

Sławomira Kańduła, PhD
Poznań University of Economics and Business

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Metody uelastyczniania wydatków budżetowych państwa

Streszczenie

Wydatki budżetowe są głównym instrumentem wykonywania zadań państwa. Cechą struktury wydatków budżetu państwa w Polsce jest wysoki udział wydatków sztywnych (prawnie zdeterminowanych). Ich przeciwieństwem są wydatki elastyczne umożliwiające finansowanie nowych wyzwań stojących przed państwem. W artykule podkreśla się potrzebę przeprowadzenia reform zwiększających „pole” podejmowania w miarę swobodnych decyzji w ramach polityki budżetowej oraz omawia się sposoby uelastycznienia wydatków budżetu państwa.

Słowa kluczowe: budżet państwa, polityka budżetowa, wydatki sztywne, wydatki elastyczne

Methods of increasing the flexibility of state budget expenditure

Abstract

Public expenditure is the main instrument for performing the tasks of the state. In Poland, the structure of public expenditure is characterized by a relatively high share of fixed expenses. It is the opposite of flexible expenses used for funding new challenges to be dealt with by the government. The paper emphasizes the need to carry out reforms to expand the "space" for free decision-making in terms of budgetary policy. It also discusses methods of increasing the flexibility of the state budget expenditure.

Keywords: state budget, budgetary policy, fixed expenses, flexible expenses

JEL CODE: H50, H61

Introduction

State budgetary policy is to manage income, revenues and expenditures of the state budget in order to achieve the social and economic goals set out by the government and parliament (Fedorowicz 1998, p. 7). The main instrument of pursuing this policy is the state budget, whose functions include: redistribution of revenue, allocation of budgetary resources and stabilization of the economy. Public expenditure is the main instrument for implementing the allocation of public finance functions, including the state budget. From a legislative point of view, budget expenditure encompasses the financial resources allocated by the government and parliament to maintain state authorities and bodies, and meet the ultimate and non-returnable needs of the public, both through organizational functions and the provision of public services to individual beneficiaries, all based on democratic and public decisions made in the name of common good (Dębowska-Romanowska 2010, p. 119). The economic sense of budgetary expenditure consists in the use of part of GDP for the purposes of satisfying collective social needs and other goals specified in the social and economic policy of the state (Owsiak 2005, pp. 19-32).

Budget expenditure has always been the subject of research by economists, but recent years have seen increased interest in this economic category, also among lawyers. The rank of expenditure as a measure of state budgetary policy grew in significance after Poland's accession to the European Union as, in doing so, the instruments of monetary and budgetary policy became limited. Given that taxes in the EU are harmonized and the budget deficit and public debt are subject to the restrictions of the Maastricht Treaty, the main role is assumed by budg-

et expenditure (Kasperowicz-Stepień 2011, p. 84). The 2008 economic crisis, along with the measures taken to overcome it, have had a negative impact on the outcome of EU budgets. Initially, in many of them, as a result of increased spending or a decline in income, the budget deficit increased. Implementing solutions to limit budget expenditure is currently underway, which further adds to the importance of the level and structure of these expenses.

The purpose of this article is to assess the structure of state budget expenditure in Poland from 1997 to 2015 in terms of the possibilities of the flexible development of these expenses by governmental authorities and the presentation of new budgetary policy instruments aimed at making budget expenses more flexible. The following thesis was adopted: the effects of implementing new budgetary policy instruments will only be visible in a few years.

National and foreign publications were referenced throughout this article. Given that the issues at hand are relatively modern, these were mainly documents developed under the auspices of various public institutions. Data on the amount and structure of state budget expenditure was derived from statistical yearbooks of GUS (Polish Central Statistical Office), reports from the Ministry of Finance on the implementation of that budget and from opinions on draft budget plans commissioned by the Chancellery of the Senate.

This article is structured as follows: following the introduction, the basic spending principles within the state budget were presented; later, the concept of fixed and flexible expenses was defined. The next section discusses the amount and structure of state budget expenditure in Poland and presents ways of making budget expenses more flexible. The conclusion addresses the objective and the main thesis assumed in this paper.

General principles of state budget expenditure

The size and structure of state budget expenditure is on the one hand determined by (Kosikowski 2011, pp. 108-109): type of state system, scope of state funding of public tasks, scope and state of public finances (economic conditions), degree of centralization of organization of public finances (number of special-purpose funds), level of decentralization of public finances, and level of budgetary revenue. Historical and social determinants also influence the level and structure of these expenses. These determinants are social customs and expectations towards the state regarding the fulfillment of material and social needs. Then, there are geopolitical determinants that result in additional burdens on the state, such as membership of international economic and military organizations. Equally important are the legal regulations determining the amount of these expenses.

The principles of budget spending, which are considered on the theoretical basis, are more or less accurately reflected in national and international legal regulations. In Poland, these rules were contained primarily in the 2009 Public Finance Act and they include (Wójtowicz 2011, pp. 139-140; Piotrowska-Marczak 2012, pp. 4-5):

- general principles of financial management of public finance entities (principles of budget planning and implementation);
- quantitative spending limits of different expenses,
- expenditure rules (anchoring¹, temporary expenditure rule in 2011-2012, and since 2013 stabilizing expenditure rule amended as of 2016),
- rules relating to the budget balance,
- standards on the amount of State Treasury debt and public debt,
- regulations for prudence procedures and recovery program.

Budget as a financial plan of the state should meet the requirements defined in the form of the so-called budgetary rules. One of them is the principle of flexibility, whereby the budget should allow for modifications in the amounts it contains, such as updating the amount of

¹ Budget anchoring was to apply in 2006-2009. Under it, the state budget deficit was to never exceed PLN 30 billion a year.

certain expenses, reallocation of budget appropriations, use of budgetary reserves and extra-budgetary income.

Fixed expenses – an attempt to explain the concept

State budget expenditure is varied and can be systematized according to different mutually complementary and interchangeable criteria. It is interesting and important to allocate state budget expenditures from the standpoint of the possibility of the government and parliament to exert influence on them (the criterion of the legal nature of expenditure). Under this view, expenses are divided into: fixed (determined, obligatory, related) and flexible (variable, remaining, discretionary).

There is no legal definition of fixed expenses, nor is this concept properly elaborated in the literature. It also is not referenced in GUS statistics. In government documents (e.g. draft budgets and reports from the Council of Ministers from its implementation), this term appeared around 1999, but its meaning was never clarified.

Fixed expenses are the part of state budget expenditures that the government is obliged to bear under national law, international and court agreements and rulings (Echeverry, Bonilla, Moya 2006, p. 2, Ruśkowski 2015, p. 11). T. Dębowska-Romanowska (2010, p. 127) defines fixed expenses as "the amount, time and mode of financing that are defined so that they exclude, wholly or substantially, the decision-making (political) power of the public authority authorized to represent that public entity in the field of financial sovereignty (autonomy) in the sphere of expenditure policy". Recovery of this sovereignty can only occur after repealing or amending the rules that create them in the first place.

Most authors equate fixed expenses with legally determined expenditure (e.g. Owsiak 2005, pp. 575-576)². The legal determination may consist in determining the amounts of individual expenses in legal regulations or rules for calculating the amount of specific expenditure. It does allow for adjusting the amount and direction of the expenses against economic and social realities³. It also prevents the rationalization of spending (Dębowska-Romanowska 2010, p. 127).

Determining the list and amount of fixed expenses is a daunting task for at least two reasons. There is neither the catalog of these expenditures nor the list of regulations, agreements or rulings that impose the obligation to bear them, whereas the Ministry of Finance often changes the way the state budget spending is presented in reports on the implementation of the Budget Act. I will therefore not go beyond indicating these budget expenses which are traditionally referred to as fixed (e.g. Owsiak 2005, p. 576; Szpringer 2006; Russel 2010, Budzyński 2011).

Fixed expenses are expenditures for servicing the Treasury debt. They derive from the concluded agreements and are shaped by the exchange rate fluctuations. Failure to service debt service would mean loss of credibility on the financial markets, which would hinder future borrowing and would also entail a number of negative consequences for undermining citizens' trust in the state. These expenses also include subsidies for FUS and KRUS. Withdrawing these subsidies would threaten the collapse of the entire social security system (Owsiak 2005, p. 243). The same is true of grants for PFRON (Polish National Disabled Persons' Rehabilitation Fund). In addition, fixed expenses include: subventions and sometimes subsidies for local government units⁴. This is because the amounts contained in the Budget Act for the payment of subventions are – and may be for subsidies – the grounds for claims

² Unlike C. Kosikowski (2011, p. 114).

³ Fixed expenses are only one manifestation of the ongoing process of limiting political freedom in spending public funds. Another example is public procurement law and regulations on public assistance cases. The rules on the spending limits, such as determining the allowable amount of the budget deficit, are similar in that regard (Dębowska-Romanowska 2010, pp. 128-129).

⁴ This remains nonetheless debatable (see Kańduła 2005, pp. 132-133).

made by these units (Dębowska-Romanowska 2010, p. 137). Expenditure on road infrastructure and national defense also falls within the scope of fixed expenses, and so does expenditure such as family benefits, alimony benefits, social benefits, various allowances and vouchers (e.g. for family, nursing and childcare), expenditures commissioned to ZUS and KRUS, as well as social insurance and health insurance contributions covered by state budget (e.g. for non-professional soldiers, caregivers of sick family members, parents on parental leave). Similarly, the expenditure on pension benefits paid out from the state budget for the so-called. uniformed services (soldiers and officers, e.g. customs officers), and the salary of the judges and prosecutors at rest, belongs to fixed expenses. They also finance the offices of the chief executives of state authorities, the control and protection of the law and the judiciary⁵. Furthermore, they include expenses for subsidizing the purchase of housing loans and the reimbursement of the guarantee premiums paid to the savers on the housing savings books. This group also includes expenditure for contributions to the EU budget and for financing projects with EU funds. T. Budzyński also includes in this category the expenditures for the subsidy fund located at *Bank Gospodarstwa Krajowego*, although it seems incorrect given that the amount of these expenses is determined annually in the Budget Act (*Act ... 2002*).

The nature of expenses on remuneration in the state budgetary sector and their derivatives is unclear. The Ministry of Finance (2010, p. 45) and some authors (Owsiak 2005, p. 576) classify them as flexible expenses, but they seem to better fit fixed expenses (Dębowska-Romanowska 2007, p. 291). This is because they are based on legal regulations (*Act ... 1999*), where the principle of wage valorization and the pay scale are determined. In some cases, semi-fixed expenses are defined within fixed expenses, with the total amount of expenditure dependent on the number of beneficiaries (Markiewicz, Siwińska 2003, p. 6). Semi-fixed expenses may also encompass state budget expenditures for multiannual programs and subsidies for local government units (especially for commissioned tasks) etc. (Ruskowski 2015, p. 12).

When discussing fixed expenses, one should pay attention to their characteristic features. The main determinant of fixed expenses is legal regulations (legal provisions, ruled sentences, signed contracts). These expenses are also conditioned by historical factors, such as the customary annual indexation of benefits paid from the state budget. They further derive from the state's membership of international economic and military organizations and from contracts concluded. They involve political struggle because, even in light of the failure to fulfill all of the campaign promises, their impact on the structure of spending is undisputed. The fixedness of expenses limits the possibility of using them as discretionary instruments of state stabilization policy.

Fixed expenses must be budgeted in the appropriate amount and incurred irrespective of the socio-economic situation of the state and the will of the Minister of Finance. They can be reduced only by changing the relevant legal provisions and renegotiating the agreements. Changing the size of fixed expenses is only possible in the long-term perspective. This characteristic means that these expenses limit the options of state authorities for optimal use of budget funds as they "bind" these bodies already at the planning stage. This can be detrimental from the point of view of improving the efficiency of expenditure, the level of what is known as pro-development spending, and the possibility of emergency state intervention (in times of natural disasters, economic crises) (Russel 2010, p. 6). In addition, in the event of a need to cut spending in order to keep budget deficits within the set limits, "the possibility of expanding these limits is narrowed and, consequently, it proves quite distressing to those mainly managing flexible expenses" (Szpringer 2006, p. 30).

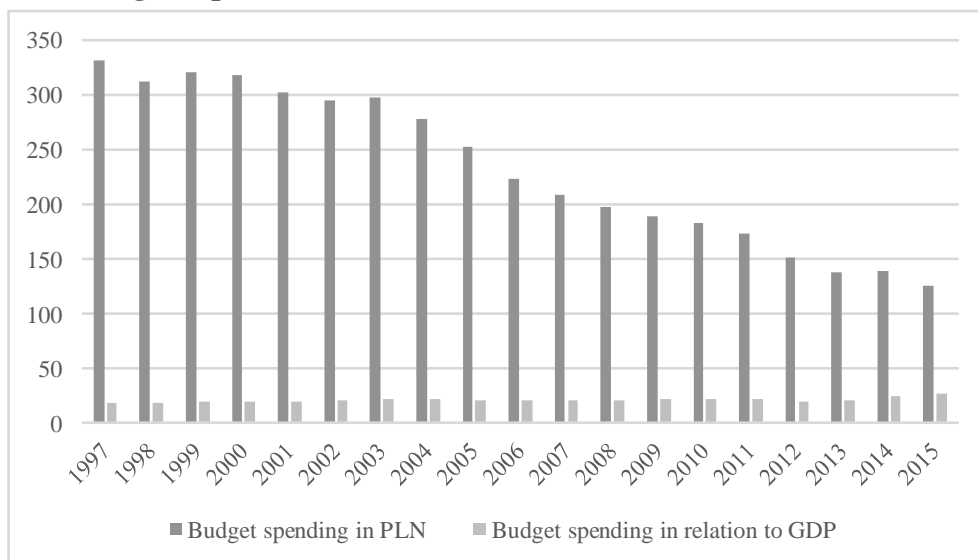
⁵ Financial plan drafts of these entities are included in the draft budget act and usually has not been subject to evaluation by the Council of Ministers or adjustment during parliamentary works. For several years, these expenses have been reduced in a discretionary manner by the parliamentarians.

On the other hand, the share of flexible expenses in budget expenditure determines the actual extent of freedom in allocating public funds for the implementation of public authority tasks. Flexible expenses reflect the government's and parliament's choices resulting from the hierarchy of socio-economic policy goals. These expenditures mainly include: subsidies for local government units (although T. Dębowska-Romanowska argues differently on this matter) and other entities forming (e.g. public universities) and not forming the public finance sector (e.g. non-governmental organizations, business entities), current (material) expenditures of state budgetary units and property expenditures. Sometimes they also include salaries and benefits for state officials (Szpringer 2006, p. 30, Owsiak 2005, p. 576, Kosikowski 2011, p. 120). The flexibility of some expenses is a relative term because in relation to some of them there are legal norms entitling to their receipt. Flexibility, in their case, is the issue of freely determining the amount of expenditure, rather than its occurrence at all (Kosikowski 2011, p. 120).

State budget expenditure in 1997-2015

Figure 1 shows the amount of state budget expenditure in 1997-2015. In the period under review, there was a nominal increase in state budget spending.

Figure 1. State budget expenditure in Poland in 1997-2015



Source: own study based on reports on the implementation of the state budget for the relevant years and verified estimation of gross domestic product for the period of 2010-2015 (www.stat.gov.pl, retrieved 21.10.2016).

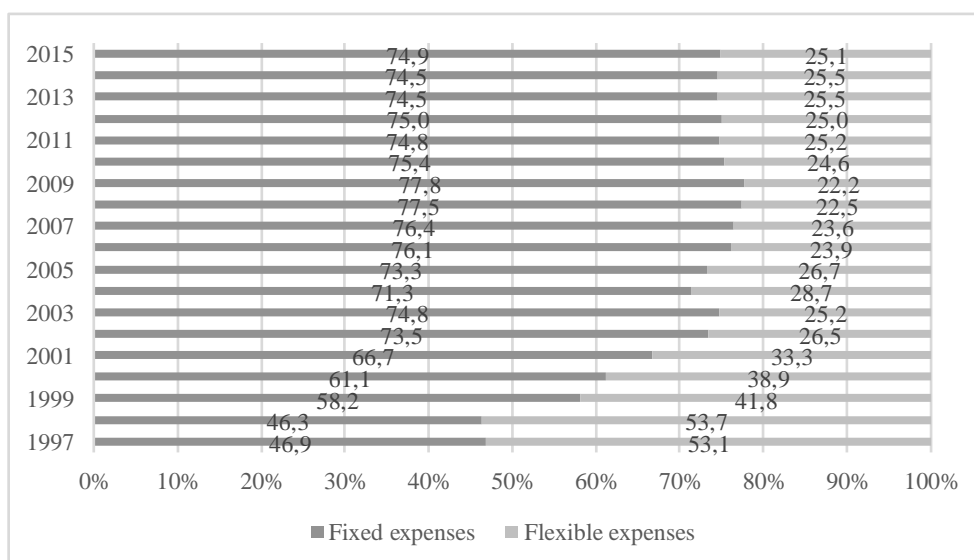
Only in 2010 and 2014 there was a nominal decrease in these expenses. A sharp increase in state budget expenditure occurred in 2001, having arisen from three factors: 1) the need to settle the liabilities resulting from the poor planning of the pension index in 2000, 2) repayment of outstanding state liabilities towards banks, mainly under the guarantee for housing savings books and interest on housing loans, 3) mistakes made in budget planning (income revaluation), which coincided with the economic downturn (Wernik 2007, p. 206). The drop in spending in 2010 was associated with the "freezing" of wages, whose effects in the following years were balanced out by the increase in their number (Baran, Sawulski 2016, p. 16). In 2014, the expenses amounted to PLN 312.6 billion and were 2.6% lower than in 2013, although their value was artificially lowered by approx. PLN 17.1 billion by transferring to FUS PLN 8.9 billion in the form of a loan (treated as disbursement, not expense) and reducing the

expenses on servicing the Treasury debt as a result of the takeover and redemption of treasury bonds held as assets of open pension funds transferred to ZUS (Wernik 2014, p. 8, 18).

The measure of budget spending is its relation to GDP. At first it accounted for about 22% of GDP, from 2004 it was at around 22% as well. Since 2011, these expenses account for less than 20% of GDP, which indicates their stability.

In the analyzed period, except for the years 1997-1998, fixed expenses dominated the expenditure of the state budget. These expenses grew in absolute terms as well as in relation to total state budget spending (Figure 2). For instance, in 2001, they were over PLN 113.0 billion and accounted for almost 67% of total state budget expenditure. Starting from 2004, they were affected by the obligatory contribution to the EU budget. At the same time, the classification of FUS compensation transfers was reduced due to the transfer of its part to open pension funds, known in Poland as OFE. That change triggered a reduction in the amount of fixed expenses and a simultaneous increase in the amount of budget disbursement. The highest share of fixed budget expenses took place in 2006-2009 when they accounted for as much as 76.1- 77.8% of total spending. A slight reduction of this share in the following two years (up to 75%) is, according to T. Budzyński (2010, p. 32), the result of transferring some of the expenditure to the EU budget.

Figure 2. Share of fixed and flexible expenses in state budget expenditure in 1997-2015 (in %)



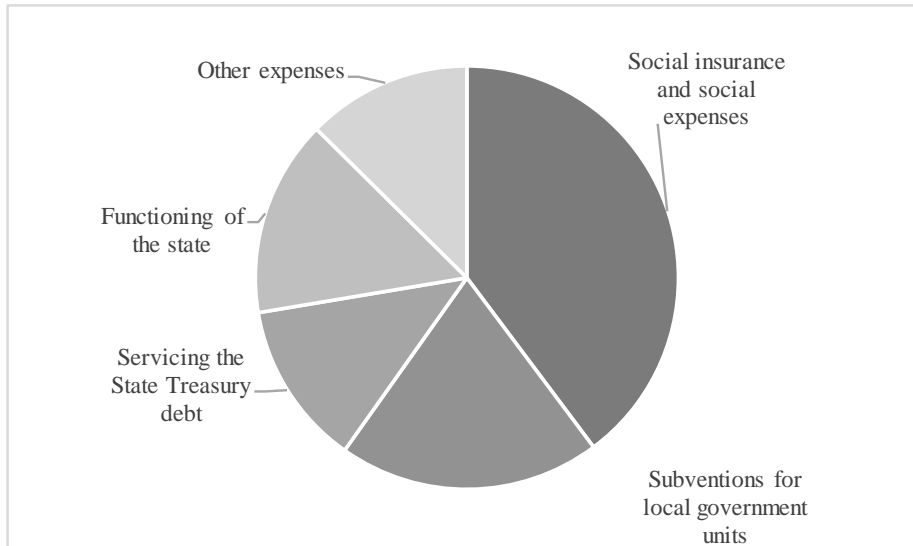
Source: own study based on: for 1997-2000 (Ministry of Finance 2002), for 2001-2004 (Ministry of Finance 2005), for 2005-2011 (Budzyński 2010, p. 31), for 2012-2013 (Budzyński 2012, p. 9), for 2014-2015 (Budzyński 2014, p. 10).

At the same time, it is worth recalling that when planning the state budget expenditure for 2011, the so-called temporary expenditure rule, which consisted in the fact that the increase in flexible expenses should not exceed 1% in real terms, introduced so as to hinder the growth of the State Treasury debt (Ministry of Finance 2010, pp. 42-43). In 2013-2014, the share of fixed expenses fell down to 75%, which is attributed to the impact of the disciplining expenditure rule (see Budzyński 2012, pp. 9-10), although the artificial lowering of expenditure must not be ignored either.

Although some of the expenses classified as fixed are issued to public finance entities, the majority is directed outside this sector. Looking at the structure of expenditures according to their groups (Figure 3), it can be said that expenditure on social insurance and social expenses is definitely prevailing, accounting for over 38% of all fixed expenses. About 20% of these

expenses are subventions for local government units, and more than 12% - expenses for servicing the Treasury debt. When considering particular fixed expenses in isolation, it should be noted that the prevailing items are: subventions for local government units, expenditures on servicing the Treasury debt, ZUS subsidies, national defense expenditures, which altogether constitute over 60% of fixed expenses.

Figure 3. Fixed state budget expenses structure in 2015 (in %)



Source: own study based on: Budzyński 2014, p. 11.

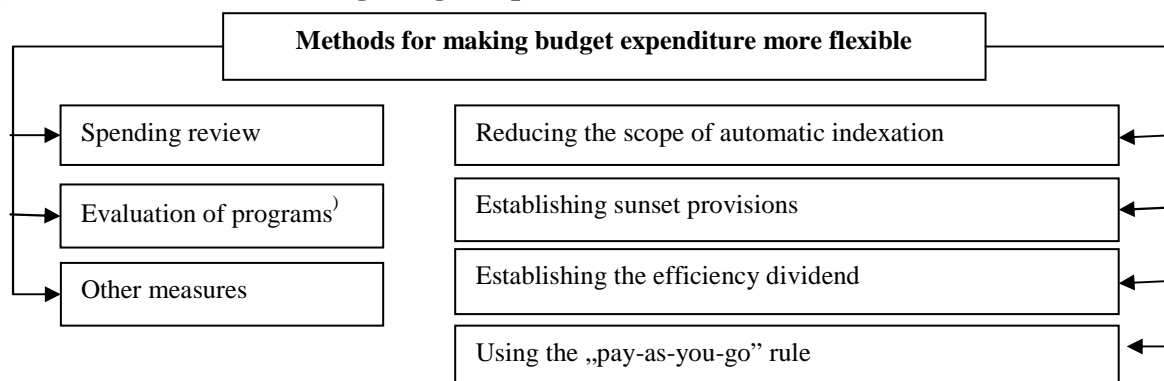
The structure of fixed expenses is dominated by social expenses meant for natural persons and their share will grow due to the implementation of the state's obligations, among others under the "500+" program, but some of this expenditure is pro-developmental. Interestingly, neither the most frequently criticized expenses on performing state tasks are the top budget item as they account for less than 1% of fixed expenses. Therefore, it is impossible to consider fixed expenses at global level and not account for their diverse nature.

New ways to make state budget expenditure more flexible⁶

Since the share of flexible expenses in budget expenditure determines the actual extent of freedom in allocating public funds, a large or increasing share of fixed expenses means that "fiscal space", i.e. room for the government to act relatively freely, is being reduced. This is unfavorable for many reasons, which necessitates finding new ways to make the budget more flexible (Figure 4). The new methods of reducing expenditures include⁷: spending reviews, reducing the scope of automatic indexation, sunset provision, establishing the "effectiveness dividend", applying the "pay-as-you-go" rule.

⁶ The section uses mainly materials published by the Polish Ministry of Finance (2015a; 2015b).

⁷ The traditional ("old") methods of expenditure restraint include expenditure rules and rules relating to the budget balance, Treasury debt and public debt, which were applied prior to 2015. Attempts are also being made to make spending more flexible by zero budgeting and performance of tasks in the public-private partnership formula.

Figure 4. Methods for making budget expenditure more flexible


a) A program should be understood as all ordered activities (regulations) financed from public funds.

Source: own study based on: Polish Ministry of Finance 2015a, pp. 5-8.

The starting point to discuss new instruments of fiscal policy must involve reference to expenditure rules. According to G. Kopits and S. Symansky (1998, p. 2), the fiscal rule is a permanent limitation of budgetary policy reflected in budgetary indicators, indicating that policy's progress. The following rules are distinguished: budget balance, public debt, income and expenditure. With the help of expenditure rules, either the amount of budget spending, expressed in nominal terms or real terms, in a given year, or its allowed increase, are regulated. This amount may be determined, for example, in relation to expenditure from the past period, in relation to GDP or other measures, such as the inflation index, the level of the medium-term inflation target set by RPP (Polish Monetary Policy Council). On the basis of such rules, the budget spending limit in a given year is determined, and with the help of other instruments, so is "fiscal space", i.e. how much budget can be allocated to finance flexible expenses, including new tasks. In order for the expenditure rule to prove effective, it is necessary to review and amend the rules determining the amount of public expenditure, including state budget spending.

Spending reviews are an examination of the directions, levels, ways of determining and purposefulness and efficiency of state budget expenditures. Spending reviews are justified since the applicable legal regulations, according to which the Budget Act is drafted for a given calendar year, are not conducive to political reflection on the need, effectiveness and efficiency of performing "publicly funded" public tasks (programs). Budgetary planning is governed by a historical approach: subsequent budgets are created on the basis of previous ones, supplemented with expenditures for new tasks. The Ministry of Finance itself (2015b, p. 3) admits that there are no comprehensive analyses conducted regarding the legitimacy of continuing tasks and financing new ones. The review should be distinguished from cuts in budgetary spending, which are usually based on a proportional reduction of all expenditures, without taking into account the impact (sometimes adverse) of such action on performing public tasks and meeting social needs. In contrast to "cuts", reviews are made according to a specific methodology, involving various entities (Minister of Finance, Minister responsible for a given task / program, external experts).

Spending reviews are to increase the efficiency of the expenditure of public funds in a given area. The review is done to assess the current expenditure policy and indicate the necessary changes. These changes may consist of:

- relocation of funds between financed tasks (programs),
- finalizing the financing of certain tasks (programs) or financing new ones,
- reducing the total amount of funds transferred to a given area, and in exceptional and justified cases, increasing these funds,
- improving the process of spending public funds.

Two types of spending reviews can be distinguished: performance review (operational, tactical) that allows to specify how existing services can be provided at lower costs, and strategic review that results in a change in spending priorities, reallocating funds or completing the financing of tasks considered ineffective or of low importance. In terms of the subject of the review, a comprehensive and selective review can be distinguished.

The decision to review various expenses was made in 2014. The spending reviews are made jointly by the employees of the Ministry of Finance and the Ministry responsible for achieving the objectives of the given state policy and expenses related to it. The following have been reviewed so far (with the conclusions published): policy of housing support, subsidies for seed and planting material, financial aid for low-income families. A spending review regarding social protection is currently under way. This review seems to be a very important instrument of fiscal policy, given that the so-called fiscal consolidation⁸ may take place during the crisis. It involves: suspension of payment of benefits, reduction of transfers and tightening the criteria for granting them.

The amount of some budget expenditures is correlated with the change in prices, so the method of spending flexibility is to reduce the scope of automatic indexation. There can be distinguished statutory, regarding e.g. the increase in pension benefits, and custom indexation. Influence of inflation on the size of budget expenditure is usually observed with an annual delay since the majority of social expenditures (e.g. old-age and disability pensions) is indexed based on inflation from the previous year (Jablecka, Jędrzejowicz 2015, p. 14).

The change in prices in the economy also affects budget expenditure not covered by indexation mechanisms, i.e. expenses shaped discretely (custom indexation). It has been assumed that budget managers, when preparing their spending proposals, treat inflation assumptions as an index by which they can automatically increase planned expenditures. The inflation forecasted for the upcoming year is used to establish nominal expenditure limits (for the purchase of materials and services as well as investment) and values of wage indexation for budget sector employees (Jablecka, Jędrzejowicz 2015, p. 16).

In an attempt to make budget spending more flexible, it is proposed to de-index some of them, i.e. to move away from their indexed valorization and lower the valorization of some expenses. The effect of de-indexation should be to reduce the state's share in the economy (by limiting the size of services provided) and to reduce the real value of transfers paid.

The next method of increasing the flexibility of budget spending is to establish what is known as a "sunset provision". Such provisions are to enforce automatic termination of the financing of a task after a specified period of time or a review of incurred expenses. This is to push the government to make a formal decision whether to continue with certain expenses. Such records will appear in legal acts that are the basis for making expenses for a specific task (program). According to OECD studies, the establishment of such provisions (for smaller

⁸ Fiscal consolidation can be understood either narrowly and broadly. In a narrow sense, fiscal consolidation (consolidation of the general government sector) means a statement of public income and expenditure after eliminating transfers within this sector. This prevents the double-counting of certain amounts, e.g. subventions for local government units, subsidies for special purpose funds, and enables the correct, i.e. in line with the EU methodology, calculation of the deficit/surplus of the entire sector and its subsectors. In a broad sense, this is a policy aimed at reducing the budget deficit and increasing public debt. It may consist, for example, in determining the amount by which the deficit or debt should be reduced or the period during which the improvement is to take place (Szpringer 2012). In this article, fiscal consolidation is understood in broad terms.

programs) did not bring satisfactory results in most countries, although in some they have been applied to all new spending upon the implementation of broader reforms.

It is anticipated that it will be possible to reduce fixed expenses in the long-term perspective if the purposefulness of making a given expense and its effectiveness are performed on an ongoing basis. Certainly, this is not easy due to the time-consuming nature of the assessment and the wide range and high level of generality of recommendations resulting from this type of practice. The low usefulness of such recommendations stems from at least two circumstances: 1) only some budget expenditures are planned based on the task-based method that enforces the statement of the purpose of spending funds and measures of the degree of its achievement; 2) recommendations are made by experts with theoretical knowledge, but rarely by practitioners who plan similar expenses and are responsible for their settlement. A separate issue is the timing of the preparation of such assessments, which should be adapted to the budget-planning procedure. It should also be emphasized that there is an asymmetry of information and divergence of objectives between the Minister of Finance and other Ministers. The goal of individual Ministers is to increase the efficiency of spending, whereas the Minister of Finance seeks potential savings.

Another instrument that makes the budget expenditure more flexible is the efficiency dividend, which means "a small reduction in expenditure used to reflect on the possibilities and encourage disposers to increase the efficiency and effectiveness of spending, without prejudice to the quality of the public service provided" (Polish Ministry of Finance 2015a, p. 8). This dividend is defined at the outset of the budget planning process, at the level of approx. 1-2% of administrative expenses. Its supporters emphasize that it will allow for a systematic reduction of state budget expenditures, including administrative expenses related to the transfers for local government units and other public finance entities, while its critics draw attention to the disproportionate treatment of the smallest entities and the lack of a clear relationship between the dividend and the increase in efficiency.

The last method of spending flexibility is referred to as the "pay-as-you-go" rule. Under it, the sources of financing new tasks are to be funds derived from a proportional reduction of other (earlier) expenses. The savings obtained are to be collected in a special fund for which Ministers "compete". This should be conducive to the creation of innovative proposals for the use of budgetary funds and to prevent unjustified continuation of existing tasks. With that being said, two negative aspects of this method can be indicated. First, the administrators of the "small" budget parts have fewer opportunities to reduce spending. Second, the reduction of expenditure is also to be related to investment. Will their reduction not lead to a drop in investment outlays below their desired size?

Conclusions

Fixed expenses are that part of the funds spent from the state budget which, to a certain extent, is determined by law and thus limits the decision-making sovereignty (independence) of the government and parliament. Fixed expenses mean liabilities, "obligations" of financing. They are not the subject of a political debate (during the budgetary procedure) on whether it is justified to finance a task (program), in what form and amount, and for how long. From the perspective of an economist, it is not the limitation political freedom but rather the lack of transparency in spending and, on a larger scale lack of flexibility in budgetary policy, that is more important.

The structure of state budget expenditure in Poland in 1997-2015 is unfavorable in terms of the possibility of the flexible development of these expenses. In the analyzed period, except for the years 1997-1998, this expenditure was dominated by fixed expenses which grew in absolute terms and in relation to the total budget spending of the state. A very high, over 70% share of fixed expenses in the total expenditure of the state budget was maintained for several years. Beginning in 2010, it stabilized at approximately 75%, which on the one hand is a de-

rivative of the temporary and stabilizing spending rule, and on the other - the effect of budgetary "treatments" artificially reducing budget spending.

The assessment of the structure of fixed expenses should be made with caution, in light of the fact that, although social expenditures for financing individual consumption prevails, there are also pro-development expenses among them. For this reason, when looking for "space" to make free decisions within the framework of budgetary policy, one should not make discretionary cuts in fixed expenses, but instead develop methods that will enable to rationally reduce them. These methods include such new tools of budgetary policy as: spending reviews, de-indexation of expenditure, sunset provisions, the efficiency dividend, the "pay-as-you-go" rule.

Generally speaking, the application of these instruments consists in examining the legitimacy, principles and amount of financing certain tasks from the state budget, as well as the effectiveness of various budget expenses. This requires examination of many legal acts, analysis of financial plans of budgetary managers and cooperation of employees of various Ministries. This process is politically difficult, apart from being both work- and time-consuming, which is why the effects of using these tools will become visible only in a few years. In the short term, it is likely that a small increase in spending flexibility can be achieved with the aid of the efficiency dividend and the "pay-as-you-go" rule. The annual reduction of expenditure below the inflation rate will reduce the amount of fixed expenses, and in the long run will increase fiscal space. In recent years, however, Poland has witnessed deflation and yet fixed expenses grew regardless. Therefore, linking expenditure to the inflation rate is not the main reason for their fixedness and so making them more flexible under the de-indexation method may not give satisfactory results. A prerequisite for the use of most of the methods discussed in this article is to review expenses, among other things to indicate which of them are inflation-dependent and for which sunset provisions may be applied. Other ways to make spending more flexible is: zero budgeting and performance of tasks in the public-private partnership formula, but the application of these instruments is still limited.

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