Teka Komisji Prawniczej PAN Oddział w Lublinie, vol. XVII, 2024, no. 2, pp. 427-444
https://doi.org/10.32084/tkp.9019

PUBLIC FINANCE AS A CATEGORY OF FINANCIAL SCIENCES – THE LEGAL AND SOCIO-ECONOMIC PERSPECTIVE*

Dr. Sylwia Skrzypek-Ahmed, University Professor

WSEI University in Lublin, Poland
e-mail: sylwia.skrzypek-ahmed@wsei.lublin.pl; https://orcid.org/0000-0002-1211-0683

Dr. Katarzyna Jermakowicz

Nowy Sącz School of Business – National Louis University, Poland
e-mail: kjermakowicz@wsb-nlu.edu.pl; https://orcid.org/0009-0003-0305-5146

Dr. Andrzej Gwiżdż

Nowy Sącz School of Business – National Louis University, Poland
e-mail: agwizdz@wsb-nlu.edu.pl; https://orcid.org/0000-0001-5551-973X

Anna Paździor, MA

WSEI University in Lublin, Poland
e-mail: anna.pazdzior@wsei.lublin.pl; https://orcid.org/0000-0002-7040-2596

Piotr Waszak, MA

WSEI University in Lublin, Poland
e-mail: piotr.waszak@wsei.lublin.pl; https://orcid.org/0009-0001-9061-9904

Paweł Barwiak, MA

WSEI University in Lublin, Poland
e-mail: pawel.barwiak@wsei.lublin.pl; https://orcid.org/0009-0000-9159-6425

Abstract. Public finance is concerned with the funds that the public sector creates and distributes. Public finances are to some extent similar to the finances of the so-called

* The article is the result of the own statutory research of the WSB-NLU in Nowy Sącz and the WSEI University of Lublin on public investment efficiency processes in the context of New Public Management.

ISSN 1899-7694
e-ISSN 2719-7379

"third sector" (non-profit organisations), due to the type of activities that are geared towards meeting certain social needs. They are based on the authority of the public sector and are established in a coercive manner; they should be an instrument for pursuing the interest of the general public. They operate according to specific plans, and the size of the public resources and operations carried out through them are much larger than those of private entities. Thus, through public finances, the state significantly influences the socio-economic processes and the efficiency of the use of public resources. Through various instruments and tools of fiscal and monetary policy, the state pursues economic and social objectives. We can divide public finances into state finances, finances of local government units and finances of the social security system.

Keywords: public finance; public finance act; public management; economic policy; public administration; economic growth; public economics.

INTRODUCTION

It should be noted that enterprises – as suppliers of goods and services to domestic and foreign markets, implementers of investments and taxpayers – play a central role in the development process by increasing their productivity and innovativeness. Their capital needs are met by the financial sector, which at the same time enables investors to generate income from capital, thus directly influencing the implementation of economic and social development processes [Bogacki and Wołowiec 2021, 17-20]. The state in the system of public finance should play the role of setting the conditions for the income distribution process (through social and territorial cohesion policies, redistribution and services) and the actions of all groups (regulations, institutional governance, macroeconomic environment). This requires stable, efficient and sustainable public finances and sustained macroeconomic stability, including in the context of state fiscal policy (maintaining the sustainability of public finances while promoting inclusive growth).[1]

The stated goals of an efficient state and inclusive economic growth require consistent, rational and clear legal regulations (the Public Finance Act) that normalize the functioning of the entire public (government) sector. The Public Finance Act of 2009 is the third consecutive Public Finance Act, following the previous Acts of 1998 and 2005. The Act of 2009 is systemic in nature, defining not only the boundaries of the public finance sector, but also the basic rules of managing public financial resources by organisational units included in this sector [Wołowiec and Wolak 2009, 6-10].[2]

---

1 See Rada Ministrów. Strategia na rzecz Odpowiedzialnego Rozwoju do roku 2020 (z perspektywą do 2030 r.), Warszawa 2017.

2 The current Public Finance Act 2009 is the third consecutive Act regulating the system and principles of operation of the public finance sector. Between 2006 and 2009, the Public

The legal regulations contained therein are, on the one hand, a continuation of the original concept, which was adopted in the Public Finance Act of 1998 and developed in the Public Finance Act of 2005, and, on the other hand, the experience gained during the period in which these Acts were in force made it possible to create conditions for more effective management of public funds, ordering of the organisational structures of the entities of the public finance sector, strengthening of the control of public expenditure and achieving greater compliance with the standards applied in the Member States of the European Union [Wojciechowski and Wołowiec 2021, 101-103].

In preparing the drafting assumptions of the Public Finance Act 2009, its key objectives were formulated, which included the following [Ofiarski 2019, 23-27; Zhuravka, Filatova, Šuleř, et al. 2021, 65-67]: strengthening and improving the transparency of public finance, first of all by limiting the organisational and legal forms of the public finance sector; introduction of the Multiannual State Financial Plan as a document orienting the state financial policy and multiannual financial forecasts in local government units; introduction of task-oriented budget solutions; adoption of stable solutions favouring rational financial management in the state budget and in the budgets of local government units, including supplementation of provisions concerning the principles of management of public funds through introduction of the possibility of granting reliefs in repayment of non-tax budget receivables of public-legal nature, as specified in the Act; improvement and strengthening of the internal audit system; strengthening prudential norms in the state budget and in the budgets of local government units; introduction of changes in the scope of management of European funds and other non-reimbursable funds originating from foreign sources.

1. PURPOSE OF ARTICLE, CRITERIA OF ANALYSIS AND RESEARCH METHODOLOGY

The social sciences use the typical methods found in the social sciences and humanities, i.e.: the study of documents (legal acts, expert reports, opinions, analyses), comparative methods (scientific articles, reports, analyses derived from linguistic, grammatical and historical interpretation) and case studies. The result of cognitive research is new claims or theories. On the other hand, the results of research for the purposes of economic practice are determinations of whether and by how much existing theorems and theories on entrepreneurial development are effective from the perspective of contemporary requirements of social and economic development. In other

Finance Act of 2005 was in force, with some of its provisions only becoming invalid at the end of 2013. Between 1999 and 2005, the Public Finance Act 1998 was in force.

words, they serve the purpose of clarification and piecemeal verification of existing theorems and theories. Induction was used as the main research method. It involves drawing general conclusions or establishing regularities on the basis of analysis of empirically established phenomena and processes. It is a type of inference based on details about the general properties of a phenomenon or object. Inductive methods include the various types of analysis of public and private institutions (including consulting forms), expert opinions, statistical data and scientific documents (scientific articles and monographs) used in social research, which were examined for the purpose of this study. In addition, the paper uses two general research methods, i.e. analytical and synthetic methods, characterized by a particular approach to the study of reality. Analytical treats reality as a collection of individual, specific features and events. Following this research method involves breaking down the object of study into parts and studying each part separately or detecting the components of that object [Wołowiec 2019a, 469-70].

The research methods used in the study are: comparative analysis, functional analysis, questionnaire, interviews with municipal managers through a direct interview with the respondent, and the method of research in dynamic terms. The synthetic method treats reality as a collection of characteristics, its implementation consists in searching for common features of various phenomena and events, and then tying them into a unified whole. Thus, the synthetic method examines and determines the totality of the object of study. Using a comprehensive (hybrid) research approach, the so-called triangulation of data sources, i.e. comparing information on corporate social responsibility from different periods, as well as economic systems, and theoretical triangulation – which consists in analyzing the acquired data from the perspective of many different theoretical concepts describing the functions, purpose and tools of managing the public sector, economic and social development of the national economy.

The object of research presented in the article is understood as a material object and its various formal objects – public finance law as a text of law, finance law as behaviour due to rules, finance law as the implementation of certain values, law and public economics as various argumentative strategies. In connection with this multidimensional (economic, social and prana) treatment of public finance, the following methods of research were used in the article: logico-linguistic methods, developed in the form of formal-logical and linguistic analysis (comparison of legal regulations taking into account formal logic and legal methodology); argumentative and hermeneutic methods; axiological methods in case of financial law and public economy; methods of rationality and economic efficiency analysis; comparative methods.

2. PUBLIC FINANCE AS A MULTIDISCIPLINARY CATEGORY OF FINANCIAL SCIENCES

Public finance is one of the most complex generic categories of the financial sciences. They concern issues related to the financing of the entire sector of the national economy, and at the same time, unlike other sub-disciplines of financial sciences, they are an important instrument through which the state can conduct redistributive, investment and stabilisation policies. S. Flejterski emphasises that public finance, or more precisely – the science of public finance – is a component of the broadly understood science of finance, and recognises J.E. Stiglitz, J.M. Buchanan, P.M. Gaudemet, J. Molinier and R.A. Musgrave as its leading representatives [Flejterski 2007, 78, Flejterski and Solarz 2015, 23-30; Owsiak 2015, 10-30].

A review of the definitions of public finance indicates that the main strands of research concern [Flajterski 2007, 77-79]: state activity and the role of the government in the economy; mechanisms of public decision-making and public management; public expenditure, its structure and purpose; public fundraising processes and problems of taxation, including the tax gap.

Also of note is the diversity of approaches to defining public finance, which are presented as [Bitner, Chojna-Duch, Grzybowski, et al. 2011, 11-19]: the stock of public funds and how they are collected; redistributive and investment transfers, treasury operations, monetary phenomena and processes; the financial form of GNP/GDP distribution and the impact of GNP/GDP on the state of public finances and their sustainability; the process of accumulation and distribution of monetary resources, taking into account the function of public finance and the role of the state (government) in the economy; social relations (the issue of social equality and inequality and how to counteract them) arising in connection with the accumulation and expenditure of public resources.

Conducting a selective analysis of the conceptual scope of public finance, it is worth pointing to the definition of A. Wernik, treating public finance as: "the system of financing the tasks of state power" [Wernik 2014, 12-15], as well as on the proposed definition by J. Wiśniewski, who understands public finance as the process of "the accumulation of funds by public sector entities and their allocation for the production and provision (distribution) of public goods" [Głuchowski, Huterski, Kołosowska, et al. 2006, 28-29]. J. Osiatyński extends the process approach to public finance to include the institutional and control aspect, recognising that these are "the processes and public-law institutions related to the processes of accumulation of public funds and their distribution and control of their disbursement" [Osiatyński 2006, 16]. A comprehensive approach to the issue of public finance in the sense of the science of public finance is presented by S. Owsiak, indicating that the subject of this science are: "phenomena and processes related to the formation and distribution of monetary public funds, ensuring the functioning of the public sector" [Owsiak 2005, 21]. A similar approach is presented by M. Pietrewicz, defining the subject of the science of public finance as: "not only the rules relating to public monetary resources, but also the processes involved in their accumulation and distribution, as well as the economic, social and political effects resulting from operations with public funds" [Ostaszewski 2011, 95]. The duality of the approach to defining public finance is pointed out by B. Guziejewska, "considering the notion of public finance in the context of both the financial system link and public finance as a science. In the first aspect, this author points out that public finance consists in the accumulation, distribution and disbursement of financial resources by various public-law entities in order to satisfy various social and economic needs, both collective and individual" [Guziejewska 2010, 19]. On the other hand, public finance as a science understands in the context of the object of interest, which focuses on the study of the causes and consequences of the phenomena caused by the accumulation and expenditure of public funds. From the legal point of view, successive Public Finance Acts, starting from 1998, did not contain a definition of public finance. The concept was explained by the legislator by means of processes related to the accumulation and allocation of public funds, i.e. referring to financial management or management of public funds [Majchrzycka-Guzowska 2007, 12].

Currently, Article 3 of the Public Finance Act[3] clearly defines public finance by its material aspect, stating that public finance includes processes related to the accumulation of public funds and their distribution, in particular [Dylewski, Filipiak, Gorzałczyńska-Koczkodaj, et al. 2014, 9-19; Wołowiec and Nowak 2020, 239-41]: 1) collecting public revenue and income; 2) spending of public funds; 3) financing the borrowing needs of the state budget; 4) incurring liabilities involving public funds; 5) management of public funds; 6) public debt management; 7) settlements with the budget of the European Union.

It is also necessary to identify the source of law regulating public finance in Poland. The basic legal act is the Constitution of the Republic of Poland of 2 April 1997. In addition to the Constitution of the Republic of Poland, the sources of financial law are constituted by acts, including the Public Finance Act. Next are: European financial law, international agreements, acts implementing laws and acts of local law, as well as orders and other internal regulations, issued by authorised bodies [Wołowiec and Marczuk 2023, 128-30].

[3] Act of 27 August 2009 on Public Finance, Journal of Laws No. 157, item 1240.

Public finance science should therefore be concerned with [Lublimow-Burzyńska 2014, 8-9; Wołowiec and Białek 2020, 200-203]: 1) determining the scope and scale of the public authorities' demand for financial resources (level of fiscalism, tax burden, structure of the tax system and its design elements); 2) examining the ways of satisfying the demand of public authorities for financial resources (the system of public tributes); 3) determining the effects of shaping the demand for money by the public sector (impact on the course of socio-economic processes, income redistribution, social inequalities, etc.); 4) to determine the share of public funds in the financing of individual areas from the point of view of long-term socio-economic development of the country (scope and scale of public investment, role and importance of EU funds); 5) examination of the effectiveness of planning and spending of public funds in terms of objectives (efficiency, rationality, modern models of public management, audit and management control in the public sector); 6) the creation of scientific bases and models for the decentralisation of public funds in the context of the rationality of their spending and the effective satisfaction of social needs.

3. THE MULTIDISCIPLINARY AND DIVERSITY OF DEFINITIONS OF THE TERM "PUBLIC FINANCE"

Public finances are undoubtedly interdisciplinary and are therefore defined differently. For example, according to the theory of treasury, public finances examine the principles of creation and distribution of public funds, in particular the state budget, the budgets of local government units and various funds and budget units managing public funds. According to modern finance theory, public finance deals with the study not only of operations on public funds, but also tries to explain the economic, social and political issues of operations carried out with the entire public finance sector. Public finance according to the theory of economics – a sub-discipline of microeconomics, whose object is to study the influence of decisions of public authorities in the field of tax systems, taxation economics and spending programmes, on the equilibrium occurring in the markets of productive factors and markets of goods and services [Tyrakowski 2017, 179; Gołaszewski 2018, 6-13].

Public finances are therefore concerned with funds created and distributed by the public sector. Public finances are to some extent similar to public finances. "Third sector" (non-profit organisations), because of the type of activity that is aimed at meeting certain social needs. They are based on the authority of the public sector and are created in a coercive manner; they should be a tool for the pursuit of the interest of the general public. They operate according to specific plans and the size of public resources and operations carried out through them is much larger than the resources and operations of private entities [Walczak 2019, 6-13; Wołowiec 2020, 25-28].

The scope of public finances includes processes related to the collection and disposal of public funds, and the Act identifies the most important of them (as evidenced by the phrase 'in particular') [Wołowiec 2021, 515-20]: 1) collection of public revenues and revenues; 2) expenditure of public funds; 3) financing the borrowing needs of the state budget; 4) making commitments involving public funds; 5) management of public funds; 6) managing public debt; 7) settlement with the European Union budget.

In doctrine, as well as in many legal acts, there are terms "derivative" sources in relation to the concept of "public finances", such as: the financial economy; financial activity and financial policy. Financial economy is defined as the process of creating, collecting, sharing and spending money by entities under public law, including a whole range of legal and organizational activities (e.g. planning, recording, etc.) that serve this process. The implementation of the financial economy can be carried out using 3 methods: self-financing (receipts cover the actual expenditure); refinancing (e.g. loans, loans) and non-recoverable financing (e.g. equipping budgetary units with cash) [Wołowiec, Skrzypek-Ahmed, and Gliszczyński 2021, 34-36].

Financial management is generally based on two methods [Ofiarski 2019, 34-37; Wołowiec 2012, 108-11]: 1) the non-refundable method, which consists in the non-refundable and unpaid transfer of monetary resources to specific economic agents, without any obligation to provide reciprocal benefits. These are transfers taking the form of pensions, annuities, subsidies, allowances; 2) the method of repayment based on the accumulation and distribution of monetary resources for a specified period of time, after which repayment takes place and these are streams of a credit nature. This method is applicable to enterprises, as the nature of their activities guarantees the repayment of credit.

Financial activity is the process of both collecting money and spending it. These activities can be carried out by both private and public law entities (government, local government and their organisational units). The financial activities of public law entities should be public, regulated by law and subject to continuous (internal) and periodic (external) controls [Wo**ło**wiec 2013, 73-75].

The terms: financial economy, financial activity and public finances, can be referred to in some simplification [Wójtowicz 2003, 17]: the processes of collecting funds by public law entities; how these funds are collected; operation of organizational solutions serving the process of collecting and spending money and establishing and applying the law to the extent indicated [Wołowiec, Skica, and Gercheva 2014, 52-55].

Financial policy consists in the appropriate selection of financial resources for the purpose of achieving certain objectives to be achieved within the financial economy. Financial policy consists of three elements [Wołowiec 2019b, 239-41]: 1) objectives (tasks) that result mainly from the nature and specificity of the socio-economic policy of the state; 2) cash for the achievement of the objectives, together with the identification of the sources of their acquisition and expenditure; 3) entities carrying out a specific purpose (the state, local government units, enterprises, etc.).

The financial system is a set of functioning and internally organized legal and financial institutions that regulate the financial economy of the state. We can talk about the financial system of the state and the financial system of local government. The financial economy of the state is regulated by law. Financial law is a set of legal norms regulating social relations formed in connection with the processes of collecting and spending financial resources. The branches of financial law are: budget law, tax law, banking law, the insurance law, the financial law of economic operators, customs law and currency and exchange law.

The source of financial law is: 1) the Constitution of the Republic of Poland, which defines the sources of law generally applicable in Poland (Article 87).[4] It includes both sources of domestic law (the Polish Constitution, laws, regulations) and external sources in the form of international agreements ratified by Poland; 2) the source of local financial law may also be acts of local law (e.g. resolutions of local government units).

Fundamental issues relating to public finances, especially those which impose certain obligations on citizens, require a form of law in accordance with the Constitution. Legislative acts of an implementing nature (e.g. regulations of the Council of Ministers, regulations of the Minister of Finance) are intended only to regulate matters arising from the implementation of public finance laws, and not to supplement or extend them.

4. FUNCTIONS OF PUBLIC FINANCE AND BASIC TERMS OF THE PUBLIC FINANCE ACT

The doctrine most often refers to four basic functions of finance: fiscal function, the stimulus function (stimulating), redistributing function (distributing) and information and control function (evidence and control).

The fiscal function is to provide the state and other public entities with revenue intended for the performance of their tasks. The concept of fiscal

[4] The Constitution of the Republic of Poland of 2 April 1997, Journal of Laws No. 78, item 483 as amended.

function should not be associated with fiscalism, which is an expression of financial policy geared towards excessive financial burdens on entities and usually has a pejorative connotation. The fiscal function should be regarded as the most important, primary, carried out in the framework of the financial activity carried out by the State [Zatonatska, Liashenko, Feraniuk, et al. 2023, 15473].

The incentive function (incentive) comes down to influencing through appropriate systemic solutions and the resulting targeting of financial flows to the behaviour of different actors. This can be a positive impact, encouraging these entities to engage in certain behaviours (e.g. tax incentives, preferential loans, etc.) or a negative impact, aimed at avoiding or reducing certain behaviours (e.g. high transport duties on agricultural products, high penalties for not reporting income, etc.).

Redistribution (separation) consists of the collection of funds by a specific fund (usually budget) and distribution (disbursement) to certain entities. It can therefore be concluded that this function includes both the fiscal and redistributive functions - the division of resources into different tasks and between different entities. Like public finances, it is objective, because without it there would be no possible division of national income [Artyukhova, Tiutiunyk, Bogacki, et al. 2022, 7057].

The information and control function (evidence and control) consists in the control of the course of economic processes by means of the analysis of the formation of financial flows. Its essence is connected with the fact that every economic process has its financial side. By analyzing this financial side, conclusions can be drawn about the course of economic phenomena. The concept of public revenue is not uniform in the law, which raises a lot of criticism. Public revenue is included in a broad "area" of public funds. Among the public revenues in the Act are: public taxes and other revenues. The Act includes taxes and other compulsory monetary benefits, which are to be paid to the public finance sector by separate Acts. Public tributes include, for example, customs [Wołowiec, Myroshnychenko, Vakulenko, et al. 2022, 8407].

The group of other income generated by public sector entities includes: charges; income from property, in particular from leases and leases and other agreements of a similar nature; dividends from the capital contributed; proceeds from the sale of property, things and property rights; inheritances, records and donations in cash; other revenue obtained under separate rules, insofar as it is collected by bodies financed from public revenue or by entities subordinated to or supervised by those bodies (e.g. fines imposed by courts, tickets, etc.).

Public resources include funds from non-reimbursable foreign sources (e.g. aid funds, foreign charitable aid, etc.). The concept of public resources also includes public revenues. They can be divided into two groups. The first is cash receipts resulting from financial operations of a repayable nature in the public finance sector. They include [Wołowiec, Kolosok, Vasylieva, et al. 2022, 8857]: proceeds from the sale of securities and from other financial operations; repayments of loans granted from public funds; proceeds from loans and credits received.

Cash inflows included in the second group are of a pecuniary nature and relate to situations of disposal of assets or obligation to provide services as part of activities carried out by entities of the public finance sector (e.g. fees charged by public health care institutions). The second group includes: revenues from privatisation of State Treasury assets and assets of local government units and revenues of entities belonging to the public finance sector obtained in connection with their activity and coming from other sources [Majchrzycka-Guzowska 2005, 52-55; Ruśkowski 2000, 165-66].

The great diversity of public revenues has led the doctrine to develop a number of criteria for their division: (1) Considering the subjects from whom public revenues are collected, we distinguish two groups: collected from natural persons; collected from legal persons and organisational units without legal personality. (2) Considering the type of budget to which they are paid, we divide public revenues into: state budget revenues; revenues of local government budgets. (3) Taking into account the criterion of function, public revenues can be divided into: primary revenues, the main purpose of which is fiscal, e.g. taxes, fees and duties (non-fiscal purposes play a secondary role); incidental revenues, the primary purpose of which is to fulfil non-fiscal objectives, e.g. repressive or preventive (penalties, fines, fines). (4) Taking into account the criterion of the final collection of income, we distinguish: revenue of a non-refundable nature, which once paid is not refundable, e.g. taxes, duties or fees; revenues of a repayable nature, which are temporary contributions to the budget, as they are refundable after a certain period (credits, loans). (5) With regard to the criterion of reciprocity of benefit, we divide public revenues into: chargeable, if the entity paying the benefit in question receives a reciprocal benefit from the state or local government (e.g. payment of a fee, involves equivalence); free of charge, if the entity paying the benefit does not receive any reciprocal benefit (e.g. payment of tax is free of charge, as nothing is received directly in return). (6) With regard to the enforceability of revenue, we distinguish: coercive revenue, i.e. revenue that can be collected through administrative enforcement (e.g. deduction from wages, etc.). Such revenues include taxes, fees, fines, penalties, duties); voluntary revenues that cannot be enforced through coercion, e.g. donations. (7) With regard to the manner in which a given revenue is collected, we distinguish: compulsory revenue, collected without the need for additional conditions; optional revenue, collected under certain legal conditions (e.g. a municipal referendum allowing the introduction of additional compulsory benefits). (8) Public revenues, from the point of view of the criterion of the circumstances of their collection, can be divided into: ordinary, collected in normal, recurring situations; extraordinary, introduced in special circumstances. (9) From the point of view of the source of revenue, we distinguish: own revenue, referred to as "own" revenue in current legislation; supplementary (external) revenue, which is revenue of a subsidy nature, e.g. grants or subsidies. (10) With regard to the place of origin of the source of public revenue, we speak of: revenue originating domestically; revenues from abroad.

According to Article 5 of the Public Finances Act, the appropriations collected in the public finance sector may be used for public expenditure and public expenditure. Public expenditure is: repayment of loans and loans received; the purchase of securities; loans granted; payments resulting from separate laws, the source of which is revenue from privatization of assets of the State Treasury and assets of local government units; loans granted to finance tasks carried out with the participation of funds from the budget of the European Union.

In addition, the basic concepts in the field of public finance include: surplus and deficit of the public finance sector. The public sector surplus was defined as the positive difference between public revenue plus non-recoverable foreign sources and public expenditure. The negative difference between revenues and public expenditure is referred to as the deficit of the public finance sector. Revenue and expenditure and the deficit or surplus of the public finance sector shall be determined after the elimination of financial flows between entities belonging to that sector. The creation of a deficit in the public finance sector (in the form of a state budget deficit) requires the determination of the borrowing needs of the state budget [Postuła and Wołowiec 2011, 335-37; Wołowiec and Skica 2011, 5-7].

CONCLUSIONS

Sustaining the stability and improving the efficiency of public finances. According to the Strategy for Responsible Development, the priority of the Polish economic policy is to maintain the stability of public finances while supporting the so-called inclusive economic growth. The ratio of general government debt to GDP, in the horizon to 2030, should be kept below 60%. Limitations on public debt result not only from European Union (EU) regulations, but also from national law: The Polish Constitution introduces a limit on the size of state public debt to a level not exceeding 3/5 of the value of annual GDP, and the Public Finance Act contains precautionary and sanctioning procedures, triggered if the thresholds of 55% and 60% of GDP are exceeded, as well as a stabilising expenditure rule, which limits growth with respect to more than 90% of government expenditure.

Analysis of long-term growth potential indicates that productivity growth of 3.4% in the period 1990-2015, sets an optimistic outlook for Poland for the next 15 years. When analysing and forecasting long-term productivity trends, attention must also be paid to international interdependencies. In the short and medium term, changes in the German economy, Poland's main trading partner, have the greatest impact on economic activity in Poland. However, in the long term, the source of the greatest impact on the EU and Polish economies is in the United States. This country sets technological trends in the world, and at the same time the size of its economy and its financial importance (dollar settlements, the role of US financial centres) mean that it influences the world through many channels. Development trends for the Polish economy take into account development scenarios for the US economy (the baseline scenario predicts productivity growth of 1.7%). The aggregate long-term productivity growth forecast for the EU is 1.6%.

On the basis of modelling studies and detailed analyses, it is assumed that long-term productivity growth for Poland will be in the range of 1.8-3.6% (2.6% is the baseline scenario). Such an assumption is in line with OECD long-term productivity forecasts. This forecast is also consistent with long-term growth and convergence trends. The growth rate will be lower than in the quarter century after the transformation, which is due to the acceleration and scale of economic transformations at that time (introduction of a market economy, privatisation of state assets, accession to the European Union and the consequent drop in the risk premium). In the baseline and optimistic scenarios, Poland will continue to converge towards the EU average, but in the pessimistic scenario, there will be a regression in this respect.[5]

The strategy is geared towards inclusive socio-economic development. It has been assumed that the main driving force of development and the public priority is social cohesion. The strategy subordinates activities in the economic sphere to achieving objectives related to the level and quality of life of Polish citizens. It emphasises that the beneficiaries of economic development, to a greater extent than hitherto, are ordinary citizens and areas so far neglected in the development policy. It is assumed that the adoption of such a pattern will be conducive to the release of human capital, the strengthening of social capital and thus the optimal use of the development potential of the entire country. In the development process, enterprises - as suppliers of goods and services to the domestic and foreign markets, implementers of investments and taxpayers – play the main role by increasing their productivity and innovativeness. Their capital needs are met by the financial sector. The state plays the role of setting the conditions for the income distribution

[5] See Rada Ministrów. Strategia na rzecz Odpowiedzialnego Rozwoju do roku 2020 (z perspektywą do 2030 r.).

process (through social and territorial cohesion policies, redistribution and services) and the actions of all groups (regulations, institutional governance, macroeconomic environment).

The Draft Law on Amendments to the Law on Public Finance and Certain Other Laws contains provisions aimed, *inter alia*, at implementing solutions to achieve the second milestone (A2G) set for the Reform of the Budget System in the National Plan for Reconstruction and Increasing Resilience. This milestone provides for the establishment of a new budget system, which will consist of three elements, i.e.: a new classification system, a redefined medium-term budgetary framework and a new model of state budget management. The RSB was included in the KPO as it responds to the recommendation of the Council of the European Union in 2019 (the so-called CSR 1). At that time, the Council of the EU recommended Poland to take further measures to increase the efficiency of public spending, including by improving the budget system. This recommendation was upheld in 2022 and its validity confirmed in 2023. The 2019 document also pointed to the need for new instruments for better expenditure management. As the EU Council pointed out, a comprehensive reform of the budget system is complex and will be implemented in stages over several years. An intermediate milestone (A1G) on the development of the concept of a new classification system, defining the structure and detailed classifications of the single chart of accounts integrated with the budget classification, was achieved in 2022. The concept of the new classification system was published on 31 March 2022 and forms the basis for the work on classification changes. The draft amendment to the Public Finance Act introduces modifications in all areas covered by the CSR recommendations, starting with planning for 2026, in line with these recommendations. CSRs (country-specific recommendations) are individual recommendations provided to Member States in the context of the European Semester.

The proposed amendments to the Public Finance Act aim at meeting the recommendations formulated in the CSR and introduce solutions in three areas: medium-term budgetary framework, state budget management and budgetary classification. Poland, as part of the medium-term budgetary framework, undertook, *inter alia*, to analyse and strengthen the currently existing solutions concerning the Medium-term Budgetary Framework, as a result of which it is planned to modify the existing solutions in the area of multiannual planning, which will cover the forecasting of expenditures of the state budget and entities referred to in Article 122(1)(1) of the Act of 27 August 2009 on public finance, i.e.: executive agencies, budget economy institutions, state purpose funds and state legal persons, in a detail not less than that resulting from Article 21, Article 4, Article 29 and Article 31 of this Act, which define the layout of financial plans of entities.

Budgetary forecasts will be prepared, as before, using an unchanged policy rate. According to the European Commission's guidelines, an invariant policy rate assumption should be used for budget forecasting purposes. This assumption implies extrapolating revenue and expenditure trends and including in the forecasts, those activities generating budgetary effects that are known with sufficient detail.

In addition, only those actions which have been specified and accepted by the Council of Ministers should be taken into account. In the current legal state, the scenario of an unchanged policy course has been defined in Section 3(1) of the decree of the Minister of Finance of 21 March 2022 on the detailed manner, procedure and deadlines for the preparation of materials for the draft budget law.[6] It shall apply to determine the initial amounts of expenditure for the following years following the year for which the initial amounts of expenditure have been established. The project envisages the development of this solution and the extension of the planning perspective – multi-year forecasts will be drawn up for years (n) to (n+3). In subsequent budgetary planning cycles, previously prepared forecasts will be updated and developed/completed within the adopted range of years, taking into account new variables resulting from macroeconomic conditions, demographic parameters and decisions of the Government and Parliament of the Republic of Poland implemented between planning periods. As a result, the four-year horizon of the budgetary framework will be maintained in each planning period. In the light of EU regulations, the extension of budgetary planning and the presentation of projected figures beyond the financial year will contribute to a more effective and realistic budgetary policy in the medium term. The main part of the changes will be regulated, on the basis of an appropriately developed legislative delegation, in an executive legal act that regulates the process of planning the state budget.

In the area of state budget management, it is primarily assumed that: strengthening analytical and decision-making processes by improving the presentation layer of the budget law; presentation of new data within the framework of justification for the Budget Act (financial plans of funds created, entrusted or transferred to the Bank of the National Economy); the introduction of a new budgetary instrument allowing expenditure to be reallocated (changes in the structure of expenditure) during the financial year.

It is assumed that the improvement of the presentation layer will take place through the presentation in the Budget Act of the budgets of individual ministers and other disponents of budget parts (and not as previously exclusively budget parts) and will allow to obtain a complete picture of what resources the minister has at his disposal. This will increase the readability

[6] Journal of Laws item 745.

of the data in the budget bill, and consequently strengthen the analytical processes. The presentation in the justification to the Budget Act of financial plans of funds created, entrusted or transferred to the Bank of the National Economy on the basis of separate Acts will contribute to strengthening the transparency and transparency of public finances and increase the level of availability of public data. A new important element of the management of the state budget will be the establishment of a budgetary instrument allowing for the relocation of expenditure – changing its structure during the financial year while maintaining control of the Sejm. The mechanism provides for the aggregation of savings in expenditure incurred during the financial year. The "renewable" allocation reserve will be operational and will allow the Minister of Finance to initiate appropriate management actions in the course of the implementation of the state budget.

REFERENCES

Artyukhova, Nadiia, Inna Tiutiunyk, Sylwester Bogacki, et al. 2022. "Scenario Modeling of Energy Policies for Sustainable Development." *Energies* 15:7711. https:// doi.org/10.3390/en15207711

Bitner, Michał, Elżbieta Chojna-Duch, Marek Grzybowski, et al. 2011. *Prawo finansowe*. Vol. 1: *Finanse Publiczne*. Warszawa: Oficyna Prawa Polskiego.

Bogacki, Sylwester, and Tomasz Wołowiec. 2021. "Finacial regulation of individual debt ratio of local government units." *Biuletyn Stowarzyszenia Absolwentów i Przyjaciół Wydziału Prawa Katolickiego Uniwersytetu Lubelskiego* 1:17-31. https://doi.org/10.32084/sawp.2021.16.1-2

Dylewski, Marek, Beata Filipiak, Małgorzata Gorzałczyńska-Koczkodaj, et al. 2014. *Finanse publiczne Aspekty teoretyczne i praktyczne*. Warszawa: C.H. Beck.

Flejterski, Stanisław. 2007. *Metodologia finansów*. Warszawa: PWN.

Flejterski, Stanisław, and Jan K. Solarz. 2015. *Komparatystyka finansów*. Warszawa: C.H. Beck.

Głuchowski, Jan, Robert Huterski, Barbara Kołosowska, et al. 2006. *Finanse publiczne*. Toruń: TNOiK.

Gołaszewski, Marek. 2018. "Nowe reguły limitacji zadłużenia. Rewolucja czy ewolucja?" *Wspólnota* 11:6-13.

Guziejewska, Beata. 2010. *Finanse publiczne wobec wyzwań globalizacji*. Warszawa: Poltext.

Lublimow-Burzyńska, Iwona. 2014. *Finanse publiczne*. Zielona Góra: Uniwersytet Zielonogórski.

Majchrzycka-Guzowska, Alina. 2007. *Finanse i prawo finansowe*. Warszawa: LexisNexis.

Ofiarski, Zbigniew. 2019. *Ustawa o finansach publicznych. Komentarz*. Warszawa: Wolters Kluwer.

Osiatyński, Jerzy. 2006. *Finanse publiczne. Ekonomia i polityka*. Warszawa: PWE.

Ostaszewski, Janusz. 2011. *Finanse*. Warszawa: Difin.

Owsiak, Stanisław. 2005. *Finanse publiczne. Teoria i praktyka*. Warszawa: PWE.

Owsiak, Stanisław. 2015. *Finanse*. Warszawa: PWE.

Postuła, Igor, and Tomasz Wołowiec. 2011. "Model regulacyjny corporate governence w spółkach skarbu państwa. Praktyczne implikacje dla zarządzania." *Studia Prawno-Ekonomiczne* LXXXIII, 335-78.

Ruśkowski, Andrzej (ed.). 2000. *Finanse publiczne i prawo finansowe*. Warszawa: KiK.

Tyrakowski, Marek. 2017. *Zarys finansów publicznych i prawa finansowego*. Warszawa: Wolters Kluwer.

Walczak, Piotr. 2019. *Zmiany w finansach publicznych 2019*. Warszawa: C.H. Beck.

Wernik, Andrzej. 2014. *Finanse publiczne*. Warszawa: PWE.

Wojciechowski, Łukasz, and Tomasz Wołowiec. 2021. "Shortcomings of commonly used methods of measuring the economic activity of the country." *International Journal of New Economics and Social Sciences* 13, no. 1:101-11. https://doi.org/10.5604/01.3001.0015.2287

Wołowiec, Tomasz. 2012. "Financal knowledge as an endogenous source of the LGUs' potential." *Finansowy Kwartalnik Internetowy „e-Finanse"* 8, no. 1:108-16.

Wołowiec, Tomasz. 2013. "Multiannual financial perspective as a tool of local government unit development." *E-finanse* 9, no. 3:72-82.

Wołowiec, Tomasz. 2019a. "Legal conditions for the financing of local government units investments by parabanking financial instruments in Poland." *International Journal of Legal Science* 5(1):467-502. https://doi.org/10.5604/01.3001.0013.3252

Wołowiec, Tomasz. 2019b. "Income taxation versus fiscal Policy (selected problems)." In *Bezpieczeństwo prawne i bezpieczeństwo obrotu prawnego w Polsce*, edited by Jan Mojak, Agnieszka Żywicka, and Leszek Bielecki, 237-47. Lublin: Innovatio Press.

Wołowiec, Tomasz. 2020. "Modyfikacja indywidualnego wskaźnika zadłużenia od 1 stycznia 2019 r. a reguły limitacji zadłużenia jednostek samorządu terytorialnego." *Finanse Komunalne* 2:25-40.

Wołowiec, Tomasz. 2021. "The law regulations of individual debt ratio in the time of the COVID-19 pandemic." *Teka Komisji Prawniczej PAN Oddział w Lublinie* 1:515-27. https://doi.org/10.32084/tekapr.2021.14.1-42

Wołowiec, Tomasz, Sylwia Skrzypek-Ahmed, and Grzegorz Gliszczyński. 2021. "Individual Debt Ratio as a Way of Assesing the Financial Conditions of Local Government Units." European Research Studies Journal 2:34-46.

Wołowiec, Tomasz, and Piotr Wolak. 2009. *Podstawy finansów publicznych i prawa finansowego*. Nowy Sącz: WSB-NLU.

Wołowiec, Tomasz, and Tomasz Skica. 2011. "Diagnoza w obszarze wiedzy finansowej jednostek samorządy terytorialnego." In *Wiedza finansowa w praktyce działalności jednostek samorządu terytorialnego. Raport analityczny*, edited by Tomasz Skica, 5-10. Rzeszów: Wyższa Szkoła Informatyki i Zarządzania.

Wołowiec, Tomasz, Tomasz Skica, and Galya Gercheva. 2014. "Income taxes, public fiscal policy and economic growth." *E-finanse* 10, no. 3:52-64.

Wołowiec, Tomasz, and Ryszard Białek. 2020. "Bezpieczeństwo konkurencji ekonomicznej a luka podatkowa w podatku VAT i CIT." In *Kształtowanie bezpieczeństwa wewnętrznego w wymiarze administracyjno-prawnym jako zadanie wybranych podmiotów administracji publicznej i sektora prywatnego*, edited by Justyna Trubalska, and Łukasz Wojciechowski, 199-223. Lublin: Innovatio Press.

Wołowiec, Tomasz, and Ryszard Nowak. 2020. "Bezpieczeństwo ekonomiczne państwa a metody pomiaru aktywności gospodarczej." In *Kształtowanie bezpieczeństwa* *wewnętrznego w wymiarze administracyjno-prawnym jako zadanie wybranych podmiotów administracji publicznej i sektora prywatnego*, edited by Justyna Trubalska, and Łukasz Wojciechowski, 238-52. Lublin: Innovatio Press.

Wołowiec, Tomasz, and Marcin Marczuk. 2023. "Selected aspects of the financial strategy of the local goverment unit's oriented to the development of economic and social activity (financial and legal analysis)." *Teka Komisji Prawniczej PAN Oddział w Lublinie* XVI, no. 1:125-47. https://doi.org/10.32084/tkp.5282

Wołowiec, Tomasz, Iullia Myroshnychenko, Ihor Vakulenko, et al. 2022. "International Impact of COVID-19 on Energy Economics and Environmental Pollution: A Scoping Review." *Energies* 15(22):8407. https://doi.org/10.3390/en15228407

Wołowiec, Tomasz, Svitlana Kolosok, Tetiana Vasylieva, et al. 2022. "Sustainable Governance, Energy Security, and Energy Losses of Europe in Turbulent Times." *Energies* 15:8857. https://doi.org/10.3390/ en15238857

Wójtowicz, Wanda. 2003. *Zarys finansów publicznych i prawa finansowego*. Warszawa: Dom Wydawniczy ABC.

Zatonatska, Tetiana, Olena Liashenko, Yana Feraniuk, et al. 2023. "Impact of Migration on Forecasting Budget Expenditures on Education." *Sustainability* 15(21):15473. https://doi.org/10.3390/su152115473

Zhuravka, Fedir, Hanna Filatova, Petr Šuleř, et al. 2021. "State debt assessment and forecasting: time series analysis." *Investment Management and Financial Innovations* 18(1):65-75. 10.21511/imfi.18(1).2021.06