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Long-Term Programs as Instruments for the Effective Management of Public Finances: Fact or Myth?

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Long-term planning is recognized by modern science as an indispensable tool for the modern management of broadly understood finances, both private and public. It has been present for years in the financial management of many countries throughout the world. Therefore, it is reasonable to strive to adopt a similar system in relation to public finances in Poland. The sudden importance of long-term financial planning (budgeting) occurred in Poland along with its accession to the European Union. This is borne out by not only the need for social, economic, and financial national plans to take into account the common objectives of the European Union, but also the methods for preparing the plans, establishing priorities, strategic areas, etc. Poland, in becoming a member of the European Union, has also, to some extent, become the subject of planning. Current considerations lead to the conclusion that the strongest and most direct link of long-term planning with annual planning is long-term programs. Thus, the objective of this paper is to undertake analysis of this instrument of public finance management, with special emphasis on the pros and cons of such a solution. The author also proposed specific changes in relation to the multiannual programs that, in her opinion, will increase the effectiveness of the management of public funds allocated for their implementation.

Keywords: planning medium-term, long-term programs, effectiveness, public finance

Pogramy wieloletnie instrumentem efektywnego zarządzania finansami publicznymi – fakt czy mit

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Planowanie wieloletnie jest uznawane przez współczesną naukę za niezbędny instrument nowoczesnego zarządzania szeroko rozumianymi finansami zarówno prywatnymi, jak i publicznymi. Występuje ono od lat w gospodarce finansowej wielu państw na świecie, dlatego też zasadne jest dążenie do przyjęcia podobnego systemu w odniesieniu do finansów publicznych w Polsce. Skokowy wzrost znaczenia wieloletniego planowania finansowego (budżetowego) nastąpiło w Polsce wraz ze wstąpieniem do Unii Europejskiej. Świadczy o tym konieczność uwzględniania w krajowych planach społecznych, gospodarczych i finansowych nie tylko wspólnych celów Unii Europejskiej, ale także metod sporządzania planów, ustalania priorytetów, obszarów strategicznych itd. Polska, stając się członkiem Unii Europejskiej, stała

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się także w jakimś stopniu podmiotem planowania. Dotychczasowe rozważania prowadzą do wniosku, że najsilniejszy i bezpośredni związek planowania wieloletniego z planowaniem rocznym mają programy wieloletnie. W związku z tym celem niniejszego artykułu jest podjęcie się analizy tego instrumentu zarządzania środkami publicznymi ze szczególnym zwróceniem uwagi na wady i zalety tego rozwiązania. Autorka artykułu zaproponowała też wprowadzenie konkretnych zmian w odniesieniu do programów wieloletnich, co jej zdaniem podniesie efektywność zarządzania środkami publicznymi przeznaczonymi na ich realizację.

Słowa kluczowe: planowanie średniookresowe, programy wieloletnie, efektywność, finanse publiczne.

JEL: H61, H72

1. Introduction

Today's science considers multiannual planning a vital instrument for modern financial management in its broad sense, both public and private. It has been present in the financial management of many of the world's countries for years. For this reason, striving to adopt a similar system with respect to public finances in Poland is fully justified. In this context, it is worth stressing that accounting for the medium-term, showing how budgetary revenues and expenditures are shaped with a medium-term time horizon (at least three to five consecutive years), as demonstrated by the OECD, is a precondition for transparency in public finances. Thus, multiannual planning in the public sector can be deemed an institutional solution that through the working out of commitments and limitations as to the future direction of the development of public finances allows the building of a conviction that budgetary decisions made on the basis of such premises will, in the long term, work to achieve declared targets. This signifies that properly conducted multiyear budgetary planning makes possible the objectification of the process of assessing the functioning of public finances in connection with strategic social and economic priorities. Thus, prerequisite to the application of multiannual budgetary planning is the defining of priorities that should be led by an appropriate medium-term financial projection. Extending the time horizon of budgetary planning is actually an impulse facilitating a taking into account of assessment of the budgetary process as not only elements making up traditional fiscal discipline, but also aspects influencing the quality of public finances.

Bearing in mind the fact that public finances are subject to continuous evolution as well as the above premises. The approach to classical budgetary principles has also changed, including the principle of annuality. Annual budgeting is currently being supported, not supplanted, which will be discussed below, by multiannual budgetary planning. In the case of Poland, this is primarily served by changes introduced in the Act on Public Finances of 2009.

2. Multiannual and Medium-Term Planning

Developed over the centuries, the principle of “annuality” in budgeting primarily stems from the need of Parliament to maintain control over executive authorities with respect to performing the functions, programs, tasks, etc. as stated in the annual state budget. The assumed annual principle used in the state budget allows its adapting, especially in terms of expenses, to the changing needs of society and the economy. However, the annuality principle also has its weak sides. This is tied with the excessively short time horizon for which budgetary revenues and expenditures are passed and it is in this framework that multiannual planning provides support. With the development of budgetary relations and the growing role of the state budget in social and economic life, there has emerged a need to extend the projections and financial planning (budget). Tied with this is the building by state authorities as well as supra-state (e.g., the European Commission) ones of various programs with time horizons of several years, involving financing by public resources. Examples of national programs include: “Strategy for National Development 2007–2015,” (Ministry of Regional Development, 2006) “Strategy for National Development 2020,” (Council of Ministers, 2012) “Poland 2030: The Third Wave of Modernity, Long-Term Strategy for National Development” (draft) (Council of Minister, 2011) as well as supranational programs such as the Lisbon Strategy (Committee for European Integration, 2002), whose creative continuation is the “Europe 2020” (European Commission, 2010) strategy, numerous supranational sectorial programs, operational programs, etc. A positive example of the multiyear perspective approach to public financing is the “European Union Financial Perspective 2007–2013” (Commission of the European Communities, 2004) and the “New Financial Perspective 2014–2020” (The Council Of The European Union, 2013) The experiences from the “European Union Financial Perspective 2007–2013” as well as from various earlier European Union programs for members of that organization as well as for candidate countries (associated) leads to the conclusion that such a planning horizon for the budget and detailed directives of the European Union budget are an important factor stabilizing the process of multiannual budgetary planning, especially in countries where net revenues stemming from the European Union budget (funds) are significant, as is the case in Poland.

In the case of countries belonging to economic groups, the extending of the horizon for financial planning also stems from the need to meet conditions for convergence. Examples include convergence programs and their annual updates, and recovery programs in the case of countries belonging to the European Union that have violated the fiscal criteria of convergence. Such programs go beyond the one-year period, i.e. they are developed for a three-year time horizon, while what is known as fiscal consolidation contains information on desirable trends in the sphere of public revenue,

public expenditure, final balances of government and local government institutions, and the public debt. The presented macroeconomic financial values (indicators) are derived from macro- and microeconomic premises in the real sphere (material) of the economy, which in their turn are derived from detailed premises (e.g., work efficiency, fixed asset productivity, level of utilization of the manufacturing apparatus, and the population economic activity indicator). The macroeconomic goals as contained in the convergence programs are verified by domestic specialists as well as authoritative supranational institutions (e.g., the European Commission), analytic institutions (rating agencies), the World Bank, the OECD, etc. What is important in this case is the level to which the trends in public finances, the social sphere, and the real sphere as assumed by national authorities can actually be achieved. As a result of the verification performed by supranational authorities, adjustments to the convergence programs may be necessary in order to bring them in line with reality when they prove overly optimistic.

As to the sources and importance of multiannual budgetary planning (financial) in Poland, it is easy to note that in the first phase of systemic transformation nothing was done in this area, neither formally (no regulations in budgetary law) nor in any practical sense. The Budget Code (Act of January 5, 1991 – The Budget Code, Journal of Laws No. 4.), passed in 1991, encompassed a yearly planning horizon. Provisions going beyond the budgetary year were exceptional and applied to the financing of state investments (central) out of the state budget.

Multiannual planning made its appearance on a broader scale in the Act of November 26, 1998 on Public Finances (Journal of Laws No. 155, item 1014). It obligated the Minister of Finance to present macroeconomic assumptions for the budget year as well as for the next two consecutive years within the framework of the developed state budget. This was a question of macroeconomic assumptions such as the magnitude of the Gross Domestic Product (GDP), economic growth, the public debt, the budgetary debt, inflation indicators, the unemployment rate, etc. The cited act also introduced instruments such as multiannual programs and obliged the Minister of Finance to present a specification of multiyear investment projects and their sources of financing to Parliament.

The importance of multiannual financial planning (budget) took a sudden jump with Poland's entry into the European Union. This is seen in not only the need for national social, economic, and financial plans to not only take into account the common objectives of the European Union, but also methods for developing plans, establishing priorities, strategic areas, etc. In becoming a member of the European Union, Poland also became an object of planning, to a certain degree.

Some progress in implementing the concept of multiannual planning was ushered in with the amended legislation on public financing of June 30, 2005 (Journal of Laws No. 249, item 2103). That act included provi-

sions relating to the obligations of the Minister of Finance to develop a three-year Public Debt Management Strategy. The obligation to present the draft state budget as well as macroeconomic assumptions for two years was maintained.

Significant progress extending the budgetary planning horizon was made in the amended Act of August 27, 2009 on Public Finances (Journal of Laws No. 157, item 1240, with subsequent amendments). This was the first time that the concept of the State Multiannual Financial Plan (WPF) made its appearance. In line with the provisions of this act, the Minister of Finance was now obliged to present the assumptions of the draft budget to the Council of Ministers, taking into account assumptions found in the Multiannual State Financial Plan as well as action directions as found in Convergence Program of the Council of Ministers (The Council Of The European Union, 1997)).

The introduction of the institution of the Multiannual State Financial Plan defined the fact that it is a plan covering state budget income and expenses as well as revenue and expenditures for four budgetary years. The Multiannual State Financial Plan is a strategic document whose goal was to extend the budgetary perspective and tie it to the medium-period national development strategy. The new provisions of the Act on Public Finances detail that the Multiannual State Financial Plan, in its sections containing the Convergence Program, additionally define the main aims of social and economic policy, action planning and its impact on the level of income and expenses of the government and local government institution sector, the preliminary plans for the level of expenses as calculated in line with the expense stabilizing rule (Article 112aa, Clause 1 of the Act on Public Finances), changes in the scope of actions and goals as compared with the previous Convergence Program, and a preliminary prognosis of basic macroeconomic values, inclusive of assumptions used in their development.

Solutions to date lead to the conclusion that the strongest and most direct link between multiannual planning and annual planning is found in the multiannual programs. At the same time, worth stressing is the fact that multiannual programs are the only element of the Multiannual State Financial Plan based on state budgetary legislation. As can be seen in the name, multiannual programs make up an isolated section of tasks for which financing is guaranteed over successive years and for which a budgetary act is passed.

Gauging the efficiency of public funding allocated by way of the individual multiannual programs would require an in-depth analysis. However, it may be stated that this way of implementing state tasks guarantees their financial continuity. This generates the conditions necessary for the program implementing (coordinating) entity to concentrate on searching out the best methods for spending public money as well as alternative best paths for achieving targets. This direction of modernizing the mechanisms for

allocating financial resources may be described as being the most promising, although an excessively built up number of multiannual programs leads to increased rigidity in budgetary expenditure. In the case of Poland, this is of great significance due to its large share of legally determined total expenditures (approximately 72%).

The relative hardness of multiannual programs against political change is an important argument in favor of developing this method of budgeting public tasks. It obviously does not rule out some flexibility in supporting programs financed out of budgetary resources over concrete budgetary years, but it does maintain financial continuity, the fundamental prerequisite of effective utilization of that task-oriented budget.

3. Multiannual Programs: Elements of the Budgetary Act

Both the Act on Public Finances of 2009 with its subsequent amendments, currently in force, and earlier legislation regulating the public finance system, in stressing the constitutional principle of annuality in budgeting (pursuant to Article 119, Clause 1 of the Constitution of the Republic of Poland, the “Sejm [parliament] ratifies the state budget for the budgetary year in the form of the budget act”), assumed the application of solutions aimed at extending the period encompassed by budgetary planning. Among them it is possible to identify early signals of planning for multiyear investment project as well as incorporating budgetary limits on multiannual program expenditures. At the same time, it should be stressed that deviation from the principle of annuality encompasses solutions making possible the incurring of budgetary expenditures for the given year following its conclusion, but only with respect to European funds.

Ventures defined as multiannual programs are coupled with the state budget by reflecting the expenditures they require in the given budgetary year and successive ones out of the state budget. Thus, multiannual programs are a form of medium- and long-term financing by the public sector of state tasks. The legislative frame for multiannual programs is tied with economic multiannual programming, which is a form of strategic planning. It represents detailed assumptions, directions of action and methods as exercised by the state in the area of influencing the economy and achieving the designated targets, and specifying instruments that shall be used in the process of implementation. The first time that limits placed on multiannual program expenditures found their way into the state budget was on the basis of solutions contained in the Act of November 26, 1998 on Public Finances. Pursuant to Article 80, Clause 1 of that regulation, it was indicated that “the budgetary act may define, in addition to limits on expenditures for the budgetary year, limits on expenditures for multiannual programs found in the specification making up an attachment to the budgetary act.” It was then that a closed catalogue of areas within

which it was possible to establish multiannual programs, encompassing tasks involving national defense and safety, environmental protection, economic development, including the restructuring of selected areas, computerization, scientific development, cultural heritage protection, support for regional development, and healthcare, were defined. Formulated on the basis of regulations in force at that time, the specification making up an attachment to the budgetary act contained information for each and every multiannual programs it contained, including the program name, the organization unit responsible for program implementation or coordination of its execution, program objective, tasks that are to be financed out of the state budget, period of implementation of the program, total outlay (including out of the state budget) for program implementation, and level of expenditures in the budgetary year and in the next two consecutive years.

Over the first years of the functioning of multiannual programs, the process of their establishing was twofold. In the case of programs whose costs exceeded PLN 100 million (with the exception of support programs as discussed in the Act of May 12, 2000 on Principles of Supporting Regional Development and Healthcare Programs and as discussed in the Act of August 27, 2004 on Financing Healthcare Benefits out of Public Resources), legislative basis was required. A resolution of the Council of Ministers was sufficient for establishing programs whose value was lower. Starting with the year 2006, the only entity empowered to establish multiannual programs (by resolution) was the government. Moreover, the legislator stated that in establishing multiannual programs the Council of Ministers should be guided by the implementation of its strategies, with special care for defense and safety. The way in which the provision was formulated resulted in the expansion of the catalogue of areas that had been closed until then within the framework of which it was possible to establish multiannual programs.

The year 2009 provided the breakthrough in terms of the way in which multiannual programs were framed in budgetary regulations. It was then, taking into account the developing task-oriented system of planning in Poland, that the provisions of Article 122, Clause 1, item 4 of the Act of August 27, 2009 on Public Finances introduced the requirement that the specification of multiannual programs in the attachment to the budgetary act be task oriented. Moreover, the requirement was introduced to include the legal basis for the inclusion of the program. This solution created possibilities for expanding the planning of multiannual expenditures to include information regarding the projected results stemming from spending on medium-term goals as well as on ways to measure the level of performance of the planned tasks. Thus, the presentation of multiannual programs was expanded to include a "reporting section" (containing measures, their base values, and the planned results of the implementation of such programs over three successive years). As a result of the introduction of this change,

multiannual programs became an element introduced into the budgetary act as passed by the Sejm by task.

Bearing in mind the above, multiannual programs must follow a legislative path in line with government documents. The start of the process involves the submission by the relevant member of the Council of Ministers of a proposal for including the project document in the specification of legislative work. It is at this stage that the Office of the Chairman of the Council of Ministers is forwarded basic information regarding the project document that, in line with Article 3, Clause 2 of the Act of July 7, 2005 on Lobbying in the Process of Drafting Legislation (Journal of Laws No. 169, item 1414, with subsequent amendments) is subsequently placed in the Public Information Bulletin of the Council of Ministers. This information encompasses a defining of the reasons and need for introducing the solutions found in the planned project, the essence of the solutions, an indication of the body responsible for submitting the project to the Council of Ministers, and the defining of the proposed deadline for submitting the project for the Council's discussion

The successive phase of the legislative process involves the conducting of public consultations as well as interministerial consultations. It should be stressed that the consultation mechanism is set out in the Constitution of the Republic of Poland.

Apart from constitutional regulations regarding consultations, there are also those that bind government decisions (especially with respect to the government legislative process). Due to the fact that the greatest number of the most important political decisions is made on the government level, it is during this phase of legislative work (i.e. the legal basis for public consultations) that it is important to primarily point to Article 7, Clause 4 of the Act of August 8, 1996 on the Council of Ministers (Journal of Laws of 2012, item 392, with subsequent amendments) and Article 38 of the Act of September 4, 1997 on the Divisions of Government Administration (Journal of Laws of 2013, item 742, with subsequent amendments), which obligate the government and individual ministers to collaborate in the implementation of state policy with local government, representatives of professional and artistic communities, and social organizations. Moreover, the provisions of the bylaws regulating the work of the Council of Ministers define the procedure for conducting consultations relating to government projects. Also among the most important regulations is the Act of May 23, 1991 on Trade Unions (Journal of Laws of 2014, item 167), the Act of May 23, 1991 on Business Organizations (Journal of Laws No. 35, item 235, with subsequent amendments), the Act of July 6, 2001 on the Social-Economic Tripartite Commission and Voivodeship Commissions for Social Dialogue (Journal of Laws No. 10, item 1080, with subsequent amendments), the Act of May 6, 2005 on the Joint Government and Local Government Commission and Representatives of the Republic of Poland to the European Union

Committee of the Regions (Journal of Laws No. 90, item 759), and the Act of July 24, 2015 on the Social Dialogue Commission and other Social Dialogue Institutions (Journal of Laws of 2015, item 1240). The essence of these consultations is the fact that they form special institutional solutions, i.e. the Social Dialogue Commission and the Joint Government and Local Government Commission. As to government level, “industry” legal acts creating a more or less advanced form of consultative institution should also be mentioned. It is on their basis that bodies such as the Social Welfare Council, National Education Council, Supreme Employment Council, and the Council for Sustainable Development function, for example. Of particular meaning is the Act of April 24, 2003 on Public Service and Volunteer Services (Journal of Laws of 2010, No. 234, item 1536, with subsequent amendments). It is on its basis that the Council for Public Service Activities to the minister responsible for social policy functions. It is trilateral in character (it was, in fact, created using the Social-Economic Commission as a model). It includes representatives of the government, local government, and nongovernmental organizations.

After conducting the public and interministerial consultations, the draft legislation is forwarded for review by the Joint Government and Local Government Commission. At the same time, the organization of a resolving conference, if necessary, may be considered an element of the procedure for approving multiannual programs. The next stage is approval of the draft legislation by the European Affairs Committee. The last step in the procedure for passing the multiannual program is the presentation of the document before the Standing Committee of the Council of Ministers and the passage of such a resolution by the Council of Ministers.

4. Analysis of Multiannual Programs Implemented over the Years 2010–2016

Over the years 2010–2016, levels of expenditures out of the state budget and the number of multiannual programs approved by the Council of Ministers for implementation are depicted in Figure No. 1.

Analysis of financial outlay for the implementation of multiannual programs demonstrates a strong growth tendency after the year 2013, while observing a situation in which implemented programs over a successive seven years fell systematically (from eighty-eight at the start of 2010 to thirty-five planned for the year 2016). Over the years 2010–2016, the number of multiannual programs accepted for implementation fell by approximately 65%. However, financial outlay for their implementation grew by about 60%. Worth noting at this point is that the total number of multiannual programs includes multiannual support programs for investors, whose number amounted to forty-one in 2010, for example, while only nineteen were planned and renewed for the year 2012.

The situation shown in Figure No. 1 is primarily the outcome of the long-term investment character of multiannual programs. The result of this is growing financial outlay in the first years of their implementation while revealing the effects at a later time. Moreover, with the conclusion of the European Union financial perspective for the years 2007–2013, implementation of many programs launched in 2010 ended in 2014 and 2015.

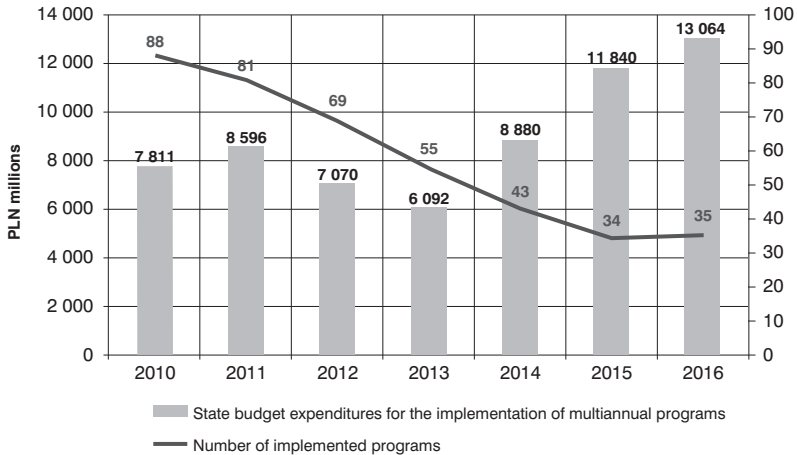


Fig. 1. State budget expenditures on the implementation of multiannual programs and the number of implemented programs over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

The setting up of multiannual programs primarily serves improved financial stability for state tasks stemming from the assumptions behind national development policy. In light of the fact that one of the attachments to the budgetary act for each multiannual program includes limits on expenditures for the budgetary year as well as the next two consecutive year, an interesting matter would be to analyze the levels of expenditures planned for the implementation of the given multiannual program in budgetary acts over the space of several years.

In order to confirm if these premises have been met, this paper provides an analysis using the budgetary act for the year 2016 as an example. The year 2016 projected the implementation of thirty-five multiannual programs for the planned sum of PLN 13,063.9 million (Council of Ministers, 2015), which is approximately 3.5%. Compared with the year 2013 this is 1.6% more, while with respect to the year 2010, it is 0.9% more budgetary resources earmarked for their implementation (Figure No. 2). Analysis of the multiannual programs shows that they vary in character in terms of allocated budgetary funding, implementation period, goals, and tasks. They

include programs with extremely long time horizons and major financial outlay. An example of such a program is the “Program for Cleaning the Country of Asbestos over the Years 2009–2013,” which has a planned outlay of PLN 40.4 billion. Other examples include programs spanning only a few years with relatively high outlay, such as “Program for the Development of *Gmina* [borough level] and *Powiat* [county level] Road Infrastructure over the Years 2016–2019” implemented over the years 2016–2019 for an amount estimated at PLN 4 billion as well as small programs such as the “European Culture Capital 2016” implemented over the years 2016–2017 for a total of PLN 210 million. Multiannual programs are entered into the function of the state and are identified in the task-oriented budget. Multiannual programs are implemented within the framework of actions defined in the task classification. Each program has a formulated goal and an entity indicated for its implementation or a program coordinator in the case of several entities responsible for implementation. Also indicated is the period of time for the implementation of the whole program, the level of outlay for the whole program, the level of outlay (expenditures and other costs) for the given budgetary year, and outlay to be incurred by the state budget over successive years of program implementation. Every program has a defined base value (initial value) as a measure and a final value for that measure. Information regarding the level of execution of the objective (measure) in the year for which the state budget is being planned makes possible an assessment of progress on the implementation of the goals of the given program. Moreover, each multiannual program also has the legal basis for its ratification indicated. Definitions of the measures used in

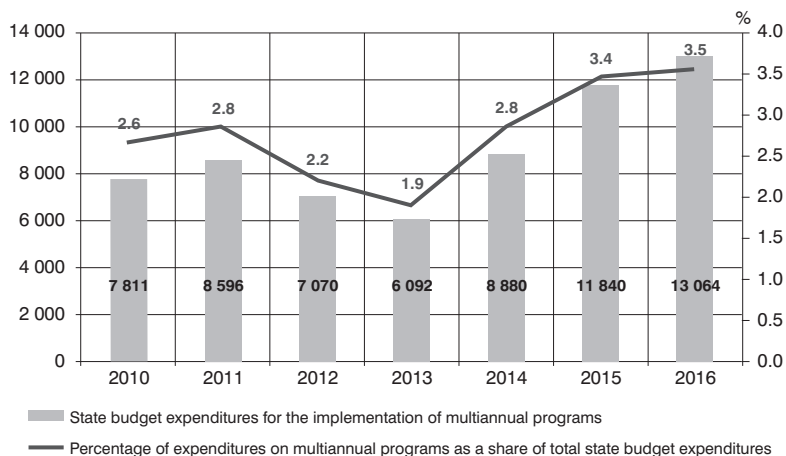


Fig. 2. State budget expenditures for implementation of multiannual programs over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>

implementing multiannual programs are specified in the resolution passed by the Council of Ministers. It is for this reason that in order to maintain uniformity in the specifications of the multiannual programs making up the attachment to the budgetary act, these measures are the ones found in the resolutions.

In analyzing the share of expenditures earmarked for implementation of multiannual programs in total state budget expenditures, it may be stated that it was on approximately the same level over the years 2010–2012 (2.2%–2.8%). The year 2013 saw the completion of the implementation of certain multiannual investment programs in connection with the closing of the financial perspective of the European Union budget for the years 2007–2013. At the same time, the new financial perspective for the years 2014–2020 made possible the continuation or passing of successive multiannual programs, which is reflected in the data found in Figure No. 2. Starting with the year 2014, expenditures on the programs are systematically growing and this tendency will probably be maintained over successive years.

5. The Effectiveness of Public Funding Expenditures on Basic Infrastructural Multiannual Programs

Catching up to the countries of Western Europe in terms of civilizational development and living standard are among the most important tasks in the sustainable national development policy. Actions are determined so as to create a strong structural basis for economic growth, especially an efficient transportation system. From the point of view of the significant development goals of Poland and the needs of its citizens, what should be done is the creation of appropriate infrastructure and guaranteeing the high quality of services on an open, competitive, and nondiscriminatory market. This section of the paper presents how multiannual programing has found application in the implementation of the specifics goals with respect to rail and road transportation.

The Polish rail transportation market is among the largest in Europe in terms of the number of entities functioning on that market and employment as well as length of the infrastructure, performed operational work, and shipping volume. Investment in rail infrastructure has been encompassed by multiannual programs in Poland. The first was the “Multiannual Program for Railroad Investment up to 2013 with a Perspective of 2015” and was passed by the Council of Ministers on November 7, 2011. A successive “Multiannual Program for Railroad Investment up to 2015” was passed by the Council of Ministers on November 5, 2013 and was a document defining the direction of investment in national rail infrastructure. It indicated actions in the area of modernizing existing lines as well as the building of new segments in order to increase accessibility and improve the quality of railroad transportation. Moreover, it was a continuation of

the previous program. On September 16, 2015 the Council of Ministers passed a resolution approving the “National Railroad Program up to the Year 2023.” The National Railroad Program (KPK) is a multiannual program encompassing investment in railroad lines that are mainly cofinanced by the minister responsible for transportation. The document implements strategies approved by the Council of Ministers, including the “National Development Strategy 2020” and the “Transportation Development Strategy up to 2020 with a Perspective of 2030.” The National Railroad Program will be in effect up to the year 2023, which is the moment when possibilities of the cofinancing of projects within the framework of the European Union financing perspective 2014–2020 ends. The document defines levels and sources of financing (including European Union and national funds) and also serves as a basis for guaranteeing the financing of investment projects in line with the Act on Public Finances. The level of expenditures on multiannual rail programs is presented in Figure No. 3.

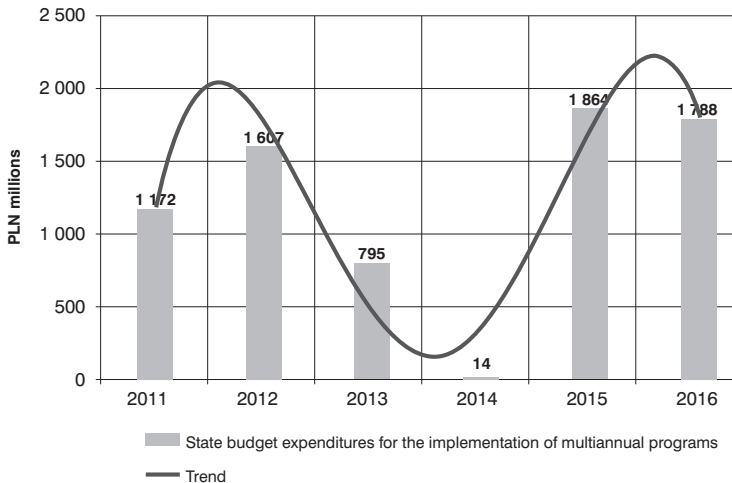


Fig. 3. State budget expenditures on implementing rail multiannual programs over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

In its turn, an analysis of expenditures on rail transportation over the years 2010–2016 subdivided into funding from the state budget and from European funding may be conducted on the basis of task-oriented budgetary reports that, in a simple manner, present the actually incurred financial outlay in concrete areas of the Polish economy. Analysis of the data presented in Figure No. 4 indicates that expenditures out of the state budget on rail transportation maintain a stable level, although the year 2015 started an upward tendency. Moreover, the new European Union

perspective for financing investment projects is noticeable as more and more of the financial outlay is out of European funding designated for railroad infrastructure (Figure No. 4). At the same time it should be stressed that expenditures incurred on rail transportation in Poland are actually much greater, if only because of the fact that the implementation of railroad multiannual programs is financed by various sources, including the Railroad Fund, credit granted by the European Investment Bank, and the own funds of the administrator.

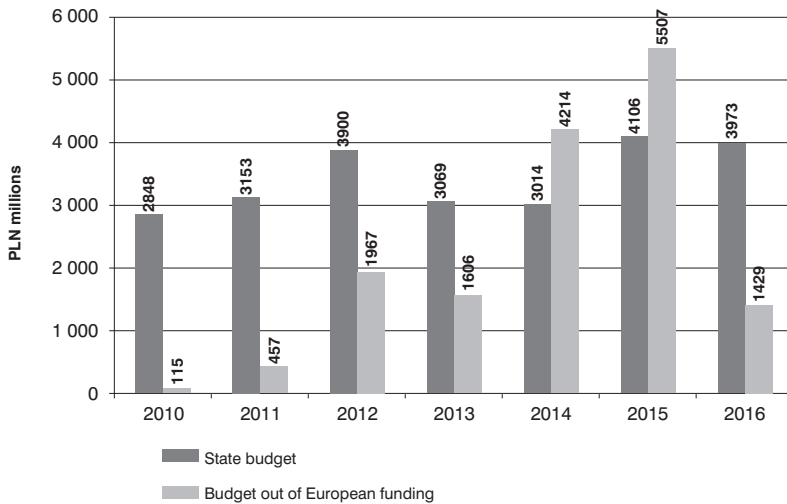


Fig. 4. State budget and European funding expenditures on rail transportation over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

In the context of road transportation, however, the first of the implemented programs was approved by a resolution of the Council of Ministers on January 25, 2011, the “National Road Building Program for the Years 2011–2015.” It assumed the creation of a network of highway, express route, and domestic road connections as well as the repair and maintenance of existing roads and the raising of their standards by changing their parameters. A successive program was confirmed on September 8, 2015 by way of a resolution of the Council of Ministers. It was the “National Road Building Program for the Years 2014–2023 (with a Time Horizon of 2025).” It defined directions of action as well as investment priorities in the area of the development of the national road network in Poland. This program provides a diagnosis of the present state of the road sector, defines both goals to be achieved and key areas creating bottlenecks in the transportation of people and freight. Thus, it relates to obligations and challenges facing Poland in the nearest future. This program is a document defining goals

in the area of infrastructure development for roads that are the property of the State Treasury, a schedule for implementation of projects serving the achievement of those goals, and sources of financing for the planned actions. It is a document of an operational-implementation nature with respect to the integrated “Transportation Development Strategy up to 2020 (with a Time Horizon of 2030).” Analysis of state budget expenditures on implementation of the multiannual road programs over the years 2010–2016 indicates that they are being maintained on a stable level, with a slight upward tendency (Figure No. 5).

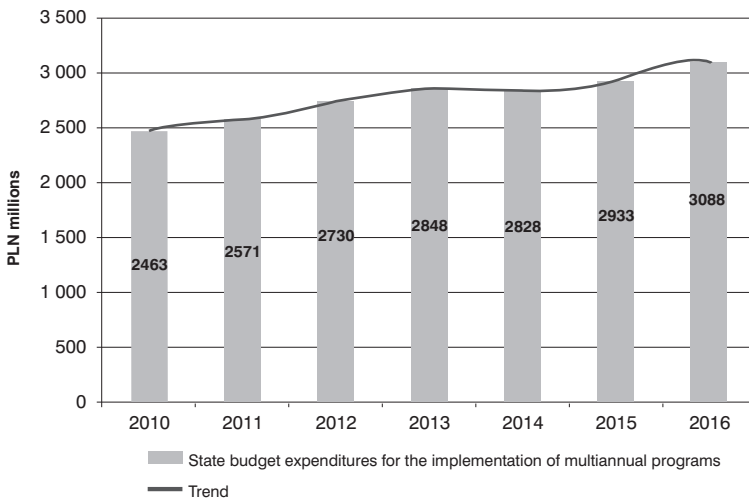


Fig. 5. State budget expenditures on implementing road multiannual programs over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

The joint analysis of expenditures on both public tasks (i.e. rail and road transportation) over the years 2010–2016 shows that road transportation significantly exceeds rail transportation. This is especially visible in Figure No. 6. Moreover, Figure No. 7 presents expenditures on implementing public tasks relating to road and rail transportation over the years 2010–2016 by financial outlay incurred by the state budget and out of European budgetary funds.

The presented graph shows expenditures put of the state budget and European budget funds linked with the implementing public tasks relating to road and rail transportation over the years 2010–2016. Such a graphic presentation in the form of a radar (spider) chart reveals the levels of financial outlay on both public tasks. The color red depicts the scope of modernization, construction, expansion, remodeling, and investment in rail transportation. The color blue shows the scope of such work for road transportation. As can be seen in the above figure, the scope of road trans-

portation significantly exceeds rail transportation. Nevertheless, rail transportation is encompassing an increasing scope (especially visible after the year 2014) in light of the possibilities given Poland in the new European Union financing perspective.

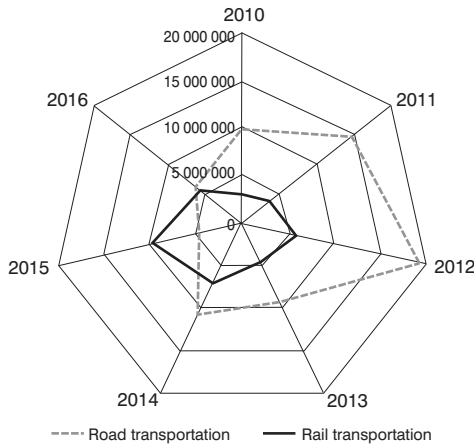


Fig. 6. State budget and European funding expenditures on implementing public tasks relating to road and rail transportation over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

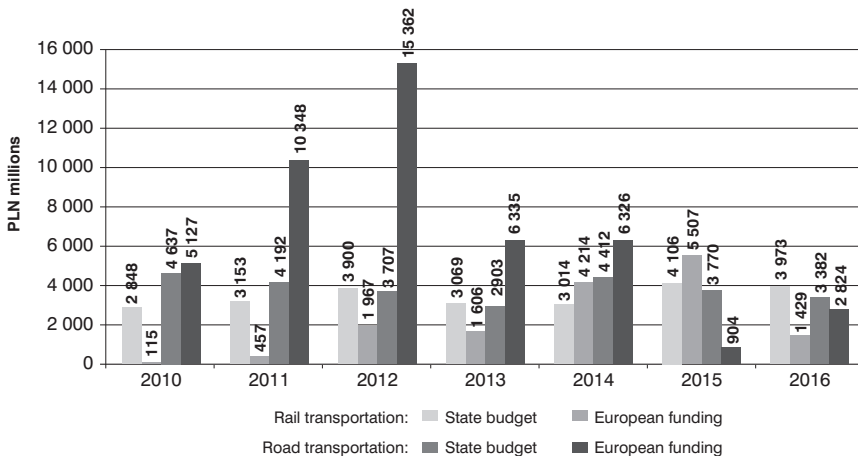


Fig. 7. State budget and European funding expenditures on implementing public tasks relating to transportation policy over the years 2010–2016. Source: Own work on the basis of data published at <http://www.mf.gov.pl>.

The data presented in Figure No. 7 reveal the role of European funding in the implementation of tasks in the Polish economy. Without a doubt, the main advantage of such resources is the potential for such major investment projects in the area of road and rail transportation. The highest outlay over the examined period was noted in the year 2012, when over PLN 19 billion were designated/spent on road transportation, including over PLN 15 billion out of the budget of European funds. Out of the examined period, the year 2015 turned out to be the year in which Poland designated the largest financial outlay on rail transportation, i.e. over PLN 9 billion, including over PLN 5.5 billion out of the budget of European funds.

6. Assessment of Multiannual Programs: A Summary

One of the main elements of multiannual budgetary planning in Poland is the implementation of multiannual programs. Its introduction into Polish budgetary legislation preceded the moment of total encompassing of the state budget with the multiannual planning procedure within the framework of the State Multiannual Financial Plan (WPFPP). It should be stressed that the legal obligation placed on the holders of the budgetary sections overseeing the implementation of individual multiannual programs encompasses not only the preparing and presentation of information of a financial character, but also information regarding efficiency allowing a precise assessment of the effectiveness of that implementation. At the same time, it is necessary to note that the approving of a multiannual program does not provide full guarantees of the stability of its financing in line with the plan as passed. Nevertheless, the presentation of information regarding multiannual program implementation, inclusive of its effectiveness, makes possible the application of greater pressure on achieving the assumed program objectives, even in situations where difficulties appear during implementation.

Multiannual programs, as has already been mentioned, form one of the attachments to the budgetary act and so are the only task-oriented element of the budget by force of legislation. Multiannual programs are a very important link in the process of managing public finances. Today, this is a very important element in managing the state. The growing expectations of citizens as to the quality of public services coupled with a simultaneous and significant aversion to the raising of taxes lead to a quest for new, more efficient methods of managing the finances of the public sector. The answer to such expectations is multiannual programs presented on a by-task basis showing not only the financial section with a several-year perspective, but also the effects of implementation.

The Act on Public Finances allows for changes to the revenues and expenditures of budgetary units. Thus, multiannual programs are established on the basis of the Act on Public Finances and are approved by the Council of Ministers by way of a resolution, where the manner and

procedure for implementing changes to the financial plan for the program are encompassed by the provisions of that Act.

The present formula for multiannual programs has its faults and is a basis for discussion. Firstly, all modifications to multiannual programs can only be made with respect to their financial aspect without drafting an evaluation of the effects. An element that is vital in the presentation of multiannual programs as discussed in Article 122, item 2 of the Act on Public Finances is the measures defining the level of completion of the targets. In light of the above, multiannual programs are not merely financial resources for the execution of public tasks, but also the way of presenting the effects of the distributed taxpayers' money. Currently, multiannual programs serve only as security for the holder for financing tasks as defined in the program. They provide financial security due to their multiyear character, but there is nothing securing the quality process in the performance of the programs. In spite of efforts, the effects presented in multiannual programs are only an addition to the programs. They are not an element of the expenditure process as a whole. Modifications made to the financial plans of the programs often do not take into account changes in presented measures. Moreover, most multiannual programs have measures of the product that do not fully reflect the importance of the given program to social and economic development.

A successive matter requiring change is, in the view of the author, reporting with respect to multiannual programs. Multiannual programs are presented by task. For this reason the principles that are in effect with respect to reporting are the regulations found in the directive of the Minister of Finance on task-oriented budget reporting (Minister of Finance, 2011). In light of the fact that multiannual programs are a part of the lowest level element of the task-based system covering actions, an RB-BZ1 (reporting form) prepared by the holder of the budget section does not wholly portray the report on the implementation of the multiannual program in either its financial aspect or in the part regarding the effects of its implementation. What is recommended is a change in the above-mentioned directive. Firstly, this is because multiannual programs are one of the elements of the budgetary act and they should be reported as they are planned. Planning document PR-Z is a different system, while reporting form Rb-BZ1 does not facilitated the reporting of a multiannual program because of its different way of presenting expenditures. Secondly, the directive should have an established, systematic, and individual reporting process that is exclusive to multiannual programs, which would facilitate reporting on the monitoring of program execution not only in terms of public expenditures, but also with respect to effects of implementation of the assumed goals of the programs.

There is good reason to make changes to the provisions of the Act on Public Finances. The Act contains wording that states that the specification

of multiannual programs includes the organizational unit implementing the program or coordinating its execution. What is recommended is the introduction of a change to this wording bringing in elements of the draft directive on public finances. Using the model used in the private sector, worth considering is the introduction of a project manager who would oversee the course of implementation of the multiannual program and its achievement of effect as defined and included in the program. The project manager would be responsible for the planning, implementation, and final settlement of the program. His or her basic task would be the guaranteeing of the achievement of assumed program goals and the creation of a product meeting quality requirements as specified in the definition of measures. The program manager would bear responsibility for the final effect of the implemented program and would have to demonstrate activity during all phases of implementation of the program. At the same time, in order to achieve better and more efficient supervision over the manager's work, his or her remuneration could be set with respect to implementation effects as achieved within the framework of program implementation, which would obviously guarantee motivation in work performance.

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