the fiscal system and in revenues. There are also necessary changes the in taxation system, that beside simplification of rules will ensure the rise oh budget revenues. It shouldn’t be made by rising tax level but through the tax allowance and privileges abolition. The existing taxation system was founded as the result of process started in the nineties. Since that time the terms of management have been changing systematically and as result have arise to expensive and complicated system for administration and for entrepreneurs and citizens. The convenience for taxpayer realisation of tax duty, going to simplification of all the system and rising its legibility and removing all imprecision is to the reason for the necessity of changes in law especial concerning income taxes of private person and legal entity.

Poland needs important changes in the taxation system especially because of EU accession and rising competition. The realise that, there has been proposes changes in the program of reform and they are at present continuing as different detailed programs concerning taxes, having to modernise and make easier fiscal system, tax level reduction, widen base of tax and adjustment tax law to EU regulation. These changes are to build stable fiscal system, that will create favourable terms for entrepreneurs, will encourage the households to increase savings and make possible the finance decentralisation.

The important beginning of changes is the option to tax 19% private business income and to lower tax level for legal entity. Because of progressive globalisation process the taxation system must encourage to investments, innovations and forming new work places. It is the reason that mentioned changes has been initiated.

The taxation system task is accumulating resources with minimising all inconvenience and negative consequences for taxpayer and low level of costs. The taxation system is expected to execute fiscal function because but with minimal consequences for economy and while supporting economic growth.

Important is to answer the question about optimal fiscal level for the Polish economic growth. The empirical researches confirm the negative influence of excessive fiscal level for the possibility of economic growth. Analysis made in eighties with experience of OECD countries, point negative relation between public sector relation in GDP and long-term pace
of the economic growth. Robert Barro research made in 1989 pointed among other things that the 1% share of public finance sector in GDP effects in 0.12 percent point decrease of economic growth per year. It confirms that there are important circumstances for avoiding the high level of fiscal. Rising taxes can cause decrease in private investments because of low level of own resources. That will cause negative consequences for potential economic growth. Similarly it is unfavourable for the labour market, rising cost of employment. It can provide a situation, when part of economic activity of effective private sector will be taken over by the public sector, and it will result in negative influence for economic growth. The excessive tax rise causes the total decrease of tax incomes and economic activity and also moves the activity to twilight zone. It is a confirmation for existing, important reasons to avoid high fiscal level and indication that the high tax rate level, can cause mentioned above consequences.

The accomplished flexibility analysis of the state budget tax incomes in relation to basic macroeconomic factors allows making a table which estimates influence of individual macroeconomic factors on the level of state budget in 2004.

**Table 1: The flexibility of main macroeconomics scale and the change of tax rate**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>unit</th>
<th>CIT (legal entity tax)</th>
<th>PIT (Private income tax)</th>
<th>VAT</th>
<th>Exise</th>
<th>Duty</th>
<th>Value</th>
<th>Relation to tax income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created GDP Consumption</td>
<td>1,0 p.p.</td>
<td>170</td>
<td>205</td>
<td>120</td>
<td>495</td>
<td>0,34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import Prices</td>
<td>1,0 p. p</td>
<td>170</td>
<td>635</td>
<td>205</td>
<td>495</td>
<td>0,52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import Prices</td>
<td>1,0 p. p</td>
<td>635</td>
<td>140</td>
<td>40</td>
<td>775</td>
<td>0,03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of PLN/USD reduction</td>
<td>1,0 p. p</td>
<td>165</td>
<td>250</td>
<td>120</td>
<td>495</td>
<td>0,72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of PLN/USD reduction</td>
<td>1,0 p. p</td>
<td>250</td>
<td>635</td>
<td>40</td>
<td>40</td>
<td>0,03</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on the data of Ministry of Finance.

The way of flexibility presentation of taxes allows to for estimate the results of macroeconomic factors changes for coherent economic scenario. The results for every macroeconomic factor have been counted annually. Although it is not possible, using mentioned flexibility, to count the amount of tax growth between individual years. Wynika to
tak z przybliżeń obliczeniowych (w tym z błędów liniowego przybliżenia zjawiska nieliniowego), jak i bardziej skomplikowanej struktury dochodów, zależnych także od kwot określonych nominalnie czy faktu przechodzenia skutku danego roku na drugi (rozliczenia końcowe).

To analiza wartości, które zostały przedstawione powyżej, powinna być uwzględniana, zważając na:

1. Przedstawione dla PIT zależności obejmują ogólne wyniki procesów rzeczywistych (znaczne wzrost płac i premii, wzrost populacji, wzrost gospodarki).

2. W przypadku podatników podstawowych, wyniki z tabeli dotyczą prognoz wzrostu ceny dla jednostek o podatku procentowym tylko. Ze względu na to, że aż do policyjny sezon ogółem prognozy wzrostu cen, istnieje możliwość obliczenia wyniku wzrostu podatków o 1 procentowy poziom na 337,6 mln zł, gdy inflacja wywoła analogiczny wzrost przeciętnego dynamicznego wzrostu cen. Budżetowe plany projektowe na 2003 i prognozy dla 2004 docierają do przewidywana dynamiczne wzrost podatku w roku niższych od prognozowanego wskaźnika cen.


4. Ceny – obejmują wyniki CPI oraz PPI.

5. Budżetowe plany prognozy zmian w GDP są obliczane osobno. W przypadku identyfikacji generalnej, struktura wzrostu gospodarczego musi być uwzględniona. Jeśli średnia elastyczność konsumpcji w relacji do stworzonego GDP wynosi 63,2%, a średnia elastyczność importu w relacji do GDP wynosi 187,8% (2004 data), to ogólny wynik 1 procentowy wzrost GDP wynosi 495+0,632*775+1,878*40 mln PLN.

Obecnie w Polsce istnieje trzy typy podatków, które mogą być podzielone w kilka grup. Ich struktura jest przedstawiona na diagramie poniżej.
Present fiscal level in Poland - about 40% (measured as the part of public sector revenues in relation to GDP) is similar with European average. The structure of tax incomes is similar to other European countries too. Though – to execute community expectations and to take into consideration the huge influence of tax level on economic growth – PNFR and special tax strategy was created. The strategy anticipates changes in the field of income taxes. There have been scheduled the presentation of one legal act which includes regulation of private income taxes and taxes of legal entity, the introduction of separate act that concerns private incomes and changes in the field of flat rate form of tax, such as abolition of the flat rate of recorded incomes and holding card of. The financial tax reform provides changes that concern existing tax of property possession as well as changes of property purchased.

The reform of real estate tax system expects implementation of the real estate record and correlation of real estate tax charges with the property value and tax payer earnings and steady final system implementation. The simplification of properties tax system as result of replacing three kinds of existing taxes with one and standardising principle of the measurement is necessary.

Carrying out that step will allow estimating the total system of real estate tax, analysing the schedule of the real estate value in the scale of whole country, and the level of tax charges
in relation to the value of owned possessions. This process will allow preparing the final stage of the reform and estimating actual level of tax according to criteria of recorded real estates.

The reform of property tax will be correlated with changes that concern property purchase tax as a result of planed in 2005 changes in the act of civil-legal actions tax and inheritance and donations tax. It’s aim is to simplify rules of tax law and to lower costs of operating treasury machinery that charge the state budget.

The way of polish treasury administration development is based on European Commission hint and on hints pointed in The Tax Modernisation Strategy of Poland’s Administration accepted on 6th August 2002. The treasury administration of Poland is based on three levels:

- central;
- regional;
- local.

All actions according to mentioned strategy are made to better machinery functioning through bettering service organisation of operating room, relation with tax payer, ensuring the uniform tax law and creating the positive image of treasury machinery.

The projected changes are provided to adapt organisation and competence of treasury administration to EU standards, what will facilitate co-operation of those services with EU states and will cause the proper realisation of Polish liabilities to EU especially including proper level, collection and transferring of so called own EU resources. The realisation of the Poland’s tax administration modernisation strategy drives to better maintenance of tax payer and also to the increase in voluntary tax duty realisation and rationalisation the tax control.

Renunciation of planed changes and lack of continuation those started before could cause many negative results. The consequences for economy and Polish community would be noticeable in short term as well as in long one. That is why the realisation of many challenges is necessary. Existing plans, strategies and programs are to support that action and guide in solving problems that concern public finances. They will help to base development of Poland on common sense finances and economic rules and will help to meet the chance that is at present available for Poland.

**Polish Public Finances in the Period 2004 - 2006 and Accession to European Union**

Poland’s accession to European Union will cause measurable advantages for Polish national economy especially in long term. The range of analysis point, that possibilities of
membership give a chance to expect additional effect in GDP growth even about 2 percentage point.

It is about advantages in direct way connected with the Poland’s participation in EU policy, and indirect effect connected with larger stream of direct investments among other things or with lowest costs of public debt service? After EU accession we can expect renewed economic growth, bigger enterprises competition, improvement of human resources usage and gradually reduction of unemployment rate. There will be a meaning of transportation, telecommunication infrastructure and natural environment improvement too.

One of the main economic growth factors are transfers of structural resources from EU budget, which change the structure of public expenditures in the radical way. The engagement of EU resources in 2004-2006 can amount almost 11.4 mln EUROS, and the limit of payment is assessed at point of 4.7 mln euro. Moreover Poland will still get PHARE, ISPA\textsuperscript{3} and SAPARD resources at that time\textsuperscript{4}.

The main beneficent of Poland’s EU accession will be agricultural sector. The EU offer in agricultural case consists of expenditures connected with market dealings, direct subsidy and expenditures for country area development. The acceleration of development will be supported by the Poland’s participation in community program, especially in R&D.

In the range of the accession and state budget financial results there is possibility to distinguish three main groups: decrease of revenues, new titles of expenditure and replacement of existing expenditures with connected titles. In the first group has been identified decline of duty revenues, value added tax and excise estimated in 2004 in amount of 3,6 mln PLN and about 4,2 mln PLN in 2005.

In new titles of expenditures are first of all payments for EU budget (about 30 mln PLN in 2004-06), fees for European Union institutions (about 1,1 mln PLN in 2004-06) and pre-financing of direct subsidy within the confines of community agricultural policy. Changes of existing expenditures results from the necessity of co-financing aid before accession, preparing projects and structural funds co-financing, continuation of adjusting to acquits, preparation of the external EU border and development of different administrative structures.

Moreover after the EU accession Poland still will have to cover significant part of administrative costs connected with community policy. The main expenditures will concern

\textsuperscript{3} ISPA funds is to execute big infrastructural projects in the field of environment protection and transportation ochrony and is helpful for economic growth.

\textsuperscript{4} SAPARD is Support for Pre-Accession Measures for Agriculture and Rural Development
the different instruments administration of Common Agricultural Policy but also the maintenance of the external EU border or institutions that control and supervise functioning of the market. The mentioned costs will charge first of all the state budget.

It is supposed that transfers of structural resources from the EU budget will be one of the main factors of economic growth in Poland. In EU exist possibilities of structural support at about 4% country beneficent GDP. The structure and principles are presented in National Development Plan, which includes financial tables concerning financing from EU aid resources at the expected liabilities level and necessary national resources including state budget resources. Although the rules allow national co-financing from public resources at the level about 20% within the confines of structural funds and 15% within the confines of cohesion funds, then in practice the level of co-financing in present EU countries is not lower than 25%. After getting full standard of membership, Poland will be able to allocate additional resources amount 5% of GDP in development investments, what means that the membership in EU will determine the relocation of public expenditures for aim connected with development.

In the case of structural funds there is no doubt about their usage for development, in case of transferring resources for development of country areas isn’t so clear-cut. Resources allocation in case of that instrument, that are to support structural changes in country area, after 20% deduction of resources transferred for direct subsidy, can be in 2004-2004 about 1,28 mln EURO. Taking advantage of those resources depends on the level of co-financing, but much more important is the structure of Agricultural Area Development Program.

The net budget position in EU expression doesn’t show all the financial results of accession. Because of narrow expression it doesn’t include among other things the decrease of revenues or payments for others EU institutions. There has to be admitted that in case of those last mentioned we have got more profitable terms than in case of payments for common budget, that let to relocate or divide payments in time. The balance of EU doesn’t show the fact that financial streams from Poland have budget characteristics, but resources transferred from EU in large part are distributed over the state budget. The attachment number 1 shows the structure of transfers from EU to Poland and structure of rates paid to EU common budget and payments for the other EU institutions

The payment from own resources made to the EU budget in 2004–2006 and payments for the other EU institutions (EBC⁵, EBI⁶, EWWiS⁷) will amount 31.2 mln PLN. At the same

⁵ European Central Bank.
time transfers from EU common budget can reach 62 mln PLN. The liabilities level in Poland is about 88 mln PLN, and the effective usage of the liabilities extend over 2006. At the narrow look of financial relation from common EU budget and budgets of EU institutions the positive net budget position of Poland at the payment level will amount 31 mln PLN in 2004-2006.

At the same time it is necessary taking into consideration the others public expenditures connected with EU accession, first of all EU co-financing programs and pre-financing expenditures, especially within the confines of Common Agricultural Policy. The mentioned expenditures have been shown in the attachment 1 together with transfers.

The most important position that charging public finance sector, apart from payments for EU budgets, are expenditures connected with co-financing structural programs. At the mentioned time they can even be about 16 mln PLN. It supposed to be mentioned, that polish co-financing is with reference to the level of community liabilities in accordance with National Development Plan. Moreover only half of the co-financing value will be gathered from state budget.

The meaningful position have also expenditures resulted from co-financing and re-financing of expenditures concerning Community Agricultural Policy and expenditures connected with the development of country. The maximum public input concerning direct subsidies was estimated at 10 mln PLN. Pre-financing connected with market operations are estimated at 0,5 mln PLN, and co-financing of programs connected with the country areas development will be about 3 mln PLN.

Different Budget Expenditures

Concerning Co-financing Programs and Domestic Policy of EU

The maximum expenditures from public resources concerning co-financing and pre-financing of community at the level of liabilities has been assessed at about 40 mln PLN. But effective expending resources in 2004-2006 are estimated at the level about 40 % of that value. Those expenditures include state budget expenditures, expenditures of local government and others expenditures having part in community projects.

6 European Investment Bank.
7 Europejski Funf of the coal and steal research.
8 It consist of about 3,5 mln PLN that are the cost of financing subsidies and extra fears and maximum possible supplement of direct subsidies from state budget about 6,5 mln PLN.
Having big historical experience and using historic moment that is EU accession, Poland should try to keep the high economic growth by effective management of public finances especially for next five years at the level of double GDP growth pace in EU countries. This is possible if the structure of public expenditures will be changed, in case of public expenditures reduction and on the other way because of reasonable fiscal policy. Those terms allow, modifying the level of public finance sector deficit and public debt. All dealings concerning public finance supposed to be proceeding by analysis of advantages and disadvantages for economy. Public resources are able to stimulate GDP growth. But unskilful management of resources can cause stagnation of economy. There is a chance to avoid that.
References