

FOR Communication 11/2022: More out-of-control funding - what can go wrong?

In response to Russia's invasion of Ukraine, the Law and Justice government began work on creating two new funds in the state-owned Bank Gospodarstwa Krajowego to finance "systemic aid" and additional military spending. At the moment, the debt beyond the control of the parliament amounts to PLN 260 billion. According to the government's plans, by the end of this year it will amount to PLN 350 billion, and by 2025 to over PLN 400 billion, i.e. about a quarter of the public debt calculated according to the EU methodology. The constitutionality of such actions raises serious doubts.

Summary:

- In response to Russia's invasion of Ukraine, the Law and Justice government began work on creating two new funds in the state-owned Bank Gospodarstwa Krajowego to finance "systemic aid" and additional military spending.
- Parliament, unlike the state budget, has nothing to say about how the money from these funds is spent, even though one source of their funding is bonds guaranteed by the Treasury.
- At the moment, the debt beyond the parliament's control amounts to PLN 260 billion. By the end of this year, according to the government's plans, it will amount to PLN 350 billion, and by 2025 to over PLN 400 billion, i.e. about a quarter of the public debt calculated according to the EU methodology.
- The constitutionality of such actions raises serious doubts, since expenditures serving the fulfillment of public functions and tasks should be included in the budget, and not pushed into successive funds from which funds can be spent without a budget law and without parliamentary control.
- Financial markets evaluate the credibility of the Polish state more and more poorly. Poland will incur ever higher costs of servicing its debt. Deteriorating transparency and stability of the public finance system reduces the economic security of the country.

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